Project Dissertation Report on

Wealth Creation using Mutual Funds (MFs)

Major Project Report submitted to the
Delhi Technological University, New Delhi
In
Partial fulfilment of the requirement for the Fourth Semester of
Masters of Business Administration (Executive)

By

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CERTIFICATE

I hereby certify that the Project titled **"Wealth creation using Mutual Funds"** which is submitted by Ritu Arora (2K22/EMBA/19), for the partial fulfillment of the requirements for awarding of the degree of Executive Master of Business Administration (EMBA) is a record of the project work carried out by the student under my guidance & supervision. To the best of my knowledge, this work has not been submitted in any part or fulfillment for any Degree or Diploma to this University or elsewhere.

Place: New Delhi
Date: _____________ May, 2024

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(Dr. Archana Singh)
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DECLARATION

I, Ritu Arora (2K22/EMBA/19), students of EMBA hereby declare that the Project Dissertation titled- **“Wealth creation using Mutual Funds”** which is submitted by me to Delhi School of Management, DTU, Delhi in partial fulfillment of the requirement for the award of degree of Executive Master of Business Administration (EMBA), is original and not copied from any source without proper citation. This work has not previously formed the basis for the award of any Degree, Diploma, Fellowship or other similar title or recognition.

Place: New Delhi **(Ritu Arora)**

Date: ________________ **2K22/EMBA/19**

ACKNOWLEDGEMENT

The successful completion of any task is incomplete and meaningless without giving any due credit to the people who made it possible without which the project would not have been successful and would have existed in theory.

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I would also like to take this moment to show my thanks and gratitude to one and all, who indirectly or directly have advised in this challenging task. I feel happy and joyful and content in expressing my vote of thanks to all those who have helped us and guided us in presenting this project work for this Major project.

(Ritu Arora)
2K22/EMBA/19

Wealth creation using Mutual Funds (MFs)

Executive Summary

Various avenues are available for investor to earn returns and create their wealth. These avenues include investment in stocks and equities, bonds, mutual funds, real estate, gold, savings and fixed deposits etc. Mutual Funds has considered to be one of the best sources for wealth creation and management.

Objective:

The primary goal of this project is to analyze the role of mutual funds in wealth creation for investors. The study will encompass a thorough examination of performance evaluation measures, historical returns, risk-adjusted returns, the potential benefits of efficient mutual fund practices, and the risks associated with leveraged strategies.

Purpose:

The project intends to provide investors with valuable insights into the wealth creation potential of mutual funds. By evaluating historical returns, risk metrics, and the efficacy of efficient practices, the report aims to equip investors with informed decision-making tools for optimizing wealth accumulation through mutual fund investments.

Data:

The analysis will utilize a diverse dataset comprising mutual fund portfolios across various asset classes and timeframes. Historical returns and risk metrics will be sourced from reputable financial databases, ensuring a comprehensive and reliable foundation for the study.

Research Study:

The project to include the briefing/ outcome of the research papers / study conducted on the subject (10-15 numbers)

Methodology:

The analysis will employ a robust methodology, incorporating quantitative measures for risk-adjusted returns. Statistical tools will be applied to assess historical performance, while a detailed portfolio analysis and performance attribution will be conducted to identify the key drivers of success. Additionally, leveraged strategies' risks will be modeled through quantitative analysis to provide a realistic view of potential downsides. Wherever necessary comparison of the return with other avenues will also be done.

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CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION OF THE INDUSTRY

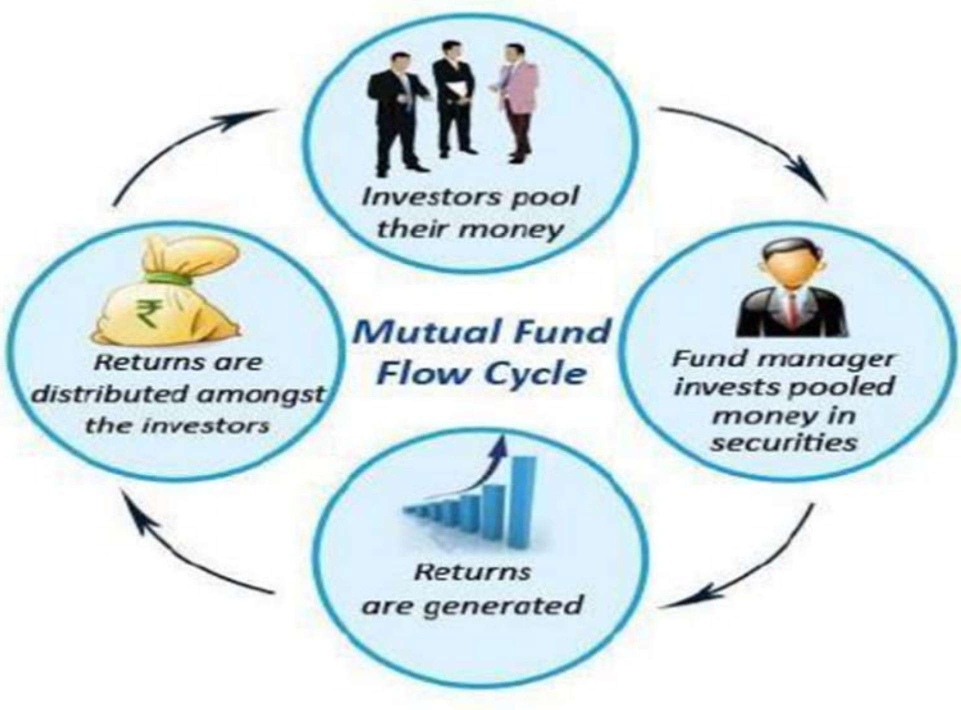
Wealth creation for an individual involves a strategic approach to managing finances that maximizes returns and minimizes risks over the long term. This process typically includes setting clear financial goals, saving diligently, and investing wisely across diverse assets such viz. real or financial assets in the form as stocks, mutual funds, gold, bonds and real estate. Effective wealth creation also necessitates continual learning about financial markets and personal finance management, as well as adapting to changing economic conditions. Moreover, it often involves prudent risk management through insurance and estate planning. By following these principles, an individual can build a substantial financial foundation, ensuring security and the ability to pursue life goals without undue financial stress.

Mutual funds have become crucial for channelling the savings of countless individuals in India. Over the years, the MF industry has witnessed significant progresses both in the diversity and quality of its offerings. This robust growth signifies the effectiveness of India's financial markets and the confidence investors place in its regulatory framework. A large number of investors choose mutual funds as their primary investment vehicle due to their accessibility, cost-efficiency, and simplicity in participating in financial markets. In India, the MF industry is governed by the “SEBI (*Securities and Exchange Board of India)*”, which ensures a well-regulated environment. Each mutual fund's objective is to enhance its assets for capital gains or generate income through dividends for its stakeholders. Profits from the fund, whether through short-term or long-term capital gains or dividends, can either be distributed to shareholders as income or reinvested into additional shares. The value of a mutual fund is determined daily, resulting in a figure known as the net asset value (NAV) per share. This NAV reflects the total value of all the securities in the fund divided by the number of shares held by investors. Consequently, as the NAV changes, so does the value of the shareholders' investments.

1.2 INTRODUCTION OF THE MUTUAL FUNDS

Defining Mutual Funds

A MF functions as a pooled investment structure, operating as a trust where funds are gathered from multiple investors to be invested in a variety of financial instruments such as stocks, bonds, government securities, and money market assets. Skilled investment managers allocate the pooled resources across different assets in alignment with the fund's specified investment objectives. Returns or gains earned from these investments are then distributed among the investors in proportion to their investment, after deducting necessary fees and taxes, based on the "*Net Asset Value (NAV)"* of funds. To manage these funds, mutual funds charge a small management fee.



1.3 Evolution of Mutual Funds

Globally:

The evolution of MFs began with early forms of pooled investments in the 18th century, starting with the Dutch merchant Adriaan van Ketwich who created the first known investment trust in 1774, named "Eendragt Maakt Magt" or "unity creates strength," aimed at investors with smaller capital and focusing on diversification. This concept spread across Europe, with notable early examples appearing in Switzerland in 1849 and Scotland in the 1880s. The concept reached in United States in late nineteenth century with setting up of the "*Boston*

Personal Property Trust in 1893" as the first closed-ended fund. This sector saw significant advancements with the Alexander Fund in 1907, introducing features like semiannual issues and on-demand withdrawals. The modern era of mutual funds began in 1924 with the creation of the "*MFS Massachusetts Investors' Trust in Boston*", which evolved into today's MFS Investment Management. In 1929, the Wellington Fund introduced the balanced fund concept, mixing stocks and bonds in one portfolio. With increasing popularity, the sector underwent significant regulatory structuring with the Investment Company Act of 1940, setting a legal framework that encouraged diversification into different classes of asset as equities, bonds, fixed income, and money markets etc.

In India:

The first MF in India to present the concept to retail investors was set up in 1963 under the name "*UTI (Unit Trust of India*"). The main objective is to raise money from the general public and utilize it to buy a diverse range of securities that will yield profitable returns for investors.

The sector has seen tremendous changes since its founding, and efforts are continuously made to increase the range of investment options available to investors. An extensive history of mutual funds in India is shown here.

1st Phase (1964 – 1987)

The establishment of UTI in 1963 signifies start of the MF sector in India. Throughout this period, UTI was in the lead. In 1964, the company unveiled its flagship plan, which attracted public attention because to its guaranteed returns and safety. This first stage mainly served as the basis for mutual funds in India and promoted small investors' involvement in the capital markets.

2nd Phase (1987–1993) (inclusion of Public Sector Banks)

Public sector banks and other financial institutions entered the mutual fund industry during the second phase. "*SBI Mutual Fund"* established in 1987 became the first non-UTI MF in India. Additionally, new schemes from UTI and other mutual funds began to launch in the second phase, giving investors more alternatives.

3rd Phase (1993–2003) (inclusion of private sector banks)

The final section considers a pivotal moment in the nation's mutual fund history. In 1993, the government permitted private participation in the mutual fund sector, paving the way for entry of many AMCs in the private sector.

During this time, mutual fund businesses witnessed a surge in competition and saw significant expansion. Furthermore, introduction of "*SIPs (methodical Investment Plans)*" in 1993 transformed the way of investments being made, making it more methodical and accessible to general public.

4th Phase (February 2003–April 2014)

The fourth round of regulatory adjustments implemented by SEBI demonstrates further efforts to improve openness and fortify investor safety. Campaigns to raise awareness and educate investors received more attention.

Simplifying the industry and improving investor experience are two benefits of the New Fund Offer (NFO) procedure and the combination of several mutual fund schemes.

5th Phase (As of May 2014, the Current Phase)

Since the launch of the Direct Plan option, which provides investors with an affordable mutual fund investment alternative, the mutual fund sector has seen significant expansion in the present period, also known as the fifth phase. The sector has seen an increase in the use of several digital platforms for managing mutual fund portfolios and investing.

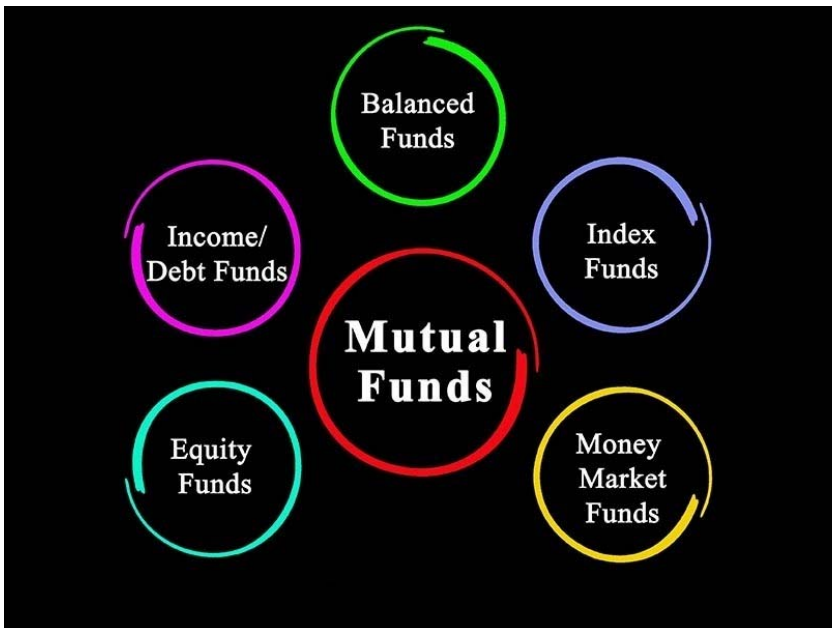
1.4 Regulation and Controlling of Mutual Fund Industry in India

To protect interest of investors who pooled money through professional manager, SEBI framed regulations for controlling and monitoring of the mutual funds by framing SEBI (Mutual Funds) Regulations, 1993, which require registration of all mutual funds with SEBI and provide guidelines on their structure, operations, and management. Mutual funds must be established as trusts under the "*Indian Trusts Act, 1882*", with a defined structure that includes asset management company (AMC), a sponsor, trustees, and a custodian. The AMC manages portfolio of the MF in alignment with stated objectives in the offer documents, adhering to strict regulations on investment strategies and asset allocation. Mutual funds are mandated to ensure transparency through regular disclosures such as offer documents, annual reports, and semi-annual updates on fund activities and financial performance. These measures help maintain investor confidence by ensuring transparency and accountability. Additionally, mutual funds must implement effective complaint redressal mechanisms to protect investor rights. The marketing and distribution of mutual funds are also closely regulated to prevent misleading practices and ensure that distributors are properly qualified. SEBI also conducts periodic reviews and inspections to ensure compliance with regulations, thereby maintaining the integrity and stability of the financial market.

1.5 Understanding and different varieties of Mutual Funds

a. Categories of Mutual Funds

MF can be categorized based on various characteristics viz.:



Based on their Structure

- *"Open-ended funds"* where Investors are open to buy and sell the MF units without any restriction, at any point of time.

- "*Close-ended funds"* collect capital from investors through a one-time initial offering. After this period, no additional investments are accepted. However, if these funds are listed on stock exchange(s), their units are traded like equity shares. Recently, many close-ended funds have introduced periodic liquidity windows, allowing redemptions on a monthly or weekly basis. Despite these measures, close-ended funds usually have lower liquidity compared to open-ended funds, as redemptions are only possible at specific intervals.

