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MUTUAL FUNDS – AN AVENUE TO INVESTORS

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ABSTRACT

Mutual funds have become one of the most attractive ways for the average person to invest their surplus money. A mutual fund pools resources from thousands of investors and then diversifies its investment into many different holdings such as stocks, bonds, or government securities in order to provide high relative safety and returns.

Though not FDIC insured like banks, mutual funds generally provide more return than the current one to two percent obtainable through banks while still being one of the safest ways to grow investors‟ money. There are an endless variety of mutual fund investment choices depending on the degree of risk.

Most of the funds also offer retirement plan choices such as SEP, Traditional IRA, and Roth IRA. Things to investigate before invest in a mutual fund are how long the fund has been in existence, average annual rate of return, the tenure of the fund managers, investment objectives, type of companies the fund invested in, and costs the fund charges.

This paper explores the various types of mutual funds with its various features, pros and cons of different schemes and evaluation of mutual fund investments. This will help to the investors in many ways like, selection process to determine long and short term investment needs.

INTRODUCTION

A mutual fund is a pool of money, collected from investors, and is invested according to certain investment objectives. A mutual fund is created when investors put their money together. It is therefore a pool of the investor‟s funds. The most important characteristic of a mutual fund is that the contributors and the beneficiaries of the fund are the same class of people. The term mutual means that investors contribute to the pool, and also benefit from the pool. There are no other claimants to the funds. The pool of funds held mutually by investors is the mutual fund.

A mutual fund‟s business is to invest the funds thus collected, according to the wishes of the investors who created the pool. In many markets these wishes are articulated as "investment mandates". Usually, the investors appoint professional investment managers, to manage their funds. The same objective is achieved when professional investment managers create a "product", and offer it for investment to the investor. This product represents a share in the pool, and pre-states investment objectives.

ADVANTAGES OF MUTUAL FUNDS TO THE INVESTORS

a) Portfolio diversification
b) Professional management
c) Reduction in risk
d) Reduced transaction costs
e) Liquidity
f) Convenience and flexibility

a. **Portfolio diversification :**By offering ready made diversified portfolios, mutual funds enable investors to hold diversified portfolios. Though investors can create their own diversified portfolios, the costs of creating and monitoring such portfolios can be high, apart from the fact that investors may lack the professional expertise to manage such a portfolio.

b. **Professional management:** Mutual funds are managed by investment managers (Asset management companies or AMCs) who are appointed by trustees and bound by the investment management agreement, on the how‟s and whys of their investment management functions. Investment managers and funds are also bound by the AMFI code of ethics, which foster professional standards in the industry.

c. **Reduction of risk :**Mutual funds invest in a portfolio of securities. This means that all funds are not invested in the same investment avenue. It is well known that risk and returns of various investment options do not move uniformly or in sympathy with one another. If the equity market is moving down, the debt markets may be moving up. Therefore, holding a portfolio that is diversified across investment avenues is a wise way to manage risk. When such a portfolio is liquid and marked to market, it enables investors to continuously evaluate the portfolio and manage their risks more efficiently.

d. **Reduced transaction costs :**Mutual funds provide the investor the benefit of economies of scale, by virtue of their size. Though the individual investor‟s contribution may be small, the mutual fund itself is large enough to be able to reduce costs in its transactions. These benefits are passed on to the investors.

e. **Liquidity :**Most of the funds being sold today are open-ended. That is , investors can sell their existing units, or buy new units, at any point of time, at prices that are related to the to the NAV of the fund on the date of the transaction. This enables investors to enjoy a high level of liquidity on their investments.

TYPES OF MUTUAL FUNDS

Mutual funds can offer further generic choices to the investors in terms of:
a. Nature of participation: Open or closed end funds
b. Nature of income distribution: Dividend; growth; re-investment of dividends. Investors can also chose from varying periodicity for distribution of dividends- daily, weekly, monthly, quarterly or annual.
Open-ended funds: There are two ways in which investor participation in a mutual fund can be structured. In an open- ended fund, investors can buy and sell units of the fund, at NAV related prices, at any time, directly from the fund. This is called an open- ended fund.
Closed end funds: A closed end fund is open for sale to investors for a specific period, after which further sales are closed. The following are the types offered by mutual funds:

