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AN ANALYTICAL STUDY OF MUTUAL FUND PERFORMANCE AND ITS IMPACT ON RETAIL INVESTMENT DECISIONS WITH REFERENCE TO HDFC

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ABSTRACT:

Like you, many other people have invested in a mutual fund with the hopes of earning or saving a certain amount of money. If you're not comfortable trading stocks and bonds on an individual basis, a mutual fund may be a good option for you. The time to sell shares is at the discretion of the investor. The mutual fund industry's future prospects, performance, market share, and new developments are the main topics of this study.

Financial instruments, investors, market share, and mutual funds

I. INTRODUCTION:

Mutual fund is an investment company that pools money from shareholders and invests in a variety of securities, such as stocks, bonds and money market instruments. Most open-end Mutual funds (also known as an open-end investment company, to differentiate it from a closedend investment company) continuously offer new shares to investors. Mutual funds invest pooled cash of many investors to meet the fund's stated investment objective. Mutual funds stand ready to sell and redeem their shares at any time at the fund's current net asset value i.e. total fund assets divided by shares outstanding.

In other words, Mutual Funds coalesces different resources through the issuance of units to investors and enables investment of pooled funds in varied securities in lieu of disclosed objectives of offer documents. Security investments are spread across a wide cross-section of industries and sectors and thus the risk is reduced. Diversification reduces the risk because all stocks may not move in the same direction in the same proportion at the same time. Different units are issued to the investors (who are also called as unit holders) by the Mutual Funds as per the money invested by them and hence as per the investment, profits as well as losses are shared amongst them. Now-a-days Mutual Funds offer different schemes with diverse objectives. Before moving towards the market, the Mutual Fund has to be registered with SEBI which scrutinizes it across different facets. Hence, Mutual Fund is an optimum alternative where investors with comparable investment objectives could pool in the money, Investment Manager therefore would invest money in accordance to the scheme objectives.

A Mutual Fund is a body corporate registered with the securities and exchange board of India (SEBI) that pools up the money from individual / corporate investors and invests the same on behalf of the investors/ unit holders, in equity shares, Government securities, Bonds, call money market etc., and distributes the profits. In the other words, a Mutual Fund allows investors to indirectly take a position in a basket of assets.

Mutual Fund is a mechanism for pooling the resources by issuing units to the investors and investing funds in securities in accordance with objectives as disclosed in offer document. Investments in securities are spread among a

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wide cross – section of industries and sectors thus the risk is reduced. Diversification reduces the risk because all stocks may not move in the same direction, in the proportion at same time. Investors of mutual funds are known as Unit Holders.

The investors in proportion to their investments share the profit of losses. The Mutual Funds normally come out with a number of schemes with different investments objectives which are launched from time to time.

OBJECTIVES OF THE STUDY:

1. To print Mutual Fund as the 'productive avenue' for investing activities.
2. To show the wide range of investment options available in Mutual Funds by explaining its various schemes.
3. To compare the schemes based on Sharpe's ratio, Treynor's ratio, b Co-efficient, Returns and show which scheme is best for the investor based on his risk profile.
4. To help an investor make a right choice of investment, while considering the inherent risk factors.
5. To understand the recent trends in Mutual world.

NEED OF THE STUDY:

The project's idea is to project Mutual Fund as a better avenue for investment on a long-term or short-term basis. Mutual Fund is a productive package for a lay-investor with limited finances, this project creates an awareness that the Mutual Fund is a worthy investment practice. The driving force of Mutual Funds is the 'safety of the principal' guaranteed, plus the added advantage of capital appreciation together with the income earned in the form of interested or dividend.

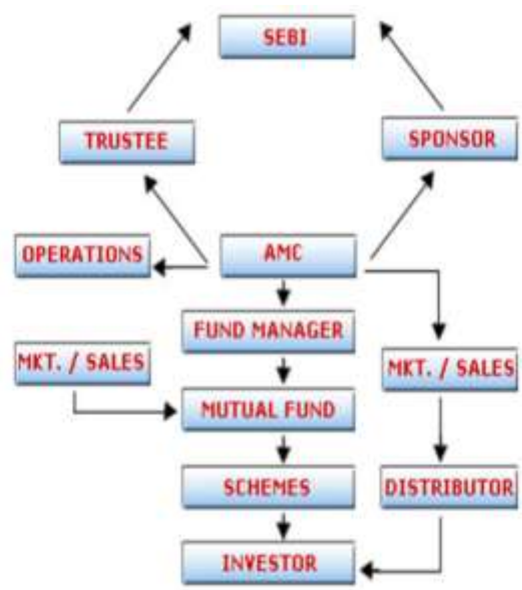
Mutual Fund offers an investor to invest even a small amount of money; each Mutual Fund has a defined investment objective and strategy. Mutual Fund schemes are managed by respective asset managed companies sponsored by financial institutions, banks, private companies or international firms. A Mutual Fund is the ideal investment vehicle for today's complex and modern financial scenario.

