A Review on Mutual Funds

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Abstract: - **A mutual fund is a pool of money from numerous investors who wish to save or make money just like you. Investing in a mutual fund can be a lot easier than buying and selling individual stocks and bonds on your own. Investors can sell their shares when they want.**
The Mutual Funds usually invest their funds in equities, bonds, debentures, call money etc., depending on the objectives and terms of scheme floated by MF. Now a days there are MF which even invest in gold or other asset classes. Despite being available in the market less than 10% of Indian households have invested in mutual funds. 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.

Keywords: - Mutual funds, Equity funds, Fixed-income funds, Money market funds.

I. INTRODUCTION

An open-ended fund operated by an investment company which raises money from shareholders and invests in a group of assets, in accordance with a stated set of objectives.

Mutual funds raise money by selling shares of the fund to the public, much like any other type of company can sell stock in itself to the public. Mutual funds then take the money they receive from the sale of their shares (along with any money made from previous investments) and use it to purchase various investment vehicles, such as stocks, bonds and money market instruments. In return for the money they give to the fund when purchasing shares, shareholders receive an equity position in the fund and, in effect, in each of its underlying securities. For most mutual funds, shareholders are free to sell their shares at any time, although the price of a share in a mutual fund will fluctuate daily, depending upon the performance of the securities held by the fund.

These days you are hearing more and more about mutual funds as a means of investment. If you are like most people, you probably have most of your money in a bank savings account and your biggest investment may be your home. Apart from that, investing is probably something you simply do not have the time or knowledge to get involved in. You are not the only one. This is why investing through mutual funds has become such a popular way of investing.

Every Mutual Fund / launches different schemes, each with a specific objective. Investors who share the same objectives invests in that particular Scheme. Each Mutual Fund Scheme is managed by a Fund Manager with the help of his team of professionals (One Fund Manage may be managing more than one scheme also).

Types of mutual funds: - 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

A. Equity funds: - An equity fund is a type of mutual fund or private investment fund that buys ownership in businesses (hence the term: "equity"). Many times, this ownership is in the form of publicly traded common stocks in well-known companies such as Coca-Cola or ExxonMobil. Other times, the ownership is the form of so-called private equity, which is when the equity fund invests in privately held companies that aren't traded on the stock market.

B. Fixed-income funds:- Fixed income investments generally pay a return on a fixed schedule, though the amount of the payments can vary. Individual bonds may be the best known type of fixed income security, but the category also includes bond funds, ETFs, CDs, and money market funds.

C. Money market funds: - A money market fund (also called a money market mutual fund) is an open-ended mutual fund that invests in short-term debt securities such as US Treasury bills and commercial paper. Money market funds are widely (though not necessarily accurately) regarded as being as safe as bank deposits yet providing a higher yield. Regulated in the United States under the Investment Company Act of 1940, money market funds are important providers of liquidity to financial intermediaries.

II. WHY SELECT MUTUAL FUNDS?

Mutual funds are investment vehicles, and you can use them to invest in asset classes such as equities or fixed income. moneycontrol recommends that you use the mutual fund investment route rather than invest yourself, unless you have the required temperament, aptitude and technical knowledge.
In this article we discuss why and how you should choose mutual funds. If you would like to familiarise yourself with the basic concepts and workings of a mutual fund,

Understanding Mutual Funds would be a good place to start.

III. MUTUAL FUNDS IN INDIA

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. In 1996, SEBI formulated the Mutual Fund Regulation which is a comprehensive regulatory framework.

