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A Study on Portfolio Management through Mutual Fund

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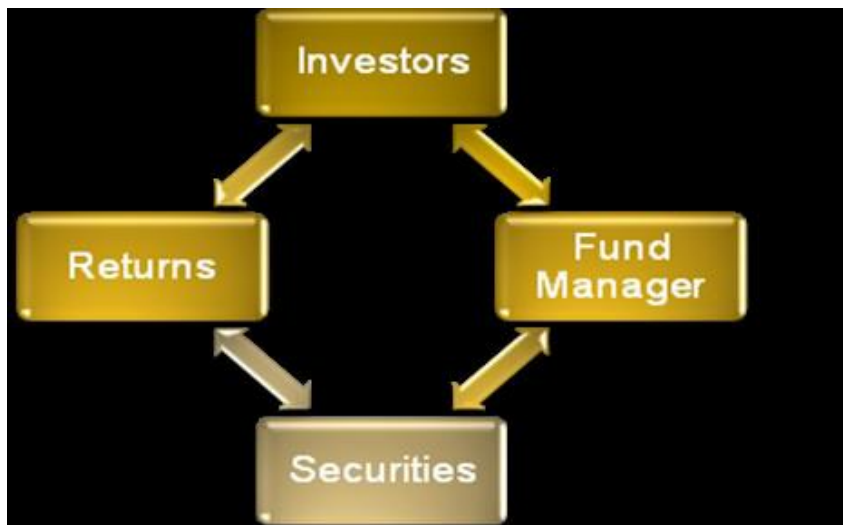
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ABSTRACT: Mutual funds have been a significant source of investment in both government and corporate securities. It has been for decades the monopoly of the state with UTI being the key player, with invested funds exceeding Rs.300 bn. (US\$ 10 bn.). The state-owned insurance companies also hold a portfolio of stocks. Presently, numerous mutual funds exist, including private and foreign companies. Banks – mainly state-owned too have established Mutual Funds (MFs). Foreign participation in mutual funds and asset management companies is permitted on a case by case basis.

I.INTRODUCTION

A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciations realized are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost. The flow chart below describes broadly the working of a mutual fund:



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II.OBJECTIVES OF THE STUDY

Primary objective:

- To study the influence and role of mutual funds in managing a portfolio.
- To analyze the various risk-return characteristics of Mutual funds and attempt to establish a link between the demographics (age, income, employment status etc), risk tolerance of investors.
- To analyze the performance of Top Mutual Funds in India.

Secondary objectives:

- Understanding the various characteristics of different Mutual funds.
- Understanding the Investment pattern of AMC's
- To get additional clients for the company and making them aware about the benefits of mutual funds.
- To come up with recommendations for investors and mutual fund companies in India based on the above study.

III.SCOPE OF THE PROJECT

The project covers the financial instruments mobilizing in the Indian Capital market in particular the Mutual Funds. The mutual funds analyzed for their performance are determined over a period of 5 years fluctuations and returns. The elements taken into consideration for choosing some of the top funds is on the basis of their respective Sharpe, beta, ratio,

The project shelves some of the top asset management companies operating in India, segregated on the basis of their performance over a period of time. Scoping further the project inundates the success ratio of the funds administered by top AMC's.

IV.LIMITATION

A well managed portfolio of various individual scripts which is rare would not help to draw a line of difference between portfolio managed through mutual funds and the former.

The median used to choose the top AMC's and the mutual funds to be analyzed is relative and personalized and need not be accepted industry wide. Inaccessibility to certain information and data relating to the project on account of it being confidential.

Market volatility would affect individual's perception which would rather not be likely the way it is expressed, thus resulting in a very relative data.

V.HISTORY OF MUTUAL FUND

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. The history of mutual funds in India can be broadly divided into four distinct phases.

