

Project Dissertation Report on
FUTURE OF MUTUAL FUNDS IN INDIA

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DECLARATION

I hereby declare that the Project Report entitled “**Future of Mutual Fund in India**” has not been submitted previously from the basis for award of any degree. This work embodies the result of my original work conducted under the supervision of Dr. Archana Singh(Faculty of Delhi School Of Management,DTU,Delhi). The information submitted is true and original to the best of my knowledge.

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CERTIFICATE

This is to certify that Mr. SHUBHAM SINGH, a student of DELHI SCHOOL OF MANAGEMNET ,DELHI TECHNOLOGICAL UNIVERSITY ,DELHI has completed project work on “**Future of Mutual Fund in India**” under my guidance and supervision.

I certify that this is an original work and has not been copied from any source.

Dr. Archana Singh
Signature of Guide

Name of Project Guide: Dr. Archana Singh

ACKNOWLEDGEMENT

I have prepared this study paper for the “**Future of Mutual Fund in India**” Quite frankly, I have derived the contents and approach of this study paper through discussions with colleagues who are also the students of this course as well as with the help of various Books, Magazines and Newspapers etc.

I would like to give my sincere thanks to **Dr. Archana Singh (Faculty of DELSHI SCHOOL OF MANAGEMENT , DTU , Delhi)** and a host of friends and the teachers who, through their guidance, enthusiasm and counseling helped me enormously. As I think there will always be a need of improvement. Apart from this, I hope this study paper would stimulate the need of thinking and discussion on the topics like this one.

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EXECUTIVE SUMMARY

Mutual funds are financial intermediaries, which collect the monetary fund of investors and divest them in a bigger and well-diversified portfolio of securities like money market instruments, corporate and government bonds and equity shares of the companies. Mutual funds can be unquestioned only if they can live up-to the hopes and trusts of their individual members. This project deals with the composition of the Indian Mutual Fund industry and it's related factors. It also classifies the Mutual fund schemes and describes the major players in the industry, with specific reference to AXIS.

This research is exploratory in nature. Data is accumulated from various primary and secondary sources. The choice of sample scheme was guided by the fact that a reasonable amount of information was accessible and stand for true picture of Indian mutual fund industry. 40 people, in and around Delhi city, were questioned to know more about the Mutual Funds from the consumer's point of view. Special care was taken to include people from all income groups. About 38% people had no idea of Mutual Funds, which showed the low awareness level among the people of Delhi. This stresses the need for the better marketing.

In India, the trend is that investors invest when there is a boom in the stock market and pull away their holdings at time of slump. This is absolutely contrary to how the system works in foreign countries, as there investments fall out in the slump period when larger units can be purchased with the same amount of money. Withdrawals are done in boom times as maximum profit is gained. This is the accurate strategy and Mutual Fund companies are working hard to create this awareness among consumers.

In the end, it is concluded and recommended that there is a need for Improved marketing to increase awareness level, focusing on building a relationship of trust and commitment with the investors, qualify better rate of returns to the individual members than gained by other investment options.

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CHAPTER 1-INTRODUCTION

1.1 INTRODUCTION

A Mutual Fund is a trust that collects the monetary fund of a number of investors who have a common financial goal and pools it together to make a bigger resource of money. The money thus collected is invested by the fund manager in various types of securities depending upon the objective . These could extent from shares to debentures to money market instruments. The securities could be further divided into technology securities, pharmaceutical securities, FMCG securities etc. The income attained through these investments and the capital appreciation realized, are shared among its unit holders proportionately i.e. on the basis of the number of units closely-held by them (pro rata).

Thus , a Mutual Fund is the most suited investment for the common man as it offers an possibility to invest in a diversified, professionally managed portfolio at a relatively low cost. Anybody with any surplus money that can be invested, even as little as a few thousands can invest in Mutual Funds. Each Mutual Fund scheme has a characterized investment objective and strategy. The team undertakes this in the most professional manner.

Markets for equity shares, debentures, bonds and other fixed income instruments; real estate, derivatives and other assets have reached their time of life and are driven by latest up-to-date information. A mutual fund is thus the ideal investment instrument for today's complex financial scenario.

Price changes in these assets are driven by world's events happening every day, in-fact every second in faraway places. It will be very difficult, in-fact next to impossible for an average individual to have the knowledge, skills, attitude and time to keep track of events, understand their implications. An individual also finds it hard to keep track of ownership of his assets, investments, brokerage dues and bank transactions etc. A mutual fund is the solution to all these situations. It appoints professionally competent and experienced personnel that manages each of these functions on a full time basis. The costs of hiring these professionals per investor are very low, as the amount of money invested is very large.

While the idea of man-to-man coming together to invest money in collaboration is not new, the mutual fund in its present form is a 20th century development. In fact, mutual funds became popular only after the Second World War. Around the globe, there are thousands of firms offering tens of thousands of mutual funds with various investment objectives. Today, mutual funds collectively carry off almost as much as or more money as comparable to banks in the world.

1.2 STATEMENT ABOUT THE PROBLEM

A Mutual Fund is a trust that collects the monetary fund of a number of investors who have a common financial goal and put together to create a larger resource of money. The money thus accumulated is invested by the fund manager in various types of securities depending upon the objective of the scheme and individuals. These could extent from shares to debentures to money market instruments. The securities could be further divided into technology securities, pharmaceutical securities, FMCG securities etc. The return from these low cost investments instrument and the capital growth realized by the scheme are shared among its unit holders proportionately.

Thus a Mutual Fund is the most suited financial product for the common man as it offers a chance to invest in a diversified, professionally managed portfolio at a low cost. Each Mutual Fund scheme has a characterized investment objective and strategy.

Mutual funds are financial product, which collect the monetary fund of investors and put them in a large and well-diversified portfolio of securities like money market instruments, corporate and government bonds and equity shares of the companies. Mutual Fund's can be accepted only if they can live up-to the hopes and trusts of its members. This project deals with the structure of the Indian Mutual Funds industry and its constituents. It also classifies the Mutual fund schemes and describes the major players in the industry, with specific reference to Unit Trust Of India (Axis).

CHAPTER 2-OBJECTIVE OF THE STUDY

2.1 OBJECTIVE OF THE STUDY

The present study revolves around the following objectives:-

- The objective is to analyze the position of Axis Mutual Funds in the Indian markets and outline the factors, which makes Axis Mutual Funds the leading player in the Mutual Funds industry
- To know the rules, regulations and general obligations which are pertaining to the Mutual funds schemes offered in the Industry.
- To determine the perception of the Indian investor towards Mutual funds.

2.2 SCOPE OF THE STUDY

The Mutual Fund Industry is fast gaining popularity in today's unpredictable financial scenario. It is emerging as one of the most lucrative investment options. The primary objective of the project is to gain detailed insight into this Industry.

I have tried to systematically and objectively look into all-important aspects. A combination of primary and secondary data has been used. The former, though limited, has helped us give first hand information on company and investor sentiments. The latter has been used to understand the theoretical aspects.

Strategic importance has been given to both current and past trends and we have tried to correlate both in a manner to gain maximum insight.

This document has been designed to serve a two-fold purpose. The first, which is also the main objective of the project, is to reflect our understanding of this industry. The second is to provide the reader similar detailed knowledge

The objective is to analyze the position of AXIS in the Indian markets and outline the factors, which makes Axis the leading player in the Mutual Funds industry Also there has been a focus on the rules, regulations and general obligations which are pertaining to the Mutual funds schemes offered in the Industry.

The prime objective of the research was to determine the perception of the Indian investor towards Mutual funds and this is demonstrated in the later part of this report.

CHAPTER 3-RESERACH METHODOLOGY

3.1 RESERACH METHODOLOGY

This research is exploratory in nature .Data is collected from various primary and secondary sources. The choice of sample scheme was guided by the fact that a reasonable amount of information was available and representing true picture of Indian mutual fund industry.

The methodology adopted for the completion of this project is divided into four stages.

The first stage includes the understanding the Concept, Structure and policy (related to Mutual funds) in the Indian mutual fund industry and Secondary data for this purpose was accumulated through various sources like books , business news & magazines, journals, annual & quarterly performance reports of the concerned mutual funds companies and the World wide web.

The second stage included the input stage in which various type of information data were collected related to various mutual funds. The data was collected through discussions & interviews with the representatives of the companies. The financial and other relevant data was extracted from the performance and annual reports of the Asset management companies (AMC) concerned .

In the third stage all the gathered data were arranged and tabulated to arrive at the necessary conclusion. All the information was correlated into tabulation charts and in figures to make the information easy to understand. Primary collection of data included formulation of tools like Questionnaires to assess various schemes of mutual funds and to find out the perception of the Indian investor .

The last stage, i.e. the output stage included analyzing (with the help of Accounting tools & statistical tools like financial ratios & average, bar graphs & charts), of the processed information in to final findings and comparing the information with the

data of mutual fund companies and then arriving of final conclusions and policy recommendations to Axis.

The research is based on making use of both, the primary sources and the secondary sources of data in eliciting information.

PRIMARY DATA: The primary source of data will involve oral interviews and questionnaires. These sources are inadvertently expected to yield more qualitative data and results.

SECONDARY SOURCES: Books, Magazines, Documents, Reports and the available literature from other sources.

SAMPLE SIZE: 70

SURVEY AREA: NATIONAL CAPITAL REGION DELHI

SAMPLE UNIT: Officials of AXIS and the consumers in this sector.

3.2 LIMITATIONS OF THE PROJECT

The major constraint faced by us in making the project was time & money. The time was not enough to know in detail about the factors, to major the performance of all mutual funds companies in the industry and to what extent each factor is responsible for the same.

Also in some cases the companies contacted, were not willing to provide adequate information about the Mutual funds schemes, this constraint led to inability to cover the whole data. Which could give us clearer picture of the subject .

Most of the data about the companies are collected from the concerned Companies Website or directly through the Concerned Companies, which can be manipulated or exaggerated by the company (Window dressing).

However, in spite of all these limitations and constraint, a humble attempt to present useful information and format with an analytical picture of the study with suggestions has been made.

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companies and the World wide web (www Information- concerned websites mentioned in the Bibliography).

The second stage included the input stage in which various type of information data were collected related to various mutual funds. The data was collected through discussions & interviews with the representatives of the companies. The financial and other relevant data was extracted from the performance and annual reports of the Asset management companies (AMC) concerned.

In the third stage all the gathered data were arranged and tabulated to arrive at the necessary conclusion. All the information was correlated into tabulation charts and in figures to make the information easy to understand. Primary collection of data included formulation of tools like Questionnaires to assess various schemes of mutual funds and to find out the perception of the Indian investor towards the mutual funds. The results and findings of primary data collected (Sample Questionnaire) is given in the Annexure* .

The last stage, i.e. the output stage included analyzing (with the help of Accounting tools & statistical tools like financial ratios & average, bar graphs & charts), of the processed information in to final findings and comparing the information with the data of mutual fund companies and then arriving of final conclusions and policy recommendations to Axis.

CHAPTER 4-LITERATURE REVIEW

4.1 “HOW DO MUTUAL FUNDS WORK?”

The working of Mutual Funds can be concisely stated in the form of the points below:

-

A draft offer document is braced at the time of launching the fund. Typically, it specifies the investment objectives of the fund, the risk related, the costs involved in the process and the rules for the entry into and exit from the fund and other areas . In India, and in most countries, these sponsors need commendation from a regulator, SEBI (Securities exchange Board of India). SEBI looks at the track records of the sponsor and its financial strength in granting approval to the fund for commencing operations.

A sponsor then employ an asset management company to divest the funds according to the objective.

It also employs another entity to be the keeper of the assets of the fund and perhaps a third one to handle registry work for the subscriber of the fund.

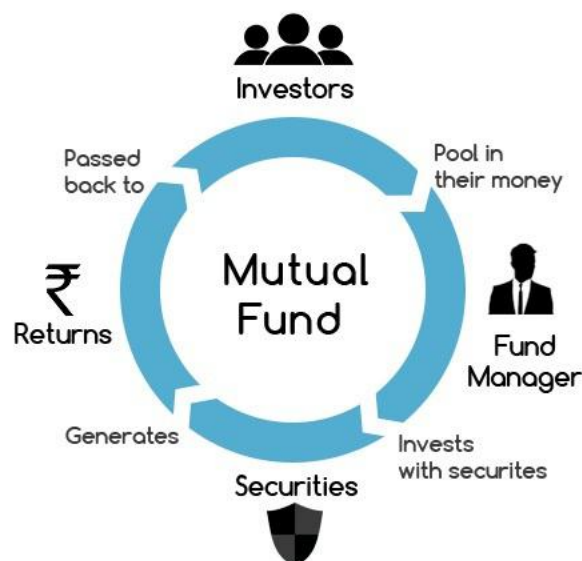


Figure 1:HOW MUTUAL FUND WORKS?

In India, the sponsors promote the Asset Management Company also, in which it holds a majority of stake. In many cases, a sponsor can have a 100% stake in the Asset Management Company (AMC). E.g. Birla Global Finance is the sponsor of the Birla Sun Life Asset Management Company Limited, which has passed various mutual funds schemes and also acts as an asset manager for the money collected through the schemes.

4.2 TYPES OF MUTUAL FUND

Mutual fund schemes may be classified on the basis of its structure and its investment objective. This classification is shown below.

Types Of Mutual Funds

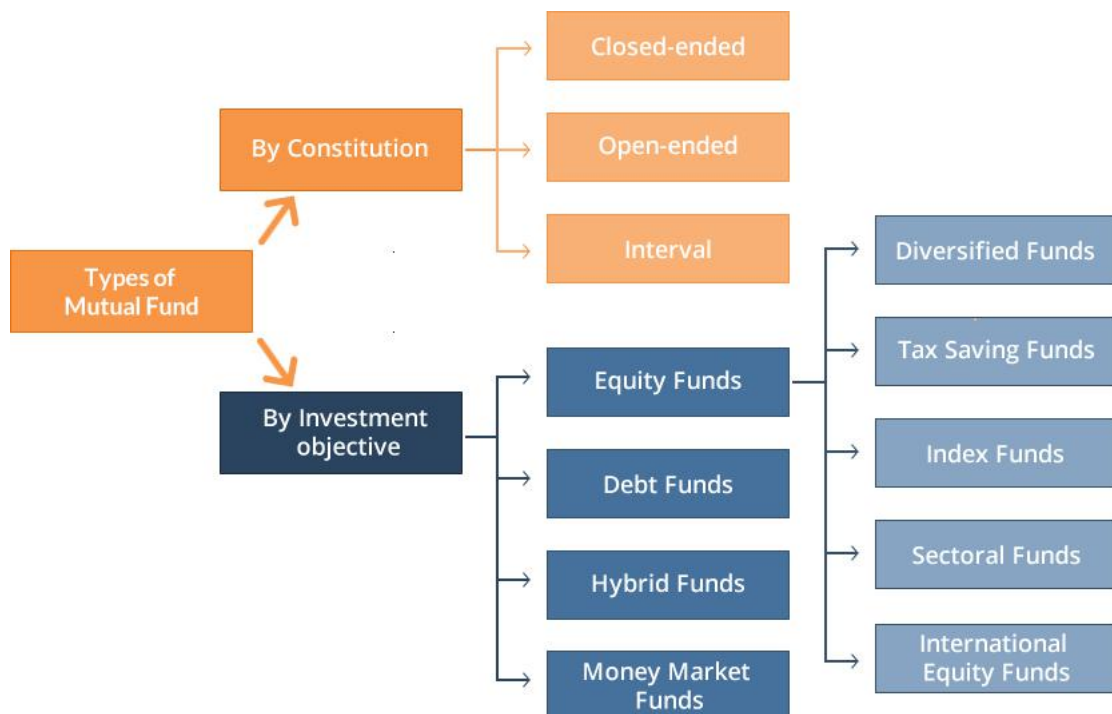


Figure 2: TYPES OF MUTUAL FUND

Open-ended Funds

An open-end fund is one that is accessible for the subscription throughout the year. They do not have a fixed maturity. Investors can handily buy and sell units at Net Asset Value ("NAV") related prices. The main feature of open-end schemes is liquidity.