List of Mutual Funds in India

- Axis Asset Management Company Ltd.
- Baroda Pioneer Asset Management Company Ltd
- Birla Sun Life Asset Management Company Ltd
- BNP Paribas Asset Management India Pvt Ltd
- BOI AXA Investment Managers Pvt Ltd
- Canara Robeco Asset Management Company Ltd
- Daiwa Asset Management (India) Pvt Ltd
- Deutsche Asset Management (India) Pvt. Ltd.
- DSP BlackRock Investment Managers Pvt. Ltd.
- Edelweiss Asset Management Ltd
- Escorts Asset Management Ltd
- FIL Fund Management Private Ltd
- Franklin Templeton Asset Management (India) Pvt Ltd.
- Goldman Sachs Asset Management (India) Pvt Ltd.
- HDFC Asset Management Company Ltd
- HSBC Asset Management (India) Pvt. Ltd.
- ICICI Prudential Asset Management Company Ltd
- IDBI Asset Management Ltd.
- IDFC Asset Management Company Ltd
- India Infoline Asset Management Co. Ltd.
- Indiabulls Asset Management Company Ltd.
- ING Investment Management (India) Pvt. Ltd.
- JM Financial Asset Management Pvt Limited
- JPMorgan Asset Management India Pvt. Ltd.
- Kotak Mahindra Asset Management Company Ltd.
- L&T Investment Management Ltd.
- LIC NOMURA Mutual Fund Asset Management Company Ltd.
- Mirae Asset Global Investments (India) Pvt. Ltd.
- Morgan Stanley Investment Management Pvt.Ltd.
- Motilal Oswal Asset Management Company Ltd.
- Peerless Funds Management Co. Ltd.
- Pine Bridge Investments Asset Management Company (India) Pvt. Ltd.
- Pramerica Asset Managers Private Ltd
- Principal PNB Asset Management Co. Pvt. Ltd.
- Quantum Asset Management Company Private Ltd.
- Reliance Capital Asset Management Ltd.
- Religare Asset Management Company Private Ltd.
- Sahara Asset Management Company Private Ltd
- SBI Funds Management Private Ltd.
- Sundaram Asset Management Company Ltd
- Tata Asset Management Ltd
- Taurus Asset Management Company Ltd
- Union KBC Asset Management Company Pvt Ltd
- UTI Asset Management Company Ltd

IV. ADVANTAGE & DISADVANTAGE OF MUTUAL FUNDS

Mutual funds have advantages as well, which include

A. Built-In Diversification

Investing in a diversified portfolio can be very expensive. The nice thing about mutual funds is that they allow anyone to hold a diversified portfolio. The reason why investors invest in a diversified portfolio is because it increases the expected returns while minimizing the risk. Therefore, many see mutual funds as a cost effective way to achieve this.

B. Liquidity

Another nice advantage to mutual funds is that the assets are liquid. In financial jargon, liquidity basically refers to converting your assets to cash with relative ease. Mutual funds are considered liquid assets since there is high demand for many of the funds in the marketplace. Since this is the case, an investor can convert the asset to cash by quickly selling it to another investor.

C. Professional Management

Mutual funds do not require a great deal of time or knowledge from the investor because they are managed by professional fund managers. This can be a big help to an inexperienced investor who is looking to maximize their financial goals.

D. Ease of Comparison

Mutual funds are also convenient because they are easy to compare. This is because many mutual fund dealers allow the investor to compare the funds based on metrics such as level of risk, return and price. Because the information is easily accessible, the investor is able to make wise decisions.

Mutual funds have disadvantages as well, which include

- Fees
- Less control over timing of recognition of gains

- Less predictable income
- No opportunity to customize

V. FUTURE PROSPECTS OF MUTUAL FUNDS IN INDIA

The Indian mutual fund industry is currently going through a rough patch. Not only are the industry's assets under stress, but given the current macro-economic concerns, the survival of many of the relatively small and new fund houses is under doubt. With retail investors becoming more skeptical about the MF industry, the ET Intelligence Group attempts to address their concerns by asking industry veterans to give a fresh perspective on investment prospects, and the growth drivers and factors that are likely to impact mutual funds in India

VI. CONCLUSION

Mutual funds are funds that pool the money of several investors to invest in equity or debt markets. Mutual Funds could be Equity funds, Debt funds or balanced funds.

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