CHAPTER: 3

MUTUAL FUND INDUSTRY IN INDIA
MUTUAL FUND SCHEMES IN INDIA

In an investment market, there are a variety of investors with different needs, objectives and risk taking capacities. For instance a young business man would like to get more capital appreciation for his funds and he would be prepared to take greater risks than a person who is just on the verge of his retiring age. So it is very difficult to offer one fund to satisfy all the requirements of investors. Just as one shoe is not suitable for all legs, one fund is not suitable to meet the vast requirements of all investors. Therefore many funds are made available to the investors. It is completely left to the discretion of the investor to choose any one of them depending upon his requirement and his risk bearing capacity. Mutual Fund Schemes in India can broadly be classified on the basis of 'execution and operation' and on the basis of 'yield and investment pattern'. It is presented in the chart 3.1

On the basis of execution & Operation

(A) Close-ended Funds

Under this scheme, the corpus of the fund and its duration are prefixed. In other words, the corpus of the fund and the number of units are determined in advance. Once the subscription reaches the pre-determined level, the entry of investors is closed. After the expiry of the fixed period, the entire corpus is disinvested and the proceeds are distributed to the various unit holders in proportion to their holding. Thus, the fund ceases to be a fund, after the final distribution.

In close ended funds itself there are close ended debt schemes and close ended equity schemes. Close ended debt schemes are mostly fixed maturity plans that are redeemed on a particular day and they are meant for investors who want to ensure a rate of return which is estimated at the time of launch. Close ended equity schemes on the other hand are usually converted into open-ended schemes at the time of the maturity of the scheme.
Chart: 3.1
Classification of Mutual Fund Schemes

Mutual Funds

On the basis of execution & Operation
- Close-ended
- Open-ended

On the basis of yield & investment pattern
- Income Fund
- Growth Fund
- Balanced Fund
- Specialised Fund
- Money Market Fund
- Taxation Fund
There are several reasons why the investment in close-ended plan needs different parameters. The first is that in most cases the initial period is the only time period where the investor will have a chance of entering the scheme. After that the units are not open for further investment and hence there is no way where one can enter the scheme. This will mean a stop to the increase in corpus of the scheme.

But the situation will be slightly different for the investors if the units are listed on a stock exchange because the investor can buy these units from the exchange from other investors. The total number of units will however not increase because of such purchases by the investors because this is just trading of existing units.

Another important difference of close-ended funds is that investors have to be clear in their mind is that they should not be looking at the performance of these schemes on a daily basis and then worrying about the fact that their investment is not doing well and that there is no escape route out of the whole investment. The nature of the scheme is meant to ensure that returns are witnessed over the longer time frame and hence looking at the situation only at certain time intervals would be a better position. The main features of the close-ended funds can be listed as follows;

(i) The period and/or the target amount of the fund are definite and fixed beforehand.
(ii) Once the period is over and/or the target is reached, the door is closed for the investors. They cannot purchase any more units.
(iii) These units are publicly traded through stock exchange and generally, there is no repurchase facility by the fund.
(iv) The main objective of this fund is capital appreciation.
(v) The whole fund is available for the entire duration of the scheme and there will not be any redemption demands before its maturity. Hence the fund manager can manage the investments efficiently and profitably without the necessity of maintaining and liquidity.
(vi) At the time of redemption, the entire investment pertaining to a closed-end scheme is liquidated and the proceeds are distributed among the unit holders.

(vii) From the investor's point of view, it may attract more tax since the entire capital appreciation is realized into at one stage itself.

(viii) If the market condition is not favourable, it may also affect the investor since he may not get the full benefit of capital appreciation in the value of investment.

(ix) Generally, the prices of closed-end scheme units are quoted at a discount of upto 40% below their Net Asset Value (NAV).

(B) Open-ended Funds

It is just the opposite of close-ended funds. Under this scheme, the size of the fund and/or the period of the fund are not pre-determined. The investors are free to buy and buy any number of units at any point of time. The main features of open-ended funds are;

(i) There is complete flexibility with regard to one's investment or disinvestment. In other words, there is free entry and exit of investors in an open-ended fund. There is no time limit. The investor can join in and come out from the fund as and when he desires.

(ii) These units are not publicly traded but, the fund is ready to repurchase them and resell them at any time.

(iii) The investor is offered instant liquidity in the sense that the units can be sold on any working day to the fund. In fact, the fund operates just like a bank account wherein one can get cash across the counter for any number of units sold.

(iv) The main objective of this fund is income generation. The investors get dividend, rights or bonuses as rewards for their investment.
(v) Since the units are not listed on the stock market, their prices are linked to the NAV of the units. The NAV is determined by the Fund and it varies from time to time.

(vi) Generally the listed prices are very close to their NAV. The Fund fixes a different price for their purchases and sales.

(vii) The fund manager has to be very careful in managing the investments because he has to meet the redemption demands at any time made during the life of the scheme.

On the basis of Yield and Investment Pattern

Many types of funds are available nowadays which suit to the different requirements of investors. Important categories among them are listed below according to their investment strategies and return structure. In each of the category listed below is added with a brief summery of two of the top performing funds in that specific area. The performances of these funds are also evaluated since their launch. Here the performance of last one year is the financial year 2005.

(A) Income Funds

As the very name suggests, this fund aims at generating and distributing regular income to the members on a periodical basis. It concentrates more on the distribution of regular income and it also sees that the average return is higher than that of the income from bank deposits. Monthly Income Plans (MIPs) make the ideal investment for investors who want to invest well with an absolute minimum of involvement in their investments. Such investors would do well to simply invest in MIPs alone. They should of course, diversify between two or three different MIPs to spread their risk, but MIPs is all that such an investor needs to invest in. The main features of the income funds are:

(i) The investor is assured of regular income at periodic intervals, say half-yearly or yearly and so on.
(ii) The main objective of this type of fund is to declare regular dividends and not capital appreciation.

(iii) The pattern of investment is oriented towards high and fixed income yielding securities like debentures, bonds etc.

(iv) This is best suited to the old and retired people who may not have any regular income.

(v) It concerns itself with short run gains only.

UTI MONTHLY INCOME SCHEME

Investment Objective: An open-ended debt oriented fund investing a minimum of 90% in debt and G-Sec and a maximum of 10% in equity instruments. The fund aims to distribute income periodically. It is best suited to the investors who are looking for regular income with relatively low levels of risk appetite.

**Fund Type:** Open-end

**Launch date:** 12th September 2002

**Options:** Growth & Income

**Fund Size:** Rs.298.31 Crores

**NAV per unit as on 24 April 2006:** 13.34 (D)

**Expense Ratio:** 1.40%

**Entry Load:** Nil

**Exit Load:** < Rs.10 Lacs for a holding period <= 180 days: 0.50%

**Minimum Investment Amount:**
- Income Option: Rs.10,000/-
- SWP Monthly: Rs.30,000/-
- SWP Quarterly: Rs.20,000/-
- Growth Option: Rs.1000/-

**Fund Performance**

<table>
<thead>
<tr>
<th>Return</th>
<th>Crisil MIP Blended Index</th>
<th>Growth Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>10.13%</td>
<td>7.28%</td>
</tr>
<tr>
<td>Since Inception</td>
<td>10.25%</td>
<td>7.34%</td>
</tr>
</tbody>
</table>

TEMPLETON INDIA INCOME BUILDER

**Investment Objective:** TIIBA is a no-entry load open end income scheme which has the potential for delivering superior returns without compromising on safety, with the advantages of tax benefits and easy liquidity.

