Chapter-3

Investment in Mutual Funds
INVESTMENT IN MUTUAL FUNDS

When an Asset Management Company or a Fund Sponsor wishes to launch a new scheme of a mutual fund, they are required to formulate the details of the scheme and register it with SEBI before announcing the scheme and inviting the investors to subscribe to the fund. The document containing the details of a new scheme that the AMC or Sponsor prepares for and circulates to the prospective investor is called the Prospectus or the Offer Document.

Many investors are familiar with the prospectuses for new issues of shares in the primary markets. The Offer Documents issued by mutual funds serve the same purpose of inviting investors and giving them the information about the new issue.

The prospectus of a closed-end fund is issued only once at the time of issue, as the units are normally not re-purchasable from investors. In fact, investment in a closed-end fund is like investing in a company issuer's new shares. However, it should be understood that the open-end mutual funds could issue and repurchase units on an ongoing basis. This means that the offer document of the open-end funds is valid for all the time, until amended, though it will be first issued at the time of the launch of the scheme. SEBI requires the offer document of an open-end fund to be revised every two years.

IMPORTANCE OF OFFER DOCUMENT FOR THE INVESTOR:

The offer document is one of the most important sources of information from the perspective of the prospective investor considering investment in a new mutual fund. Apart from the scheme details, the Offer Document also gives much valuable information that is relevant for the investor's decision making on whether he should consider subscribing.
to the new scheme being proposed. It is imperative that the investor carefully studies the information contained in the offer document before committing his investment.

In particular, the investor must understand the fundamental attributes of the scheme, before he makes his investment decision. Fundamental attributes are the essence of the scheme and include key information such as the objectives and the terms of the scheme. Any change in the scheme attributes can only be made with the investors' approval or knowledge.

The offer document is the operating document and describes the product i.e. the scheme on offer. For the investor to understand what he is buying, he needs to study the offer document carefully. As in the case of physical goods, the principle of "BUYER BEWARE" applies here i.e. an investor who invests in units of a mutual fund without studying the information contained in the offer document cannot subsequently hold the fund responsible for loss. The investor must appreciate that he is buying units at his risk subject to information contained in the offer document.

The offer document contains all of the important "disclosures" that the mutual fund has to make, by regulation. The fund's obligation to give the relevant information to the investor ends with the disclosures in the prospectus. The investor must base his decision on these disclosures. His right to ask for more information generally is not tenable later on. The offer document is, therefore, the primary vehicle for the investment decision, a legal document that protects and governs the right of the investor to the information before he takes his decision, and a reference document for the investor to look for the relevant information at any time. The investor and his advisor must, therefore, read and acquaint themselves thoroughly with this document. The offer document contains a statement that SEBI does not approve or
disapprove anything containing in the offer document; however, the trustees must vet the document before it is issued.

The Contents:

Broadly, the offer documents issued by mutual funds in India are required by SEBI to include the following information:

- Details of the Sponsor and the AMC
- Description of the Scheme and the investment objective/strategy
- Terms of Issue
- Historical statistics
- Investors' Rights and Services

In addition, an abridged version of the offer document is usually distributed with the application form. This is called the Key Information Memorandum. SEBI Regulations lay down the format for a standard Offer Document and Key Information Memorandum. Mutual funds in India are required to follow this format. They may also include other disclosures which are considered material by the Trustees from the investors' perspective.

Section Two, which follows, outlines the specific items that must be included in the Offer Document. However, before we get into the specifics, we need to develop an appreciation of some of the practical aspects of the Offer Document.

Regulation and Investors' Rights:

SEBI does not permit a scheme to be launched unless the Offer Document is filed with it. The Offer Document must contain all of the essential information about the scheme. Hence, the Offer Document remains valid as long as the information it contains remains valid.
other words, the offer document will remain effective until a material change in any of its contents occurs. In any mutual fund scheme, material changes do occur over a period of time, thereby creating the need to revise the Offer Document.

Such major changes include:

i. reconstitution of the AMC

ii. imposing or enhancing of entry or exit loads

iii. change in the key personnel of the AMC especially the fund manager.

iv. addition of new plans in the existing scheme.

v. change in management/controlling interest of the AMC

vi. fresh litigation cases or adjudication proceedings referred by SEBI against sponsors or any company associated with the sponsors, penalties imposed etc.