Phase 1 – (1964 – 1987) - Growth of UTI

UTI sole player in the industry, created by an Act of Parliament ,1963 The first product launched by UTI was Unit Scheme 1964 UTI creates products such as ULIP (1971), MIP's, Children Plans(1986) ,Offshore Funds etc

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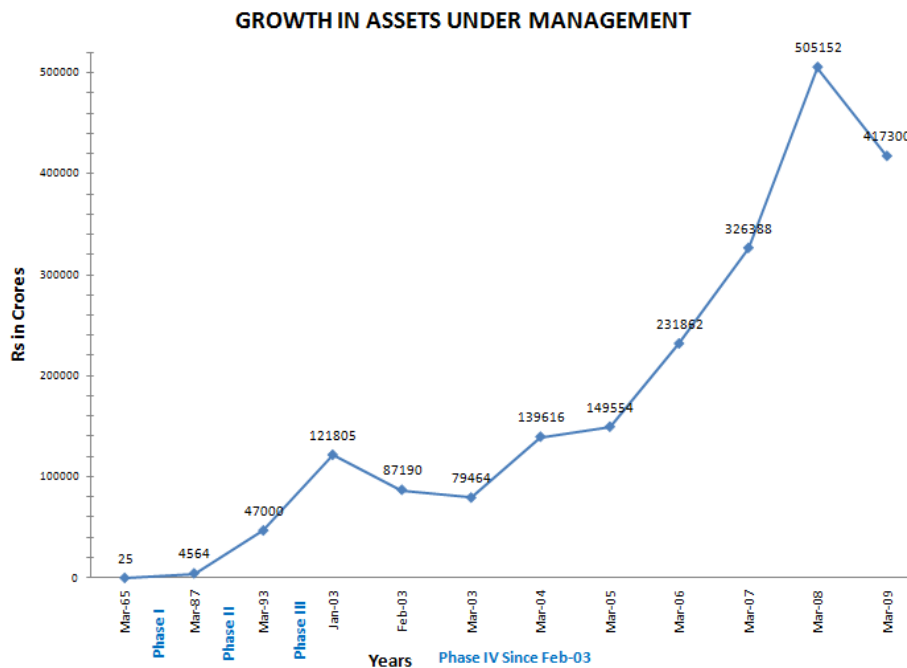
MASTERSHARE (1987) – 1st Diversified Equity Investment Scheme in India INDIA Fund – 1st Indian offshore fund launched in August 1986

Phase 2 – (1987 – 1993)- Entry of Public Sector Funds In 1987 Public Sector Banks and FI's got permission to set up MF. SBI mutual fund was the first non -UTI mutual fund, set up in November 1987 This was followed by Canbank MF, LIC MF, Indian Bank MF, BOI MF, GIC and PNB MF In 1993, Mutual Fund Industry was open to private players SEBI got its regulatory powers in 1992

Phase 3 – (1993-1996) – Emergence of Private Funds In 1993, Mutual Fund Industry was open to private players. SEBI's first set of regulations for the industry formulated in 1993 Significant innovations, mostly initiated by private players .

Phase 4 – (1996-1999) – Growth and SEBI Regulation Implementation of new SEBI regulations led to rapid growth Bank mutual funds were recast as per SEBI guidelines UTI came under voluntary SEBI supervision Dividends made tax free in 1999 Mutual funds assets in mid-2002 were app. 1,00,000 crore During this phase, both SEBI and AMFI launched investor awareness programmers

Phase 5 – (1999-2004) – Emergence of a large and uniform industry UTI Act Repealed in February 2003 AUM by end of 2005 app. INR 1,50,000 crore



Thus a Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is invested by the fund manager in different types of securities depending upon the

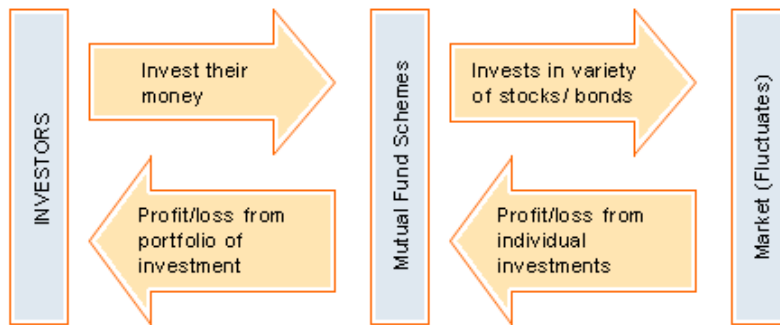
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objective of the scheme. These could range from shares to debentures to money market instruments. The income earned through these investments and the capital appreciation realized by the scheme are shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed portfolio at a relatively low cost. The small savings of all the investors are put together to increase the buying power and hire a professional manager to invest and monitor the money.

