EXPLORING MUTUAL FUNDS STRATEGIES–ICICI BANK LTD

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ABSTRACT:

A mutual fund is an accumulation of capital from several investors who, like you, want to invest, save, or earn money. Compared to purchasing and selling individual stocks and bonds on your own, investing in mutual funds may be more simpler. Shares may be sold by investors at any time. This essay focuses on the market share, performance, and possible future growth of the mutual fund business, as well as new developments in the mutual fund sector.

KEYWORDS: Mutual Fund, Market Share, Investors, Money

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 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.

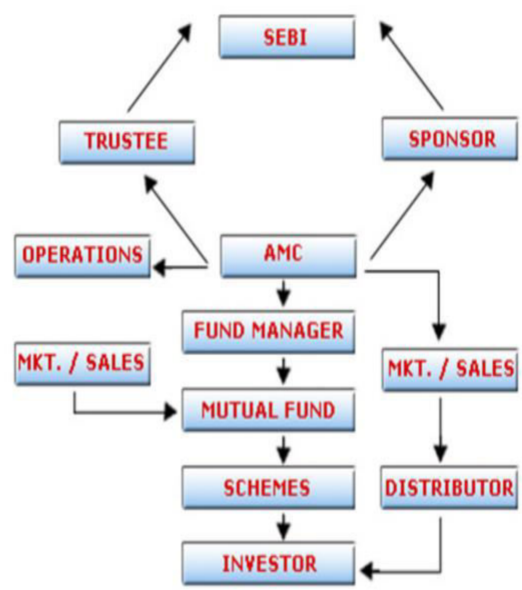
Mutual Fund offers an investor to invest even a small amount of money; each Mutual Fund has a defined investment objective and strategy. Mutual Fund schemes are managed by respective asset managed companies sponsored by financial institutions, banks, private companies or international firms. A Mutual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

SCOPE OF THE STUDY:

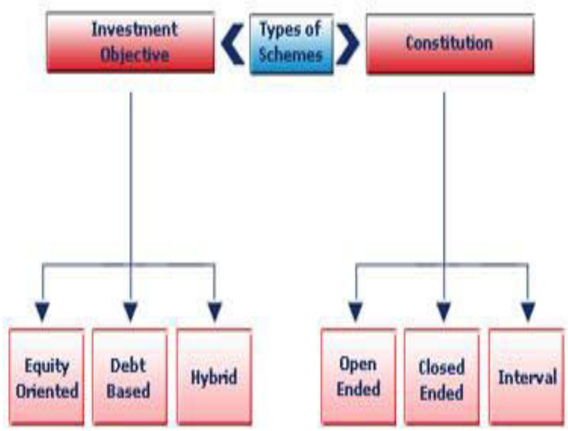
The scope of the calculations is growth funds are to know whether the schemes are performing really well, than can be known by looking annualized returns earned by the study that is taken into consideration.

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



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. FINDINGS

- From the Interpretation conducted it is clear that 80% of the respondents feel that Mutual fund is a good investment option.
- 69% of the respondents are aware of India Info line as a distributor for Mutual Funds.

- Investments in mutual funds too are not risk-free and so investments warrant some caution and careful attention of the investor.
- If the market is beginning to enter a bearish phase, then investors of equity too will benefit switching to debt funds as the losses can be minimized.
- Finding the right funds is important and one should also use these funds for tax efficiency.
- The basic philosophy or Rupee cost averaging would suggest that if one invests regularly through the ups and downs of the market, he would stand a better chance of generating more returns that the market for the entire duration.
- Diversification is the best strategy to mitigate the downside risk in an investment portfolio. Investment should be made in various funds so that one is exposed to all market capitalizations.
- If the M.P is greater than NAV it is advised to sell the units if the investor needs liquidity at the present moment. The investor could follow the NAV route and M.P and then decide whether to hold or sell.

SUGGESTIONS

- It is noticed that the ICICI Growth Fund has yielded its rating of 0.48 in 1st month and later the return yielded to 9.23 in a span of 1 year.
- It is seen that absolute analyzed return during the 1st month yielded return of Negative margin of –10.32 and after a span of 1 year returns 28.59.
- It is noticed that the UTI Growth Fund has yielded its rating of 0.76 in 1st month and later the return yielded to 9.35 in a span of 1 year.
- It is found that fund growth has yielded it return of 0.50 and later the return raised to 9.34 during the span of 1 year.
- It is found that growth fund has reached the negative margin of –3.14 and during the span of 5 year it has crossed the good extent of 29.52.
- Comparing the all 5 companies the highest yield return is 9.35 for UTI Growth fund in span of 1 year.
- After UTI Growth fund the next position is for SBI Growth fund and its yield return is 9.34 in a span of 1 year.
- Third position is for ICICI Growth fund with yield return is 9.23 in a span of 1 year.
- And remaining two Growth funds start with negative yield return.

V. CONCLUSION

It can be said that, falling interest rates and recent developments in the investment climate in the country, have led to investment avenues dwindling drastically. But Mutual Funds are any day a safe bet for investors of different groups, motives and other preferences. Since Asset Management companies offer a range of Funds respective Investment philosophies, an investor can benefit only by investing in appropriate fund, which shall meet his requirements.

Manager should try to reduce the risk by investing in efficient or he should be able to differentiate between the efficient and inefficient securities. The mutual fund company should concentrate on cash rich companies like the Trusts, cash rich private companies, etc to generate, more funds for the investment. Mutual Funds assume greater importance in a scenario of increasing Inflation. With Inflation hovering around 5% to 6% poised for greater heights, investing in Avenues, which just offer breakeven returns, exposes the investment portfolio to inflation risk. Investment in equity either directly or through the Mutual Fund route provides an effective hedge mechanism against such a potent threat so Investing in Mutual Fund is a better option for investors depending upon their objective and requirements. Among the five Asset Management companies Franklin Templeton has yielded a very good return of 29.52. Secondly Reliance though started with a Negative Margin has reached to a very good yield rate of 28.59.

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