

# An Examination of Mutual Fund Portfolios and Their Influencing Element

MURLI DIWAKAR - (22GSOB2010328)  
UNDER THE GUIDANCE OF  
DR. LALIT SHARMA  
GALGOTIAS UNIVERSITY

## ABSTRACT

This study aims to provide light on the inner workings of mutual funds and portfolio analysis. Determine the ups and downs of mutual fund NAVs in respect to this study. Eliminating the mutual fund business would have a devastating effect on the Indian economy. The extraordinarily unpredictable Indian market has made mutual funds, which were formerly thought of as a safe investment option, considerably riskier. Market volatility and an excessive dependence on foreign markets are two global market characteristics that could affect them, as they do other financial organizations.

**Keywords:-** Mutual Fund, Their influencing, Element, Portfolios, Examination

## INTRODUCTION

Because of the financial crisis, markets all across the globe are experiencing extreme volatility right now. Recession has hit the US economy, says NBER. Because of America's central position in the global economy, developments in the US will have consequences for India's economy. The Indian stock market is currently undergoing a period of unprecedented expansion, as mentioned earlier. A number of factors, including monetary and economic developments, changes in capital markets, reforms in the public and financial sectors, changes in industrial policy, and the economy's openness, have contributed to this

expansion. But the US subprime mortgage crisis was a huge blow to India's economy. More than 50% of the value that the BSE Sensex had when it started is gone. Sensex is still a mystery to investors, thus they are staying away from it. There are a lot of people trying to find reliable alternative investment options. There has been a meteoric rise in the mutual fund industry as a service for retail investors. A "mutual fund" investment trust enables people or organizations to pool their resources for common objectives. The next step is to invest the money in bonds, stocks, and other capital market assets. The distribution of investment profits and gains to unitholders is based on their unit ownership. For those looking

to diversify their investments while still having access to a professionally managed portfolio, mutual funds are a fantastic choice. To further understand what a mutual fund is, consider the following graphic: In 1963, UTI proposed the concept of a mutual fund, making it the first of its kind in India's mutual fund industry. Although progress had been slow until UTI's rivals entered the market in 1987, growth picked up speed after that. Over the past decade, Indian mutual funds have invested more money and better quality capital than at any time before. There came a moment when AUM reached Rs. 67 billion and market exclusivity was going to end. The growth of the fund family's assets under management (AUM) from 470 billion Indian rupees in March 1993 to 1,540 billion rupees in April 2004 was due to the presence of private sector investors. The entire assets under management (AUM) of the mutual funds industry constitute less than eleven percent of all deposits held by Indian banks, including SBI. There has been slow growth in the mutual fund business in India because it is still young. There are a lot of individuals in India's investment world who are still confused. Therefore, it is essential for every mutual fund firm to maintain current product marketing.

## REVIEW OF LITERATURE

Mutual funds have been the subject of a great deal of research, both at home and abroad. A study conducted by J. Lilly and Dr. Anasuya in 2014

and published in the IJSR examined 49 separate ELSS plans that were found to reduce taxable income. The dividend scheme carried the greatest risk, whilst the LIC Nomura MF GROWTH scheme offered the best return. The researchers used several measures, such as Treynor, Sortino, Sharpe, and Jensen's alpha, to arrive at their result. An investigation into the implications of a multi-fund management structure on the volatility of risk for Sharpe ratio-managed funds is conducted in "Mutual fund industry management structure, risk and the impacts to share holders," a 2011 study by Lonnie L. Bryant and Hao-Chen Liu. Global Finance, a prestigious magazine, published the findings. They examined the impact of mutual fund structure on risk volatility using data from 1,480 funds managed by 407 individuals. The research indicates that different fund management structures are motivated by strategic considerations, like the desire to lower expenses for shareholders and fund managers or the chance to benefit from economies of scale. The purpose of Shanmugham's (2000) survey was to identify the information source that individual investors use. Among the many factors that influence investing choices, the study cites monetary, social, and psychological considerations. It was the goal of the study by Madhusudhan V Jambodekar (1996) to assess the current state of mutual funds and to determine what variables impact investors' decisions to do so. Compared to growth and closed-ended plans, income and open-ended plans did better, and open-ended plans were also more