Anybody with an investible surplus of as little as a few thousand rupees can invest in Mutual Funds. Each Mutual Fund scheme has a defined investment objective and strategy.



Mutual fund framework

Global Mutual Fund Industry:

The Emergence

It all started when three Boston securities executives pooled their money together in 1924 to create the first mutual fund, they had no idea how popular mutual funds would become.

The idea of pooling money together for investing purposes started in Europe in the mid-1800s. The first pooled fund in the U.S. was created in 1893 for the faculty and staff of Harvard University. On March 21st, 1924 the first official mutual fund was born. It was called the Massachusetts Investors Trust.

After one year, the Massachusetts Investors Trust grew from \$50,000 in assets in 1924 to \$392,000 in assets (with around 200 shareholders). In contrast, there are over 10,000 mutual funds in the U.S. today totaling around \$7 trillion (with approximately 83 million individual investors).

The Setback

The stock market crash of 1929 slowed the growth of mutual funds. In response to the stock market crash, American Congress passed the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require that a fund be registered with the SEC and provide prospective investors with a prospectus. The SEC (U.S. Securities and Exchange Commission) helped create the Investment Company Act of 1940 which provides the guidelines that all funds must comply with today in United States of America.

The Development

With renewed confidence in the stock market, mutual funds began to blossom. By the end of the 1960s there were around 270 funds with \$48 billion in assets. In 1976, John C. Bugle opened the first retail index fund

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called the First Index Investment Trust. It is now called the Vanguard 500 Index fund and in November of 2000 it became the largest mutual fund ever with \$100 billion in Assets.

Present Scenario

Over the years, structural changes in the global economic environment have led to the emergence of a strong market economy and facilitated the growth of the Mutual Funds mutual funds industry. A market economy depends more on growth led by financial market than by bank-finance. Since the mutual funds industry is a strong pillar of the financial market, it got a boost with the emergence of a strong market economy. Mutual funds found increasing acceptance also because they have the capacity to absorb the instability and uncertainties that Characterize the financial market system. The rise in inflation, reduction in real interest rates and growing complexities in the market provided tremendous opportunities to mutual funds. For these reasons, the mutual funds industry began to thrive well in not only the developed countries but also the newly industrialized and developing country, particularly during the 1990s. Mutual fund asset growth was boosted by positive stock market returns in almost all reporting countries and the ongoing net flow of new investments.

Mutual Fund Industry In India

The Origin and development of Mutual funds in India happened in a phased manner. ***The Emergence*** The origin of the Indian mutual fund industry can be traced back to 1964 when the Indian Government, with a view to augment small savings within the country and to channelize these savings to the capital markets, set up the Unit Trust of India (“UTI”). The UTI was setup under a specific statute, the Unit Trust of India Act, 1963. The Unit Trust of India launched its first open-ended equity scheme called Unit 64 in the year 1964, which turned out to be one of the most popular mutual fund schemes in the country. This is the First phase in the history of mutual funds in India.

- UTI Act repealed in 2003
- UTI now does not have a special status. (now under SEBI)
- Size of industry was 1,50,000 crore in 2005
- Merger and Acquisitions happening
- Fidelity, Largest MF has entered India
- At the end of March 2006, there were 29 Funds

VI. RESEARCH METHODOLOGY

Research Methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically and the steps that are generated adopted by a researcher in studying his research problem along with the logic behind them. Research methodology results in using research methods through which solutions are arrived for the problem of research.

Research Design:

Research design is the basis frame work which provides guidelines for whole research. The choice of research design depends on the depth and extend of data required the cost and benefits of the research, the urgency of the work and time available for completing it.

This research is based on descriptive analysis. The research relates to measures the portfolio of mutual funds at Karvy Ltd.

