A

REPORT

ON

"PERFORMANCE OF MUTUAL FUNDS AND ITS AWARENESS AMONG THE PATRONS IN THE PRESENT MARKET"

By

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ICFAI Business School
Mangalore

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Job number 3193

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Mahindra Finance

DECLARATION

I hereby declare that the project work entitled **"PERFORMANCE OF MUTUAL FUNDS AND ITS AWARENESS AMONG THE PATRONS IN THE PRESENT MARKET"** submitted in partial fulfillment of the requirements of the MBA program of ICFAI Business School is my original work and the project is not submitted as project previously to any institution for the award of any degree, associate ship, fellowship or any other similar titles.

Place:

Date: **Signature of the Student**

CERTIFICATE

This is to certify that the project work entitled **"PERFORMANCE OF MUTUAL FUNDS AND ITS AWARENESS AMONG THE PATRONS IN THE PRESENT MARKET"** is a bonafide project work carried out by **Mr.I.Raja Shekhara Sharma** MBA student, ICFAI Business School, Mangalore during February – may 2008 in partial fulfillment of the requirements of the MBA program and that the project work has not formed the basis for the award previously of any degree, diploma, associate ship, fellow ship, or other similar titles.

Place:

Date: **Signature of the guide**

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I take this opportunity to express my deep sense of gratitude to all those who have contributed significantly by sharing their knowledge and experience in the completion of this project work.

I am greatly obliged to, for providing me with the right kind of opportunity and facilities to complete this venture.

My first word of gratitude is due to **Mr. Jagadeesh Naidu – Relationship Manager, Mahindra Finance**, My corporate guide, for his kind help and support and his valuable guidance throughout my project. I am thankful to him for providing me with necessary insights and helping me out at every single step.

I am highly thankful to **Dr.Nagendra** – my internal faculty guide under whose able guidance this project work was carried out. I thank him for his continuous support and mentoring during the tenure of the project. Finally, I would also like to thank all my dear friends for their cooperation, advice and encouragement during the long and arduous task of carrying out the project and preparing this report.

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ABSTRACT

I joined Mahindra Finance for internship program (as a part of MBA) I only had a theoretical knowledge of related subjects, thanks to my Faculty Guide and my Company Mentor for giving me an opportunity to implement my theoretical knowledge in practical aspect.

My Company mentor ***Mr.Jagadeesh Naidu*** has given me the project to manage the relationship with the existing distributors, updating all the necessary information to them & to empanel new distributors with Mahindra finance in Mangalore. I started this project by understanding the concept & technicalities of Mutual Fund. Analysis of Mangalore market through Primary & Secondary data helped me for further strategy. I have collected the secondary data of different ratios, portfolios, volatility measures, NAV's performance & returns of all the leading amcs from the net and other source to make my analysis more effective. For the analysis of services' & overall quality of Mahindra finance I collected the Primary Data through Questionnaire which was provided by the company. It helped me a lot for my analysis. Interaction with IFAS (Individual Financial Adviser) also helped me to understand more the concept & technicalities of mutual funds & also, compare our company with other AMC's because these are the persons who have enough knowledge about the investment market and investor behavior.

The Final Report includes, the analysis of the whole data (primary and Secondary) by putting in Graphical Mode. This analysis might be a Value Addition to Mahindra finance to make a strategy for particular Area (MANGALORE).

NTRODUCTION

What is a Mutual fund?

Mutual fund is an investment company that pools money from shareholders and invests in a variety of securities, such as stocks, bonds and money market instruments. Most open-end Mutual funds stand ready to buy back (redeem) its shares at their current net asset value, which depends on the total market value of the fund's investment portfolio at the time of redemption. Most open-end Mutual funds continuously offer new shares to investors.

Also known as an open-end investment company, to differentiate it from a closed-end investment company. Mutual funds invest pooled cash of many investors to meet the fund's stated investment objective. Mutual funds stand ready to sell and redeem their shares at any time at the fund's current net asset value: total fund assets divided by shares outstanding.

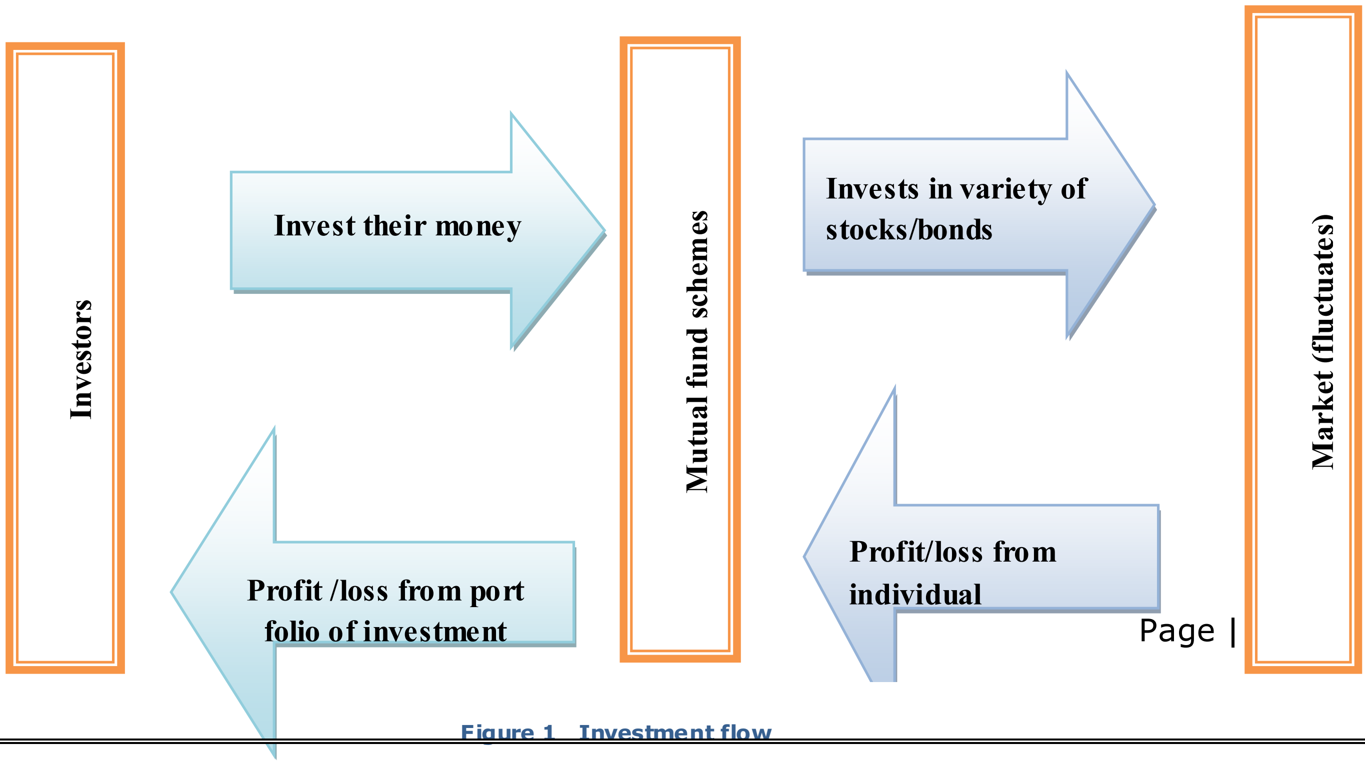


Figure 1 Investment flow

In Simple Words, Mutual fund is a mechanism for pooling the resources by issuing units to the investors and investing funds in securities in accordance with objectives as disclosed in offer document.

Investments in securities are spread across a wide cross-section of industries and sectors and thus the risk is reduced. Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at the same time. Mutual fund issues units to the investors in accordance with quantum of money invested by them. Investors of Mutual funds are known as unit holders.

The profits or losses are shared by the investors in proportion to their investments. The Mutual funds normally come out with a number of schemes with different investment objectives which are launched from time to time. In India, A Mutual fund is required to be registered with Securities and Exchange Board of India (SEBI) which regulates securities markets before it can collect funds from the public.

In Short, a Mutual fund is a common pool of money in to which investors with common investment objective place their contributions that are to be invested in accordance with the stated investment objective of the scheme. The investment manager would invest the money collected from the investor in to assets that are defined/ permitted by the stated objective of the scheme. For example, an equity fund would invest equity and equity related instruments and a debt fund would invest in bonds, debentures, gilts etc. Mutual fund is a suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

Advantages and Disadvantages of Mutual funds

Advantages of Mutual funds:

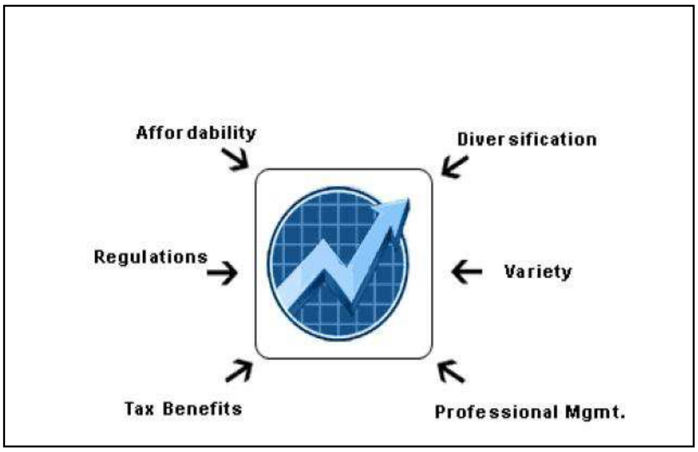


Figure 2 Advantages of mutual funds

• Professional Management - The primary advantage of funds (at least theoretically) is the professional management of your money. Investors purchase funds because they do not have the time or the expertise to manage their own portfolio. A Mutual fund is a relatively inexpensive way for a small investor to get a full-time manager to make and monitor investments.

• Diversification - By owning shares in a Mutual fund instead of owning individual stocks or bonds, your risk is spread out. The idea behind diversification is to invest in a large number of assets so that a loss in any particular investment is minimized by gains in others. In other words, the more stocks and bonds you own, the less any one of them can hurt you (think about Enron). Large Mutual funds typically own hundreds of different stocks in many different industries. It wouldn't be possible for an investor to build this kind of a portfolio with a small amount of money.

• Economies of Scale - Because a Mutual fund buys and sells large amounts of securities at a time, its transaction costs are lower than you as an individual would pay.

• Liquidity - Just like an individual stock, a Mutual fund allows you to request that your shares be converted into cash at any time.

• Simplicity - Buying a Mutual fund is easy! Pretty well any bank has its own line of Mutual funds, and the minimum investment is small. Most companies also have automatic purchase plans whereby as little as $100 can be invested on a monthly basis.

Disadvantages of Mutual funds:

• Professional Management- Did you notice how we qualified the advantage of professional management with the word "theoretically"? Many investors debate over whether or not the so-called professionals are any better than you or I at picking stocks. Management is by no means infallible, and, even if the fund loses money, the manager still takes his/her cut. We'll talk about this in detail in a later section.

• Costs - Mutual funds don't exist solely to make your life easier--all funds are in it for a profit. The Mutual fund industry is masterful at burying costs under layers of jargon. These costs are so complicated that in this tutorial we have devoted an entire section to the subject.

• Dilution - It's possible to have too much diversification (this is explained in our article entitled "Are You Over-Diversified?"). Because funds have small holdings in so many different companies, high returns from a few investments often don't make much difference on the overall return. Dilution is also the result of a successful fund getting too big. When money pours into funds that have had strong success, the manager often has trouble finding a good investment for all the new money.

• Taxes - When making decisions about your money, fund managers don't consider your personal tax situation. For example, when a fund manager sells a security, a capital-gain tax is triggered, which affects how profitable the individual is from the sale. It might have been more advantageous for the individual to defer the capital gains liability.

Equity funds, if selected in the right manner and in the right proportion, have the ability to play an important role in achieving most long-term objectives of investors in different segments. While the selection process becomes much easier if you get advice from professionals, it is equally important to know certain aspects of equity investing yourself to do justice to your hard earned money.

Knowing them and by using them in the selection process can make a big difference to the end result. Here are some important investment guidelines:

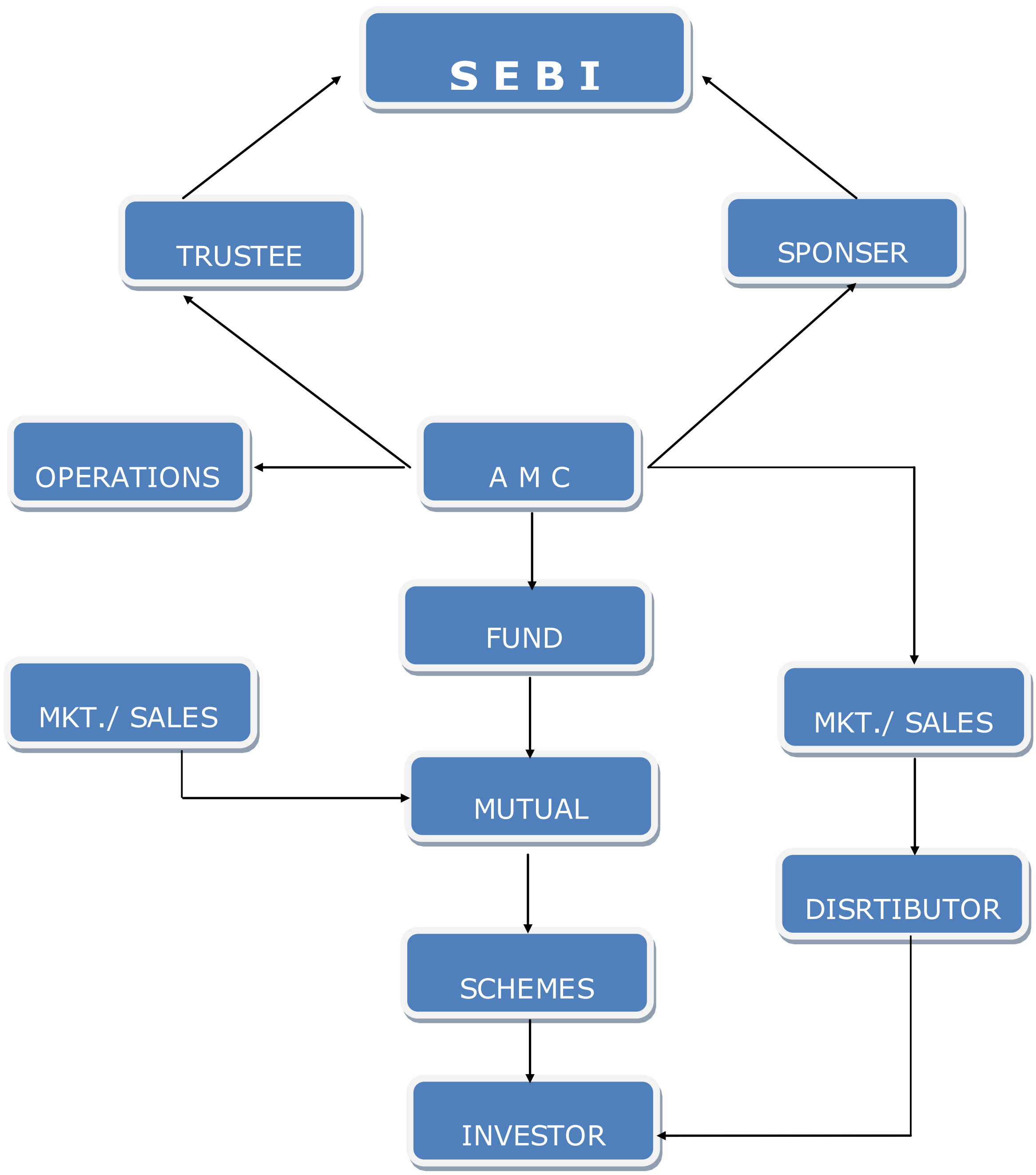


Figure 3 Flow from SEBI to INVESTOR

Types of Mutual funds

Schemes according to Maturity Period:

A Mutual fund scheme can be classified into open-ended scheme or close-ended scheme depending on its maturity period.

Open-ended Fund

An open-ended Mutual fund is one that is available for subscription and repurchase on a continuous basis. These Funds do not have a fixed maturity period. Investors can conveniently buy and sell units at Net Asset Value (NAV) related prices which are declared on a daily basis. The key feature of open-end schemes is liquidity.

Close-ended Fund

A close-ended Mutual fund has a stipulated maturity period e.g. 5-7 years. The fund is open for subscription only during a specified period at the time of launch of the scheme. Investors can invest in the scheme at the time of the initial public issue and thereafter they can buy or sell the units of the scheme on the stock exchanges where the units are listed. In order to provide an exit route to the investors, some close-ended funds give an option of selling back the units to the Mutual fund through periodic repurchase at NAV related prices. SEBI Regulations stipulate that at least one of the two exit routes is provided to the investor i.e. Either repurchase facility or through listing on stock exchanges. These Mutual funds schemes disclose NAV generally on weekly basis.

Fund according to Investment Objective:

A scheme can also be classified as growth fund, income fund, or balanced fund considering its investment objective. Such schemes may be open-ended or close-ended schemes as described earlier. Such schemes may be classified mainly as follows:

Growth / Equity Oriented Scheme

The aim of growth funds is to provide capital appreciation over the medium to long- term. Such schemes normally invest a major part of their corpus in equities. Such funds have comparatively high risks. These schemes provide different options to the investors like dividend option, capital appreciation, etc. And the investors may choose an option depending on their preferences. The investors must indicate the option in the application form. The Mutual funds also allow the investors to change the options at a later date. Growth schemes are good for investors having a long-term outlook seeking appreciation over a period of time.

