

Mutual Funds - Concept

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 appreciation 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:



Mutual Fund Operation Flow Chart

Mutual Funds Industry in India

The origin of mutual fund industry in India is with the introduction of the concept of mutual fund by UTI in the year 1963. Though the growth was slow, but it accelerated from the year 1987 when non-UTI players entered the industry.

In the past decade, Indian mutual fund industry had seen a dramatic improvements, both qualitywise as well as quantitywise. Before, the monopoly of the market had seen an ending phase, the Assets Under Management (AUM) was Rs. 67bn. The private sector entry to the fund family rose the AUM to Rs. 470 bn in March 1993 and till April 2004, it reached the height of 1,540 bn.

Putting the AUM of the Indian Mutual Funds Industry into comparison, the total of it is less than the deposits of SBI alone, constitute less than 11% of the total deposits held by the Indian banking industry.

The main reason of its poor growth is that the mutual fund industry in India is new in the country. Large sections of Indian investors are yet to be intellectualized with the concept. Hence, it is the prime responsibility of all mutual fund companies, to market the product correctly abreast of selling.

The mutual fund industry can be broadly put into four phases according to the development of the sector. Each phase is briefly described as under.

First Phase - 1964-87

Unit Trust of India (UTI) was established on 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. At the end of 1988 UTI had Rs.6,700 crores of assets under management.

Second Phase - 1987-1993 (Entry of Public Sector Funds)

Entry of non-UTI mutual funds. SBI Mutual Fund was the first followed by Canbank Mutual Fund (Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (Jun 90), Bank of Baroda Mutual Fund (Oct 92). LIC in 1989 and GIC in 1990. The end of 1993 marked Rs.47,004 as assets under management.

Third Phase - 1993-2003 (Entry of Private Sector Funds)

With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being, under which all mutual funds, except UTI were to be registered and governed. The erstwhile Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Fund) Regulations 1996.

The number of mutual fund houses went on increasing, with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1,21,805 crores. The Unit Trust of India with Rs.44,541 crores of assets under management was way ahead of other mutual funds.

Fourth Phase - since February 2003

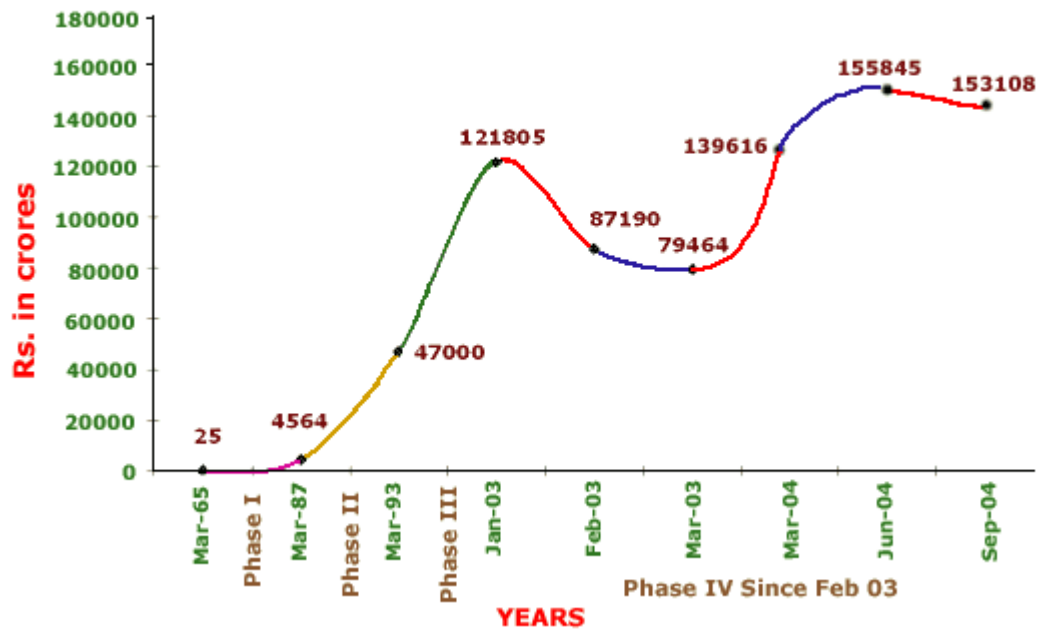
This phase had bitter experience for UTI. It was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with AUM of Rs.29,835 crores (as on January 2003). The Specified Undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by Government of India and does not come under the purview of the Mutual Fund Regulations.