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Sampling Design:

The way of selecting the sample is known as sample design. People with various categories have been clustered together. Among them convenience sampling has been conducted.

Sampling Size:

According to goode and hatte, a sample is a smaller representation of the larger population. The sample size of the study consists of 100 .

Convenient sampling:

This sampling method is used to obtain information quickly and inexpensively. The procedure is simply to contact sampling units that are convenient and to circulate the questionnaire among them. If a quick reaction to a preliminary service concept is desired to determine if it is worthwhile to develop it further, this method is appropriate. A convenient sample is often used to pretest a questionnaire.

VII.SOURCES OF DATA

Both primary and secondary data were collected as a part of the research.

PRIMARY DATA:

The primary data are those which are collected a fresh and for the first time and thus happen to be the original in character. We collect primary data during the courses of doing experiments in a research. We can obtain primary data either through personal interviews. There are various methods such as –

- Observation
- Interview
- Through questionnaire
- Through schedules

In this study the primary data is collected through orderly designed questionnaire from the employees.

SECONDARY DATA:

Secondary data means data that are already available i.e. they refer to the data which have already been collected and analyzed by someone else. He has to look into various sources for obtaining them. Secondary data may be either published data or unpublished. Secondary data about the industry and the reports or journals were collected from the websites.

VIII.DATA PROCESSING

The collected data was edited, coded and tabulated for the purpose of using statistical tools.

STATISTICAL TOOLS USED FOR ANALYSIS:

The findings have been analyzed using.

- Percentage analysis
- Weighted average analysis

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PERCENTAGE ANALYSIS:

This is a univariate analysis (i.e. considering just one factor) where the percentage of a particular factor with different categories are calculated, in order to help one get a fair idea regarding a sample and thereby that of population.

FORMULA:

Percentage = (no of response/total no of response)*100

The ease and simplicity of calculation the general understanding of its purpose and the near universal applicability of the percentage have made it most widely used statistical tool.

WEIGHTED AVERAGE ANALYSIS:

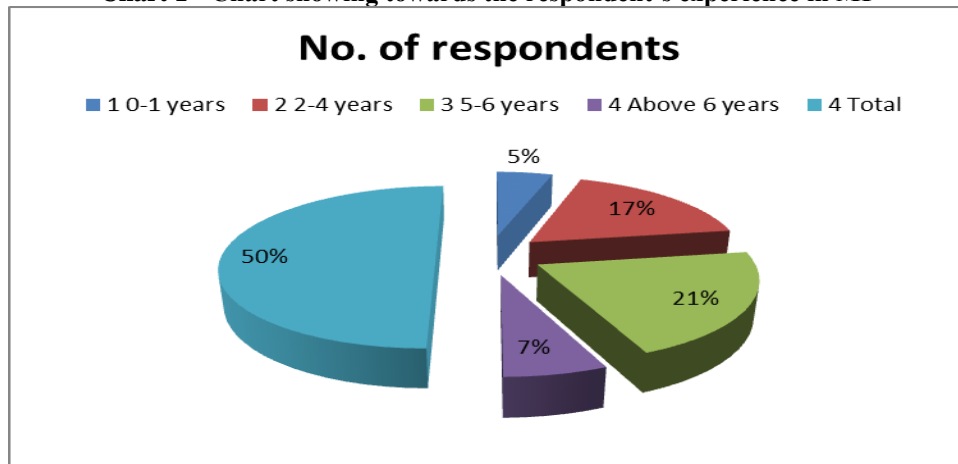
This is an analysis where weights are assigned to factors and finally the weighted mean of all the factors are found and ranked accordingly.

