

# **A STUDY OF INVESTMENT PREFERENCE IN MUTUAL FUNDS**

**(With special reference to Birla sun life mutual fund)**

A Project report submitted to Jawaharlal Nehru Technological University, Hyderabad,  
in partial fulfillment of the requirements for the award of the degree of

**MASTER OF BUSINESS ADMINISTRATION**



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**Hyderabad**

**2010-2012**

## **CERTIFICATE**

This is to certify that the project entitled “**A STUDY OF INVESTMENT PREFERENCE IN MUTUAL FUNDS**” has been submitted by Miss. Adunuri baby (Reg. No.10241E0002) in partial fulfillment of the requirements for the award of Master of Business Administration from Jawaharlal Nehru Technological University, Hyderabad. The results embodied in the project have not been submitted to any other University or Institution for the award of any Degree or Diploma.

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## **DECLARATION**

I hereby declare that the project entitle “A SYUDY OF INVESTMENT PREFERENCE IN MUTUAL FUNDS ” Submitted in partial fulfillment of the requirements for award of the degree of MBA at Gokaraju Rangaraju Institute of Engineering and Technology, affiliated to Jawaharlal Nehru Technological University, Hyderabad, is an authentic work and has not been submitted to any other University/Institute for award of any degree/diploma.

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## **ACKNOWLEDGEMENT**

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I convey my thanks to my beloved parents and my faculty who helped me directly or indirectly in bringing this project successfully.

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## **ABSTRACT**

The aim of the study is to know the clear picture involved in mutual funds and its impact on the investors who are interested in different diversified portfolios, which involves high risk and high returns.

This risk analysis and investors perception on mutual fund market has given a clear idea of trading involved in relation with equities, futures and options, in comparison with other investments existing in the market.

## **RECOMMENDATIONS**

This is to recommend that all the people who are interested in investments should have the basic idea about the trends in the market, and the impact of decisions on the market, which are given by business tycoons, and also the influence of political involvement on the market.

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## **CHAPTER-I**

# **INTRODUCTION**

## **MUTUAL FUNDS**

The mutual fund is structured around a fairly simple concept, the mitigation of risk through the spreading of investments across multiple entities, which is achieved by the pooling of a number of small investments into a large bucket. Yet, it has been the subject of perhaps the most elaborate and prolonged regulatory effort in the history of the country. The mutual fund industry has grown to gigantic proportions in countries like the USA, in India it is still in the phase of infancy.

The origin of the Indian mutual fund industry can be traced back to 1964 when the Indian Government, with a view to augment small savings within the country and to channelise these savings to the capital markets, set up the Unit Trust of India (UTI). The UTI was setup under a specific statute, the Unit Trust of India Act, 1963. The Unit Trust of India launched its first open-ended equity scheme called Unit 64 in the year 1964, which turned out to be one of the most popular mutual fund schemes in the country. In 1987, the government permitted other public sector banks and insurance companies to promote mutual fund schemes. Pursuant to this relaxation, six public sector banks and two insurance companies *viz.* Life Insurance Corporation of India and General Insurance Corporation of India launched mutual fund schemes in the country.

Securities Exchange Board of India, better known as SEBI, formulated the Mutual Fund (Regulation) 1993, which for the first time established a comprehensive regulatory framework for the mutual fund industry. This proved to be a boon for the mutual fund industry and since then several mutual funds have been set up by the private sector as well as the joint sector. Kothari Pioneer Mutual fund became the first from the private sector to establish a mutual fund in association with a foreign fund. Since then several private sector companies have established their own funds in the country, making mutual fund industry one of the most followed sector by critics and investors alike. The share of private sector mutual funds too has gone up rapidly.

In the period between 1963 and 1988, when the UTI was the sole player in the industry, the assets under management grew to about Rs.67 billion. In the second phase between 1988-1994, when public sector banks and insurance companies were allowed to launch mutual fund schemes, the total assets in the mutual fund industry grew to about Rs. 610 billion with the total number of schemes increasing to 167 by the end of 1994. The third phase of the mutual fund industry, which commenced in 1994, witnessed exponential growth of the industry, with the advent of private players therein. As on May 31, 2004, the total assets under management stood at Rs. 1540 billion and the total number of schemes stood at 399.

During the last three and a half decades, UTI has been a dominant player in the mutual fund industry. The total assets under the management of the UTI as on September 30, 2002 were to the tune of Rs. 442 billion, which amount to almost 41% of the total assets under management in the domestic mutual fund industry. UTI has witnessed some erosion of assets pursuant to the last year's crisis arising on account of its Unit 64 scheme, the scheme with largest amount of assets under management. This was the first scheme launched by the UTI with a significant equity exposure and the returns of which was not linked to the market. This resulted in a payment crisis when the stock markets crashed during the last two years, which resulted in some degree of loss of investors' confidence in UTI leading to erosion of its assets under management. This period also gave opportunity to the private players to demonstrate better returns thereby capturing a significant market share.

