CHAPTER 2
LITERATURE REVIEW

Literature on mutual fund performance evaluation is enormous. A few research studies that have influenced the preparation of this thesis substantially are discussed in this section.

Introduction to Mutual Funds:
Effective asset (wealth) allocation amongst different investment sources has reached new heights due to the recent and rising trends in – individual’s personal finance and efficient planning of the retirement plans. “Asset allocation is referred to the allocation of an investor’s portfolio among a number of asset classes” (Sharpe, 1992) or simply it is the decision making process that goes behind identifying the relative proportion of the different asset classes, available in the capital market, in an investment portfolio. Investors have an option to invest in different assets for e.g. stocks, bonds, other convertibles and cash, and hold them in different combinations. Asset allocation, being a decision making process, comes into play when an investor allocates his limited wealth amongst these wide ranging assets and thereafter, construct an optimal portfolio. Latane (1958) demonstrates that the investors, decision to make a rational choice amongst different portfolios involve three steps:
(a) Deciding upon the aim and criterion for evaluating different portfolio
(b) Calculating the expected returns from the stock and bonds; and
(c) Allocating the portfolio among the various forms of assets taking into account these above mentioned expectations and the evaluation criterion.

In addition to this another factor that comes into play in the decision making process is the utility (utility is a concept that was introduced by Danielle Bernoulli) derived by the investor from that particular portfolio of investments. As described by Coto Milan (2003), ‘utility’ may be defined as the satisfaction or happiness derived from an investment result which operates within an environment of certainty. Utility of investor is never constant. Higher the risk return profile of an investment, higher is the utility value assigned by an investor. Also, higher the volatility in returns lower is the utility value assigned by an investor and vice versa. A formalized risk penalty equation that is employed by financial theorists and Association of Investment Management and Research (AIMR):
\[ U = E(r) - 0.005 \times \text{Standard deviation}^2 \]
Where, “U is the utility value” and “A is the index of the investors risk version”. .005 is a scaling convention that allows us to express the expected return and standard deviation as percentages rather than decimal (Bodie Et al, 2002). This equation represents that the utility for a particular investment increases, with increase in the return or expected return and false, with increase in the volatility or the risk of the returns.

Taking the risk aversion characteristics into consideration when an investor enters into the stock market he is presumed to play a gamble, as he would either end up earning or losing too much. This is due to the fact that the stock market moves in an uncertain manner. “Profits on the exchange are the treasures of the Goblins. At one time they maybe carbuncle stones, then coals, then diamonds, then flint stones, then morning due, then tears. (Joseph de la Vega, 1996)

Till the early 1950’s it was believed that the movement of the share prices could be well predicted using investment or technical analysis. But it was Kendall (1953’s), classic paper on random walk which turned around the things dramatically. His analysis of the stock movements revealed that there was very little correlation within stock prices thus he concluded that there was apparently no hope of being able to predict movements of the
stock on the exchange for a week or even a day ahead without the availability of extraneous information. The shares prices are known to move in an uncertain manner more precisely follow a random walk. This random walk is caused due to the fact that the share prices at any point of time reflect all the available information, and would only change if any new information arises. (Arnold, 2002).

This movement in the stock prices gives rise to the concept often termed as ‘Efficient Capital Markets’ in finance literature. Efficient capital markets are the markets in which prices “fully reflect” available information (Fama, 1970). Thus, in simple words it implies that any new information revealed is rapidly and rationally incorporated and simultaneously reflected in the direction of the share prices. Also, there are no undervalued or over valued stocks in the market so that none investors ‘can earn abnormal profits by buying or selling them’. If there are any under or over valued stocks the rational investors would buy and sell these to the extent that the security priced come back into equilibrium.

Fama (1970) produced a three stage grading system to define the extent to which a capital market could be efficient: (a) weak form of efficiency implying that the security prices just reflect the information contained in the historical prices, (b) semi strong form; in which the prices reflect all the information that is publically available, and (c ) strong form efficiency; which implies that all relevant information including the private information known to the insiders of the companies is fully reflected in the stock prices. No doubt, Fama came up with this three tier grading system to prove that the markets were efficient but the academics identified enough anomalies with enough evidence to justify the search for the under priced security. (Bodie, et al, 2004).

In addition, bulk of literature provides evidence that certain, superior investment strategies with superior information for insight and superior stock picking abilities would enable any individual to earn money and thus, proves the “efficiency” notion wrong.

Taking this never ending debate on the nature of the capital markets into account, individual investors allocate there limited investments into a wide range of assets. These investments are made with the view of reaping profits from the long lived, successful process of diversification.” Diversification” refers to the process of adding more and more uncorrelated securities to your stock portfolio. The more correlated the securities, the less are the benefits from diversification. Diversification enables the investors to reduce or completely the firm specific risk from their portfolio, the risk sources being completely independent to each other and thus, exposure to any particular risk is reduced to negligible level. However, it cannot completely eliminate the risk due to the presence of the market risk component.

Direct investment by the individual would involve great deal of risk and specialization in order to generate positive returns. Thus rather than investing in different securities and managing their portfolio’s themselves, investors in effect can turn their funds to an investment company and give it the responsibility of effectively making the investment decisions, for a fee or charge as a result the investment companies commonly known as mutual funds, have become an important tool in the hands of the investor to reap profits from the functions of- diversification, professional management, capital appreciation, etc that these fund companies provide there investors with.

These investment companies work as a resourceful intermediary for asset allocation and as establishes institutions in the developed financial markets as well. Just as an individual investor, the mutual funds also need to undertake asset allocation process. They select a particular portfolio’s exposure to each of the asset classes available in the market and set the relative return target level. Thus, with their funds being directed towards these mutual funds, the investors can rely on the experience and the expertise of the fund managers.

The extent of the maturity of such funds in the developed markets like that of USA, is well reflected from the level of research, both theoretical and technical being conducted by the
researchers (Ramasamy and Yeung, 2003). However, mutual funds are recent phenomena in the emerging markets of the world. There has been tremendous growth in the development of these funds in these economies in the recent past. Economies of that of the Asian countries China, Indonesia, Philippines, India and Malaysia are expected to grow annually by double the figures and touch a US dollar 12 trillion high by 2030. (Ramasamy and Yeung, 2003).