- “*Interval schemes”* joins features of both open as well as close ended schemes. Sales or redemptions are permitted at NAV-related prices during predetermined intervals.

Based on investment objective

- “*Growth funds”* invest the majority of its corpus in equities. Numerous studies have shown that, over the long term, returns from stocks have outperformed than other types of investments. These funds are ideal for investors who look for a long-term objective seeking growth over time.

-“*Income funds”* object to provide consistent and steady income to investors. Such MFs typically invest in fixed-income generating securities like government securities, bonds, and corporate debentures etc. and these funds are convenient for investors seeking capital stability and regular income.

- “*Balanced funds”* combine growth and income funds to distribute earnings periodically by investing in both equities and fixed-income securities in a predefined way as per the offer documents. In a rising stock market, NAV of these schemes might not increase proportionally, nor decline as much when the market drops. Investors seeking a mix of regular income as well as moderate growth preferred these funds.

Based on Type of investments:

- **“***Equity Funds***”** is also known as stock funds. Such funds invest in company shares and the returns are dependent on the stock market performance. As they offer prospective high returns with higher risk.
- **“***Debt Funds*” focus on fixed-income securities such as government securities, bonds and treasury bills. These funds are suitable for passive investors who seek regular income with lower risk, as they offer fixed interest rates and maturity dates.
- *“Money Market Funds”* invest their pool funds in short-term money market instruments (usually not exceeding 13 months) issued by the government, banks, and other entities. Such funds are suitable for those investors who look for lower-risk investments and offer dividends on a short-term basis.
- **“***Hybrid Funds*”, a mixture of equity and bonds, offer both growth and income, making it ideal for investors who are willing to take moderate risks for potentially higher returns.

- "*Liquid Funds*", invest in debt or liquid instruments having maturity up to 91 days. A unique aspect of liquid funds is that their NAV is calculated daily, including weekends, unlike other MFs.
- *"Tax-Saving Funds*", is also known as "*Equity Linked Savings Schemes (ELSS)*". It allows investors to save on taxes while aiming for wealth maximization, featuring a minimal lock-in period of three years and potentially high, tax-free returns.
- "*Capital Protection Funds*", focused on principal protection, these funds invest a portion in bonds or CDs and the rest in equities, offering safer, though moderate, returns. They are typically closed-ended with a recommended tenure of at least three years.
- "*Fixed Maturity Funds*", similar to fixed deposits, FMPs invest in bonds and other securities with a fixed maturity, aligning with tax-saving strategies like triple indexation to reduce tax liabilities.
- *"Pension Funds"*, help save for retirement by investing a part of your income over a long period. They provide financial security for future needs, offering alternatives to traditional savings methods like the EPF, with various attractive schemes available through banks and insurance companies.

b. Options available to investors:

Three options are available to investors to invest in Mutual Funds – "*growth, dividend and dividend reinvestment*". NAV are calculates for each scheme separately.

- "*Growth option"*, investor returns manifest as capital appreciation, visible in NAVof the fund. The scheme operates under a growth plan and does not distribute dividends. Investors who choose this plan do not receive any periodic income from the scheme; instead income, if any, generated from this funds are reinvested thereby contributing for increase in its NAV.

- "*Dividend option"* Dividends are generally declared either on a quarterly or an annual basis, however, change in frequency of dividend declaration lies with MFs.

- "*Dividend reinvestment option"* When the dividends are declared instead of paying it to the investors, the entire dividend is reinvested in the mutual funds and based on the dividend amount additional units of the scheme at its NAV at the next working day after the record date are added. Entry or sale loads are not levied on dividend reinvestment option.

1.6 Benefits and drawbacks of making investment in Mutual Funds

Benefits

Diversification: Through investing in variety of securities across different asset classes through a single scheme, investment is spread with objective to minimizes risk without requiring large capital.

Variety in Securities and Investment Strategies: Choose from a wide array of mutual fund schemes tailored to different goals, from equity funds (large, mid, or small cap) to debt funds (bonds, government securities) and hybrid funds, including niche options like gold ETFs.

Flexible Investment and Withdrawal Options: Mutual funds offer various modes of investment including lump sum payments or systematic investment plans (SIPs), along with convenient withdrawal strategies.

Professional Fund Management: Investors who are not expert in analyzing the money market, can get the benefit of expertise and skill of fund managers who professionally do market analysis, take investment decisions, and offer their services at a nominal cost.

Investing Discipline: Utilize SIPs to automate regular investments directly from your bank, promoting a disciplined approach to building wealth and potentially lowering investment costs over time.

Affordability: Begin investment in mutual funds with an amount as little as Rs.5,000 and make subsequent investments for as low as Rs. 500, benefiting from relatively low expense ratios.

Investment through mutual funds also have with certain disadvantages that potential investors should consider. One significant drawback is the high fees, commissions, and other expenses associated with these funds, which can eat into overall returns. Additionally, mutual funds often maintain a large cash presence in their portfolios to meet redemption requirements, which can limit potential gains during bull markets. Unlike bank deposits, mutual funds are not covered by FDIC insurance, exposing investors to the risk of potential losses. Comparing different mutual funds can also be challenging due to variations in investment strategies, fee structures, and performance metrics. Lastly, there is sometimes a lack of transparency in holdings, making it difficult for investors to fully understand where their money is being invested and to evaluate the risks involved.

Drawbacks:

Like many other investment options, MFs come with inherent risks and costs, and do not guarantee returns. Particularly in equity mutual funds, the value can fluctuate significantly alongside the stocks within the fund's portfolio. Another challenge with mutual funds is the requirement have a substantial portion of their portfolio in the form of cash to manage its redemptions on daily basis. This phenomenon known as *"cash drag"* can undervalue the fund's overall performance, as cash typically earns no return. Furthermore, mutual funds incur fees for professional management, which are charged to investors regardless of the fund's performance. These fees vary widely among funds and can significantly impact long-term profitability, especially in funds that are actively managed and thus incur higher transaction costs.

1.7 Ways to invest in Mutual Funds

- ***"Lump-sum payment"***

It is a one-time, single, complete payment made all at once, as opposed to distributing the payments over time like an annuity payment. It means investing the whole amount of money in one go. Example, if anyone possess Rs.5 lakh and want to invest entirely in stocks or mutual funds at single go, that would be considered a "*lump sum investment*".

"Systematic investment plan (SIP)"

An SIP involves contributing a specific amount at regular interval generally monthly into a chosen mutual fund scheme, much like how a recurring deposit works. An investing under SIP can be commenced with as little as Rs.500/- in ELSS. The guiding principle of SIP is to buy when prices are low so that more units are purchased and sell when prices are high, which aims to succeed in the stock market over time. However, effectively timing the market can be challenging for newcomers or those with busy schedules. This is where the monthly investment strategy of SIP proves advantageous, allowing investors to invest consistently regardless of market conditions, thereby stabilizing your investments in fluctuating markets.

SIP is an effective tool for retail investors to enhance their investment strategies. This approach is similar to making recurring deposits with a post office or bank. Traditionally popular in mutual funds, SIPs have now expanded into direct equity investments, allowing investors to purchase individual stocks at regular intervals, either by a predetermined amount or quantity. While investing in mutual funds isn't suitable for everyone, particularly due to the volatile stock market and the potential risks to your hard-earned money, a disciplined investor might find an equity SIP beneficial. This method allows for structured investments in the stock market, which can be ideal for those committed to long-term investing in mutual funds.

1.8 Investing in other modes versus Mutual Funds:

Comparing investment options is important and crucial for making financial decisions. In this analysis, comparative aspects of Mutual Funds (MFs) against other popular investment avenues such as Fixed Deposits (FDs), Gold, Sovereign Gold Bonds (SGBs), and Bonds has been delved. Each of these options offers unique features, risk profiles, and potential returns. By examining factors such as liquidity, risk tolerance, returns, and tax implications, investors can gain valuable insights into which investment avenue aligns best with their financial goals and preferences.

When considering investment options, each avenue presents its own set of advantages and drawbacks. **Equities**, commonly known as stocks, have offered potentially higher returns as compared to bonds and fixed deposits in the long run. Investing in stocks means owning a portion in the ownership of a company, potentially benefiting from its growth and success. Additionally, stocks are generally liquid, facilitating quick buying and selling, and some stocks pay dividends, providing a regular income stream. However, stocks come with many risks as their prices can be highly volatile, subject to significant fluctuations. Successful stock investing requires diligent research and understanding of market trends. Moreover, investors face the possibility of losing their entire investment if a company underperforms or faces adverse market conditions, and emotional decision-making can further complicate investment outcomes.

On the other hand, **fixed deposits** (FDs) offer stability and guaranteed returns with a low risk of loss. They are straightforward to set up and require minimal management. However, FDs typically yield lower returns compared to stocks or mutual funds, and their fixed interest rates are generally not in pace with inflation, and potentially eroding purchasing power. Additionally, early withdrawal penalties may restrict access to funds.

Bonds, another popular investment choice, provide regular income in the form of interest earned and are generally considered safer than stocks, particularly government and high-grade corporate bonds. Bonds can diversify a portfolio beyond stocks and real estate. Nonetheless, they are also subject to price changes due to many reasons such as changes fluctuations in rate of interest, and there is also a risk of the issuer defaulting on payments, particularly with corporate bonds. Over the long term, bonds typically offer lower returns compared to stocks.

Gold, often viewed as a hedge against economic uncertainty, historically preserves purchasing power during inflationary periods. It is recognized and valued globally, especially in times of market turmoil. However, unlike stocks or bonds, gold does not generate dividends or interest. Physical gold requires secure storage and insurance, and its value can be volatile, influenced by various global economic factors.

In summary, each investment option—equities, fixed deposits, bonds, and gold—comes with benefits and drawbacks and investors should carefully evaluate their financial goals, time horizon and risk tolerance level before making investment decisions.

2. Objectives

- **Primary Objective**: To compare and analyse mutual funds with other investment avenues for evaluating the benefits of MF over others for wealth creation.
- **Secondary Objectives**:
  - To identify the factors that influence mutual fund performance.
  - To evaluate the risks and returns associated with different types of mutual funds.
  - To develop a guideline for investors to select appropriate mutual funds based on their risk appetite and financial goals.

CHAPTER 2: LITERATURE REVIEW

Dr. Neelam Dhall et.al (2021) ***"Investors' awareness and perception towards Mutual Funds Investment: An Exploratory Study"***

This study conducted in Delhi-NCR surveyed 105 respondents to explore investor perception and awareness towards MFs as an investment option considering various investors' preference for mutual funds such as include tax benefits, security, liquidity, return, and reliability. The research findings indicate a noteworthy correlation between gender and investor perception regarding returns in MFs, as well as a relationship between age and perception concerning significantly the higher tax shield offered by MFs.

V.B. Karuna Moorthy et.al (2021) ***"Mutual Funds: An Outrageous Progression in Investment"***

This paper objects to analyze the significance of MFs funds as an appealing investment option across society, attracting significant new investment flows and delivering improved results and explore methods to enhance public participation in mutual fund investment plans.

William A. Birdthistle and John Morley (2024) "*Introduction to the Research Handbook on the Regulation of Mutual Funds"*

The researcher highlight three key aspects: the fiduciary duties imposed on the responsible entity and its officers, the limited involvement of an independent party in overseeing the entity's management of the fund, and the availability of investor "self-help" mechanisms, including rights to information, voting, enforcement, and exiting investments.

Soheli Ghosh et.al (2013) ***"An Analysis of the Behaviour of Select Indian Mutual Funds during the Financial Crisis of the Year 2008"***

This study examines the performance of selected MF Schemes during the period from December 2008 to December 2012, encompassing the global financial crisis and the subsequent recovery. By analyzing factors such as the coefficient of variation of returns, managerial efficiency in stock selection, various ratios, and return patterns during both period, it was noted that the variability in returns of the MF Schemes ranged from moderate to high, suggesting that they may not be as stable as perceived. Consequently, investors are advised to carefully evaluate their options before investing in Mutual Fund Schemes.

David Doe Fiergbor (2020) ***"Mutual Funds in Emerging Markets; Prospects for Personal Financial Planning"***

This study reveals that Mutual funds, which invest in equity/ capital as well as money markets, can better facilitate personal financial planning and future financial independence for individual investors by offering higher yields with lower risk compared to other investments like forex trading, thus investing in MFs presents substantial opportunities for wealth creation, making them ideal for personal financial planning.

Gnaneshwar Umapathy (2023) ***"Wealth Creation Using Mutual Funds"***

This article explores strategies for wealth creation through mutual funds, supported by statistical and mathematical analysis focusing on long-term investment. Investing in suitable financial products in long run, such as MFs, can lead to financial freedom. Successful investing requires consistency and time, which enable the compounding of wealth.

Davind Louton and Hakan Saraoglu (2008) ***"How Many Mutual Funds Are Needed to Form a Well-Diversified Asset Allocated Portfolio?***

This study investigates how the number of mutual funds in an asset-allocated portfolio affects the standard deviation, mean shortfall, and semi-variance of terminal wealth over 5-year and 10-year investment horizons. The findings reveal that increasing the number of funds from the minimum of 2 (one equity and one bond fund) to 10-12 funds significantly reduces the standard deviation and mean shortfall of terminal wealth by about 60% and the semi-variance by approximately 85%, without compromising expected terminal wealth or total returns.

Nigel D. Lewis (2008) ***"Making ends meet: Target date investment funds and retirement wealth creation"***

This paper addresses to fill the gap in understanding the relationship between target date investment funds and risk-adjusted returns by creating a stochastic simulation model. This model evaluates how various target date equity glide paths impact retirement wealth. The study's findings are compared with the retirement wealth outcomes of a typical defined benefit plan. The results offer important insights for participants in target date funds and plan sponsors, highlighting the crucial role of choosing suitable target date products to meet fiduciary duties.

Roshni Tiwari et.al (2022) ***"Study of Risk and Return of Mutual Funds"***

The study highlights the importance of understanding investment durations to maximize returns and found that despite the high volatility, i.e. above-average beta and standard deviation, large-cap MFs have shown strong risk-adjusted returns and delivered returns of 17-20% over the past three years. Mid-cap mutual funds, however, displayed varied volatility and risk-adjusted returns without a consistent pattern; still, for the long term benefits, investing in mid-cap funds with an average CAGR of around 29.66%. are also beneficials. Small-cap mutual funds exhibited lower volatility and better risk-adjusted returns, suggesting they are suitable for shorter investment periods.

