

MUTUAL FUNDS

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Abstract

Mutual funds are financial instruments that pool money from multiple investors to invest in diversified portfolios comprising equities, debt instruments, or a combination of both. Managed by professional fund managers, mutual funds aim to achieve specific financial objectives such as capital appreciation, income generation, or preservation of capital. They provide investors with the advantages of diversification, expert management, liquidity, and access to a wide array of securities that might otherwise be difficult for individual investors to manage on their own. Over the years, mutual funds have gained significant popularity due to their flexible investment options, transparency, and alignment with various risk profiles. This paper analyzes the structure, classification, benefits, associated risks, regulatory framework, and performance evaluation of mutual funds. It also discusses how mutual funds contribute to financial inclusion and investment awareness among retail investors.

Keyword: Mutual Funds, Investment, Diversification, Fund Manager, Risk Management, Portfolio, Equity, Debt, Financial Instruments, Retail Investors, SIP, NAV.

1.INTRODUCTION

A mutual fund is a type of investment vehicle that pools money from many investors to purchase securities such as stocks, bonds, or other assets. The funds are managed by professional portfolio managers who invest the collective funds in a diversified range of financial instruments based on the fund's objectives. The primary goal of a mutual fund is to offer investors an opportunity to gain exposure to a diversified portfolio with relatively lower risk, even with a small initial investment.

Mutual funds have become one of the most popular investment options due to their simplicity, diversification, and professional management. They provide a way for individual investors to access financial markets that may otherwise be out of reach due to capital or expertise limitations. The mutual fund structure allows investors to pool their resources to collectively benefit from economies of scale, professional management, and diversification.

A mutual fund is essentially a trust that holds securities on behalf of investors. When an individual invests in a mutual fund, they buy units of the fund, and these units represent their share of ownership in the overall portfolio. The value of the units (called Net Asset Value or NAV) fluctuates based on the performance of the underlying assets held by the fund.

Mutual funds are managed by asset management companies (AMCs), and the professional managers within these AMCs make decisions about which securities to buy and sell based on the fund's investment objective. Each fund may have a different investment focus, such as:

1. Equity Funds: Focus on investing in stocks or equities.
2. Debt Funds: Invest in fixed-income securities like bonds and treasury bills.
3. Hybrid Funds: Invest in both stocks and bonds to balance risk and return.
4. Index Funds: Invest in the same securities that make up a specific index, such as the Nifty 50 or S&P 500.
5. Sectoral or Thematic Funds: Focus on specific sectors (e.g., technology, healthcare) or themes (e.g., green energy, emerging markets).
- 6.

2. RESEARCH METHODOLOGY

All information related to the topic needs to be carefully scrutinized to avoid the risk of biased analysis. Having once identified which information is relevant and need to be collected, we will have to define how this will be done. The Method employed in the investigation depends on the purpose and scope of the study.

RESEARCH DESIGN

Research design is some statement or specification of procedures for collecting and analyzing the information required for the solution of some specific problem. Here, the exploratory research is used as investigation and is mainly concerned with determining the trends and returns in Mutual Funds and Bank returns.

DATA COLLECTION METHODS

The key for creating useful system is selectivity in collection of data and linking that selectivity to the analysis and decision issue of the action to be taken. The accuracy of collected data is of great significance for drawing correct and valid conclusions from the research.

SOURCES OF INFORMATION

Data available in marketing research are either primary or secondary. Primary Data is not included in this study, only secondary data is taken in to account since, it is a comparative analysis.

SECONDARY DATA

Secondary data can be defined as - "data collected by some one else for purpose other than solving the problem being investigated". Secondary data is collected from external sources which include information from published material of SEBI and some of the information is collected online. The data sources also include various books, magazines, newspapers, websites etc. The organization profile is collected from the Hyderabad Stock Exchange.

3. DATA ANALYSIS

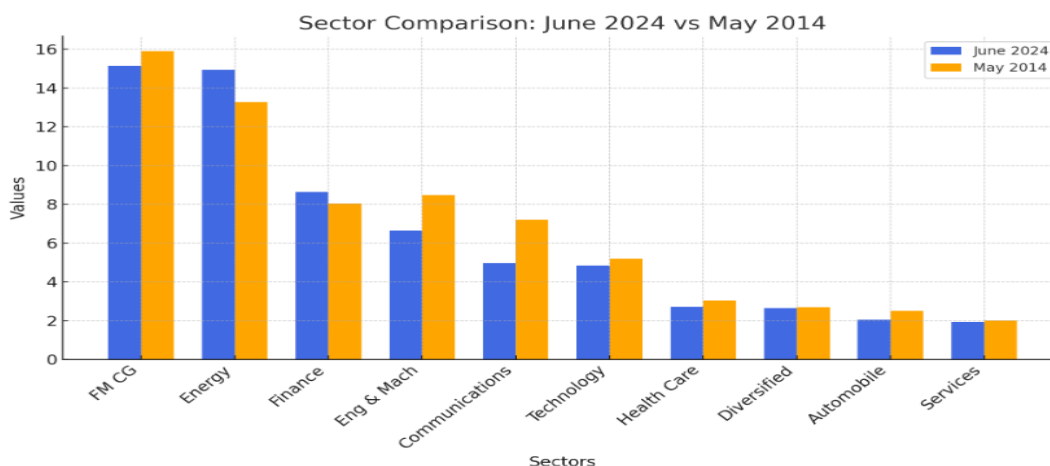
FUND: TATA OPEN-ENDED BALANCED GROWTH FUND

OBJECTIVE: Aims to invest in equity and debt oriented securities so as to give investor balanced returns.