No doubt the number of funds in these markets is quite small when compared to the number in USA, but are growing at a high rate. This growth has thus resulted in the number of investing companies offering a wide range of funds/schemes suiting to the needs and objectives of the investors. Thus, and investors job as noted by (Sharpe,1966) is to select amongst the efficient portfolios, constructed by different fund managers, the one that he/she considers most desirable, based on his/her particular needs and preferences for risk and return. Analogous to the rapidly growing mutual industry in the developed countries, the amount of academic studies have also significantly increased over time. A bulk of literature studies, the factors that affect the performance and development of such funds. For instance, Prather, Bertin and Henker (2004) conducted their research on the mutual fund performance taking into account the factors such as supervisorship bias, benchmark error, fund expenses, economies of scale and characteristics of mutual fund managers. Further, Engstrom (2004) claims that not only the factors such as fund size, fees, trading activities and past returns determines the fund performance but there are also some unexplored areas such as funds investment strategies, play an important role. However, not much research has been made on such factors in the emerging markets.

On the basis of the above literature review it has transpired that direct investment by the individual would involve great deal of risk and specialization in order to generate positive returns. Thus, rather than investing in different securities and managing their portfolio’s themselves, investors in effect can turn their fund to an investment company and give it responsibility of effectively making investment decision, for a fee or charge as a result the investment companies commonly known as mutual funds have become important tool in the hands of the investor to reap profits from the functions of diversification, professional management, capital appreciation etc which these fund companies provide to their investors.

**Mutual Fund Investment Style:**
With inception of more and more funds each year offering a wide range of schemes to their investors, it becomes more and more complex for the investors to choose a particular fund suiting best to their needs and finances. The mutual funds have made every possible attempt to cater to their investors and keep them informed about their investments to through the company prospectus. So, that the investors get a good idea of the prospects of the fund performance. The prospectus provides with valuable insight on: how risky is the investment? Whether the company is investing in large small or medium companies? What is the amount of cost (fees) likely to be incurred? What are the investing strategies adopted by the fund managers while they are investing in different securities?

The last area of interest focuses on decision process of mutual fund managers and is a crucial criterion for the evaluation of the funds by the fund investors as well as the rating agencies. These two groups of individuals are not only interested in the past performance but also in the funds investment process (Mamaysky and Spigel, 2002). This is due to the fact that number of recent literatures has produced evidence that fund managers have exhibited a reasonable level of stock selection abilities. However, stronger evidence, on a whole, shows that they consistently appear to be incapable of out guessing the market (Davis, 2001). Thus, the main implication of these studies for the investors is that in order
to reap higher returns, they need to select a fund manager with appropriate and profitable strategies, than to evaluate a fund on a whole.

There has been a quality study conducted on mutual fund managers by the financial academics. One of the most recent and exhaustive study conducted on the fund managers was conducted by Drachter, Kempf and Wagner (2007) who have made an excellent attempt to shed some light on the behavior of fund managers (in Germany). They conducted a telephonic survey in order to link the fund manager’s data with the information they hold about mutual funds and provided evidence that the behavior of the managers depend heavily on the characteristics of the funds and the company as a whole. Also, various studies in the past have focused on the superior stock selection abilities of the fund managers that enable them to perform better (Jenson 1968, 1969) and Bloom and friend (1973). Jenson (1968) brings forward two dimensions under which the ability and strategy of the fund managers can influence the fund returns.

- The ability of the fund manager or security analyst to increase returns on the portfolio through successful production of future security prices, and

- The ability of the fund manager to minimize (through “efficient” diversification), the amount of “insurable risk” (diversifiable risk) born by the investor.

Also, Lee and Rahman (1990), Alexander and Stover (1980), Veit and Cheney (1982), Kon (1983), Chang and Lewellen (1984) and Henriksen (1984) characterize them as ‘market maker’ and ‘stock pickers’. They have directed their studies to test the market timing abilities of the fund managers using the non linear version of CAPM and claim that the superior performance of a mutual fund manager occurs because of his ability to time the investments in the markets and/or his ability to forecast the returns on the individual assets which is often termed as ‘selection ability’. Academic suggests that the mutual funds are generally grouped according to the objectives which they invest in different securities to build their fund portfolio. These are referred to as “Mutual Fund Styles”. So, a particular style of the fund manager, who manages the fund and takes crucial investment decisions solely or in a team determines the fund characteristics. The investment style of the mutual fund may play a very significant role in the performance of the fund and this has been significantly examined in the finance literature. This is evident from the study conducted by Mc Donald (1974) where he illustrated by segmenting the funds objectives) as the strategy of the fund became more aggressive the risk and return associated with the investment increased. Inconsistency with this aspect with the mutual fund performance Baks (2003) show that 50% of the funds performance can be attributed to the performance of its fund manager. Ding and Wermers (2005) further claim that the managers who are more experienced and who are responsible for larger fund out perform there less experienced counterpart which makes it clear that the managers characteristics play an important role in explaining the portfolio performance of the mutual funds. Also, young fund managers perform better than old managers. (Chevalier and Ellison, 1999). However Sharpe (1966) and Jenson (1968) were the first ones to examine and analyze the performance of the fund managers. Sharpe (1966) in his analyses the performance of 34 open ended mutual funds by calculating annual rates of return during the period 1954-1963.

He illustrates that the task of mutual fund, being an investment process, is that of security analysis (providing the required predications on security performance) and portfolio analysis (selecting form a large number of portfolios those that are most efficient). He demonstrates that the sound management of mutual fund; requiring the selection of an incorrectly priced securities. Effective diversification and the selection of a portfolio in a particular risk class, provides ample space for major and persisting differences in the
performance of different funds. Further he brings forward the fact that the difference in the performance of different funds could be due to the excessive expenditure by some funds or it may also be attributed to difference in management strategies of the fund managers.

In practices, one may find different portfolio managers following a wide range of approaches/strategies in order to cater to the needs of their investors and to earn higher returns than their competitors. Some of them have been identified by Chan, Chen & Lakonishok (2002) as identifying unappreciated or cheap securities, seeking growth potential, or following past price trends. It should be noted that since these mutual fund style are so exclusively used in the theory to measure the performance of the mutual fund companies, there has to some consistent basis for their classification. Moreover, this classification needs to be objectively and empirically determined, be steady across managers and must be related to their strategies (Brown & Goetzmann, 1997). Further, some literature studies (like the one done by DiBartolomeo & Witkowski (1997), provided evidence that the current classification system is inefficient to provide scope for such issues. Monte Carlo simulations carried on the out-of-sample data show that this misclassification of the manager’s style has a significant effect on the investor’s abilities to build a diversified portfolio (Knight & Satchell, 2002). In order to shed some light on this aspect, the investment style of the fund managers have been extensively discussed and examined in the past finance literature. Some academics identify the manager’s strategies by grouping the funds they invest into.