The second is the UTI Mutual Fund Ltd, sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the Mutual Fund Regulations. With the bifurcation of the erstwhile UTI which had in March 2000 more than Rs.76,000 crores of AUM and with the setting up of a UTI Mutual Fund, conforming to the SEBI Mutual Fund Regulations, and with recent

mergers taking place among different private sector funds, the mutual fund industry has entered its current phase of consolidation and growth. As at the end of September, 2004, there were 29 funds, which manage assets of Rs.153108 crores under 421 schemes.

The major players in the Indian Mutual Fund Industry are:

GROWTH IN ASSETS UNDER MANAGEMENT



Note:

Erstwhile UTI was bifurcated into UTI Mutual Fund and the Specified Undertaking of the Unit Trust of India effective from February 2003. The Assets under management of the Specified Undertaking of the Unit Trust of India has therefore been excluded from the total assets of the industry as a whole from February 2003 onwards.

Performance of Mutual Funds in India

Let us start the discussion of the performance of mutual funds in India from the day the concept of mutual fund took birth in India. The year was 1963. Unit Trust of India invited investors or rather to those who believed in savings, to park their money in UTI Mutual Fund.

For 30 years it goaled without a single second player. Though the 1988 year saw some new mutual fund companies, but UTI remained in a monopoly position.

The performance of mutual funds in India in the initial phase was not even closer to satisfactory level. People rarely understood, and of course investing was out of question. But yes, some 24 million shareholders was accustomed with guaranteed high returns by the beginning of liberalization of the industry in 1992. This good record of UTI became marketing tool for new entrants. The expectations of investors touched the sky in profitability factor. However, people were miles away from the preparedness of risks factor after the liberalization.

The Assets Under Management of UTI was Rs. 67bn. by the end of 1987. Let me concentrate about the performance of mutual funds in India through figures. From Rs. 67bn. the Assets Under Management rose to Rs. 470 bn. in March 1993 and the figure had a three times higher performance by April 2004. It rose as high as Rs. 1,540bn.

The net asset value (NAV) of mutual funds in India declined when stock prices started falling in the year 1992. Those days, the market regulations did not allow portfolio shifts into alternative investments. There were rather no choice apart from holding the cash or to further continue investing in shares. One more thing to be noted, since only closed-end funds were floated in the market, the investors disinvested by selling at a loss in the secondary market.

The performance of mutual funds in India suffered qualitatively. The 1992 stock market scandal, the losses by disinvestments and of course the lack of transparent rules in the whereabouts rocked confidence among the investors. Partly owing to a relatively weak stock market performance, mutual funds have not yet recovered, with funds trading at an average discount of 1020 percent of their net asset value.

The supervisory authority adopted a set of measures to create a transparent and competitive environment in mutual funds. Some of them were like relaxing investment restrictions into the market, introduction of open-ended funds, and paving the gateway for mutual funds to launch pension schemes.

The measure was taken to make mutual funds the key instrument for long-term saving. The more the variety offered, the quantitative will be investors.

At last to mention, as long as mutual fund companies are performing with lower risks and higher profitability within a short span of time, more and more people will be inclined to invest until and unless they are fully educated with the dos and donts of mutual funds.

Mutual Fund Companies in India

▪ [ABN AMRO Mutual Fund](#) | [Birla Sun Life Mutual Fund](#) | [Bank of Baroda Mutual Fund \(BOB Mutual Fund\)](#) | [HDFC Mutual Fund](#) | [HSBC Mutual Fund](#) | [ING Vysya Mutual Fund](#) | [Prudential ICICI Mutual Fund](#) | [Sahara Mutual Fund](#) | [State Bank of India Mutual Fund \(SBI\)](#) | [Tata Mutual Fund](#)

The concept of mutual funds in India dates back to the year 1963. The era between 1963 and 1987 marked the existence of only one mutual fund company in India with Rs. 67bn assets under management (AUM), by the end of its monopoly era, the Unit Trust of India (UTI). By the end of the 80s decade, few other mutual fund companies in India took their position in mutual fund market.

