PREFACE

Mutual Fund units are investment vehicles that provide a mean of participation in the stock market for people who have neither the time nor the money, nor perhaps the expertise to undertake direct investment in equity successfully. The basis idea is simple a large number of investors pool their money in order to obtain spread of professionally managed stock exchange investments that they can not obtain individually.

The advantage is that the investor in a mutual fund carries much less risk than a direct equity investor. Because of enhanced number of portfolios whose return does not depend on performance of any particular stock. Rather it is spread over the total spectrum of investments. A part from it, there is a distinct advantage of services of investments specialists which ensures greater success than the inexperienced investor can achieve on his own and it reduce the administrative burden of investment.

Although the transparency of the mutual funds has considerably improved of late in the form of performance of the fund, regular declaration of the NAVs, the fund’s investment strategies and profiles which it provides to its investors in the monthly or quarterly fact sheets but quit often there are certain hidden information in the fact sheets which every investor must keep a track of for the investment purpose.

Mutual Fund industry gained momentum during late eighties in India and experience of deloveped countries indicate that this industry will also dominate Indian investment scene in future. It is acting both as saving mobilizer as well as provider of character and depth to the capital market. With growing institutionalisation of public issues, the retail investors are slowly being deprived of interacting in primary and secondary market, forcing them to turn to mutual fund.
The SEBI (mutual funds) Regulations 1996 were amended in January 1998. It prohibited mutual funds from investing in unlisted or privately placed securities by associate and group companies of the sponsors.

A limit of 25 percent of the net assets value of the fund was imposed on its investment in listed securities of the group companies of the sponsors. Mutual funds are required to fully disclose their portfolio in annual reports. Draft Standard Offer Document (SOD) with minimum disclosure requirements is laid down tenable the investors to make informed investment decisions. SEBI decided that all the open – ended schemes including Unit Scheme – 64 of Unit Trust of India should declare their net asset value on daily basis.

Global mutual fund market have witness a phase of expansion innovation and structural reorganization during the eighties and early nineties with integration of national and international market, sharp destination between domestic financing and financing have got blurred. It is now possible to conceive of a cohesive international market mechanism and devise strategies or effectively operating in them. It is imperative for fund manager and professional to look at the totality of the scheme tackling the attended risk and under taking the task of return.

The present study covers the functioning of Public sector and Private sector mutual funds. The service provider companies performance is also evaluated by using various tools like NAV and ROI. The role of AMC, sponsor and trustee is important for developing the confidence in the investor.

Mutual funds are becoming a very popular from of investment characterized by many advantages that they share with other forms of investments. The primary objectives of an investment proposal would fit into one or combination of the two broad categories, i.e. income and capital gains. How mutual fund is expected to be over and above an individual in achieving the two said objectives, is what attracts investors to opt for mutual funds. Mutual funds route offer several important advantages. Mutual funds of their own can
contribute to make MF movement more effective by taking steps like updating investor service centers, voluntarily sending annual reports to investors, making more and more disclosures for Risks associated with investments made by them. U.T.I and other MFs should be regulated with provisions at par for all matters. Association of mutual Funds of India (AMFI) is equally or rather more responsible to nurture and develop MF movements. As SEBI is regulator for all financial services. AMFI should emerge as self-regulatory agency of MFs to ensure development of fair practices. AMFI can play an important role to protect the interests of investors.