Closed-ended Funds

A closed-end fund has a guarantee maturity period which mostly range from 3 to 15 years. The fund is open for subscription only during a specific period. 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 they are listed. In order to have a provision of an exit plan to the member, some close-ended funds have provision of selling back the purchases to the Mutual Fund through periodic repurchase at NAV. SEBI Regulations guarantee that at least one of the two exit routes is provided to the investor.

Interval Funds

Interval funds pool the features of open-ended and close-ended schemes. They are open for sale or redemption during ascertained intervals at NAV related prices.

Growth Funds

The purpose of the growth funds is to provide capital appreciation over the medium for long- term. Such schemes ordinarily invest a majority of their part in equities. It has been proven that profits from stocks, have outperformed most other kind of investments held for the long term. Growth schemes are ideal for investors having a long-term outlook.

Income Funds

The purpose of income funds is to give regular and steady income to investors. Such schemes generally invest in fixed income securities like bonds, debentures and Government securities. Income Funds are ideal for capital steadiness and regular income.

Balanced Funds

The purpose of balanced funds is to give both growth and regular income. Such schemes periodically dispense a part of their earning and invest both in equities and fixed income securities in the proportion written in their offer documents. In a stock market, the NAV of these schemes may not ordinarily keep pace, or fall equally when the market falls. These are ideal for investors search for a grouping of income and moderate growth.

Money Market Funds

The purpose of money market funds is to give liquidity, preservation of capital and moderate income. These schemes in general invest in safer short-term instruments like treasury bills, certificates of deposit etc . Returns on these schemes may swing depending upon the interest rates prevailing in the market. These are ideal for Corporate and individual investors.

Load Funds

A Load Fund is one that asking a commission for entry or exit. That is, every time you buy or sell units in the fund, a commission will be due. Typically entry and exit loads range from 1% to 2%. It could be valuable paying the load, if the fund has a good performance in history.

No-Load Funds

A No-Load Fund is one that does not asking for a commission for entry or exit. That is, no commission is payable on purchase or sale of units in the fund. The advantage of a no load fund is that the entire part is put to invest.

Tax Saving Schemes

These schemes substance tax rebates to the investors under particular provisions of the Indian Income Tax laws as the Government offers tax incentives for investment in specified approach. Investments made in Equity Linked Savings Schemes (ELSS) and Pension Schemes are allowed as deduction u/s 88 of the Income Tax Act, 1961. The

Act also cater opportunities to investors to save capital gains u/s 54EA and 54EB by investing in Mutual Funds, ply that the capital asset has been sold prior to April 1, 2015 and the amount is endowed before September 30, 2000."

Industry Specific Schemes

Industry Specific Schemes endow only in the industries specified in the offer document. The investment of these funds is constricted to specific industries like Information , FMCG, and Pharmaceuticals etc.

Index Schemes

Index Funds effort to duplicate the performance of a particular index such as the BSE Sensex or the NSE 50.

Sectoral Schemes

Sectoral Funds are those, which invest entirely in a specified industry or a group of industries or different segments such as 'A' Group shares or initial public offerings.

4.3 NET ASSET VALUE (NAV)

Before investing into the market related functional aspects of Mutual funds, it is crucial to understand the judgment criteria of these funds. Business is evaluated by the levels of its profits, a mutual fund is calculated on the basis of its “net asset value”, as explained.

The net asset value of the fund is the accumulative market value of the assets fund net of its liabilities. In other words, if the fund is liquidated, by selling off all the assets in the fund, this is the money that the shareholders would share. This gives rise to the thought of net asset value per unit, which is the value, described by the ownership of one unit in the fund. It is measured simply by dividing the net asset value of the fund by the number of units.

Calculation of NAV

The most essential part of the computing is the valuation of the assets owned by the fund. Once it is computed, the NAV is simply the net value of assets divided by the number of outstanding units. The methodology for the computation of the asset value is given below.

Asset value is equal to

- Total of market value of shares
- + Liquid assets/cash hold, if any
- + Dividends/interest accrued
- Amount due on unpaid assets
- Expenses accrued but not paid

Market trends

A lone AXIS with just one scheme in 1964 now contend with as many as 450 products and 37 players in the market. In spite of the tough competition and losing market share, Axis is still a formidable force to reckon with.

Last six years have been the most disruptive as well as exiting for the industry. New players entered, while others have decided to close operations by either selling or merging with others. Product innovation is now outdated with the game shifting to performance delivery in fund management and service.

The industry is also having a profound event on financial markets. While Axis has always been a preponderant player on the bourse and the debt markets, the new generations of private funds which have profit substantial mass are now seen flexing their muscles. Fund managers, by their assortment criteria for stocks have forced corporate governance on the industry. By appreciating honest and clear management with higher time value, a system of risk-reward has been created in which corporate sector is more transparent than before.

Funds have change their focus to the recession free sectors like pharmaceuticals, FMCG sector and others. Funds performances are rising. Funds collection, which mean at less than Rs 100 billion per annum over 5-year period duration 1993-98 doubled to Rs 210 billion in 1998-99. In the current year mobilization till now have surpassed Rs 300 billion. Total collection for the current financial year ending March 2018 is expected to reach Rs 450 billion.

What is especially noteworthy is that majority of the mobilization has been by the private sector mutual funds rather than public sector mutual funds. Indeed private Mutual Fund's have a net inflow of Rs. 7819.34 crore during the first 9 months of the year as compare to net inflow of Rs.604.40 crore in the case of public sector funds.

Mutual funds are now also competing with banks in the race for retail investor's savings and corporate float money. The powerful shift towards mutual funds has become evident. The coming years will show that the traditional saving avenues are losing out in the present scenario. Many investors are realizing that investments in savings accounts are as best as locking up their deposits in a closet. The fund mobilization trend by mutual funds in the present year signals that money is going to mutual funds in a big way. The collection in the first half of the financial year 1999-2018 matches the whole of 1998-99.

India is at the first stage of a revolution that has already pointed in the U.S. The U.S. boasts of an Asset base that is much high than its bank deposits. In India, mutual fund assets are not even 10% of the bank deposits, but this trend is commencement to change. Recent figures indicate that in the first quarter of the present fiscal year mutual fund assets up by 115% whereas bank deposits up by only 17%. This is forcing a large number of banks to follow the concept of narrow banking wherein the deposits are kept in Gilts and some other assets, which improves liquidity and cut down risk. The basic fact is that banks cannot be ignored and they will not close down .

4.4 Banks v/s Mutual Funds

CHARACTERISTICS	BANKS	MUTUAL FUNDS
Returns	Low	Better
Administrative exp.	High	Low
Risk	Low	Moderate
Investment options	Less	More
Network	High penetration	Low but improving
Liquidity	At a cost	Better
Quality of assets	Not transparent	Transparent
Interest calculation	Minimum balance between 10th. & 30th. Of every month	Everyday
Guarantee	Maximum Rs.1 lakhs on deposits	None

Table 1: BANKS v/s MUTUAL FUNDS

4.5 MAJOR PLAYERS IN THE INDIAN MF INDUSTRY

Morgan Stanley Asset Management (I) Pvt. Ltd.

Morgan Stanley Dean Witter & Co. is a leading global financial services firm that provides a wide range of services to major corporations, governments, financial institutions and high-net-worth individuals worldwide. With approximately 50,000 employees in 24 countries, the Firm has a world-shattering existence in every financial market.

Morgan Stanley Dean Witter (MSDW) Investment Management is the institutional asset management part of MSDW & Co. MSDW Investment Management was planted in 1975 to help governments, corporations, pension funds and non-profit organizations meet their long-term investment objectives. MSDW Investment Management carry off US\$ 385 billion for institutional and individual investors.

MSDW Investment Management manages three major offshore India funds, the India Magnum Fund (traded on the Dublin Stock Exchange), the India Investment AG (listed on the Zurich Stock Exchange) and the India Investment Fund (traded on the New York Stock Exchange). The Morgan Stanley Growth Fund was set up in January 1994 and earned an initial corpus of Rs. 981 crores. MSGF is listed on the Mumbai, Delhi, Calcutta, Chennai and Ahmadabad Stock Exchanges and is also listed on the National Stock Exchange. In 1997, MSGF units were placed as desirable securities with the National Securities Depository Limited, which made it possible for unit holders to hold units in electronic/materialization form.

No. of schemes	1
No. of schemes including options	1
Equity Schemes	1
Corpus under management	981 Crs. as on Jun 30, 1999

Table 2:SCHEME OF MSAM

DSP Merrill Lynch Investment Managers

DSP Merrill Lynch Asset Management (India) Ltd., (a company registered under the Companies Act, 1956) has been established by DSPML and MLAM, to act as the Asset Management Company (AMC) to the Fund. The AMC has been nominated as the Investment Manager to the fund, MLAM holds 40% of the paid up share capital of the AMC, while the balance 60% , is held by DSPML. The Investment Manager was sanctioned by SEBI to act as the AMC for the Mutual Fund.

Merrill Lynch Investment Managers investment philosophy is configured to seek consistent, long-term strategic performance results. Its controlled value oriented approach to managing its client's portfolios has been with the primary objective of seeking consistent returns over a long period.

DSP Merrill Lynch Asset Management (India) Ltd. has been altered its name to DSP Merrill Lynch Investment Manager's Ltd. w.e.f 20th July 2015.

No. of schemes	8
No. of schemes including options	13
Equity Schemes	3
Debt Schemes	2
Short term debt Schemes	2
Equity & Debt	2
Gilt Fund	4
Corpus under management	342.02 Crs. as on Mar 30, 2018

Table 3:SCHEME OF DSP MERRILL

Birla Sunlife Asset Management Company Ltd

Birla Sun Life AMC Ltd. is a joint venture between Sun Life Assurance Company of Canada and the Aditya Birla Group, one of Indian leading Industrial houses.

Sun Life Assurance Company of Canada is a major financial services organization, providing a diversified range of risk management, wealth management and money management products for individuals and corporations worldwide. Sun Life commenced business in Canada in 1871, and is headquartered in Toronto with major operations in Canada, United States, United Kingdom and Asia Pacific. Sun Life has consistently attained ratings that rank among the best in the North American financial services sector. It has a major proximity in the growing mutual fund markets through MFS Investment Management in the U.S., and through Spectrum United Mutual Funds in Canada. It is also progressive in the unit trust business in the U.K .

The Aditya Birla group is a international group consisting of the better-known companies in India in a range of key sectors like Textiles (GRASIM), Rayon (Indian Rayon), Aluminum (HINDALCO), Petroleum (MRPL), Finance (BGFL), Fertilizers (Indo-Gulf). Birla Mutual Fund offers investment Schemes which intent to cater to every need of the investor. Employing the expertise of a worldwide staff of over 10,000 people and a network of more than 65,000 agents and distributors, Sun Life is pledged to providing not just products and services, but solutions for clients financial and risk management needs.

No. of schemes	10
No. of schemes including options	20
Equity Schemes	8
Debt Schemes	2
Short term debt Schemes	2
Equity & Debt	2
Gilt Fund	6
Corpus under management	3742 Crs. as on Mar 30, 2018

Table 4:SCHEME OF BIRLA SUNLIFE

Kothari Pioneer Asset Management Company Ltd.

Kothari Pioneer Mutual Fund is supported by the Investment Trust of India Ltd. of the H C Kothari Group and Pioneer Investment Management Inc.(PIM) of The Pioneer Group Inc.,USA. Kothari Pioneer is one of India's first mutual fund in the private sector. Today, it carry off Rs.2700 crores in assets for over 650,000 investors.

The sponsors of the fund are Pioneer Investment Management (PIM), USA and the Investment Trust of India, who collectively bring more than 120 years of experience in financial services. PIM currently carry off over \$24 billion in assets worldwide on behalf of individual and institutional investors. Based in Boston, Pioneer has financial services operations in Germany, Ireland, Poland, Czech Republic, India and Russia. Its flagship fund, Pioneer Fund, was founded in 1928 and is the fourth oldest mutual fund in the United States.

No. of schemes	21
No. of schemes including options	34
Equity Schemes	18
Debt Schemes	12
Short term debt Schemes	2
Equity & Debt	1
Gilt Fund	1
Corpus under management	2600 Crs. as on Mar 30, 2018

Table 5:SCHEME OF KOTHARI PIONEER

Sun F & C Asset Management (India) Pvt. Ltd.

SUN F&C Asset Management (India) Pvt. Ltd. is an equal joint venture between Foreign & Colonial Emerging Markets Ltd. U.K. and SUN Securities (India) Pvt. Ltd. Foreign & Colonial, established in 1868, is one of Europe s major asset management groups. F&C is a part of Hypo Bank, one of Germany’s oldest and largest banks and has been financing in the Indian stock markets since 1993. SSIL is an Indian subsidiary company of Sun Group. Its activities consist of principal investment and investment management operations in emergent markets and technologies .

SUN F&C currently manages and counsel India Performance Fund (an offshore fund), SUN F&C Value Fund (a domestic fund) and F&C sponsored Indian Investment Company SICAV (INDICO).

SUN F&C launched its Indian operations by becoming the domestic adviser to FCEMs INDICO fund. It has since then found India Performance Fund, an offshore fund, in 1996 and five domestic schemes - Value Fund (1997), Money Value Fund (1998), Balanced Fund (1999), Emerging Technologies Fund (2000), Monthly Income Plan (2000) and Resurgent India Equity Fund (2000). Over the last few years, the

Company has reinforced a strong track record of managing asset classes, equity and debt. Today, Sun F&C manages/advises a corpus of over Rs.1000 crore (US\$230 mn), of which over 50% is equity.

No. of schemes	7
No. of schemes including options	12
Equity Schemes	4
Debt Schemes	5
Short term debt Schemes	2
Equity & Debt	1
Gilt Fund	1
Corpus under management	720 Crs. as on May 31, 2018

Table 6:SCHEME OF SUNLIFE

Unit Trust Of India (NOW AXIS)

Every year, millions of Indians trust their savings to Unit Trust of India to build up a financially secure future. This belief and assurance of investors stem from Axis commitment, as reflected in its long track record to ensure its investors, safety, liquidity and attractive yield on their investments.

Set up in 1964, by an Act of Parliament, Axis Act 1963, Axis has grown into one of the major players and engraved out a special position in the Indian capital market.

Today, Axis carry off an aggregate portfolio of Rs. 72,698 Crore as on 31/12/1999 and services 45 million investor accounts under 90 saving schemes catering to variable needs of different classes of investors.

Axis has a servicing and distribution network of 53 branch offices, 320 District Representatives and about 87,000 agents. It ply a complete range of services to its

investors, at a low gross cost of less than 1.01 percent of invisible funds and does not charge any asset management fee.