Sharpe (1992) by implementing the so called ‘style analysis’, illustrates that much of the difference in the US equity mutual funds returns, can be attributed to the differences in their exposures to different asset classes namely; bills, intermediate – term government bonds, long term government bonds, corporate bonds, mortgage related securities, large capitalization value and growth stocks, medium and small capitalization stock, non-US bonds, European Stocks and Japanese stocks. This process was termed by him as the “style analysis”.

However, the number of trading strategies is unlimited and thus, there may be many more opportunities for the managers for adding diversification to the portfolios and performing better, and so, identifying the assets they invest into would not be that helpful (Fung & Hsieh, 1998).

Though the existing literature on the mutual fund strategies is large & extensive, but the first group of economists who laid emphasis on the analysis of the international strategies was Kaminsky, Lyons & Schukler (2004). In addition to illustrating the strategies at the fund level, they also addressed the factors which caused the difference in the fund manager’s strategies across crisis and non-crisis periods. Using the data of quarterly holding of 13 funds, they examined the trading strategies under two dimensions; first set relates to the fund engaging in ‘momentum trading’ – i.e. funds that systematically buy the winning stocks and selling the stocks performing poor and the second set relates to ‘contagion trading’- systematically selling stocks from one country when stock prices are falling in another country. Their results demonstrated sufficient evidence to prove that maximum fund managers go in for the momentum trading in both crisis and non-crisis periods. A number of researches, Jegadeesh and Titman, (1993, 2001); Rouwenhorst, (1998); chui et al. (2003); Griffin et al., (2003), have provided evidence that momentum trading strategies are profitable to the fund managers, in US and many other developed countries worldwide.

Another important aspect of the mutual fund manager’s behavior, while they invest in the securities, is that- do mutual fund managers “flock together” or “herd” when they trade in securities? Do some managers follow the lead of others when they trade? Such questions have been answered by the studies conducted by the financial economist such as Grinblatt et al.(1995) who identified the extent to which the mutual funds exhibited “herding”
behavior i.e. buying & selling the same stock at the same time. Their results on one hand, being consistent with previous studies, showed that 77% of the mutual fund managers were momentum investors and this activity enabled them to realize significantly better performance than other funds. And on the other hand showed weak evidence that the funds tended to buy and sell the stocks at the same time (-herding activity). Similarly, Werners (1999) analyzed the trading activity of the mutual fund industry from 1975 to 1994 to determine whether the funds “herd” when they trade in stocks and also investigated its impact on the stock prices. Their result provided evidence that only average level of herding is exhibited by the funds and also, is higher in case of smaller and growth oriented stocks. Corporate literature argues that the managers, who are uncertain about their own ability and are concerned about their reputation in the market, have a natural tendency to herd. Scharfstein and Stein (1990) show that the fund managers have an incentive to herd in order to minimize the negative consequences of under performance on their reputation. He further claims that “Managers who care only about their reputation will always herd... but managers who care about profits will have to trade off the loss of reputation against profits.” Supporting this argument Massa & Patgiri (2005) illustrated that reputation and career concerns induce managers to undertake herding and in contrast incentive based compensation would induce managers to undertake less effective herding. Further, Ferson and Schadt (1996), brings out another possible strategy that may be employed by the mutual fund managers while investing in securities. According to them, the managers may also rebalance the portfolios in anticipation of the changing economic conditions (for e.g. the political scenario within country) and thus, is an important area to be researched on.

One of the main drawbacks of all these previous studies conducted on the mutual fund management style is that these focus on the impact of the manager’s style, of a particular fund, on its performance. In contrast to this the study conducted by Brown & Goetzmann (1966) very interesting brings out a superior form of style classification which effectively predicts the ‘cross sectional’ future performance of funds. They developed a style classification ‘algorithm’ that is consistent with the asset pricing models developed in the finance literature. They characterized the fund manager’s style / strategies into eight main categories/styles: ‘growth & income’, ‘income’, ‘value’, ‘global timing’, ‘glamour’, ‘international’, and ‘metal funds’. Thus, this classification helped the researcher to decompose the ‘style’ into more familiar measures such as the risk premiums and time varying factors.

He illustrates that the task of mutual fund, being an investment process, is that of security analysis (providing the required predications on security performance) and portfolio analysis (selecting form a large number of portfolios those that are most efficient). He demonstrates that the sound management of mutual fund; requiring the selection of an incorrectly priced securities. Effective diversification and the selection of a portfolio in a particular risk class, provides ample space for major and persisting differences in the performance of different funds. Further he brings forward the fact that the difference in the performance of different funds could be due to the excessive expenditure by some funds or it may also be attributed to difference in management strategies of the fund managers.

Most mutual funds adopt investment styles that cluster around a broad benchmark, few funds take extreme positions away from the index but those who do are more likely to favor growth stocks and past winners. The bias towards glamour and the tendency of poorly performing value funds to shift styles may reflect agency and behavioral considerations. After adjusting for style there is evidence that growth managers on average outperform value managers.
Mutual Fund Performance:

Mutual fund performance can be described as: whether or not the mutual fund managers, who are supposedly expected to have superior stock selection abilities can generate abnormal returns for the investors. Abnormal returns are usually defined as the intercepts from excess return regressions calculated with the help of a benchmark that is mean variance efficient from the perspective of a uniformed observer (Grinblatt and Titman, 1989).

Bulk of literature shows that there are number of factors that determine the impact the performance and growth of the mutual funds. One basic issue that has received a lot of attention from the academics is that; is the past performance of the mutual fund a good indicator to evaluate and measure its present performance. Some studies show that there are traces of evidence to show that there is no positive relationship between the past and the current performance (Blake et.al, 1993; Bogle, 1992; Brown and Goetzman, 1995; Brown et.al, 1992).

Goetzman and Ibbotson (1994) further demonstrate that there is conclusive evidence to show a positive relationship between the two over a period of two years. Other factors that have been taken up by the academics, as possible determinants of the performance of the mutual fund, is the cost involved in buying and selling the mutual funds; often termed as transaction cost. Several studies such as that of Blake et.al (1993), Carhart (1997), Elton et.al (1996) show that there is an inverse relationship between the transaction cost and the performance of the funds (also known as expense ratio). In addition to these, the size of the fund, number of funds managed under the fund company, characteristic of the fund manager and also, the strategies of the fund manager while investing in an optimum portfolio have a significant impact on the performance of the fund.