**Fund Type:** Open-end

**Launch date:** 19th September 1986

**Options:** Growth & Dividend

**Fund Size:** 1553.25 Crores
NAV per unit as on 24 April 2006: 24.10 (G)

Expense Ratio:

Entry Load: Plan A: Nil  
Plan B: Nil

Exit Load: Plan A: Nil  
Plan B: Upto 10 Lakhs – 0.50%  
Above 10 lakhs – 0.25%

Minimum Investment Amount:

Plan A
New Investments: Rs. 20,000
Additional Investments: Rs. 1,000

Plan B
New Investments: Rs. 25,000
Additional Investments: Rs. 1,000

<table>
<thead>
<tr>
<th>Fund Performance</th>
<th>Return</th>
<th>Growth Plan</th>
<th>Dividend Plan</th>
<th>Crisil Composite Bond Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>3.74%</td>
<td>3.74%</td>
<td></td>
<td>4.88%</td>
</tr>
<tr>
<td>3 Years</td>
<td>6.08%</td>
<td>6.08%</td>
<td></td>
<td>5.62%</td>
</tr>
<tr>
<td>5 Years</td>
<td>10.06%</td>
<td>10.03%</td>
<td></td>
<td>N.A</td>
</tr>
<tr>
<td>Since Inception</td>
<td>11.12%</td>
<td>11.19%</td>
<td></td>
<td>N.A.</td>
</tr>
</tbody>
</table>

(B) Growth Funds

Unlike the income funds, growth funds concentrate mainly on long run gains i.e., capital appreciation. They do not offer regular income and they aim at capital appreciation in the long run. The main features of growth funds are:

(i) The growth oriented fund aims at meeting the investors' need for capital appreciation.

(ii) The investment strategy therefore, conforms to the fund objective by investing the funds predominantly on equities with high growth potential.

(iii) The fund tries to get capital appreciation by taking much risks and investing on risk bearing equities and high growth equity shares.

(iv) The fund may declare dividend but its principal objective is only capital appreciation.

(v) This is best suited to salaried and business people who have high risk bearing capacity and ability to defer liquidity. They can accumulate wealth for future needs.
FRANKLIN INDIA BLUECHIP FUND

Investment Objective: It was launched in 1993 as a 3 year closed-end fund, which was converted into an open-end fund from January 1997. It is a steady growth scheme that invests mainly in large cap blue-chip shares.

Fund Type: Open-end
Launch date: December 1, 1993
Options: Growth & Dividend
Fund Size:
NAV per unit as on 24 April 2006: 38.97 (D)
Expense Ratio:
Entry Load: 2.25%
Exit Load: Nil
Minimum Investment Amount:
New investment: Rs. 5,000/-
Additional Investments: Rs. 1000/-

Fund Performance

<table>
<thead>
<tr>
<th>Return</th>
<th>Growth Plan</th>
<th>Dividend Plan</th>
<th>BSE Sensex</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>54.69%</td>
<td>54.69%</td>
<td>54.64%</td>
</tr>
<tr>
<td>3 Years</td>
<td>60.08%</td>
<td>60.09%</td>
<td>42.34%</td>
</tr>
<tr>
<td>5 Years</td>
<td>30.75%</td>
<td>30.75%</td>
<td>16.10%</td>
</tr>
<tr>
<td>Since Inception</td>
<td>28.73%</td>
<td>28.73%</td>
<td>8.49%</td>
</tr>
</tbody>
</table>

UTI GROWTH & VALUE FUND

Investment Objective: To seek capital appreciation through opportunities arising out of listed growth undervalued stocks.

Fund Type: Open-end
Launch date: 28th October 1999
Options: Growth & Dividend
Fund Size: Rs. 193.05 Crores
NAV per unit as on 24 April 2006: 55.83 (G)
Expense Ratio: 2.34%
Entry Load: < Rs. 25 Lakhs - 2.25%
>= Rs. 25 Lakhs & < Rs. 2 Crores - 0.50%
>= Rs. 2 Crores - Nil
Exit Load: Nil
Minimum Investment Amount: Rs. 5,000/-

Fund Performance

<table>
<thead>
<tr>
<th>Return</th>
<th>NAV Growth</th>
<th>BSE Sensex</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>59.03%</td>
<td>50.33%</td>
</tr>
<tr>
<td>3 Years</td>
<td>55.51%</td>
<td>34.80%</td>
</tr>
<tr>
<td>5 Years</td>
<td>23.30%</td>
<td>11.75%</td>
</tr>
<tr>
<td>Since Inception</td>
<td>27.70%</td>
<td>9.49%</td>
</tr>
</tbody>
</table>
(C) Balanced Funds

This is otherwise called "income-cum-growth" fund. It is nothing but a combination of both income and growth funds. It aims at distributing regular income as well as capital appreciation. This is achieved by balancing the investments between the high growth equity shares and also the fixed income earning securities.

FT INDIA BALANCED FUND

Investment Objective: It is designed by making the right allocation between shares of wealth-creating companies and high quality debt instruments which offers perfect balance between growth and stability.

Fund Type: Open-end  Options: Growth & Dividend
Launch date: December 10, 1999  Fund Size:
NAV per unit as on 24 April 2006: 38.97 (D)
Expense Ratio:
Entry Load: 2.25%  Exit Load: Nil
Minimum Investment Amount:
New investment: Rs. 5000/-
Additional Investments: Rs.1000

<table>
<thead>
<tr>
<th>Fund Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>1 Year</td>
</tr>
<tr>
<td>3 years</td>
</tr>
<tr>
<td>5 Years</td>
</tr>
<tr>
<td>Since Inception</td>
</tr>
</tbody>
</table>

UTI BALANCED FUND

Investment Objective: An open-ended balanced fund investing between 40% to 60% in equity/equity related securities and the balance in debt( fixed income securities) with a view to generate regular income together with capital appreciation.

Fund Type: Open-end  Options: Growth & Income
Launch date: 2nd January 1995  Fund Size: 530. 87 Crores
NAV per unit as on 24 April 2006 : 53.32 (G)
Expense Ratio: 2.25%
Entry Load: < Rs.25 Lakhs – 2.25%
>= Rs.25 Lakhs & < Rs.2 Crores – 0.50%
> Rs.2 Crores – Nil

Exit Load: Nil

Minimum Investment Amount:
Growth Option: Rs. 1000/-
Income Option: Rs. 5000/-

Fund Performance

<table>
<thead>
<tr>
<th>Return</th>
<th>Growth Plan</th>
<th>Crisil Balanced Fund Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>29.73%</td>
<td>27.02%</td>
</tr>
<tr>
<td>3 years</td>
<td>29.03%</td>
<td>22.51%</td>
</tr>
<tr>
<td>5 Years</td>
<td>16.32%</td>
<td>N.A</td>
</tr>
<tr>
<td>Since Inception</td>
<td>13.58%</td>
<td>N.A</td>
</tr>
</tbody>
</table>

(D) Specialised Funds (Sector Funds)

These funds offer special schemes so as to meet the specific needs of specific categories of people like pensioners, widows etc. There are also funds for investments in securities of particular sector or industry like IT, Fertilizer, automobiles, petroleum etc. These funds carry heavy risks since the entire investment is in one industry. But there are high risk taking investors who prefer this type of fund.