SEBI GUIDELINES:

SEBI wants to ensure the investors' basic right to information about the funds. The information source is primarily the Offer Document. Hence, SEBI has framed certain guidelines, with the objective being to help the investors to get all the material information about their schemes at all times, not just before they take investment decisions. These SEBI guidelines include:
Periodic Revisions required in Offer Document

- The offer document and the memorandum (i.e. abridged offer document) have to be fully revised and updated at least once in two years.

- After completion of one year by any open ended scheme, its condensed financial information has to be included in the offer document and the memorandum. This information also has to be updated in the subsequent years in the form of addendum to the offer document till the time new revised offer document is printed.

Distribution of Revised Documents Specified

- Till the time the offer document is revised and reprinted, an addendum giving details of each of the changes has to be attached to offer documents and the memorandum. The addendum has to be circulated to all the distributors/brokers, so that the same can be attached to all offer documents and abridged offer documents already in stocks. The addendum has also to be sent to the existing unit-holders.

- The date of the revised offer document/latest addendum has to be given in the offer document. It may be mentioned in the offer document that the investors may also like to ascertain any further changes, after the date of the offer document, from the mutual fund/its investor service centers/distributors or brokers.

- The mutual funds have to make arrangements to display the modifications in the offer document in the form of a notice in all the investor service centers and in the offices of their distributors/brokers. The mutual funds may also give an
advertisement or may issue a press release about new changes and these can also be displayed on the websites of mutual funds.

- A copy of all changes has to be filed with SEBI.

In view of the fact that the Offer Document is the only source of comprehensive, authentic information about the scheme on offer and the fund itself, it is imperative that the investor secures a copy and studies it carefully. It is the investors' legal right to ask for a detailed offer document; the investor may obtain a copy of the Offer Document directly from the AMC/Fund Office or through an agent. The Key Information Memorandum is a concise version of the Offer Document, and it would be easier for the investor to obtain a copy with the application form at various distribution points such as the banks, the agents and brokers.

CONTENTS OF THE OFFER DOCUMENT:

In this Section, the information that should be contained in the Offer Document as per the format prescribed by SEBI. Items in *italics* are included in the key information memorandum in addition to the offer document.

Summary Information

The front page of the Offer Document provides information about the scheme 'at a glance', and contains the date of its publication, name and type of the fund and its major objectives. Specifically the following items are covered:

- **Name of the Mutual Fund**

- **Name of the Scheme**
  
  a) Type of scheme (*whether growth, income, 'balanced' ......*)
b) Name of AMC  
c) Classes of units offered for sale  
d) Price of units  
e) Name of guarantor in case of assured return scheme  
f) Opening, closing and earliest closing date for the offer  
g) A statement to the effect that the document contains information that a prospective investor should know before investing and that it should be retained for future reference  
h) A statement to the effect that the document is prepared as per SEBI Regulations and filed with SEBI, and the scheme has not been approved/disapproved by SEBI, nor has SEBI certified the accuracy or adequacy of the offer document – This is the "disclaimer clause" by SEBI. Just as in any primary share issue prospectus, it is the investor who should judge whether the document gives him all the required information and the investor takes the investment risk. It is the AMC that takes the legal responsibility for the accuracy of the statements made in the offer document.

The Offer Document must make the investors aware of the Risk Factors faced by the fund and thereby the investors. Risk factors may be standard or scheme specific. Standard risk factors are market driven and common to all schemes. While a regular investor would be conversant with standard risk factors, their disclosures is of particular relevance to the novice investor. Scheme specific risk factors have a direct bearing on the investor’s choice and, therefore, need to be carefully evaluated by the investor. Disclosure of risk factors must include the following:
Standard Risk Factors

Investments are subject to market risks such as absence of liquidity in markets or fluctuations in market prices beyond the control of the managers, resulting in investment objectives of the scheme not being achieved.

- NAV can move up or down on the basis of capital market movements

- Past performance of sponsor/AMC/mutual fund is not indicative of the future performance of the scheme.

- Name of the scheme does not indicate its quality or prospects.

- Risks associated with the use of derivative instruments, if the fund plans to use such instruments as permitted by SEBI.

Scheme Specific Risk Factors

- Arising from the scheme’s investment objective/strategy and proposed asset allocation.

- Risk arising from non-diversification, if any.

- Specific risk factors associated with investing in closed-end schemes.

- For assured return schemes, if assurance is until maturity of the scheme, it must be stated that this is on the basis of guarantee given by sponsors/trustees/AMC. If assurance is for a specific
period, it must be stated that there is no guarantee for sustaining the assured return for the remaining duration of the scheme.