Harshini Mu, et.al (2020) ***"A Study on Investors Perception towards Investing in Mutual Funds"***

The research, using both primary and secondary data, analyzes aspects such as investor income, demographics, awareness, and reliability of mutual funds. Findings indicate that while basic awareness of mutual funds is growing among potential investors, existing investors remain cautious about market fluctuations and seek safer, more profitable plans. Although mutual funds are rapidly gaining popularity, they need to demonstrate better returns and reliability to attract more investors.

Geetha Sineni et.al (2017) ***"Recent Trends In Mutual Fund Industry"***

This paper highlights the recent growth of the Indian mutual fund industry and focuses on key areas needing attention as progress is often questioned when compared to other countries, particularly in terms of investor penetration and GDP contribution.

M. Balasubramanian et.al (2020) ***"Perception of Investors towards Mutual Funds"***

This research paper aims to evaluate investor perceptions of mutual fund investments as MFs allows small as well as medium-sized investors to join in the modern, complex financial market by purchasing fund units. This study further reveals that how MFs efficiently allocate resources and are ideal for common investors, offering diversification and professional management at a low cost and how investors can earn higher returns while balancing risk and liquidity by investing in MFs carrying lower risk compared to direct stock market investments.

CHAPTER 3: METHODOLOGY

1. Introduction to Methodology:

This research methodology outlines the systematic investigation into "WEALTH CREATION USING MUTUAL FUNDS." It predominantly relies on secondary data analysis, utilizing existing datasets like financial reports and academic literature to explore wealth dynamics. By scrutinizing past trends, the study evaluates investment options' effectiveness in generating wealth over time, aiding financial decision-making.

2. Research Design:

The research design for "WEALTH CREATION USING MUTUAL FUNDS" opts for secondary data analysis due to its cost-effectiveness, time efficiency, and access to large datasets. Leveraging sources such as financial databases, government reports, investor surveys, academic journals, industry publications etc., streamlines the investigation into wealth creation factors.

3. Data Collection:

For the comprehensive exploration of "WEALTH CREATION USING MUTUAL FUNDS," the study will rely on a diverse array of secondary data sources, chosen for their relevance and reliability in shedding light on the dynamics of wealth creation. These sources encompass:

Databases: Leveraging reputable financial databases, such as Bloomberg, Morningstar, or Lipper, to access a wealth of quantitative and qualitative data on mutual funds. These platforms provide a comprehensive overview of fund characteristics, historical performance, and portfolio compositions.

Academic Journals: Drawing from scholarly articles published in renowned academic journals focused on finance, investment, and wealth management. Academic literature will serve as a foundation for understanding theoretical frameworks, empirical studies, and emerging trends in wealth creation through mutual funds.

Government Reports: Examining reports published by financial regulatory bodies and government agencies. These reports may offer macroeconomic perspectives, regulatory changes, and market trends influencing wealth creation dynamics in mutual funds.

Investor Surveys and Case Studies: Analyzing investor surveys and case studies conducted by financial institutions and research organizations. These sources can provide qualitative insights into investor behavior, preferences, and the impact on wealth accumulation within mutual funds.

4. Data Selection Criteria:

Stringent criteria ensure relevance and reliability of selected secondary data, focusing on recent and comprehensive sources aligned with the research question. Thorough cross-referencing and validation mitigate limitations, ensuring robust insights into wealth creation through mutual funds.

5. Data Extraction:

Systematic retrieval of information from chosen sources, aligned with research objectives, ensures comprehensive data collection for analysis. Variables of interest, including fund performance metrics and wealth creation indicators, guide the extraction process.

6. Data Analysis Techniques:

Excel is utilized for computations and organization, employing descriptive statistics and inferential techniques like covariance, CAGR. Insights from research articles complement data analysis, facilitating a nuanced interpretation of wealth creation through mutual funds.

I. "Covariance & Correlation"

Both Covariance and Correlation serve to analyze the connection or relationship between variables, that is how variance relates to standard deviation.

Correlation measures and quantifies the direction and strength of linear relationship between two variables. It ranges from -1 to 1, where:

- 1 denotes a perfect positive (+) correlation, means when as one variable increases, the other also increases.
- -1 indicates a perfect negative (-) correlation, means when one variable increases, the other decreases.
- 0 indicates no linear correlation.

Covariance measures how two variables change together. It can be either positive or negative, indicating a direction of relationship between them. Covariance, however, on the other side does not standardize the measure, making it harder to interpret

$$\text{Cov}(X, Y) = \frac{\sum(X_i - \overline{X})(Y_j - \overline{Y})}{n}$$

$$\rho(X, Y) = \frac{\text{Cov}(X, Y)}{\sigma_X \sigma_Y}$$

"$\rho_{(X,Y)}$ – *the correlation between the variables X and Y*

$Cov_{(X,Y)}$ – *the covariance between the variables X and Y*

σ_X – *the standard deviation of the X-variable*

σ_Y – *the standard deviation of the Y-variable*"

II. Evaluation of different MFs through various ratios analysis

A. "*STANDARD DEVIATION*"

Standard Deviation serves as a fundamental statistical tool in finance, employed to determine the variability in periodic returns of financial assets such as mutual fund or similar financial product in relation to its average return. It quantifies the risk which investment portfolio carries. However, it does not provide a means to predict future performance. A high standard deviation denotes a significant volatility in a fund's returns, signaling higher associated risk. Conversely, a mutual fund with a lower SD would be more comfortable and suitable.

B. *"ALPHA (α)"*

This parameter assesses the risk-adjusted return compared to the average or mean return of the overall market. Essentially, it reflects the capability of fund's manager to outperform the market. Alpha signifies actual returns percentage minus the expected returns percentage. A higher Alpha is advisable while opting for a MF.

"$\boldsymbol{Alpha\ (\alpha) = Actual\ returns\ \% - Expected\ returns\ \%}$"

C. "*BETA (β)*":

Beta is essential for measuring how much a mutual fund or financial security fluctuates in response to market movements. It indicates the relative volatility compared to the benchmark index.

$$\text{“Beta } (\beta)\text{:} \quad \frac{\text{Portfolio's Return \% – Risk free Return \%}}{\text{Benchmark Index \% – Risk free Return \%”}}$$

Less risk-averse or conservative investors may find it prudent to consider a low-beta portfolio to mitigate high volatility.

- It measures sensitivity of a MF to market changes. A beta of 1 indicates that fund is moving in same direction with the market.

- A beta less than one states lower movement or volatility than the market, while a beta greater than one shows higher volatility.

D. "*SHARPE RATIO*"

This ratio provides a better method for evaluating risk-adjusted returns, taking into account both systematic and non-systematic risks.

$$\textbf{“Shape Ratio:} \quad \frac{\textbf{Portfolio's Return (\%) – Risk free Return (\%)}}{\textbf{Benchmark Index (\%) – Risk free Return (\%)”}}$$

Where the numerator is referred to as excess return. A higher ratio signifies a greater return relative to the level of risk assumed.

E. "*TREYNOR RATIO*"

This ratio is specifically designed to measure the risk premium gained per unit of risk. Unlike the Sharpe ratio, it exclusively considers systematic risk.

$$\textbf{“Treynor Ratio} \quad \frac{\textbf{Portfolio's Return \% – Risk free Return \%}}{\textbf{Beta”}}$$

Opting for a mutual fund with a higher Treynor ratio is advisable.

F. "*SORTINO RATIO*"

This ratio addresses the limitations of the Sharpe ratio by considering only the downside standard deviation i.e. standard deviation of negative returns.

$$\textbf{“Sortino Ratio} \quad \frac{\textbf{Portfolio's Return (\%) – Risk free Return (\%)}}{\textbf{Downside Standard Deviation”}}$$

A higher Sortino ratio signifies a lesser likelihood of downside deviation.

G. *"EXPENSE RATIO"*

This ratio encompasses the management fee charged by AMC, asset management companies for managing the portfolios. This fee is crucial as it covers various expenses incurred by MF, including registrar and agent fees, fees of the auditors, and more. Lower expense ratio is better option and advisable, as it implies lower management fees incurred overall.

$$\textbf{\textit{Expense Ratio}} \quad \frac{\textbf{\textit{Total Investment in the Fund}} \quad \textbf{\textit{X 100}}}{\textbf{\textit{Total Asset Under Management (AUM)}}}$$

H. Ethical Considerations:

Attention is paid to data privacy, confidentiality, and intellectual property rights, ensuring responsible data handling throughout the research process. Ethical guidelines are adhered to, prioritizing transparency and integrity.

I. Validity and Reliability:

The validity and reliability of secondary data are ensured through consideration of credible sources and rigorous validation procedures, enhancing the study's internal validity and robustness.

J. Data Limitations:

Acknowledged limitations, such as potential biases and variations in data collection methodologies, are addressed through validation processes and transparent reporting, ensuring a balanced interpretation of outcomes.

K. Conclusion of Methodology:

This methodology emphasizes secondary data analysis for investigating wealth creation through mutual funds. It underscores efficiency and effectiveness in unraveling complexities, laying a solid foundation for reliable research outcomes.

CHAPTER 4: DATA ANALYSIS

To achieve the **Objective 1**, which was to compare and analyse mutual funds with other investment avenues for evaluating the benefits of MF over others for wealth creation, quantitative analysis by using covariance & correlation and CAGR techniques are used.

In order to accomplish **Secondary Objectives** it was necessary to do some quantitative and qualitative analysis by comparing performances of various mutual funds.

This multi-faceted approach ensures a nuanced understanding of mutual funds, from its foundational principles to its practical challenges and regulatory influences. It also contributes to a comprehensive discussion on the potential benefits and limitations of mutual funds in wealth creation.

In this analysis, first we delve into the relationships between various investment vehicles such as mutual funds (specifically large cap), gold, Sovereign Gold Bonds (SGBs), fixed deposits (FDs), bonds, and key stock indices including the Nifty / Sensex. Each investment option presents unique risk profiles, liquidity conditions, and potential returns, catering to different investor needs and preferences. By comparing their annual returns and assessing their growth through Compound Annual Growth Rates (CAGR), we aim to identify trends, evaluate risk-reward balances, and determine which investments have historically offered more consistent or higher returns. To quantitatively assess these relationships, we will calculate the correlation between these investment vehicles and their coefficient of variance, providing insights into their volatility and how they move in relation to one another. This approach helps in making informed decisions, especially in crafting a diversified portfolio that can adapt to economic shifts while optimizing wealth creation. Let's proceed with analyzing the performance metrics and interdependencies of these investment types.

A. Returns (in %) of Mutual Funds (MF) (large cap is used), Gold, Sovereign Gold Bonds (SGB), Fixed Deposits (FD) and Equity (through SENSEX) over the last few years

Table 1

(Return in %)

Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
MF Returns (%) (Large Cap)	5.58	42.11	1.70	4.20	31.34	0.21	12.89	14.95	25.07	2.84	24.82
Gold Returns (%) (Over last year)	-4.67	-5.38	-5.94	8.65	3.65	5.97	12.03	38.13	0.14	8.11	24.04
SGB (%)	-2.42	-3.13	-3.69	10.90	5.90	8.22	14.28	40.38	2.39	10.36	26.29
FD Returns (%)	8.75	8.75	8.50	7.25	6.50	7.00	6.25	6.00	5.25	5.25	6.75
Bonds (%)	8.11	8.59	7.78	7.21	6.92	7.70	6.99	6.16	6.26	7.19	7.22
Sensex Returns (%)	5.89	29.89	-5.03	1.95	27.91	5.91	14.38	15.75	21.99	4.44	18.74

	MF & Gold	**MF & FD**	**MF & Bonds**	**MF & SENSEX**
Correlation	-0.021	0.017	0.006	0.947
Covariance	-0.00035	0.00003	0.00001	0.01346

Correlation

- MF & Gold have a very weak negative correlation (-0.021), suggesting almost no linear relationship between Mutual Funds and Gold prices. This means that generally, when MF returns increase, gold returns slightly decrease, and vice versa, but the relationship is not strong.
- MF & FD have a weak positive correlation (0.017), indicating almost no liner relationship between Mutual Funds and Fixed Deposits. This implies that, on average, increases in MF returns might be associated with decreases in FD returns, though the relationship is still relatively weak.

- <u>MF & Bonds</u> have a very weak positive correlation (0.006), implying almost no linear relationship between Mutual Funds and Bond prices. This means that there might be a slight tendency for both to increase or decrease together, but this relationship is minimal.
- <u>MF & SENSEX</u> have a strong positive correlation (0.947), indicating a highly positive linear relationship between Mutual Funds and SENSEX movements. This suggests that they typically move in the same direction as MF returns increase, equity returns also tend to increase, and vice versa.

Covariance

- MF & Gold: The covariance of -0.00035 suggests a very slight tendency for MF and gold returns to move inversely, but the magnitude of this covariance is quite small, indicating that the returns do not deviate together by much.

- MF & FD: The covariance of 0.00003, although positive, is very close to zero. This reinforces the idea of a weak negative relationship where changes in MF returns are minimally associated with changes in FD returns.

- MF & Bonds: The covariance of 0.00001, while positive, is almost negligible. This suggests that any mutual influence on the deviations in returns between MF and bonds is minimal.

- MF & Equity: The covariance of 0.01346 is positive and relatively larger compared to other pairings, indicating that deviations in returns between MF and equity are positively aligned and more significant in magnitude.

Interpretation and Implications

The strong correlation between MF returns and equity returns indicates that these assets may share common risk factors or market influences, making them less ideal for diversification within a portfolio focused on reducing risk through uncorrelated assets. On the other hand, the weak or very weak correlations with Gold, FD, and Bonds suggest that these assets might provide better opportunities for diversification relative to equities.

For investment or risk management strategies, it might be beneficial to consider combining MF investments with Gold, FD, or Bonds rather than additional equity investments where goal of the investor is creating a diversified portfolio that can withstand varied market conditions. The minimal relationship with these assets could help in reducing overall portfolio volatility.