Income / Debt Oriented Scheme

The aim of income funds is to provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures, Government securities and money market instruments. Such funds are less risky compared to equity schemes. These funds are not affected because of fluctuations in equity markets. However, opportunities of capital appreciation are also limited in such funds. The NAV's of such funds are affected because of change in interest rates in the country. If the interest rates fall, Nav's of such funds are likely to increase in the short run and vice versa. However, long term investors may not bother about these fluctuations.

Balanced Fund

The aim of balanced funds is to provide both growth and regular income as such schemes invest both in equities and fixed income securities in the proportion indicated in their offer documents. These are appropriate for investors looking for moderate growth. They generally invest 40-60% in equity and debt instruments. These funds are also affected because of fluctuations in share prices in the stock markets. However, NAV's of such funds are likely to be less volatile compared to pure equity funds.

Money Market or Liquid Fund

These funds are also income funds and their aim is to provide easy liquidity, preservation of capital and moderate income. These schemes invest exclusively in safer short-term instruments such as treasury bills, certificates of deposit, commercial paper and inter-bank call money, government securities, etc. Returns on these schemes fluctuate much less compared to other funds. These funds are appropriate for corporate and individual investors as a means to park their surplus funds for short periods.

Gilt Fund

These funds invest exclusively in government securities. Government securities have no default risk. Nav's of these schemes also fluctuate due to change in interest rates and other economic factors as is the case with income or debt oriented schemes.

Index Funds

Index Funds replicate the portfolio of a particular index such as the BSE Sensitive index, S&P NSE 50 index (Nifty), etc these schemes invest in the securities in the same weight age comprising of an index. Nav's of such schemes would rise or fall in accordance with the rise or fall in the index, though not exactly by the same percentage due to some factors known as "tracking error" in technical terms. Necessary disclosures in this regard are made in the offer document of the Mutual fund scheme. There are also exchange traded index funds launched by the Mutual funds which are traded on the stock exchanges.

Mutual funds have emerged as the best in terms of variety, flexibility, diversification, liquidity as well as tax benefits. Besides, through MF's investors can gain access to investment opportunities that would otherwise be unavailable to them due to limited knowledge and resources.

Mutual funds have the capability to provide solutions to most investors' needs, however, the key is to do proper selections and have a process for monitoring.

OBJECTIVE OF THE PROJECT:

- To get an insight knowledge about mutual funds
- Understanding the different ratios & portfolios so as to tell the distributors about these terms, by this, managing the relationship with the distributors
- To know the mutual funds performance levels in the present market
- To analyze the comparative study between other leading mutual funds in the present market.
- To know the awareness of mutual funds among different groups of investors.
- To evaluate consumer feedback on mutual funds
- Finding out ways and means to improve on the services by ***Mahindra finance***

What are sector specific funds/schemes?

These are the funds/schemes which invest in the securities of only those sectors or industries as specified in the offer documents. E.g. Pharmaceuticals, Software, Fast Moving Consumer Goods (FMCG), Petroleum stocks, etc. The returns in these funds are dependent on the performance of the respective sectors/industries. While these funds may give higher returns, they are more risky compared to diversified funds. Investors need to keep a watch on the performance of those sectors/industries and must exit at an appropriate time. They may also seek advice of an expert.

What is Tax Saving Scheme?

These schemes offer tax rebates to the investors under specific provisions of the Income Tax Act, 1961 as the Government offers tax incentives for investment in specified avenues. E.g. Equity Linked Savings Schemes (ELSS). Pension schemes launched by the Mutual funds also offer tax benefits. These schemes are growth oriented and invest pre-dominantly in equities. Their growth opportunities and risks associated are like any equity-oriented scheme.

NET ASSET VALUE:

A mutual fund is a common investment vehicle where the assets of the fund belong directly to the investors. Investors' subscriptions are accounted for by the fund not as liabilities or deposits but as Unit Capital. On the other hand, the investments made on behalf of the investors are reflected on the assets side and are the main constituent of the balance sheet. There are, however, liabilities of a strictly short-term nature that may be part of the balance sheet. The fund's Net Assets are therefore defined as the assets minus the liabilities. As there are many investors in a fund, it is common practice for mutual funds to compute the share of each investor on the basis of the value of Net Assets per Share/Unit, commonly known as the Net Asset Value (NAV).

The following are the regulatory requirements and accounting definitions laid down by SEBI.

$$\textbf{NAV} = \frac{\text{Market / fair value of schemes investments} + \text{receivables} + \text{accrued income} + \text{other assets} - \text{accrued expenses} - \text{payables} - \text{other liabilities}}{\text{Number of units outstanding}}$$

For the purpose of the NAV calculation, the day on which NAV is calculated by a fund is known as the valuation date.

A fund's NAV is affected by four sets of factors:

· Purchase and sale of investment securities

· Valuation of all investment securities held

· Other assets and liabilities, and

· Units sold or redeemed

What is a Fund of Funds (fof) scheme?

A scheme that invests primarily in other schemes of the same Mutual fund or other Mutual funds is known as a fof scheme. An fof scheme enables the investors to achieve greater diversification through one scheme. It spreads risks across a greater universe.

What is a Load or no-load Fund?

A Load Fund is one that charges a percentage of NAV for entry or exit. That is, each time one buys or sells units in the fund, a charge will be payable. This charge is used by the Mutual fund for marketing and distribution expenses. Suppose the NAV per unit is Rs.10. If the entry as well as exit load charged is 1%, then the investors who buy would be required to pay Rs.10.10 and those who offer their units for repurchase to the Mutual fund will get only Rs.9.90 per unit. The investors should take the loads into consideration while making investment as these affect their yields/returns. However, the investors should also consider the performance track record and service standards of the Mutual fund which are more important. Efficient funds may give higher returns in spite of loads.

A no-load fund is one that does not charge for entry or exit. It means the investors can enter the fund/scheme at NAV and no additional charges are payable on purchase or sale of units.

Can a Mutual fund impose fresh load or increase the load beyond the level mentioned in the offer documents?

Mutual funds cannot increase the load beyond the level mentioned in the offer document. Any change in the load will be applicable only to prospective investments and not to the original investments. In case of imposition of fresh loads or increase in existing loads, the Mutual funds are required to amend their offer documents so that the new investors are aware of loads at the time of investments.

What is a sale or repurchase/redemption price?

The price or NAV a unit holder is charged while investing in an open-ended scheme is called sales price. It may include sales load, if applicable.

Repurchase or redemption price is the price or NAV at which an open-ended scheme purchases or redeems its units from the unit holders. It may include exit load, if applicable.

What is an assured return scheme?

Assured return schemes are those schemes that assure a specific return to the unit holders irrespective of performance of the scheme.

A scheme cannot promise returns unless such returns are fully guaranteed by the sponsor or AMC and this is required to be disclosed in the offer document.

Investors should carefully read the offer document whether return is assured for the entire period of the scheme or only for a certain period. Some schemes assure returns one year at a time and they review and change it at the beginning of the next year.

Can a Mutual fund change the asset allocation while deploying funds of investors?

Considering the market trends, any prudent fund managers can change the asset allocation i.e. He can invest higher or lower percentage of the fund in equity or debt instruments compared to what is disclosed in the offer document. It can be done on a short term basis on defensive considerations i.e. To protect the NAV. Hence the fund managers are allowed certain flexibility in altering the asset allocation considering the interest of the investors. In case the Mutual fund wants to change the asset allocation on a permanent basis, they are required to inform the unit holders and giving them option to exit the scheme at prevailing NAV without any load.

How to invest in a scheme of a Mutual fund?

Mutual funds normally come out with an advertisement in newspapers publishing the date of launch of the new schemes. Investors can also contact the agents and distributors of Mutual funds who are spread all over the country for necessary information and application forms. Forms can be deposited with Mutual funds through the agents and distributors who provide such services. Now days, the post offices and banks also distribute the units of Mutual funds. However, the investors may please note that the Mutual funds schemes being marketed by banks and post offices should not be taken as their own schemes and no assurance of returns is given by them. The only role of banks and post offices is to help in distribution of Mutual funds schemes to the investors.

Investors should not be carried away by commission/gifts given by agents/distributors for investing in a particular scheme. On the other hand they must consider the track record of the Mutual fund and should take objective decisions.

Can non-resident Indians (NRIs) invest in Mutual funds?

Yes, non-resident Indians can also invest in Mutual funds. Necessary details in this respect are given in the offer documents of the schemes.

How much should one invest in debt or equity oriented schemes?

An investor should take into account his risk taking capacity, age factor, financial position, etc. As already mentioned, the schemes invest in different type of securities as disclosed in the offer documents and offer different returns and risks. Investors may also consult financial experts before taking decisions. Agents and distributors may also help in this regard.

How to fill up the application form of a Mutual fund scheme?

An investor must mention clearly his name, address, number of units applied for and such other information as required in the application form. He must give his bank account number so as to avoid any fraudulent encashment of any cheque/draft issued by the Mutual fund at a later date for the purpose of dividend or repurchase. Any changes in the address, bank account number, etc at a later date should be informed to the Mutual fund immediately.

What should an investor look into an offer document?

An abridged offer document, which contains very useful information, is required to be given to the prospective investor by the Mutual fund. The application form for subscription to a scheme is an integral part of the offer document. SEBI has prescribed minimum disclosures in the offer document. An investor, before investing in a scheme, should carefully read the offer document. Due care must be given to portions relating to main features of the scheme, risk factors, initial issue expenses and recurring expenses to be charged to the scheme, entry or exit loads, sponsor’s track record, educational qualification and work experience of key personnel including fund managers, performance of other schemes launched by the Mutual fund in the past, pending litigations and penalties imposed, etc.

When will the investor get certificate or statement of account after investing in a Mutual fund?

Mutual funds are required to dispatch certificates or statements of accounts within six weeks from the date of closure of the initial subscription of the scheme. In case of close-ended schemes, the investors would get either a demat account statement or unit certificates as these are traded in the stock exchanges. In case of open-ended schemes, a statement of account is issued by the Mutual fund within 30 days from the date of closure of initial public offer of the scheme. The procedure of repurchase is mentioned in the offer document.

How long will it take for transfer of units after purchase from stock markets in case of close-ended schemes?

According to SEBI Regulations, transfer of units is required to be done within thirty days from the date of lodgment of certificates with the Mutual fund.

As a unit holder, how much time will it take to receive dividends/repurchase proceeds?

A Mutual fund is required to dispatch to the unit holders the dividend warrants within 30 days of the declaration of the dividend and the redemption or repurchase proceeds within 10 working days from the date of redemption or repurchase request made by the unit holder.

In case of failures to dispatch the redemption/repurchase proceeds within the stipulated time period, Asset Management Company is liable to pay interest as specified by SEBI from time to time (15% at present).

Can a Mutual fund change the nature of the scheme from the one specified in the offer document?

Yes. However, no change in the nature or terms of the scheme, known as fundamental attributes of the scheme e.g. Structure, investment pattern, etc. Can be carried out unless a written communication is sent to each unit holder and an advertisement is given in one English daily having nationwide circulation and in a newspaper published in the language of the region where the head office of the Mutual fund is situated. The unit holders have the right to exit the scheme at the prevailing NAV without any exit load if they do not want to continue with the scheme. The Mutual funds are also required to follow similar procedure while converting the scheme form close-ended to open-ended scheme and in case of change in sponsor.

How will an investor come to know about the changes, if any, which may occur in the Mutual fund?

There may be changes from time to time in a Mutual fund. The Mutual funds are required to inform any material changes to their unit holders. Apart from it, many Mutual funds send quarterly newsletters to their investors.

At present, offer documents are required to be revised and updated at least once in two years. In the meantime, new investors are informed about the material changes by way of addendum to the offer document till the time offer document is revised and reprinted.

How to know the performance of a Mutual fund scheme?

The performance of a scheme is reflected in its net asset value (NAV) which is disclosed on daily basis in case of open-ended schemes and on weekly basis in case of close-ended schemes. The NAV's of Mutual funds are required to be published in newspapers. The NAV's are also available on the web sites of Mutual funds. All Mutual funds are also required to put their NAV's on the web site of Association of Mutual funds in India (AMFI) www.amfiindia.com and thus the investors can access NAV's of all Mutual funds at one place

The Mutual funds are also required to publish their performance in the form of half-yearly results which also include their returns/yields over a period of time i.e. Last six months, 1 year, 3 years, 5 years and since inception of schemes. Investors can also look into other details like percentage of expenses of total assets as these have an effect on the yield and other useful information in the same half-yearly format.

The Mutual funds are also required to send annual report or abridged annual report to the unit holders at the end of the year.

Various studies on Mutual fund schemes including yields of different schemes are being published by the financial newspapers on a weekly basis. Apart from these, many research agencies also publish research reports on performance of Mutual funds including the ranking of various schemes in terms of their performance. Investors should study these reports and keep themselves informed about the performance of various schemes of different Mutual funds.

Investors can compare the performance of their schemes with those of other Mutual funds under the same category. They can also compare the performance of equity oriented schemes with the benchmarks like BSE Sensitive Index, S&P CNX Nifty, etc.

On the basis of performance of the Mutual funds, the investors should decide when to enter or exit from a Mutual fund scheme.

How to know where the Mutual fund scheme has invested money mobilized from the investors?

The Mutual funds are required to disclose full portfolios of all of their schemes on half-yearly basis which are published in the newspapers. Some Mutual funds send the portfolios to their unit holders.

The scheme portfolio shows investment made in each security i.e. Equity, debentures, money market instruments, government securities, etc. And their quantity, market value and % to NAV. These portfolio statements also required to disclose illiquid securities in the portfolio, investment made in rated and unrated debt securities, non-performing assets (npas), etc.

Some of the Mutual funds send newsletters to the unit holders on quarterly basis which also contain portfolios of the schemes.

Is there any difference between investing in a Mutual fund and in an initial public offering (IPO) of a company?

Yes, there is a difference. Ipos of companies may open at lower or higher price than the issue price depending on market sentiment and perception of investors. However, in the case of Mutual funds, the par value of the units may not rise or fall immediately after allotment. A Mutual fund scheme takes some time to make investment in securities. NAV of the scheme depends on the value of securities in which the funds have been deployed.

If schemes in the same category of different Mutual funds are available, should one choose a scheme with lower NAV?

Some of the investors have the tendency to prefer a scheme that is available at lower NAV compared to the one available at higher NAV. Sometimes, they prefer a new scheme which is issuing units at Rs. 10

whereas the existing schemes in the same category are available at much higher NAV's. Investors may please note that in case of Mutual funds schemes, lower or higher NAV's of similar type schemes of different Mutual funds have no relevance. On the other hand, investors should choose a scheme based on its merit considering performance track record of the Mutual fund, service standards, professional management, etc. This is explained in an example given below.

Suppose scheme A is available at a NAV of Rs.15 and another scheme B at Rs.90. Both schemes are diversified equity oriented schemes. Investor has put Rs. 9,000 in each of the two schemes. He would get 600 units (9000/15) in scheme A and 100 units (9000/90) in scheme B. Assuming that the markets go up by 10 per cent and both the schemes perform equally well and it is reflected in their NAV's. NAV of scheme A would go up to Rs. 16.50 and that of scheme B to Rs. 99. Thus, the market value of investments would be Rs. 9,900 (600* 16.50) in scheme A and it would be the same amount of Rs. 9900 in scheme B (100*99). The investor would get the same return of 10% on his investment in each of the schemes. Thus, lower or higher NAV of the schemes and allotment of higher or lower number of units within the amount an investor is willing to invest, should not be the factors for making investment decision. Likewise, if a new equity oriented scheme is being offered at Rs.10 and an existing scheme is available for Rs. 90, should not be a factor for decision making by the investor. Similar is the case with income or debt-oriented schemes.

On the other hand, it is likely that the better managed scheme with higher NAV may give higher returns compared to a scheme which is available at lower NAV but is not managed efficiently. Similar is the case of fall in NAV's. Efficiently managed scheme at higher NAV may not fall as much as inefficiently managed scheme with lower NAV. Therefore, the investor should give more weight age to the professional management of a scheme instead of lower NAV of any scheme. He may get much higher number of units at lower NAV, but the scheme may not give higher returns if it is not managed efficiently.

How to choose a scheme for investment from a number of schemes available?

As already mentioned, the investors must read the offer document of the Mutual fund scheme very carefully. They may also look into the past track record of performance of the scheme or other schemes of the same Mutual fund. They may also compare the performance with other schemes having similar investment objectives. Though past performance of a scheme is not an indicator of its future performance and good performance in the past may or may not be sustained in the future, this is one of the important factors for making investment decision. In case of debt oriented schemes, apart from looking into past returns, the investors should also see the quality of debt instruments which is reflected in their rating. A scheme with lower rate of return but having investments in better rated instruments may be safer. Similarly, in equities schemes also, investors may look for quality of portfolio. They may also seek advice of experts.

Are the companies having names like mutual benefit the same as Mutual funds schemes?

Investors should not assume some companies having the name "mutual benefit" as Mutual funds. These companies do not come under the purview of SEBI. On the other hand, Mutual funds can mobilize funds from the investors by launching schemes only after getting registered with SEBI as Mutual funds.