Whatever may have happened to mutual funds in the past and whatever one is seeing now, mutual funds are here to stay as long as they can deliver the aspirations of their investors. One must not forget that India is a large nation with a population of more than 1 billion people and the potential continues to be huge. However, to be fair mutual fund managers should also strive to improve their performance and not blame the vagaries of the market all the times.

## **History of the Indian Mutual Fund Industry**

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank the. The history of mutual funds in India can be broadly divided into four distinct phases

### **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)**

In the year 1987 marked the entry of non- UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first non- UTI Mutual Fund established in June 1987 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 established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990.

At the end of 1993, the mutual fund industry had assets under management of Rs.47,004 crores.

### **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**

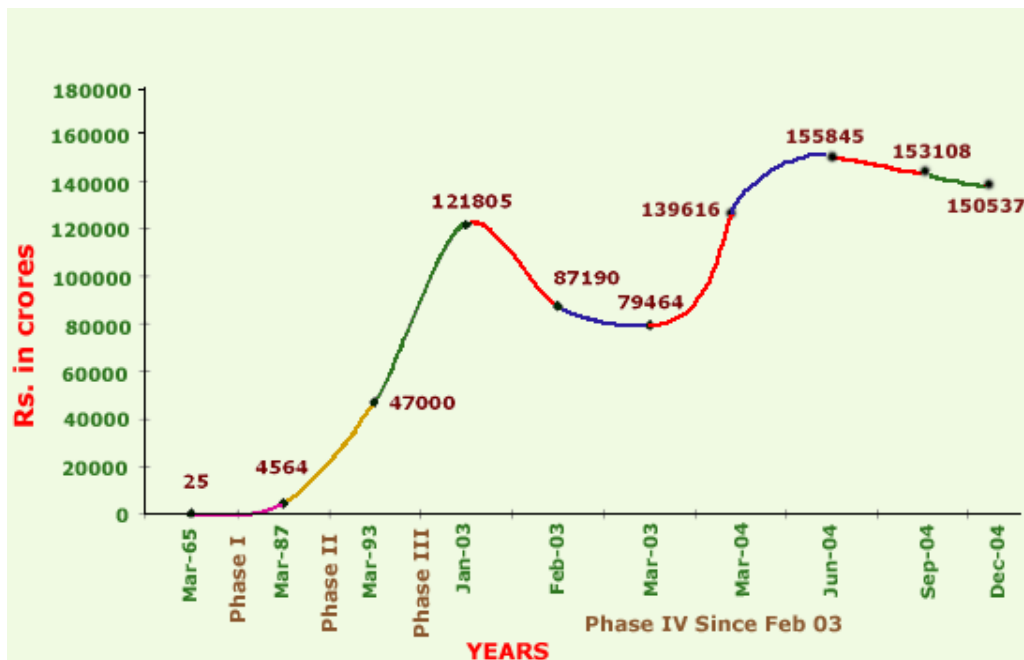
In February 2003, following the repeal of the Unit Trust of India Act 1963 UTI was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs.29,835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. 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 assets under management 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 October 31, 2003, there were 31 funds, which manage assets of Rs.126726 crores under 386 schemes.

The graph indicates the growth of assets over the years.

## GROWTH IN ASSETS UNDER MANAGEMENT



## **Global Scenario of Mutual Funds**

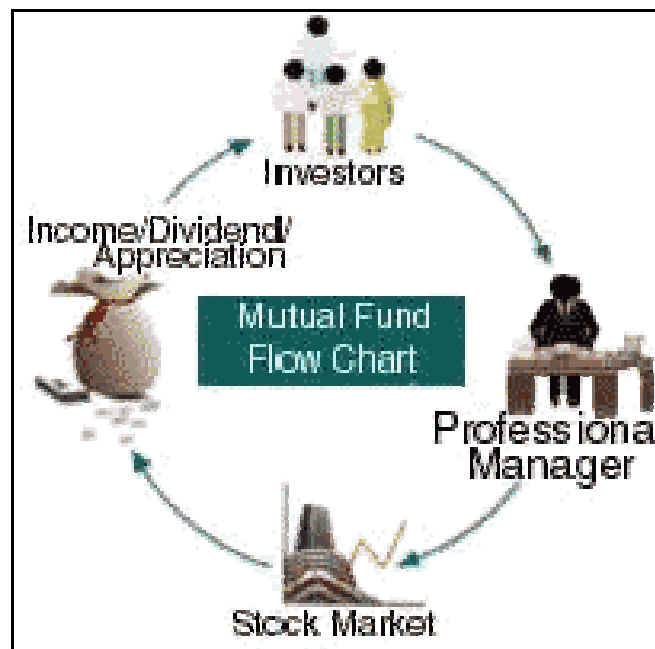
The money market mutual Fund segment has a total corpus of \$1.48 million in the U.S. against a corpus of \$100 million in India. Out of the top 10 Mutual Funds world wide, 8 are bank sponsored. Only Fidelity & capital are non-bank Mutual Funds in this group. In U.S. the total number of schemes is higher than that of the listed companies while in India we have just 277 Schemes.