According to one school of thought sector funds should not have a place in the mutual fund scheme of things as they volatile the basic feature of funds investing, i.e., diversification. Due to their focused nature, sector funds represent the highest risk return potential in the mutual fund universe. And highest risk does not necessarily translate into highest returns. Sector funds can thus produce tremendous gains or losses depending on whether your chosen sector is in or out of favour. Sector funds can, however, be useful in some circumstances.

FRANKLIN INFOTECH FUND (FIF)

Investment Objective: FIF is India's first fund dedicated to the fast growing information technology sector.
Fund Type: Open-end
Options: Growth & Dividend
Launch date: August 22, 1998
Fund Size:
NAV per unit as on 24 April 2006: 42.68 (G)
Expense Ratio:
Entry Load: 2.25%
Exit Load: Nil

Minimum Investment Amount:
New Investment: Rs. 5000/-
Additional Investment: Rs. 1000/-

<table>
<thead>
<tr>
<th>Fund Performance</th>
<th>Return</th>
<th>Growth Plan</th>
<th>Dividend Plan</th>
<th>Crisil Balanced Fund Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>42.00%</td>
<td>41.96%</td>
<td></td>
<td>42.38%</td>
</tr>
<tr>
<td>3 years</td>
<td>38.84%</td>
<td>38.86%</td>
<td></td>
<td>32.34%</td>
</tr>
<tr>
<td>5 Years</td>
<td>3.59%</td>
<td>3.58%</td>
<td></td>
<td>-0.92%</td>
</tr>
<tr>
<td>Since Inception</td>
<td>30.40%</td>
<td>30.40%</td>
<td></td>
<td>N.A</td>
</tr>
</tbody>
</table>

UTI AUTO SECTOR FUND

Investment Objective: An open-ended equity fund with the objective to provide capital appreciation through investments in the stocks of the companies engaged in the automobile and auto-ancillary industry.

Fund Type: Open-end
Launch date: 9th March 2004
NAV per unit as on 24 April 2006: 20.02 (G)
Expense Ratio: 2.14%
Entry Load: < Rs. 25 Lakhs – 2.25%
>= Rs. 25 Lakhs & < Rs. 2 Crores – 0.50%
> Rs. 2 Crores – Nil
Exit Load: Nil
Minimum Investment Amount: Rs. 5000/-

<table>
<thead>
<tr>
<th>Fund Performance</th>
<th>Return</th>
<th>NAV</th>
<th>Sensex</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>58.81%</td>
<td></td>
<td>50.33%</td>
</tr>
<tr>
<td>Since Inception</td>
<td>33.34%</td>
<td></td>
<td>24.14%</td>
</tr>
</tbody>
</table>

(E) Money Market Funds

These funds seeks to provide investors with high safety, a high degree of liquidity and current income through investment in high quality money market instruments. It includes commercial paper, banker's acceptances,
certificates of deposits, treasury bills etc. They can also lend to call money market. Frequent realization of interest and redemption of Fund at short notice are the special features of this fund.

UTI LIQUID FUND

Investment Objective: The scheme seeks to generate steady & reasonable income with low risk and high level of liquidity from a portfolio of money market securities and high quality debt.

Fund Type: Open-end
Launch date: 23rd June, 2003
NAV per unit as on 24 April 2006: 1150.74 (G)
Expense Ratio: 0.75%
Entry Load: Nil
Exit Load: Nil

Minimum Investment Amount: Rs. 30,000/-

<table>
<thead>
<tr>
<th>Period</th>
<th>Growth Plan</th>
<th>Crisil Short term Bond Fund Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 days</td>
<td>5.20%</td>
<td>4.68%</td>
</tr>
<tr>
<td>30 days</td>
<td>5.52%</td>
<td>5.30%</td>
</tr>
<tr>
<td>90 days</td>
<td>5.92%</td>
<td>5.46%</td>
</tr>
<tr>
<td>365 days</td>
<td>5.64%</td>
<td>4.90%</td>
</tr>
<tr>
<td>Since Inception</td>
<td>5.13%</td>
<td>N.A</td>
</tr>
</tbody>
</table>

TEMPLETON INDIA MONEY MARKET FUND

Investment Objective: TIMMA, India's first money market mutual fund, was launched in March 1997. The fund invests in money market instruments like call money, treasury bills, commercial paper with the objective of providing investors current income with stability of capital.

Fund Type: Open-end
Launch date: March 1997

Expense Ratio:
Entry Load: Nil
Exit Load: Nil

Minimum Investment Amount:
New Investment: Regular – 5000/-, Cheque Writing – RS.10,000/-
Additional Investments: Rs.1000/-
### Fund Performance

<table>
<thead>
<tr>
<th>Period</th>
<th>Annualised Performance</th>
<th>Crisil Liquid Fund Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last 1 Month</td>
<td>4.73%</td>
<td>4.56%</td>
</tr>
<tr>
<td>Last 3 Months</td>
<td>4.73%</td>
<td>4.65%</td>
</tr>
<tr>
<td>Last 1 Year</td>
<td>4.57%</td>
<td>4.61%</td>
</tr>
<tr>
<td>Since Inception</td>
<td>6.13%</td>
<td>N.A</td>
</tr>
</tbody>
</table>

*As on September 30, 2005.

### (F) Taxation Fund

A taxation fund is basically a growth oriented fund. But, it offers tax rebates to the investors either in the domestic or foreign capital market. It is suitable to salaried people who want to enjoy tax rebates particularly during the month of February and March.

### FRANKLIN INDIA TAXSHIELD

**Investment Objective:** FIT, an open end equity linked savings scheme, is an investment which not only helps you save on taxes but also has the potential to give you attractive returns with convenience and flexibility

**Fund Type:** Open-end  
**Options:** Growth & Dividend  
**Launch date:** April 1999  
**Fund Size:**

**NAV per unit as on 24 April 2006:** 39.19 (D)

**Expense Ratio:**

**Entry Load:** 2.00%  
**Exit Load:** Nil

**Minimum Investment Amount:**

- New Investment: Rs.500/-  
- Additional Investments: Rs.500/-

### Fund Performance

<table>
<thead>
<tr>
<th>Period</th>
<th>Growth Option</th>
<th>Dividend Option</th>
<th>S&amp;P CNX 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>62.91%</td>
<td>62.88%</td>
<td>53.78%</td>
</tr>
<tr>
<td>3 Years</td>
<td>59.76%</td>
<td>59.76%</td>
<td>48.69%</td>
</tr>
<tr>
<td>5 Years</td>
<td>26.91%</td>
<td>26.90%</td>
<td>19.68%</td>
</tr>
<tr>
<td>Since Inception</td>
<td>40.27%</td>
<td>40.26%</td>
<td>20.09%</td>
</tr>
</tbody>
</table>
UTI EQUITY TAX SAVINGS PLAN

Investment Objective: An open-ended equity fund investing a minimum of 80% in equity and equity related instruments. It aims at enabling members to avail tax rebate under section 80C of the IT Act and provide them with the benefits of growth.