1. Equity funds
2. Debt funds
3. Balanced funds

1. Equity Funds: Equity funds are those that invest pre- dominantly in equity shares of companies. There are a variety of ways in which an equity portfolio can be created for investors. There are thus the following choices in equity funds:

a. Simple Equity Funds
b. Primary market funds
c. Sectoral funds
d. Index funds
e. Other equity funds

a. Simple equity funds: These funds invest a pre- dominant portion of the funds mobilized in equity and equity related products. In most cases about 80-90% of their investments are in equity shares. These funds have freedom to invest both in primary and secondary markets for equity.

b. Primary market funds The primary market funds invest in equity shares, but do so only when a primary market offering available. The focus is on capturing the opportunity to buy those companies, which issue their primary markets, either through a public offer or through private placements.

c. Sectoral funds: Sectoral funds choose to invest in one or more chosen sectors of the equity markets. These sectors could vary depending on the investor preference and the return-risk attributes of the sector.

d. Index funds: In a simple equity fund, the fund manager has the mandate to create an investment portfolio of equity shares, according to his understanding of the valuations and returns in the equity markets. The portfolio in this case, can be composed from the universe of equity shares available to the manager.

e. Other variations in equity funds: Equity funds can also be created to invest in equity shares of companies with specific attributes. PSU funds which specialize in investing only in PSU stocks; there is a top 200 funds, which invests in companies within the universe of the top 200 equity stocks; there is a select equity fund, which invests from the universe of stocks comprising the A group companies of the Bombay stock exchange; and there is a 30- stock fund that limits the number of stocks in its portfolio to 30 stocks. All these products try to define a sub- set of the equity market, in terms of size and other attributes, and tend to focus on that segment.

2. Debt Funds : Debt funds are those that pre-dominantly invest in debt securities. Since most debt securities pay periodic interest to investors, these funds are also known as income funds.

However, it must be remembered that funds investing in debt products can also offer a growth option to their investors.

a. **Liquid funds and Money market funds:** These debt funds invest only in instruments with maturities less than a year. The investment portfolio is very liquid, and enables investors to hold their investments for very short horizons of a day or more. The fund pre- dominantly invests in money market instruments and provides investors the returns that are available on these instruments. In some cases, the funds also provide investors with cheque writing facility (only self-cheques), as an additional facility for liquidity.

b. **Gilt funds:** A gilt fund invests only in securities that are issued by the government, and therefore does not carry any credit risk. These funds invest in short and long-term securities issued by the government. These funds are preferred by institutional investors who have to invest only in government paper. These funds also enable retail investors to participate in the market for government securities, which is otherwise a large-ticket wholesale market.

c. **Simple debt funds:** These funds invest in a portfolio of debt securities chosen from the universe of debt securities indicated above. The fund manager has the freedom to choose from the universe of debt securities; government and others, as well as long and short term.

d. **Sect oral debt funds:** These funds invest in a pre-specified subset of the debt markets. For example, there are debt funds that would invest only in AAA rated debt securities issued by the corporate sector.

e. **Serial plans or fixed term plans:** This is variation to the simple debt fund, where the objective is to match the holding period horizon of the investor, with the maturity of the investment. A variety of serial plans that enable investors to choose from 14 days to 5 years are available. The investment portfolio can be made up either purely of government debt that matures on a date that matches the horizon of the plan, of combination debt securities.

3. BALANCED FUNDS: Funds that invest both in debt and equity markets are called balanced funds. A typical balanced fund would be almost equally invested in both the markets.

The variations are funds that invest pre-dominantly in equity (about 70%) and keep a smaller part of their portfolios in debt securities. These funds seek to enhance the income potential of their equity component, by bringing in debt. Similarly there are pre-dominantly debt funds (over 70% in debt securities), which invest in equity, to provide some growth potential to their funds. A balanced fund also tends to provide investors exposure to both equity and debt markets in a one product. Therefore the benefits of diversification get further enhanced, as equity and debt markets have different risk and return profiles.

Tax Saving Schemes : These schemes offer tax rebates to the investors under specific provisions of the Income Tax Act, 1961 as the Government offers tax incentives for investment in specified avenues. e.g. Equity Linked Savings Schemes (ELSS). Pension schemes launched by the mutual funds also offer tax benefits. These schemes are growth oriented and invest pre-dominantly in equities. Their growth opportunities and risks associated are like any equity-oriented scheme.