Savings Plans and Funds

AXIS is a symbol of trustfulness and confidence among Indian investors. In the last few years, the number of schemes managed by Axis increased from 35 to 92, while the number of unit holding accounts recorded a seven-fold addition from 65 lakhs to over 450 lakhs.

AXIS's growing product range covers a broad spectrum of investment goals and includes open end and closed-end income and capital accumulation funds. Among the most popular are Unit Scheme 1964 and Master series equity schemes like Mastershare, Masterplus, Master Equity Plans, etc.

AXIS also manages schemes intent at meeting specific needs like

- Low cost insurance cover (ULIP)
- Monthly income needs of retired persons and women.
- Income and liquidity needs of religious and charitable institutions and trusts.
- Building up funds to meet cost of higher education and career plans for children.
- Future wealth and income needs of girl child and women.
- Building savings to cover medical insurance at old age.
- Wealth accumulation to meet income needs after retirement.

The Market – Trust and Reach

Individual household investors making known for 99% of Axis investor accounts and about 65% of unit capital of Axis schemes. Products are apportioned through a marketing force of about 87,000 commission-based agents disciplined to explain the products and provide related service support to investors.

Today, these agents are controlled by 320 Chief Representatives who guide the investors, organize, train and motivate the agents in their individual areas of operation (specified districts).

Investors under various schemes of Axis are now serviced through 53 Axis branches, 213 collection centers and offices of 6 Registrar and Transfer Agencies assigned by Axis. Besides there are 52 franchises offices, which get applications and parcel out certificates to unit holders. Axis has set up its own associate company, Axis-Investor Services Limited (UTIISL), to fitting the growing needs of unit holder servicing.

AXIS is also currently utilizing a technology upgradation program, involving networking of on-line computer systems at Axis offices, and offices of Registrars and Transfer Agencies. This would change Axis to improve service quality significantly.

Axis display weekly/daily NAVs for all its listed schemes and offers a prospectus for every scheme. It also displays half-yearly results for all schemes and releases information on portfolio as also largest shareholding for growth schemes and Unit Scheme 1964. Axis fit to disclosure requirements specified by SEBI.

Fund deployment

Equity Investing

More than fifty percent of total funds of Axis Schemes are endowed in equity. Axis is the sizeable operator in the Indian equity market with total investments worth Rs 35,007.83 crores at book value. Its different funds collectively hold stocks in more than 1500 Indian companies and record for over 8 percent of the market capitalization of all listed scripts on the Bombay Stock Exchange.

Corporate debt

AXIS is one of the chief providers of debt finance to the corporate sector. Investment in corporate debt instruments record for 38 percent of the total investment funds. Credit market operations cover a range of instruments consisting publicly issued and

privately placed debentures, bonds and medium term notes. Axis debt portfolio quality is pictured by 98 percent performing assets.

Investment guidelines

Consistent with the Axis Act, Axis' investment decisions are controlled by investors' interests. Axis operations are controlled by Axis Act, 1963 and Axis investments are subject to prudential vulnerable norms and limits laid down by Axis regulations. It cannot spend more than 10 percent of a particular scheme corpus in the equity of any one company. Axis investment decisions are guided by inputs from independent group's set-up for equity research, investment appraisal and credit rating.

A Conglomerate with a vision

As a typical financial institution, Axis carry off funds raised through common investment vehicles and at the same time provides companies financial services, including underwriting. To create a varied financial conglomerate and to meet investor's varied needs under a common umbrella, Axis has set up a number of associate companies in the field of banking, securities trading, investor servicing, investment advice and training.

- Axis Bank Ltd (1994)--the first private sector bank to be established under RBI guidelines.
- Axis Securities Exchange Ltd (1994)--the first institutionally sponsored corporate stock-broking firm.
- Axis Investor Services Ltd (1993)--the first institutionally sponsored Registrar and Transfer agency.
- Axis Investment Advisory Services Ltd (1988)--the first Indian Investment Advisor registered with SEC, US.
- Consistent with financial sector deregulation, Axis has plans to enter insurance, pension fund and credit rating businesses.

Global links

Axis introduced the offshore fund investment in Indian securities. The India Fund actuate in 1986 as a closed-end fund, became a multi-purpose open-ended fund in 1994. Thereafter, in 1988 Axis floated the India Growth Fund, which is listed, on the New York Stock Exchange. Both India Fund and India Growth Fund have accrued their corpus through rights issues. Besides the Columbus India Fund, set up in 1994, Axis launched the India Access Fund, an Indian Index Fund (tracking the NSE 50 index) in 1996.

Axis International Limited is a 100% subsidiary of Unit Trust of India, certified in the island of Guernsey. This company was set up with the primary motive of administration and marketing of different offshore funds managed by Axis as also to act as the management company for these funds as needed by the Guernsey Law. Axis International Ltd has an office in London to market Axis offshore funds to institutional clients in UK, Europe and USA. It is also accountable for developing new products as well as new business opportunities of Axis. This office also looks after ongoing investor relations with foreign investors and has come through in greatly improving communication between Axis and its clients and distributors abroad. Axis International Ltd has played an essential role in launching three new offshore funds of Axis - the India IT Fund Ltd, the India Debt Fund Ltd and the India Public sector Fund Ltd.

To cater to different needs of NRI investors based in the Gulf region, Axis has a Representative office at Dubai. The representative office covers all the six GCC countries viz. UAE, Oman, Kuwait, Saudi Arabia, Qatar and Bahrain. The Dubai office of AXIS acts as a liaison office between our NRI investors in the Gulf and AXIS offices all over India. Besides plying information on current and new schemes of Axis, it also co-ordinates with Axis offices in India for all after-sale requests of unit holders/agents.

In the recent past, Axis has drawn-out its support to the development of Unit Trusts in other developing countries, like Sri Lanka and Egypt. Besides providing technical advice, Axis also take part in the equity capital of the Unit Trust Management Company of Sri Lanka.

Research strength

Axis has its own research set-up to deal with various areas. The field of research analysis cover macro economy, capital markets, financial sector and mutual funds. Equity Research and Credit Rating groups also cover industry and corporate performance.

Axis Institute of Capital Markets conducts training programs for the financial community and aid develop modern and scientific approach towards investment management. It also serves as a forum to talk about ideas and issues relevant to the capital market besides displaying research papers relating to capital market.

Schemes offered

No. of schemes	72
No. of schemes including options	115
Equity Schemes	31
Debt Schemes	69
Short term debt Schemes	3
Equity & Debt	1
Gilt Fund	2
Corpus under management	72500 Crs. as on Mar 30, 2018

Table 7:SCHEME OF AXIS

4.6 REGULATORY ASPECTS

Schemes of a Mutual Fund

The asset management company shall set up no scheme unless the trustees sanction such scheme and a copy of the offer document has been register with the Board.

Every mutual fund shall along with the offer document of each scheme pay filing fees.

The offer document shall contain disclosures which are capable in order to enable the investors to make advised investment decision including the disclosure on maximum investments projected to be made by the scheme in the listed securities of the group companies of the sponsor

The mutual fund and asset Management Company shall be likely to refund the application money to the applicants

If the mutual fund fails to receive the minimum subscription amount mention to in clause (a) of sub-regulation (1)

If the moneys accepted from the applicants for units are in excess of subscription as referred to in clause (b) of sub-regulation (1).

The asset management company shall issue to the applicant whose application has been approved , unit certificates or a statement of accounts specifying the number of units assigned to the applicant as soon as possible but not later than six weeks from the date of closing of the initial subscription list and or from the date of receipt of the request from the unit holders in any open ended scheme.

4.7 RULES REGARDING ADVERTISEMENT

The offer document and advertisement materials shall not be deceptive or contain any statement or opinion, which are wrong or false.

Investment Objectives and Valuation Policies:

The price at which the units may be signed or sold and the price at which such units may at any time be repurchased by the mutual fund shall be made available to the investors.

4.8 GENERAL OBLIGATIONS

Asset management companies for each scheme shall keep and maintain proper records of accounts, books and documents, for each scheme so as to justify its transactions and to unwrap at any time .In particular give a true and fair view of the state of affairs of the fund and inform to the Board the place where such record of accounts and documents are maintained.

- The financial year for all the schemes shall end as of March 31 of each year.
- Every mutual fund shall have the year statement of accounts checked by an auditor which is not associated in any way with the auditor of the asset management company.
- Procedure for Action In Case Of Default

On and from the date of the inaction of the certificate or the support, as the case may be, the mutual fund, trustees or asset management company, shall cease to carry on any activity as a mutual fund, trustee or asset management company, during the period of inactivity, and shall be subject to the directions of the Board with regard to any account or documents that may be in its custody or control, relating to its activities as mutual fund, trustees or asset management company.

4.9 RESTRICTIONS ON INVESTMENTS

A mutual fund scheme must put less than 15% of its NAV in debt instruments issued by a single issuer, which are rank not below investment grade by a credit rating agency commissioned to carry out such activity under the Act. Such investment limit may be protracted to 20% of the NAV of the scheme with the prior approval of the Board of Trustees and the Board of asset Management Company.

A mutual fund scheme shall invest less than 10% of its NAV in unrated debt instruments issued by a single issuer and the total investment in such instruments shall be less than 25% of the NAV of the scheme. All such investments shall be made with

the prior approval of the Board of Trustees and the Board of asset Management Company.

- No mutual fund under all its schemes should own not less than 10 percent of any company's paid up capital carrying voting rights.
- Such transfers are done at the current market price for quoted instruments on spot basis.
- The securities so transferred shall be in conform with the investment objective of the scheme to which such transfer has been made.
- A scheme may put in another scheme under the same asset management company or any other mutual fund without charging any fees, provided that accumulate inter scheme investment made by all schemes under the same management or in schemes under the management of any other asset management company shall be less than 5% of the net asset value of the mutual fund.
- The initial issue expenses in respect of any scheme may not exceed six per cent of the funds raised under that scheme.
- It has to make short sale or carry forward transaction or engage in finance.
- Every mutual fund shall, get the securities bought or transferred in the name of the mutual fund on account of the concerned scheme, wherever investments are intended to be of long-term nature.
- Pending deployment of funds of a scheme in securities in terms of investment purpose of the scheme a mutual fund can invest the funds of the scheme in short term deposits of scheduled commercial banks.
- No mutual fund scheme shall make any investment in-
 - Any unlisted security of an associate or group company of the sponsor; or
 - The listed securities of group companies of the sponsor which is in excess of 30% of the net assets [of all the schemes of a mutual fund]

- No mutual fund scheme shall invest more than 10 per cent of its NAV in the equity shares or equity related instruments of any company. Provided that, the limit of 10 per cent shall not be applicable for investments in index fund or sector or industry specific scheme.
- A mutual fund scheme shall not invest more than 5% of its NAV in the equity shares or equity related investments in case of open-ended scheme and 10% of its NAV in case of close-ended scheme.

4.10 HOW TO INVEST IN MUTUAL FUNDS

Key elements/ Fund sponsor

The Sponsor Company establishes the mutual fund in the form of a trustfulness and registers it with SEBI. The board of trustees grasp the fund in trust for unit holders and ensures conformity with SEBI regulations, trust deed guidelines and the terms of the asset management agreement by the AMC.

As an investor one should assess the sponsors track record. Scrutiny of the fund sponsor's track record may forewarn you against jolts like the CRB scandal. Apart from a consistent track record, sponsors should have requirement of experience and background in managing mutual funds.

Fund manager

The fund manager is an employee of the asset management company who explicate the investment strategy and invests the funds. As an investor in the fund one should - Understand the investment philosophy of the fund manager. - Check the profit he/she has generated on funds previously managed by him, and - Find out whether the fund manager has delivered on the investment subjective of the funds he has managed in the past.

Type of fund/Open ended funds

Investors under this scheme are free to join the fund or pull away from the fund at any time after an initial lock-in period. Such funds declare sale and repurchase prices from

time to time. In an open-ended scheme, investors can sell units in the fund to the supplying mutual fund at the net asset value (NAV) of the units. This is because open-ended schemes are authorized to buy/sell their own units.

Close ended funds

Unlike the open-ended schemes, close-ended schemes do not issue units for redemption on a periodic basis. Its units can be redeemed only on maturity of the scheme, or through dealings in the secondary market. In such schemes, the period of the scheme is mentioned at the outset. They have a definite target amount for the funds and cannot sell more after initial offering. If the scheme is limited, investors can trade units on the bourse, just like equities and debentures.

Type of scheme

Mutual funds can offer various investment schemes. These schemes can be classified as:

Growth Funds Investment objective

Capital appreciation of equity shares Investment avenue: Equity shares of companies with high growth potential

Income Funds Investment objective

Providing insurance of investments and regular income Investment avenue: Bonds, debentures and other debt related instruments as well as equity shares of companies with high dividend payouts. There are 2 prospect of income funds-low investment risk with changeless income and high investment risk generating high income.

Balanced Funds Investment objective

Modest risk of investment and sensible rate of return Investment avenue: Judicious mix of equity shares, preference shares as well as bonds, debentures and other debt related instruments.

Money Market Mutual Funds (MMMFs) Investment objective

To take benefit of the volatility in interest rates in the money market Investment Avenue: Certificate of deposits (CDs), call money market, commercial papers. Investors who had earlier arrest from the money market can participate indirectly through MMMFs.

Specialized Funds Investment Objective

To take benefit from conditions in a specific sector or a specific income producing security Investment Avenue: Specialized investments in securities of companies in certain sectors or specific income producing securities.

Leveraged Funds Investment objective

To increase the value of the portfolio and profit the shareholders by gains exceeding the cost of borrowed funds Investment avenue: Speculative and risky investments like short sales to take benefit of diminution market.

Index Funds Investment Objective

To increase the value of the portfolio in line with the benchmark index (for eg. BSE Sensex, S&P CNX 50) Investment Avenue: Investments only in those shares that form a part of the benchmark index, in exactly the same magnitude, so that the value of the index fund varies in proportion with the benchmark index.

Hedge Funds Investment Objective

To hedge risks in order increasing the value of the portfolio Investment Avenue: Employ high-risk trading principles - buy rising shares and sell shares whose prices are likely to fall. As an investor you should invest in schemes, which meet your criteria in terms of you need for regular income, capital appreciation, and safety of principal.

Fees and charges

AMCs charge a fee for carry off the funds. As an investor in the fund we must be awake of the fees and charges of the AMC. Two schemes with more or less similar performances would generate different returns if one of the two schemes billed high fees.

The public offering price

A sales load represents the money received by the AMC as compensation for parcel out . It helps the fund to meet its expenses relating to sales literature, promotion, distribution, advertising and agent/broker commissions. The Public offering Price (POP) is the price at which an investor buys into the fund and is a function of both the NAV and sales load.

For instance, if the Funds NAV is Rs 12/- and the applicable sales load is 6% the POP is $NAV / (1 - \text{Sales load}) = 12 / (1 - 0.06) = 12.77$ If the investor applied for Rs 10,000 worth of units he would receive 783.085 units (10,000/12.77). You might be required to pay such load charges either at the time of buying the units or at the time of selling the units. As an investor you should be aware of such entry. /exit loads as they could have a material impact on returns.

Tax implications

Investors need to understand the tax implications before investing in the schemes, as one scheme may offer more fascinating post-tax returns compared to its peers. As Union budgets regularly offer tax rebate to mutual funds and mutual fund investors, you as an investor must review the tax implications of mutual fund investments.