Internationally, Mutual Funds are allowed to go short. In India fund managers do not have such leeway. In about 9.7 million households will manage their assets online. By the year 2004, such a facility is not available in India. Online trading is a great idea to reduce management expenses from the current 2% of total assets to about 0.75% of the total assets. Around 72% of the core customer base of Mutual Funds in the top 50 broking firms in the U.S. is expected to trade online.

The Indian Mutual Fund Industry is dominated by the UTI, which has a total corpus of Rs.700 billion, collected from over 200 million investors. The 2<sup>nd</sup> largest category of Mutual Funds is the ones floated by the nationalized banks. Can bank asset management floated by Canara Bank & S.B.I. Fund Management floated by S.B.I. are the largest of these. The aggregate corpus of the funds managed by this category of Asset Management Companies is around Rs.150 billion among the private players the largest are “**Birla Capital Asset Management Company**” & Prudential ICICI Asset Management Company. The aggregate corpus of the asset managed by this category of Asset Management companies is about Rs.60billion.

## FUND BASICS

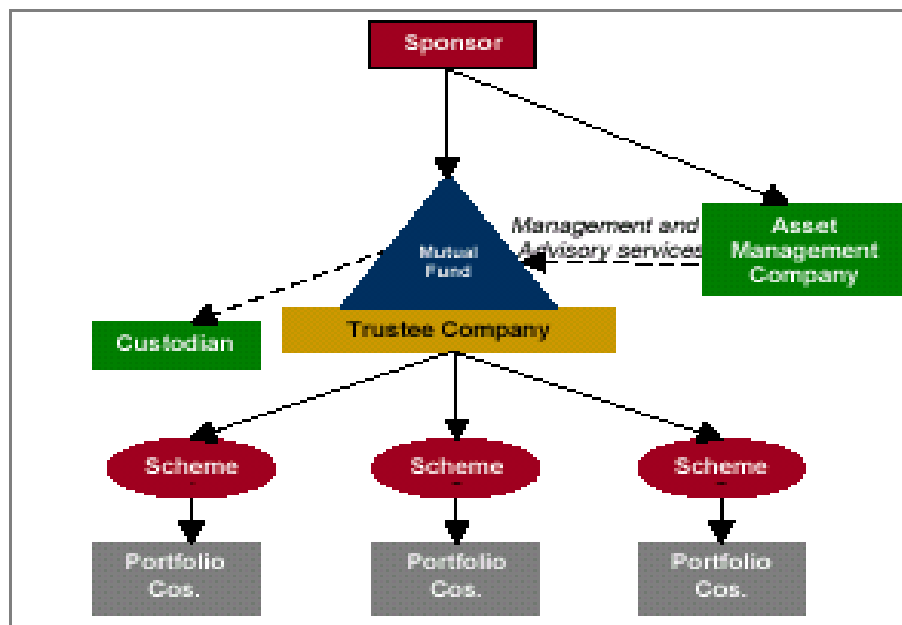
A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is invested by the fund manager in different types of securities depending upon the objective of the scheme. These could range from shares to debentures to money market instruments. The income earned through these investments and the capital appreciation realized by the scheme is 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 portfolio at a relatively low cost. The small savings of all the investors are put together to increase the buying power and hire a professional manager to invest and monitor the money. Anybody with an investible surplus of as little as a few thousand rupees can invest in Mutual Funds. Each Mutual Fund scheme has a defined investment objective and strategy.



## Structure of a Mutual Fund

A mutual fund is set up in the form of a trust, which has Sponsor, Trustees, Asset Management Company (AMC) and a Custodian. The trust is established by a sponsor or more than one sponsor who is like a promoter of a company. The trustees of the mutual fund hold its property for the benefit of the unit-holders. The AMC, approved by SEBI, manages the funds by making investments in various types of securities. The custodian, who is registered with SEBI, holds the securities of various schemes of the fund in its custody. The trustees are vested with the general power of superintendence and direction over AMC. They monitor the performance and compliance of SEBI Regulations by the mutual fund.