B. Compound Annual Growth Rate (CAGR)

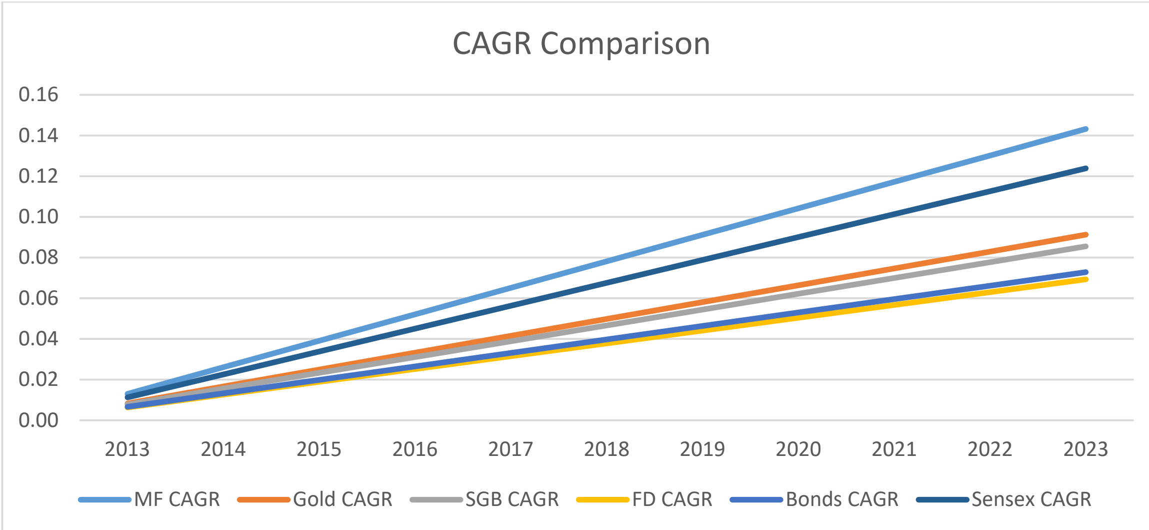
Now, to assess the performance of various investment vehicles over the past decade, specifically from 2013 to 2023, the focus will be on large cap mutual funds, gold, Sovereign Gold Bonds (SGBs), fixed deposits (FDs), bonds, and two stock indices which are Nifty and Sensex. The goal is to calculate the "*Compound Annual Growth Rate (CAGR)*" for each investment type. CAGR shows the average annual growth rate of an investment over a period, assuming profits are reinvested each year. This helps compare how well these investments create wealth over time.

Table 3: CAGR

Return in %

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	CAGR 2013-23
MF Returns (%) (Large Cap)	5.58	42.11	1.70	4.20	31.34	0.21	12.89	14.95	25.07	2.84	24.82	14.32
Gold Returns (%) (Over last year)	-4.67	-5.38	-5.94	8.65	3.65	5.97	12.03	38.13	0.14	8.11	24.04	9.12
SGB (%)	-2.42	-3.13	-3.69	10.90	5.90	8.22	14.28	40.38	2.39	10.36	26.29	8.55
FD Returns (%)	8.75	8.75	8.50	7.25	6.50	7.00	6.25	6.00	5.25	5.25	6.75	6.92
Bonds (%)	8.11	8.59	7.78	7.21	6.92	7.70	6.99	6.16	6.26	7.19	7.22	7.28
Sensex Returns (%)	5.89	29.89	-5.03	1.95	27.91	5.91	14.38	15.75	21.99	4.44	18.74	12.39

Detailed Analysis:

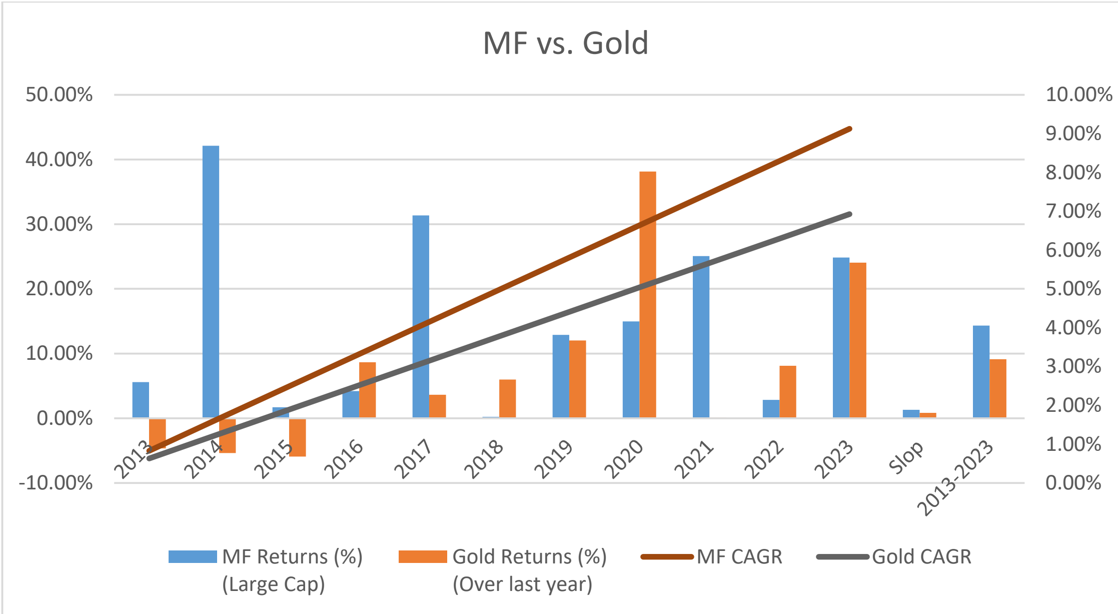


1. **Large Cap Mutual Funds (MFs):**

   - **Performance**: Exhibited significant volatility, with returns spiking in some years (e.g., 42.11% in 2014 and 31.34% in 2017) and being quite modest in others (e.g., 0.21% in 2018). This trend suggests sensitivity to market conditions but potential for high returns.

   - **CAGR**: Steadily increased from 2013 to 2023, showing a strong upward trend in compounded annual growth, reflecting overall healthy long-term growth despite yearly fluctuations. Demonstrating a CAGR of 14.32%, large-cap mutual funds have exhibited strong growth, likely due to the ability of large companies to leverage economies of scale during economic expansions. This class has outperformed other investment categories with respect to growth and making it a potentially lucrative option for those investors who seek higher returns through equity exposure.

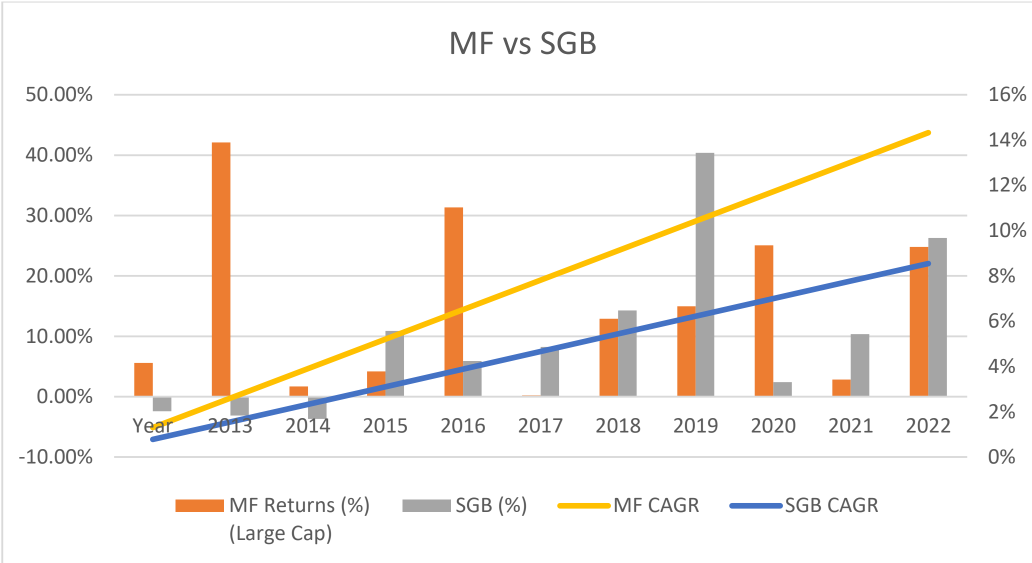
2. Gold:



- Stability vs. Fluctuations: Started with negative returns from 2013 to 2015, but later years show recovery and strong performance, especially in 2020 and 2023.

- CAGR: Increased gradually, indicating a resilient upward trajectory in the long term making gold a potentially stable investment especially in volatile or uncertain economic times. With a CAGR of 9.12%, investment in gold has shown less volatility compared to equities and serves as a hedge against inflation and currency devaluation. Despite lower returns compared to equities, gold remains a crucial part of a diversified investment portfolio, offering stability in times of economic uncertainty.

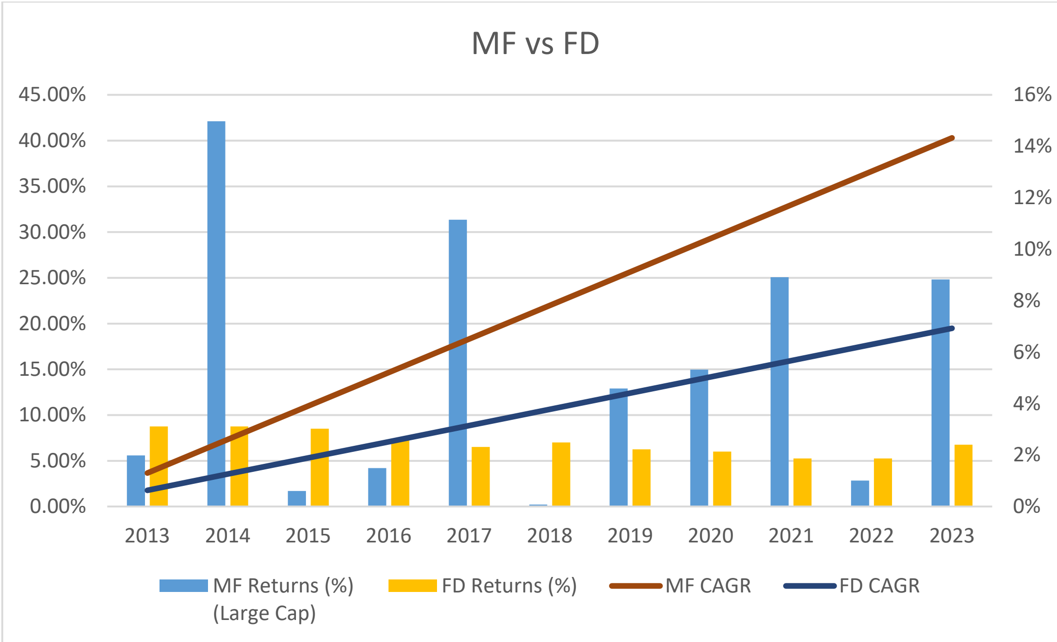
3. Sovereign Gold Bonds (SGBs):



- Performance Similar to Gold: Returns are generally higher than raw gold, likely due to additional interest earnings on top of the appreciation in gold prices. Notably high returns in 2020 (40.38%) and 2023 (26.29%).

- CAGR: Shows an increasing trend similar to that of gold, aligning with gold's long-term appreciation plus the yield component. These have a CAGR slightly lower than gold at 8.55%. While offering similar benefits to direct gold investments, SGBs also provide periodic interest payments, adding to their attractiveness. However, the slightly lower growth rate compared to direct gold investment could be reflective of the interest income being considered separately from the appreciation of the bond value.

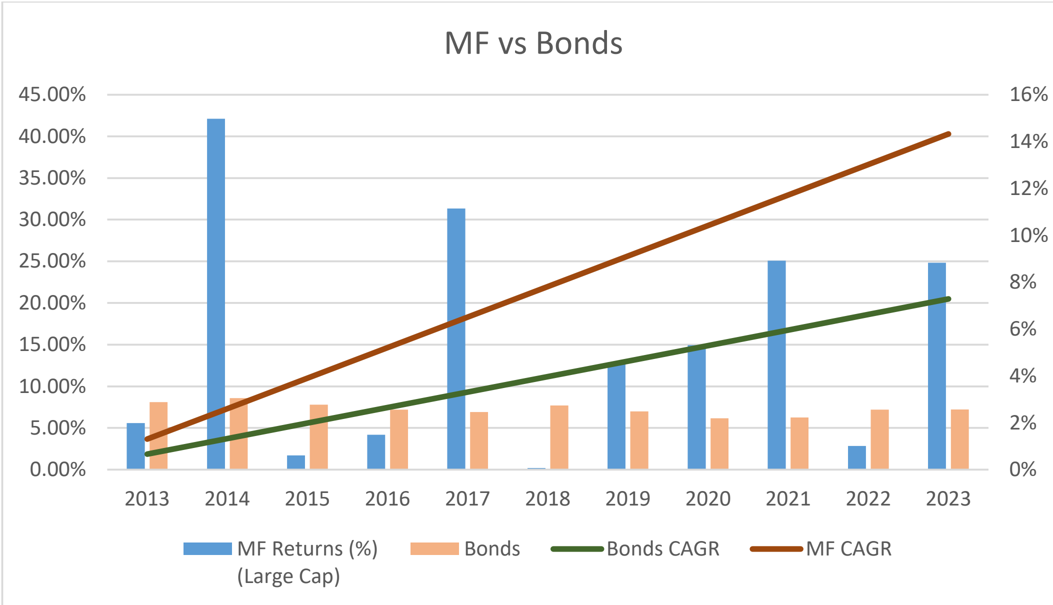
4. Fixed Deposits (FDs):



- Consistency: FDs showed remarkably stable returns, fluctuating narrowly around 5.5% to 8.75% (initial years), later on it is around 6-6.5%. This stability makes FDs a low-risk option.

- CAGR: Consistently low, reflecting the stability and low risk/reward nature of this investment. Exhibiting the lowest growth at a CAGR of 6.92%, FDs offer stability and low risk. They are most suitable for conservative investors prioritizing capital preservation over growth, particularly useful in volatile or declining market conditions.