SCOPE OF THE STUDY:

The scope of the calculations is growth funds are to know whether the schemes are performing really well, than can be known by looking annualized returns earned by the study that is taken into consideration.

The study here has been limited to analyze open-ended equity schemes of different Asset Management Companies namely Reliance Capital, Franklin Templeton, HDFC Mutual Fund each scheme is analyzed according to its performance against the other, based on factors like Sharpe's Ratio, Treynor's Ratio, β (Beta) co-efficient, Returns. The study covers the randomly selected three companies' growth funds for the period of 4 years.

II. MUTUAL FUND STRUCTURE



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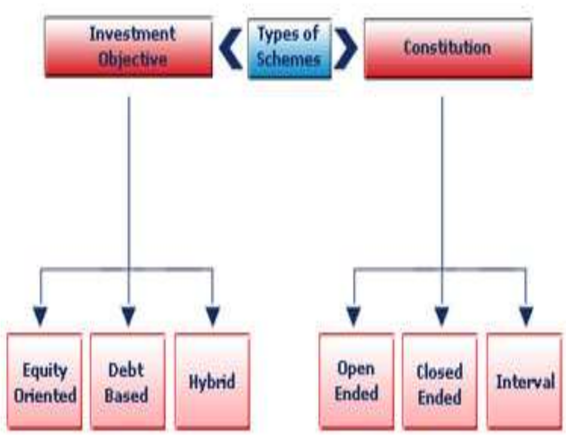
TYPES OF MUTUAL FUND SCHEMES



Wide variety of Mutual Fund Schemes exists to cater to the needs such as financial position, risk tolerance and return expectation etc. Functional classification of mutual funds is based on the basic characteristics of mutual fund schemes opened for the public for subscription. On this account mutual funds are classified into two broad types:

- Open ended mutual funds and
- Closed ended mutual funds.

OPEN ENDED MUTUAL FUNDS:

An open-ended fund (scheme) is characterized by:

Unlimited Capitalization.

No predetermined date of redemption.

Sale & purchase of units at current Net Asset Value (NAV)

No restriction on Entry and Exit.

Purchase of units directly from the funds.

Sale of units directly to the f

The open-ended mutual fund companies place their funds in the Secondary Securities Market. They don't participate in New Issue market. They influence market price of corporate securities.

CLOSED ENDED MUTUAL FUNDS:

A closed-ended fund (scheme) is characterized by:

Constant Capitalization.

Predetermined date of redemption.

Predetermined date of closing subscription.

Frequent lock in period.

Purchase and sale of units at the traded prices at the Stock Exchange.

III. METHODOLOGY OF THE STUDY:

Data collection:

Data is collected from primary and secondary sources the methodology involves randomly selecting open-ended equity schemes of different fund houses of the country. The data collected for this project from two sources, they are

1. **Primary sources:** The information has been collected through the personal interaction with the official of caliber securities pvt. ltd.
2. **Secondary sources:** Collection of data from Internet, Books, Yearly dairies, Annual reports, Magazines.
3. **Analyzing method:** The performance of a particular scheme of a mutual fund is used by Net Asset value (NAV).

IV. CONCLUSION

A combination of factors, including declining interest rates and changes to the country's investment environment, has effectively reduced the number of viable investment opportunities. Investors from all walks of life and with all kinds of diverse goals and priorities may rest certain that

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mutual funds are a sure bet. An investor may only reap the benefits of investing in a fund that fits his needs, as asset management organisations provide a variety of funds with different investment philosophies.

The manager's ability to identify efficient and inefficient securities is crucial for reducing risk in investment. For increased investment capital, the mutual fund should prioritise trusts and other cash-rich private enterprises. When inflation is on the rise, mutual funds become more important. Investing in avenues, which only provide returns sufficient to cover expenses, puts the portfolio at danger of inflation since inflation is now hovering around 5% to 6% and is expected to rise much more. Depending on their goals and needs, investors could benefit more from investing in mutual funds rather than directly in equities, as the latter offers a more robust buffer against this kind of risk. With a return of 29.52 percent, Franklin Templeton is the best performing of the five asset management firms. Secondly, despite beginning with a negative margin, Reliance has achieved an excellent return rate of 28.59 percent. However.

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