DATA ANALYSIS AND INTERPRETATION

Table 1: Table showing towards the respondent’s experience in MF

Sl. No.	Particulars	No. of respondents	Percentage
1	0-1 years	10	10
2	2-4 years	35	35
3	5-6 years	42	42
4	Above 6 years	13	13
	Total	100	100

Chart 1 - Chart showing towards the respondent’s experience in MF



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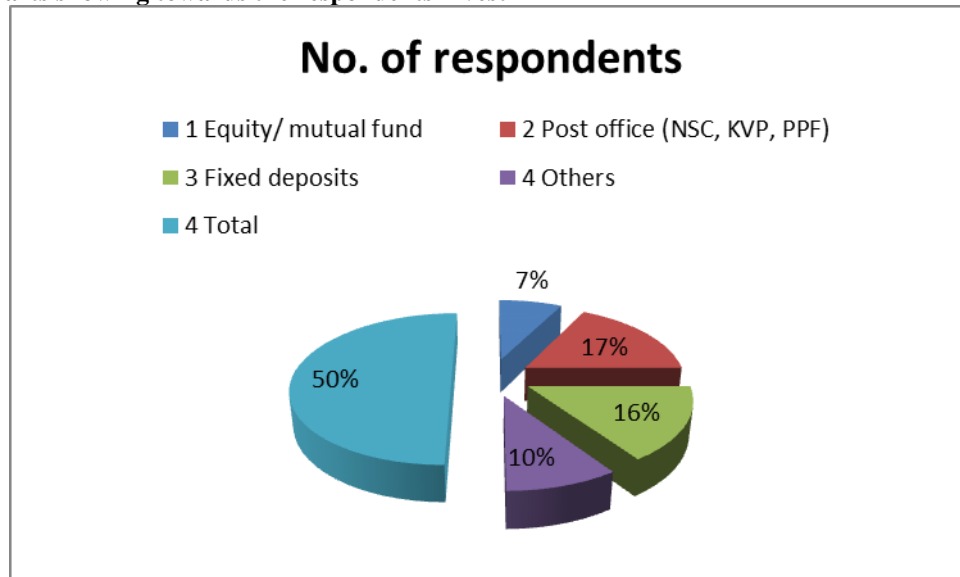
Interpretation: -

Maximum 42% of the respondents are having the experience of 5-6 years, 35% of the respondents are having the experience of 2-4 years, only 13% of the respondents having experience of above 6 years.

Table 2: Table showing towards the respondents invest in MF

Sl. No.	Particulars	No. of respondents	Percentage
1	Equity/ mutual fund	15	15
2	Post office (NSC, KVP, PPF)	35	35
3	Fixed deposits	31	31
4	Others	19	19
	Total	100	100

Chart 2: Charts showing towards the respondents invest in MF



Interpretation: -

Maximum 35% of the respondents are aware of the post office investments, 31% of the respondents are aware of this investment, only 15% of the respondents are aware of the investments.

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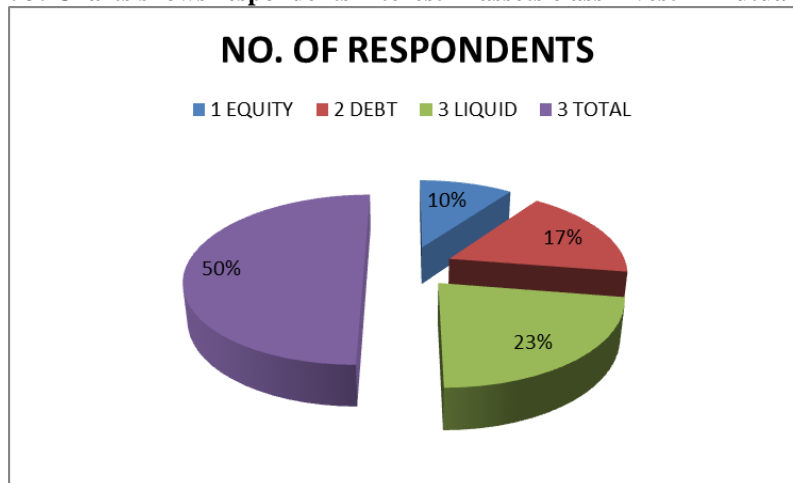
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Table 3: table shows respondents interest in assets class invest in mutual funds

SL. NO.	PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
1	EQUITY	20	20
2	DEBT	35	35
3	LIQUID	45	45
	TOTAL	100	100

Chart 3: Charts shows respondents interest in assets class invest in mutual funds



Interpretation: -

Maximum 45% of the respondents are agree to invest in liquid class, 35% of them are agree to invest in debt class, only 20% of the respondents are agree to invest in the equity class.