The new entries of mutual fund companies in India were SBI Mutual Fund, Canbank Mutual Fund, Punjab National Bank Mutual Fund, Indian Bank Mutual Fund, Bank of India Mutual Fund.

The succeeding decade showed a new horizon in indian mutual fund industry. By the end of 1993, the total AUM of the industry was Rs. 470.04 bn. The private sector funds started penetrating

the fund families. In the same year the first Mutual Fund Regulations came into existence with re-registering all mutual funds except UTI. The regulations were further given a revised shape in 1996.

Kothari Pioneer was the first private sector mutual fund company in India which has now merged with Franklin Templeton. Just after ten years with private sector players penetration, the total assets rose up to Rs. 1218.05 bn. Today there are 33 mutual fund companies in India.

Major Mutual Fund Companies in India

[ABN AMRO Mutual Fund](#)

ABN AMRO Mutual Fund was setup on April 15, 2004 with ABN AMRO Trustee (India) Pvt. Ltd. as the Trustee Company. The AMC, ABN AMRO Asset Management (India) Ltd. was incorporated on November 4, 2003. Deutsche Bank A G is the custodian of ABN AMRO Mutual Fund.

[Birla Sun Life Mutual Fund](#)

Birla Sun Life Mutual Fund is the joint venture of Aditya Birla Group and Sun Life Financial. Sun Life Financial is a global organisation evolved in 1871 and is being represented in Canada, the US, the Philippines, Japan, Indonesia and Bermuda apart from India. Birla Sun Life Mutual Fund follows a conservative long-term approach to investment. Recently it crossed AUM of Rs. 10,000 crores.

[Bank of Baroda Mutual Fund \(BOB Mutual Fund\)](#)

Bank of Baroda Mutual Fund or BOB Mutual Fund was setup on October 30, 1992 under the sponsorship of Bank of Baroda. BOB Asset Management Company Limited is the AMC of BOB Mutual Fund and was incorporated on November 5, 1992. Deutsche Bank AG is the custodian.

[HDFC Mutual Fund](#)

HDFC Mutual Fund was setup on June 30, 2000 with two sponsors namely Housing Development Finance Corporation Limited and Standard Life Investments Limited.

[HSBC Mutual Fund](#)

HSBC Mutual Fund was setup on May 27, 2002 with HSBC Securities and Capital Markets (India) Private Limited as the sponsor. Board of Trustees, HSBC Mutual Fund acts as the Trustee Company of HSBC Mutual Fund.

[ING Vysya Mutual Fund](#)

ING Vysya Mutual Fund was setup on February 11, 1999 with the same named Trustee Company. It is a joint venture of Vysya and ING. The AMC, ING Investment Management (India) Pvt. Ltd. was incorporated on April 6, 1998.

Prudential ICICI Mutual Fund

The mutual fund of ICICI is a joint venture with Prudential Plc. of America, one of the largest life insurance companies in the US. Prudential ICICI Mutual Fund was setup on 13th of October, 1993 with two sponsors, Prudential Plc. and ICICI Ltd. The Trustee Company formed is Prudential ICICI Trust Ltd. and the AMC is Prudential ICICI Asset Management Company Limited incorporated on 22nd of June, 1993.

Sahara Mutual Fund

Sahara Mutual Fund was set up on July 18, 1996 with Sahara India Financial Corporation Ltd. as the sponsor. Sahara Asset Management Company Private Limited incorporated on August 31, 1995 works as the AMC of Sahara Mutual Fund. The paid-up capital of the AMC stands at Rs 25.8 crore.

State Bank of India Mutual Fund

State Bank of India Mutual Fund is the first Bank sponsored Mutual Fund to launch offshore fund, the India Magnum Fund with a corpus of Rs. 225 cr. approximately. Today it is the largest Bank sponsored Mutual Fund in India. They have already launched 35 Schemes out of which 15 have already yielded handsome returns to investors. State Bank of India Mutual Fund has more than Rs. 5,500 Crores as AUM. Now it has an investor base of over 8 Lakhs spread over 18 schemes.

Tata Mutual Fund

Tata Mutual Fund (TMF) is a Trust under the Indian Trust Act, 1882. The sponsors for Tata Mutual Fund are Tata Sons Ltd., and Tata Investment Corporation Ltd. The investment manager is Tata Asset Management Limited and its Tata Trustee Company Pvt. Limited. Tata Asset Management Limited's is one of the fastest in the country with more than Rs. 7,703 crores (as on April 30, 2005) of AUM.