A typical mutual fund structure in India can be graphically represented as follows



## **Sponsor**

The sponsor is required, under the provisions of the Mutual Fund Regulations, to have a sound track record, a reputation of fairness and integrity in all his business transactions. Additionally, the sponsor should contribute at least 40% to the net worth of the AMC. However, if any person holds 40% or more of the net worth of an AMC shall be deemed to be a sponsor and will be required to fulfill the eligibility criteria specified in the Mutual Fund Regulations. The sponsor or any of its directors or the principal officer employed by the mutual fund should not be guilty of fraud, not be convicted of an offence involving moral turpitude or should have not been found guilty of any economic offence.

## **Trustees**

The mutual fund is required to have an independent Board of Trustees, *i.e.* two thirds of the trustees should be independent persons who are not associated with the sponsors in any manner whatsoever. An AMC or any of its officers or employees are not eligible to act as a trustee of any mutual fund. In case a company is appointed as a trustee, then its directors can act as trustees of any other trust provided that the object of such other trust is not in conflict with the object of the mutual fund. Additionally, no person who is appointed as a trustee of a mutual fund can be appointed as a trustee of any other mutual fund unless he is an independent trustee and prior approval of the mutual fund of which he is a trustee has been obtained for such an appointment.

The trustees are responsible for – *inter alia* -ensuring that the AMC has all its systems in place, all key personnel, auditors, registrars *etc.* have been appointed prior to the launch of any scheme. It is also the responsibility of the trustees to ensure that the AMC does not act in a manner that is favorable to its associates such that it has a detrimental impact on the unit holders, or that the management of one scheme by the AMC does not compromise the management of another scheme. The trustees are also required to ensure that an AMC has been diligent in empanelling and monitoring any securities transactions with brokers, so as to avoid any undue concentration of business with any broker. The

Mutual Fund Regulations further mandates that the trustees should prevent any conflicts of interest between the AMC and the unit holders in terms of deployment of net worth.

## **Asset Management Company**

The sponsor or the trustees are required to appoint an AMC to manage the assets of the mutual fund. Under the Mutual Fund Regulations, the applicant must satisfy certain eligibility criteria in order to qualify to register with SEBI as an AMC

- The sponsor must have at least 40% stake in the AMC
- The directors of the AMC should be persons having adequate professional experience in finance and financial services related field and not found guilty of moral turpitude or convicted of any economic offence or violation of any securities laws
- The AMC should have and must at all times maintain, a minimum net worth of Rs. 10 Crores
- The board of directors of such AMC has at least 50% directors, who are not associates of or associated in any manner with, the sponsor or any of its subsidiaries or the trustees
- The Chairman of the AMC is not a trustee of any mutual fund.

In addition to the above eligibility criteria and other on going compliance requirements laid down in the Mutual Fund Regulations, the AMC is required to observe the following restrictions in its normal course of business. Any director of the AMC cannot hold office of a director in another AMC unless such person is an independent director and the approval of the board of the AMC of which such person is a director, has been obtained; the AMC shall not act as a trustee of any mutual fund; the AMC cannot undertake any other business activities except activities in the nature of portfolio management services, management and advisory services to offshore funds, pension funds, provident funds, venture capital funds, management of insurance funds, financial

consultancy and exchange of research on commercial basis if any of such activities are not in conflict with the activities of the mutual fund.

## **Custodian**

The mutual fund is required, under the Mutual Fund Regulations, to appoint a custodian to carry out the custodial services for the schemes of the fund. Only institutions with substantial organizational strength, service capability in terms of computerization, and other infrastructure facilities are approved to act as custodians. The custodian must be totally de-linked from the AMC and must be registered with SEBI. Under the Securities and Exchange Board of India (Custodian of Securities) Guidelines, 1996, any person proposing to carry on the business as a custodian of securities must register with the SEBI and is required to fulfill specified eligibility criteria. Additionally, a custodian in which the sponsor or its associates holds 50% or more of the voting rights of the share capital of the custodian or where 50% or more of the directors of the custodian represent the interest of the sponsor or its associates cannot act as custodian for a mutual fund constituted by the same sponsor or any of its associate or subsidiary company.

## **Association of Mutual Funds in India (AMFI)**

Association of Mutual Funds in India (AMFI) is an apex body of asset management companies of the Mutual Fund registered in India. It was incorporated on the August 22<sup>nd</sup> 1995 as a non-profit making organization. It is dedicated to developing the Indian Mutual Fund industry on professional, healthy & ethical lines & to enhance and maintain standards in all areas with a view to protecting & promoting the interests of Mutual Funds & their unit holders.