Fund Type: Open-end
Launch date: 15th November 1999
Fund Size: Rs.50.33 Crores
NAV per unit as on 24 April 2006: 31.00 (G)
Expense Ratio: 2.49%
Entry Load: < Rs.25 Lakhs – 2.25%
>=Rs.25 Lakhs-& <Rs.2 Crores – 0.50%
>=Rs.2 Crores – Nil
Exit Load: Nil

Minimum Investment Amount: Rs.500/-

<table>
<thead>
<tr>
<th>Period</th>
<th>NAV</th>
<th>BSE Sensex</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>62.28%</td>
<td>50.33%</td>
</tr>
<tr>
<td>3 Years</td>
<td>46.89%</td>
<td>34.80%</td>
</tr>
<tr>
<td>5 Years</td>
<td>23.41%</td>
<td>12.07%</td>
</tr>
<tr>
<td>Since Inception</td>
<td>24.74%</td>
<td>09.42%</td>
</tr>
</tbody>
</table>

(G) Index Funds

Index funds refers to those funds, where the portfolios are designed in such a way that they reflect the composition of some broad based market index. This is done by holding securities in the same proportion as the Index itself. The value of these index linked funds will automatically go up whenever the market index goes up and vice versa. Since the construction of portfolio is entirely based upon maintaining proper proportions of the index being followed, it involves less administrative expenses, lower transaction costs, less number of portfolio managers etc. It is so because only fewer purchases and sales of securities would take place.
FRANKLIN INDIA INDEX FUND

Investment Objective: FIIF is an open end index scheme, and offers two options - the BSE Sensex plan and the NSE Nifty plan.

Fund Type: Open-end  Options: BSE Sensex and NSE Nifty plans with Growth and Dividend options

Launch date: 4th August 2000  Fund Size:

NAV per unit as on 24 April 2006: 28.08

Expense Ratio:

Entry Load: Nil  Exit Load: 1.00% if redeemed within 1 month of investment.

Investment Amount:
Minimum Investment: Rs.5000/-
Additional Investment: Rs.1000/-

<table>
<thead>
<tr>
<th>Period</th>
<th>FIIF Nifty Plan</th>
<th>S&amp;P CNX Nifty</th>
<th>FIIF BSE Plan</th>
<th>BSE Sensex</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>51.79%</td>
<td>49.03%</td>
<td>53.66%</td>
<td>54.64%</td>
</tr>
<tr>
<td>3 Years</td>
<td>40.79%</td>
<td>39.22%</td>
<td>38.90%</td>
<td>42.34%</td>
</tr>
<tr>
<td>Since Inception</td>
<td>15.12%</td>
<td>14.08%</td>
<td>24.51%</td>
<td>26.30%</td>
</tr>
</tbody>
</table>

UTI INDEX SELECT FUND

Investment Objective: An open-ended equity fund with the objective to invest in select stocks of the BSE Sensex and the S&P CNX Nifty. The fund does not replicate any of the indices but aims to attain performance better than the performance of the indices.

Fund Type: Open-end  Options:

Launch date: 12th May 1997.  Fund Size: 65.41 Crores

NAV per unit as on 24 April 2006: 30.37 (G)

Expense Ratio: 1.5%

Entry Load: < Rs.25 Lakhs – 2.25%
>=Rs.25 Lakhs & <Rs.2 Crores – 0.50%
>=Rs.2 Crores – Nil

Exit Load: Nil

Minimum Investment Amount: Rs.5000/-

<table>
<thead>
<tr>
<th>Period</th>
<th>NAV</th>
<th>BSE Sensex</th>
<th>Nifty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>48.20%</td>
<td>50.33%</td>
<td>46.14%</td>
</tr>
<tr>
<td>3 Years</td>
<td>39.03%</td>
<td>34.80%</td>
<td>33.06%</td>
</tr>
<tr>
<td>5 Years</td>
<td>18.00%</td>
<td>12.07%</td>
<td>11.62%</td>
</tr>
<tr>
<td>Since Inception</td>
<td>18.94%</td>
<td>8.38%</td>
<td>08.74%</td>
</tr>
</tbody>
</table>
Other Classifications

(H) Bond Funds

These funds have portfolios consisting mainly of fixed income securities like bonds. The main thrust of these funds is mostly on income rather than capital gains. They differ from income funds in the sense income funds offer an average returns higher than that from bank deposits and also capital gains lesser than that in equity shares.

UTI BOND FUND

Investment Objective: An open-end 100% pure debt fund, which invests in rated corporate debt papers and government securities with relatively low risk and easy liquidity.

Fund Type: Open-end
Launch date: 4th May 1998
NAV per unit as on 24 April 2006: 20.76 (G)
Expense Ratio: 1.40%
Entry Load: Nil

Options: Growth & Income

Fund Size: 498.32 Crores
Exit Load: <Rs.10 Lakhs (for a holding period of <=180 days) - 0.50%
& >=Rs.10 Lakhs - Nil

Minimum Investment Amount:
- Regular Growth Option - Rs. 1000/-
- Fixed Amount Withdrawal - Rs. 30,000/-
- Variable Withdrawal - Rs. 30,000/-
- Income Option - Rs. 20,000/-

Fund Performance

<table>
<thead>
<tr>
<th>Period</th>
<th>Growth Plan</th>
<th>Crisil Comp. Bond Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>9.07%</td>
<td>4.90%</td>
</tr>
<tr>
<td>3 Years</td>
<td>6.82%</td>
<td>5.72%</td>
</tr>
<tr>
<td>5 Years</td>
<td>9.53%</td>
<td>N.A</td>
</tr>
<tr>
<td>Since Inception</td>
<td>10.08%</td>
<td>N.A</td>
</tr>
</tbody>
</table>

(l) Pension Plans

It is designed to provide pension to investors, particularly self-employed persons after attaining a certain age.
UTI RETIREMENT BENEFIT PENSION FUND

Investment Objective: An open-ended balanced fund with a maximum equity allocation of 40% and the balance in debt. This ensures to provide pension to investors particularly self-employed persons after they attain the age of 58 years, in the form of periodical cash flow upto the extend of repurchase value of their holding through systematic withdrawal plan.

Fund Type: Open-end
Launch date: 26th December 1994
NAV per unit as on 24 April 2006: 20.36
Expense Ratio: 1.53%
Entry Load: 1.5%

Options:
Fund Size: 394.56 Crores
Exit Load: Nil - at maturity
1% - >= 3 years
3% - >=1 yr.& <3yrs.
5% - <1 yr.

Minimum Investment Amount: Rs.500/- (subject to attaining a minimum investment of Rs.10,000/- by the age of 52 years)

<table>
<thead>
<tr>
<th>Period</th>
<th>NAV</th>
<th>Crisil MIP Blended Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>26.20%</td>
<td>10.13%</td>
</tr>
<tr>
<td>3 Years</td>
<td>18.72%</td>
<td>9.92%</td>
</tr>
<tr>
<td>5 Years</td>
<td>10.42%</td>
<td>N.A</td>
</tr>
<tr>
<td>Since Inception</td>
<td>11.68%</td>
<td>N.A</td>
</tr>
</tbody>
</table>

(J) Fund of Funds

Unlike a conventional mutual fund, a fund-of-funds invests in other mutual funds and offers a return to the investors. These types of funds primarily invest in other existing funds of the same fund house or of any other fund house as may be mandated in the offer document. There are many advantages for this type of a fund. One is that if the market is in a bullish mode on a separate sector fund, it can concentrate on that and when the trend changes, he can move from that sector to the other. Another is that the Fund is more secure as there is a multi factor of reduced risk in fun-of-funds. Internationally, fund-of-funds do not limit their exposure to other mutual funds. They are more like hedge funds and do not necessarily restrict themselves to investing in other mutual fund schemes.
At present almost all FoFs offered in India belong to the same fund house. The first true Fund of Funds launched in India is Kotak Equity FoF which will invest in the scheme of other AMCs also. Just like other mutual fund schemes, an FoF will also have its expenses. Expenses will, however, be the only area where FoF will be charging anything extra. Loads will be levied only when the investor buys into an FoF and not when the FoF itself invests in the underlying funds. One of the biggest advantage of FoF is that it is very tax friendly when an asset rebalancing point of view. If an investor tries to rebalance his own fund or stock holdings then he is liable to pay the capital gains tax that is applicable. And if the gains are short term, the tax applicable also should be charged. But an FoF is exempt from capital gains tax on its internal transactions.