Kotak Mahindra Mutual Fund

Kotak Mahindra Asset Management Company (KMAMC) is a subsidiary of KMBL. It is presently having more than 1,99,818 investors in its various schemes. KMAMC started its operations in December 1998. Kotak Mahindra Mutual Fund offers schemes catering to investors with varying risk - return profiles. It was the first company to launch dedicated gilt scheme investing only in government securities.

Unit Trust of India Mutual Fund

UTI Asset Management Company Private Limited, established in Jan 14, 2003, manages the UTI Mutual Fund with the support of UTI Trustee Company Private Limited. UTI Asset Management Company presently manages a corpus of over Rs.20,000 Crore. The sponsors of UTI Mutual Fund are Bank of Baroda (BOB), Punjab National Bank (PNB), State Bank of India (SBI), and Life Insurance Corporation of India (LIC). The schemes of UTI Mutual Fund are Liquid Funds, Income

Funds, Asset Management Funds, Index Funds, Equity Funds and Balance Funds.

Reliance Mutual Fund

Reliance Mutual Fund (RMF) was established as trust under Indian Trusts Act, 1882. The sponsor of RMF is Reliance Capital Limited and Reliance Capital Trustee Co. Limited is the Trustee. It was registered on June 30, 1995 as Reliance Capital Mutual Fund which was changed on March 11, 2004. Reliance Mutual Fund was formed for launching of various schemes under which units are issued to the Public with a view to contribute to the capital market and to provide investors the opportunities to make investments in diversified securities.

Standard Chartered Mutual Fund

Standard Chartered Mutual Fund was set up on March 13, 2000 sponsored by Standard Chartered Bank. The Trustee is Standard Chartered Trustee Company Pvt. Ltd. Standard Chartered Asset Management Company Pvt. Ltd. is the AMC which was incorporated with SEBI on December 20, 1999.

Franklin Templeton India Mutual Fund

The group, Franklin Templeton Investments is a California (USA) based company with a global AUM of US\$ 409.2 bn. (as of April 30, 2005). It is one of the largest financial services groups in the world. Investors can buy or sell the Mutual Fund through their financial advisor or through mail or through their website. They have Open end Diversified Equity schemes, Open end Sector Equity schemes, Open end Hybrid schemes, Open end Tax Saving schemes, Open end Income and Liquid schemes, Closed end Income schemes and Open end Fund of Funds schemes to offer.

Morgan Stanley Mutual Fund India

Morgan Stanley is a worldwide financial services company and its leading in the market in securities, investment management and credit services. Morgan Stanley Investment Management (MISM) was established in the year 1975. It provides customized asset management services and products to governments, corporations, pension funds and non-profit organisations. Its services are also extended to high net worth individuals and retail investors. In India it is known as Morgan Stanley Investment Management Private Limited (MSIM India) and its AMC is Morgan Stanley Mutual Fund (MSMF). This is the first close end diversified equity scheme serving the needs of Indian retail investors focussing on a long-term capital appreciation.

Escorts Mutual Fund

Escorts Mutual Fund was setup on April 15, 1996 with Escorts Finance Limited as its sponsor. The Trustee Company is Escorts Investment Trust Limited. Its AMC was incorporated on December 1, 1995 with the name Escorts Asset Management Limited.

Alliance Capital Mutual Fund

Alliance Capital Mutual Fund was setup on December 30, 1994 with Alliance Capital Management Corp. of Delaware (USA) as sponsorer. The Trustee is ACAM Trust Company Pvt. Ltd. and AMC, the Alliance Capital Asset Management India (Pvt) Ltd. with the corporate office in Mumbai.

Benchmark Mutual Fund

Benchmark Mutual Fund was setup on June 12, 2001 with Niche Financial Services Pvt. Ltd. as the sponsorer and Benchmark Trustee Company Pvt. Ltd. as the Trustee Company. Incorporated on October 16, 2000 and headquartered in Mumbai, Benchmark Asset Management Company Pvt. Ltd. is the AMC.