The problem of accurately measuring the performance of managed portfolios remains largely unsolved after more than 30 years of work by academics and practitioners. (By Ferson and Schadt, 1996)

The central problem of the financial academics is finding an effective criterion for evaluating the ‘Performance of Risky Portfolios’. Literature in this regards suggests that the major difficulty encountered in evaluating the performance of any portfolio is the insufficient measurement of the riskiness perceived by the investors, which is directly linked to the average expected returns from that particular portfolio. Further, Ippolito (1993) suggests that part of these performance evaluation difficulties can also be attributed to the lack of viable competing theories. Mutual fund performance has been consistently supported by Efficient Market Theory (EMT) which supports the notion that the capital markets are efficient. Because of lack of any alternative theories to support the efficiency of capital markets, the researches have always been reluctant to reject the EMT and its insides. Even though literature studies on the mutual fund performance are enormous and apparently my research has been prepared after being influenced substantially by a few prior researches which have been discussed in this section.

In most of the prior studies the performance of the mutual funds is often linked to the fund managers managing the fund portfolio. Now, the query that has troubled the academics for long is whether the portfolio managers can deliver abnormal returns and beat the specified benchmarks (Mimicking which the portfolio of the fund is built). More specifically, the identification of an accurate and reliable measure that is able to assess and compare the performance of various funds, being linked to the performance of the managers, has been a simulating issue for the academics. On the other hand, the investors too wanted to sort out a reliable method to measure the performance of the actively managed funds; in order to find out whether the fees and expenses they were bound to pay were really justified or not. In the light of these issues various measures such as the Sharpe Ratio, the Jenson Measure, the Treyner-Mazuy Measure, and risk adjusted measures etc. have been developed.
No doubt a variety of evaluation techniques have been proposed and implemented by the academics but till date there is no consensus about the ability of professional portfolio managers to earn abnormal returns for their funds. A number of previous studies have demonstrated that the mutual funds do not generally out perform the market. Moreover if the efficient market hypothesis holds true, then it could be convincing that the mutual funds may not be able to consistently out perform the market. However, this result has not been consistent with the tremendous growth experienced by the mutual fund industry in the last two decades. Gruber (1996) having being done enormous study on the various aspect of the mutual fund performance regards this as a puzzle. According to him if the funds did out perform a particular index, than there would not have been any query, but since they under perform and simultaneously have grown at such a fast rate, becomes an interesting question to be answered. A brief comment, with which he tries to solve the puzzle, is that the investors in general, are more rational than what the academics have always assumed.

Moving on with the mutual fund performance review, it is important to bring forward the one of the most prominent studies of the academic literature taken by William F Sharpe. Sharpe (1966) brought forward a performance evaluation technique known as the “Reward-to variability ratio”; calculated net of management expenses for each of the 34 funds under his sample study. His study found that the average value of fund’s ratios is significantly less than the same ratio applied to Dow Jones industrials over the period from 1954-1963. Thus he provided evidence that the returns earned by an investor by investing a given sum of money in the mutual funds is distinctly inferior to a same amount of investment made in the Dow Jones Industrials. However, Arditti (1971) showed that if another variable namely the third movement of the fund’s annual rate of return (i.e. the sum of dividends, capital gain distributions, and the change in the net asset value divided by the beginning of the net asset value) is introduced in the investor’s decision making process, William Sharpe’s conclusion could be altered. However, Sharpe results were soon reconfirmed by Jenson (1967), Treynor (1965). Jenson (1967) used the “Market Equation” to calculate the alphas’s for the funds in the sample study. However they focused there study on the strong testing of the efficiency of the capital markets. They proved evidence that 115 mutual funds under there study on an average were not able to predict the security pries to be able to outperform the market index. On a whole most of the earlier studies have rejected the earlier hypothesis that the mutual funds can produce positive alphas (excessive returns). The fund managers have superior security selection abilities to out perform the market index. These studies basically supported the fact that the markets are efficient. Markets being efficient imply that all the available information is already reflected on the market prices and thus the managers, even with superior stock selection abilities can not out perform the market. However there are some academics for instance Ippolito (1993) who produced evidence contrary to these studies claiming that the managers do have some abilities to outperform the market portfolios. Further Ippolito (1999) demonstrated that net of expenses and fees, 143 mutual funds under there sample study out perform the index funds on a risked adjusted return basis. A study conducted by Mc Donald (1974), based on the monthly data of 123 funds over a period of 1960-69 proved evidence that the average alphas of the funds reflected that the performance of the funds was not superior nor inferior to the performance of the market portfolio. However taking into account the fees and expenses of the funds he concluded that there was ‘some degree f success in stock selectivity and timing the investment in the market’.

One of the main studies that produced result contrary to Jenson results was that of Kon Jen (1979). They based there research on the same data as that of Jenson. They proved evidence that the mutual fund under there sample study were able to predict security prices well enough to outperform the combination of riskless asset and market portfolio given
there selected levels of systematic risks. Also, Main’s (1977) and Shawky (1982) studies calculated that the average positive alpha using the annual and the monthly data (same as that of Jenson). Further Grinblatt and Titman (1992) Goetzmann and Ibbotson (1994) Hendricks, Patel and Zeckhauser (1993) and Volkmann and Woher (1996) also reinforced the notion that there is sufficient evidence that the fund managers can produce abnormal profits for those funds, and also found traces of managers being repeated winners in selecting the under valued stocks in the market. This evidence is thus clearly incompatible with the evidence of Sharpe and Jenson study. So, it can be concluded on a whole there is a mixed evidence to claim that the mutual funds really out perform the market index.