Service levels

Service levels vary across funds. Level of communication also varies across funds. While some disclose the fund portfolio annually, others disclose it quarterly, and some others disclose it monthly.

Performance and NAV

Every fund is bench-marked against an index like the BSE Sensex, CNX SNP 50, BSE 200, etc. As an investor you must course the funds performance against the benchmark index. Also it could be useful for the investor to compare its performance with other funds. /exit loads as they could have a material impact on profits.

4.11 INTERNATIONAL ASPECTS

Some basic facts

- The money market mutual fund segment has a sum corpus of \$ 1.48 trillion in the U.S. against a corpus of \$ 100 million in India.
- Out of the top 10 mutual funds globally, eight are bank- sponsored. Only Fidelity and Capital are non-bank mutual funds in this group.
- Internationally, mutual funds are allowed to go short. In India , fund managers do not have such leeway but US have..
- In the U.S. about 9.7 million households will carry off their assets on-line by the year 2014, such a facility is not yet of avail in India.
- On- line trading is a great idea to mitigate management expenses from the current 2 % of total assets to about 0.75 % of the total assets.
- 72% of the core customer base of mutual funds in the top 50-broking firms in the U.S. is expected to trade on-line by 2014.

Internationally, on- line investing continues its meteoric rise. Many have discussed about the success of e- commerce and its discovery, but it is true that this aspect of technology could and will change the way financial sectors function. However, mutual funds cannot be left far behind. They have realized the latent of the Internet and are equipping themselves to perform better.

4.12 INDIA THE NET IS USED AS A SOURCE OF INFORMATION

Such changes could facilitate easy access lower inter-mediation costs and improved services for all. A research agency that extraordinary in Internet technology computed that over the next few years Mutual Fund Assets traded on-line will grow ten times from \$ 128 billion to \$ 1,229 billion; whereas equity assets traded on-line will increase during the period from \$ 248 billion to \$ 1,568 billion. This will increase the share of mutual funds from 34% to 40% during the period.

(Financial express September 1999)

4.13 INTERNET AND THE MUTUAL FUNDS INDUSTRY

Here are some of the basic happening that have taken place since the advent of the Net.

Lower Costs

Arrangement of funds will fall in the online trading regime by 2014. Mutual funds can cut down their administrative costs to 0.75% if trading is done on- line. As per SEBI regulations, bond funds can assert a maximum of 2.25% and equity funds can assert 2.5% as administrative fees. Therefore if the administrative costs are less, the benefits are enjoyed and hence Mutual Funds are able to pull mire investors and increase their asset base and profit.

Better advice

Mutual funds could provide best proposal to their investors through the Net rather than through the conventional investment routes where there is an extra channel to deal with the Brokers. Direct dealing with the fund could assist the investor with their financial planning. In India, brokers could get more Net savvy than investors and could assist the investors with the knowledge through get from the Net.

New investors would prefer online

Mutual funds can target who are young individuals (28 year of age) and who are Net savvy, since coupling with them would be easier on the Net. India has around 1.6 million net users who are first target for these funds and this could just be the happening. With smaller administrative costs more funds would be pull together .A fund manager must be ready to tackle the unpredictability and will have to maintain sufficient amount of investments which are high liquidity and low yielding investments to honor rescue.

Net based advertisements

There will be more sites involved in ads and publicity of mutual funds. In the U.S. sites like AOL offer elaborated research and financial details about the performance of various funds and their performance statistics . In the U.S. most mutual funds focus only on financial funds like equity and debt. Some like real estate funds and commodity funds also take an influence to physical assets. The latter type of funds are desired by corporate who want to hedge their exposure to the commodities they deal with. For Example, Permanent Portfolio Fund, a conservative U.S. based fund invests a fixed percentage of it's assemblage in Gold, Silver, Swiss francs, specific stocks on various bourses around the world, short –term and long-term U.S. treasuries etc. U.S.A. apart from billion funds there are copper funds, valuable metal funds and real estate funds (investing in real estate and other related assets as well.). In India, the Canada based Dundee mutual fund is planning to actuate gold and a real estate fund before the year-end requirement, but in India only the tip of the iceberg has been explored. In the near future India too will focus on financial as well as physical funds.

CHAPTER 5-FINDINGS AND ANALYSIS

5.1 PRIMARY SURVEY MUTUAL FUNDS

Consumers Analysis

No of respondents			40	
No of respondents aware of mutual funds			30	
Names of mutual funds companies quoted			Kotak Mahindra DSP Merill Lynch Templeton TATA AXIS/US 64 SBI ICICI HDFC	
Income Range (pa)	No of respondents	Average Investment	Duration of Investment (yrs)	Expected Rate of Return
< 2 Lakh	6	20000	3	17%
2 to 3 Lakh	5	35000	3-4	18%
3 to 5 Lakh	5	90000	2-3	17%
> 5 Lakh	9	700000	1-2	17-18%
Other investment options used			Bank Deposits Shares & Debentures GPF/PPF Business Property Gold Post Office	
Criteria for selection of mutual funds			Security Rate of Returns Liquidity Portfolio	

	Reputation of Company No of years in operation
Perception of Axis vis-a-vis other MF	Axis more safe but low rate of returns. Low trust in Axis after scam in India.
No of respondents willing to invest in mutual funds if reliable information is provided	18

Table 8: CONSUMER ANALYSIS

40 people, in and around Delhi, are interviewed city to know more about the Mutual Funds from the consumer's point of view. Special care was taken to include people from all income brackets. About 38% people had no idea of Mutual Funds, which showed the low awareness level among the people of Delhi about the Mutual Funds. This stresses the need for better marketing.

Most of the respondents who were aware of the Funds too were not interested in investing their savings in the Mutual Funds. They were not confident of the safety and security of the investments in private Mutual Funds. They expressed their confidence in Axis but for the scam, which took place in India. The dividends of the investors were credited to unauthorized persons (Source: indiainfoline.com). After this scam some people who had made their investments in Axis withdrew their savings and invested in other options.

The other options people preferred to invest in are Bank deposits, Shares, Property, Business and Gold. Businessmen preferred to invest their savings back in their business because of the increasing opportunities in this era of liberalization.





All the people interviewed expected a rate of return of 17-18% on their investments in Mutual Funds. There was slight variation in the expectations of people depending on the duration of investment.

People looked for security of money, rate of return, liquidity, profitability and reputation of the company and number of years of its operation as the major criteria while selecting a Mutual Fund.

25 out of the 40 people approached were ready to invest in Mutual Funds provided they are given more reliable information.

*Other relevant information & Primary questionnaire in the Appendices

5.2 Company Analysis – At a glance

Characteristic	Prudential-ICICI 	Templeton 	Birla Sun Life 	Kothari-Pioneer 
Year of Establishment	India 1986 Lucknow 1998	December 1999 in UP	July 1995 in UP Combined office of Birla Sun Life AMC (only for Birla) and Birla Sun Life Distribution (all MF's).	1995 in UP.
Name of Contact			Amit Gupta (Investment Manager)	
Kinds of Funds	9 schemes, all open-ended 3 equity 1 balanced (58:42:: equity:debt)	A total of 8 schemes 3 Equity schemes. 4 Debt schemes 1 balanced fund	A total of 9 Funds – all open-ended. 6 Equity schemes 2 Debt Funds 1 Balanced Fund (56:44::Equity:Debt)	A total of 12 schemes. 9 equity funds. 1 debt fund. 2 balanced funds.
Most Popular fund	Sectoral fund – Technology Income Plan	Templeton India Income Fund. Known for its debt schemes.	Birla Advantage – Open-ended Equity based.	Infotech fund. Known for its equity

				schemes.
Main Investors	<p>Middle Class – Rs.8,000-12,000 income p.m. Retailers invest in Debt funds. Avg. Investment Rs.15-20 thousand. Business Investors – Equity funds – Rs.50,000 to 1,00,000 up to Rs.10,00,000</p>	<p>Middle Class – Rs.8,000-12,000 income p.m. Retailers invest mainly in debt funds. Business investors usually prefer equity schemes.</p>	<p>Retail Investors-60%. Middle Class – Rs.8,000 to 12,000 Income p.m. Usually invest Capital Gains and for long-term purpose in Equity. Business investors - 10% to 15%. Mostly GILT and debt-based funds. Trusts, PF's etc. – 20% to 25%.</p>	<p>Retail Investors – Income of Rs.8,000 to 12,000 p.m. Investors prefer equity for long-term and debt funds for short-term. Trusts prefer debt-based. Corporates prefer equity-based , especially at the time of dividend declaration.</p>
Collections	Rs.11 to 12 crores p.m. in UP	Rs.20 to 30 lakhs p.m. in UP.	<p>In boom – Rs.15 to 20 Crores p.m.. Otherwise Rs.8 to 10 Crores p.m. (all figures for UP)</p>	<p>UP – Rs.8 to 10 Crores p.m. In March, collected Rs.28Crores.</p>
Marketing	Deal with brokers and different commissions for	Distributor friendly. No Direct selling.	Mailers, appointments and brokers.	Distributors Also send mailers etc. through

	different schemes.			them.
Future Outlook	<p>People will invest more.</p> <p>Diwali market should improve.</p> <p>Right time to invest as market low.</p>	<p>After NBFC experience, the investors are shaky.</p> <p>Information about Mutual Funds is being actively provided by all MF companies.</p> <p>Increasing investment in Mutual Funds.</p>	<p>After NBFC experience, the investors are shaky.</p> <p>Awareness about MF's on the increase.</p> <p>January to March, 2000 – major stress on IT Funds.</p> <p>Presently recommending diversified funds.</p>	<p>Diwali and December period should be good.</p> <p>Tendency to invest in Mutual Funds increasing.</p>
New launches	Monthly income plan in 2 to 3 months.	Focussing on present product promotion.	No new schemes. Focusing on Marketing.	No new schemes.
Other Information		The American name is now providing benefits unlike the recent past.	The flagship plan rated the best (AAA) in the industry.	

Table 9:COMPANY ANALYSIS

***Other relevant information in the Appendices**

5.3 ANALYSIS AND INTERPRETATION

1. As one thinks about investments, what option according to you first comes first in his / her mind?

- Equities and Mutual funds ----- 27 per cent
- Commodities ----- 18 per cent
- Bank Deposits ----- 38 per cent
- Other ----- 07 per cent
- Do not know/ Can not say ----- 10 per cent

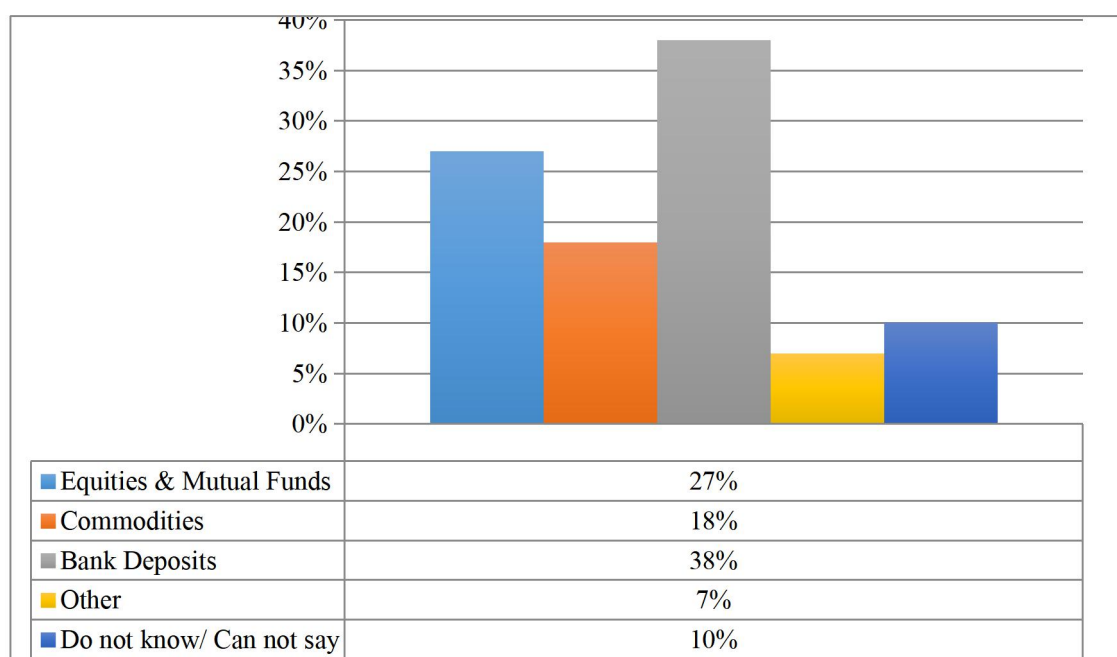


Figure 3:RESPONSE OF QUESTION 1

Interpretation

With regard to the above question, almost all (i.e. 38 out of the sample size 40) opined that when it comes to investment in life they prefer bank deposits than any other financial instruments available in the market. This may be because of dominance of middle class people in Indian economy who are having a fixed salary and the amount of the salary they are getting is little bit more than their necessities. Therefore, it is understood that our respondents are not ready to invest in financial instruments which are volatile in nature. Even if the return is low they prefer financial instruments which are not subject to market risks. After the bank deposits comes commodities like gold

and the equities and the shares. But the interesting fact is that even if the respondents preferred bank deposits over other financial instruments, they are not uni- dimensional in investments. Along with bank deposits more than 60% of our respondents are investors in stocks and shares.

2. Are You Aware About The Present Boom In The Investment Market?

- Yes ----- 82 per cent
- No. ----- 12 per cent
- Do not know/ Can not say ----- 06 per cent

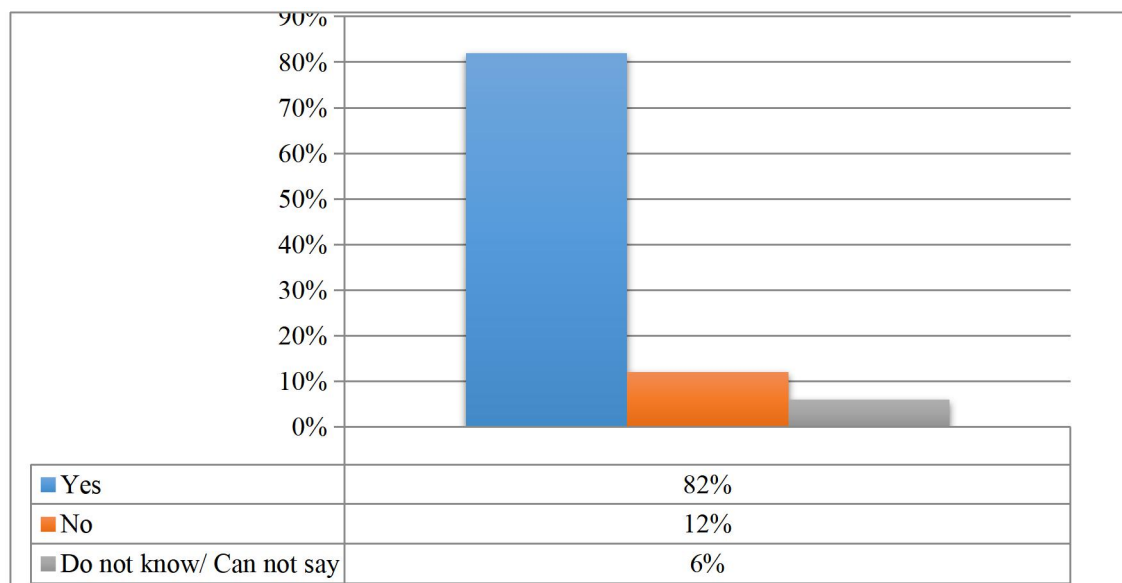


Figure 4:RESPONSE OF QUESTION 2

Interpretation

As attentiveness to market boom and the respondents awareness level about this, nearly 80% of the respondents are cognizant about the market boom in the present economy, while the rest 10-12% are not aware about any market boom. The awareness level is high among the middle and the upper middle class, and peculiarly among the business class and the traders. One of the interesting finding of the study was that many respondents confuse between inflation and market growth. Respondents belonging to lower middle and middle class confuse whether price rise has anything to do with investment scenario.