Canbank Mutual Fund

Canbank Mutual Fund was setup on December 19, 1987 with Canara Bank acting as the sponsor. Canbank Investment Management Services Ltd. incorporated on March 2, 1993 is the AMC. The Corporate Office of the AMC is in Mumbai.

Chola Mutual Fund

Chola Mutual Fund under the sponsorship of Cholamandalam Investment & Finance Company Ltd. was setup on January 3, 1997. Cholamandalam Trustee Co. Ltd. is the Trustee Company and AMC is Cholamandalam AMC Limited.

LIC Mutual Fund

Life Insurance Corporation of India set up LIC Mutual Fund on 19th June 1989. It contributed Rs. 2 Crores towards the corpus of the Fund. LIC Mutual Fund was constituted as a Trust in accordance with the provisions of the Indian Trust Act, 1882. . The Company started its business on 29th April 1994. The Trustees of LIC Mutual Fund have appointed Jeevan Bima Sahayog Asset Management Company Ltd as the Investment Managers for LIC Mutual Fund.

GIC Mutual Fund

GIC Mutual Fund, sponsored by General Insurance Corporation of India (GIC), a Government of India undertaking and the four Public Sector General Insurance Companies, viz. National Insurance Co. Ltd (NIC), The New India Assurance Co. Ltd. (NIA), The Oriental Insurance Co. Ltd (OIC) and United India Insurance Co. Ltd. (UII) and is constituted as a Trust in accordance with the provisions of the Indian Trusts Act, 1882.

Future of Mutual Funds in India

By December 2004, Indian mutual fund industry reached Rs 1,50,537 crore. It is estimated that by 2010 March-end, the total assets of all scheduled commercial banks should be Rs 40,90,000 crore.

The annual composite rate of growth is expected 13.4% during the rest of the decade. In the last 5 years we have seen annual growth rate of 9%. According to the current growth rate, by year 2010, mutual fund assets will be double.

Let us discuss with the following table:

Aggregate deposits of Scheduled Com Banks in India (Rs.Crore)								
Month/Year	Mar-98	Mar-00	Mar-01	Mar-02	Mar-03	Mar-04	Sep-04	4-Dec
Deposits	605410	851593	989141	1131188	1280853	-	1567251	1622579
Change in % over last yr		15	14	13	12	-	18	3

Source - RBI

Mutual Fund AUM's Growth								
Month/Year	Mar-98	Mar-00	Mar-01	Mar-02	Mar-03	Mar-04	Sep-04	4-Dec
MF AUM's	68984	93717	83131	94017	75306	137626	151141	149300
Change in % over last yr		26	13	12	25	45	9	1

Source - AMFI

Some facts for the growth of mutual funds in India

- 100% growth in the last 6 years.
- Number of foreign AMC's are in the que to enter the Indian markets like Fidelity Investments, US based, with over US\$1trillion assets under management worldwide.
- Our saving rate is over 23%, highest in the world. Only channelizing these savings in mutual funds sector is required.
- We have approximately 29 mutual funds which is much less than US having more than 800. There is a big scope for expansion.
- 'B' and 'C' class cities are growing rapidly. Today most of the mutual funds are concentrating on the 'A' class cities. Soon they will find scope in the growing cities.
- Mutual fund can penetrate rurals like the Indian insurance industry with simple and

limited products.

- SEBI allowing the MF's to launch commodity mutual funds.
- Emphasis on better corporate governance.
- Trying to curb the late trading practices.
- Introduction of Financial Planners who can provide need based advice.

Types of Mutual Funds Schemes in India

Wide variety of Mutual Fund Schemes exist to cater to the needs such as financial position, risk tolerance and return expectations etc. The table below gives an overview into the existing types of schemes in the Industry.

TYPES OF MUTUAL FUND SCHEMES

- **By Structure**
 - Open - Ended Schemes
 - Close - Ended Schemes
 - Interval Schemes
- **By Investment Objective**
 - Growth Schemes
 - Income Schemes
 - Balanced Schemes
 - Money Market Schemes
- **Other Schemes**
 - Tax Saving Schemes
 - Special Schemes
 - Index Schemes
 - Sector Specific Schemes

Mutual Funds - Organization

There are many entities involved and the diagram below illustrates the organizational set up of a mutual fund:



Organisation of a Mutual Fund

Association of Mutual Funds in India (AMFI)

With the increase in mutual fund players in India, a need for mutual fund association in India was generated to function as a non-profit organization. Association of Mutual Funds in India (AMFI) was incorporated on 22nd August, 1995.