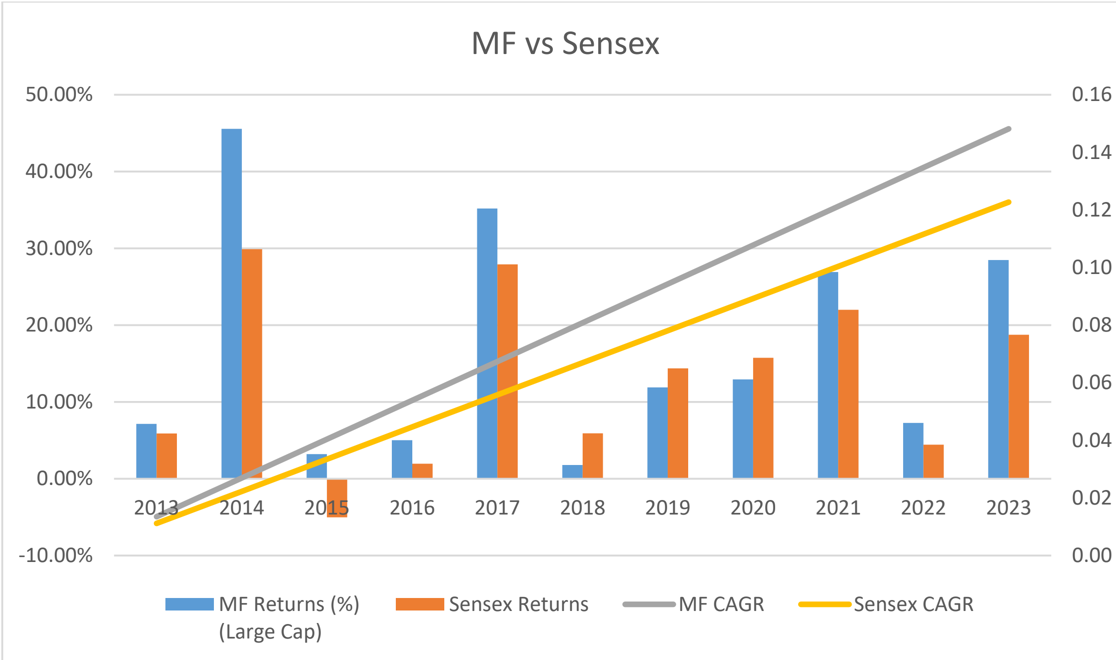
5. Bonds:



- Stable Returns: Displayed moderate volatility but maintained returns generally in the range of 6.16% to 8.59%.

- CAGR: Declined slightly over time, suggesting that the real value or purchasing power returns might be decreasing slightly, potentially due to inflation or lower interest rates over time. Bonds have performed moderately well with a CAGR of 7.28%. As fixed-income securities, they offer regular interest payments and are less volatile than stocks, making it an important part of a balanced portfolio, particularly for risk-averse investors.

6. **Sensex:**



- Market Trends: Srnsex demonstrated significant recovery and growth after down years, with strong performances particularly in years like 2014, 2017, and 2021.

- CAGR: For Sensex, there is a consistent increase indicating strong growth. The Sensex has shown robust performance with a CAGR of 12.39%, reflecting the overall growth of the large-cap segment of the Indian stock market. This makes the Sensex a good indicator of the economic health and an effective vehicle for investors seeking exposure to India's top companies.

Hence, while large-cap mutual funds have delivered the highest growth, the choice among these investment avenues should be guided by the individual's goals related to financial gain, risk tolerance level, and investment period. Diversification across these vehicles can reduce risk and help achieve a balanced and stable portfolio growth over time.

C. Equity mutual funds beat inflation by over 12% in 25 years

According to an analysis, equity funds have achieved a CAGR of 18.66% in 25 years, compared to a CAGR of 5.55% for inflation, resulting in a real return of 12.42% over the previous 25 years. In other words, Rs.1 lakh invested in equities funds has turned into Rs.72.02 lakh in 25 years.

“Investment Instruments	*Inflation in %*	*Return in %*	*Real Rate of Return in %*
FD	*5.55*	*7.28*	*1.63*
Gold	*5.55*	*10.38*	*4.56*
Equity Fund	*5.55*	*18.66*	*12.42”*

Over the last 25 years, the actual return on gold has been 4.56%. Throughout this time, the asset class has produced a CAGR of 10.36% as opposed to 5.55% of inflation. The value of a one lakh rupee investment in gold has increased to an absolute value of 11.76 lakh.

FDs perform the poorest in terms of yielding actual returns. In 25 years, FDs have produced a CAGR of 7.28% compared to 5.55% inflation, yielding a real return of 1.63%. In 25 years, an investment of Rs. 1 lakh in FD yielded Rs. 5.78 lakh. If taxes are taken into account, investors that fall under the 30% tax bracket will get a real return that is lower than inflation.

D. Working of SIP

To understand how a Systematic Investment Plan (SIP) works, consider an example. Suppose "Z" decides to invest in a mutual fund through an SIP. "Z" commits to making monthly investments of Rs.5000 for twelve months starting on 1st January 2023 in a fund called AMF Growth Fund. Payments can be made using twelve post-dated cheques of Rs.5000 each or through electronic payment methods (ECS).

Table 4 : SIP Calculations

Investment Date	Monthly SIP Amount	NAV on the date of purchase	No. of units credited	Cumulative Units
05-Jan-23	5000	48.26	103.60547	103.6055
05-Feb-23	5000	47.85	104.493208	208.0987
05-Mar-23	5000	47.53	105.196718	313.2954
05-Apr-23	5000	47.41	105.462982	418.7584
05-May-23	5000	48.64	102.796053	521.5544
05-Jun-23	5000	50.07	99.8601957	621.4146
05-Jul-23	5000	52.37	95.4745083	716.8891
05-Aug-23	5000	52.26	95.6754688	812.5646
05-Sep-23	5000	52.38	95.456281	908.0209
05-Oct-23	5000	52.83	94.6431952	1002.664
05-Nov-23	5000	52.52	95.2018279	1097.866
05-Dec-23	5000	55.87	89.493467	1187.359
5-Jan-23	-	58.20		
	60000		1187.35938	

Average cost per unit is ₹0.0198

Total Value of the NAV as at the end of 5-Jan-24-23 ₹ 69104/-

Note: Entry and exit loads also apply when investment is made through the SIP option as well. However, for simplicity, these loads have not been considered in this example.

Benefits of SIP over Lump Sum Investment:

- Due to easy monthly payment method, SIP is convenient and affordable.

- By making fixed payment every month, it encourages 'Z' to make disciplined investments.

- By investing through SIP, "Z" acquires 1187.359 units at an average cost of ₹0.0198. If "Z" had invested ₹60,000 in one lump sum, the number of units received would differ. This way "Z" can get the benefit of rupee cost averaging.

Suppose "Z" had invested Rs. 60,000 on:

5-Jan-23 - units received would be 1243.26

5-Jul-23 - units received would be 1145.694

5-Dec-23 – units received would be 1073.922

Because timing the market accurately is challenging for most investors, opting for an SIP for long-term period (like 5 to 10 years) is a wise strategy. SIPs help investors leverage market volatility to their advantage. For instance, over a twelve-month period, SIP allows an investor to benefit from both the market's peaks and troughs.

SIPs also offer the redemption of units at any time or adjust the monthly investment amounts. It is a method of consistently investing in equities, which is especially effective given the challenges of timing the market. This approach smoothly navigates through market fluctuations.

Consider the impact of investing ₹5000 monthly over 20 years. At a modest 8% annual return, this investment would grow to ₹30 lakhs. However, at a higher return rate of 15%, achievable through consistent SIP contributions, the same investment could soar to approximately Rs.76 lakhs. Thus, SIP is considered an excellent tool for the investors especially retail build wealth over the long period by exploiting the power of compounding the investment.

SIPs are particularly suited for achieving both medium and long-term financial goals for various purposes, such as planning for retirement, to meet for funds requirement for child's education or wedding, purchasing a house or vehicle etc. These objectives are typically beyond what one can achieve through monthly earnings alone, necessitating a built-up corpus over time. The most effective way to build this corpus is through a systematic investment plan. By saving and investing small amounts monthly, investors can accumulate a significant corpus. In a rising market, the same monthly investment buys fewer units, while in a falling market, it buys more, thus ensuring a lower average cost per unit. This strategy discourages attempts to time the market, emphasizing the importance of consistency with SIPs regardless of market conditions.

SIPs may not perform as well in a consistently rising market because they are designed to capitalize on cost averaging. In a market that continuously ascends, your investments buy fewer units at higher prices, diminishing the advantage of averaging costs. Therefore, SIPs are less effective in non-volatile markets where there aren't significant price fluctuations to leverage. However, the simplicity of SIPs is investing modest amounts monthly without needing to invest a large sum all at once. It's also important not to stop and start SIPs based on market performance, as this goes against the fundamental principle of SIPs, which is to remain indifferent to market movements.

The Indian stock market offers some attractive risk-adjusted returns with the Sensex and delivers an CAGR of 18-20% over the past thirty years. However, to tap into these appealing returns, investment should be started early in their career. SIPs are an excellent method for making consistent, small investments from the start, culminating in significant rewards by the end of one's career. Young individuals often inclined towards short-term or quick returns and riskier funds, which can lead to significant losses and a loss of faith in investing if they do not perform well.

Starting early and investing regularly leads to wealth creation. The mantra should be: start early, stay consistent, and be patient to enjoy substantial returns over time.

Regarding when to begin investing in SIPs, they can be started at any time, which minimizes risk if the chosen plan aligns well with the investor's long-term goals. There's no optimal time to start a SIP—the sooner, the better.

1. **Working for lump Sum investment in Mutual Funds at an initial investment of Rs.10,000 in the beginning of 2013**

Table 5 : Calculations for Lump Sum Investment in Mutual Funds

Year	Investment	Return (%)	Final Amount (Rs.)
2013	10000	5.58%	10558
2014	10558	42.11%	15004
2015	15004	1.70%	15259
2016	15259	4.20%	15900
2017	15900	31.34%	20883
2018	20883	0.21%	20927
2019	20927	12.89%	23624
2020	23624	14.95%	27156
2021	27156	25.07%	33964
2022	33964	2.84%	34929
2023	34929	24.82%	43598

The table presented herein depicts the development of an investment throughout a span of eleven years, commencing in 2013 and culminating in 2023. A principal investment of 10,000 rupees was made in 2013, and it subsequently appreciated annually in accordance with the return percentages associated with that year and after a span of 11 years, it has reached nearly four times of the initial investment.

The investment exhibited a steady ascent, albeit with fluctuating annual rates of return. Significantly, variations in the return percentages occurred, which served as an indication of the ever-changing nature of the market. Notwithstanding these variations, the value of the investment exhibited a consistent upward trend, thereby showcasing the mutual fund investment's capacity for expansion.

As of 2023, the investment had appreciated to Rs.43,598, signifying a significant profit on the initial investment of Rs.10000/- made in 2013. This substantial expansion highlights the significance of investing for the long term and the prospective advantages by investing through mutual funds for the purpose of amassing wealth gradually. In general, the investment trajectory illustrated in the table serves as a testament to the advantages of long-term investment tenacity and the compounding effect of returns.

2. FIXED DEPOSITS

Table 6 : Calculations for Fixed Deposits

Year	Investments	Interest Rate (%)	Amount (compounded on quarterly basis) (in Rs.)
2013	10,000	8.75	10,904.13
2014	10,904	8.50	11,860.95
2015	11,861	7.25	12,744.53
2016	12,745	6.50	13,593.33
2017	13,593	7.00	14,570.14
2018	14,570	6.25	15,502.34
2019	15,502	6.00	16,453.62
2020	16,454	5.25	17,334.59
2021	17,335	5.25	18,262.73
2022	18,263	6.75	19,527.02

The investments detailed in the table were executed in a sequential fashion from 2010 to 2022, commencing with an annual investment of 10,000 rupees. With the compounding on quarterly basis and rate of interest for different years, a one-year interest on an investment of Rs. 10,000 made in 2013 resulted with a maturity amount of Rs.10,904 at the end of the one year. By reinvesting the maturity amount in the next year and so on, at the end of year 2023, the investor will get an amount of approx.. Rs.19,527.

In general, the investments exhibit a compounding effect, whereby the interest accrued annually augments the initial investment and subsequently generates additional interest. Annually fluctuating return rates have an impact on the ultimate investment amount three years later for each investment period.

E. Performance of various MFs since 2013 and its Analysis

Mutual funds are selected randomly under different categories to analyse their performance over last 11 years are attached as Annexure – I (Table – 7).

Analysis

For analysing the performance of mutual funds based on different categories, MFs have been categorize into several types such as "*debt funds, equity funds, large-cap funds, mid-cap funds, small-cap funds, and liquid funds".* Here's a brief analysis based on the provided data:

1. Debt Funds:

- "*Aditya Birla Sun Life Banking & PSU Debt Fund, Axis Banking & PSU Debt Fund, and ICICI Prudential Banking and PSU Debt Fund*" have shown consistent growth with CAGR ranging from 7.10% to 8.14%.

2. Corporate Bond Funds:

- "*Aditya Birla Sun Life Corporate Bond Fund and ICICI Prudential Corporate Bond Fund*" have also shown steady growth with CAGR around 8%.

3. Liquid Funds:

- "*Aditya Birla Sun Life Liquid Fund, Axis Liquid Fund, and HSBC Liquid Fund"* have provided relatively lower but stable returns with CAGR around 6.50% to 6.83%.

4. Equity Funds:

- "*Large Cap Funds: Funds like Axis Bluechip Fund, ICICI Prudential Bluechip Fund, and SBI Blue Chip Fund"* have given robust returns with CAGR ranging from 12.68% to 15.41%.

- *Mid Cap Funds: Funds like Aditya Birla Sun Life MIDCAP Fund, HDFC Midcap Fund, and Mirae Asset Large & Midcap Fund"* have shown exceptional growth with CAGR around 16% to 22%.

- *Small Cap Funds: Nippon India Small Cap Fund and quant Small Cap Fund"* have outperformed other categories with CAGR exceeding 25%.

5. Hybrid Funds:

- *HDFC Balanced Advantage Fund and HDFC Hybrid Equity Fund"* have shown strong performance with CAGR around 14% to 15%.

6. Gold Funds:

- "*HDFC Gold Fund and SBI Gold ETF*" have provided moderate returns with CAGR around 5% to 6%.

7. Index Funds:

- "*Tata Nifty 50 Index Fund - Regular Plan and Tata S&P BSE Sensex Index Fund - Regular Plan"* have demonstrated strong performance with CAGR around 12.77% to 12.82%. These index funds offer investors an efficient means to mirror the benchmark returns of indices i.e "*Nifty 50 and S&P BSE Sensex*".

8. Arbitrage Funds:

- "*HDFC Arbitrage Fund and ICICI Prudential Equity Arbitrage Fund"* have provided stable returns with CAGR around 6.26% to 6.46%.

9. Other Categories:

- Funds like "*BNP Paribas Long Term Equity Fund and Nippon India Growth Fund*" have shown exceptional growth, particularly "*Nippon India Growth Fund"* with a CAGR of 18.31%.

