Capital formation through savings and investments is a necessary precondition for economic development of a country. Investing is considered as a rational decision making process in which an investor attempts to invest in securities with the expectation of obtaining an income or profit. As investment in securities gathered momentum in the country, security analysis and portfolio management emerged as an important area of financial era. There are various investment avenues available such as treasury bills, deposits, mutual funds, equity markets, real estate, etc. Instead of investing all the money in one avenue, the investor should spread his pool of resources in different assets and thus create an asset portfolio. The assets in the portfolio should be selected in such a manner that the risk-return paradigm for the investor gets maximized. This art and science of making decisions about selecting the investment mix and the policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk with performance is known as Portfolio Management.

In this thesis, I have tried to cover all the important areas and aspects of portfolio management and the working of major four asset management companies in India namely HDFC, Birla, ICICI Prudential and Axis. The main focus of my entire study has been on the portfolio management including the construction, revision and evaluation of portfolios with the objective of maximizing returns and minimizing risks. This study is aimed at providing a comprehensive and in-depth knowledge of portfolio management, describing the process of combining securities into a portfolio, tailored to the investor preference and requirements, monitoring that portfolio and evaluating the performance. I have also discussed about the mutual fund, benefits of investing in mutual fund, its drawbacks and have done detailed study on various aspects of mutual fund industry. This study also aims at exploring the potential of mutual funds in India with all problems, complexities and variables, and suggesting the means and ways of meeting the challenges for developing the mutual funds in tandem with its potential of economic growth.
The portfolio management of the asset management companies in India during the period of five years, from 2009 to 2013 is studied. The suggestions and conclusions emerged out of the depth study gave an insight on the portfolio management of asset management companies – their working, processes, schemes, structure, and strategies, how to build better portfolios for the clients, strategies to diversify clients’ portfolio, top most funds to invest, new product launches, innovative ideas to PMS, etc. Radical improvement in technology and pioneering efforts in the area of financial engineering brought in a new dimension to portfolio management.

For the study and completion of this thesis, I have undergone studying plenty of books, literature, relevant research works and articles on internet. I have relied on secondary data in order to identify and analyze the challenges and opportunities for mutual funds and asset management companies. I am confident that this study would be of immense use to professionals working in the area of investment in financial institutions such as banks, insurance companies, unit trusts, mutual funds, etc. The study of portfolio management is equally important to investors making investment in securities market. Thus, Portfolio theory, which deals with the rational investment decision-making process, has now become an integral part of finance.