AMFI is an apex body of all Asset Management Companies (AMC) which has been registered with SEBI. Till date all the AMCs are that have launched mutual fund schemes are its members. It functions under the supervision and guidelines of its Board of Directors.

Association of Mutual Funds India has brought down the Indian Mutual Fund Industry to a professional and healthy market with ethical lines enhancing and maintaining standards. It follows the principle of both protecting and promoting the interests of mutual funds as well as their unit holders.

The objectives of Association of Mutual Funds in India

The Association of Mutual Funds of India works with 30 registered AMCs of the country. It has certain defined objectives which juxtaposes the guidelines of its Board of Directors. The objectives are as follows:

- This mutual fund association of India maintains a high professional and ethical standards in all areas of operation of the industry.

- It also recommends and promotes the top class business practices and code of conduct which is followed by members and related people engaged in the activities of mutual fund and asset management. The agencies who are by any means connected or involved in the field of capital markets and financial services also involved in this code of conduct of the association.
- AMFI interacts with SEBI and works according to SEBI's guidelines in the mutual fund industry.
- Association of Mutual Fund of India do represent the Government of India, the Reserve Bank of India and other related bodies on matters relating to the Mutual Fund Industry.
- It develops a team of well qualified and trained Agent distributors. It implements a programme of training and certification for all intermediaries and other engaged in the mutual fund industry.
- AMFI undertakes all India awareness programme for investors in order to promote proper understanding of the concept and working of mutual funds.
- At last but not the least association of mutual fund of India also disseminate informations on Mutual Fund Industry and undertakes studies and research either directly or in association with other bodies.

The sponsorers of Association of Mutual Funds in India

Bank Sponsored

- SBI Fund Management Ltd.
- BOB Asset Management Co. Ltd.
- Canbank Investment Management Services Ltd.
- UTI Asset Management Company Pvt. Ltd.

Institutions

- GIC Asset Management Co. Ltd.
- Jeevan Bima Sahayog Asset Management Co. Ltd.

Private Sector

Indian:-

- BenchMark Asset Management Co. Pvt. Ltd.
- Chola mandalam Asset Management Co. Ltd.
- Credit Capital Asset Management Co. Ltd.
- Escorts Asset Management Ltd.
- JM Financial Mutual Fund

- Kotak Mahindra Asset Management Co. Ltd.
- Reliance Capital Asset Management Ltd.
- Sahara Asset Management Co. Pvt. Ltd
- Sundaram Asset Management Company Ltd.
- Tata Asset Management Private Ltd.

Predominantly India Joint Ventures:-

- Birla Sun Life Asset Management Co. Ltd.
- DSP Merrill Lynch Fund Managers Limited
- HDFC Asset Management Company Ltd.

Predominantly Foreign Joint Ventures:-

- ABN AMRO Asset Management (I) Ltd.
- Alliance Capital Asset Management (India) Pvt. Ltd.
- Deutsche Asset Management (India) Pvt. Ltd.
- Fidelity Fund Management Private Limited
- Franklin Templeton Asset Mgmt. (India) Pvt. Ltd.
- HSBC Asset Management (India) Private Ltd.
- ING Investment Management (India) Pvt. Ltd.
- Morgan Stanley Investment Management Pvt. Ltd.
- Principal Asset Management Co. Pvt. Ltd.
- Prudential ICICI Asset Management Co. Ltd.
- Standard Chartered Asset Mgmt Co. Pvt. Ltd.

Association of Mutual Funds in India Publications

AMFI publishes mainly two types of bulletin. One is on the monthly basis and the other is quarterly. These publications are of great support for the investors to get intimation of the knowhow of their parked money.