popular. Investors in mutual funds are primarily concerned with three factors: the security of their principal, the accessibility of related services, and the credibility of news sources. War Will Have No Effect on Mutual Funds According to recent statistics, investors are still putting their money into mutual funds (MFs) despite concerns over the Iraq War. Even though the corporation will probably come out of a brief battle relatively unscathed, prominent investment managers have warned that a long struggle might have devastating economic consequences. Investors large and small are showing a great deal of interest in MF schemes, so more money is likely to pour into them soon. Private mutual fund managers reported that investors were largely uninterested about the Iraq-US war. None of the designs have been salvageable since the disagreement broke out. Industry insiders claimed that altering the balance sheet would have made them useless anyhow. The fight is expected to be quick, so everyone is praying it doesn't last more than ten days. Investors are keeping a careful eye on world developments, according to Krishnamurthy Vijayan, CEO of JM Mutual Fund. Equally in agreement was Dharendra Kumar of Value Research, who keeps tabs on the mutual fund industry.

There is typically a slow month for mutual fund schemes in the last month of the fiscal year since banks and other corporate entities want to make money by selling securities. Most of the schemes

saw outflows in January and February due to the bond market's volatility, which was different from previous fiscal years. March was anticipated to be a dreary month due to the low volume of funds entering and leaving schemes during that time. On the other hand, there has been some investment in equity programs by very wealthy people, albeit a small but noticeable amount. There has been a significant uptick in investor enthusiasm for both debt funds and equity plans. If NK Sharma, CEO and president of IL&FS Mutual Fund, is to be believed, bond fund yields have already factored in war risk premiums, thus investors are getting ready to pump more money into bond funds. Income funds and MF gilt plans are two more investing choices.

## RESEARCH MATHODOLOGY

A total of eight variables have been considered and evaluated in this diagnostic study: population, government policies, oil prices, inflation, the subprime mortgage crisis, war and terrorism, the state of local and international markets, and the involvement of foreign institutional investors. Scientists have examined their effects on mutual funds and the safeguards put in place to maintain their NAVs. I also wanted to find out how to evaluate the portfolio the best way, so I did this diagnostic inquiry. Research can make use of both main and secondary sources. This diagnostic investigation made use of data from other sources. We did this by searching academic journals, online databases, and books and articles that had already been

published. The references section adequately acknowledges all of the sources that helped build our ideas and facts.

## **OBJECTIVE**

- This thesis will hopefully lead to an analysis of the portfolio that takes into account the goals and reasoning of the fund management team when determining allocations.
- We will also go over the things that make Indian mutual funds successful. We will, however, be concentrating on the most important aspects of mutual fund performance and the proper way to do a portfolio review in light of the current economic downturn.
- To understand the many components that lead to the uncertain results of mutual funds in light of the present uncertain environment.
- Get familiar with various portfolio evaluation techniques.
- In the event of a disaster, investors can evaluate their holdings and react accordingly.

## **DATA ANALYSIS**

Fidelity Tax Advantage (G), Franklin India Tax Shield (G), DSP-BR Balanced Fund (G), Reliance Tax Saver (ELSS) (G), and ICICI Pru Infrastructure (G) are the funds that will suffer the most losses.

Fund name	Current NAV	Absolute Return	Absolute Return
		1 yr before	2 yr before
ICICI Pru Infrastructure (G),	Rs. 16.42	-45.2	-12.9
Reliance Tax Saver (ELSS) (G)	Rs. 9.23	-44.9	-28.1
DSP-BR Balanced Fund (G)	Rs. 34.86	-31.1	-10.5
Franklin India Tax Shield (G)	Rs. 92.37	-44.6	-29.5
Fidelity Tax Advantage (G)	Rs. 9.34	-44.3	-28.6

The major reason for this reduction is the flight of capital from the Indian market by foreign institutional investors. At the bottom of the list were mutual funds like LIC MF Liquid Fund (Growth), HSBC MIP - Savings Plan (Growth), Birla Sun Life MIP (Growth), Tata Monthly Income Fund (Growth), and Reliance MIP (Growth).