About the ground, 66% of the respondents who are sensible about the market boom feel that it show the repercussion of the Indian economy and reflects a true picture of it. This they attribute to the persistent increase in Sensex and continuing economic growth rate which is somehow near the double digit mark. 27% of the respondents who are aware about the market boom feel that this is a temporary situation which is likely to recede. Rest of the respondents could not attribute any concrete causal relationship for the market boom.

3. Principal Equity Fund has lagged behind principal growth fund by a big margin. Why do you think that such a gap exists in performance and what measures can be taken to identify it?

- According to the respondents view there are two reasons behind the lagging of Principal Equity Fund behind the Principal Growth Fund:
- Principal Equity has an orientation towards large cap stock, whereas the Principal Growth Fund invests about 25- 30 percent of the portfolio in mid cap stocks and only the rest in large cap stocks.
- Principal Equity Fund also has a floor of 15 percent on its cash component, which has impacted its performance in a rising market.
- However, nearly every investor were of the opinion that the mid cap funds need to be made more and more attractive to mobilize large scale investments.

4. Which sectors or any particular sector you look as market performer?

- IT ----- 78 per cent
- Engineering ----- 05 per cent
- Banking ----- 12 per cent
- Telecom ----- 05 per cent

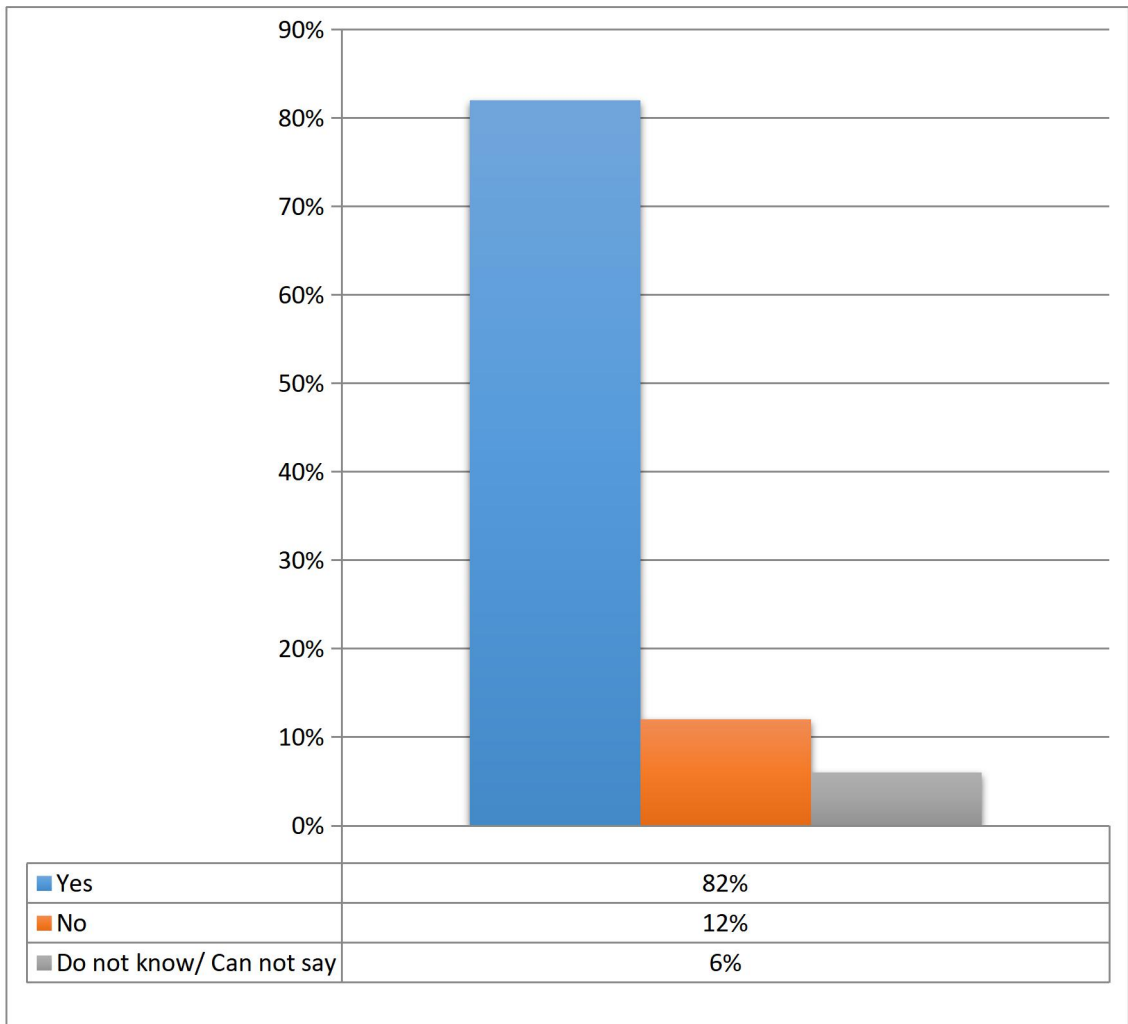


Figure 5:RESPONSE OF QUESTION 4

Interpretation

More than 78 percent of the investors were of the opinion that it is the Information Technology which is the main driving force behind the present market boom. They felt that IT combined by Engineering and Telecom can take the Indian investment scenario to a new high.

5. Do you agree that your company has a good financial standing in comparison with others in the market?

- Agree ----- 73 per cent
- Disagree ----- 06 per cent
- Do not know/ Can not say ----- 21 per cent

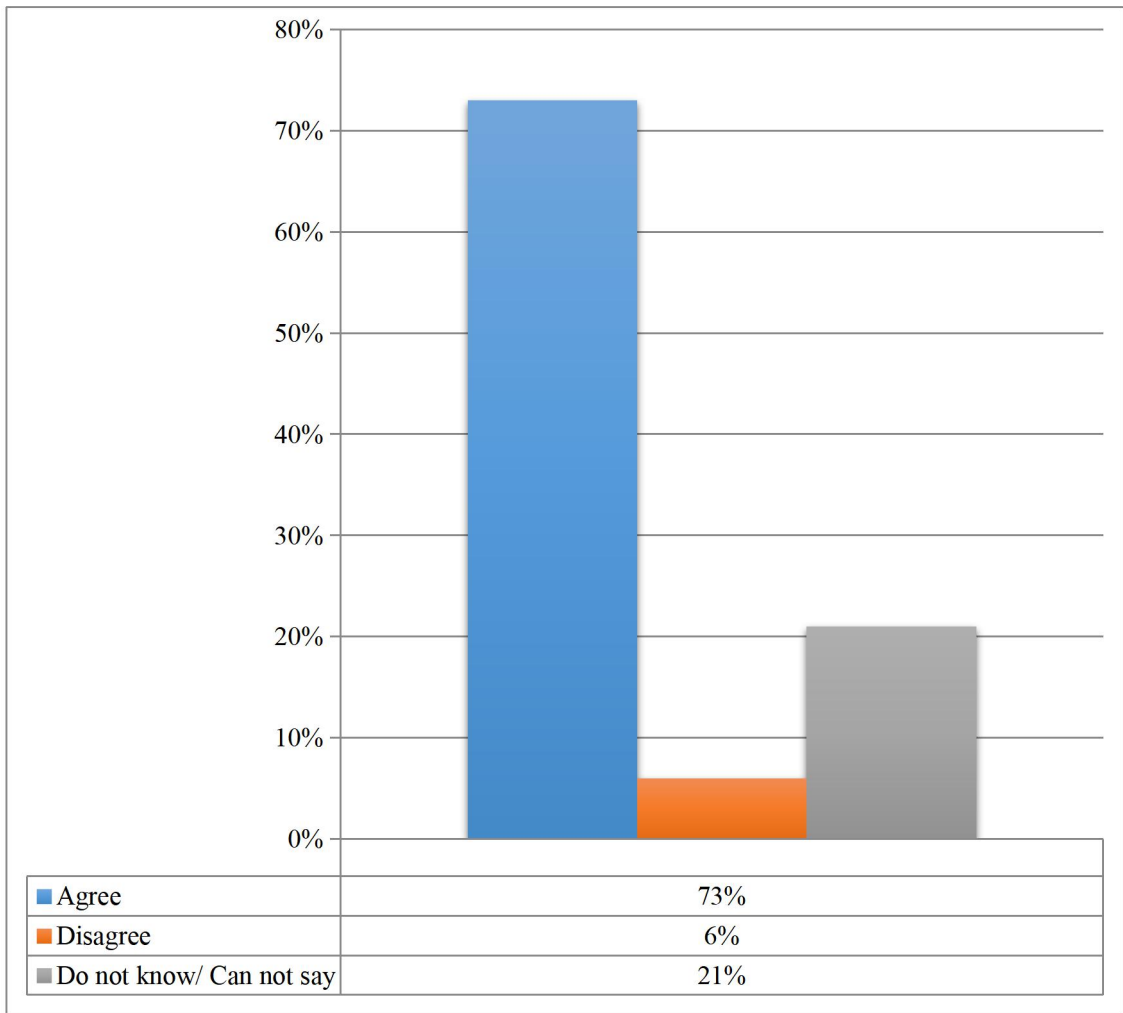


Figure 6:RESPONSE OF QUESTION 5

Interpretation

Cutting across the companies, 73 per cent of the respondents rate their companies with better or at least sound financial position in comparison with their rivals in the market.

6. Why Do You Think The Mutual Funds Of Your Company Should Be Accepted Among The Investors?

- It is more risk proof ----- 16 per cent
- Can stand against market volatility ----- 44 per cent
- Design according to the investors' needs ----- 25 per cent
- Other reasons ----- 13 per cent
- Do not know/ Can not say ----- 02 per cent

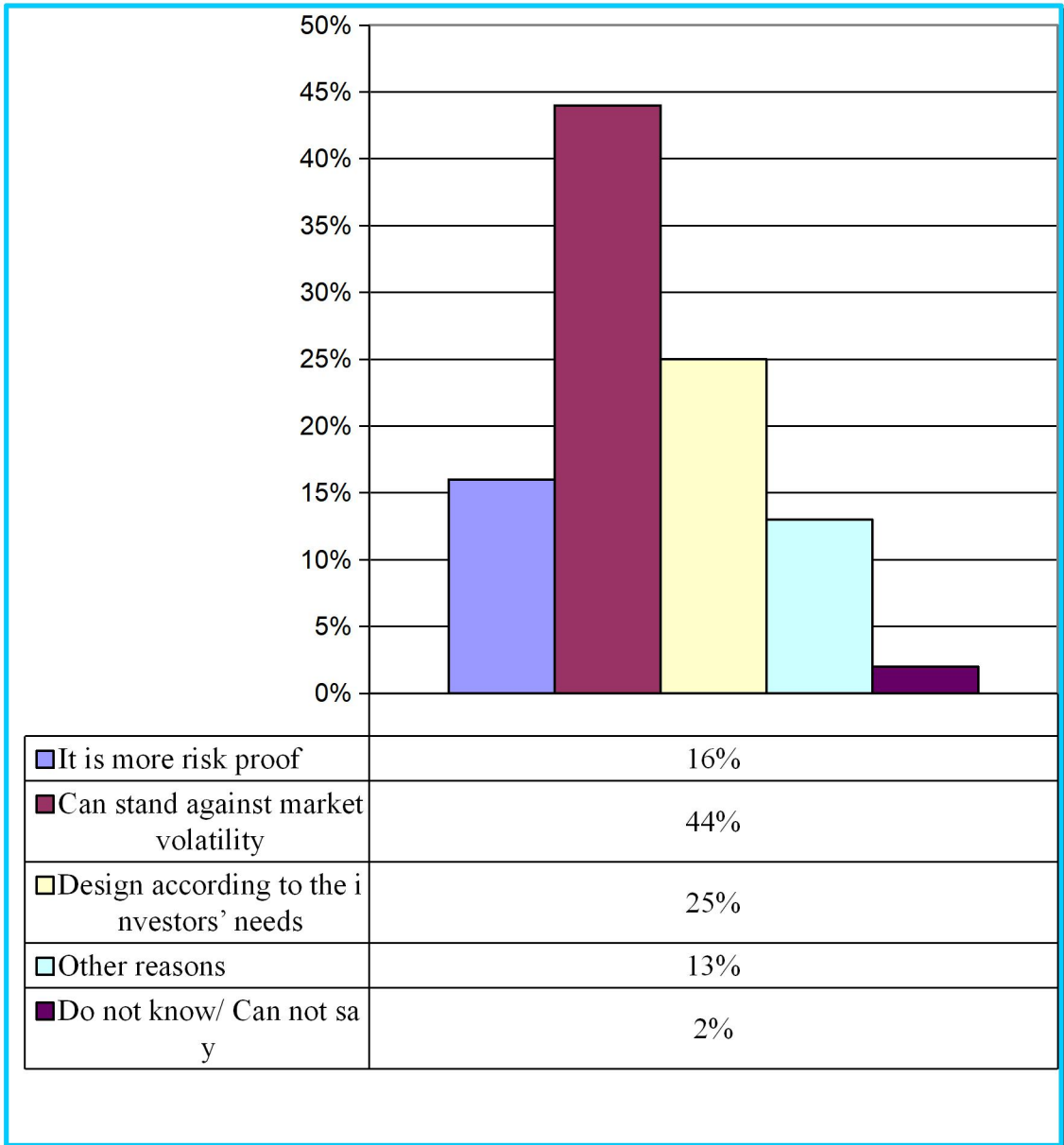


Figure 7:RESPONSE OF QUESTION 6

Interpretation

Going by the respondents' view, the company officials believe that the capability of their mutual funds to stand against the market volatility and risks make their mutual funds attractive to the customers.

7. Do You Agree that Strong Management is an Asset for Better Financial Performance of Mutual Funds in the Capital Market?