### **OBJECTIVES**

- To recommend & implement healthy business practices, ethical code of conduct, standard principles & practices to be followed by the members of the company & others engaged in the activities of Mutual Funds & Asset Management including agencies connected or involved in the field of capital Markets & financial Services.
- To promote high standards of commercial honor & encourage & promote among members & others the observance of securities laws including regulations & directives issued by Securities & Exchange Board of India (SEBI) & function in the best of interest of the investing public.
- To help in setting up professional standards for providing efficient services & establishing standard practices for Mutual Fund & Asset Management activities.
- To bring about better co-ordination in the field of Mutual Funds & Asset Management Industry.
- To promote & develop sound, progressive & dynamic principles, practices & conventions in the activities of Mutual Fund & Asset Management.
- To render assistance & provide common services & utilities to the persons engaged in the field of Mutual Funds & Asset Management.

## **ROLE OF MUTUAL FUNDS**

### **Mutual Funds & Financial Market**

In the process of development Indian mutual funds have emerged as strong financial intermediaries & are playing a very important role in bringing stability to the financial system & efficiency to resource allocation. Mutual Funds have opened new vistas to investors & imparted a much-needed liquidity to the system. In the process they have challenged the hitherto role of commercial banks in the financial market & national economy.

### **Mutual Fund & Capital Market**

The active involvement of Mutual Funds in promoting economic development can be seen not only in terms of their participation in the savings market but also in their dominant presence in the money & capital market. A developed financial market is critical to overall economic development, & Mutual Funds play an active role in promoting a healthy capital market. The asset holding pattern of mutual funds in the USA indicates the dominant role of Mutual Funds in the capital market & money market. More over they have also rendered critical support to securities mortgage loans & municipal bond market in the USA. In the USA, Mutual Funds provide very active support to the secondary market in terms of purchase of securities.

Investor's preferences pattern in India has undergone a tremendous change during recent times, along with the changes in the share of financial assets in the total annual savings. Indian investors have moved towards more liquid & growth oriented trade able instruments like's shares/debentures & units of Mutual Funds. The shift in asset holding pattern of investors has been significantly influenced by the 'equity' & 'unit' culture while the holders of company shares & debentures are concentrated in the urban areas, small/medium investors in the semi-urban & rural areas are tending towards Mutual Funds. Mutual Funds in India have certainly created awareness among investors about equity oriented investments & its benefits.

## **Types of Mutual Fund Schemes**

There are a wide variety of Mutual Fund schemes that cater to investors need, whatever your age, financial position, risk tolerance and return expectations. Whether as the foundation of your investment program or as a supplement, Mutual Fund schemes can help you meet your financial goals.

### **By Structure – Schemes can be classified into 3 types**

#### **Open-Ended Schemes**

These do not have a fixed maturity. Investors deal directly with the Mutual Fund for their investments and redemptions. The key feature is liquidity. They can conveniently buy and sell their units at Net Asset Value ("NAV") related prices.

#### **Close-Ended Schemes**

Schemes that have a stipulated maturity period (ranging from 2 to 15 years) are called close-ended schemes. Investors can invest directly in the scheme at the time of the initial issue and thereafter they can buy or sell the units of the scheme on the stock exchanges where they are listed. The market price at the stock exchange could vary from the scheme's NAV on account of demand and supply situation, unit holders' expectations and other market factors. One of the characteristics of the close-ended schemes is that they are generally traded at a discount to NAV; but closer to maturity, the discount narrows. Some close-ended schemes give them an additional option of selling their units directly to the Mutual Fund through periodic repurchase at NAV related prices. SEBI Regulations ensure that at least one of the two exit routes is provided to the investor.

#### **Interval Schemes**

These combine the features of open-ended and close- ended schemes. They may be traded on the stock exchange or may be open for sale or redemption during pre-determined intervals at NAV related prices.

## **By Investment Objective**

### **Growth/Equity Schemes**

Aim to provide capital appreciation over the medium to long term. These schemes normally invest a majority of their funds in equities and are willing to bear short-term decline in value for possible future appreciation. These schemes are not for investors seeking regular income or needing their money back in the short-term.

### **Income Schemes**

Aim to provide regular and steady income to investors. These schemes generally invest in fixed income securities such as bonds and corporate debentures. Capital appreciation in such schemes may be limited.

### **Balanced Schemes**

Aim to provide both growth and income by periodically distributing a part of the income and capital gains they earn. They invest in both shares and fixed income securities in the proportion indicated in their offer documents. In a rising stock market, the NAV of these schemes may not normally keep pace, or fall equally when the market falls.

### **Money Market Schemes**

Aim to provide easy liquidity, preservation of capital and moderate income. These schemes generally invest in safer, short-term instruments, such as treasury bills, certificates of deposit, commercial paper and inter-bank call money. Returns on these schemes may fluctuate, depending upon the interest rates prevailing in the market.