ORIGIN AND GROWTH OF MUTUAL FUNDS IN INDIA

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. 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, brought many private players from domestic and foreign countries. Hence, the history and growth of mutual funds in India can be broadly divided into five distinct phases.

i) **Phase – I (1963-1987) :**The Unit Trust of India was the sole player in the industry. Created by an act of parliament in 1963, UTI launched its first product, the Unit Scheme 1964, which is even today the single largest mutual fund scheme. UTI created a number of products such as monthly income plans, children‟s plans, equity-oriented schemes and offshore funds during this period. UTI managed assets of Rs 6,700 crore at the end of this phase.

ii) **Phase – II (1987-1993):** In 1987 public sector banks and financial institutions entered the mutual fund industry. SBI mutual fund was the first non- UTI fund to be set up in 1987. Significant shift of investors from deposits to mutual fund industry happened during this period. Most funds were growth-oriented closed-ended funds. By the end of this period, assets under UTI‟s management grew to Rs. 38,247 crore.

iii) **Phase – III (1993-1996):** In 1993, the mutual fund industry was open to private sector players, both India and foreign. SEBI‟s first set of regulations for the industry were formulated in 1993, and substantially revised in 1996. Significant innovations in servicing, product design and information disclosure happened in this phase, mostly initiated by private sector players.

iv) **Phase – IV *(*1996-1999):** The implementation of the new SEBI regulations and the restructuring of the mutual fund industry led to rapid asset growth. Bank mutual funds sere re-cast according to the SEBI recommended structure, and UTI came under voluntary SEBI supervision.

v) **Phase – V (1999-2004):** This phase was marked by very rapid growth in the industry, and significant increase in market shares of private sector players. Assets crossed rS1,00,000 crore. The tax break offered to mutual funds in 1999 created arbitrage opportunities for a number of institutional players. Bond funds and liquid funds registered the highest growth in this period, accounting for nearly 60% of the assets. UTI‟s share of the industry dropped to nearly 50%.

CONTRIBUTION OF MUTUAL FUNDS TO THE ECONOMY

Mutual Funds play an important role in the development of the financial system. First, they pool the resources of small investors together, increasing their participation in financial markets, which helps both inclusion and the efficient functioning of markets themselves, as a result of larger volumes. Second, Mutual Funds, being institutional investors, can invest in market analysis generally not available or accessible to individual investors, thereby providing services based on informed decisions to small investors. Decisions made on the basis of deeper understanding of risks and returns contribute to financial stability, besides helping to mitigate market risk for this group of investors. Third, transparency in investment strategies and outcomes, though typically mandated by regulators, is relatively easy to deliver on, so that investors can find out exactly where they stand with regard to their investments at any point of time.

Hypotheses

The hypothesis of the present study includes:

$H_{o:}$ There is no significant difference in the gross mobilization of fund between the companies and years.

H_o: There is no significant difference in the redemption of mutual funds between the companies and years.

H_o: There is no significant difference in the net flows in mutual funds between the companies and years

SOURCE OF DATA

The study is mainly based on secondary data. The data analyzed and interpreted in this study related to all companies are collected from the website of Security Exchange Board of India.

TOOLS USED

The statistical tools play a vital role in analyzing the data and drawing inferences there from. In order to derive the results from the information collected through secondary data, various statistical tools such as mean, standard deviation, Co – efficient of variation, Compound Annual Growth Rate, regression and F test have been accomplished through EXCEL and SPSS software.

ANALYSIS AND DISCUSSION

The table 1 clearly indicates that, the resource mobilization by mutual fund industry from the year 2000 to 2012. The resources mobilized have a constant increasing trend in all the years. The corporate sector gains the advantage of mobilized resources for its growth and expansion which are directly attributed to the economic growth of the country.