Is the higher net worth of the sponsor a guarantee for better returns?

In the offer document of any Mutual fund scheme, financial performance including the net worth of the sponsor for a period of three years is required to be given. The only purpose is that the investors should know the track record of the company which has sponsored the Mutual fund. However, higher net worth of the sponsor does not mean that the scheme would give better returns or the sponsor would compensate in case the NAV falls.

Where can an investor look out for information on Mutual funds?

Almost all the Mutual funds have their own web sites. Investors can also access the NAV's, half-yearly results and portfolios of all Mutual funds at the web site of Association of Mutual funds in India (AMFI) www.amfiindia.com. AMFI has also published useful literature for the investors.

Investors can log on to the web site of SEBI www.sebi.gov.in and go to "Mutual funds" section for information on SEBI regulations and guidelines, data on Mutual funds, draft offer documents filed by Mutual funds, addresses of Mutual funds, etc. Also, in the annual reports of SEBI available on the web site, a lot of information on Mutual funds is given.

There are a number of other web sites which give a lot of information of various schemes of Mutual funds including yields over a period of time. Many newspapers also publish useful information on Mutual funds on daily and weekly basis. Investors may approach their agents and distributors to guide them in this regard.

Can an investor appoint a nominee for his investment in units of a Mutual fund?

Yes. The nomination can be made by individuals applying for / holding units on their own behalf singly or jointly. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate.

If Mutual fund scheme is wound up, what happens to money invested?

In case of winding up of a scheme, the Mutual funds pay a sum based on prevailing NAV after adjustment of expenses. Unit holders are entitled to receive a report on winding up from the Mutual funds which gives all necessary details.

How can the investors redress their complaints?

Investors would find the name of contact person in the offer document of the Mutual fund scheme that they may approach in case of any query, complaints or grievances. Trustees of a Mutual fund monitor the activities of the Mutual fund. The names of the directors of asset Management Company and trustees are also given in the offer documents. Investors should approach the concerned Mutual fund / Investor Service Centre of the Mutual fund with their complaints,

INVESTOR'S FINANCIAL PLANNING AND ITS RESULTS.

Planning for long term objectives

Many people get overwhelmed by the thought of retirement and they think how they will ever save the huge money that is required to lead a peaceful and happy retired life. However, the fact is that if we save and invest regularly over a period of time, even a small sum of money can be adequate.

It is a proven fact that the real power of compounding comes with time. Albert Einstein called compounding "the eighth wonder of the world" because of its amazing abilities. Essentially, compounding is the idea that one can make money on the money one has already earned. That's why, the earlier one starts saving, the more time money gets to grow.

Through Mutual funds, one can set up an investment programme to build capital for retirement years. Besides, it is an ideal vehicle to practice asset allocation and rebalancing thereby maintaining the right level of risk at all times.

It is important to know that determination and maintaining the right level of risk tolerance can go a long way in ensuring the success of an investment plan. Besides, it helps in customizing fund category allocations and suitable fund selections. There are certain broad guidelines to determine the risk tolerance. These are:

Be realistic with regard to volatility. One needs to seriously consider the effect of potential downside loss as well as potential upside gain.

Determine a "comfort level" i.e. If one is not confident with a particular level of risk tolerance, and then select a different level.

Regardless of the level of risk tolerance, one should adhere to the principles of effective diversification i.e. The allocation of investment assets among different fund categories to achieve a variety of distinct risk/reward objectives and a reduction in overall portfolio risk.

It helps to reassess risk tolerance every year. The risk tolerance may change due to either major adjustment in return objectives or to a realization that an existing risk tolerance is inappropriate for one's current situation.

Market cap of a company signifies its market value, which is equal to the total number of shares outstanding multiplied by the current stock price. The market cap has a role to play in the kind of returns the stock might deliver and the risk or volatility that one may have to encounter while achieving those returns.

For example, large companies are usually more stable during the turbulent periods and the mid cap and small cap companies are more vulnerable.

As regards the allocation to each segment, there cannot be a standard combination applicable to all kinds of investors. Each one of us has different risk profile, time horizon and investment objectives.

Besides, while deciding on the allocation, one has to keep in mind the fact whether the allocation is being done for an existing investor or for a new investor. While for an existing investor, the allocation that already exists has to be considered, for a new investor the right way to begin is by considering funds that invest predominantly in large cap stocks. The exposure to mid and small caps can be enhanced over a period of time.

It is always advisable to take help of professionals to decide the allocation as well as select the appropriate funds. However, investors themselves have an important role to play in this process.

All award-winning funds may not be suitable for everyone

Many investors feel that a simple way to invest in Mutual funds is to just keep investing in award winning funds. First of all, it is important to understand that more than the awards; it is the methodology to choose winners that is more relevant.

A rating firm generally elaborates on the criteria for deciding the winner's i.e. consistent performance, risk adjusted returns, total returns and protection of capital. Each of these factors is very important and has its significance for different categories of funds.

Besides, each of these factors has varying degree of significance for different kinds of investors. For example, consistent return really focuses on risk. If someone is afraid of negative returns, consistency will be a more important measure than total return i.e. Growth in NAV as well as dividend received.

A fund can have very impressive total returns overtime, but can be very volatile and tough for a risk adverse investor. Therefore, all the award winning funds in different categories may not be suitable for everyone. Typically, when one has to select funds, the first step should be to consider personal goals and objectives. Investors need to decide which element they value the most and then prioritize the other criteria.

Once one knows what one is looking for, one should go about selecting the funds according to the asset allocation. Most investors need just a few funds, carefully picked, watched and managed over period of time.

EVALUATING PORTFOLIO PERFORMANCE

It is important to evaluate the performance of the portfolio on an on-going basis. The following factors are important in this process:

Consider long-term track record rather than short-term performance. It is important because long-term track record moderates the effects which unusually good or bad short-term performance can have on a fund's track record. Besides, longer-term track record compensates for the effects of a fund manager's particular investment style.

Evaluate the track record against similar funds. Success in managing a small or in a fund focusing on a particular segment of the market cannot be relied upon as an evidence of anticipated performance in managing a large or a broad based fund.

Discipline in investment approach is an important factor as the pressure to perform can make a fund manager susceptible to have an urge to change tracks in terms of stock selection as well as investment strategy.

The objective should be to differentiate investment skill of the fund manager from luck and to identify those funds with the greatest potential of future success.

SEBI REGISTERED MUTUAL FUNDS

1. FORTIS Mutual fund
2. Alliance Capital Mutual fund,
3. AIG Global Investment Group Mutual fund
4. Benchmark Mutual fund,
5. Baroda Pioneer Mutual fund
6. Birla Mutual fund
7. Bharti AXA Mutual fund
8. Canara Robeco Mutual fund
9. CRB Mutual fund (Suspended)
10. DBS Chola Mutual fund,
11. Deutsche Mutual fund
12. DSP Blackrock Mutual fund,
13. Edelweiss Mutual fund
14. Escorts Mutual fund,
15. Franklin Templeton Mutual fund
16. Fidelity Mutual fund
17. Goldman Sachs Mutual fund
18. HDFC Mutual fund,
19. HSBC Mutual fund,
20. ICICI Securities Fund,
21. IL & FS Mutual fund,
22. ING Mutual fund,
23. ICICI Prudential Mutual fund
24. IDFC Mutual fund,
25. JM Financial Mutual fund
26. JP Morgan Mutual fund

The Association of Mutual funds of India

Association of Mutual funds of India (AMFI) 709, Raheja Centre

Free Press Journal Marg, Nariman Point

27. Kotak Mahindra Mutual fund,
29. LIC Mutual fund
31. Morgan Stanley Mutual fund
32. Mirae Asset Mutual fund
33. Principal Mutual fund
34. Quantum Mutual fund,
35. Reliance Mutual fund
36. Religare AEGON Mutual fund
37. Sahara Mutual fund,
38. SBI Mutual fund
39. Shriram Mutual fund
40. Sundaram BNP Paribas Mutual fund,
41. Taurus Mutual fund
42. Tata Mutual fund,
43. UTI Mutual fund

If the complaints remain unresolved, the investors may approach SEBI for facilitating redressal of their complaints. On receipt of complaints, SEBI takes up the matter with the concerned Mutual fund and follows up with it regularly. Investors may send their complaints to:

SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)
OFFICE OF INVESTOR ASSISTANCE AND EDUCATION (OIAE)
EXCHANGE PLAZA, "G" BLOCK, 4TH FLOOR,
BANDRA-KURLA COMPLEX,
BANDRA (E), MUMBAI – 400 051.
PHONE: 26598510-13

WHAT IS THE PROCEDURE FOR REGISTERING A MUTUAL FUND WITH SEBI?

An applicant proposing to sponsor a Mutual fund in India must submit an application in Form A along with a fee of Rs.25, 000. The application is examined and once the sponsor satisfies certain conditions such as being in the financial services business and possessing positive net worth for the last five years, having net profit in three out of the last five years and possessing the general reputation of fairness and integrity in all business transactions, it is required to complete the remaining formalities for setting up a Mutual fund. These include inter alia, executing the trust deed and investment management agreement, setting up a trustee company/board of trustees comprising two- thirds independent trustees, incorporating the asset management company (AMC), contributing to at least 40% of the net worth of the AMC and appointing a custodian. Upon satisfying these conditions, the registration certificate is issued subject to the payment of registration fees of Rs.25.00 lacs for details; see the SEBI (Mutual funds) Regulations, 1996.

7 INVESTMENT TIPS TO IMPROVE YOUR RETURNS

1. Know your risk profile

Before you take a decision to invest in equity funds, it is important to assess your risk tolerance. Risk tolerance depends on certain factors like emotional temperament, attitude and investment experience. Remember, while ascertaining the risk tolerance, it is crucial to consider one's desire to assume risk as the capacity to assume the risk.

It helps to understand different categories of overall risk tolerance, i.e. Conservative, moderate or aggressive. While a conservative investor will accept lower returns to minimise price volatility, a moderate investor would be all right with greater price volatility than conservative risk tolerances to pursue higher returns.

An aggressive investor wouldn't mind large swings in the NAV’s to seek the highest returns.

Though identifying the desire for risk is a tough job, it can be made easy by defining one's comfort zone.

2. Don't have too many schemes in your portfolio

While it is true that diversification helps in earning better returns with a lower level of fluctuations, it becomes counterproductive when one has too many funds in the portfolio.

For example, if you have 15 funds in your portfolio, it does not necessarily mean that your portfolio is adequately diversified. To determine the right level of diversification, one has to consider factors like size of the portfolio, type of funds and allocation to different asset classes. Therefore, it is possible that a portfolio having 5 schemes may be adequately diversified whereas another one with 10 schemes may have very little diversification.

Remember, to have a well-balanced equity portfolio, it is important to have the right level of exposure to different segments of the equity market like large cap, mid-cap and small cap. In addition, for a decent portfolio size, it is all right to have some exposure in the sector and specialty funds.

3. Longer time horizon provides protection from volatility

As an equity fund investor, you need to understand that volatility is an integral part of the stock market. However, if you remain focused on the long-term objectives and follow a disciplined approach to investing, you can not only handle volatility properly but also turn it to your advantage.

4. Understand and analyze 'Good Performance'

'Good performance' is a subjective thing. Ideally, to analyze performance, one should consider returns as well as the risk taken to achieve those returns. Besides, consistency in terms of performance as well as portfolio selection is another factor that should play an important part while analyzing the performance.

Therefore, if an investment in a Mutual fund scheme takes you past your risk tolerance while providing you decent returns; it cannot always be termed as good performance. In fact, at times to ensure that your investment remains within the parameters defined in the investment plan, you may to be forced to exit from that scheme.

In other words, you need to assess as to how much risk did the fund manger subject you to, and did he give you an adequate reward for taking that risk. Besides, you also need to consider whether own risk profile allows you to accept the revised level of risk

5. Sell your fund, if you need to

There is no standard formula to determine the right time to sell an investment in Mutual fund or for that matter any investment. However, you can definitely benefit by following certain guidelines while deciding to sell an investment in a Mutual fund scheme. Here are some of them:

- You may consider selling a fund when your investment plan calls for a sale rather than doing so for emotional reasons.
- You need to hold a fund long enough to evaluate its performance over a complete market cycle, i.e. around three years or so. Many of us make the mistake of either holding on to funds for too long or exit in a hurry. It is important to do a thorough analysis before taking a decision to sell. In other words, if you take a wrong decision, there is always a risk of missing out on good rallies in the market or getting out too early thus missing out on potential gains.
- You should consider coming out of a fund if its performance has consistently lagged its peers for a period of one year or so.
- It doesn't make sense to hold a fund when it no longer meets your needs. If you have made a proper selection, you would generally be required to make changes only if the fund changes its objective or investment style, or if your needs change.

6. Diversified vs. Concentrated Portfolio

The choice between funds that have a diversified and a concentrated portfolio largely depends upon your risk profile. As discussed earlier, a well-diversified portfolio helps in spreading the investments across different sectors and segments of the market. The idea is that if one or more stocks do badly, the portfolio won't be affected as much.

At the same time, if one stock does very well, the portfolio won't reap all the benefits. A diversified fund, therefore, is an ideal choice for someone who is looking for steady returns over the longer term.

A concentrated portfolio works exactly in the opposite manner. While a fund with a concentrated portfolio has a better chance of providing higher returns, it also increases your chances of underperforming or losing a large portion of your portfolio in a market downturn. Thus, a concentrated portfolio is ideally suited for those investors who have the capacity to shoulder higher risk in order to improve the chances of getting better returns.

7. Review your portfolio periodically

It is always a good idea to review your portfolio periodically. For example, you may begin reviewing your portfolio on a half-yearly basis. Besides, you may be required to review your portfolio in greater detail when your investments goals or financial circumstances change.

CONSIDER THE FOLLOWING:

- How is your portfolio performing from the viewpoint of your personal goals? Are you comfortable with the price fluctuations that may have occurred keeping in view your short term, medium term and long-term goals?
- How are your investments performing compared with others in the same category? It is important as for example, a 15% growth in your fund may look great, but not if the average returns given by other funds in the same category is 25 per cent. However, too much emphasis shouldn't be put on the short-term performance.

HOW TO REDUCE RISK WHILE INVESTING:

- Any kind of investment we make is subject to risk. In fact we get return on our investment purely and solely because at the very beginning we take the risk of parting with our funds, for getting higher value back at a later date. Partition itself is a risk.
- Well known economist and Nobel Prize recipient William Sharpe tried to segregate the total risk faced in any kind of investment into two parts - systematic (Systemic) risk and unsystematic (Unsystemic) risk.
- Systematic risk is that risk which exists in the system. Some of the biggest examples of systematic risk are inflation, recession, war, political situation etc.
- Inflation erodes returns generated from all investments e.g. If return from fixed deposit is 8 per cent and if inflation is 6 per cent then real rate of return from fixed deposit is reduced by 6 per cent.
- Similarly if returns generated from equity market is 18 per cent and inflation is still 6 per cent then equity returns will be lesser by the rate of inflation. Since inflation exists in the system there is no way one can stay away from the risk of inflation.
- Economic cycles, war and political situations have effects on all forms of investments. Also these exist in the system and there is no way to stay away from them. It is like learning to walk.
- Anyone who wants to learn to walk has to first fall; you cannot learn to walk without falling. Similarly anyone who wants to invest has to first face systematic risk; there can never make any kind of investment without systematic risk.

- Another form of risk is unsystematic risk. This risk does not exist in the system and hence is not applicable to all forms of investment. Unsystematic risk is associated with particular form of investment.
- Suppose we invest in stock market and the market falls, then only our investment in equity gets affected OR if we have placed a fixed deposit in particular bank and bank goes bankrupt, than we only lose money placed in that bank.
- While there is no way to keep away from risk, we can always reduce the impact of risk. Diversification helps in reducing the impact of unsystematic risk. If our investment is distributed across various asset classes the impact of unsystematic risk is reduced.
- If we have placed fixed deposit in several banks, then even if one of the banks goes bankrupt our entire fixed deposit investment is not lost.
- Similarly if our equity investment is in Tata Motors, HLL, Infosys, adverse news about Infosys will only impact investment in Infosys, all other stocks will not have any impact.
- To reduce the impact of systematic risk, we should invest regularly. By investing regularly we average out the impact of risk.
- Mutual fund, as an investment vehicle gives us benefit of both diversification and averaging.
- Portfolio of mutual funds consists of multiple securities and hence adverse news about single security will have nominal impact on overall portfolio.
- By systematically investing in mutual fund we get benefit of rupee cost averaging.
- Mutual fund as an investment vehicle helps reduce, both, systematic as well as unsystematic risk.