- Agree ----- 92 per cent
- No ----- 00 per cent
- Do not know/ Can not say ----- 08 per cent

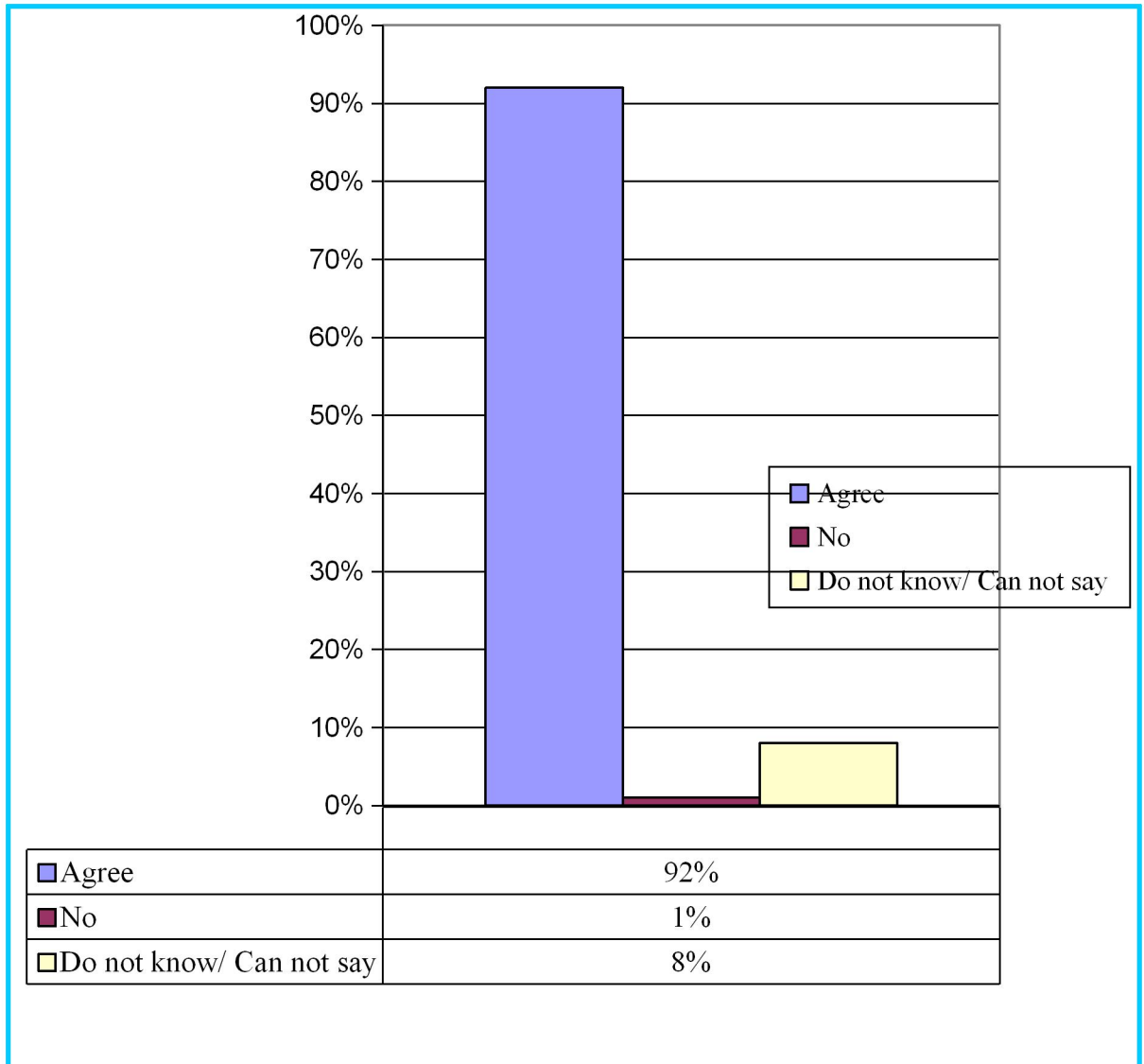


Figure 8:RESPONSE OF QUESTION 7

Interpretation

Strong and efficient management can effectively contribute to better performance of mutual funds in the capital market in India.

8. Do you Agree that Private Sector Mutual Funds and Public Sector Mutual Funds Differ in Terms of their Financial Performance and Return?

- Agree ----- 23per cent
- No ----- 70 per cent
- Do not know/ Can not say ----- 07 per cent

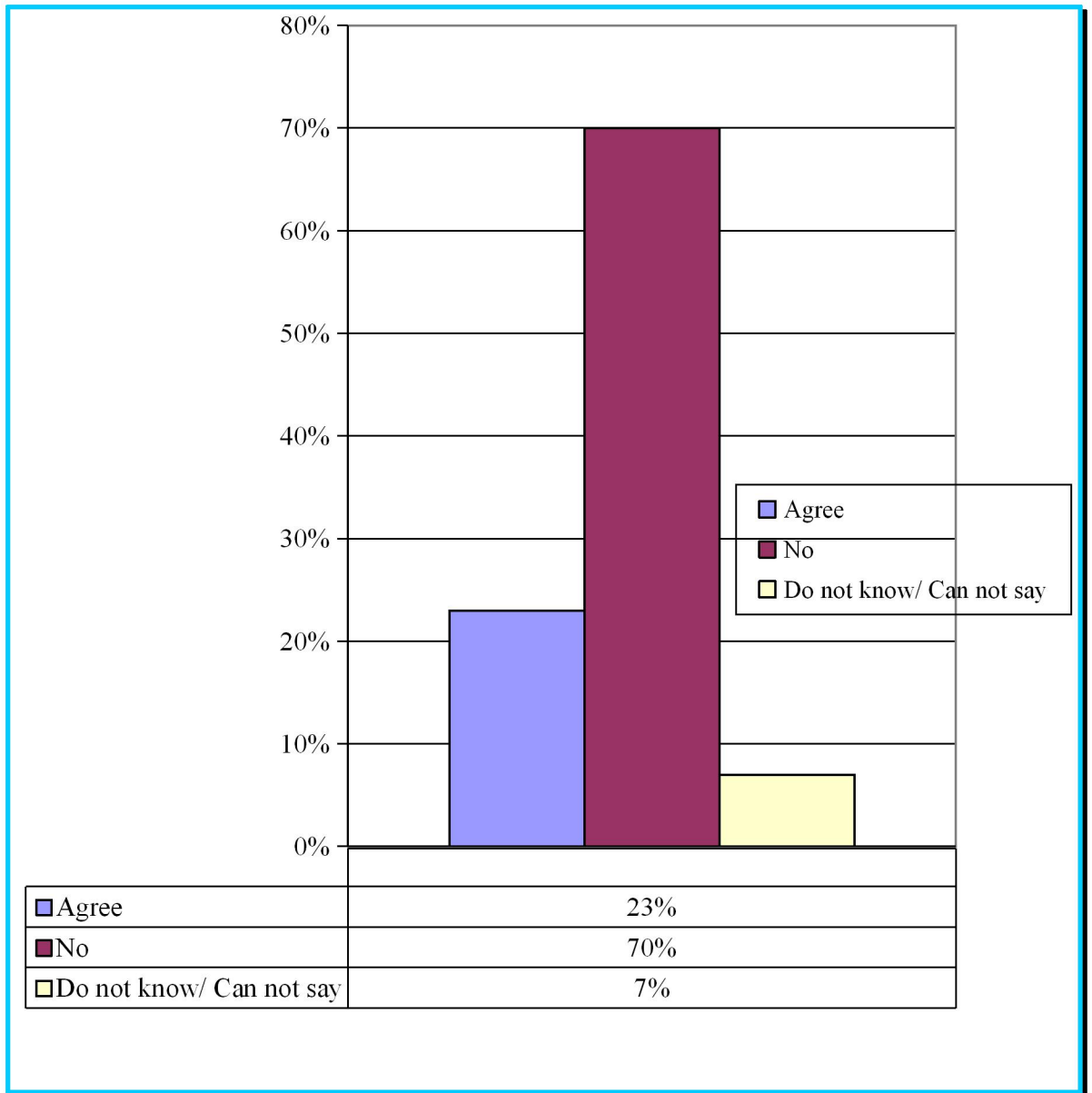


Figure 9:RESPONSE OF QUESTION 8

Interpretation

The result of our study gives an impression that public sector mutual funds and private sector mutual funds do not differ substantially in terms of their financial performance and returns.

9. Which Types of Mutual Funds Are Better Placed in Terms of Their Return?

<input type="checkbox"/> Unit linked growth funds -----	30 per cent
<input type="checkbox"/> Equity linked growth funds -----	30per cent
<input type="checkbox"/> Tax saving bonds -----	38 per cent
<input type="checkbox"/> Others -----	02 per cent

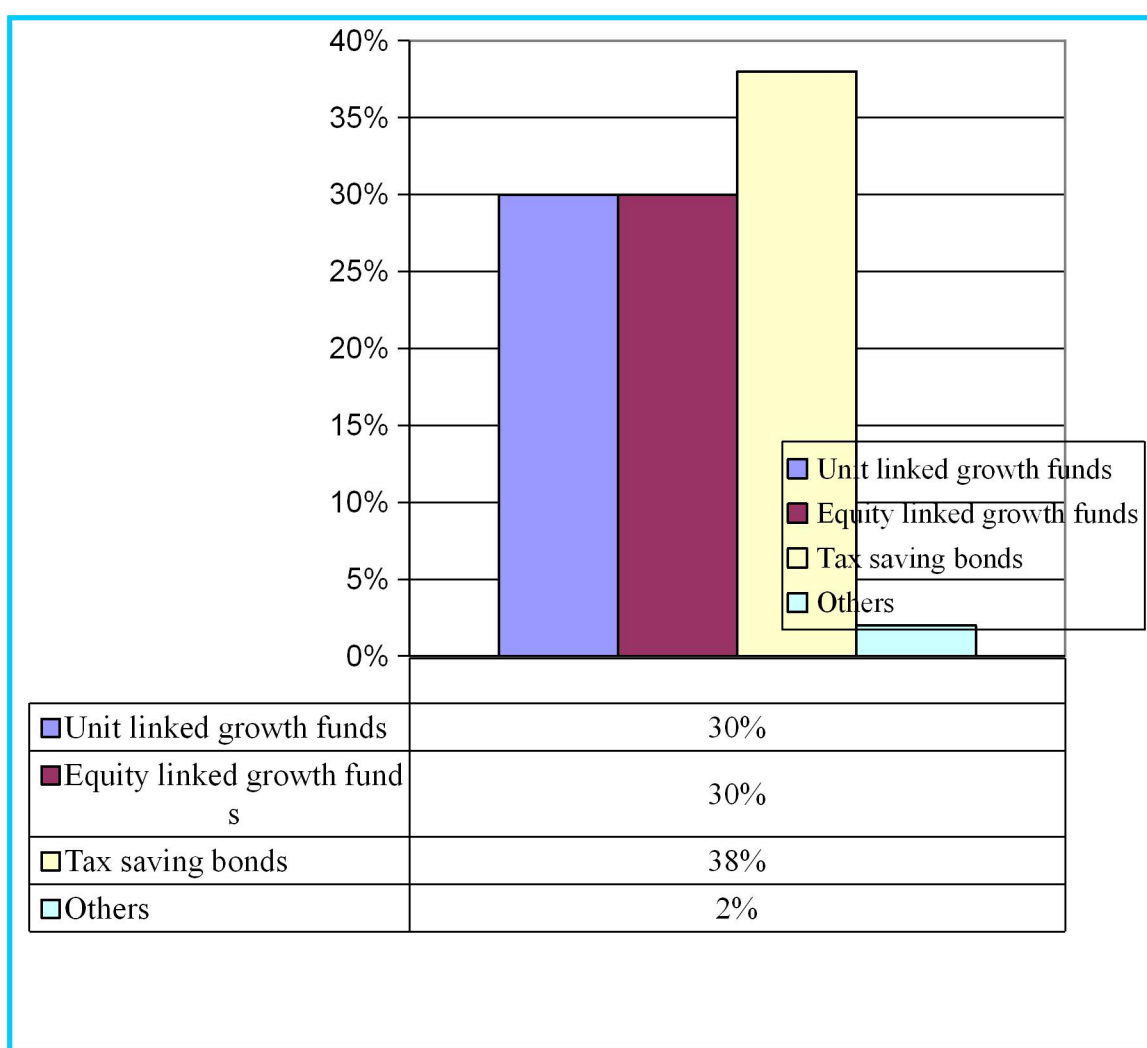


Figure 10:RESPONSE OF QUESTION 9

Interpretation

Going by the response of the respondents, it is the tax saving bonds which gives better returns followed by the unit linked and equity linked growth funds.

10. How Significant is Portfolio Diversification for Better Returns out of the Mutual Funds?

<input type="checkbox"/> Very significant -----	25 per cent
<input type="checkbox"/> Significant -----	54 per cent
<input type="checkbox"/> Less significant -----	11 per cent
<input type="checkbox"/> Not significant at all -----	05 per cent
<input type="checkbox"/> Do not know/ Can not say -----	05 per cent

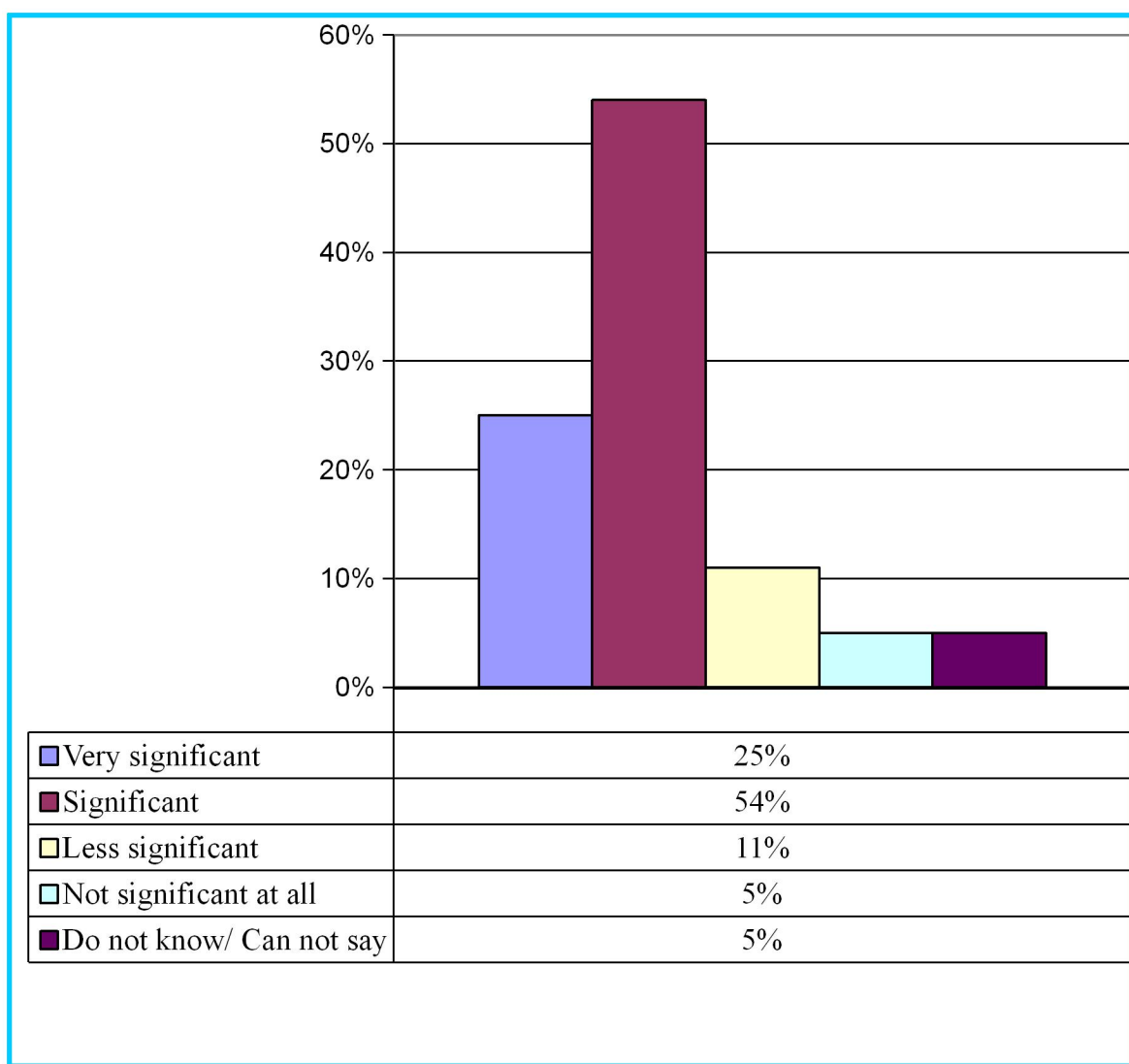


Figure 11:RESPONSE OF QUESTION 10

Interpretation

In the present market scenario, the respondents believe that portfolio diversification is important for getting better returns out of the mutual fund investment and management.