- if the AMC has no previous experience in managing a fund, a disclosure to that effect must be made.

Legal and Regulatory Compliance:

In view of the importance of the Offer Document, it is essential that a responsible officer of the AMC stands guarantee to the information contained therein and certifies the fulfillment of the AMC/fund's legal and procedural obligations. AMC usually have a specially appointed Compliance Officer for this purpose. The AMC must confirm that a due diligence certificate signed by the compliance officer/CEO/managing director/whole time director/executive director of the AMC has been submitted to SEBI. The certificate has to confirm that

- The draft offer document forwarded to SEBI is in accordance with SEBI regulations.

- All legal requirements connected with launching of the scheme have been complied with.

- Disclosures made in the offer document are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the proposed scheme.

- The intermediaries named in the offer document are registered with SEBI.

FINANCIAL INFORMATION:
Expenses:

The Offer Document must contain information on expenses estimated to be incurred by the scheme. Adverse variations between estimates for the scheme on offer and the actual for past schemes must be explained. Specifically, the following items must be included:

- Sales load, contingent deferred sales charge, redemption load and switchover/exchange fee, all as % of NAV
- Details of initial issue expenses for the scheme and for other schemes launched during the last one fiscal year by the AMC.
- Estimated annual recurring expenses as a percent of average weekly net assets

Condensed Financial Information of Schemes:

- For all schemes launched by the fund during the last 3 fiscal years and for each of the last 3 fiscal years: NAV at the beginning/end of the year, net income per unit, dividends, transfer to reserves, annualized return, net assets at the end of period and ratio of recurring expenses to net assets.
- Information on borrowing by the fund at the end of the last fiscal year.
- Investments in companies which have in turn invested in the AMC's other schemes.
CONSTITUTION OF THE MUTUAL FUND:

This is an important section, because details about the sponsor, trustees and other constituents can offer useful pointers towards a fund's potential and the fund managers' strengths—again, useful information for selection of fund family by the investor. The following information should be included in this section:

- Brief Description of the Objectives of the Fund

- Functions and responsibilities of its constituents: sponsor, AMC, trustees and custodian

- Activities of the sponsor and its financial performance for the last three fiscal years

- Names and addresses of the board of trustees/directors of the trustee company and details of their principal occupations and current directorships; separate disclosure in case they are associates of the sponsor or AMC during the last 3 fiscal years

- Summary of trust deed provisions which may be of material interest to unit-holders

- Trusteeship fees

INVESTMENT OBJECTIVES AND POLICIES:

It is important for the investor to ensure that the fund's investment objectives are in line with his objectives. Reviewing the fund objectives is an important step in selection of an appropriate fund. The major disclosures under this head are:
• Short description of the types of securities in which the scheme will invest principally

• Asset allocation pattern

• Policy of diversification

• If the scheme's name implies that it will invest primarily in a particular type of security or in certain industry/industries, then its policy should be to invest at least 65% of the value of its total assets in the indicated type of security/industry

• For open-ended schemes, if illiquid assets are likely to be more than 10% of net assets, then the policy with respect to such assets must be disclosed

• For assured return schemes, justification of net worth of guarantor with respect to meeting shortfalls in these schemes must be provided

• Portfolio turnover policy

• Investment Limitations

OFFER RELATED INFORMATION:

This section contains all the practical information needed by the investor and the agent to make the investment in the proposed scheme. Some of the information is also useful to determine what the investors' rights and obligations are:

The major disclosures required by SEBI under this area are:
• Minimum amount required to be raised as per SEBI Regulations, and the maximum target amount in case of assured return schemes

• Circumstances for refund and period within which refund must be carried out

• Calendar indicating opening, closing, earliest closing, allotment and despatch of certificates/accounts statement

• In case of listing, names of stock exchanges where applications for listing of units has been made

• Policy regarding reissue of repurchased units, including the maximum extent, the manner of reissue and the entity involved

• Option to convert closed-end scheme into open-end scheme, if it exists, with the option to unit-holders to redeem their units in full

• Restrictions on the right to freely retain or dispose of units

• Maturity period of the scheme and circumstances under which its duration may be extended

• Circumstances under which scheme shall be wound up

• Procedure for transfer and transmission of units

This section gives important information to the investor concerning the operations of the scheme. In addition, it gives details required by the investor to assess the fund returns.
INVESTMENT PROCEDURE:

The manner in which a prospective investor may purchase units should be described. The following should be included:

- Names/addresses of collection banks and investor service centers
- Special purchase plans or methods such as accumulation plans, dividend reinvestment plans
- Minimum initial or subsequent investment
- Details of who can invest, sales price fixation and nomination facilities

Associate Transactions

In the interest of investor protection, SEBI restricts mutual fund investments in companies forming part of the same group as the AMC. Funds are, therefore, required to make disclosure summarizing historical information for the last three fiscal years of the scheme reflecting associate transactions and their impact on the performance of the scheme. With respect to associate companies, these disclosures shall include information on underwriting obligations, their devolvement, and subscription by schemes in issues lead managed by associate companies, business given to associate brokers and distribution of units by associate companies. In addition, disclosures should include:

- Details of Sponsors, their affiliates and associates
- Policy for investing in group companies of the sponsor/affiliates/associates including aggregate market value of investments and as % of aggregate NAV
• In case a scheme has invested more than 25% of its net assets in
  group companies

Borrowing Policy

Mutual funds can only invest funds collected from investors, and are
not allowed to borrow and invest, except to meet redemption demands.
All the same, investors should ensure that the fund will not be exposed
to undue risk through borrowing.
  • Purpose and circumstances of borrowing
  • Regulatory limits on borrowing
  • Potential risk to AMC and unit-holders

NAV and Valuation

The intrinsic worth of an investor's investment in a scheme of a mutual fund
is measured by the Net Asset value or NAV.

\[
\text{Asset Net Value} = \frac{\text{Market Value of Securities held under its scheme} - \text{Liabilities of the scheme}}{\text{Number of Units outstanding under the scheme}}
\]

If an investor has invested Rs 10000 in mutual fund scheme at par. The
AMC invests that money in the capital markets whose running market value
is say Rs 20000 and assuming no liabilities then the NAV of the scheme is
Rs 20 on a Par Value of Rs 10. NAV is a very useful yardstick to measure
the performance of mutual funds.

If a fund invests heavily in non-traded securities, the valuation norms
become important in the calculation of the NAV. Hence, the investor needs
to understand the fund's policy in this respect.
- Frequency of disclosure of NAV and valuation of assets
- Valuation norms for non-traded securities

**Description of Accounting Policies**

The fund must describe the accounting policies that it follows, and these should be in accordance with SEBI (MF) Regulations, 1996. The investor may not be directly in a position to use this information. But, a general understanding will help him better understand and explain fund performance in relation to the value of the fund's assets and liabilities, recognition of revenues and expenses by the fund and consequent impact on the NAV.

**Tax Treatment of Investments**

This section should describe the tax elements applicable to investors who invest in the fund. This set of details can be extremely important to investors, if the fund income is subject to taxation in his hands or even in the hands of the fund itself. Measuring the after-tax performance of the fund requires this kind of information.

However, it must be understood that the tax information in the offer document is general in nature, and the objective is not to offer tax advice. The tax status of every investor is unique, and each investor must evaluate the fund with respect to the tax angle applicable to him.

**Investors' Rights and Services**

Investors must develop an awareness of their rights and services they can expect from the funds. An investor has the rights to review relevant documents and obtain a detailed offer document before he invests. If
this right is not exercised and the investment decision is made without required reading, the investor cannot later have any recourse or complain to the AMC. Some funds allow important facilities such as switching within the fund family, cheque writing and so on. These are described in this section, and the investor needs to take them into consideration to develop a comprehensive understanding of the fund. SEBI requires detailing of:

- Investors' rights under the scheme

- Documents available for inspection, which include trust deed, investment management agreement, custodian agreement, agreement with registrars and transfer agents, Memorandum and Articles of Association of the trustee company/AMC, SEBI Regulations, 1996, Indian Trusts Act, 1882 and consent of auditors and legal advisors

- Access to information on NAV computation and unit price

- Investor friendly services including details of fund's contact person who would take care of investor queries and complaints.

**Penalties, Pending Litigation or Proceedings**

Any pending cases should alert the investor to assess the risk of losses to the fund and thereby to his own investment. He should call for and study more information. It is clear from the above that the Offer Document is indeed very comprehensive and contains information not only about the scheme or offer, but also provides key data on the fund's history. It also discusses the funds' investment objectives, its management and the process to be followed for investing, redemption and other services provided to investors.
CHARACTERISTICS OF INVESTMENT:

People usually go in for optimum returns. This means high returns at low risks. However, each person perceives returns and risks differently. This results in separate choices. There are important characteristics of investment which one weights according to his perception before his decision to invest –

A. Risk – The risk depends on the following factor

1. If maturity period of instrument is longer than risk is also longer. Thus deposits of two years carry a higher rate than one year deposits.

