A Study on the Performance of Mutual Fund in India

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Abstract: An investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus. In this paper, our aim is to study about Mutual Fund and Performance of Mutual Fund In India. Mutual funds may invest in many kinds of securities. The types of securities that a particular fund may invest in are set forth in the fund's prospectus, a legal document which describes the fund's investment objective, investment approach and permitted investments.

I. INTRODUCTION

The first mutual funds were established in Europe. One researcher credits a Dutch merchant with creating the first mutual fund in 1774.

Mutual funds were introduced to the United States in the 1890s, and they became popular in the 1920s. These early funds were generally closed-end funds with a fixed number of shares that often traded at prices above the portfolio value.

The first open-end mutual fund, called the Massachusetts Investors Trust (now part of the MFS family of funds), with redeemable shares was established on March 21, 1924. However, closed-end funds remained more popular than open-end funds throughout the 1920s. In 1929, open-end funds accounted for only 5% of the industry's $27 billion in total assets.

Mutual funds are not taxed on their income and profits as long as they comply with requirements. Specifically, they must diversify their investments, limit ownership of voting securities, distribute most of their income (dividends, interest, and capital gains net of losses) to their investors annually, and earn most of the income by investing in securities and currencies. Mutual funds are pooled investment vehicles actively managed either by professional fund managers or passively tracked by an index or industry. The funds are generally well diversified to offset potential losses. They offer an attractive way for savings to be managed in a passive manner without paying high fees or requiring constant attention from individual investors. There is an exception: net losses incurred by a mutual fund are not distributed or passed through to fund investors but are retained by the fund to be able to offset future gains.

Each fund has a predetermined investment objective that tailors the fund's assets, regions of investments and investment strategies. At the fundamental level, there are three varieties of mutual funds:

1) Equity funds (stocks)
2) Fixed-income funds (bonds)
3) Money market funds

II. OBJECTIVES

The main reasons behind studying this topic are:

- To examine the trends in the terms of growth of Mutual Fund in india
- To evaluate financial performance of selected mutual funds in india

III. METHODOLOGY

I have judiciously the points like Risk Vs Return and age of fund to shortlist the good mutual funds (Large Cap). Ratios to measure risk of a mutual fund: A good Mutual Fund ideally should have Low Standard Deviation, High Alpha, Low Beta and High Sharpe Ratio.

IV. MUTUAL FUND IN INDIA AND ITS PERFORMANCE

The first introduction of a mutual fund in India occurred in 1963, when the Government of India launched Unit Trust of India (UTI). Until 1987, UTI enjoyed a monopoly in the Indian mutual fund market. Then a host of other government-controlled Indian financial companies came up with their own funds. These included State Bank of India, Canara Bank, and Punjab National Bank. This market was made open to private players in 1993, as a result of the historic constitutional amendments brought forward by the then Congress-led government under the existing regime of Liberalization, Privatization and Globalization (LPG). The first private sector fund to operate in India was Kothari Pioneer, which later merged with Franklin Templeton. SEBI is the regulator of mutual funds. In 1996, SEBI formulated the Mutual Fund Regulation which is a comprehensive regulatory framework. Income from MFs could take two forms—dividends and capital gains.
A ‘good mutual fund scheme’ is one that consistently manages to outperform the Category it belongs to and also its Benchmark.

A recent report on Mutual Fund Investments in India published by research and analytics firm, Boston Analytics, suggests investors are holding back from putting their money into mutual funds due to their perceived high risk and a lack of information on how mutual funds work. There are 46 Mutual Funds as of June 2013.

Mutual funds invest in different securities like stocks or fixed income securities, depending upon the fund’s objectives. As a result, different schemes have different risks depending on the underlying portfolio. The value of an investment may decline over a period of time because of economic alterations or other events that affect the overall market.

We are taking a one category of mutual funds (large cap). we have judiciously the points like Risk Vs Return and age of fund to shortlist the good mutual funds (Large Cap).

<table>
<thead>
<tr>
<th>Large Cap</th>
<th>1 yr Return %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franklin India Oppor. (G)</td>
<td>1.8</td>
</tr>
<tr>
<td>SBI Blue Chip Fund (G)</td>
<td>1.5</td>
</tr>
<tr>
<td>IDBI India Top 100 Equity Fund (G)</td>
<td>7.0</td>
</tr>
</tbody>
</table>

Above tables shows these Mutual funds (large cap) are performing well in India 2015.

V. ADVANTAGE AND DISADVANTAGE OF MUTUAL FUNDS

Mutual funds have advantages:

- Daily liquidity
- Dividend Reinvestment
- Government oversight
- Convenience and Fair Pricing
- Professional investment management
- Risk Reduction

Mutual funds have disadvantages:

- Poor Trade Execution
- Less predictable income
- No opportunity to customize
- Tax Inefficiency

VI. CONCLUSION

Investors in a mutual fund pay the fund’s expenses, which reduce the fund’s returns and performance. The success of such SIP Mutual funds is based on picking up top mutual funds portfolio which is suitable for long term investors.

Above we studied about mutual funds and performance of mutual funds in India so we conclude that performance of mutual funds in India is well and top mutual funds in 2015 are ICICI Pru Focussed Blue Chip Fund, HDFC Top-200 Fund, Franklin India Smaller Companies Fund, Reliance Equity Opportunities fund, Franklin India Oppor. (G), IDBI India Top 100 Equity Fund (G), UTI Equity Mutual Fund.

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