FoF can also be very convenient to handle as they reduce the number of funds that have to be managed. So there is just one folio and just one NAV to track. With asset rebalancing built into these funds, it automatically carryout one of the major responsibility of shifting between equity and debt.

**FT INDIA DYNAMIC PE RATIO FUND OF FUNDS (FTDPEF)**

**Investment Objective:** FTDPEF is an open end fund of funds which Seeks to provide long-term capital appreciation with relatively lower volatility through a dynamically balanced portfolio of equity and income funds.

**Fund Type:** Open-end  
**Options:** Growth & Dividend  
**Launch date:** 31st October 2003  
**Fund Size:**

**NAV per unit as on 24 April 2006:**

**Expense Ratio:**

**Entry Load:** 2.25%

**Exit Load:** Nil

**Minimum Investment Amount:**

- New Investment: - Rs.5,000/-
- Additional Investments: - Rs.1000/-

**Fund Performance**

<table>
<thead>
<tr>
<th>Period</th>
<th>Growth Plan</th>
<th>BSE Sensex</th>
<th>Crisil Balanced Fund Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last 6 Months</td>
<td>13.65%</td>
<td>16.26%</td>
<td>9.10%</td>
</tr>
<tr>
<td>1 Year</td>
<td>41.52%</td>
<td>50.33%</td>
<td>27.02%</td>
</tr>
<tr>
<td>Since Inception</td>
<td>30.84%</td>
<td>28.77%</td>
<td>17.50%</td>
</tr>
</tbody>
</table>

71
(K) Gilt Funds

These funds invest only in government securities and maintain a small percentage in money market instruments to cater to liquidity requirements. Since the funds are for medium-to long-term requirements, the choice of government securities is also made accordingly. These funds will invest a higher proportion of their funds in longer G-secs, which makes these funds more susceptible to interest rate risks. Any change in the interest rate direction in the country will see these funds losing more than other funds in the debt category since these funds maintain much higher average duration than the others. But on the other hand, any further rate cuts, either in the bank rate or repo rate, will see these funds gaining the most. Therefore, before investing in this particular category, an investor has to take a call on the interest rate movement in the economy.

UTI GILT ADVANTAGE FUND

Investment Objective: To generate credit risk-free return through investments in sovereign securities issued by the Central and/or a State Government.

Fund Type: Open-end Options: Growth & Dividend
Launch date: 21st January 2002 Fund Size: 81.02 Crore
NAV per unit as on 24 April 2006: 14.67 (G)
Expense Ratio: 1.25%
Entry Load: Nil Exit Load: Dividend & Growth Plans: Nil
Minimum Investment Amount: Rs.5000/- PF plan (within 365 days) – 1%

<table>
<thead>
<tr>
<th>Period</th>
<th>NAV (Growth Option)</th>
<th>I-Sec Libex</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>5.78%</td>
<td>6.16%</td>
</tr>
<tr>
<td>3 Years</td>
<td>10.08%</td>
<td>8.79%</td>
</tr>
<tr>
<td>Since launch</td>
<td>10.18%</td>
<td>N.A</td>
</tr>
</tbody>
</table>

*Compounded Annualised Returns

Other than these different types (schemes) of funds, within a scheme itself there are many options or plans available for the investors. These are discussed below;
(i) **Dividend and Growth Options**

Among the investors who subscribe to a specific scheme, some may prefer a regular flow of income from their investment and others may prefer their income from the scheme to grow in the scheme itself. The former group in this case can prefer a 'Dividend Option' where they can receive regular income from their investment in the specific scheme and the next group can prefer a 'Growth Option' which allows them to grow their income from their scheme in the scheme itself. Here the calculation of NAV, extent of dividend paid etc. will be different in both the options.

(ii) **Systematic Investment Plan (SIP)**

A SIP is nothing but a planned investment programme, which takes a small sum of money from an investor and invests it in a mutual fund at regular intervals. The minimum amount can be as small as Rs.500 and the frequency of investment is usually monthly or quarterly. In due course of time, a small amount can grow into a significant amount. More importantly, an SIP does away with the need or effort to time the market. By the process of regular investing one gets to invest in the highs as well as the lows, and this helps in averaging out the volatility in the market.

(iii) **Systematic Withdrawal Plan (SWP)**

Like SIP, Systematic Withdrawal Plan is an option or feature offered by a mutual fund that provides a payout to the investor at predetermined intervals. Two main reasons for using a SWP are to meet one's income needs or for tax planning purposes.

(iv) **Systematic Transfer Plan (STP)**

It is a part of the intelligent investing to rebalance the mix of debt and equity on the basis of changing market conditions, which
some times favour the debt than equity and vive versa. In the context of mutual funds, such rebalancing can be achieved by systematically moving moneys between schemes. Through a systematic transfer of investment between schemes, it is possible to maintain a target mix of debt and equity in one’s portfolio. Mutual funds make it convenient, and sometimes free of cost, to systematically transfer investments between schemes of the same mutual fund.

RETURN FACTORS OF MUTUAL FUNDS

The main reason behind the development of new investment avenues like mutual funds is the inability of the traditional investment options to provide a risk-free return. Nowadays banks offer a return of near to 6-7% which is not enough to accommodate the inflation rate of currency. Here lies the importance of mutual funds. Many good performing funds offer a double digit return with high efficiency. If one is courage enough to take a little bit of risk mutual funds offers a good return for him.

Another specialty of mutual funds is the systematic risk management by diversification. Diversification is a technique of reducing the risk involved in managing a pool of investments. This is a process of conscious selection of different scripts in a manner that the total risks are brought down. This type of a risk diversification and management of fund is a difficult task for a common investor. Mutual funds provide experts in the field of portfolio managers with different options to invest according to the risk taking ability of the investors. This is a great help to the common investor as with out the higher awareness and risk managing capacity, he can reap good return for investment.

Many fund offers tax reduction for the Funds. It is a good option before the small investors as with a reasonable earning avenue they can save tax also. It is suitable to salaried people who want to enjoy tax rebates. According to the Union Budget 2005-'06, the amount of dividend received by
the individual is tax free in the hands of the investor. Thus any amount of
dividend that one get from the mutual fund will not form a part of the taxable
income. This is the direct impact on the dividends. On the other side when
mutual funds pay dividends they have to pay a dividend distribution tax if the
scheme is a debt scheme hence in such schemes there is also an indirect
impact for the investor. The taxation procedure is different for equity oriented
scheme and debt oriented schemes. In equity oriented scheme, the equity
holding of the fund in domestic companies is more than 50%. Here the tax
aspect is very favourable for the investors. If the holding is for a period of
more than 12 months then there is no long capital gain tax to be paid by the
investor. However there will be a securities transaction tax that will have to
be paid. On the other hand for a holding period of less than 12 months will
result in a short term capital gains and consequently a tax of 10% have to be
paid by the investor. In the debt mutual fund schemes also there is no tax on
dividends. However the capital gains aspect is different. Here a short term
capital gains will result in an addition to the total income of the individual by
the amount of the gain.