However, it must be noted that past performance does not guarantee the future results, and investors should conduct thorough analysis and research while framing investment objectives and risk tolerance level before making such decisions.

F. EVALUATING RATIOS WITH FINANCIAL PARAMETERS

A plethora of mutual funds abound in the Indian market, making the decision-making process time-consuming for regular investors. Each mutual fund has its own risk level. Investors can assess a fund's potential performance and current risk profile by using key risk indicators such as financial ratios and compounded annual returns. Quantifiable risks enable investors to make more informed decisions by comparing different metrics. The variation in returns acts as a benchmark for evaluating risk.

Table : 8

Calculation of Ratios for last three years (on daily returns basis) (Updated as on 28th March, 2024)

MF	Std. Dev	Beta	Sharpe Ratio	Treynor's Ratio	Jenson's Alpha
"SBI Contra Fund - Regular Plan - Growth	12.69 vs 13.27	0.86 vs 0.93	1.5 vs 1.1	0.22 vs 0.16	9.81 vs 4.59
SBI Long Term Equity Fund - Regular Plan - Growth	13.33 vs 13.81	0.93 vs 0.92	1.26 vs 0.85	0.18 vs 0.13	6.86 vs 2.05
HDFC Flexi Cap Fund - Growth	13.35 vs 13.63	0.91 vs 0.94	1.23 vs 0.71	0.18 vs 0.1	6.6 vs -0.21
Motilal Oswal Large and Midcap Fund - Regular Plan - Growth	14.59 vs 13.87	0.93 vs 0.94	1.02 vs 0.85	0.16 vs 0.13	2.93 vs 0.21
SBI Large & Midcap Fund - Regular Plan - Growth	12.43 vs 13.87	0.84 vs 0.94	0.98 vs 0.85	0.15 vs 0.13	1.43 vs 0.21
UTI Large & Mid Cap Fund - Growth	13.61 vs 13.87	0.92 vs 0.94	1 vs 0.85	0.15 vs 0.13	2.55 vs 0.21
Quant Large and Mid Cap Fund - Growth	17.38 vs 13.87	1.11 vs 0.94	1.11 vs 0.85	0.17 vs 0.13	5.03 vs 0.21
Motilal Oswal Midcap Fund - Growth	15.66 vs 14.76	0.83 vs 0.88	1.48 vs 0.95	0.28 vs 0.16	9.01 vs -0.68
HDFC Small Cap Fund - Growth	15.64 vs 15	0.86 vs 0.8	1.28 vs 1.11	0.23 vs 0.21	4.56 vs 1.98
Nippon India Value Fund - Growth	14.4 vs 13.69	1.01 vs 0.94	1.1 vs 0.93	0.16 vs 0.14	5.05 vs 2.69
HSBC Value Fund - Growth	14.58 vs 13.69	1.01 vs 0.94	1.12 vs 0.93	0.16 vs 0.14	5.61 vs 2.69
ICICI Prudential Multicap Fund - Growth	13.12 vs 14.54	0.88 vs 0.95	1.07 vs 0.9	0.16 vs 0.14	2.36 vs 0.94
Quant Mid Cap Fund – Growth"	17.93 vs 14.76	1.01 vs 0.88	1.34 vs 0.95	0.24 vs 0.16	6.89 vs -0.68

1. Standard Deviation (Risk):

- Funds with lower standard deviation are less volatile. Among the listed funds, "*SBI Contra Fund - Regular Plan - Growth*" has the lowest standard deviation, indicating lower risk compared to others.

2. Beta (Market Sensitivity):

- Funds with betas close to 1 are "*SBI Long Term Equity Fund - Regular Plan - Growth" and "Motilal Oswal Large and Midcap Fund - Regular Plan - Growth*," indicating similar volatility to the market.

3. Sharpe Ratio (Risk-adjusted Return):

- The fund with having highest Sharpe ratio is "*SBI Contra Fund - Regular Plan - Growth*," suggesting it has provided better risk-adjusted returns compared to others.

4. Treynor's Ratio (Market Risk Premium):

- "*SBI Contra Fund - Regular Plan - Growth*" also leads in Treynor's ratio among the listed funds.

5. Jensen's Alpha (Excess Return):

- "*SBI Contra Fund - Regular Plan - Growth*" shows the highest Jensen's alpha, indicating it has consistently outperformed compared to its expected returns.

Overall, "*SBI Contra Fund - Regular Plan - Growth*" appears to be a standout performer based on the provided ratios, consistently demonstrating lower risk and higher returns compared to its peers.

Table: 9 **Risk ratios are calculated for duration of 3 years as on 28.03.2024**

Categories	Alpha	Beta	Sharpe	Treynor	Std Dev	Sortino
Large Cap (Core)						
"Canara Robeco Bluechip Equity Fund - Regular Plan - Growth	-1.35	0.93	0.57	0.08	12.81	0.02
HDFC Top 100 Fund - Growth	4.19	0.94	0.94	0.13	13.23	0.52
Mirae Asset Large Cap Fund - Regular - Growth	-2.26	0.93	0.45	0.06	12.97	-0.12
Category Average	-0.04	0.94	0.63	0.09	13.25	N/A
Mid Cap (Core)						
Edelweiss Mid Cap Fund - Regular Plan - Growth	-0.39	0.93	1	0.17	15.46	0.64
PGIM India Midcap Opportunities Fund - Growth	-3.17	0.85	0.78	0.13	14.42	0.35
SBI Magnum Midcap Fund - Regular Plan - Growth	0.45	0.8	1.02	0.17	13.77	0.61
Category Average	-0.68	0.88	0.95	0.16	14.76	N/A
Flexi Cap (Core)						
HDFC Flexi Cap Fund - Growth	6.6	0.91	1.23	0.18	13.35	0.88
Kotak Flexi Cap Fund - Growth	-1.87	0.97	0.62	0.09	13.73	0.13
Parag Parikh Flexi Cap Fund - Growth	5.11	0.73	1.04	0.18	12.47	0.62
Category Average	-0.21	0.94	0.71	0.1	13.63	N/A
Small Cap (Satellite)						
Nippon India Small Cap Fund - Growth	6.4	0.86	1.43	0.26	15.7	1.11
SBI Small Cap Fund - Regular Plan - Growth	1.46	0.68	1.07	0.2	12.73	0.6
Category Average	1.98	0.8	1.11	0.21	15	N/A
ELSS (Core/Satellite)						
Canara Robeco ELSS Tax Saver Fund - Regular Plan - Growth	-1.44	0.93	0.65	0.09	13.15	0.14
Kotak ELSS Tax Saver Fund - Growth	1.15	0.93	0.84	0.12	13.31	0.38
Category Average	2.05	0.92	0.85	0.13	13.81	N/A
Index Funds/ETFs						
ICICI Prudential Nifty Next 50 Index Fund - Growth	-0.74	0.99	0.78	0.13	16.09	0.4
Motilal Oswal Nasdaq 100 ETF (MOFN100)	10.11	0.15	0.45	0.68	23.26	0.2
Nippon India ETF Gold BeES	6.02	-0.03	0.52	-1.69	11.14	-0.18
Nippon India ETF Nifty 50 BeES	-0.02	1	0.6	0.08	13.6	0.1
UTI Nifty 50 Index Fund - Growth"	-0.31	0.99	0.57	0.08	13.6	0.07

Analysis based on the Ratio

Based on the random Mutual Funds under different categories, the analysis on the basis of different ratios are as follows:

Large Cap (Core):

Among the large-cap funds, "*HDFC Top 100 Fund – Growth*" stands out with the highest alpha, Sharpe ratio, and Sortino ratio, indicating better risk-adjusted returns compared to its peers.

Mid Cap (Core):

"*Edelweiss Mid Cap Fund and SBI Magnum Midcap Fund*" seem to have performed relatively better with higher Sharpe and Sortino ratios compared to the category average.

Flexi Cap (Core):

"*HDFC Flexi Cap Fund and Parag Parikh Flexi Cap Fund*" have higher alpha, Sharpe, and Sortino ratios, suggesting better risk-adjusted returns compared to the category average.

Small Cap (Satellite):

Both "*Nippon India Small Cap Fund and SBI Small Cap Fund*" have shown strong performance, with high alpha, Sharpe, and Sortino ratios.

ELSS (Core/Satellite):

"Kotak ELSS Tax Saver Fund" outperforms with higher alpha, Sharpe, and Sortino ratios compared to the category average.

Index Funds/ETFs:

"*Motilal Oswal Nasdaq 100 ETF*" stands out with exceptionally high alpha, Sharpe, and Treynor ratios, indicating superior performance compared to other index funds and ETFs.

In summary, specific funds that have performed well across different categories include "*HDFC Top 100 Fund, Edelweiss Mid Cap Fund, HDFC Flexi Cap Fund, Nippon India Small Cap Fund, SBI Small Cap Fund, Kotak ELSS Tax Saver Fund, and Motilal Oswal Nasdaq 100 ETF*".

G. Investors preference of Mutual Funds over Fixed Deposit

The article published "*livemit*" presents compelling insights from a survey revealing that a significant majority, 54% to be precise, of individuals prefer mutual funds as their primary choice for financial investment. This statistic indicates a prevailing trend in the investment landscape towards mutual funds, signifying their growing prominence among investors.

The survey delves into the underlying reasons for this preference, identifying several key factors driving the popularity of mutual funds. One such factor is the accessibility and ease of investment that MFs offer, making it an attractive and inviting option for both seasoned investors and newcomers alike. In addition, the professional management provided by mutual fund managers is highlighted as a key advantage, reassuring investors of expert oversight and decision-making.

Furthermore, the survey underscores the importance of diversified investment, as one of the fundamental principles while making investment, which mutual funds inherently provide. MFs funds help spread risk and potentially enhance the returns, making it a preferred choice for investors who are risk conscious but seeking stable and consistent growth.

Overall, the findings of this survey shed light on the prevailing sentiment among investors towards mutual funds, emphasizing their appeal as a reliable and accessible investment vehicle. Incorporating these insights into a project report could provide valuable context on the popularity and significance of mutual funds in the contemporary financial landscape.

H. Analysis of Mutual Fund Performance:

The provided data offers insights into the performance of various MFs across different categories. The performance trends observed over the specified period on the basis of Annexure – II (Table : 10) to this Report is summarized as follows:

Contra Funds:

- "*SBI Contra Fund and Invesco India Contra Fund*" have demonstrated consistent performance over multiple time frames, with both funds securing favorable CRISIL ranks.

- Despite minor fluctuations, these funds have delivered positive returns across various time intervals, indicating their ability to capitalize on market inefficiencies and invest in undervalued assets.

ELSS Tax Saver Funds:

- Among ELSS funds, "*Motilal Oswal ELSS Tax Saver Fund"* stands out with impressive returns across different time horizons and a notable CRISIL rank.

- Other ELSS funds also exhibit competitive performance, although there is some variability in returns, as expected in equity-linked schemes.

Flexi Cap Funds:

- "*JM Flexi Cap Fund and HDFC Flexi Cap Fund"* have shown resilience with consistent growth rates, positioning them as reliable choices for investors seeking flexibility and diversification in their portfolios.

- While some funds in this category lack CRISIL ranks, their performance metrics indicate potential opportunities for long-term wealth creation.

Focused Funds:

- Focused funds like "*Mahindra Manulife Focused Fund and HDFC Focused 30 Fund"* have delivered robust returns, showcasing their focused investment strategies aimed at generating alpha.

- These funds have demonstrated competitive performance metrics, although its risk appetite and investment objectives should be assessed before choosing them.

Large & Mid Cap Funds:

- Funds such as "*JM Large Cap Fund and Nippon India Large & Mid Cap Fund"* exhibit stable growth patterns, catering to investors seeking exposure to both large and mid-cap segments.

- Despite market volatility, these funds have maintained steady returns, reflecting their diversified investment approach.

Mid Cap Funds:

- "*Motilal Oswal Midcap Fund and Quant Mid Cap Fund"* have outperformed peers in the mid-cap segment, delivering consistent returns over various time frames.

- These funds offer investors exposure to mid-sized companies with strong growth potential, although they may carry higher volatility compared to large-cap funds.

Multi Cap Funds:

- "*Nippon India Multicap Fund and ICICI Prudential Multicap Fund*" have demonstrated resilience across different market conditions, providing investors with diversified exposure to various market segments.

- These funds offer flexibility in asset allocation, allowing fund managers to capitalize on emerging opportunities across different market capitalizations.

Small Cap Funds:

- "*Quant Small Cap Fund and Axis Small Cap Fund*" have exhibited strong performance in the small-cap segment, reflecting their ability to identify and invest in promising small-sized companies.

- While small-cap funds may carry higher risk, they also offer the potential for substantial long-term returns for investors having higher risk level.

Value Funds:

- "*JM Value Fund and Nippon India Value Fund*" have showcased consistent performance in the value investing space, adhering to the principles of investing in fundamentally sound yet undervalued stocks.

- These funds aim to deliver attractive risk-adjusted returns over the long term, although they may underperform during certain market cycles.

Sectoral/Thematic Funds:

- Funds like "*LIC MF Infrastructure Fund and Sundaram Consumption Fund*" offer investors exposure to specific sectors or themes, catering to those with a bullish outlook on particular industries.

- While sectoral/thematic funds can provide diversification benefits, investors should carefully assess sectoral trends and market dynamics before investing due to their concentrated nature.

Conclusion:

In summary, mutual funds provide many investment choices for different risk levels and financial goals. It's important for investors to research, think about their goals, and get advice from financial experts before investing. Although past performance doesn't guarantee future results, looking at past trends can help in building a diverse portfolio aimed at long-term wealth growth.

I. Risk associated with Mutual Funds

Risk Factors

Investing in mutual funds can help grow your wealth but comes with certain risks like other securities. Understanding these risks helps investors make smart decisions and manage their portfolios well. This guide explains the general and specific risks related to mutual fund investments. By being aware of these risks, investors can better navigate the markets and adjust their strategies to match their financial goals and risk level.

Standard Risk Factors

Past performance of MFs do not guarantee returns in future, and investing in them involves risks such as market liquidity, settlement issues, and the possibility of losing your initial investment. The value of mutual fund investments can go up or down due to changes in the prices of securities, interest rates, and other economic factors. NAV of MFs can fluctuate based on market movements, market volatility, changes in rate of interest and changes in currency exchange rates, government policy decision, tax matters, political and other economic developments.