COMPARISON OF FOUR MAJOR MUTUAL FUNDS

FRANKLIN TEMPLETON INDIA PRIMA PLUS

Mutual Fund	Franklin Templeton Mutual Fund
Scheme Name	Franklin India Prima Plus
Scheme Type	Open Ended
Scheme Category	Growth
Launch Date	29-Sep-1994

SBI MAGNUM GLOBAL

Mutual Fund	SBI Mutual Fund
Scheme Name	SBI MAGNUM GLOBAL FUND 94 - GROWTH
Objective of Scheme	The Objective of the Scheme is to provide investors with maximum growth opportunity.
Scheme Type	Open Ended
Scheme Category	Growth
Launch Date	06-Jun-2005
Minimum Subscription Amount	2000

TATA (GROWTH) FUND

Mutual Fund	Tata Mutual Fund
Scheme Name	Tata Growth Fund - Growth
Objective of Scheme	The investment objective of the schemes will be to provide income distribution & / or medium to long term capital gains. The scheme will invest in equity and equity related instruments of well researched growth oriented companies.
Scheme Type	Open Ended
Scheme Category	Growth
Minimum Subscription Amount	Rs.5000/-

RELIANCE GROWTH FUND

Mutual Fund	Reliance Mutual Fund
Scheme Name	Reliance Growth Fund
Objective of Scheme	The primary investment objective is to achieve long term growth of capital by investing in equity and equity related securities through a research based investment approach
Scheme Type	Open Ended
Scheme Category	Growth
Launch Date	25-Sep-1995
Minimum Subscription Amount	5000

The distributors have a large variety of products to offer to the prospective investors. But the catch here is a large no of companies offering similar products to the investors. Thus there are large numbers of mutual fund products flooding the market. So, there should be some factors, which will compare these four AMCs. These comparative factors are:

SHARPE RATIO:

While an investor seeks to generate high returns the question arises, how high? Though the sky can be the limit, usually one asks for returns, which are higher than those, which we are normally accustomed to. These are returns from risk-less instruments like treasury bills, government securities or bank savings deposits. So the aim of investing seems to be to generate returns in excess of the risk free return.

At the same times high returns are generally associated with a high degree of volatility. The Investors accept this volatility only because they want higher returns. The Sharpe ratio represents this tradeoff between risk and returns. At the same time it also factors in the desire to generate returns, which are higher than those from risk free returns.

Mathematically,

$$= \frac{\bar{r}_p - r_f}{\sigma_p}$$

Where:

$\bar{r}_p$ = Expected porfolio return

r_f = Risk free rate

σ_p = Portfolio standard deviation

The Sharpe ratio is the returns generated over the risk free rate, per unit of risk. Risk in this case is taken to be the fund's standard deviation. As standard deviation represents the total risk experienced by a fund, the Sharpe ratio reflects the returns generated by undertaking all possible risks.

A higher Sharpe ratio is therefore better as it represents a higher return generated per unit of risk. However, while looking at Sharpe ratio a few points have to be kept in mind to obtain an accurate reading of the fund's performance.

- Firstly, being a ratio, the Sharpe measure is a pure number. In isolation it has no meaning. It can only be used as a comparative tool. Thus the Sharpe ratio should be used to compare the performance of a number of funds.

- Alternatively one can compare the Sharpe ratio of a fund with that of its benchmark index. If the only information available is that the Sharpe ratio of a fund is 1.2, no meaningful inference can be drawn as nothing is known about the peer group performance.

- The Sharpe ratio uses standard deviation as it's risk component, a low standard deviation can unduly influence results. Thus a fund with low returns but with a relatively mild standard deviation can end up with a high Sharpe ratio. Such a fund will have a very tranquil portfolio and not generate high returns.

- For an investor who puts in all his/her money in a single fund, Sharpe ratio is a useful measure of risk-adjusted return. This is because standard deviation measures total risk and this is the case with a single portfolio.

- The Sharpe ratio tells us whether a portfolio's returns are due to smart investment decisions or a result of excess risk. This measurement is very useful because although one portfolio or fund can reap higher returns than its peers, it is only a good investment if those higher returns do not come with too much additional risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been.

BETA:

A measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. A beta of 1 indicates that the security's price will move with the market. A beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 indicates that the security's price will be more volatile than the market. For example, if a stock's beta is 1.2, it's theoretically 20% more volatile than the market.

Calculating BETA

BETA is ascertained mathematically by finding the covariance of the returns of the scrip to those of the market and then dividing it by the variance of the market return. As a market professional one is aware of his / her investment objectives and how much risk he/she can assume and can best decide whether to use weekly, monthly or daily pricing information in BETA calculation.

For this study, Historical data for benchmark indices-BSE 200, NIFTY, CNX 500, SENSEX and NAV performance of each of the funds have been collected.

$$\textbf{BETA } (\beta) = \frac{\textbf{Covariance (portfolio's NAV, market Index)}}{\textbf{Variance (market Index)}}$$

ALPHA:

The basic idea is that to analyze the performance of an investment manager you must look not only at the overall return of a portfolio, but also at the risk of that portfolio. For example, if there are two mutual funds that both have a 12% return, a rational investor will want the fund that is less risky. Jensen's measure is one of the ways to help determine if a portfolio is earning the proper return for its level of risk. If the value is positive, then the portfolio is earning excess returns. In other words, a positive value for Jensen's alpha means a fund manager has "beat the market" with his or her stock picking skills.

<u>Mathematically</u>

Jensen's Measure is calculated as:

$$\alpha_p = \overline{r}_p - [\, r_f + \beta_p(\, \overline{r}_m - r_f \,)\,]$$

Where:

$\overline{r}_p$ = Expected total portfolio return

r_f = Risk free rate

β_p = Beta of the portfolio

$\overline{r}_m$ = Expected market return

R-SQUARED:

R-squared values range from 0 to 1. An R-squared of 1 means that all movements of a security are completely explained by movements in the index. A high R-squared (between 0.85 and 1) indicates the fund's performance patterns have been in line with the index. A fund with a low R-squared (0.70 or less) doesn't act much like the index.

STANDARD DEVIATION:

In the core of the fund analysis activity lie the twin pursuits of judging returns and risk. Stripped of a lot of the complexity, this task involves determining a fund's average performance over a period of time. Standard Deviation gives a quality rating of an average. The Standard Deviation of an average is the amount by which the numbers that go into an average deviate from that average. It tells us how closely an average represents the underlying numbers.

- If the individual monthly performances are very different from the average, then that fund is risky, delivering high returns in some months and poor returns in others. If they are mostly similar, then the fund is a low risk one, with about the same returns month after month.

- A high Standard Deviation may be a measure of volatility, but it does not necessarily mean that such a fund is worse than one with a low Standard Deviation. If the first fund is a much higher performer than the second one, the deviation will not matter much.

P/B RATIO:

A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. A lower P/B ratio could mean that the stock is undervalued. However, it could also mean that something is fundamentally wrong with the company.

$$\textbf{P/B RATIO} = \frac{\textbf{STOCK PRICE}}{\textbf{TOTAL ASSETS – INTANGIBLE ASSETS AND LIABILITIES}}$$

P/E RATIO:

A valuation ratio of a company's current share price compared to its per-share earnings.

$$= \frac{\textbf{market value per share}}{\textbf{Earnings per share}}$$

RESEARCH AND METHODOLOGY:

The project consisted of visiting different distributors in rich localities of Mangalore region for the survey. The reason for choosing these particular areas has to be that the region has a lot of potential for investors. It consisted of

Three stages:

Stage 1: Gathering data from the company and plan schedule to meet the Concerned Person.

Stage2: Collecting data by survey method, on the basis of Questionnaires.

Stage 3: Analyzing and interpreting the primary data collected.

RESEARCH DESIGN:

It is a framework or blueprint for conducting the marketing research project. The research design used here is Descriptive Research Design which is used for description of something. Here it is used to describe the characteristics of Relationship Managers with respect to the services expected from Mahindra finance.

For this purpose Primary Data has to be collected through Personal Interviews and Questionnaires filled by the Distributors. Questionnaires filled through e-mails. Inputs from the employees of the company. It also consists of Secondary Data analysis through: Internet and Web Search. Fact Sheets and annexure collected from different Mutual Fund companies.

Details of distributors from the Relationship Managers of Mahindra finance.

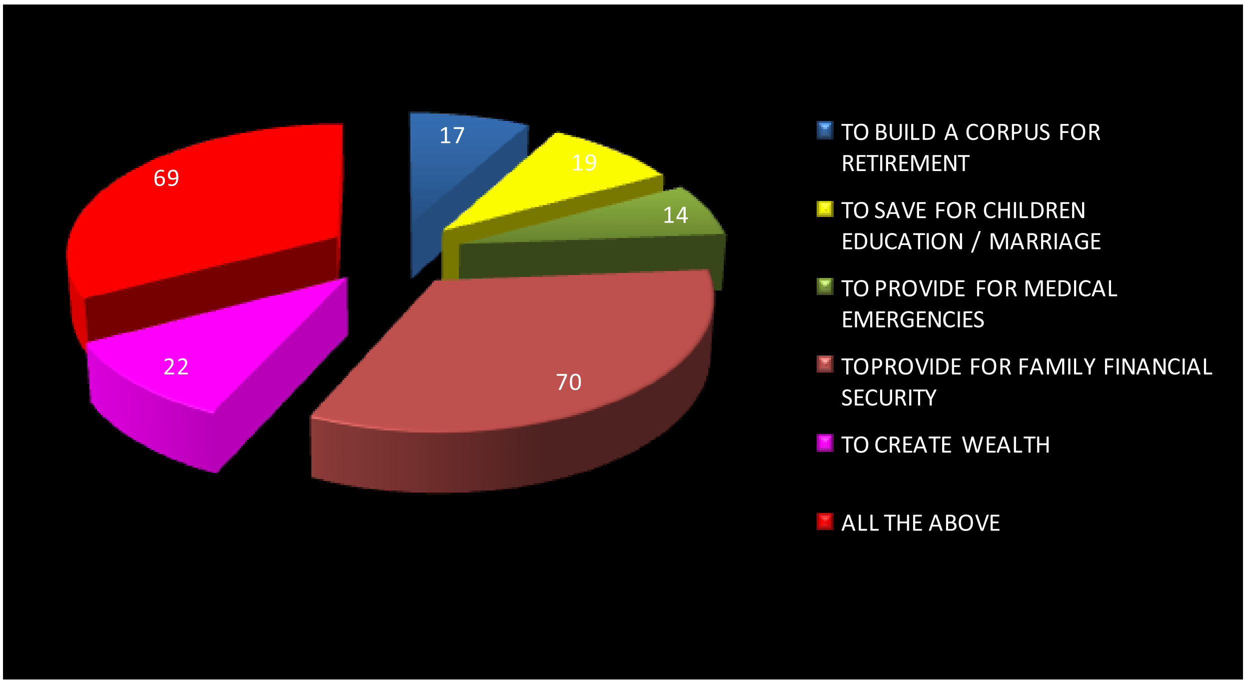
DATA COLLECTION – SURVEY METHOD

The survey method of collecting data is based on the questioning of respondents. They are asked variety of questions regarding their behavior, intentions, attitude, awareness and motivations. In structured data collection, a formal questionnaire is prepared thus the process is direct.

The questionnaire designed for this project consists of questions based on various parameters which a relationship manager would consider before selling a mutual fund. Each question is based on different variables like investment decisions, selling decisions, company policies, servicing issues etc.

ANLYSIS AND FINDINGS

Figure 4 Investment needs?



From the above graph it is clear that there are many people who have participated in the survey and the major portion of the survey indicates that the people are interested in investing in mutual funds for the sake o their family financial security. From the above graph it also reveals that the minor portion of the graph that is to build a corpus for retirement does not play a major role in the investment decisions.

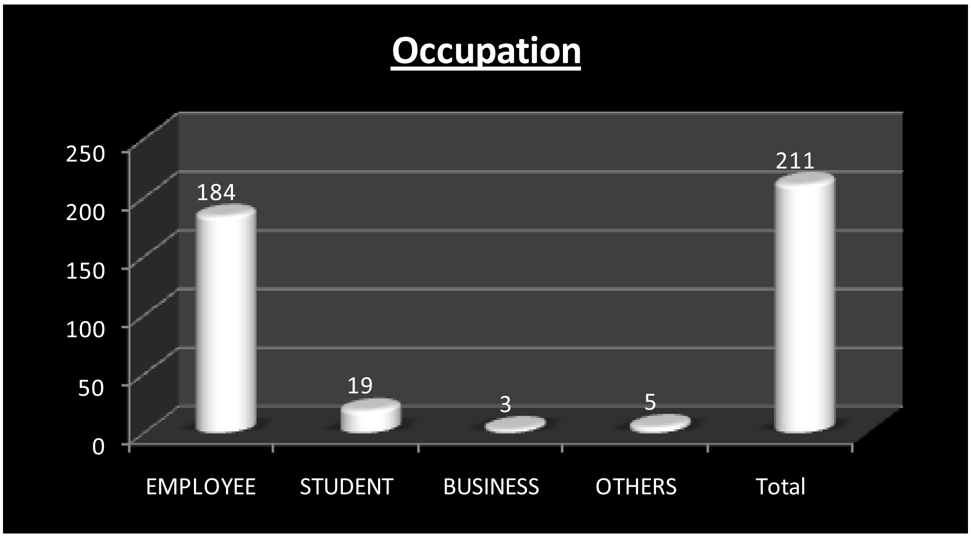


Figure 5 Occupation

These are the findings from the survey which include the number of participants and the type of the participants. This survey includes all types of participants which may give exact results for the evaluation

Which of the following do you think as a tax saving scheme

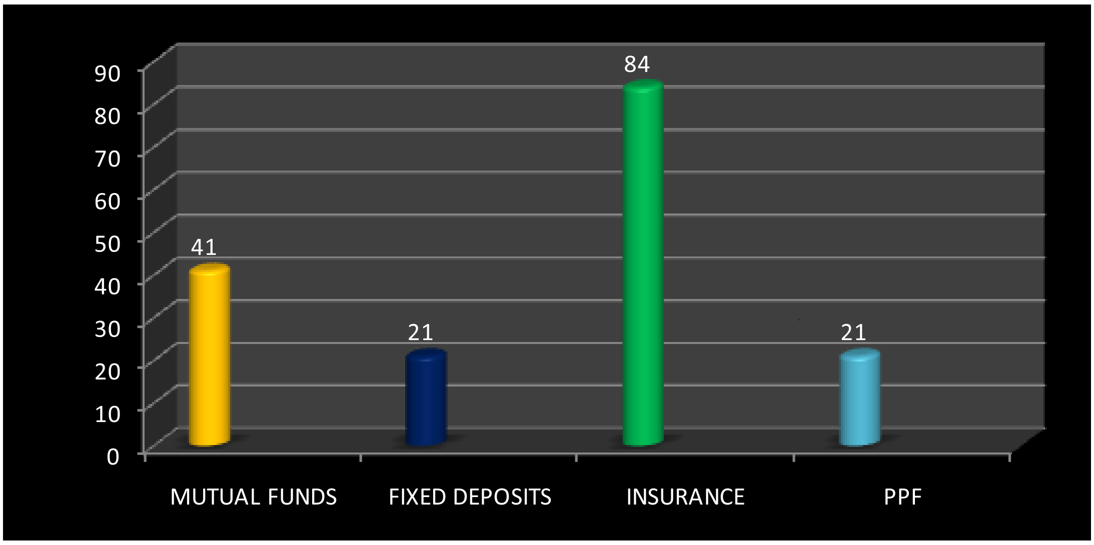


Figure 6Tax saving Schemes

Comparison large cap top performing Mutual funds

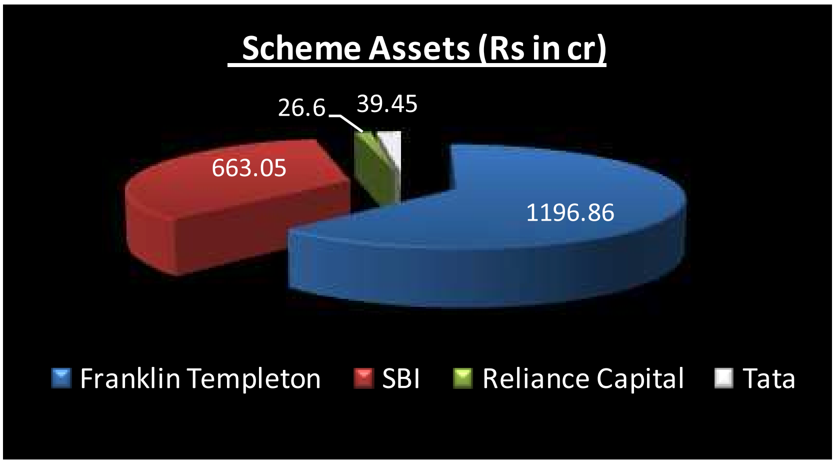


Figure 7 Scheme Assets in Crores

This graph represents the scheme assets of the four major companies. The values mentioned in the graph are in crores

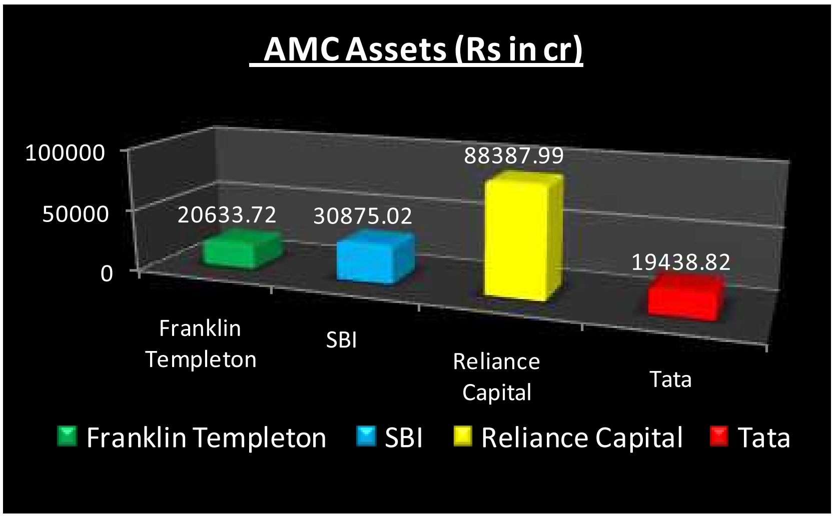


Figure 8 AMC assets in Crores

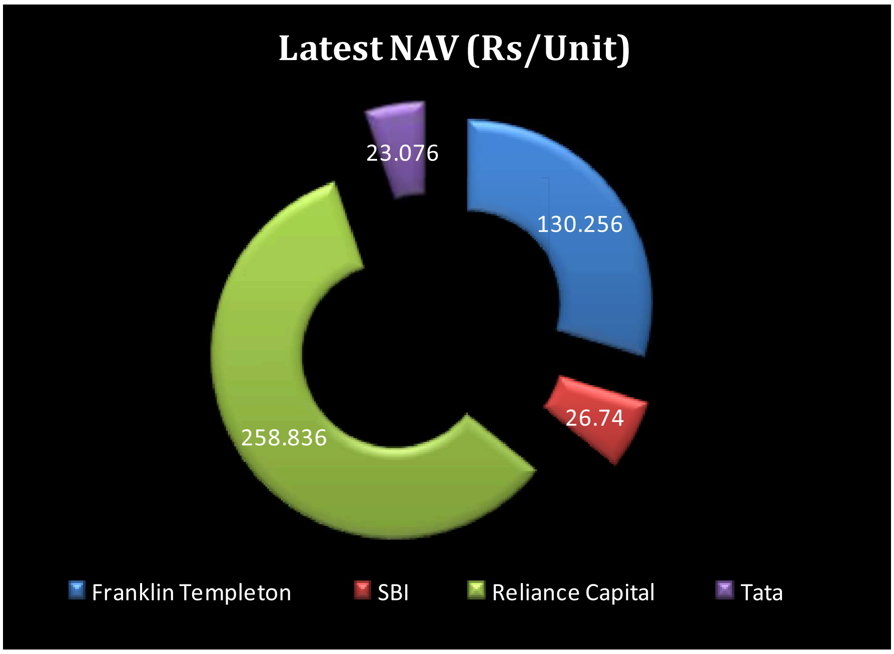


Figure 9 Latest NAV(Rs/Unit)

This graph represents the latest NAV's values of all the four major companies in which reliance capital is the one with highest NAV and Tata is the one with the lowest NAV.