Sharpe, William F. (1966) suggested a measure for the evaluation of portfolio performance. Drawing on results obtained in the field of portfolio analysis, economist Jack L. Treynor (1969) has suggested a new predictor of mutual fund performance, one that differs from virtually all those used previously by incorporating the volatility of a fund’s return in a simple yet meaningful manner. Jensen (1968) derived a risk-adjusted measure of portfolio performance (Jensen’s alpha) that estimates how much a manager’s forecasting ability contributes to fund’s returns. As indicated by Statman (2000), the e SDAR of a fund portfolio is the excess return of the portfolio over the return of the benchmark index, where the portfolio is leveraged to have the benchmark index’s standard deviation. S.Narayan Rao, et. al., evaluated performance of Indian mutual funds in a bear market through relative performance index, risk-return analysis, Treynor’s ratio, Sharpe’s ratio, Sharpe’s measure, Jensen’s measure, and Fama’s measure. The study used 269 open-ended schemes (out of total schemes of 433) for computing relative performance index. Then after excluding funds whose returns are less than risk-free returns, 58 schemes are finally used for further analysis. The results of performance measures suggest that most of mutual fund schemes in the sample of 58 were able to satisfy investor’s expectations by giving excess returns over expected returns based on both premium for systematic risk and total risk.

Roy, et. al. (2003), conducted an empirical study on conditional performance of Indian mutual funds. This paper uses a technique called conditional performance evaluation on a sample of eighty-nine Indian mutual fund schemes. This paper measures the performance of various mutual funds with both unconditional and conditional form of CAPM, Treynor-Mazuy model and Henriksson-Merton model. The effect of incorporating lagged information variables into the evaluation of mutual fund managers’ performance is examined in the Indian context. The results suggest that the use of conditioning lagged information variables improves the performance of mutual fund schemes, causing alphas to shift towards right and reducing the number of negative timing coefficients. (The Conditional Performance of Indian Mutual Funds: An Empirical Study Working Paper, December 2003) Mishra, et. al., (2002) measured mutual fund performance using lower partial moment. In this paper, measures of evaluating portfolio performance based on lower partial moment are developed. Risk from the lower partial moment is measured by taking into account only those states in which return is below a pre-specified “target rate” like risk-free rate. Fernandes (2003) evaluated index fund implementation in India. In this paper, tracking error of index funds in India is measured. The consistency and level of tracking errors obtained by some well-run index fund suggests that it is possible to attain low levels of tracking error under Indian conditions. At the same time, there do seem to be periods where certain index funds appear to depart from the discipline of indexation.
Pendaraki et al. (2005) studied construction of mutual fund portfolios, developed a multi-criteria methodology and applied it to the Greek market of equity mutual funds. The methodology is based on the combination of discrete and continuous multi-criteria decision aid methods for mutual fund selection and composition. UTADIS multi-criteria decision aid method is employed in order to develop mutual fund’s performance models. Goal programming model is employed to determine proportion of selected mutual funds in the final portfolios.

Zakri Y. Bello (2005) matched a sample of socially responsible stock mutual funds matched to randomly selected conventional funds of similar net assets to investigate differences in characteristics of assets held, degree of portfolio diversification and variable effects of diversification on investment performance. The study found that socially responsible funds do not differ significantly from conventional funds in terms of any of these attributes. Moreover, the effect of diversification on investment performance is not different between the two groups. Both groups underperformed the Domini 400 Social Index and S & P 500 during the study period.

The facts of the existing situation enter, in a sense disproportionately into the formation of long term expectations; where as usual practice being to take the existing situation and project it into a future modified only to the extent that have more or less definite reasons for expecting a change. A ‘defensive’ interpretation of new developments cripples the capacity to make good judgments about the future (Zeikel, 1975). Other way put that the requirement of successful investor is flexibility of thinking and willingness. In the No body can fore cast actual scenario of Stock Market in investing because there is nothing permanent except change. The investment manager should try to cultivate a mix of healthy skepticism, open mindedness, and willingness to listen (M. Briggs). But their temperament doesn’t change and they go on repeating the same patterns, in this as in all other matters. They think that they have more confidence which is extraordinary in them, not repeat the same mistakes as earlier, because they have learned from their previous misfortune. One also need to get deeply into bones to sense any market, and certainly the stock market which moves in cycles, so that he get wonderful bargains every few years, and have a chance to sell again at ridiculously high prices a few years later (Train). Therefore, according to Ibbotson & Sinquefield the investment market, where returns are described as probability distribution, the arithmetic mean is the measure that accounts for uncertainty, add in the appropriate manner for estimating the discount rates and the cost of the capital.

Goldman Sachs, a leading Investment Banking Organization, forecast that BRIC Countries (Brazil, Russia, India and China) will grow rapidly in the coming decades and become a much larger force in the global economy by the year 2050. Goldman Sachs reports envisages that these countries will attract substantial foreign direct and portfolio investment that may prompt major currency alignments of the course, as a note of caution, the report argues that these forecast would materialize if these countries maintain macro economics stability and develop institutions that are conducive to growth. According to Buffet (2007), the key to investing is not assessing how much an industry is going to affect Society, or how much it will grow, but rather determining the competitive advantage of any company and the durability of that advantage. The product and services that have wide, sustainable scope are the ones that deliver rewards to the investors. The technical approach to investing is essentially a reflection of the idea that prices move in trends which are determined by the changing attitudes of investors towards a variety of economic, monetary, political and psychological forces. The art of technical analysis-for it is an art- is to identify trend changes at an early stage and to maintain an investment posture until the weight of the evidence indicates that the trend has been reversed (Ping).
Drucker observed the performance of the business today is largely a result of performance, or lack of it, of earlier management of years past. Good management means doing a good job in preparing today’s business for in the future. The mark of the good management is not simply how it runs the business but how well it changes them (Levitt). Where as Ellis put a possible way to enhance returns is to develop a profound and a valid insight into the forces that drive a particular sector of the market or a particular group of companies or industries and systematically exploit that investment insight or concept. Dow explains the market consideration as it has three movements, all along at the same time. The first is the narrow movement from day to day. The second is the short swing, running from two weeks to a month or more; the third in the main movement, covering at least four years in its duration.

The value approach is inherently sound, workable, and profitable, and then devotes to that principle (Graham). It doesn’t take a genius or even a superior talent to be successful as a value analyst only stick to it and don’t be let astray by Wall Street’s fashions, its illusions and its constant change after the fast dollar. What it needs are reasonable good intelligence, sound principals of operation, and most important firmness of character. Most good and intelligent money managers are probably investors deep down inside, stick to there point. They start with sound research that identifies attractive companies in promising industries on a longer-term horizon and then they trade those stocks two or three times a year based on month-to-month news developments and rumors of all shapes and sizes of markets (Kirby, 1984).