2. The more the creditworthiness of the borrower or agency issuing securities, the less is the risk. Thus the risk of loss or interest and principal is less with the Government or semi-Government bodies than with the private corporate units.

3. The nature of instrument namely, the debt instrument or fixed deposit or ownership instrument like equity or preference share, also determine risk.

4. The risk of variability of returns is more in the case of ownership capital as the return varies with the net profits after all commitments are met.

B. Return – A major factor influencing the pattern of investment is its return, (Return = Yield + capital appreciation if any). The difference between the purchase price and the sale price is capital appreciation and the yield is the interest or dividend. If a share with face value of Rs.100 is purchased at Rs.150 and it yields a dividend of Rs.25 then the return is $25/150 = 16.6\%$, suppose, there is a capital appreciation of Rs.10 also in a year also Rs.10 on the purchase price of Rs.150, then the total return is $(25 + 10) / 150 = 23.3\%$ per annum.
C. **Safety** - The safety of capital is the certainty of return on capital without loss of money or time involved. In all cases where money is lent, some transaction costs and time are involved in getting the funds back. But leaving aside such general costs like stamp duty, postal charge etc. the time involved is also an important factor. If money is returnable not on the same day but after a lapse of time, then the loss of liquidity is involved and if the time of return of funds is not certain and if costs of selling or realization of proceeds are involved, then the safety of funds is also not perfect. Thus, if safety of capital is to be assured, then risk less return as in the case of Government bonds is to be chosen. If the return is higher, as in the case of private securities, then the degree of safety is less.

D. **Liquidity** – If a capital asset is early realizable, saleable or marketable, then it is said to be liquid. If an increment can be encased with a time lag as in the case of equity shares or with loss of money as in the case of bank fixed deposits, then they are less liquid. If, on the other hand, there is a good market for the capital asset and no risk of loss of money or capital and no uncertainty of time involved, then the liquidity of the asset is good. If liquidity is high, then the return may be low as in the case of bank saving deposits or UTI units. An investor generally prefers liquidity for his investment, safety of his funds, a good return with a minimum risk or say minimization of risk and maximization of return.

**TYPES OF RISK**

All investments involve some form of risk. Even an insured bank account is subject to the possibility that inflation will rise faster than your earnings, leaving you with less real purchasing power than when you started (Rs. 1000 gets you less than it got your father when he was your age). Consider these common types of risk and evaluate them against potential rewards when you select an investment.
Market Risk

At one times the prices or yields of all the securities in a particular market rise or fall due to broad outside influences. When this happens, the stock prices of both an outstanding, highly profitable company and a fledgling corporation may be affected. This change in price is due to "market risk."

Inflation Risk

Sometimes inflation risk is referred to as "loss of purchasing power." Whenever inflation sprints forward faster than the earnings on your investment, you run the risk that you'll actually be able to buy less, not more. Inflation risk also occurs when prices rise faster than your returns.

Credit Risk

In short, how stable is the company or entity to which you lend your money when you invest? How certain are you that it will be able to pay the interest you are promised, or repay your principal when the investment matures?

Inflation Risk

Changing interest rates affect both equities and bonds in many ways. Investors are reminded that "predicting" which way rates will go is rarely successful. A diversified portfolio can help in offsetting these changes.

Effect of loss of key professional and inability to adapt

An industries' key asset is often the personnel who run the business i.e. intellectual properties of the key employees of the respective
companies. Given the ever-changing complexion of few industries and the high obsolescence levels, availability of qualified, trained and motivated personnel is very critical for the success of industries in few sectors. It is, therefore, necessary to attract key personnel and also to retain them to meet the changing environment and challenges the sector offers.

Failure or inability to attract/retain such qualified key personnel may impact the prospects of the companies in the particular sector in which the fund invests.

Exchange Risks

A number of companies generate revenues in foreign currencies and may have investments or expenses also denominated in foreign currencies. Changes in exchange rates may, therefore, have a positive or negative impact on companies which in turn would have an effect on the investment of the fund.