Table 4: Table showing towards the interest of investors invest in stock brokerage house.

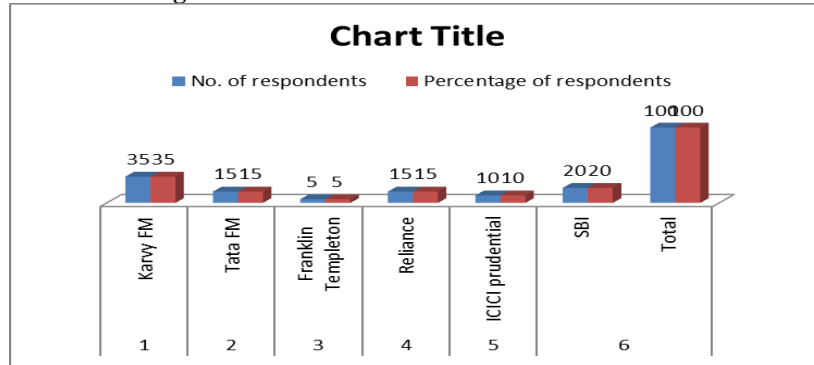
Sl.no	particular	No. of respondents	Percentage of respondents
1	Karvy FM	35	35
2	Tata FM	15	15
3	Franklin Templeton	5	5
4	Reliance	15	15
5	ICICI prudential	10	10
6	SBI	20	20
	Total	100	100

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Chart 4: Chart showing towards the interest of investors invest in stock brokerage house



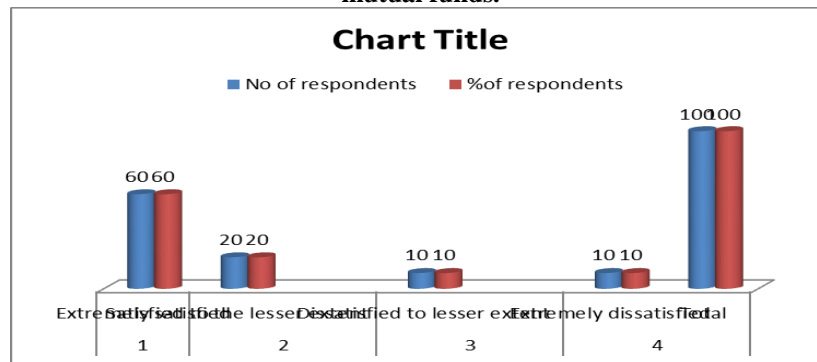
Interpretation: -

35% Of respondents are interested to invest in Karvy mutual funds.

Table 5: Table showing the respondents are satisfied with the services offered by karvy Ltd. Regarding mutual funds.

Sl.no	Particular	No of respondents	%of respondents
1	Extremely satisfied	60	60
2	Satisfied to the lesser extent	20	20
3	Dissatisfied to lesser extent	10	10
4	Extremely dissatisfied	10	10
	Total	100	100

Chart 5: Chart showing the respondents are satisfied with the services offered by karvy Ltd. Regarding mutual funds.



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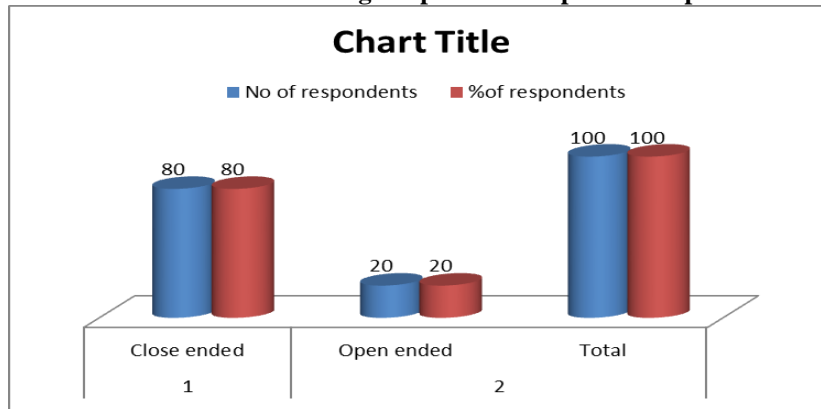
Interpretation: -

Most of the respondents are satisfied with the services offered by karvy Ltd. Regarding mutual funds.