The strong form of the efficient market hypothesis assumes all available public and private information is fully reflected in a securities market price. The strong form, in terms of market participants also assumes of monopolistic access to information. There are two possible ways of testing the efficiency of the strong-form. One is to determine whether insiders earn better than average profits from their market transactions. Another is to evaluate the performance of mutual fund. In studying the performance of mutual funds the major goals are to determine
(a) Whether in general fund managers seem to have access to special information which allows them to generate “abnormal” expected returns, and
(b) Whether some funds are better at uncovering such special information than others.

Jansen (1968) evaluated the performance of mutual funds confining his attention only to the issue of evaluating a portfolio manager’s predictive ability- that is his ability to earn returns through successful prediction of security prices which were higher than those which we could expect given the level of riskiness of his portfolio. This dimension of performance evaluation has implication for the theory of random walk in so far as it comments on the utility of private or special information also measured the absolute performance of portfolios rather than ranking portfolios. The model for this purpose was derived from the basic asset pricing model, which implied that the expected return on any asset is equal to the risk free rate plus a risk premium given by the product of the systematic risk of the asset and the risk premium on the market portfolio. The risk premium on the market portfolio is the difference between the expected returns on the market portfolio and risk free rate. Assuming that the asset pricing model was empirically valid, the realized returns on any security or portfolio could be expressed as a linear function of its systematic risk, the realized returns on the market portfolio, the risk free rate and a random error, which had an expected value of zero. If the manager were the superior forecaster (because of special knowledge not available to others) he would tend to systematically select securities which realize random error e>0. Hence his portfolio would earn more than the “normal” risk premium for its level of risk. Therefore, an evaluation
model was developed that incorporated and reflected the ability of the manager to forecast
the market’s behaviour as well as his ability to cease individual issues. The sample
consisted of the returns on the portfolios of 115 open ended mutual funds for which net
asset and dividend information was available in Wiesenberger’s Investment Companies
for the ten-year period 1955-64.

The evidence on the mutual fund performance indicated that not only these 115 mutual
funds were on average not able to predict security prices well enough to outperform a buy-
and-hold policy but also that there was a very little evidence that any individual fund wa
able to do significantly better than what could be expected from mere random chance.
Moreover, these conclusions remained valid when they measured the funds returns gross
of management expense (that is assuming their bookkeeping, research, and other expenses
except brokerage commissions were obtained free). Thus on average the funds apparently
were not quite successful enough in their trading activities to recoup even their brokerage
expenses. The results upheld the strong level efficiency of the market.

Jaffe (1974), a researcher interested in the amount of the special information insider’s
possess, as well as in the profit earn from such knowledge. The average investor seeks out
useful information in the “official Summary of Insider Trading (Washington)”, the
monthly report listing the transactions of corporate officials. Another objective of this
paper was to test the information content of the official summary. A random sample of
trading months was drawn covering 200 large firms in the period 1962-68. This was
referred to as “initial sample”. The sample covered trades in approximately 100 firm’s
month. Some adjustments were made in the initial sample because of certain problems
concerning measurement of insider trading. All transactions from the initial sample whose
value was greater than $20,000 were assembled into a sub sample. This sub sample of
intensive trading contained 370 trades. Since brokerage commission was approximately 1
percent per transaction, insiders might not trade on special information that would lead
only to stock price movement of the order of the transaction costs. In addition under
section 16(b) of the U.S. Securities and Exchange Act of 1933-34, an insider was
prosecuted and required to return all profits from purchase and subsequent sale (or a sale
and a subsequent purchase) occurring within 6 months of each other. This law discouraged
them for trading. Many insiders presumably transacted for reasons other than to profit
from special information. Moreover insiders might purposely trade without information to
camouflage trading based on special information. Insider gains might also be marked by
“gamesmanship”. Some of these phenomena may act to camouflage the gains from trading
on inside information. To minimize these effects, the study made use of additional samples
limited to large traders to months where there was an especially great preponderance of
traders in a single direction. In order to estimate the profitability of the insider trades, the
study examined the performance of the security subsequent to specific types of insider
trades in that security, which was called as trading events.

The model developed by Sharpe and Linter (1965) was used here. This model postulated a
linear relationship between the expected return on a security and the co-variance of the
security’s return with the return on a portfolio composed of all securities. In the market
(commonly called the “market portfolio”). Since it was assumed that insiders possessed
more special information concerning their own security than concerning the market as a
whole, the study examined the residuals of securities subsequent to their insider trading
events. To estimate the profits of insiders, individual residuals and cumulative residuals
were calculated. In order to calculate the net profit that insiders earn, transaction costs
were subtracted. The study assumed a transaction cost of 2%. It was concluded that
insiders did possess special information. However, after adjustment for transaction cost,
only the intensive trading sample with 8-months holding periods were earning statistically larger returns (a 5% cumulative abnormal return). Results suggested that investors could profit by prompt use of official summary’s information on intensive trading companies. Official summary contained information on the future stock prices, a finding inconsistent with much of the research on efficient capital market. The data suggested that the best of the trading rules based on the information in the official summary involve an examination of intensive trading companies, as only those samples possessed residuals greater than the cost of the transaction. The author suggested that the future research might further examine whether the strategies based on intensive trading companies, as well as entirely new strategies, can consistently outperform a naive buy-and-hold strategy.

Finnerty (1976) in his study conclude that, how well insiders do relative to the market in general. Whereas the selection of samples was based on “intensive” insider trading criteria, i.e. the samples biased in favour of those insiders whose performance would more than likely be superior to the average insider. This bias invalidated the finding for a test of the strong form. By testing the entire population of insiders, this study evaluated the performance of the ‘average’ insider. The period for this study was from January 1969-1972. The data were from S.E.C.’s official summary of the stock Transactions for NYSE firms. For the total period there were over 30,000 recorded individual transactions; 9602 buy transactions and 21,487 sell transactions. Insider’s ‘buy portfolio’ and insider’s ‘sell portfolio’ were formed for each month of the time period. Thirty-six such buy/sell portfolios were formed, starting from January 1969 and ending with December 1971. Portfolio returns for each of the thirty six buy/sell portfolios were computed for the portfolio formation month and for each of the eleven subsequent months. Simple regression methodology was used assuming the linearity of the relationship between the risk-adjusted rates of return for the insider portfolio and the risk adjusted rates of market return. The results for both the buy and sell portions showed the fact the insiders, probably because of their access to privileged information, can outperform the market in their stock selections (a 4.8% cumulative abnormal return over an 8 month period). From the monthly differential returns for the buy portfolio, most of the above average returns were realized in the first six months. The first month had the greatest amount of above average return. This might indicate either that the information on which the insiders act soon became public knowledge and was discounted by the market quite quickly or that the knowledge that the insiders had been accumulating certain stocks, prompted the public to acquire the same stocks and thereby bid up the prices. The monthly differentials for the sell portfolios presented the large picture, with most of the below average performance taking place uniformly throughout the subsequent months. It would appear that initially as the insider were selling, either the information, that they were selling, was not immediately released; or the market did not immediately discount the fact that insiders were selling.