RISK FACTORS OF MUTUAL FUNDS

Mutual funds are not free from risk. It is so because basically the
mutual funds also invest their funds in the stock market on shares which are
volatile in nature and are not risk free. So every investors need to understand
the risk in mutual fund investment. When we think about the risk factors, it is
imperative to state that an equity fund is more risky as compared to debt fund
for there is a chance of a significant capital loss. And the risk factor in every
mutual fund is not same as it depends on the combination of the corpus of
the fund.

The intensity of risk in a portfolio determines the design of the fund. In
terms of portfolio of a particular scheme, if there is very high holding in a
particular stock or a few stocks then the risk rises because of the fact that the
performance of these few stocks determines a large part of the performance
of the fund. That is why many schemes have a diversified portfolio across various sectors where in the investment is not only made across a large number of companies but at the same time care is also undertaken to see that a particular sector does not have too much of weightage in the entire portfolio of the fund.

Sectoral schemes, which invest their funds into shares of a particular sector, are considered to be the riskiest because of the concentrated holdings of the scheme. On the other hand diversified equity schemes have a comparatively lesser amount of risk involved because of the disbursed nature of holdings. In addition there are also index funds where the risk is proportionate to the movement of the index and its movement as this will be reflected in the fund. In mutual funds, the degree of risk measures mainly the following cases:

- The kinds of stocks in the portfolio.
- The degree to which a fund diversifies.
- The degree to which a manager uses leverage, or borrowing, in an effort to enhance performance.
- The extent, if any, to which the manager tries to time the market or hedge.

If we consider different risk factors in details it includes;

**Market Risks**

In general, there are certain risks associated with every kind of investment on shares. They are called market risks. These market risks can be reduced, but cannot be completely eliminated even by a good investment management. The prices of shares are subject to wide price fluctuations depending upon market conditions over which nobody has a control. Moreover, every economy has to pass through a cycle- Boom, Recession, Depression and Recovery. The phase of the business cycle affects the market conditions to a larger extent. Market risk is also called
‘nondiversifyable’ risk because one can’t avoid it no matter how many stocks are held in a portfolio.

**Scheme Risks**

There are certain risks inherent in the scheme itself. It all depends upon the nature of the scheme. For instance in a pure growth scheme, risk is greater. It is obvious because if one expects more returns as in the case of a growth scheme, one has to take more risks.

**Investment Risk**

Whether the Mutual Funds makes money in shares or loss is depends upon the investment expertise of the Asset Management Company. If the investment advice goes wrong, the fund has to suffer a lot. The investment expertises of various funds are different and it is reflected on the returns which they offer to investors.

**Company Risk**

The corpus of a mutual fund might have been invested in a company’s shares. If the business of that company suffers any setback, it cannot declare any dividend. It may even go to the extent of winding up its business. Though the mutual fund can withstand such a risk, its income paying capacity is affected.

**Political Risk**

Successive Governments bring with them fancy new economic ideologies and policies. It is often said that many economic decisions are politically motivated. Changes in government bring in the risk of uncertainty which every player in the financial service industry has to face. So mutual funds are no exception to it.
RISK FACTORS VS. RETURN FACTORS

All investments are risky, whether in capital market or financial sector, banking, real estate, bullion, gold, etc. The degree of risk however varies on the basis of the features of the assets, investment instrument, mode of investment etc. Even the so called risk less asset like bank deposit also carries risk to an extent. It is because nowadays return from bank deposits is not enough to accommodate the inflation rate of currency.

As a good investment option, there are many risks as well as return factors present in mutual funds. A good investment option will be fruitful only when there is high return with a lower risk. Risks in an investment option are of two types; systematic risk and unsystematic risk. Systematic risk includes market risk, interest rate risk, inflation risk etc. and the unsystematic risk constitutes business risk, management risk, financial risk etc. The quality of an investment option determines the ability for maximum reduction of unsystematic risk. Compared to other investment options available, mutual funds are the only option where the maximum risk reduction is possible by ‘risk management by diversification’. Even though the risk factor is reduced in mutual funds, the risk-return capacity of mutual fund schemes vary according to its composition of the corpus of the fund. i.e., depends on the type of securities in which the fund invested. It can be presented in the following chart (chart 3.2)
GROWTH OF MUTUAL FUNDS IN INDIA

Though the mutual funds have been very popular in advanced countries for past many decades, the mutual funds got its importance and real growth in the last decade. The savings rate in India is one of the highest in the world which is touched a new high at 28.1% of GDP during 2003-'04 and a part of this savings is channelised through mutual funds which are expected to increase in the coming years. The share of savings invested in mutual funds is a mere 1% of total household savings according to the statistics published by RBI in its annual report 2003-'04 were as it is 25% in US from were the concept of mutual funds is said to have taken off.

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank. Gradually the doors of mutual fund industry is opened in 1987 for the
public sector and in 1993 to the private sector. These steps help to accelerate the growth of mutual fund industry in India with greater competitiveness, flexibility and efficiency.

Investment in mutual funds has seen healthy growth in the last few years, especially with the entry of private international mutual fund houses in India. With the entry of private sector funds in 1993, a new era started in the mutual fund industry, giving the Indian investors a wide choice of funds. Some of these investment companies are sponsored by pure Indian born like Reliance and Tata. Some are Indian subsidiaries of multinational like Franklin Templeton, HSBC etc. There are many reasons which attract foreign investment companies to our country like strong economic growth, favourable demographics, better market regulations, good corporate governance and better growth prospects etc. This made India an exciting mutual fund market to many global giants. It is evident from the recent launch of a global giant ‘Fidelity Investments’ in India, which is managing an asset of over US$ 1.2 trillion globally.

The mutual fund industry in India is a fast growing investment avenue these days. The style and structure of mutual funds in India has changed a lot in the last decade on the basis of consumer preferences and investment style. Today more and more new investors are coming to this area of investment with new visions. As the income from other traditional sources decreased, the search for new profitable investment avenues attracted people to the world of mutual funds. The amazing results made by the equity market in the last two or three years was also a catalyst in trying mutual funds. The actual growth of mutual funds in India is reflected the following chart 3.3

80
According to the data mutual funds have invested more than $3.2 billion (Rs.13,921 crore) in Indian equities in the current calendar year 2005 (January-October). This is the highest ever invested by mutual funds in any given calendar year. Also, the $3.2 billion investment is nearly 30 times higher than the previous highest investments of $110 million (Rs.483 crore) by mutual funds, which was during the calendar year 2003.