Specific Risk Factors

<u>Risks Associated with Equity Investments</u>: Equity investments involve a risk of losing the principal amount, as they are subject to price volatility and daily fluctuations. Liquidity risk may arise, restricting the ability to sell securities quickly or at favorable prices. Event risk due to company or sector-specific occurrences can also impact equity prices.

<u>Risks Associated with Debt Securities and Money Market Instruments:</u> Such instruments also carry risk related to credit involving possibility of issuer not been able to meet principal & interest payments which can affect the security's price. Other risks include interest rate when the value of fixed-income securities fluctuates inversely with interest rate movements; spread risk arises from changes in credit spreads that can impact the market value of debt securities; liquidity risk refers when market is not having sufficient numbers of buyers and sellers of the selling securities at fair prices; and reinvestment risk related to possibility that interim cash

flows earned from such Debt funds might not be reinvested at the expected rate which can impact further earnings.

The extent and impact of these risks varies based on market conditions, individual strategieson return and risk, economic factors etc.

CHAPTER 5: DISCUSSIONS AND RECOMMENDATIONS

5.1 Findings:

1. Relationship through Covariance: The analysis of covariance between Mutual Funds (MF), Gold, Sovereign Gold Bonds (SGB), Fixed Deposits, and Sensex reveals the interplay of these investment options. Understanding covariance helps to grasp how these assets move relative to each other, aiding in portfolio diversification strategies.

2. Comparison of Compound Annual Growth Rate (CAGR): The examination of CAGR performance provides insights into the long-term growth potential of different investment avenues. This comparison aids investors in evaluating the historical returns and assessing the attractiveness of each option for wealth accumulation.

3. Investment Analysis through SIP and Lumpsum in MF: By analyzing the returns generated through Systematic Investment Plans (SIP) and lumpsum investments in Mutual Funds, the study demonstrates the effectiveness of disciplined investing versus lumpsum strategies. It provides valuable insights for investors seeking to optimize their investment approach for consistent returns over time.

4. Performance Evaluation of Different Mutual Funds: Utilizing "*Net Asset Value (NAV)*" data from 2013 to 2023, the study evaluates the performance of various mutual funds over the specified period. This analysis aids investors in identifying top-performing funds and making informed investment decisions based on historical NAV trends.

5.2 Limitations:

1. Data Availability and Accuracy: The study's accuracy and reliability are contingent on the availability and accuracy of the secondary data utilized. Any discrepancies or limitations in the data sources could impact the robustness of the findings.

2. **Assumptions and Simplifications**: The analysis may rely on certain assumptions or simplifications, such as uniform investment periods or constant market conditions, which may not fully capture the complexities of real-world investment scenarios.

3. Market Volatility and Risk: The analysis may not fully account for the impact of market volatility and investment performance risks. Fluctuations in market conditions could influence the results and may not be fully reflected in the historical data.

4. Scope and Generalization: The findings of the study are based on a specific time period and not necessarily be generalizable to all market conditions or investment contexts.

5.3 Recommendations:

1. Diversification Strategies: Given the relationship identified through covariance analysis, investors are advised to adopt diversification strategies that encompass a mix of different investment avenues so that risk can be mitigated and returns over the long term are optimized.

2. Long-Term Investment Horizon: The analysis highlights the significance of long-term investment horizons in realizing the growth potential of different investment options. Investors are encouraged to adopt a disciplined approach and focus on accumulating wealth gradually over time.

3. Regular Monitoring and Review: of investment portfolio is desired by the investors. Such review should be done considering changing market conditions and performance trends. Periodic reassessment enables investors to realign their portfolios with their financial goals and risk levels.

4. Consultation with Financial Advisors: Given the complexities of investment decisions, investors are encouraged to seek guidance from qualified financial advisors. Professional advice can assist investors to find a way to handle complexities of the investment landscape and can help in making informed decisions that are tailored to their unique circumstances and objectives.

5. **Investor Education**: Promote investor awareness and education on the nuances of mutual fund investing, risk management strategies, and interpreting performance metrics to empower investors in making informed decisions.

6. Professional Advice: Seek guidance from certified financial advisors or wealth managers who can offer personalized investment advice tailored to individual financial goals, risk profiles, and time horizons.

CONCLUSION

In conclusion, the project report on "*Wealth creation using mutual funds*" has shed light on the number of advantages offered by MFs to general investors compared to direct investment in individual equities. Through a comprehensive comparative analysis involving mutual funds, gold, SGBs, fixed deposits, and bonds, it is evident that mutual funds emerge as a compelling choice for wealth creation.

One of the major advantages of MFs is diversification, which helps in risk mitigation by distributing investments across number of securities. This diversification reduces the impact of underperforming assets, thus enhancing the stability of investment returns. Moreover, the professional management of mutual funds by experienced fund managers adds another layer of confidence for investors. These managers employ in-depth market analysis and research to make informed investment decisions, potentially leading to superior returns.

Convenience and accessibility are also significant benefits offered by mutual funds. Investors can easily enter and exit mutual funds, and options like systematic investment plans (SIPs) promote disciplined investing habits by allowing regular, small investments over time. Additionally, the liquidity of mutual funds, being traded on stock exchanges, ensures investors to adjust their investment according to their financial objective & goals and market conditions without much hassle.

Furthermore, the availability of a variety of MF options catering to diverse risk appetites and investment objectives ensures that investors can find suitable schemes to align with their specific needs, whether for appreciation of capital, revenue generation, or a combination of both.

In summary, mutual funds offer diversification, convenience, liquidity, professional management, and a wide array of various investment options, making them a preferred choice for wealth creation among general investors. By harnessing these advantages, investors can effectively better navigate their risks related to markets and adjust their strategies to match their financial goals and risk level.

Annexure – I

Table 7: Performance of MFs over last 11 years

"Mutual Fund	*NAV as on 01-01-2013*	*NAV as on 01-01-2023*	*Absolute changes over 11 years (in times)*	*CAGR (in %)*
Aditya Birla Sun Life Banking & PSU Debt Fund - Regular Plan-Growth	*137.4589*	*325.2527*	*1.366*	*8.14*
Aditya Birla Sun Life Corporate Bond Fund - Growth - Regular Plan	*42.5194*	*99.5411*	*1.341*	*8.04*
Aditya Birla Sun Life Low Duration Fund - Growth Plan	*277.467*	*590.1707*	*1.127*	*7.1*
Aditya Birla Sun Life Medium Term Plan - Growth - Regular Plan	*13.4563*	*33.6574*	*1.501*	*8.69*
Aditya Birla Sun Life MIDCAP Fund-Growth	*119.94*	*631.68*	*4.267*	*16.3*
Aditya Birla Sun Life Liquid Fund - Growth	*184.0249*	*378.5435*	*1.057*	*6.78*
Axis Liquid Fund - Direct Plan - Growth Option	*1273.2684*	*2633.2507*	*1.068*	*6.83*
Axis Banking & PSU Debt Fund - Regular Plan - Growth option	*1052.8196*	*2406.7703*	*1.286*	*7.81*
Axis Bluechip Fund - Regular Plan - Growth	*12.18*	*58.19*	*3.778*	*15.28*
Axis Midcap Fund - Regular Plan - Growth	*13.69*	*98.51*	*6.196*	*19.65*
Baroda BNP Paribas Banking and Financial Services Fund - Regular - Growth Option	*12.06*	*25.645*	*1.126*	*7.1*
Baroda BNP Paribas Large and Mid Cap Fund- Direct Plan -Growth Option	*7.99*	*22.7382*	*1.846*	*9.97*
BNP Paribas Long Term Equity Fund - Growth Option	*16.912*	*204.4945*	*11.092*	*25.43*
BNP Paribas Mid Cap Fund-Growth Option	*12.366*	*92.6135*	*6.489*	*20.09*
CANARA ROBECO BLUE CHIP EQUITY FUND - REGULAR PLAN - GROWTH OPTION	*12.02*	*58.16*	*3.839*	*15.41*
CANARA ROBECO LIQUID FUND - DIRECT PLAN - GROWTH OPTION	*1397.096*	*2839.4852*	*1.032*	*6.66*
DSP Midcap Fund - Direct Plan - Growth	*20.403*	*119.74*	*4.869*	*17.45*
Edelweiss Large Cap Fund - Regular Plan - Growth Option	*16.16*	*70.83*	*3.383*	*14.38*
Franklin Asian Equity Fund - Direct - Growth	*13.1556*	*27.1062*	*1.06*	*6.79*
Franklin India Bluechip Fund- Direct - Growth	*238.3444*	*923.9409*	*2.876*	*13.11*
HDFC ARBITRAGE FUND - Growth Option - Direct Plan	*14.307*	*28.496*	*0.992*	*6.46*
HDFC Balanced Advantage Fund - Growth Plan	*94.763*	*427.403*	*3.51*	*14.68*
HDFC Dynamic Debt Fund - Growth Option	*38.4715*	*79.4393*	*1.065*	*6.81*
HDFC Equity Savings Fund - GROWTH PLAN	*21.0517*	*57.609*	*1.737*	*9.58*
HDFC Flexi Cap Fund - Growth Plan	*296.876*	*1506.141*	*4.073*	*15.91*
HDFC Floating Rate Debt Fund - Growth Option	*19.6301*	*44.1745*	*1.25*	*7.65*
HDFC Gilt Fund - Growth Plan	*22.9789*	*48.8818*	*1.127*	*7.1*
HDFC Gold Exchange Traded Fund. - Growth Option	*29.74*	*55.0134*	*0.85*	*5.75*
HDFC Gold Fund - Growth Option	*11.0586*	*19.4559*	*0.759*	*5.27*
HDFC Hybrid Debt Fund - Growth Plan	*26.4746*	*71.6641*	*1.707*	*9.48*
HDFC Hybrid Equity Fund - Growth Plan	*28.957*	*100.957*	*2.486*	*12.02*
HDFC Index Fund-NIFTY 50 Plan - Growth Plan	*51.3793*	*203.1702*	*2.954*	*13.31*
HDFC Index Fund-S&P BSE Sensex Plan - Growth Plan	*163.6338*	*659.5817*	*3.031*	*13.51*
HDFC Large and Mid Cap Fund - Growth Option	*148.176*	*275.702*	*0.861*	*5.81*
HSBC Large Cap Fund - Regular Growth	*107.198*	*398.4886*	*2.717*	*12.68*
HSBC Liquid Fund - Regular Growth	*1145.7387*	*2360.7778*	*1.06*	*6.79*
HSBC Medium to Long Duration Fund - Regular Growth	*19.8667*	*37.5742*	*0.891*	*5.96*
HSBC Small Cap Fund - Growth	*10.6344*	*68.942*	*5.483*	*18.52*
ICICI Prudential Banking and PSU Debt Fund - Growth	*12.6011*	*29.0601*	*1.306*	*7.89*
ICICI Prudential Bluechip Fund - Growth	*18.55*	*88.78*	*3.786*	*15.3*

ICICI Prudential Bond Fund - Growth	15.8305	35.381	1.235	7.59
ICICI Prudential Corporate Bond Fund - Growth	11.601	26.4131	1.277	7.77
ICICI Prudential Equity & Debt Fund - Growth	56.17	309.61	4.512	16.79
ICICI Prudential Equity Arbitrage Fund - Growth	15.67	30.8172	0.967	6.34
ICICI Prudential Large & Mid Cap Fund - Growth	154.3	764.42	3.954	15.66
ICICI Prudential Liquid Fund - Growth	169.9079	347.797	1.047	6.73
ICICI Prudential MidCap Fund - Growth	34.11	223.5	5.552	18.64
JM Arbitrage Fund (Regular) - Growth Option	15.9651	31.1408	0.951	6.26
JM Focused Fund (Regular) - Growth Option	3.8856	16.481	3.242	14.04
JM Large Cap Fund (Regular) - Growth Option	36.1928	132.9087	2.672	12.55
JM Medium to Long Duration Fund (Regular) - Growth Option	34.191	54.8623	0.605	4.39
Kotak Bluechip Fund - Growth	111.103	470.701	3.237	14.03
Kotak Bond Fund - Regular Plan Growth	33.3153	68.1726	1.046	6.73
Kotak Bond Short Term Plan-(Growth)	21.6458	46.3323	1.14	7.16
Mirae Asset Large & Midcap Fund - Regular Plan - Growth	14.02	125.163	7.927	22.02
Mirae Asset Large Cap Fund - Growth Plan	18.813	94.863	4.042	15.84
Mirae Asset Liquid Fund - Regular Plan - Growth	1232.337	2463.9279	0.999	6.5
Nippon India Growth Fund-Growth Plan-Growth Option	505.3754	3213.4873	5.359	18.31
Nippon India Index Fund - Nifty 50 Plan - Growth Plan - Growth Option	9.8466	36.426	2.699	12.63
Nippon India Large CapFund- Growth Plan -Growth Option	14.5817	72.8909	3.999	15.75
Nippon India Small Cap Fund - Growth Plan - Growth Option	10.9933	138.5047	11.599	25.9
Nippon India Liquid Fund -Growth Plan	2798.2648	5735.1226	1.05	6.74
quant Absolute Fund - Growth Option - Regular Plan	62.4739	359.5669	4.755	17.25
quant Flexi Cap Fund - Growth Option - Regular Plan	11.6519	83.1724	6.138	19.56
quant Large & Mid Cap Fund - Growth Option	13.968	99.0557	6.092	19.49
quant Mid Cap Fund - Growth Option - Regular Plan	30.5555	185.876	5.083	17.84
quant Small Cap Fund - Growth - Regular Plan	34.0672	212.1789	5.228	18.09
SBI BLUE CHIP FUND-REGULAR PLAN GROWTH	16.72	78.0311	3.667	15.03
SBI Gold ETF	29.75	55.0871	0.852	5.76
SBI GOLD FUND REGULAR PLAN - GROWTH	10.7583	18.915	0.758	5.26
SBI Liquid Fund - REGULAR PLAN -Growth	1805.9198	3676.5559	1.036	6.68
SBI LARGE & MIDCAP FUND- REGULAR PLAN -Growth	88.62	500.7007	4.65	17.05
SBI LONG TERM EQUITY FUND - REGULAR PLAN- GROWTH	67.56	333.4713	3.936	15.62
SBI MAGNUM GLOBAL FUND - REGULAR PLAN -GROWTH	68.52	345.8894	4.048	15.86
SBI Magnum MIDCAP FUND - REGULAR PLAN - GROWTH	27.83	195.4039	6.021	19.38
SBI PSU Fund - REGULAR PLAN -Growth	8.39	24.6773	1.941	10.3
Tata Large & Mid Cap Fund- Regular Plan - Growth Option	88.7763	445.0096	4.013	15.78
Tata Large Cap Fund -Regular Plan - Growth Option	108.5919	426.9246	2.931	13.25
Tata Liquid Fund -Regular Plan - Growth Option	18.0589	3739.1201	206.051	62.39
Tata Mid Cap Growth Fund Regular Plan- Growth Option	49.2984	347.4821	6.049	19.43
Tata Nifty 50 Index Fund -Regular Plan	35.639	133.6905	2.751	12.77
Tata S&P BSE Sensex Index Fund -Regular Plan	47.6391	179.563	2.769	12.82"