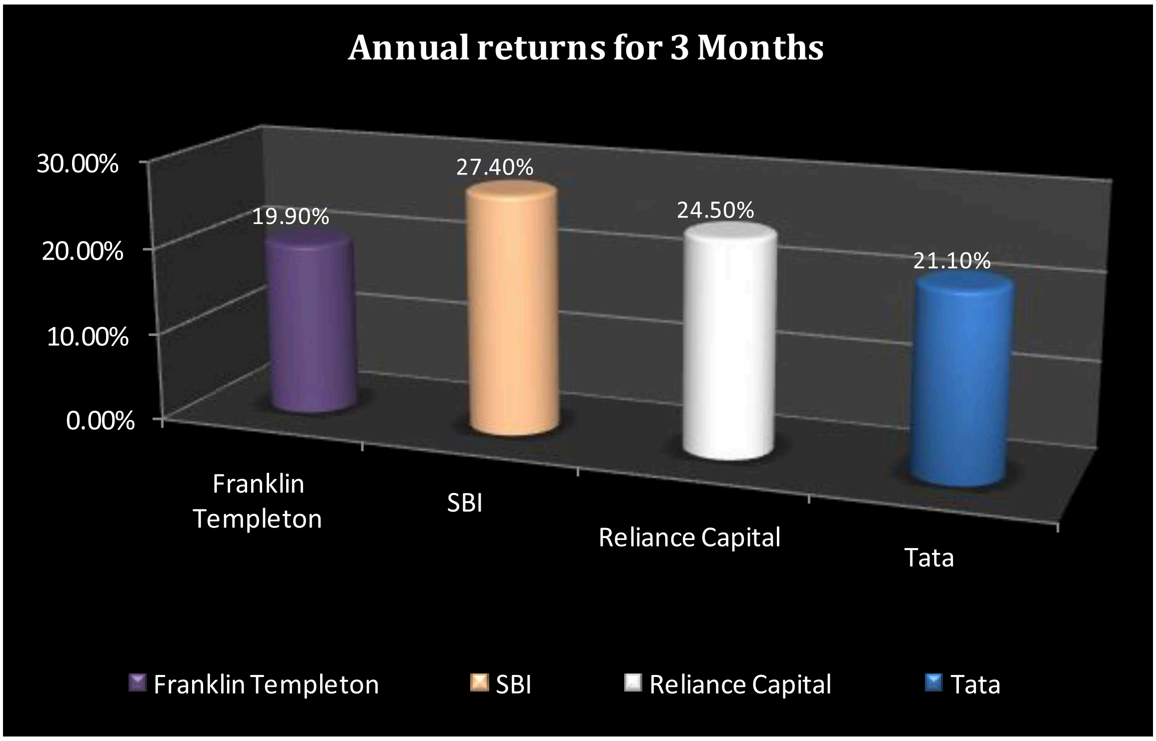


Figure 10 Annual Returns for 3 months

This graph stands a symbolic representation of the annual returns of the four major companies to their customers for the last 3 months. This value is of 14may 2009.

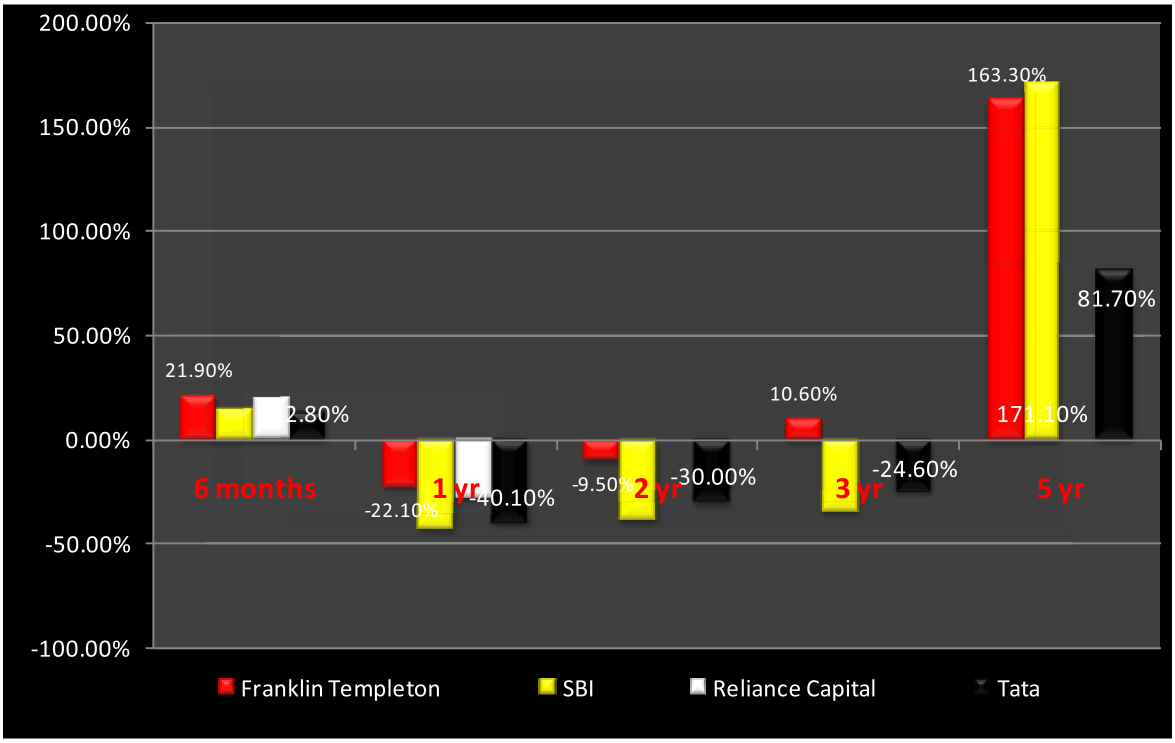


Figure 11 Annual Returns For the Last 5 years

This graph stands a symbolic representation of the annual returns of the four major companies to their customers for the last 5 years. The value is of 14may 2009.

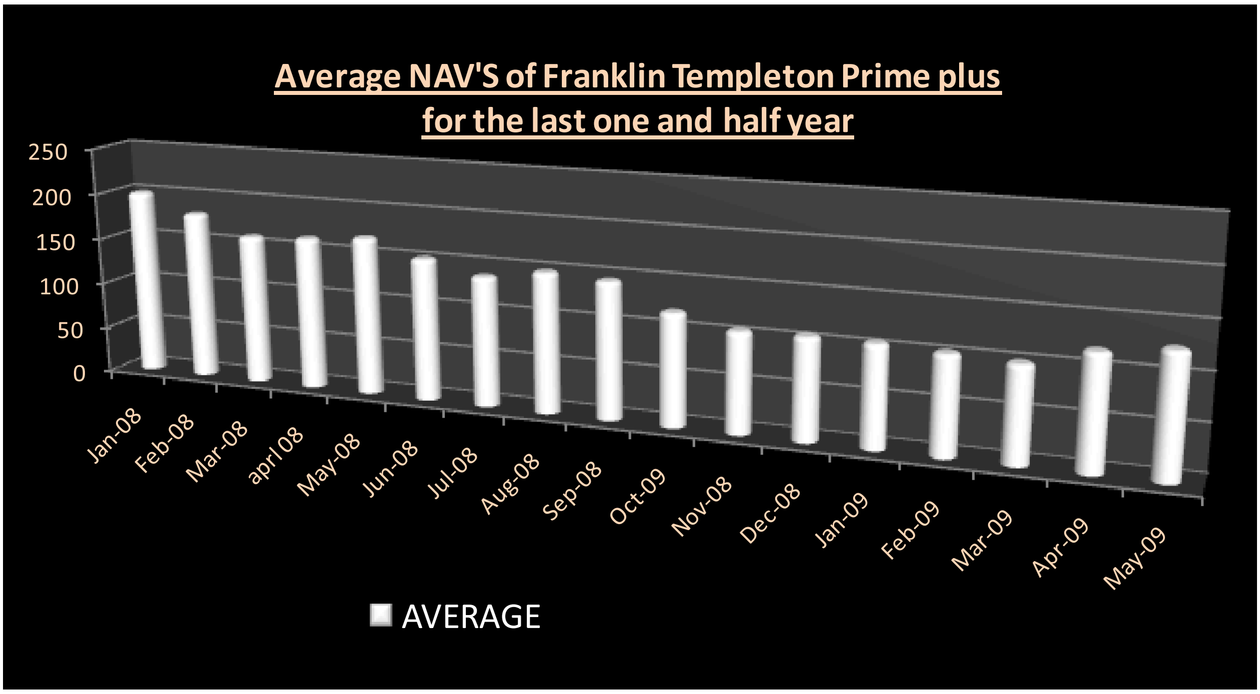


Figure 12 NAV Graph of FT India Prima Plus

This graph is the result of the daily NAV's of the Franklin Templeton India prima plus scheme for the last one and half year. This also represents the trend of the previous years. This data is collected by collecting the NAV values of the previous one and half year their average is taken monthly and a graph is drawn on the basis of the average values.

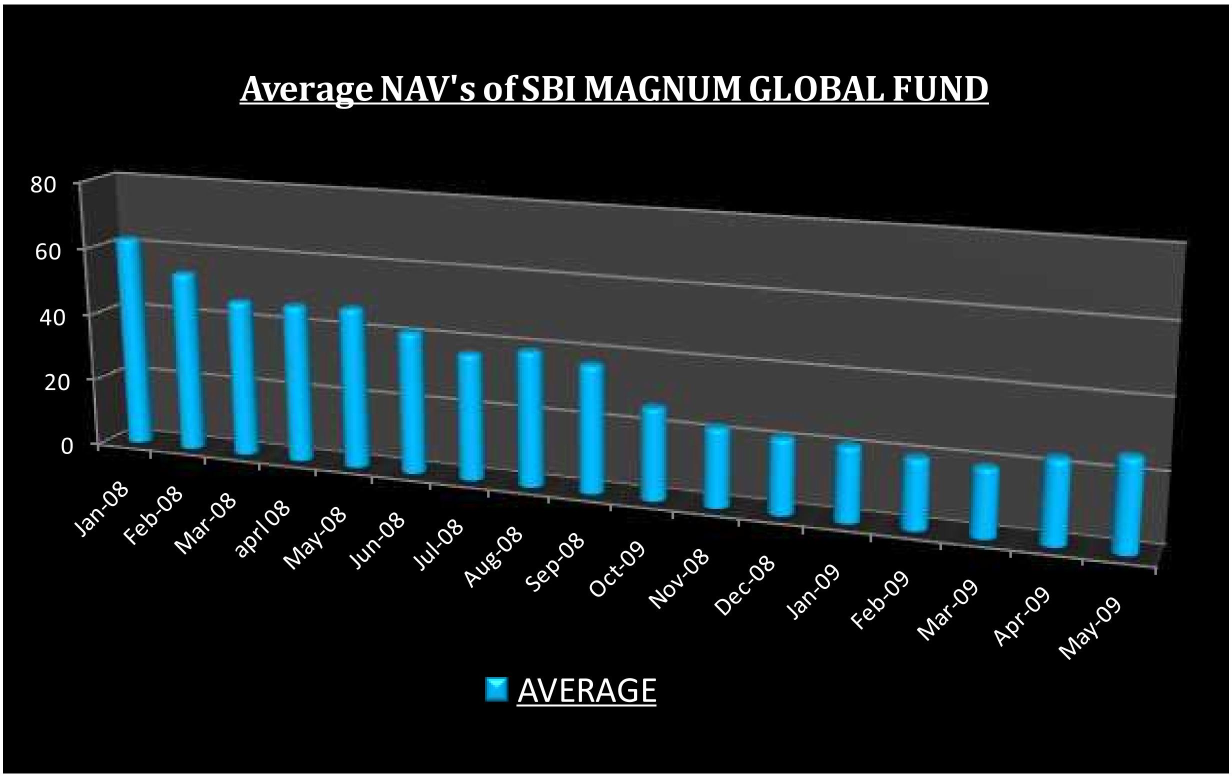


Figure 13 NAV Graph of SBI Magnum Global Fund

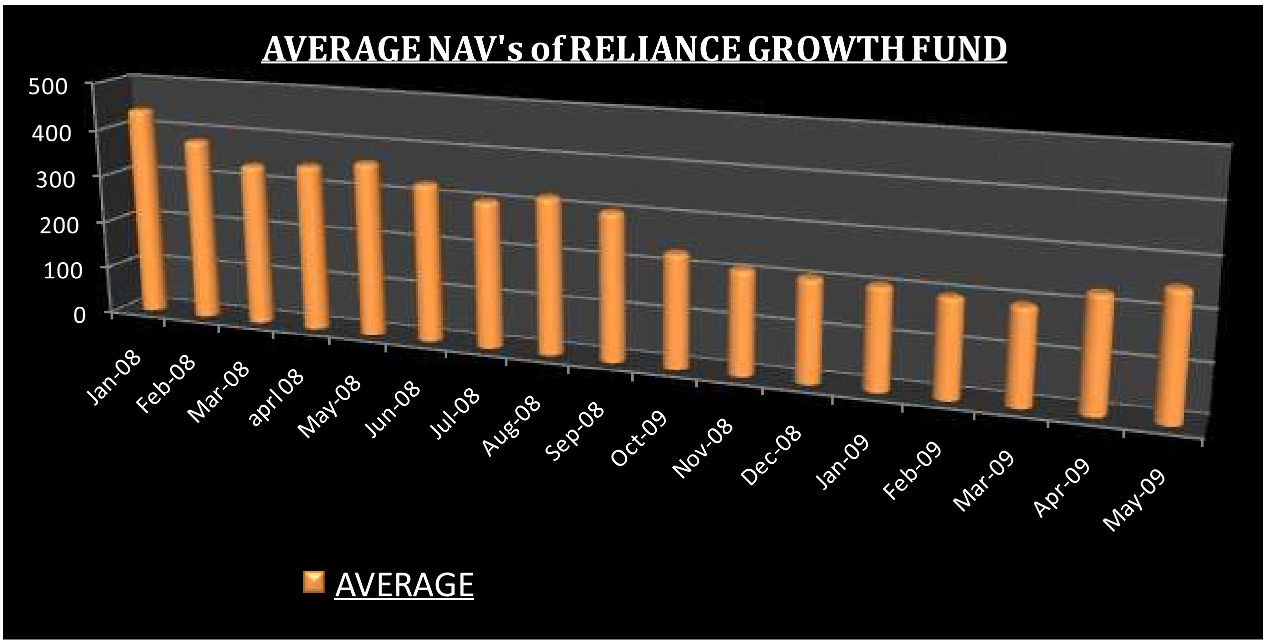


Figure 14 NAV Graph of Reliance Growth Fund

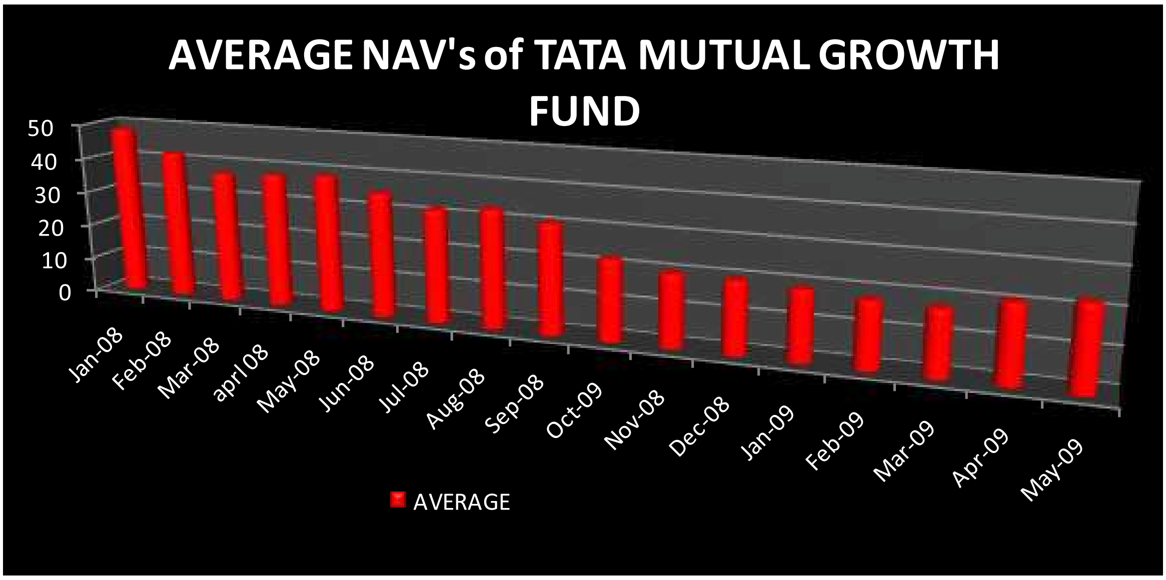


Figure 15 NAV Graph of Tata Growth Fund

In the same manner as explained above the remaining three graphs of Tata Growth fund, SBI Magnum Global fund, reliance global fund is been drawn. This graph is the result of the daily NAV's of the Franklin Templeton India prima plus scheme for the last one and half year. This also represents the trend of the previous years. This data is collected by collecting the NAV values of the previous one and half year their average is taken monthly and a graph is drawn on the basis of the average values.