Another important fact is that now mutual funds are now acting as stabilizing agents in the equity market, supporting the market at every fall. For instance, mutual funds have pumped in $700 million (Rs.3000 crore) in the Indian equity market in October 2005, when Foreign Institutional Investors (FIIs) were selling Indian equities. In October, FIIs were net sellers in equities to the tune of $840 million (Rs.3,700 crore). Mutual funds buying has thus nearly matched the selling by FIIs. Other domestic institutions such as LIC and other private insurance companies are also witnessing huge retail inflows, especially in their Unit Linked Insurance Plans (ULIPs). Another trend, which has tremendous potential, is that small retail investors have started allocating a large portion of their household savings towards equities. And since they do not have the potential to invest directly in equity markets,
they rely on financial products of domestic institutions such as unit schemes and unit linked insurance policies, among others.

The growth in the domestic financial industry is a significant achievement as it indicates that the small retail investors are now venturing out of risk-free assured returns investments and pumping money into equity related products. One of the major reasons may be on account of the declining returns from risk-free assured schemes.

In this steady growth of mutual funds, the investment strategy followed by the AMCs and the preference of the actual investor also has changed. It is evident from the following tables in which the first table describes the pattern of mutual fund schemes on 1st August 1994 and the second counts the pattern on July 31st 2005. Here if the total schemes available in 1994 were 139, it has increased to 460 in 2005. The interesting thing here is the change in the proportion of the close-end and open-end schemes available. If the open-end schemes available in 1994 was 12, its is 414 in 2005 and close-end schemes shifted from 127 to 46 in 2005.

Table: 3.1

<table>
<thead>
<tr>
<th>Pattern of Mutual Fund Schemes in India</th>
</tr>
</thead>
<tbody>
<tr>
<td>as on 1st August 1994</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type</th>
<th>Open End</th>
<th>Close End</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>2</td>
<td>26</td>
<td>28</td>
</tr>
<tr>
<td>Growth</td>
<td>1</td>
<td>37</td>
<td>38</td>
</tr>
<tr>
<td>Balanced</td>
<td>5</td>
<td>27</td>
<td>32</td>
</tr>
<tr>
<td>Tax Planning</td>
<td>-</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Others</td>
<td>4</td>
<td>-</td>
<td>04</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12</strong></td>
<td><strong>127</strong></td>
<td><strong>139</strong></td>
</tr>
</tbody>
</table>

*Source: AMFI Website*
Table: 3.2

**Pattern of Mutual Fund Schemes in India as on July 31st 2005**

<table>
<thead>
<tr>
<th>Type</th>
<th>Open End</th>
<th>Close End</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>130</td>
<td>33</td>
<td>163</td>
</tr>
<tr>
<td>Growth</td>
<td>159</td>
<td>1</td>
<td>160</td>
</tr>
<tr>
<td>Balanced</td>
<td>34</td>
<td>1</td>
<td>35</td>
</tr>
<tr>
<td>Liquid / Money Market</td>
<td>40</td>
<td>-</td>
<td>40</td>
</tr>
<tr>
<td>Gilt</td>
<td>30</td>
<td>-</td>
<td>30</td>
</tr>
<tr>
<td>ELSS</td>
<td>21</td>
<td>11</td>
<td>32</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>414</strong></td>
<td><strong>46</strong></td>
<td><strong>460</strong></td>
</tr>
</tbody>
</table>

*Source: AMFI Website*

Now let us have a look on the total investments possessed by different mutual funds as on 31st July 2005 with different classification of fund houses according to their type of constitution of Asset Management Companies.

Table: 3.3

**ASSETS UNDER MANAGEMENT AS ON JULY 31, 2005**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Asset Management Company</th>
<th>Asset Under Management (Rs. In Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>BANK SPONSORED</td>
<td></td>
</tr>
<tr>
<td>(i)</td>
<td>Joint Ventures - Predominantly Indian</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>SBI Funds Management Ltd.</td>
<td>7186</td>
</tr>
<tr>
<td></td>
<td><strong>Total A (i)</strong></td>
<td><strong>7186</strong></td>
</tr>
<tr>
<td></td>
<td>OTHERS</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>BOB Asset Management Co. Ltd.</td>
<td>169</td>
</tr>
<tr>
<td>2</td>
<td>Canbank Investment Management Services Ltd.</td>
<td>1695</td>
</tr>
<tr>
<td>3</td>
<td>UTI Asset Management Company Pvt. Ltd.</td>
<td>22778</td>
</tr>
<tr>
<td></td>
<td><strong>Total A (ii)</strong></td>
<td><strong>24642</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total A (i + ii)</strong></td>
<td><strong>31828</strong></td>
</tr>
<tr>
<td>B</td>
<td>INSTITUTIONS</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>GIC Asset Management Co. Ltd.</td>
<td>128</td>
</tr>
<tr>
<td>2</td>
<td>Jeevan Bima Sahayog Asset Management Co. Ltd.</td>
<td>2987</td>
</tr>
<tr>
<td></td>
<td><strong>Total B</strong></td>
<td><strong>3115</strong></td>
</tr>
<tr>
<td></td>
<td>PRIVATE SECTOR</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---------------------------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td></td>
<td>(i) INDIAN</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Benchmark Asset Management Co. Pvt. Ltd.</td>
<td>1724</td>
</tr>
<tr>
<td>2</td>
<td>Cholamandalam Asset Management Co. Ltd.</td>
<td>1103</td>
</tr>
<tr>
<td>3</td>
<td>Credit Capital Asset Management Co. Ltd.</td>
<td>191</td>
</tr>
<tr>
<td>4</td>
<td>Escorts Asset Management Ltd.</td>
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<td>5</td>
<td>J.M. Financial Asset Management Pvt. Ltd.</td>
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<tr>
<td>6</td>
<td>Kotak Mahindra Asset Management Co. Ltd.</td>
<td>7231</td>
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<tr>
<td>7</td>
<td>Reliance Capital Asset Management Ltd.</td>
<td>13136</td>
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<tr>
<td>8</td>
<td>Sahara Asset Management Co. Pvt. Ltd.</td>
<td>420</td>
</tr>
<tr>
<td>9</td>
<td>Sundaram Asset Management Company Ltd.</td>
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<td>10</td>
<td>Tata Asset Management Private Ltd.</td>
<td>9129</td>
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<tr>
<td></td>
<td><strong>Total C (i)</strong></td>
<td><strong>39141</strong></td>
</tr>
<tr>
<td></td>
<td>(ii) JOINT VENTURES - PREDOMINANTLY INDIAN</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Birla Sun Life Asset Management Co. Ltd.</td>
<td>10812</td>
</tr>
<tr>
<td>2</td>
<td>DSP Merrill Lynch Fund Managers Ltd.</td>
<td>6421</td>
</tr>
<tr>
<td>3</td>
<td>HDFC Asset Management Co. Ltd.</td>
<td>16590</td>
</tr>
<tr>
<td></td>
<td><strong>Total C (ii)</strong></td>
<td><strong>33823</strong></td>
</tr>
<tr>
<td></td>
<td>(iii) JOINT VENTURES - PREDOMINANTLY FOREIGN</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>ABN AMRO Asset Management Co.Ltd.</td>
<td>1981</td>
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<td>2</td>
<td>Alliance Capital Asset Management (India) Pvt. Ltd.</td>
<td>1400</td>
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<td>3</td>
<td>Deutsche Asset Management (India) Pvt. Ltd.</td>
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<tr>
<td>4</td>
<td>Fidelity Fund Management Private Ltd.</td>
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<td>5</td>
<td>Franklin Templeton Asset Management (India) Pvt. Ltd.</td>
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<tr>
<td>6</td>
<td>HSBC Asset Management (India) Private Ltd.</td>
<td>7327</td>
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<tr>
<td>7</td>
<td>ING Investment Management (India) Pvt. Ltd.</td>
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<td>8</td>
<td>Morgan Stanley Investment Management Pvt. Ltd.</td>
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<td>9</td>
<td>Principal Pnb Asset Management Co.Pvt.Ltd.</td>
<td>6542</td>
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<tr>
<td>10</td>
<td>Prudential ICICI Asset Management Co. Ltd.</td>
<td>17915</td>
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<tr>
<td>11</td>
<td>Standard Chartered Asset Mgmt Co. Pvt. Ltd.</td>
<td>7914</td>
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<tr>
<td></td>
<td><strong>Total C (iii)</strong></td>
<td><strong>68011</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total C (i + ii +iii)</strong></td>
<td><strong>140975</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Total (A + B + C)</strong></td>
<td><strong>175918</strong></td>
</tr>
</tbody>
</table>