Annexure - II

Table – 10: ***"Historical Returns - Mutual fund screener| Mutual Fund Screening and Analysis Tool - Moneycontrol.com"***

(Return in %)

"Scheme Name	Category Name	Crisil Rank	AuM (Cr)	1M	3M	6M	YTD	1Y	2Y	3Y	5Y	10Y
SBI Contra Fund - Direct Plan - Growth	Contra Fund	5	26,776.87	5	7	23	9	50	31	33	26	19
Invesco India Contra Fund - Direct Plan - Growth	Contra Fund	2	13,903.49	6	6	21	8	45	23	23	19	20
Motilal Oswal ELSS Tax Saver Fund - Direct Plan - Growth	ELSS	4	3,205.13	11	10	30	13	58	31	27	21	-
JM ELSS Tax Saver Fund - Direct Plan - Growth	ELSS	4	127.83	7	6	20	9	48	24	24	20	19
Quant ELSS Tax Saver Fund - Direct Plan - Growth	ELSS	5	8,341.96	8	11	34	14	62	27	33	33	26
DSP ELSS Tax Saver Fund - Direct Plan - Growth	ELSS	4	14,075.56	5	5	20	6	42	21	22	20	19
HDFC ELSS Tax saver - Direct Plan - Growth	ELSS	4	13,990.29	3	6	22	7	45	26	28	18	16
ITI ELSS Tax Saver Fund - Direct Plan - Growth	ELSS	5	301.77	6	6	27	9	55	30	21	-	-
SBI Long Term Equity Fund - Direct Plan - Growth	ELSS	5	21,976.26	5	10	29	13	60	32	29	22	18
Bandhan ELSS Tax saver Fund - Direct Plan - Growth	ELSS	4	6,252.84	3	5	16	6	40	20	24	21	19
Invesco India ELSS Tax Saver Fund - Direct Plan - Growth	ELSS	3	2,529.68	6	5	18	6	44	19	19	17	18
Bank of India ELSS Tax Saver - Direct Plan - Growth	ELSS	4	1,210.15	6	10	29	12	54	28	26	26	20
Canara Robeco ELSS Tax Saver Fund - Direct Plan - Growth	ELSS	2	7,509.52	3	3	16	4	33	18	19	19	17
Franklin India ELSS Tax Saver Fund - Direct Plan - Growth	ELSS	4	6,179.88	4	5	19	6	45	24	24	18	17
JM Flexi Cap Fund - Direct - Growth	Flexi Cap Fund	5	1,773.87	7	10	27	13	62	34	30	24	21
HDFC Flexi Cap Fund - Direct Plan - Growth	Flexi Cap Fund	4	50,839.90	3	6	21	7	43	25	29	20	18
Bank of India Flexi Cap Fund - Direct Plan - Growth	Flexi Cap Fund	5	743.44	8	11	32	14	62	28	30	-	-
Invesco India Flexi Cap Fund - Direct Plan - Growth	Flexi Cap Fund	-	1,502.20	5	7	22	8	49	25	-	-	-
Franklin India Flexi Cap Fund - Direct - Growth	Flexi Cap Fund	4	14,623.45	4	4	19	6	45	23	24	19	18
Edelweiss Flexi Cap Fund - Direct Plan - Growth	Flexi Cap Fund	4	1,690.09	5	6	23	8	43	23	23	19	-
Mahindra Manulife Focused Fund - Direct Plan - Growth	Focused Fund	5	1,228.99	5	9	26	12	51	27	28	-	-
HDFC Focused 30 Fund - Direct Plan - Growth	Focused Fund	5	10,432.98	3	7	21	8	42	27	31	20	17
Invesco India Focused Fund - Direct Plan - Growth	Focused Fund	4	2,349.66	9	12	35	16	66	27	26	-	-
Quant Focused Fund - Direct Plan - Growth	Focused Fund	4	809.1	5	10	32	13	56	25	25	24	21
Sundaram Focused Fund - Direct Plan - Growth	Focused Fund	2	1,033.49	5	6	16	5	35	17	19	18	16
ICICI Prudential Focused Equity Fund - Direct Plan - Growth	Focused Fund	4	7,582.58	4	9	23	10	46	26	26	21	17
Tata Focused Equity Fund - Direct Plan - Growth	Focused Fund	4	1,640.36	3	2	16	2	38	20	21	-	-

“Scheme Name	Category Name	Crisil Rank	AuM (Cr)	1M	3M	6M	YTD	1Y	2Y	3Y	5Y	10Y
Motilal Oswal Large and Midcap Fund - Direct Plan - Growth	L&M Cap Fund	5	3,663.46	10	7	24	10	55	31	28	-	-
UTI Large & Mid Cap Fund - Direct Plan - Growth	L&M Cap Fund	4	2,758.79	5	6	20	8	47	25	25	19	16
Bandhan Core Equity Fund - Direct Plan - Growth	L&M Cap Fund	5	4,022.92	7	7	26	11	56	30	28	21	18
Quant Large and Mid Cap Fund - Direct Plan - Growth	L&M Cap Fund	4	2,110.44	8	11	36	16	64	30	32	27	23
SBI Large & Midcap Fund - Direct Plan - Growth	L&M Cap Fund	4	21,270.03	4	4	16	4	34	20	24	19	18
ICICI Prudential Large & Mid Cap Fund- Direct Plan - Growth	L&M Cap Fund	4	12,307.23	5	9	23	10	47	26	29	22	17
HDFC Large and Mid Cap Fund - Direct Plan - Growth	L&M Cap Fund	5	17,313.86	5	4	20	6	49	26	28	21	15
Axis Growth Opportunities Fund - Direct Plan - Growth	L&M Cap Fund	2	11,738.74	4	8	19	9	44	18	22	22	-
Invesco India Large & Mid Cap Fund - Direct Plan - Growth	L&M Cap Fund	3	4,995.76	6	6	24	9	50	24	23	19	18
Sundaram Large and Mid Cap Fund - Direct Plan - Growth	L&M Cap Fund	3	6,194.70	5	4	17	4	38	18	21	17	18
Mahindra Manulife Large & Mid Cap Fund - Direct Plan - Growth	L&M Cap Fund	4	1,985.12	5	6	21	8	53	22	27	-	-
ITI Large Cap Fund - Direct Plan - Growth	Large Cap Fund	4	269.8	4	8	23	9	42	22	18	-	-
JM Large Cap Fund - (Direct) - Growth	Large Cap Fund	5	118.71	4	6	23	8	45	24	22	18	15
Baroda BNP Paribas Large Cap Fund - Direct Plan - Growth	Large Cap Fund	4	1,863.39	4	8	22	10	41	22	21	19	17
Nippon India Large Cap Fund - Direct Plan - Growth	Large Cap Fund	5	24,378.39	4	7	20	8	44	27	27	18	18
ICICI Prudential Bluechip Fund - Direct Plan - Growth	Large Cap Fund	5	53,505.33	2	6	20	7	40	22	23	18	17
Edelweiss Large Cap Fund - Direct Plan - Growth	Large Cap Fund	4	828.72	3	5	17	6	35	21	20	18	16
Invesco India Largecap Fund - Direct Plan - Growth	Large Cap Fund	4	985.18	5	5	19	6	41	20	21	17	17
HDFC Top 100 Fund - Direct Plan - Growth	Large Cap Fund	4	32,355.19	2	3	18	4	37	22	23	16	15
Motilal Oswal Midcap Fund - Direct Plan - Growth	Mid Cap Fund	4	8,986.69	8	10	29	13	61	34	39	28	24
Quant Mid Cap Fund - Direct Plan - Growth	Mid Cap Fund	4	5,873.25	8	11	32	17	68	33	38	33	21
Tata Mid Cap Growth Fund - Direct Plan - Growth	Mid Cap Fund	4	3,348.40	8	6	20	8	55	27	26	23	22
Mahindra Manulife Mid Cap Fund - Direct Plan - Growth	Mid Cap Fund	5	2,201.78	8	7	24	10	63	29	31	27	-
Invesco India Mid Cap Fund - Direct Plan - Growth	Mid Cap Fund	3	4,280.22	8	6	22	9	49	25	27	23	22
Nippon India Growth Fund - Direct Plan - Growth	Mid Cap Fund	5	24,796.00	7	3	20	4	56	29	31	25	21
Edelweiss Mid Cap Fund - Direct Plan - Growth	Mid Cap Fund	4	5,114.61	7	6	25	9	53	28	28	26	23
Sundaram Mid Cap Fund - Direct Plan - Growth	Mid Cap Fund	3	10,269.46	6	5	22	6	52	27	27	20	19
HDFC Mid-Cap Opportunities Fund - Direct Plan - Growth	Mid Cap Fund	4	60,417.99	6	4	20	7	55	32	31	24	22
Nippon India Multicap Fund - Direct Plan - Growth	Multi Cap Fund	5	27,745.59	6	8	20	10	53	31	33	21	18
ICICI Prudential Multicap Fund - Direct Plan - Growth	Multi Cap Fund	4	11,342.34	4	7	22	8	50	26	26	19	18
ITI Multi Cap Fund - Direct Plan - Growth	Multi Cap Fund	4	1,064.54	6	5	23	8	55	30	21	-	-
Invesco India Multicap Fund - Direct Plan - Growth	Multi Cap Fund	2	3,166.03	6	5	18	6	44	22	24	20	19

“Scheme Name	Category Name	Crisil Rank	AuM (Cr)	1M	3M	6M	YTD	1Y	2Y	3Y	5Y	10Y
LIC MF Infrastructure Fund - Direct Plan - Growth	Sectoral/Thematic	4	225.4	12	11	29	14	69	33	35	24	17
Bank of India Manufacturing & Infrastructure Fund - Direct Plan -	Sectoral/Thematic	5	255.83	9	9	28	13	63	32	33	27	21
SBI Infrastructure Fund - Direct Plan - Growth	Sectoral/Thematic	4	2,432.22	6	9	30	13	67	36	36	26	20
Canara Robeco Infrastructure - Direct Plan - Growth	Sectoral/Thematic	4	531.79	10	10	30	13	60	33	35	25	20
Kotak Infrastructure and Economic Reform Fund - Direct Plan - G	Sectoral/Thematic	4	1,608.26	10	13	28	16	56	37	37	26	22
Sundaram Consumption Fund - Direct Plan - Growth	Sectoral/Thematic	5	1,365.69	5	1	8	0	36	22	21	15	17
DSP Natural Resources and New Energy Fund - Direct Plan - Grow	Sectoral/Thematic	5	990.34	9	14	32	14	48	21	25	22	21
HSBC Business Cycles Fund - Direct Plan - Growth	Sectoral/Thematic	4	764.45	8	9	24	12	46	26	25	19	-
Aditya Birla Sun Life India GenNext Fund - Direct Plan - Growth	Sectoral/Thematic	4	4,796.85	4	4	13	3	34	19	21	19	19
Invesco India PSU Equity Fund - Direct Plan - Growth	Sectoral/Thematic	-	858.92	10	15	45	19	86	44	42	28	21
Sundaram Services Fund - Direct Plan - Growth	Sectoral/Thematic	-	3,284.11	4	2	12	2	35	19	25	22	-
Invesco India Infrastructure Fund - Direct Plan - Growth	Sectoral/Thematic	5	960.67	10	13	35	16	74	37	38	29	23
Invesco India ESG Equity Fund - Direct Plan - Growth	Sectoral/Thematic	-	537.55	5	3	14	4	35	14	18	-	-
Axis Quant Fund - Direct Plan - Growth	Sectoral/Thematic	-	1,043.58	3	5	20	7	42	21	-	-	-
Invesco India Financial Services Fund - Direct Plan - Growth	Sectoral/Thematic	-	743.52	5	3	17	4	37	22	21	15	18
Bandhan Small Cap Fund - Direct Plan - Growth	Small Cap Fund	4	4,384.90	10	6	26	11	76	32	33	-	-
Franklin India Smaller Companies Fund - Direct - Growth	Small Cap Fund	5	11,539.64	9	4	19	6	58	32	35	24	23
Nippon India Small Cap Fund - Direct Plan - Growth	Small Cap Fund	5	45,749.06	8	4	18	6	57	31	37	30	28
Bank of India Small Cap Fund - Direct Plan - Growth	Small Cap Fund	4	939.7	9	3	14	5	53	25	31	32	-
Sundaram Small Cap Fund - Direct Plan - Growth	Small Cap Fund	3	2,958.23	8	3	16	4	52	26	30	23	21
Quant Small Cap Fund - Direct Plan - Growth	Small Cap Fund	4	17,348.96	10	9	33	15	72	34	42	38	21
Invesco India Smallcap Fund - Direct - Growth	Small Cap Fund	3	3,669.91	9	4	22	7	57	29	32	28	-
Axis Small Cap Fund - Direct Plan - Growth	Small Cap Fund	3	19,029.59	7	2	12	3	41	22	28	28	24
Edelweiss Small Cap Fund - Direct Plan - Growth	Small Cap Fund	4	3,134.62	8	2	16	4	50	26	31	29	-
JM Value Fund - (Direct) - Growth	Value Fund	5	580.51	7	3	22	9	62	34	30	23	21
Nippon India Value Fund - Direct Plan - Growth	Value Fund	4	7,106.93	6	5	26	7	57	27	28	22	19
Bandhan Sterling Value Fund - Direct Plan - Growth	Value Fund	4	8,569.07	4	5	19	8	44	23	28	22	20
Templeton India Value Fund - Direct - Growth	Value Fund	4	1,819.76	5	7	21	7	46	27	30	21	18
Axis Value Fund - Direct Plan - Growth	Value Fund	-	499.14	5	5	21	6	50	26	-	-	-
HSBC Value Fund - Direct Plan - Growth	Value Fund	4	11,430.68	5	6	23	9	53	28	28	22	22”

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