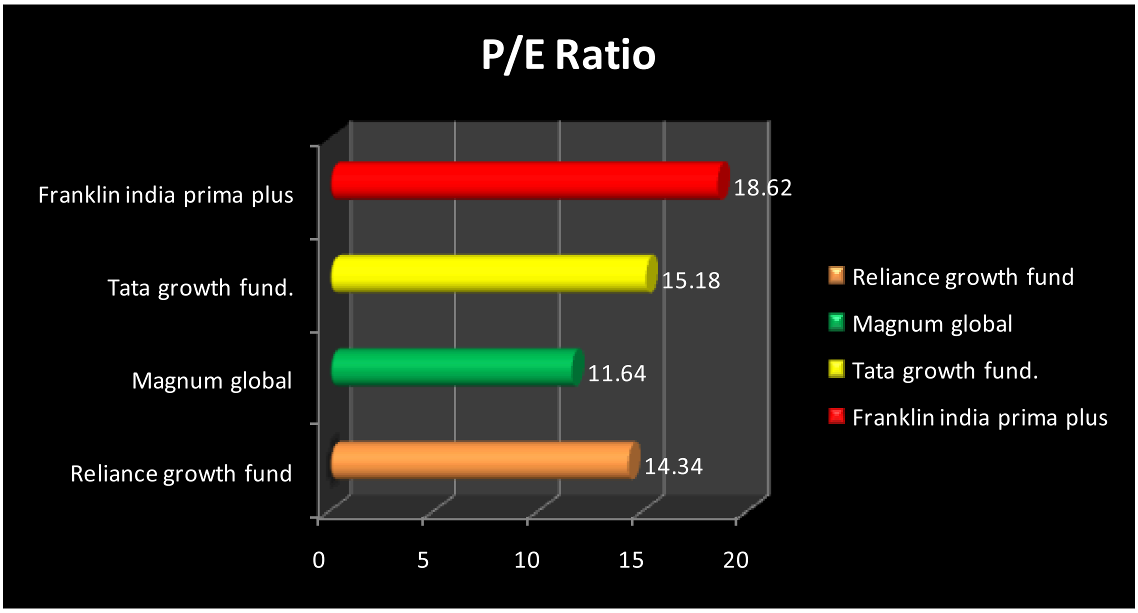


Figure 16 P/E Ratio

From the P/E ratio the stocks in the Portfolio STATE BANK OF INDIA MAGNUM GLOBAL are earning highest with less risk than that of other AMCs and the stocks in the portfolio of Reliance Growth Fund is earning least with the same risk.

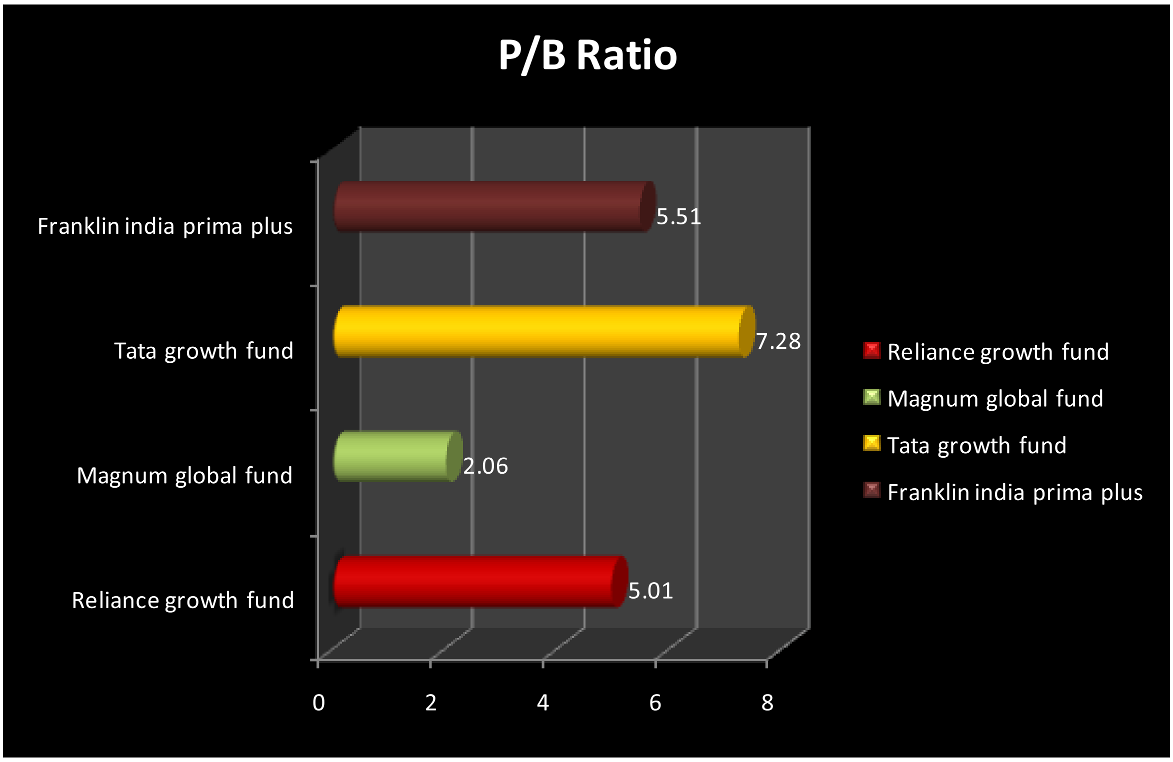


Figure 17 P/B Ratio

From the P/B ratio the stocks in the Portfolio STATE BANK OF INDIA MAGNUM GLOBAL are earning highest with less risk than that of other AMCs and the stocks in the portfolio of Reliance Growth Fund is earning least with the same risk

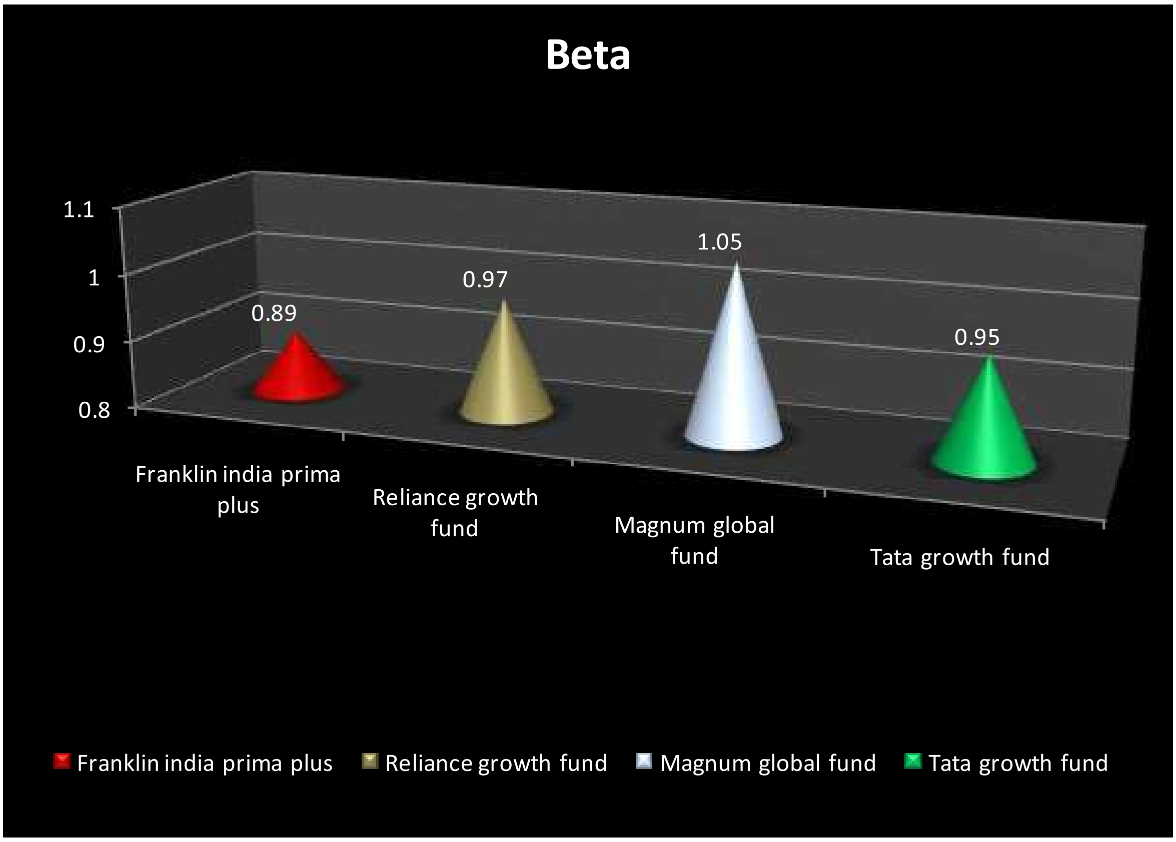


Figure 18 Beta

From the Beta graph the volatility of all the funds is less volatile than that of the market because the beta of all the funds is less than 1. The volatility is very less in case of TATA growth fund.

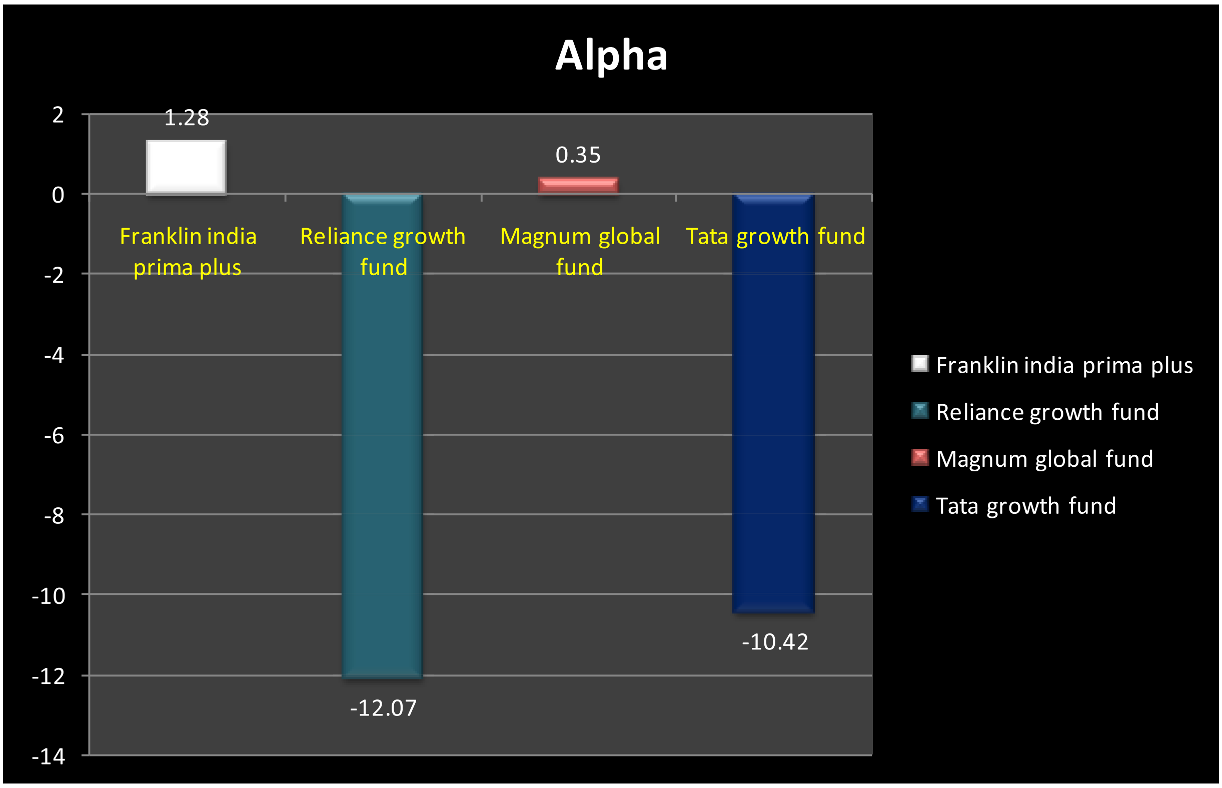


Figure 19 Alpha

The graph represents that Franklin India Prima plus Fund is taking higher risk and earning higher returns followed by Tata, Reliance, and SBI AMCs.

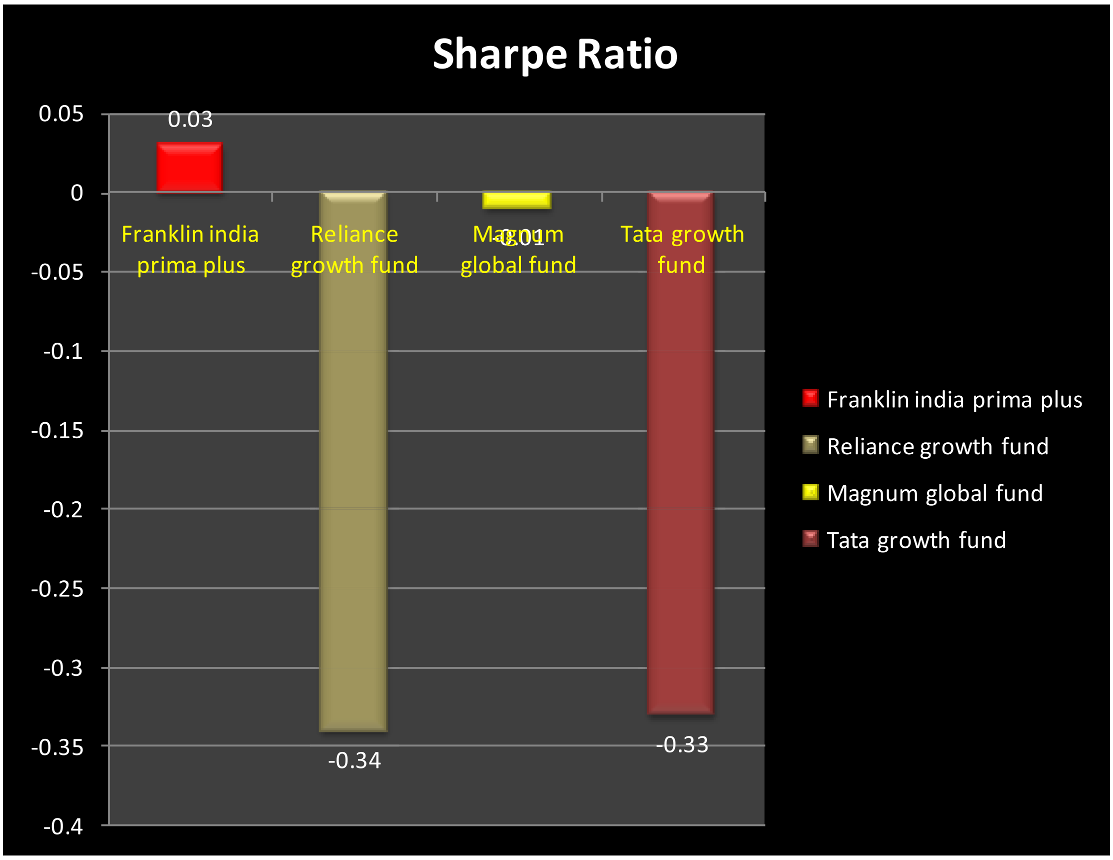


Figure 20 Sharpe Ratio

Same as Alpha, It is also showing the risk adjusted performance, so Franklin India prima plus has the higher risk taking capacity and higher returns means, it has the highest risk taking capacity than other AMCs.