Table 1: **Gross Resource Mobilisation by Mutual Funds (**Rs. in **crore)**

Year	Private Sector	Trend Values	Public sector	Trend Values	UTI	Trend Values	Total	Trend Values
2003	75,009	-11,84,732	5,535	-1,35,385	12,413	-2,18,748	92,957	-15,38,865
2004	1,47,798	-4,74,308	12,082	-55,002	4,643	-1,14,192	1,64,523	-6,43,501
2005	2,84,096	2,36,117	23,515	25,382	7,096	-9,635	3,14,706	2,51,864
2006	5,34,649	9,46,542	31,548	1,05,765	23,992	94,921	5,90,190	11,47,228
2007	7,36,463	16,56,967	56,589	1,86,149	46,656	1,99,477	8,39,708	20,42,593
2008	9,14,703	23,67,391	1,10,319	2,66,532	73,127	3,04,033	10,98,149	29,37,957
2009	15,99,873	30,77,816	1,96,340	3,46,916	1,42,280	4,08,590	19,38,493	38,33,322
2010	37,80,753	37,88,241	3,46,126	4,27,299	3,37,498	5,13,146	44,64,377	47,28,686
2011	42,92,751	44,98,666	7,10,472	5,07,683	4,23,131	6,17,702	54,26,353	56,24,051
2012	76,98,483	52,09,090	8,81,851	5,88,066	14,38,688	7,22,258	1,00,19,023	65,19,415
2013	69,22,924	59,19,515	7,83,858	6,68,450	11,52,733	8,26,815	88,59,515	74,14,780
2014	56,83,744	66,29,940	5,22,453	7,48,833	6,13,482	9,31,371	68,19,679	83,10,144
Total	3,26,71,246	3,26,71,246	36,80,688	36,80,688	42,75,739	42,75,739	4,06,27,673	4,06,27,673
%	80.4		9.1		10.5		100.0	
AVG	27,22,604		3,06,724		3,56,312		33,85,639	
SD	28,22,025		3,32,527		4,83,641		36,10,050	
CV	1.04		1.08		1.36		1.07	
CAGR	43.43		46.08		38.41		43.04	

Source: SEBI

ANOVA: F.Value (Between the years) – 0.62 *(Critical value* 4.96*); F.Value(Between the companies) –*12.96*** (Critical value* 2.98*); Significant at 0.05 level;*

The table 1 reveals the gross mobilization of funds through mutual funds by the private sector, public sector and UTI. The resource mobilisation done by private sector, public sectors and UTI showed an increasing trend during the study period. The average of the gross mobilisation of funds also very high and the standard deviation of all the three sectors shows there is a heavy fluctuation during the study period. This attributed with noticeable growth in the funds mobilized during the study period. The CV of UTI recorded higher than the other two sectors, it shows UTI had a heavy fluctuation in funds mobilisation during the study period. The CAGR of public sector recorded very high (46.08%), followed by private sector with 43.43 percentage. It shows public sector have recorded higher growth than the other two sectors during the study period. The total fund mobilised through various mutual fund companies have the compound annual growth rate of 43.04 percentage during the study period.

ANOVA reveals that the gross mobilisation of funds between years is insignificant between the years, because the calculated value of „F"(0.62) is lesser than the table value of „F"(4.96), hence the null hypothesis is accepted, while there are significant differences in the gross mobilisation of funds between companies during the study period, because the calculated value of „F"(12.96) is greater than the table value of „F"(2.98) at 5% level of significance and the null hypothesis is rejected.

Table 2: **Redemption of Mutual Funds (**Rs. in **crore)**

Year	Redemption*							
	Private Sector	**Trend Values**	**Public sector**	**Trend Values**	**UTI**	**Trend Values**	**Total**	**Trend Values**
2003	65,160	-12,16,537	6,580	-1,38,262	12,090	**-2,16,965**	83,829	-15,71,764
2004	1,34,748	-5,05,279	10,673	-57,836	11,927	-1,12,657	1,57,348	-6,75,773
2005	2,72,026	2,05,978	21,954	22,589	16,530	-8,349	3,10,510	2,20,218
2006	4,92,105	9,17,236	28,951	1,03,015	22,326	95,958	5,43,381	11,16,209
2007	7,28,864	16,28,494	59,266	1,83,441	49,378	2,00,266	8,37,508	20,12,200
2008	8,71,727	23,39,752	1,03,940	2,63,866	69,704	3,04,574	10,45,370	29,08,191
2009	15,20,836	30,51,009	1,88,719	3,44,292	1,34,954	4,08,881	18,44,508	38,04,183
2010	36,47,449	37,62,267	3,35,448	4,24,718	3,27,678	5,13,189	43,10,575	47,00,174
2011	43,26,768	44,73,525	7,01,092	5,05,144	4,26,790	6,17,497	54,54,650	55,96,165
2012	76,43,555	51,84,783	8,66,198	5,85,569	14,26,189	7,21,804	99,35,942	64,92,156
2013	69,42,140	58,96,041	8,00,494	6,65,995	11,66,288	8,26,112	89,08,921	73,88,147
2014	56,99,189	66,07,298	5,25,637	7,46,421	6,16,877	9,30,420	68,41,702	82,84,138
Total	3,23,44,567	3,23,44,567	36,48,952	36,48,952	42,80,731	42,80,731	4,02,74,244	4,02,74,244
%	80.3		9.1		10.6		100.0	
Avg	26,95,381		3,04,079		3,56,728		33,56,187	
SD	28,26,571		3,32,111		4,82,778		36,14,201	
CV	1.05		1.09		1.35		1.08	
CAGR	45.15		44.06		38.78		44.32	