### **Tax Saving Schemes**

These schemes offer tax rebates to the investors under tax laws as prescribed from time to time. This is made possible because the Government offers tax incentives for investment in specified avenues. For example, Equity Linked Savings Schemes (ELSS) and Pension Schemes. Recent amendments to the Income Tax Act provide further opportunities to investors to save capital gains by investing in Mutual Funds. The details of such tax savings are provided in the relevant offer documents.

## **Special Schemes**

This category includes index schemes that attempt to replicate the performance of a particular index, such as the BSE Sensex or the NSE 50, or industry specific schemes (which invest in specific industries) or Sectoral schemes (which invest exclusively in segments such as 'A' Group shares or initial public offerings). Index fund schemes are ideal for investors who are satisfied with a return approximately equal to that of an index. Sectoral fund schemes are ideal for investors who have already decided to invest in a particular sector or segment. Keeping in mind that any one scheme may not meet all the investors' requirements for all time

## **Advantages of Mutual Fund**

### **Professional Management**

Investors avail the services of experienced and skilled professionals who are backed by a dedicated investment research team, which analyses the performance and prospects of companies and selects suitable investments to achieve the objectives of the scheme.

### **Diversification**

Mutual Funds invest in a number of companies across a broad cross-section of industries and sectors. This diversification reduces the risk because seldom do all stocks decline at the same time and in the same proportion. Investors achieve this diversification through a Mutual Fund with far less money than they can do on their own.

### **Convenient Administration**

Investing in a Mutual Fund reduces paperwork and helps to avoid many problems such as bad deliveries, delayed payments and unnecessary follow up with brokers and companies. Mutual Funds save time and make investing easy and convenient.

**Return Potential**

Over a medium to long-term, Mutual Funds have the potential to provide a higher return as they invest in a diversified basket of selected securities.

**Low Costs**

Mutual Funds are a relatively less expensive way to invest compared to directly investing in the capital markets because the benefits of scale in brokerage, custodial and other fees translate into lower costs for investors.

**Liquidity**

In open-ended schemes, Investors can get their money back promptly at net asset value related prices from the Mutual Fund itself. With close-ended schemes, they can sell their units on a stock exchange at the prevailing market price or avail of the facility of direct repurchase at NAV related prices which some close-ended and interval schemes offer periodically.

**Transparency**

Investors get regular information on the value of their investment in addition to disclosure on the specific investments made by the scheme, the proportion invested in each class of assets and the fund manager's investment strategy and outlook.

**Flexibility**

Through features such as regular investment plans, regular withdrawal plans and dividend reinvestment plans, Investors can systematically invest or withdraw funds according to their needs and convenience.

**Choice of Schemes**

Mutual Funds offer a family of schemes to suit the varying needs over a lifetime of their Investors.

### **Well Regulated**

All Mutual Funds are registered with SEBI and they function within the provisions of strict regulations designed to protect the interests of investors. The operations of Mutual Funds are regularly monitored by SEBI.

### **Disadvantages of Mutual Fund Investment**

#### **No Control over costs**

An investor in a mutual fund has no control over the overall cost of investing. He pays investment management fees as long as he remains with the fund, albeit in return for the professional management and research. Fees are usually payable as a percentage of the value of his investments, whether the fund value is rising or declining.

#### **No Tailor-made Portfolios**

Investors who invest on their own can build their own portfolios of shares, bonds and other securities. Investing through funds means he delegates this decision to the fund managers. The very high net worth individuals or large corporate investors may find this to be a constraint in achieving their objectives.

#### **Managing a portfolio of funds**

Availability of a large number of funds can actually mean too much choice for the investor. He may again need advice on how to select a fund to achieve his objective, quite similar to the situation when has to select individual shares or bonds to invest in.

## **RISKS OF INVESTING IN MUTUAL FUNDS**

### **Market / Interest Risk**

Volatility of prices leading to “floating” returns

Largely mitigated with a holding period of over 6 months

### **Credit Risk**

Potential default of bonds on the portfolio

### **Equity Risk**

Possibility of the fund manager not able to meet redemptions

## PLAYERS IN MUTUAL FUND INDUSTRY

NAME OF THE FUND	NO. OF SCHEMES	ASSET UNDER MANAGEMENT (Rs. CRORE)
ALLIANCE MUTUAL FUND	36	3309.03
BENCH MARK MUTUAL FUND	1	6.1
<b>BIRLA MUTUAL FUND</b>	<b>35</b>	<b>4436.79</b>
BOB MUTUAL FUND	8	31
CAN BANK MUTUAL FUND	14	692.04
CHOLA MUTUAL FUND	25	812.67
DSPML MUTUAL FUND	13	2154.67
DUNDEE MUTUAL FUND	19	20.72
ESCORTS MUTUAL FUND	13	83.91
FIRST INDIA MUTUAL FUND	5	0.7
FRANKLIN TEMPELTION MUTUAL FUND	25	3919.52
GIC MUTUAL FUND	13	333.29
HDFC MUTUAL FUND	22	4707.32
IDBI-PRINCIPAL MUTUAL FUND	33	1346.61
IL & FS MUTUAL FUND	18	537.72
ING MUTUAL FUND	15	396.31
JF MUTUAL FUND	3	201.8
JM MUTUAL FUND	21	1199.2
KOTAK MUTUAL FUND	30	1907.35
MORGAN STANLEY MUTUAL FUND	1	793.87