**Table -3.1: PORTFOLIO OF THE FUND
(Selected Only Some Sectors)**

	Sector	June 2024	May 2014
A	FM CG(Fast Moving Consumer Goods)	15.14	15.89
B	Energy	14.94	13.28
C	Finance	8.65	8.05
D	Engineering & industry machinery	6.65	8.47
E	Communications	4.98	7.21
F	Technology	4.85	5.19
G	Health care	2.72	3.05
H	Diversified	2.65	2.69
I	Automobile	2.06	2.52
J	Services	1.94	2.02

Chart – 3.1 TATA OPEN-ENDED BALANCED GROWTH FUND
Sector wise chart



The **TATA** Balanced Fund Portfolio consists of 66.38% Equity holdings, 16.14% Debt, 17.48% Money Market. It is evident from the data that though the investors have risk FFtaking ability, they balanced their investments by investing in Debt also.

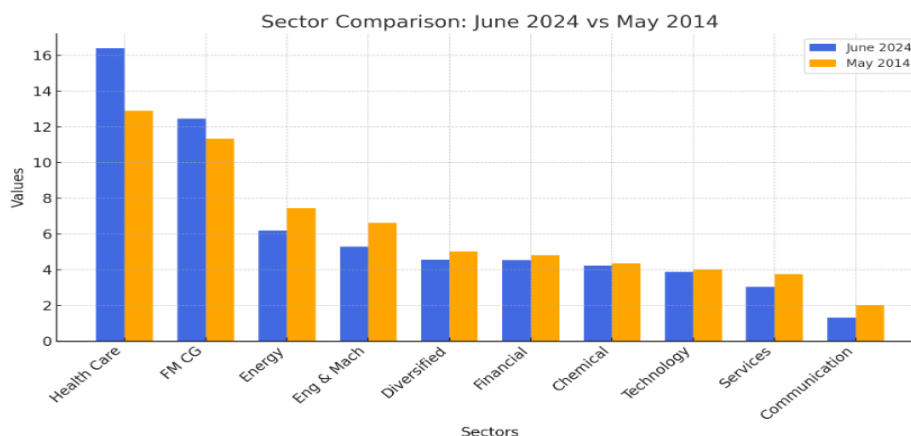
FUND : BIRLA OPEN-ENDED BALANCED GROWTH FUND

OBJECTIVE : The Scheme aims to balance income requirements with growth of capital through balanced mix of investment in equity and debt.

TABLE – 3.2 : PORTFOLIO OF THE FUND

	Sector	June 2024	May 2014
A	Health care	16.39	12.89
B	FM CG(Fast Moving Consumer Goods)	12.45	11.32
C	Energy	6.18	7.44
D	Engineering & industry machinery	5.28	6.61
E	Diversified	4.56	5.02
F	Financial	4.54	4.80
G	Chemical	4.22	4.34
H	Technology	3.86	4.01
I	Services	3.03	3.74
J	Communication	1.31	2.01

Chart 3.2: BIRLA OPEN-ENDED BALANCED GROWTH FUND
Sector_wise



The **BIRLA** Balanced Fund Portfolio consists of 62.24% Equity holdings, 29.36% Debt, 8.40% Money Market. It is evident from the data that though the Investors have risk taking ability, they balanced their investments by investing in Debt also.

PERFORMANCE EVALUATION OF SELECTED FUNDS

NAV_{t-1} = 1st June, 2019

NAV_t = 31st May 2020

1) TATA Open-Ended Balanced growth Fund

NAV _{t-1}	NAV _t	D _t (NAV _t - NAV _{t-1})
60.67	58.60	-2.07

Applying the formula we get-

$$= \frac{-2.07}{60.67} \times 100 = -3.41\%$$

2) BIRLA Open-Ended Balanced growth Fund

NAV _{t-1}	NAV _t	D _t (NAV _t - NAV _{t-1})
31.6	32.29	0.69

Applying the formula we get-

$$= \frac{0.69}{31.6} \times 100 = 2.18\%$$

3) Pru ICICI Open-Ended Balanced growth Fund

NAV _{t-1}	NAV _t	D _t (NAV _t - NAV _{t-1})
37.78	33.83	-3.95

Applying the formula we get-

$$= \frac{-3.95}{37.78} \times 100 = -10.45\%$$

Name of the Fund	NAV	Rank
Birla open-ended Balanced Growth Fund	2.18%	1

Tata open-ended Balanced Growth Fund	-1.76%	2
Pru ICICI open-ended Balanced Growth Fund	-10.45%	3

4.CONCLUSION

HDFC Mutual Fund has demonstrated a fluctuating yet resilient performance over time, as reflected in its NAV trends. The fund experienced a notable dip around December, which could be attributed to broader market corrections, economic conditions, or sectoral shifts. However, the subsequent recovery leading up to May 2024 indicates a strong rebound, showcasing the fund's ability to navigate market volatility. This pattern suggests that while short-term fluctuations are inevitable, HDFC Mutual Fund has the potential for long-term stability and growth, making it a viable option for investors with a strategic investment horizon.

For investors, this trend highlights the importance of patience and a long-term perspective when investing in mutual funds. The fund's ability to recover from downturns suggests that staying invested through market cycles could yield favorable returns over time. Additionally, investors should consider diversifying their portfolios and periodically reviewing their investments to align with changing market conditions. HDFC Mutual Fund's performance underscores the significance of disciplined investing, making it a suitable choice for those looking for a balanced mix of growth and stability.

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