Table 6: Table showing the prefer of respondents option.

Sl.no	Particular	No of respondents	%of respondents
1	Close ended	80	80
2	Open ended	20	20
	Total	100	100

Chart 6: Chart showing the prefer of respondents option



Interpretation: -

80% of the respondents are close ended option would prefer.

Table 7: Table showing the schemes of the Karvy Mutual Funds.

Sl.no	Particular	No of respondents	%of respondents
1	Equity	38	38
2	Capital builder	15	15
3	Prudence fund	12	12
4	Tax saver	10	10
5	Core & Satellite	5	5
6	Top 200 fund	8	8
7	Balance fund	5	5
8	Growth	7	7

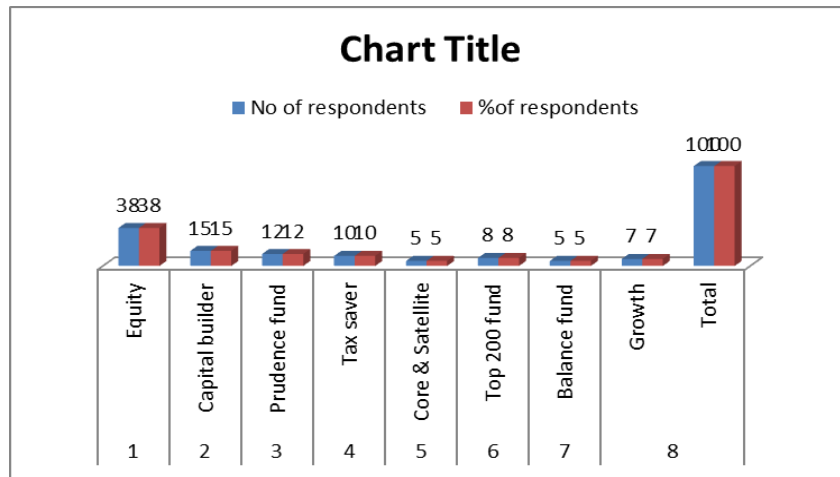
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	Total	100	100
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Chart 7: Chart showing the schemes of the Karvy Mutual Funds



Interpretation: -

Most of the respondents are the interested to invest Equity in Karvy MUTUAL FUND.

Table 8: Table showing the investment needs of the respondents.

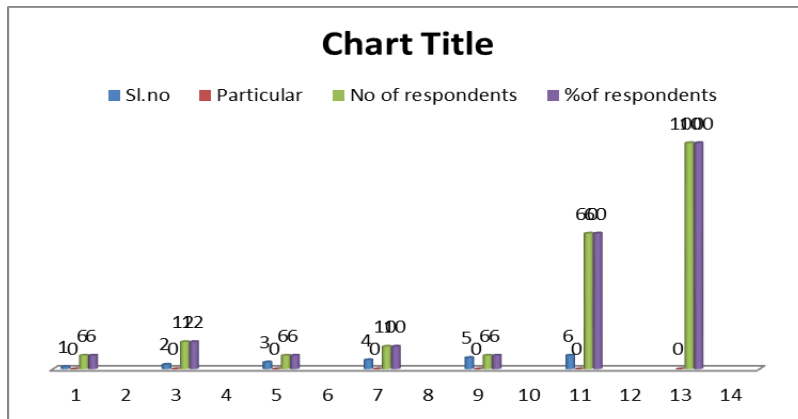
Sl.no	Particular	No of respondents	% of respondents
1	To build a corpus for retirement	6	6
2	To save for children education/ marriage	12	12
3	To provide for medical emergencies	6	6
4	To provide for family financial security	10	10
5	To create wealth	6	6
6	All of the above	60	60
	Total	100	100

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Chart 8: Chart showing the investment needs of the respondents



Interpretation: -

60% of the respondents are having the investment needs as all of the above, 12% of the respondents are needy of the saving for children education/ marriage.