Name of Fund	NAV on 26 January 2017	NAV on 27 January 2017	Absolute return
LIC MF Liquid Fund (G)	Rs. 10.34	Rs. 9.10	-11.99
HSBC MIP - Savings Plan (G)	Rs. 13.50	Rs. 11.8	-12.59
Birla Sun Life MIP (G)	Rs. 20.90	Rs. 17.89	-14.04
Tata Monthly Income Fund (G)	Rs. 16.45	Rs. 13.34	-18.90
Reliance MIP (G)	Rs. 14.90	Rs. 12.31	-17.38

## **FINDINGS**

The parts are unique, however they do have certain characteristics. These commonalities allow us to categorize the aforementioned factors as

being either internally or externally generated. Subprime mortgages, oil price volatility, conflict, terrorist acts, international financial institutions, and local and global market situations have many similarities. The Indian economy has no control over these external forces. The other countries' notoriously complicated and hard-to-control economies are the root of these problems. Because of India's reliance on other countries' economies, especially the US and UK, the country's mutual fund industry is vulnerable to international factors. Domestic issues such as inflation, population growth, and government policies are to some extent within the purview of India's economic policymakers. Every nation on Earth is now feeling the effects of the subprime mortgage crisis. Global and regional market volatility has intensified due to the subprime mortgage crisis, which has also driven up oil costs and deterred foreign institutional investors from investing in India's stock market. A swelling population, increasing prices, and ineffectual government programs are all results of India's broken economic system. On rare occasions, a high inflation rate may be good for the economy; it indicates that the nation is thriving. But low inflation is cause for concern because it indicates the economy isn't growing. Deflation could hit the Indian economy hard due to the present low inflation rate. The investigation indicated before yielded these results: In order to achieve its goal of becoming a global superpower, India must further reduce its

reliance on the economies of other countries and become even more self-sufficient. India has tremendous potential, but it is unable to realize that potential because of its reliance on other countries. Consider the Chinese economy. Although China's reliance on them is smaller than that of other countries, it is nevertheless there. This is the secret ingredient that helped China's economy weather the subprime mortgage storm. Low GDP and inflation have hit India's economy hard, and the only way to rescue it is with a bold and quick policy move. Government officials can allay these fears by announcing further stimulus bailout packages that will benefit mutual funds and enforcing more stringent fiscal and monetary policies. Government action to reduce inflation and the subprime mortgage bubble can take the form of a cut to bank rates, the CRR, or the SLR.

## **CONCLUSION**

AI is rewriting the marketing narrative by radically altering the ways in which companies engage with consumers. Conversion rates for targeted actions (e.g., purchases and sign-ups) increase by as much as 15% when AI personalization is used, according to the data. Similarly, as compared to generic messaging, click-through rates for email and ad campaigns increase significantly by 20%. These numbers point to a more invested clientele, which in turn increases the possibility of making more money. There will be repercussions long after the initial

sales have dried up. Through the customization of experiences to suit individual tastes, AI cultivates loyalty and strengthens consumer relationships. A greater client lifetime value, which measures the overall value of a customer to a company over time, results from this. Research indicates that AI customisation can lead to a 10% rise in average consumer expenditure, which might mean both increased sales and more frequent purchases. Businesses are jumping on this opportunity. A large majority of companies, perhaps as much as 60%, are already using AI for personalization, according to surveys conducted inside particular industries. An further piece of evidence for this tendency is the skyrocketing expansion of the market for AI marketing platforms, which can see a yearly increase of \$2 billion. This increase demonstrates how AI is being more acknowledged for its usefulness in modern marketing. Nevertheless, there are several facets to the problem of client impression. A balanced approach is required, even when a significant number of customer reviews (maybe 75%) reflect good emotion towards customisation. Results from surveys of customers may reveal different degrees of ease with various methods, such as targeted advertising. When asked about targeted advertisements, 40% of consumers may say they are extremely comfortable, 30% say they are somewhat comfortable, and 20% say they are neutral or not sure. This highlights the significance of customizing marketing experiences

while establishing trust and protecting client privacy.

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