11. Are You Satisfied with the Returns you are Getting from the Mutual Funds of Your Company Present Available in the Market?

- Very satisfied ----- 27 per cent
- Satisfied -----60 per cent
- Less satisfied ----- 04 per cent
- Not significant at all -----05 per cent
- Do not know/ Can not say ----- 04per cent

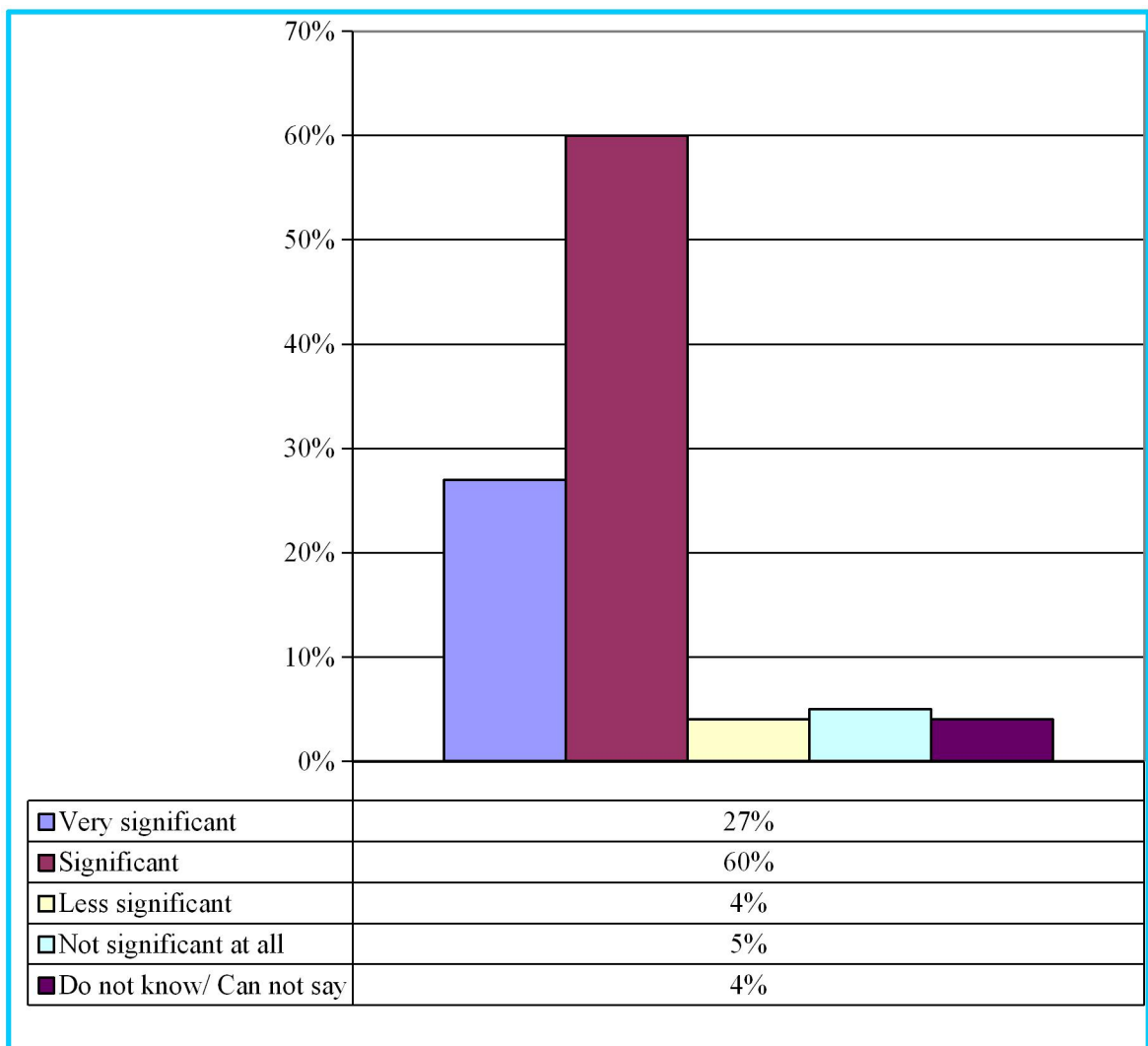


Figure 12:RESPONSE OF QUESTION 11

Interpretation

The result of our study says that the officials are satisfied with the returns they are getting from the mutual funds of their company.

5.4 GRAPHS

Graph Showing Relation between Income, Savings and Deposits with Banks and Mutual Funds

Year	GDP per Capita	Gross Domestic savings	Savings with Commercial Banks	Mobilization by Mutual Funds
2011-12	859191.3	193318.0425		25574
2012-13	1009877.6	252469.4	91324	43487
2013-14	1181925	301390.875	101861	87654
2014-15	1361974.9	317340.1517	115445	92984
2015-16	1515603.6	374354.0892	139964	105589
2016-17	1762605	393060.915	164725	129445

Table 10:RELATION BETWEEN INCOME, SAVINGS AND DEPOSITS WITH BANKS AND MUTUAL FUNDS

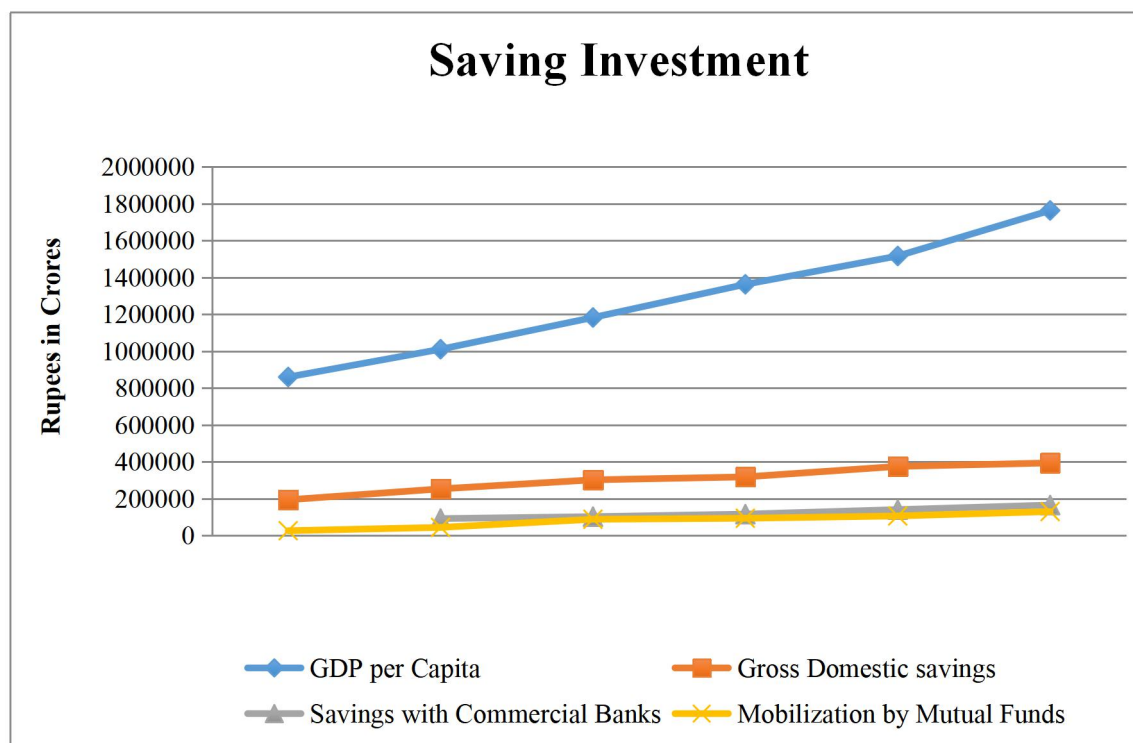


Figure 13:GRAPH SHOWING RELATION BETWEEN INCOME, SAVINGS AND DEPOSITS WITH BANKS AND MUTUAL FUNDS

Graph Showing Company Net Flows

Company Names	2012-13	2013-14	2014-15	2015-16	2016-17
Kothari Pioneer	309.46	-10	-81.4	-5.59	161.1
ICICI Prudential	90.28				528.53
Birla Mutual Fund	162.2	25.03	111.58	260.41	474.49
Templeton			119.79	53.14	242.76

Table 11:COMPANY NET FLOWS

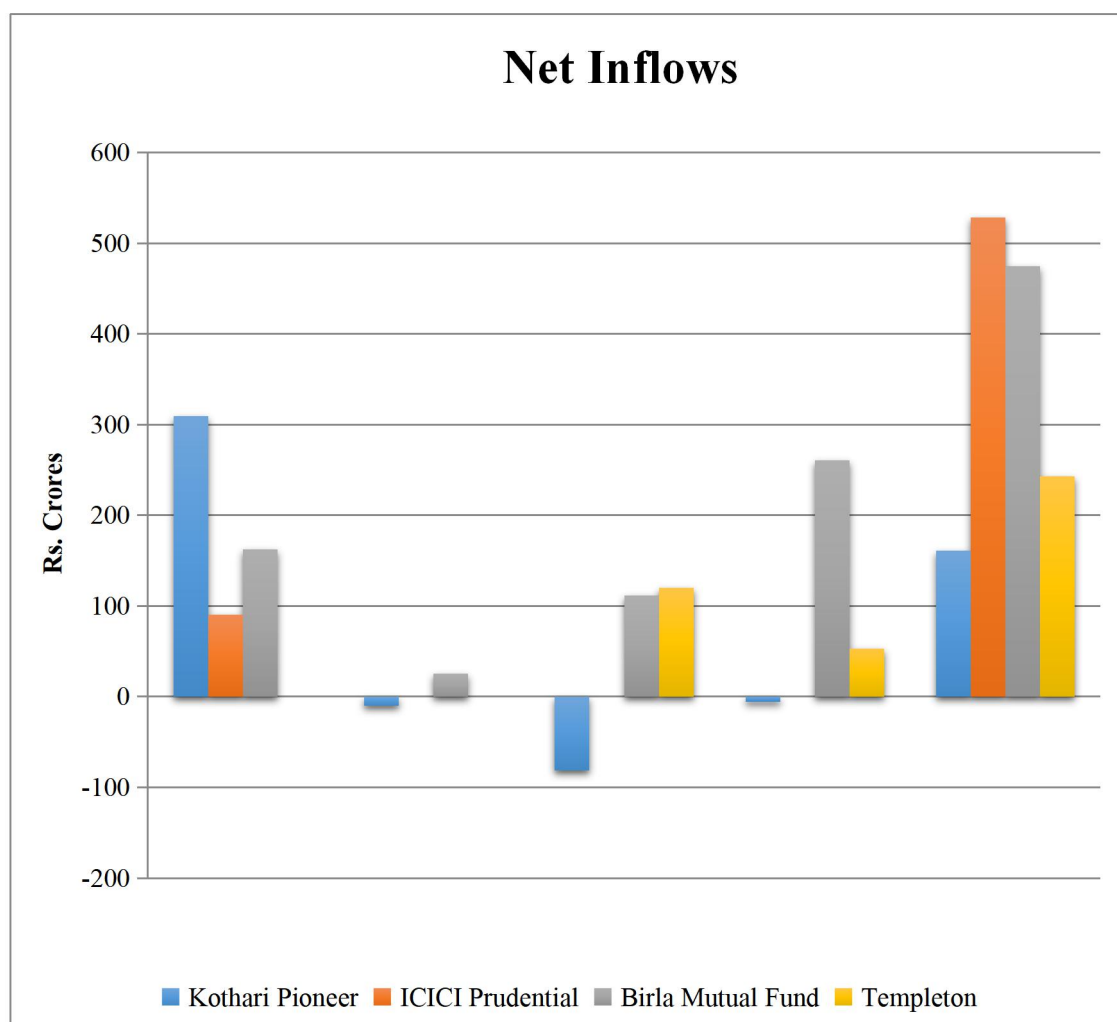


Figure 14:GRAPH SHOWING COMPANY NET FLOW

Graph Showing Relation Between Market Indices And Mutual Funds Sales

Month	BSE Sensex	NSE Index	MF Sales
May'2012	3964	1132	2920.666667
Aug'2014	4898	1412	3537.333333
Nov'2015	4622	1376	4752
Feb'2016	5447	1655	8703.666667
April'2017	4658	1407	6662

Table 12:RELATION BETWEEN MARKET INDICES AND MUTUAL FUND SALES

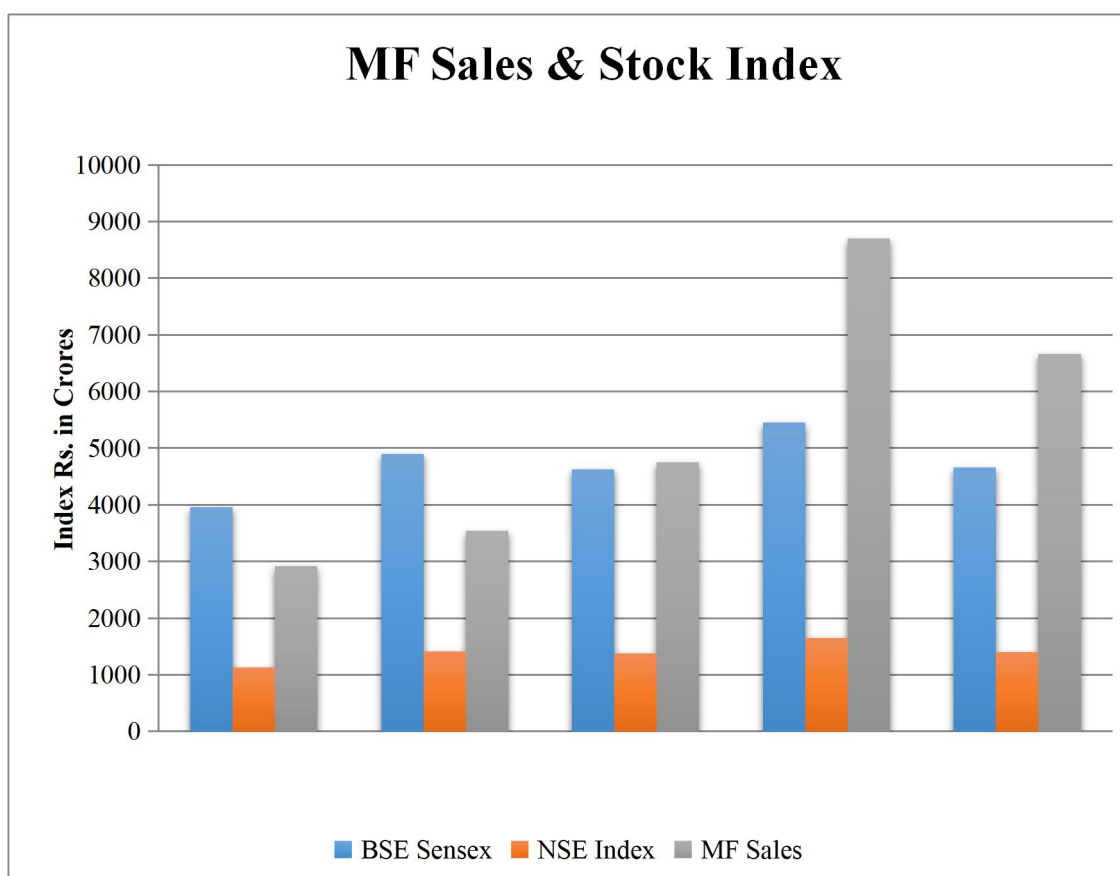


Figure 15:GRAPH SHOWING RELATION OF MARKET INDICES AND MUTUAL FUNDS SALES

SAMPLE SIZE		70
INTERESTED RESPONDENTS		25
OCCUPATION	INTERESTED	%AGE
BUSINESS	7	27
SERVICE	11	46
PROFESSION	3	10
OTHERS	18	17

Table 13:DETAILS OF RESPONDENTS(in percentage)

Out of the interested people 46% belongs to service class; 27% to the business class and only 10% to the profession class.