PIONEER ITI MUTUAL FUND	62	3517.77
PNB MUTUAL FUND	8	149.76
PRU ICICI MUTUAL FUND	52	7006.72
RELIANCE CAPITAL MUTUAL FUND	15	2913.25
SBI MUTUAL FUND	42	3215.40
STANDARD CHARTERED MUTUAL FUND	30	3294.63
SUN F& C MUTUAL FUND	26	413.11
SUNDARAM MUTUAL FUND	11	702.25
TATA MUTUAL FUND	20	893
TAURUS MUTUAL FUND	11	59.76
UTI MUTUAL FUND	103	509.83
ZURICH INDIA MUTUAL FUND	39	255.11
LIC MUTUAL FUND	27	2340.3

## **PORTFOLIO MANAGEMENT**

Portfolio management is a process encompassing many activities of investment in assets and securities. It is a dynamic and flexible concept and involves continuous and systematic analysis, judgment and operations. The objective of this service is to help to novices and uninitiated investors with the expertise of professionals in portfolio management. Firstly, it involves construction of a portfolio based upon the fact sheet of the investor giving out his objectives, constraints, preferences for risk and return and his tax liability. This stage is known as portfolio strategy.

Secondly, the portfolio is reviewed and adjusted from time - to - time in tune with the market conditions. The adjustment is done through changes in the weighting pattern of the securities will take advantage of changes in market conditions and in the securities and assets in the portfolio. This stage is referred as portfolio monitoring and revision.

Thirdly, the evaluation of portfolio performance is to be done by the manager in terms of targets set for risk and return and changes in the portfolios are to be affected to meet the changing conditions. This stage is known and portfolio evaluation.

### **Elements of Portfolio Management**

Portfolio management is an on-going process involving the following basic tasks  
Identification of the investor's objectives, constraints and preference, which will help formulate the investment policy.

Strategies are to be developed and implemented in tune with the investment policy formulated. This will help the selection of asset classes and securities in each class depending upon their risk – return attributes.

Review and monitoring of the performance of the portfolio by continuous overview of the market conditions, companies' performance and investors circumstances

Finally, the evaluation of the portfolio for the results to compare with the targets and needed adjustments have to be made in the portfolio to the emerging conditions and to make up any shortfalls in achievement vis-à-vis targets.

Thus portfolio management is a continuous process which starts with security analysis, proceeds to portfolio strategy (i.e. construction and selection), continues with monitoring, revision and evaluation.

The evaluation process provides the necessary feedback for better designing of portfolio the next time around.

### **Different Avenues of investment**

<b>OPTIONS</b>	<b>RETURN</b>	<b>RISK</b>	<b>LIQUIDITY</b>
Savings account	Very low	Very low	High
Fixed Deposits	Low	Low	Low
Direct Equity	Very high return	Very high	High
Insurance	Medium	Low	Low
Company fixed deposits	Low	High	Very low
Debentures	Low	Medium	Medium
Bonds	Low	Low	Low
<b>Mutual funds</b>	<b>High</b>	<b>Medium</b>	<b>High</b>
Post office schemes	Low	Low	Low
Government securities	Low	Low	Low
Real estate	High	High	Low
Currency	High	High	High
Bullion	Medium	High	Medium

## **NEED AND IMPORTANCE OF STUDY**

A small investor is the one who is able to correctly plan & decide in which profitable & safe instrument to invest. To lock up one's hard earned money in a savings bank's account is not enough to counter the monster of inflation. Using simple concepts of diversification, power of compound interest, stable returns & limited exposure to equity investment, one can maximize his returns on investments & multiply one's savings.

Investment is a serious proposition one has to look into various factors before deciding on the instruments in which to invest. To save is not enough. One must invest wisely & get maximum returns. One must plan investment in such a way that his investment objectives are satisfied. A sound investment is one which gives the investor reasonable returns with a proper profitable management

This report gives the details about various investment objectives desired by an investor, details about the concept & working of mutual fund. This report also covers the different players in Mutual Funds and different avenues of investment & in detail about "BIRLA SUN LIFE MUTUAL FUNDS".

## **STATEMENT OF PROBLEM**

Mutual Funds are Financial intermediaries concern with the mobilizing savings of surplus income & channelisation of these savings in those avenues where there is demand of funds.