Table 9: Table showing the interest of investors in Karvy mutual fund.

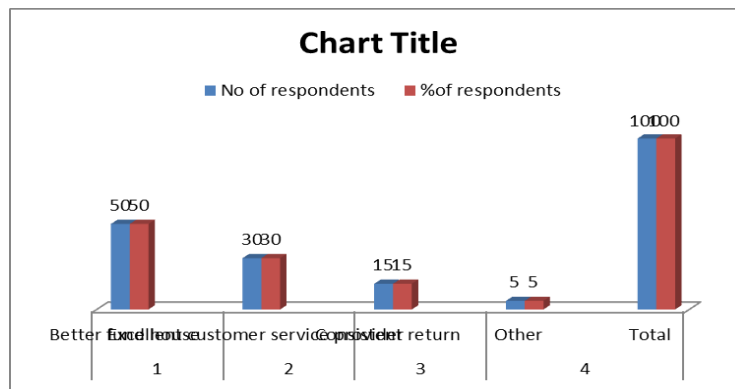
Sl.no	Particular	No of respondents	% of respondents
1	Better fund house	50	50
2	Excellent customer service provider	30	30
3	Consistent return	15	15
4	Other	5	5
	Total	100	100

Chart 9: Chart showing the interest of investors in Karvy mutual fund

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Interpretation:-

50% Of respondents are prefer to invest in Karvy Mutual Fund.

Findings :

These were my objectives of my project Understanding the different ratios & portfolios so as to tell the distributors about these. Terms, by this, managing the relationship with the distributors.

- To know the mutual funds performance levels in the present market
- To analyze the comparative study between other leading mutual funds in the present market.
- To know the awareness of mutual funds among different groups of investors.
- To evaluate consumer feedback on mutual funds Finding out ways and means to improve on the services by karvy ltd.
- Complete insight knowledge about the mutual funds were mentioned in the project.
- Different ratios with complete graphical representation were explained in the project.
- To know the performance levels of the project I have done the comparative analysis of the project using the four major leading mutual fund companies using different parameters.
- To know the consumer awareness I have done the survey using different customers so as to analyse the views about the mutual funds and perception of the customer in the present scenario.
- To evaluate the ways and means to improve karvy ltd.

SUGGESTIONS:

Suggestion for Investors:

- Try to save as much as your budget allows, as more saving leads to more investment that will grow into bigger capital base.
- Plan your investment over a longer period of time, keeping in mind your age, your financial targets, your level of risk aversion your saving pattern and your investment objectives.
- Invest more in stock funds but do keep a reasonable part of your investment in liquid securities as money market funds, short term bonds etc so as to meet any contingent situation.
- Do not invest in highly volatile funds.
- Think before you invest. Do collect and analyze enough information about the funds you plan to invest in.
- Do not confuse yourself by spreading your investment too wide but reasonable diversification of investment is a must also.

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- Periodically keep reviewing objectives of your investment and try to keep your assets in balance.
- Lastly, maintain proper record of your transactions.

Suggestions for KARVY

As reported in the study, karvy try to improve upon their weak areas regarding the factors that influence advisors decision making as regards choice of working for mutual fund industry, the facilities or options they expect from an AMC or distribution house, the criteria they generally believe to be the best is amount of brokerage passed to them.KARVY should extend full support to the advisors in terms of:

- Investment advisory service
- Giving them the best amount of brokerage and gifts for motivation.
- Ensuring full disclosure of relevant and correct information.
- To introduce new products for their customers n partners

IX.CONCLUSION

This report is prepared to get the ideas of mutual fund and various schemes of Karvy. The general concept of the market study will help the different individuals to invest in different investment tools as per their appetite. Through research study, it is very much visualized the present market trend opted by the selected number of people and their perception regarding Mutual Fund. Hence, from this report I conclude that people are more keen to invest in Mutual

Fund due to the stability and getting more diversified options.

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