5.5 CONCLUSION

There is a tremendous growth opportunity for the Mutual Funds Companies provided they focus on

- Better marketing to increase awareness level
- Building a relationship of trust and commitment with the investors
- Better rate of returns to the investors than offered by other investment options
- Providing better service to the investors

Note:

A few respondents due to confidentiality constraints did not disclose the average investment made.

The future investment in mutual funds depends heavily on the availability of funds.

CHAPTER 6-CONCLUSION AND IMPLICATIONS

6.1 CONCLUSION AND IMPLICATIONS

Retail Investors prefer to invest in debt-based funds when they invest for short periods and are looking for steady returns. On the contrary, when they invest for long periods, they prefer to go for equity based funds as it is seen that in the long period, equity funds out-perform debt funds. This money is either from their capital gains or for some specific purpose in the future like their child's education, marriage, purchase of house etc.

Business Investors invest a lot in the end of June when Mutual Funds are close to declaring dividends. This is because this gets them the benefit of writing off their capital gains as follows –

- Say the NAV per unit of the Mutual Fund is Rs. 20.00 at time of purchase.
- The business buys the Mutual Fund units at this price and dividends are declared say Rs. 4.00 per unit.
- Then after the cool off period when the Mutual Fund opens, the NAV per unit is Rs. 16.00 per unit (Rs. 20.00 – Rs. 4.00 dividend declared).
- The business then sells off the units at Rs. 16.00 per unit and claims capital losses to the tune of Rs. 4.00 per unit, which can be used by them to write off their capital profits.
- This actually is not a capital loss as that amount has already been reimbursed to the unit holder in terms of dividends.

In India, the trend is that investors invest when there is a boom in the stock market and withdraw their holdings in times of slump. This is absolutely contrary to how the system works abroad as there investments take place in the slump period when greater units can be purchased with same amount of money. Withdrawals are correspondingly done in boom times as maximum return is achieved. This is the right strategy and Mutual Fund companies are trying to create this awareness among consumers.

The outlook for the Mutual Fund Industry as predicted by the representatives of the companies that I visited is very bright. They all expect the market to go up by Diwali (Indian festival) and New Years and also expect consumer awareness and interest to improve. Efforts are being made by them to increase awareness and services offered by them. All this would result in major increase in their collections and of the industry as a whole. Also a large number of new companies and schemes are soon going to be launched which will increase the variety for consumers and also improve the quality of services offered due to the increase in competition.

CHAPTER 7-RECOMMENDATIONS

7.1 RECOMMENDATIONS

It is seen from the analysis that most of the people in India generally Delhi people have less idea about mutual funds. This showed the low awareness level among the people of Delhi about the mutual funds therefore recommend that there is need for better marketing of mutual funds and specifically target investors who invest in stock markets and small investors who prefer banks for their investments and create awareness amongst them about investing in mutual funds.

It is recommended that the asset management companies (AMC) more specifically axis should come up with new mutual fund schemes which focus on security of money, better rate of return, liquidity, profitability. They should concentrate more on building up investor's confidence, as it is seen from the analysis that most of the investors are not confident of the safety and security of their investments in mutual funds especially after the axis scam in India.

It is strongly recommended that asset management companies (Mutual Fund companies) specifically axis provide reliable and more true and transparent information to the investors as the investor is ready to invest in mutual funds only if they are given more reliable information. It is also recommended that asset management companies (Mutual Fund companies) focus on building a relationship of trust and commitment with the investors.

All the people interviewed expected a rate of return of 17-18% on their investments in mutual funds therefore if the asset management companies (AMC) more specifically axis are able to provide that return they can attract more investors.

In the near future, a large number of new companies and schemes are soon going to be launched which will increase the variety for investor and will lead to increase in competition in the industry and this stresses the need to improve the quality of services offered and improve individual fund performance.

The capital market has been growing by leaps and bounds. Thus the stock market in India is on the right track and there will be major improvements in the near future.

This expansion will act as an impediment to the small investors who either has the option to play the market or to have the knowledge to keep pace with the corporate information of thousands of companies. Their mutual funds will form a favorable alternative provided there is transparency, reliability and authenticity in their functioning.

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ANNEXURE

- 1. Primary Questionnaire Used-Sample**
- 2. Glossary-Terms used**
- 3. Other relevant Investor's information**
- 4. Mutual fund forms and prospectus collected during primary survey.**
 - Birla Sunlife (1 Scanned Sample Attached)
 - AXIS
 - Kothari Pioneer
 - Prudential ICICI
 - DSP Merrill Lynch
 - SUN F&C
 - Alliance

QUESTIONNAIRE

- 1. Have you recently invested in (past 6 months – 1 year)**

Yes No If yes, Amount

- IDBI Bonds
- ICICI Bonds
- AXIS monthly income scheme
- Other fixed income instrument
- (e.g. Kotak Mahindra Deb PSU bonds)

- 2. What is the usual amount you keep in Bank Deposit/Saving Account?**

<25000 25000-Lac 1-3 lacs > lacs

- 3. Approximate proportion of financial investment (%) basis**

- Bank
- Fixed income products
- (eg. FDs, NCDs Deb)
- Private (loan, chitfund)
- Equity & Mutual funds

- 4. Usual Monthly investment surplus**

- <3000

-
- 5000-10000
- >100000

5. Have you invested in

- Yes No
- Income Mutual fund.
- Growth Mutual Fund

6. If income Mutual fund,

- Which Mutual fund i..... ii iii.....
- What return
-

7. Would you be interested in Bond/Income fund

- # investing in Fixed Income Instruments
- # Providing assured by back at 16% for first year + Early Bird Incentive equivalent to 18%-19%.
- # where fund manager fees will not be charged if 6% not achieved.
- Yes No

8. Do you have illiquid Debentures

- Yes No
- Yes, which Debenture _____

9. Would you like to exchange these for our units

- Yes No

10. Where do you plan to invest in next 3-6 months

- Bank
- PSU Bonds
- FD
- MF Income Scheme
- MF Equity Schemes

PROFILE OF THE RESPONDENT

- Name _____
- Age _____
- Sex _____
- Address _____
- Tel No. _____

Occupation

- Business
- Service Pub Pvt
- Profession
- Other

Monthly Household Income RESPONDENT

- >5000
- 50000 - 10000
- 10000 – 20000
- 20000 - 50000
- >50000

Level of Interest

- Quiet interested
- Somewhat interested
- Not at all interested

Glossary

Asset Allocation Fund

A fund that spreads its portfolio among a wide variety of investments, including domestic and foreign stocks and bonds, government securities, gold bullion and real estate stocks. This gives small investors far more diversification than they could get allocating money on their own. Some of these funds keep the proportions allocated between different sectors relatively constant, while others alter the mix as market conditions change.

Balanced Fund

A mutual fund that maintains a balanced portfolio, generally 60% bonds or preferred stocks and 40% common stocks.

Bid or Sell Price

The price at which a mutual fund's shares are redeemed (bought back) by the fund. The bid or redemption price means the current net asset value per share, less any redemption fee or back-end load.

Bond Fund

A mutual fund whose portfolio consists primarily of corporate or Government bonds. These funds generally emphasize income rather than growth

Capital Appreciation Fund

A mutual fund that seeks maximum capital appreciation through the use of investment techniques involving greater than ordinary risk, such as borrowing money in order to provide leverage, short-selling and high portfolio turnover.

Capital Growth

A rise in market value of a mutual fund's securities, reflected in its net asset value per share. This is a specific long-term objective of many mutual funds

Closed-End Investment Company

An investment company that offers a limited number of shares. They are traded in the securities markets, usually through brokers. Price is determined by supply and

demand. Unlike open-end investment companies (mutual funds), closed-end funds do not redeem their shares

Common Stock Fund

An open-end investment company whose holdings consist mainly of common stocks and usually emphasize growth

Daily Dividend Fund

This term applies to funds that declare their income dividends on a daily basis and reinvest or distribute monthly.

Diversification

The policy of spreading investments among a range of different securities to reduce the risks inherent in investing

Global Fund

A fund that invests in both Indian. and foreign securities.

Growth Fund

A mutual fund whose primary investment objective is long-term growth of capital. It invests principally in common stocks with significant growth potential.

Income Dividend

Payment of interest and dividends earned on the fund's portfolio securities after operating expenses are deducted.

Income Fund

A mutual fund that primarily seeks current income rather than growth of capital. It will tend to invest in stocks and bonds that normally pay high dividends and interest.

Index Fund

A mutual fund that seeks to mirror general stock-market performance by matching its portfolio to a broad-based index, most often the S&P CNX Nifty index.

International Fund

A fund that invests in securities traded in markets outside India.

Investment Company

A corporation, partnership or trust that invests the pooled monies of many investors. It provides greater professional management and diversification of investments than most investors can obtain independently. Mutual funds, or "open-end" investment companies, are the most popular form of investment company.

Investment Objective

The financial goal (long-term growth, current income, etc.) that an investor or a mutual fund pursues.

Load

A sales charge or commission assessed by certain mutual funds ("load funds,") to cover their selling costs. The commission is generally stated as a portion of the fund's offering price, usually on a sliding scale from one to 8.5%.

Load Fund

A mutual fund that levies a sales charge up to 6%, which is included in the offering price of its shares, and is sold by a broker or salesman. A front-end load is the fee charged when buying into a fund; a back-end load is the fee charged when getting out of a fund.

Money Market Fund

A mutual fund that aims to pay money market interest rates. This is accomplished by investing in safe, highly liquid securities, including bank certificates of deposit, commercial paper, government securities and repurchase agreements. Money Market funds make these high interest securities available to the average investor seeking immediate income and high investment safety.

Mutual Fund

An open-end investment company that buys back or redeems its shares at current net asset value. Most mutual funds continuously offer new shares to investors.

Net Asset Value Per Share

The current market worth of a mutual fund share. Calculated daily by taking the funds total assets securities, cash and any accrued earnings deducting liabilities, and dividing the remainder by the number of shares outstanding.

Prospectus

An official document that each investment company must publish, describing the mutual fund and offering its shares for sale. It contains information required by the Securities and Exchange Commission.

Sector Fund

A fund that operates several specialized industry sector portfolios under one umbrella. Transfers between the various portfolios can usually be executed by telephone at little or no cost

Specialty Fund

A mutual fund specializing in the securities of a particular industry or group of industries or special types of securities.

Yield

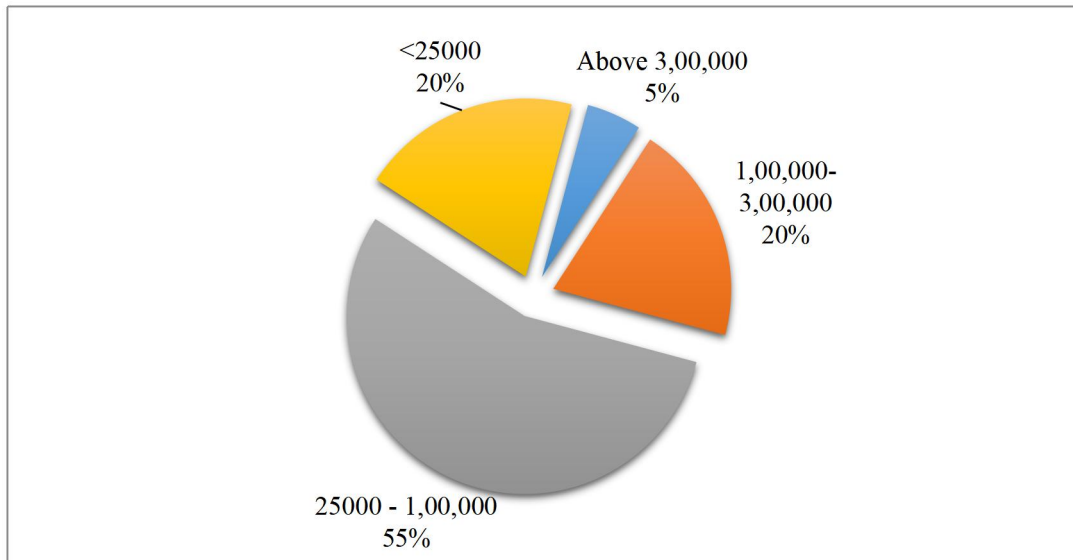
Income or return received from an investment, usually expressed as a percentage of market price, over a designated period. For a mutual fund, yield is interest or dividend before any gain or loss in the price per share

Amount (Rs.)	% age
< 25000	20
25000 – 1,00,000	55
1,00,000 – 3,00,000	20
Above 3,00,000	5

- Usual amount kept in Bank deposit/saving account 55% of the people keep 25000 –1,00,000 as bank deposit, 20% keep < 25000 and 1,00,000 –3,00,000 each and only 5% keep above 3,00,000.

Most of the people keep Rs.50000 – Rs.1, 00,000 as bank deposit/saving account.

SUAL AMOUNT KEPT IN BANK DEPOSIT/SAVING ACCOUNT



Approximate proportion of financial investment

	Bus	Service	Prof.	Others
Banks	5	30	15	40
Fixed Income Products (eg. GDs, NCDs, Deb.)	10	35	30	45
Equity & Mutual Funds	30	20	25	5
Private (loan & Chit funds)	15	5	10	-
Others (Properties, bus, etc.)	40	10	20	10

- i) 40% of the business class prefers investing in others (properties, business etc.) and only 5% invest in bank.
- ii) 35% of the service class prefers investing in fixed income products and only 5% in private (loan % chit funds).
- iii) 30% of the profession class prefers investing in fixed income products and only 10% in private (loan and chit funds).
- iv) 45% of the other class prefers investing in fixed income products and only 55 in equity and mutual funds.