*Source: AMFI Website*
MUTUAL FUND VS. OTHER INVESTMENT AVENUES

When we consider mutual funds with other investment options available nowadays, it looks more preferable than others because of many reasons. The first one is the dynamic investment facility it offers to the small investors. Without indulging in the worries and difficulties of the capital market a small investor can reap the benefits out of it with the help of professionals and a less risk factor by diversification tools. This is the main speciality that no other investment option can offer.

The restrictions are quite low in mutual fund investment compared to other options and at the same time it offers a lot of convenience also. A lot of schemes are available with Funds and one can select different schemes according to his risk taking capacity and resource to invest. The different options are ranging from monthly income, tax planning, short term & long term plan, equity oriented & debt oriented, sector specific, pension funds, mid-cap & large-cap and even schemes with insurance cover. In a scheme itself different options are available like dividend & growth options, SIP (Systematic Investment Plan), SWP (Systematic Withdrawal Plan), Trigger option etc. Mutual fund industry in India is highly regulated these days. It is evident from the different restrictions and policies adopted by SEBI in case of late trading, restriction on sharing initial expenses for the entire life a fund etc. These measures increased the investor confidence at large.

Even though mutual fund is a good investment avenue as compared to others, there are certain factors which are taken into consider at the time of selecting a fund. Some of the important points among them are;

Past Performance and Per share Table

An important data available in the offer document is the per share table of different funds which provides net income arise per unit [(income from investment + capital gains) - expenses]. It provides data over the past 10 years or the fund's life whichever is shorter. Even though past performance gives us a general idea about a specific fund, it is not always
true. It is because the past performance may or may not be sustained in future. For instance in the case of 'Industry Specific Schemes', the profitability of investing in a specific industry may fluctuate deeply because of the factors like increase in the cost of raw materials, new Govt. policies, changing scenario in the global market etc. Thus the assessment of future returns on the basis of past performance numbers needs to be carefully evaluated. The most practical way to compare the performance of different funds is to consult publications that regularly supply performance numbers. In India 'Mutual Fund Insight' is a magazine which provides a 'Score Card' which evaluates Different Funds available in India.

**Expense Ratio**

In an offer document, the expense ratio of each and every scheme will also be mentioned. It is an important factor we should keep in mind at the time of selecting a fund. Expense ratio of a fund is nothing but total annual expenses expressed as a percentage of fund’s average corpus through the year. SEBI has prescribed limits on maximum expenses that can be charged as a proportion of its average asset size. At present it is 2.5% for equity oriented schemes. Any cost in excess of these limits is passed on to the MF Company. Expenses for a fund could broadly be classified as Initial Launching Expenses and Recurring Expenses. While the former includes all the expenses related to the initial launch of the scheme, the latter include recurring expenses like investment management fees, marketing fees and broker’s commission, custodian and trustee fees, costs related to investor communication and so on. SEBI prescribes that a maximum of 1.25 % investment management fees could be charged to equity oriented funds while 1 % is applicable for debt oriented funds.

**Size of a Fund and its schemes**

A fund’s size is another important factor to be considered. Large funds often perform well compared with small ones. The organizations that run
large funds are generally prestigious and they are having the capacity to employ best portfolio managers and analysts. It also enjoys the economies of large scale and thus can expect a lower expense ratio. If the size of a scheme is small, it is possible that the large portion of the scheme is held by a particular individual or group, which could adversely affect the NAV of the scheme if they withdraw from the scheme. Recently SEBI introduced a new rule which stipulates that MF schemes should have a minimum 20 investors with no investor holding more than 20% of the scheme’s corpus.

Extra Charges and Loads

Some MF schemes are charged with Entry load, Exit load or with both. It is the extra charge the investor bears at the time purchasing or selling of MF units. One can compare these extra burdens with similar schemes offered by other MF Companies. Remember- ‘the returns after cost is important than simply costs.

Customer Service

Good customer service is an important factor related with a MF Company. MF Business is basically a customer service industry were it provides different investment options to them. Good customer relations will definitely buildup investor confidence. A MF Company should provide adequate information and materials to the investors. It was expected that they would provide a detailed investment pattern of their various investment schemes. They would also have frequent and continuing communications with the unit holders. Unfortunately in India, most of the funds are not able to send even quarterly reports to its customers.

Diversification of Investments

It is the basic fact related with any investment is that diversify it as much as you can. Then the risk on your hard earned money will be lower and lower. It is based on the maxim ‘Not to lay all eggs in one basket’. Try to
keep your money in different schemes and in different MF Companies. This is because no one MF or its scheme can be strong in all investment asset classes or styles. Further every MF and its scheme have some weakness or cost inefficiencies.

**Taxation**

Some schemes offer tax rebate to the investors under specific provisions of the Indian Income Tax Laws. At the time of selecting different MF schemes, a person can make future calculations on his taxable income.

**Periodic Appraisal**

Our work has not completed because once we invested our money in some of the good schemes. A periodical appraisal of performance only keeps our investment active. We can make these appraisals with an appropriate benchmark which is suitable.

**Know the Management**

The performance of a mutual fund scheme is highly dependent upon its fund manager. Therefore, it is important to not only know about the fund manager but also to review his performance against a benchmark. Unfortunately, in India we do not have a fund manager performance tracking mechanism like those available in advanced countries. This would enable an investor to compare the performance of a fund manager even when the fund manager changes or move from one mutual fund house or scheme to another. Another factor to consider is the accessibility to the MF manager. ie, how easy is it to communicate with the fund manager. Additionally, ensure that the management style of the fund manager matches with the investment objectives of the scheme.
This chapter mainly deals with the different types of funds available in India. With different types available, some of the popular schemes available in that specific sector are also taken into consideration for the evaluation. This gives a general idea relating to the funds available for the investment for a retail investor. The ‘Risk’ and ‘Return’ factors affecting a mutual fund investment is mentioned in the second section. A good knowledge about the actual risk and return factors of investments always increase the confidence level of an investor. In the third section the growth of mutual fund sector in India is discussed. The real growth of mutual funds in the recent past is a good indicator of the development of Indian financial sector. Nowadays the Indian mutual fund sector is moving to its maturity stage. It is evident from the fact that during the bull-run in the past years, wherever the indices showed downward trends, the domestic mutual funds acted as the stabilizing agent to save the indices from further falls. Finally at the end of the chapter, the mutual fund investment is compared with other investment options available and its advantages over the other investments are discussed.
REFERENCE

2. AMFI Website (www.amfiindia.com)