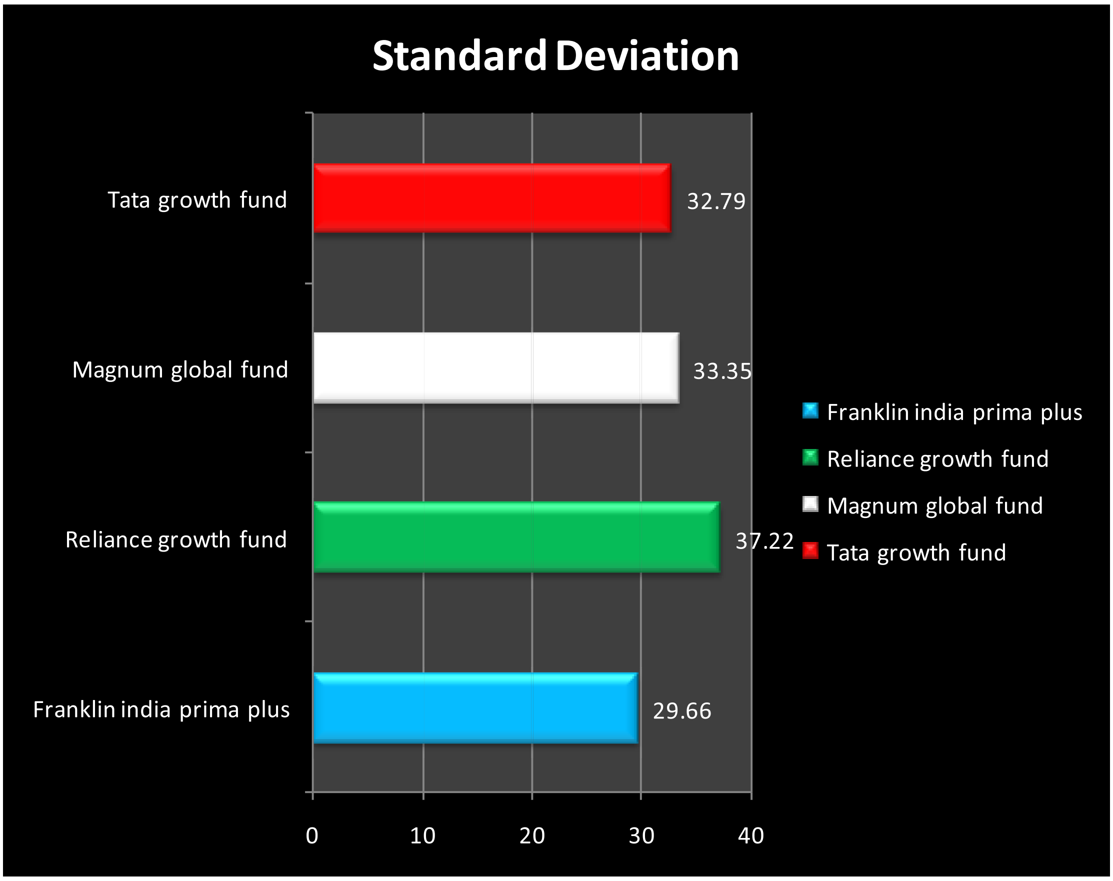


Figure 21 Standard Deviation

The portfolio of Reliance Growth fund comprises of the volatile stocks hence the volatility in their returns is higher than other AMCs because it has the higher standard deviation.

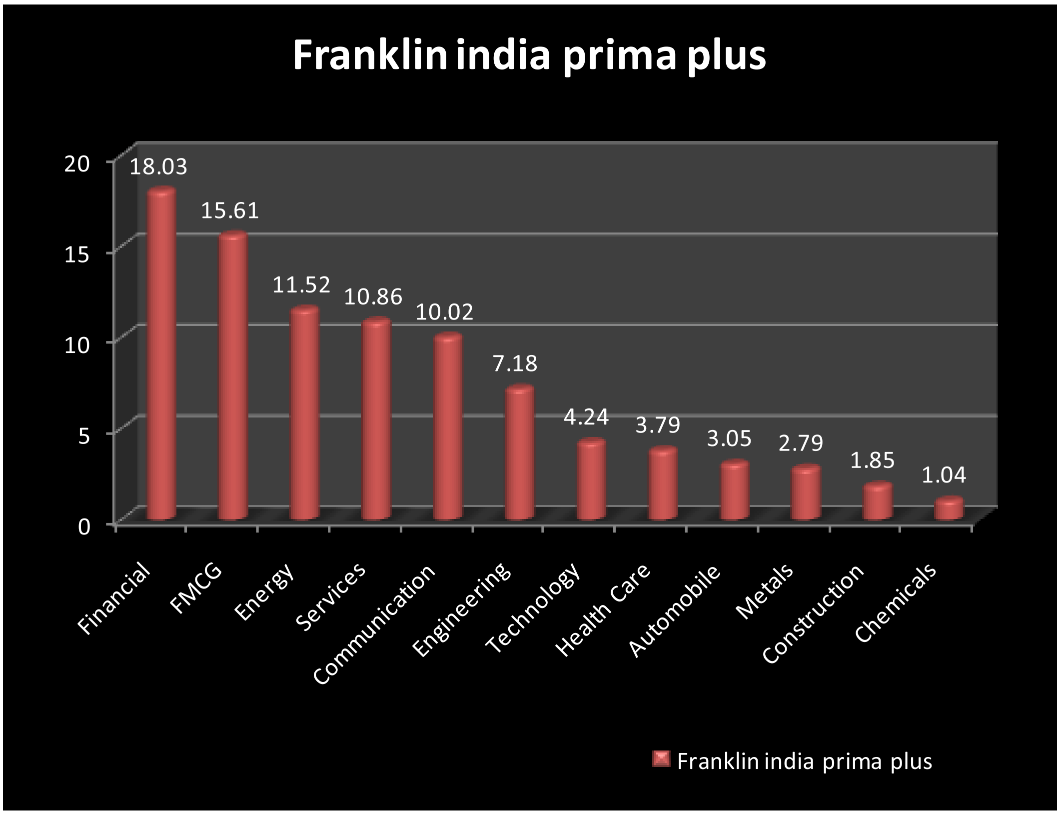


Figure 22 FT India Prima Plus sector Allocation

The graph represents the various sectors that the company has invested in terms of crores. The above graph represents the graphical representation of Franklin India Prime Plus

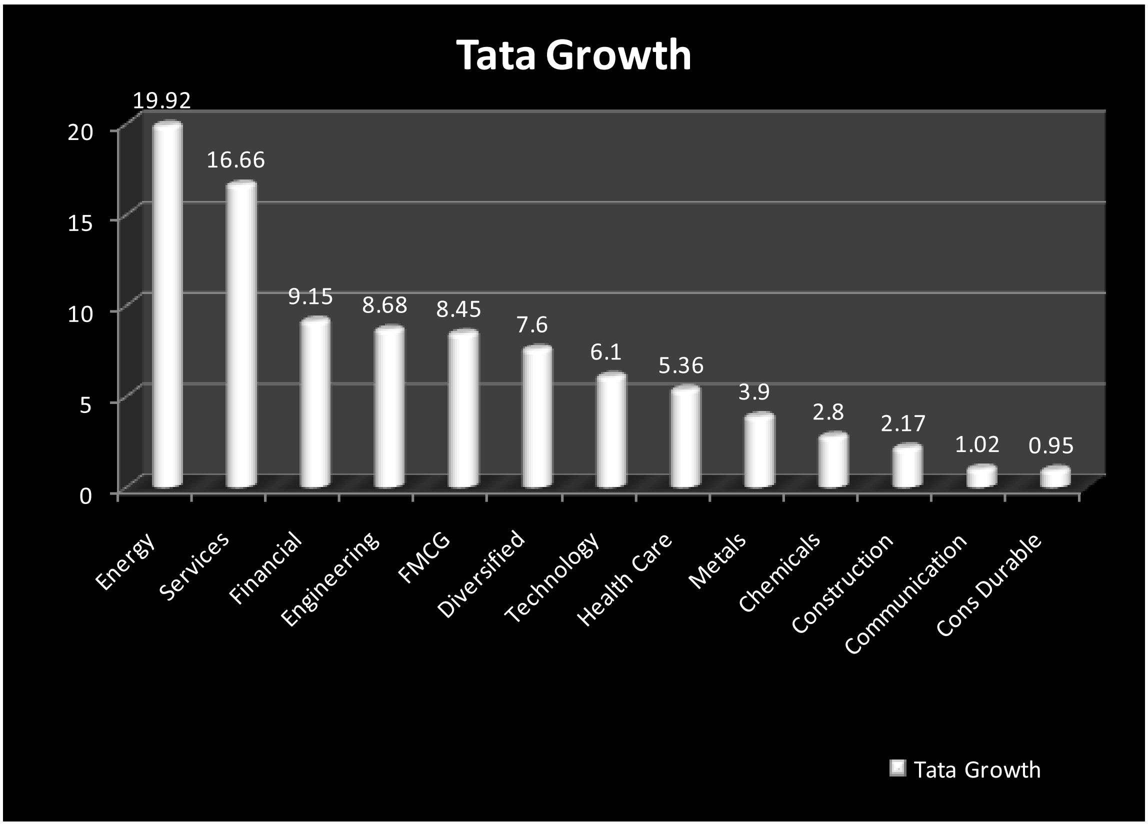


Figure 23 Tata Growth fund sector allocation

The graph represents the various sectors that the company has invested in terms of crores. The above graph represents the graphical representation of Tata Growth Fund

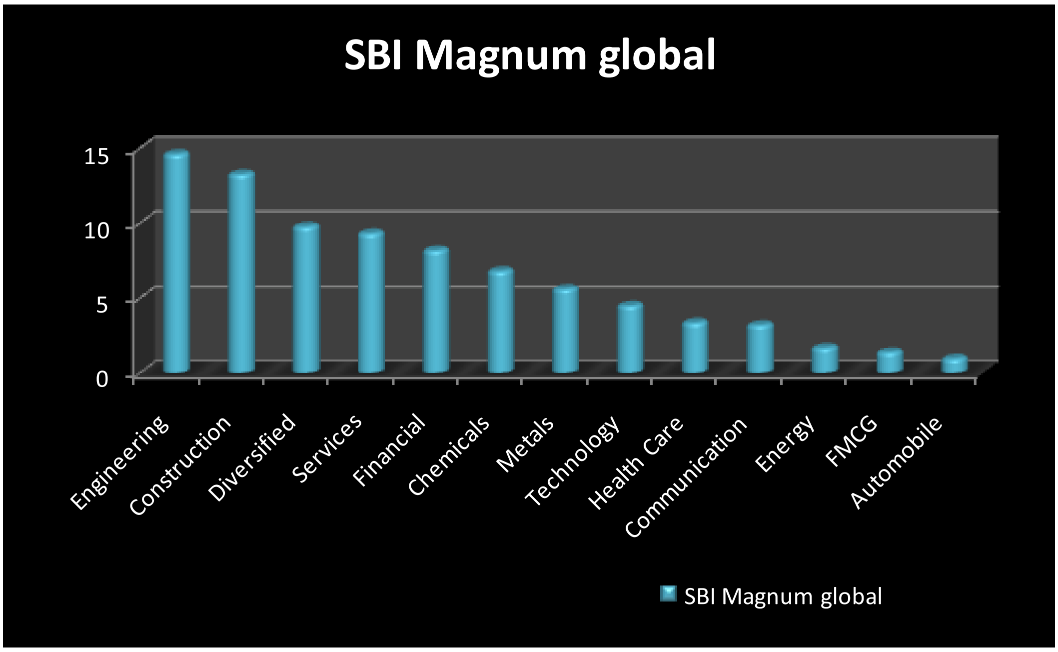


Figure 24 SBI Magnum Global Fund Sector Allocation

The graph represents the various sectors that the company has invested in terms of crores. The above graph represents the graphical representation of SBI Magnum Global Fund

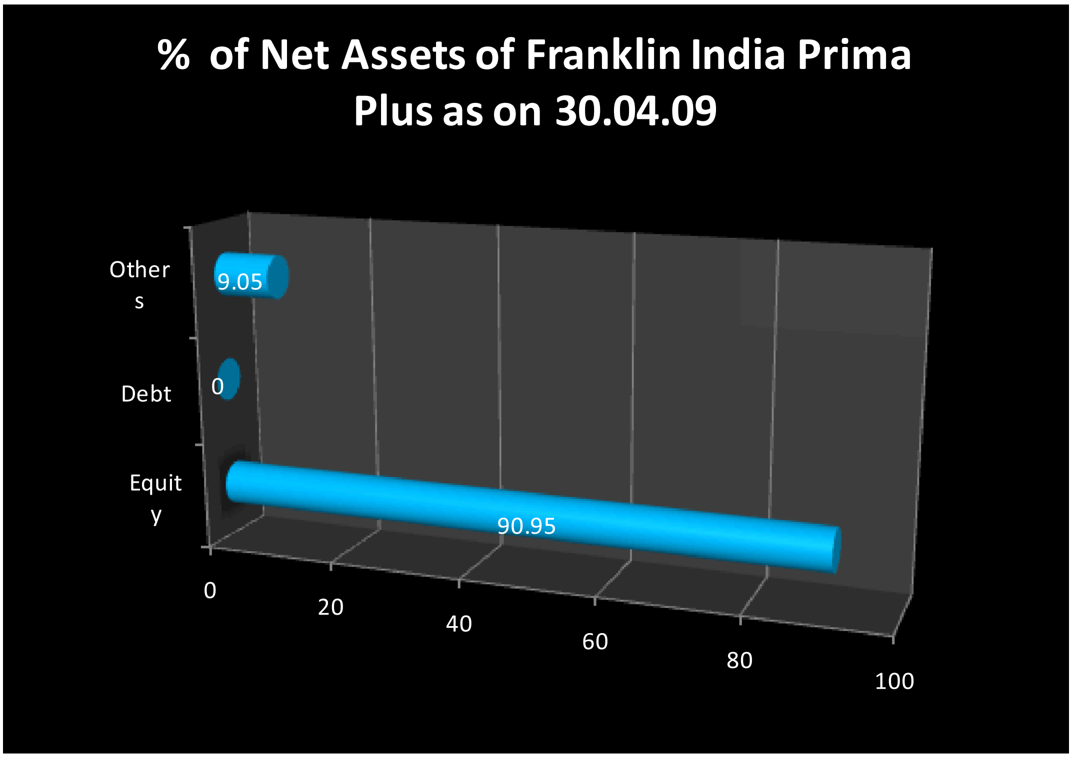


Figure 25 Percentage of Net Assets of FT India Prima Plus

This graphical representation shows the percentage of the net assets the company holds in terms of the debt, equity and others. The above graph shows the graphical representation of Franklin India Prima Plus

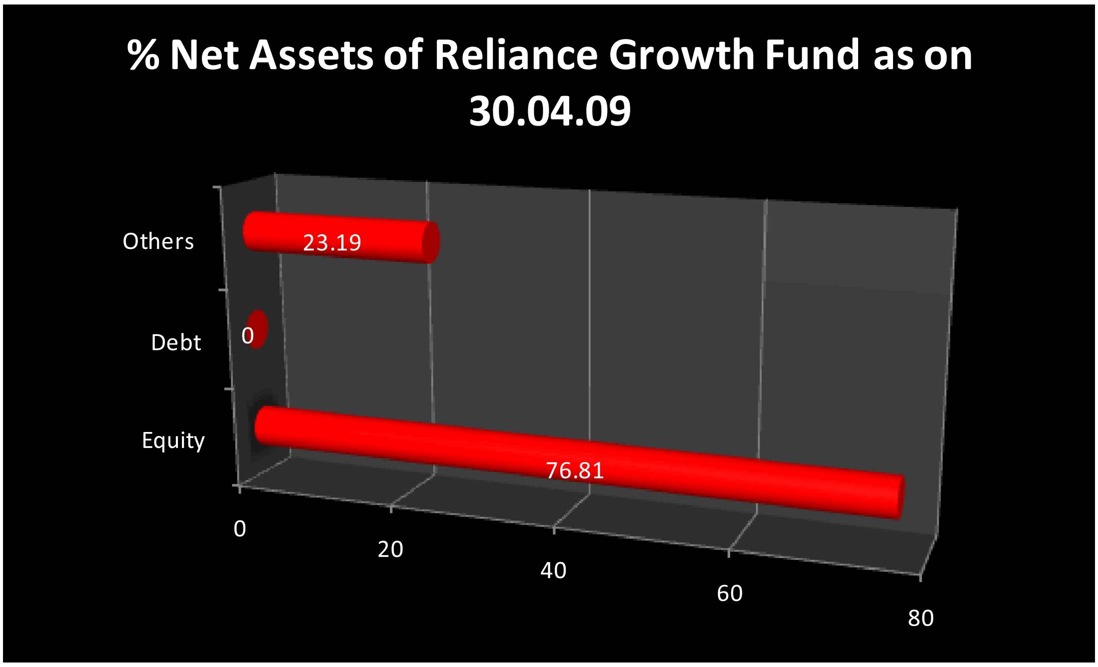


Figure 26 Percentage of Net Assets of Reliance Growth Fund

This graphical representation shows the percentage of the net assets the company holds in terms of the debt, equity and others. The above graph shows the graphical representation of Reliance Growth Fund.