Investment Risks

The sectoral fund schemes, investments will be predominantly in equities of selected companies in the particular sectors. Accordingly, the NAV of the schemes are linked to the equity performance of such companies and may be more volatile than a more diversified portfolio of equities.

RISK TOLERANCE

The discussion on investment objectives would not be complete without a discussion on the risks that investing in a mutual fund entails. At the cornerstone of investing is the basic principle that the greater
risk you take, the greater the potential reward. Remember that the value of all financial investments will fluctuate.

Typically, risk is defined as short-term price variability. But on a long-term basis, risk is the possibility that your accumulated real capital will be insufficient to meet your financial goals. And if you want to reach your financial goals, you must start with an honest appraisal of your own personal comfort zone with regard to risk. Individual tolerance for risk varies, creating a distinct “investment personality” for each investor. Some investors can accept short-term volatility with ease, others with near panic. So whether you consider your investment temperament to be conservative, moderate or aggressive, you need to focus on how comfortable you will be as the value of your investment moves up or down.

Recognizing the type of investor you are will go a long way towards helping you build a meaningful portfolio of investments that you can live with. Take the test “Tolerance Questionnaire” to determine where your preferences lie.

Managing Risks

Mutual funds offer incredible flexibility in managing investment risk. Diversification and Automatic Investing (SIP) are two key techniques you can use to reduce your investment risk considerably and reach your long-term financial goals.

Diversification

When you invest in one mutual fund, you instantly spread your risk over a number of different companies. You can also diversify over several different kinds of securities by investing in different mutual funds, further reducing your potential risk. Diversification is a basic risk management tool that you will want to use throughout your lifetime as
you rebalance your portfolio to meet your changing needs and goals. Investors, who are willing to maintain a mix of equity shares, bonds and money market securities have a greater chance of earning significantly higher returns over time than those who invest in only the most conservative investments. Additionally, a diversified approach to investing – combining the growth potential of equities with the higher income of bonds and the stability of money markets – helps moderate your risk and enhance your potential return.

Risks

- Managing Risk
  - Diversification
  - SIP

- Type of Risk
  - Market
    - Inflation
  - Credit
  - Interest Rate
  - Employees
  - Exchange Rate
  - Investment
  - Government Policies

Questionnaire
Systematic Investment Plan (SIP)

The unit holders of the Scheme can benefit by investing specific Rupee amounts periodically, for a continuous period. Mutual fund SIP allows the investors to invest a fixed amount of Rupees every month or quarter for purchasing additional units of the Scheme at NAV based prices. Suppose an investor would like to invest Rs. 1,000/- under the Systematic Investment Plan on a quarterly basis.

<table>
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Average unit cost Rs. 12,000/1,435.9 = Rs. 8.36
Average unit price 109.6/12 = Rs. 9.13
Unit price at beginning of next quarter Rs. 14.90
Market value of investment 1435.9 x 14.90 = Rs. 21,395/-

The investor liquidates his units and gets back Rs. 21,395/-

Using the SIP strategy the investor can reduce his average cost per unit. The investor gets the advantage of getting more units when the market is turned down.
Changes in the Government Policy

Changes in the Government policy especially in regard to the tax benefits may impact the business prospectus of the companies leading to an impact on the investments made by the fund.

TYPE OF INVESTOR INVESTS IN MUTUAL FUND

As shown in the graphical representation of results of question asked from investor, most of the investors invest in capital market don't have adequate knowledge of capital market they acquire 32% of the total investors but
they want to have real return on their investment keeping the inflation factor in mind. 26% investors having lack of time or excess of fund, it means time factor is also important for taking decision in investments. In a same way proper utilization of fund is also needed.

AGE OF INVESTORS

Most of the investors come under the age group of 25-35 years. It covers 46% of total investor. The age groups of 25-35 yrs are of educated & dynamic person they start earning and don't have much obligation and have the nature of getting adequate return depending upon their risk factor. Above 35 year investors have to face the family responsibility, that's why they contribute only 34% of the total strength.
The above graphical presentation shows that the 40% of the investor in number terms falls under the income status of 100001-250000, the reason behind this is oblivious since India has very large population base which comprises of mostly middle income group. As income increases the investment capacity reduces. It is only 30% in 250001-400000 income group and 4% above 400,000.
Most of the investor who invests in Mutual Fund falls under work profile of Service sector. Near about 64% of the total investors in service class have no other option of multiplying their income except capital market or in other word in safer side mutual fund. 14% and 12% respectively in business class and retired class invest there fund in mutual funds.