In comparing the results of the Jaffe’s work, the existence of the above average insider returns were agreed upon. One difficulty in comparison was due to lumping of the both buy and the sell transactions into one statistic. In addition, Jaffe’s results indicated the short run nature of insider’s above average performance. By limiting his study to the two hundred target companies on the CRSP tape, he omitted from the consideration smaller companies whose insiders may have had a better appreciation of the value of the insider information. To sum up the findings of this study, it corroborated those of Jaffe: Insiders were able to outperform the market. Insiders could and did identify profitable as well as unprofitable situation within their corporations. This finding tended to refute the strong form of EMH.
A model of speculative market in which the redistribution of wealth among traders with different information and the ability was developed by Stephen Figlewski in 1978. He defined a speculative market as a market for a good demanded not (entirely) for its own sake but for a resale (or potential resale) in the future. The current price in the speculative market will always have at least a component which is the market estimate of the future price. Present price would reflect the best information about the future in the sense that the present price, plus normal profits would be the best estimate future price. He defends the market efficiency as a function of the market participants with given set of the information. Efficiency, thus, depended upon the ability of the market participants i.e. ability to process the information. Throughout this paper ‘efficiency’ was taken to mean strong form efficiency. According to him return of informed trader was equal to return of uninformed trader. Because more return of informed trader would be accompanied by the cost of the information which will offset the higher return.

In spite of ability to process information, availability of money is also very important. In short run, efficiency is difficult to achieve since weightages are not given through information but through the availability of the money. In the short run the market tends towards increased efficiency, but in neither the short run nor the long run is full efficiency likely. The average deviation from the efficiency was shown to depend on the trader’s characteristics such as the quality and the diversity of their information and their risk aversion.

Givoly and Palmon (1985) examined the extent to which the abnormal return gained by insiders was realize by price changes arising from the disclosure of the trade itself or from the subsequent disclosure of the specific news about the company to which the insiders might be the privy. A sample of 68 companies were randomly selected from the population of the companies whose fiscal year ended December 31 and which were listed on the American Stock Exchange (AMEX) throughout the 3-year period from 1973-75. The AMEX sample represented relatively small companies that were thought to offer higher profit potential to insiders and therefore was likely to reflect trading on inside information. The performance measure employed was the abnormal return, where the normal rate of return was estimated from the familiar market model using daily rates of return. The market rate of return was computed as the equally weighted index of all the securities listed on the American and New York Stock Exchanges. Examination of data for individual industries suggested that the phenomena of abnormal gains to insiders were widespread although the level of the abnormal return varied among industries. The finding of the excess return subsequent to the insider trading was in accord with the results of the previous studies (based on different samples), like Jaffe (1974) and Finnerty (1976). This study estimated the abnormal return of 8.0% over an 8-month holding period (compared with 5% in case of Jaffe and 4.8% in case of Finnerty). The greater abnormal returns found in this study might be due in part of the fact that the sample consisted of relatively small AMEX-listed companies while Jaffe and Finnerty’s samples consisted of large companies in the NYSE. Moreover, the result also showed that a significant abnormal return was produced in the wake of the traders themselves, ranking support to the conjecture that (outside) investors accept the superior knowledge and follow the footsteps of insiders.

Studies undertaken by various scholars and researchers reveals that mutual funds is a trust that pools the savings which are further invested into capital market instruments such as shares, debentures and other securities since most of the capital market instruments, not all, have an element of risk so it is very difficult to evaluate the performance of various schemes. Various research papers have been written while considering the performance evaluation criteria into mind which have been discussed in coming paragraphs.
According to Roy & Deb, 2004 when the beta of the funds is conditioned to lagged economic information variables (interest rates, dividend yields, term structure yield spread and a dummy for April effect), the fund performance does not change appreciably. However, when fund Alpha is also controlled for these information variables the fund performance on an average becomes significantly negative. Thus showing that on an average the Indian mutual fund managers only capture the opportunities from the available economic information, they don’t contribute anything beyond it. They have also examined the evidence of persistence in the performance of the Indian mutual funds. Their approach to measure performance persistence is based on cross-sectional regressions of future excess returns on a measure of past fund performance. Both unconditional and conditional measures of performance were used as measure of past fund performance. According to the findings of the study it was being evidenced that conditional measures of past fund performance predict the future funds return significantly. Also, it is found that between the two different conditional measures of past performance, time-varying conditional alpha is found to be a better measure in indicating persistence in performance of Indian mutual funds and examined the effect of incorporating lagged information variables (T-Bill yield, dividend yields, term structure yield spread and a dummy for the April-effect) into the evaluation of mutual fund manager’s performance using conditional performance evaluation technique designed by the Ferson and Schadt (96).

One of the most important developments in the field of the finance during the last forty years is the mutual fund performance evaluation technique. The traditional techniques use the unconditional moments of the returns. Such techniques cannot capture the time-varying element of the expected return. The findings of the research suggests that the use of the conditioning lagged information variables improves the performance of the mutual fund schemes, causing the alphas to shift towards the right and reducing the number of negative timing coefficients. Passive investment management has become an important component of the investment management industry. The responsibility of the index fund managers is to deliver risk and return same as the underlying index. Many factors impact investment performance. Some of these factors lie outside the sphere of influence of the fund manager. For a comprehensive assessment of the fund performance and follow up, it has become necessary to identify the causes and the attribute components of the fund performance to these causes. Attribution analysis play an important role in identifying factors controllable by the fund manager and in computing the part of the fund performance arising out of the managing these factors. While significant attention has been paid to performance attribution in equity and income funds, research relating to the same index fund domain is scarce. The significant contribution to index fund tracking error may arise from factors that are not under index fund manager’s control and also tracking error is not neural to some of the factors (Sethu & Baid).