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Advantages of Mutual Funds

The advantages of investing in a Mutual Fund are:

- **Diversification:** The best mutual funds design their portfolios so individual investments will react differently to the same economic conditions. For example, economic conditions like a rise in interest rates may cause certain securities in a diversified portfolio to decrease in value. Other securities in the portfolio will respond to the same economic conditions by increasing in value. When a portfolio is balanced in this way, the value of the overall portfolio should gradually increase over time, even if some securities lose value.
- **Professional Management:** Most mutual funds pay topflight professionals to manage their investments. These managers decide what securities the fund will buy and sell.
- **Regulatory oversight:** Mutual funds are subject to many government regulations that protect investors from fraud.
- **Liquidity:** It's easy to get your money out of a mutual fund. Write a check, make a call, and you've got the cash.
- **Convenience:** You can usually buy mutual fund shares by mail, phone, or over the Internet.
- **Low cost:** Mutual fund expenses are often no more than 1.5 percent of your investment. Expenses for Index Funds are less than that, because index funds are not actively managed. Instead, they automatically buy stock in companies that are listed on a specific index
- Transparency
- Flexibility
- Choice of schemes
- Tax benefits
- Well regulated

Drawbacks of Mutual Funds

Mutual funds have their drawbacks and may not be for everyone:

- **No Guarantees:** No investment is risk free. If the entire stock market declines in value, the value of mutual fund shares will go down as well, no matter how balanced the portfolio. Investors encounter fewer risks when they invest in mutual funds than when they buy and sell stocks on their own. However, anyone who invests through a mutual fund runs the risk of losing money.
- **Fees and commissions:** All funds charge administrative fees to cover their day-to-day expenses. Some funds also charge sales commissions or "loads" to compensate brokers, financial consultants, or financial planners. Even if you don't use a broker or other financial adviser, you will pay a sales commission if you buy shares in a Load Fund.
- **Taxes:** During a typical year, most actively managed mutual funds sell anywhere from 20 to 70 percent of the securities in their portfolios. If your fund makes a profit on its sales, you will pay taxes on the income you receive, even if you reinvest the money you made.
- **Management risk:** When you invest in a mutual fund, you depend on the fund's manager to make the right decisions regarding the fund's portfolio. If the manager does not perform as well as you had hoped, you might not make as much money on your investment as you expected. Of course, if you invest in Index Funds, you forego management risk, because these funds do not employ managers.

Mutual Funds - FAQs

Net Asset Value (NAV)

Net Asset Value is the market value of the assets of the scheme minus its liabilities. The per unit NAV is the net asset value of the scheme divided by the number of units outstanding on the Valuation Date.

Sale Price

Is the price you pay when you invest in a scheme. Also called Offer Price. It may include a sales load.

Repurchase Price

Is the price at which a close-ended scheme repurchases its units and it may include a back-end load. This is also called Bid Price.

Redemption Price

Is the price at which open-ended schemes repurchase their units and close-ended schemes redeem their units on maturity. Such prices are NAV related.

Sales Load

Is a charge collected by a scheme when it sells the units. Also called, 'Front-end' load. Schemes that do not charge a load are called 'No Load' schemes.

Repurchase or 'Back-end' Load

Is a charge collected by a scheme when it buys back the units from the unitholders.

Market Watch - Mutual Fund Scheme Codes

Mutual Fund Name

[ABN AMRO Mutual Fund](#)

[AIG Global Investment Group Mutual Fund](#)

[Benchmark Mutual Fund](#)

[Birla Mutual Fund](#)

[BOB Mutual Fund](#)

[Canara Robeco Mutual Fund](#)

[DBS Chola Mutual Fund](#)

[Deutsche Mutual Fund](#)

[DSP Merrill Lynch Mutual Fund](#)

[Escorts Mutual Fund](#)

[Fidelity Mutual Fund](#)

[Franklin Templeton Investments](#)

[HDFC Mutual Fund](#)

[HSBC Mutual Fund](#)

[ICICI Prudential Mutual Fund](#)

[ING Mutual Fund](#)

[JM Financial Mutual Fund](#)

[JPMorgan Mutual Fund](#)

[Kotak Mahindra Mutual Fund](#)

[LIC Mutual Fund](#)

[Lotus India Mutual Fund](#)

[Morgan Stanley Mutual Fund](#)

[PRINCIPAL Mutual Fund](#)

[Quantum Mutual Fund](#)

[Reliance Mutual Fund](#)

[Sahara Mutual Fund](#)

[SBI Mutual Fund](#)

[Standard Chartered Mutual Fund](#)

[Sundaram Mutual Fund](#)

[Tata Mutual Fund](#)

[Taurus Mutual Fund](#)

[UTI Mutual Fund](#)