Source: SEBI ** Includes repurchases as well as redemption.*

ANOVA: F.Value (Between the years) – 0.71 *(Critical value* 4.96*); F.Value (Between the companies) –*13.22 *(Critical value* 2.98*); Significant at 0.05 level;*

The table 2 exhibits that the redemption of mutual funds during the study period having a heavy fluctuation during the study period. The private sector having highest standard deviation of 28, 26,571, it shows the private sector had a heavy fluctuation in the redemption of mutual funds during the study period. The CAGR of private sector ensures that it having the higher rate of redemption during the study period.

ANOVA reveals that the redemption of mutual funds between years is insignificant, because the calculated value of „F"(0.71) is less than the table value of „F"(4.96), hence the null hypothesis is accepted, but there are significant differences in the redemption of mutualfunds between companies, because the calculated value of „F‟(13.22) is greater than the table value of „F‟(2.98) during the study period and the null hypothesis is rejected.

Table 3: Gross Resource Mobilisation by Mutual Funds (Rs. in **crore)**

Year	Net Inflow							
	Private Sector	**Trend Values**	**Public sector**	**Trend Values**	**UTI**	**Trend Values**	**Total**	**Trend Values**
2003	9,850	31,806	-1,045	2,877	323	-1,783	9,128	32,899
2004	13,050	30,973	1,409	2,835	-7,284	-1,534	7,175	32,272
2005	12,069	30,139	1,561	2,792	-9,434	-1,286	4,196	31,646
2006	42,545	29,306	2,597	2,750	1,667	-1,037	46,808	31,019
2007	7,600	28,473	-2,677	2,708	-2,722	-789	2,200	30,392
2008	42,977	27,640	6,379	2,666	3,424	-540	52,779	29,766
2009	79,038	26,807	7,621	2,623	7,326	-291	93,985	29,139
2010	1,33,304	25,974	10,677	2,581	9,820	-43	1,53,802	28,512
2011	-34,018	25,141	9,380	2,539	-3,658	206	-28,296	27,886
2012	54,928	24,308	15,653	2,497	12,499	455	83,080	27,259
2013	-19,215	23,474	-16,636	2,455	-13,555	703	-49,406	26,632
2014	-15,446	22,641	-3,184	2,412	-3,394	952	-22,024	26,006
Total	3,26,682	3,26,682	31,735	31,735	-4,988	-4,988	3,53,427	3,53,427
Percentage	92.4		9.0		-1.4		100.0	
Average	27,224		2,645		-416		29,452	
SD	46,743		8,357		7,845		58,653	
CV	1.72		3.16		-18.87		1.99	
CAGR	NA		9.73		NA		NA	

Source: SEBI

ANOVA: F.Value (Between the years) – 4.99 *(Critical value* 4.96*); F.Value (Between the companies) –*9.81 *(Critical value* 2.98*); Significant at 0.05 level;*

Table 3 shows that the net inflows of mutual funds showed a fluctuating trend during the study period. Private sector‟s net inflows are higher (92.4%) than the other players of mutual funds. the public sector having positive Compound Annual Growth Rate during the study period when other players showing negative. The total net inflow from the mutual funds recorded higher standard deviation describes the inconsistent growth in the net inflows during the study period.

ANOVA indicates that, the difference in the net inflows of mutual funds between the years is significant because the calculated value of „F" (4.99) is greater than the table value of „F" (4.96) at 5 % level of significance. Hence the null hypothesis is rejected. While the net inflows of mutual funds between the companies is significant because the calculated value of „F" (9.81) is greater than the table value of „F" (2.98) at 5 % level of significance and the null hypothesis is rejected.