Mishra & Rahman have developed measures of evaluating portfolio-performance based on LPM (Lower-Partial-Moment). According to them, the three traditional measures by Treynor, Sharpe, and Jensen are based on the Mean- Variance (M-V) rule are valid only when the distribution of the asset returns are characterized by spherical symmetry to which the class normal and similar distributions belong. From the LPM perspective, risk has been measured by taking into account those states in which return is below a pre-specified “target Rate”, like risk free rate, and capturing the extent to which it is below. They have also provided a new way to evaluate the performance of a portfolio, which is similar to the M2 [Modigliani- Modigliani] approach, but differs from it in an important way. Despite of lot of research being done on the Mutual Funds, there has not been any fixed criterion for evaluating the performance of the Mutual Funds, there is still a lot of research that needs
to be done keeping in view changing investment pattern of the investors, increasing market risk and various other factors linked with the mutual fund industry.

On an average the Indian mutual fund managers only capture the opportunities from the available economic information. They do not contribute anything beyond it. Conditional measures of past fund performance predict the future funds significantly. Between the two different conditional measures of past performance, time varying, conditional alpha is found to be better measure than Beta analysis, indicating persistence in performance.

Managerial Strategies and mutual fund performance; evidence from emerging markets:
Reasonable number of studies has confirmed that the managerial strategies for the mutual fund performance when implemented to unable the fund managers to earn abnormal profits for their funds. But an important question that arises in here is that; Is this evidence valid in the context of the emerging mutual funds market and fund managers? It should be noted that there are certain actors, such as the volatility of the market; extent of regulations and the size and extent of the government’s involvement, that distinguish the mutual fund in the emerging markets from their counterparts in established financial markets (Ramasamy and Yeung, 2003). This section would aim at providing brief evidence to spread some light on the managerial strategies and fund performance in the emerging markets of the world.

With a very few exceptions, mainly in Asia, mutual funds grew exclusively in most countries around the world during 1990’s. One of the major determinants for this overall progress was identified as the tremendous development of the capital markets and the way they were oriented (Klapper et al, 2003). There is a bulk of literature focused on the developed financial markets of the world as that of US, but there is hardly any research/work that has been done on the emerging markets of the world. This could be due to the difficulties faced by the academics in evaluating the portfolios in these markets (Hwang and Satchell, 1998). However the growing size of the funds and there future prospects calls for and in depth study into these markets.

As evident from the developed market researches, one of the basic objectives of the fund managers, as a part consideration of the construction of an optimal portfolio, is to reap more and more benefits from effective diversification. Naranjo and Porter (2007) provides evidence on the benefits of diversification available to emerging market mutual funds and also, claim the presence of the momentum strategies that these fund implement. They represent that since the emerging markets are less integrated to the developed markets, as those of US and other countries, the diversification benefits available to the emerging market funds from including strategies such as, “momentum trading” is quite large. Thus they provide evidence that momentum strategies are profitable for not only the developed countries but also for the emerging mutual funds markets. There results are consistent with the international evidence provided by the studies conducted by Rouwenhorst (1998,1999) and Griffin, JI and Martin (2003). Supporting this evidence Kaminsky, Lyons and Schmukaler (2004) conducted a detailed study on strategies of the fund managers in the emerging markets. There results showed that the emerging markets consistent with the developed countries d indeed engage in momentum strategies. They concluded that contemporaneous momentum trading i.e. buying current winners and selling current users is stronger during crisis and lagged momentum trading on the other hand stronger during non crisis period. They also found evidence the=at the funds also engaged in “Contagion trading” i.e. these funds systematically sold a assets from one country when asset prices fall in another.

Sehgal and Jhanwar (2007) examined the short term persistence in mutual funds performance in the Indian context. They provided evidence that the economic feasibility of zero investment strategies that involve buying past winners and selling past loses
(momentum strategies) is however in doubt. This is owing to the fact that these strategies generate low gross returns because buying the winners portfolios involve higher investment costs than buying the loser portfolios. Thus, the major portion of extra normal profits is lost. The market represents the collective opinion of all participants in the current state of the economy. Those investors who can read these signals correctly will be able to capture larger trends and make better returns. Besides the contrarian indicators focus on fundamentals like current ratio, debt ratio, and P/E ratio which would be available to the investors to select right choice of funds.

Comparative view of Public sector and Private sector Institutions

Rajnish, Jain Sangeeta and Upinder Dhar 2002-03opinioned that core business process for maintaining and enhancing competitive edge in the modern business warfare a deeper understanding of the behavioural dimension of relationships and careful evaluation can help organizations to make their relationship building efforts more effective. Service providers need to be customer oriented and trained in displaying a genuine care and concern for customer welfare. A relationship based upon mutual trust and faith last longer. Mittal Anurag 2006 and 2008 proposed that marketing is no longer about developing, selling and delivering products. It is increasingly concerned with development and maintenance of mutually satisfying relationship with customers. The relationship marketing is based upon the premise that it makes economic sense to satisfy and retain customers as the strength and duration of relationship is directly proportional to resultant profitability. Shaineesh and Mohan (2001), conducted a survey among mangers belonging to financial services to understand the relationship management practices and programmes adopted by them. It addresses the issue such as quality and customer centric processes; employee empowerment; technology selection; customer knowledge strategies and individualization of market programmes.

Rich and Michael K (2000), highlighted the need for more rigorous databases and greater utilization of current computerized tracking systems. Considering the role of trust and culture in the relationship would indicate the need to pursue future research into the deeper understanding of the customer. Various communication approaches could enhance the reception of messages crafted for them. The disciplined needs to move beyond the numbers to a more abstract analysis of the customer as an individual with specific feelings towards various marketing approaches. Sheedy, Elizabeth, 1997, concluded that the relationship concept has been adopted and extended to other customer groups including retail customers. The objective is to increase the long term profits by maintaining and enhancing the client relationships. They concluded that further work is needed to overcome the significant implements to successful implementation of relationship in public sector institutions. Mark Colgate, Nicolas Alexander, 1998 suggested that competition is deriving the public sector institutions to look at forms of defensive marketing rather than offensive marketing strategies. Maintaining and enhancing relationships with personal customers is one way public sector institutions have sought to use defensive marketing and increased customer retention. However at the same time the public sector institutions are looking to create more effective and efficient relationships with their customers, competitors from outside the industry and are seeking to establish their own financial service relationship with these customers. It was highlighted that the customers do have, and value relationships with their organizations.

On the basis of the literature review, the most important aspect which the investors should look for getting desired growth results they are required to stick to the asset allocation, division of portfolio diversification, fundamental analysis, entry and exit strategy and profit borrowing for equity investing.