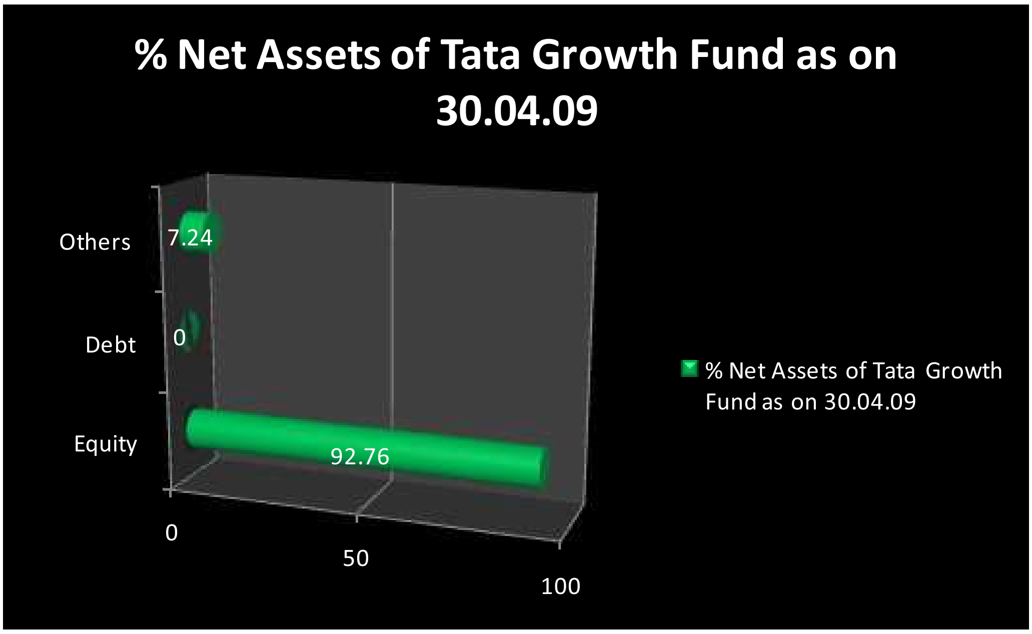


Figure 27 Percentage of Net Assets of Tata Growth Fund

This graphical representation shows the percentage of the net assets the company holds in terms of the debt, equity and others. The above graph shows the graphical representation of Tata Growth Fund.

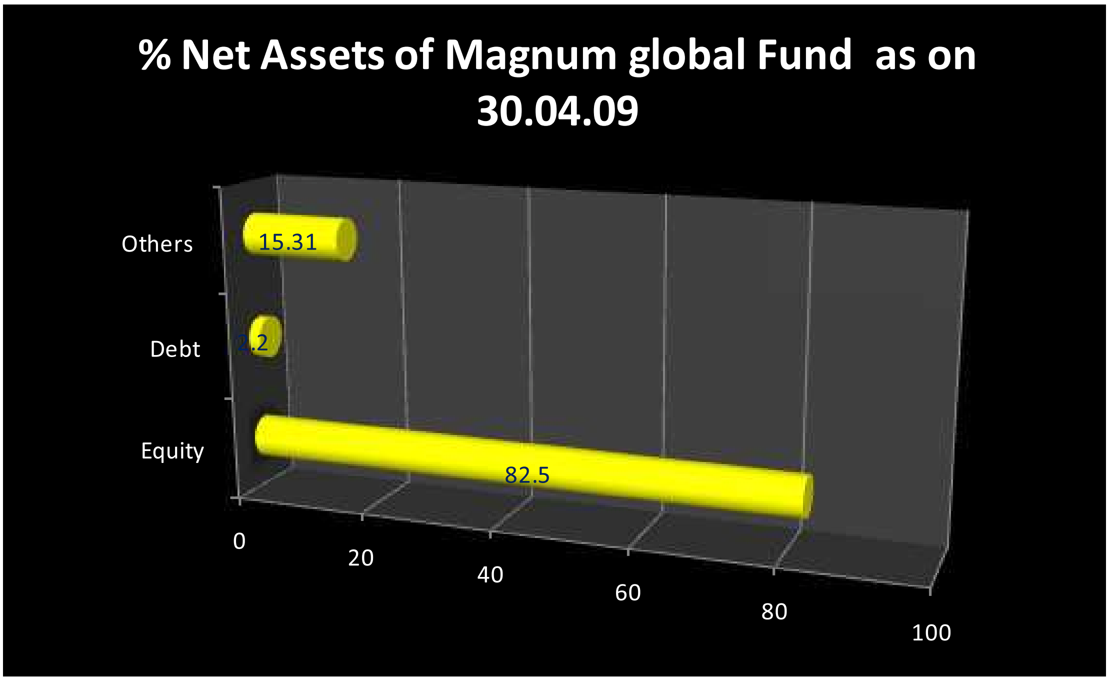


Figure 28 Percentage of Net Assets of SBI Magnum Global Fund

This graphical representation shows the percentage of the net assets the company holds in terms of the debt, equity and others. The above graph shows the graphical representation of SBI Magnum Global Fund.

COMPANY PROFILE

- The US $6.7 billion Mahindra Group is among the top 10 industrial houses in India.
- Mahindra is the market leader in multi-utility vehicles in India
- Mahindra & Mahindra is the only Indian company among the top tractor brands in the world.
- The Group has a leading presence in key sectors of the Indian economy, including the financial services, trade, retail and logistics, automotive components, after-market, information technology and infrastructure development.
- Mahindra has recently made an entry in the two-wheeler segment
- Mahindra's Farm Equipment Sector is the proud recipient of the Japan Quality Medal, the only tractor company worldwide to be bestowed this honor.
- It also holds the distinction of being the only tractor company worldwide to win the Deming Prize.
- The US based Reputation Institute recently ranked Mahindra among the top 10 Indian companies in its Global 200: The World's Best Corporate Reputations list.
- Mahindra is also one of the few Indian companies to receive an A+ GRI checked rating for its first Sustainability Report for the year 2007-08.

MAHINDRA GROUP

- AUTOMOTIVE
- AFTER-MARKET SECTOR
- FARM EQUIPMENT SECTOR
- FINANCIAL SERVICES SECTOR
- INFRASTRUCTURE DEVELOPMENT SECTOR
- INFORMATION TECHNOLOGY SECTOR
- MAHINDRA 2 WHEELERS
- MAHINDRA SYSTECH
- SPECIALTY BUSINESSES
- TRADE, RETAIL & LOGISTICS
- CORPORATE SOCIAL RESPONSIBILITY
- MAHINDRA EDUCATION TRUST
- HEALTH AND DISASTER FUND
- THE MAHINDRA EXCELLENCE IN THEATRE AWARDS (META)
- ENVIRONMENTAL INITIATIVES
- NANHI KALI

MAHINDRA FINANCE

A subsidiary of Mahindra & Mahindra Limited, we are one of India's leading non-banking finance companies. Focused on the rural and semi-urban sector, we provide finance for utility vehicles, tractors and cars and have the largest network of branches covering these areas. Our goal is to be the preferred provider of retail financing services in the rural and semi-urban areas of India, while our strategy is to provide a range of financial products and services to our customers through our nationwide distribution network.

At Mahindra finance we have a wide range of products and services, with something to suit everyone's needs. Right from finance for

- Two wheelers
- Tractors,
- Farm equipment,
- Cars
- Utility vehicles
- Commercial vehicles
- Construction equipment
- Investment advice
- Services
- Personal loans
- , Surveying available market products and choosing the most suitable to our customers' needs.

INVESTMENT ADVISORY SERVICES

- When it comes to investing, everyone has unique needs based on their own objectives and risk profile. While many investment avenues such as fixed deposits, bonds etc. exist, it is usually seen that equities typically outperform these investments, over a longer period of time. Hence we are of the opinion that, systematic investment in equity allows one to create substantial wealth.

MANAGEMENT

- The Company has a non-executive Chairman and more than one third of the total numbers of Directors are independent. The number of non-executive Directors is more than half of the total number of Directors. The Board currently consists of 10 members.

They are-

- Mr. Anand G. Mahindra- Chairman
- Mr. Bharat Doshi- Vice Chairman
- Mr. Anjanikumar Choudhari- Director
- Mr. Uday Y. Phadke- Director
- Mr. Dhananjay Mungale- Director
- Mr. Manohar G. Bhide- Director
- Mr. Nasser Munjee- Director
- Dr. Pawan Goenka- Director
- Mr. Piyush Mankad- Director
- Mr. Ramesh G. Iyer- Managing Director

CREDIT RATING:

- Credit Rating Information Services Limited (CRISIL) has reviewed the performance of the Company and reaffirms FAA for Fixed Deposit program and AA for Long term Debt and P1+ for Short term Debt.
- Company has also been awarded “Ind AA+” rating by Duff & Phelps (DCR) for the Rs.50 crores Long Term Non- Convertible Debentures.

RECOMMENDATIONS AND SUGGESTIONS:

- There should be given more time & concentration on the Tier-3 distributors.
- The resolution of the queries should be fast enough to satisfy the distributors.
- Time to time presentation/training classes about the products should be there.
- There should be more number of Relationship Managers in different Regions because one RM can handle a maximum of 125 distributors efficiently and also to cover untapped market.
- Regular activities like canopy should be done so as to get more interaction with the distributors.
- Regular session should be organized on the handling of the karvy's software so as to resolve the account statement problem.
- All the persons who have cleared the AMFI exam should be empanelled with Mutual Fund so as to be largest distributor base.
- Should have to provide more advertisements, canopies in the shopping mall, main markets because no. of people visiting these places are mostly of service classes and they have to save tax, hence there is more opportunity of getting more no. of applications.

CONCLUSION

These were my objectives of my project

- To get an insight knowledge about mutual funds
- Understanding the different ratios & portfolios so as to tell the distributors about these terms, by this, managing the relationship with the distributors
- To know the mutual funds performance levels in the present market
- To analyze the comparative study between other leading mutual funds in the present market.
- To know the awareness of mutual funds among different groups of investors.
- To evaluate consumer feedback on mutual funds
- Finding out ways and means to improve on the services by *Mahindra finance*

I satisfied my objectives of the project in the following manner

1. Complete insight knowledge about the mutual funds were mentioned in the project
2. Different ratios with complete graphical representation were explained in the project
3. To know the performance levels of the project I have done the comparative analysis of the project using the four major leading mutual fund companies using different parameters.
4. To know the consumer awareness I have done the survey using different customers so as to analyse the views about the mutual funds and perception of the customer in the present scenario.
5. To evaluate the ways and means to improve Mahindra finance I have mentioned various suggestions that are listed above

ANNEXURE -I

QUESTIONNAIRE AS PROVIDED BY THE COMPANY

Personal Details:

Name:

Mobile Number:

Adress:____

____

____

____

____

Occupation: ______________________

Age: ______________________________

1. **Of the following what at present are your investment needs?**

    a. To build a corpus for retirement
    b. To save for children education/ marriage
    c. To provide for medical emergencies
    d. To provide for family financial security
    e. To create wealth
    f. All of the above

2. Which of the following you think as investment for tax- saving?

a. Mutual funds
b. Fixed deposit
c. Insurance
d. Ppf
e. All of the above

3. Have you ever been invested in mutual funds?

a. Yes b. No

4. If you had Rs 1000/- where you prefer to invest

a. Mutual fund
b. Fixed deposit
c. Direct equity
d. Life insurance
e. Postal office deposit

ANNEXURE – II (NAVS OF TATA MUTUAL FUND)

	Jan-08	Feb-08	Mar-08	aprl 08	May-08	Jun-08	Jul-08	Aug-08	Sep-08
AVERAGE	**48.53651**	**42.46527**	**37.49301**	**38.189925**	**39.04912**	**35.33132**	**31.99206**	**33.39056**	**30.91998**
	52.7139	44.4644	40.747	37.2927	40.2378	37.3203	31.0188	33.2308	32.6911
	53.2267	45.2577	39.6663	37.2024	40.2328	37.0009	31.8784	33.3559	33.4227
	53.0883	45.3253	39.827	37.0465	39.7635	36.3225	31.0011	33.7079	33.3487
	53.2566	44.4805	38.4405	36.2863	39.8905	36.7528	31.4464	33.9291	32.9461
	53.1725	43.1958	38.1848	36.7008	39.4492	36.4139	31.8844	34.0327	33.3763
	52.1196	42.36	39.4042	36.7296	38.7552	35.2923	31.6148	34.1023	33.1384
	51.872	40.1342	39.2177	37.1746	38.5705	35.2992	32.4895	34.5648	32.6197
	50.3918	39.5484	37.2497	37.2868	38.5012	35.6145	32.538	34.3168	32.1392
	50.3235	39.7899	37.3255	37.5275	38.5238	35.9932	31.933	34.325	31.6216
	50.9804	41.6373	35.4171	37.9922	39.5082	35.8568	31.6767	33.6751	30.4918
	50.8289	42.3101	34.8526	38.4821	39.6856	36.2507	30.7149	33.339	30.2725
	50.0223	42.33	34.8774	38.8826	39.5624	36.6339	30.4357	33.0443	29.6739
	50.3319	42.6493	34.493	39.2379	39.827	36.4316	30.9843	33.3734	29.4706
	48.5604	42.2006	36.246	39.0914	39.2773	35.7411	31.5723	32.8079	30.2727
	43.9731	42.4025	36.6416	38.9898	38.8288	34.9509	31.6044	32.9521	30.1221
	41.255	42.048	36.6569	39.2847	37.9485	33.9226	32.4925	32.9779	29.7368
	43.804	42.0051	38.0531	39.5018	37.6007	33.3614	33.3296	32.7694	29.862
	42.6163	42.1722	37.5737	39.4824	38.1911	33.6738	33.0532	32.5102	29.5952
	45.1023	42.5209		39.7665	38.1601	33.9878	32.7784	32.0809	28.8122
	45.1115	42.5224		39.8399	38.4681	32.8974	33.1258	32.7157	27.7189
	45.1567	42.4161				32.2402	32.4863		27.9871

Oct-09	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09
22.64236	**20.28236**	**20.07561**	**19.45**	**18.38948**	**17.94183**	**21.30512**	**23.02236**
28.318	21.8422	18.6518	21.0931	18.3454	17.6211	19.5787	22.835
27.4904	22.5447	18.5529	21.3747	18.2618	17.3224	20.1561	23.0435
25.8255	21.7414	18.8017	21.7971	18.2208	17.3529	20.3726	22.8831
25.3351	21.1823	19.4458	21.6753	18.1953	17.0691	20.8152	23.2721
24.3488	21.6142	19.1383	20.4388	18.4493	17.1058	21.0178	23.0781
22.5325	22.3167	19.2077	19.9706	18.8454	16.8947	21.3774	
23.3131	21.2521	19.7234	19.452	18.9698	17.0659	22.0335	
23.4193	20.7788	19.8766	19.1117	19.0001	17.4754	21.1979	
22.3478	20.462	20.0964	19.3078	18.9168	17.8042	21.3794	
22.0632	19.9587	20.6722	18.9931	19.0624	17.8208	21.7117	
21.1574	19.4816	21.2289	19.128	18.7046	18.0124	21.6951	
21.3588	19.0783	20.6049	19.1808	18.3784	17.9809	21.4735	
21.8643	18.5782	21.0591	19.0301	18.2576	18.0442	21.7463	
21.3146	18.8846	21.3088	18.6187	18.2359	18.4189	22.1625	
20.8915	18.8484	21.0966	18.308	17.9698	18.3458	22.1334	
19.2921	18.6655	20.5589	18.0765	17.8207	18.5606	21.3716	
18.7948	18.873	20.3843	18.0892	17.8994	18.8482	21.9644	
19.84	18.9797	19.9773	18.3803	17.9153	19.1119		
20.6976		20.1582	18.3808	17.9513	18.7964		
		20.4708	18.5934		19.1849		
		20.5733					

The remaining values were collected with the same procedure as that of above.

ANNEXURE – III (RATIO ANALYSIS)

	P/E Ratio
Reliance growth fund	14.34
Magnum global	11.64
Tata growth fund.	15.18
Franklin india prima plus	18.62

	P/B Ratio
Reliance growth fund	5.01
Magnum global fund	2.06
Tata growth fund	7.28
Franklin india prima plus	5.51

Company Name	Standard Deviation
Franklin india prima plus	29.66
Reliance growth fund	37.22
Magnum global fund	33.35
Tata growth fund	32.79

THE REMAINING VALUES ARE COLLECTED AS ABOVE FOR RATIOS

ANNEXURE –IV(SECTOR WISE ALLOCATION FUND)

	Reliance Growth
Financial	9.41
Health Care	6.81
Energy	6.32
Chemicals	5.86
Technology	5.74
Diversified	5.16
Metals	4.75
FMCG	4.41
Communication	4.31
Engineering	2.51
Automobile	2.06
Services	1.85

	Franklin india prima plus
Financial	18.03
FMCG	15.61
Energy	11.52
Services	10.86
Communication	10.02
Engineering	7.18
Technology	4.24
Health Care	3.79
Automobile	3.05
Metals	2.79
Construction	1.85
Chemicals	1.04
Cons Durable	0.96

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