Table 4: **PROJECTIONS FOR FUND MOBILISATION, REDEMPTION, NET INFLOWS AND ASSETS OF THE MUTUAL FUND COMPANIES** ***(Rs.*** *in* ***Crores)***

Year	Gross Mobilisation				Redemption*				Net Inflow				Assets at the End of Period
	Private Sector	Public sector	UTI	Total	Private Sector	Public sector	UTI	Total	Private Sector	Public sector	UTI	Total	
2014 - 15	73,40,365	8,29,217	10,35,927	92,05,509	73,18,556	8,26,846	10,34,727	91,80,129	21,808	2,370	1,200	25,379	6,84,936
2015 – 16	80,50,789	9,09,600	11,40,483	1,01,00,873	80,29,814	9,07,272	11,39,035	1,00,76,121	20,975	2,328	1,449	24,752	7,40,775
2016 - 17	87,61,214	9,89,984	12,45,040	1,09,96,238	87,41,072	9,87,698	12,43,343	1,09,72,112	20,142	2,286	1,698	24,126	7,96,615
2017 - 18	94,71,639	10,70,367	13,49,596	1,18,91,602	94,52,330	10,68,124	13,47,650	1,18,68,103	19,309	2,244	1,946	23,499	8,52,454
2018 - 19	1,01,82,064	11,50,751	14,54,152	1,27,86,967	1,01,63,587	11,48,549	14,51,958	1,27,64,094	18,476	2,201	2,195	22,872	9,08,294
2019 - 20	1,08,92,488	12,31,134	15,58,708	1,36,82,331	1,08,74,845	12,28,975	15,56,266	1,36,60,085	17,643	2,159	2,444	22,246	9,64,133
2021 - 22	1,16,02,913	13,11,518	16,63,265	1,45,77,696	1,15,86,103	13,09,401	16,60,573	1,45,56,076	16,810	2,117	2,692	21,619	10,19,973
2022 - 23	1,23,13,338	13,91,901	17,67,821	1,54,73,061	1,22,97,361	13,89,826	17,64,881	1,54,52,067	15,976	2,075	2,941	20,993	10,75,812

Source: Computed

* Includes repurchases as well as redemption.
Notes: 1. Erstwhile UTI has been divided into UTI Mutual Fund (registered with SEBI) and the Specified Undertaking of UTI (not registered with SEBI). Above data contain information only of UTI Mutual Fund.

3. Data in respect of Specified Undertaking of UTI are included upto January 2003. Source: SEBI.

The table 4 shows the projection obtained for gross mobilisations, redemption and net inflows of mutual funds of mutual fund companies by linear growth models for the years 2012 – 13 to 2019 -20. Gross mobilisation from the mutual funds have shown good rate of increasing trend while the redemption of mutual funds are also in the same phase. It shows that, the mutual fund investors will trade their funds frequently to earn better profits from their portfolio. The net inflows from the mutual fund will be decreased gradually in smaller values but the asset at the end of the period under various mutual fund schemes will be increasing. This represents the mutual fund investment will grow in the future.

The performance of a scheme is reflected in its net asset value (NAV) which is disclosed on daily basis in case of open-ended schemes and on weekly basis in case of close-ended schemes. The NAV is nothing but the market price of a particular scheme in relation to all the assets of a scheme. It can otherwise be called the intrinsic value of each unit. The value is the true indicator of the performance of the fund. If Net Asset Value is greater than the Face value of the unit, it indicates that the money invested on that unit has appreciated.

The NAVs of mutual funds are required to be published in newspapers. The NAVs are also available on the web sites of mutual funds. All mutual funds are also required to put their NAVs on the web site of Association of Mutual Funds in India (AMFI) (www.amfiindia.com) and thus the investors can access NAVs of all mutual funds at one place. The mutual funds are also required to send annual report or abridged annual report to the unit holders at the end of the year. Various studies on mutual fund schemes including yields of different schemes are being published by the financial newspapers on a weekly basis. Apart from these, many researchagencies also publish research reports on performance of mutual funds including the ranking of various schemes in terms of their performance. Investors should study these reports and keep themselves informed about the performance of various schemes of different mutual funds.

Investors can compare the performance of their schemes with those of other mutual funds under the same category. They can also compare the performance of equity oriented schemes with the benchmarks like BSE Sensitive Index, S&P CNX Nifty, etc. On the basis of performance of the mutual funds, the investors should decide when to enter or exit from a mutual fund scheme.

CONCLUSION

Different investment avenues are available to investors. Mutual funds also offer good investment opportunities to the investors. Like all investments, they also carry certain risks. The investors should compare the risks and expected yields after adjustment of tax on various instruments while taking investment decisions. The investors may seek advice from experts and consultants including agents and distributors of mutual funds schemes while making investment decisions.

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