The main purpose behind this study of investment preferences in Mutual Funds is to see that how the investors are employing their resources in a manner to afford, combine benefits to low risks, steady or consistent returns, high liquidity & capital appreciation through diversification & Expert Management.

Therefore the activities of mutual funds have both short & long term impact on the savings & capital market & the national economy. Mutual Funds, thus, assist the process of financial depending & intermediation.

## **Objectives of the Study**

- To study various investment alternatives and in particular investors preference towards mutual funds.
- To study the preference of investors in today's scenario (less risk and more return).
- To assess the risk of investors with reference to diversifiable risk & non-diversifiable risk.
- To study market potentiality of mutual fund among investors.
- To study whether the investors are considering Birla Sun Life a better option or not.

## **Research Methodology**

### **Sources of data collection**

Two sources of collecting data has been employed i.e. primary data and secondary data

### **Primary data**

A questionnaire is used as a tool for the systematic collection of relevant information. A well questionnaire consisting of simple questions has been prepared & directed to the respondents. (Questionnaire is attached at the end of the projects)

The questionnaire prepared consists of closed-ended questions which includes

Multiple choice

Rating scale

The questionnaire also consists of open-ended questions.

The first section of questionnaire is prepared mainly for collecting the personal information about the respondents.

The second section contains multiple choice questions. It is prepared to collect the information about customer perception.

The close- ended questions are very easy to answer from the questionnaire responded by the respondents.

### **Secondary Data**

Secondary data is collected from the company's websites, fact sheet etc.

### **Sampling Procedure**

Sample size: 200

**Explorative approach:** This approach is one of the most popular approaches these days. In this approach, a problem is described by the researcher using questionnaire or schedule. This approach enables a researcher to explore new areas of investigation.

**Research instrument:** Questionnaire

Which is used to collect the primary data by personnel interview.

## **LIMITATIONS OF THE STUDY**

- Much interaction has not been possible with the customer due to
  1. Indifference or uninterested of the customers to interact with me
  2. Different perceptions about the investment options
  3. The non-availability of time to them
- Many investors think mutual funds and shares are the one and same
- In survey, most of the respondents were male who could not take the perceptions of the female investors.

## **CHAPTER-II**

# **REVIEW OF LITERATURE**

## DEFINITION OF MUTUAL FUNDS

### DEFNITION:

A mutual fund, also referred to as an open-end fund, is an investment company that spreads its money across a diversified portfolio of securities -- including stocks, bonds, or money market instruments.

Shareholders who invest in a fund each own a representative portion of those investments, less any expenses charged by the fund.

Mutual fund investors make money either by receiving dividends and interest from their investments, or by the rise in value of the securities. Dividends, interest and profits from the sale of any securities (capital gains) are passed on to the shareholders in the form of distributions. And shareholders generally are allowed to sell (redeem) their shares at any time for the closing market price of the fund on that day.

### DEFNITION:

Mutual funds have been around for a long time, dating back to the early 19th century. The first modern American mutual fund opened in 1924, yet it was only in the 1990's that mutual funds became mainstream investments, as the number of households owning them nearly tripled during that decade. With recent surveys showing that over 88% of all investors participate in mutual funds, you're probably already familiar with these investments, or perhaps even own some. In any case, it's important that you know exactly how these investments work and how you can use them to your advantage.

A mutual fund is a special type of company that pools together money from many investors and invests it on behalf of the group, in accordance with a stated set of objectives. Mutual funds raise the money by selling shares of the fund to the public, much like any other company can sell stock in itself to the public. 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.

**DEFNITION:**

A mutual fund is simply a financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. The mutual fund will have a fund manager who is responsible for investing the pooled money into specific securities (usually stocks or bonds). When you invest in a mutual fund, you are buying shares (or portions) of the mutual fund and become a shareholder of the fund.

**DEFNITION:**

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. Benefits of mutual funds include diversification and professional money management. Mutual funds offer choice, liquidity, and convenience, but charge [fees](#) and often require a minimum investment. A closed-end fund is often incorrectly referred to as a [mutual fund](#), but is actually an investment trust. There are many types of mutual funds, including [aggressive growth fund](#), [asset allocation fund](#), [balanced fund](#), [blend fund](#), [bond fund](#), [capital appreciation fund](#), [clone fund](#), [closed fund](#), [crossover fund](#), [equity fund](#), [fund of funds](#), [global fund](#), [growth fund](#), [growth and income fund](#), [hedge fund](#), [income fund](#), [index fund](#), [international fund](#), [money market fund](#), [municipal bond fund](#), [prime rate fund](#), [regional fund](#), [sector fund](#), [specialty fund](#), [stock fund](#), and [tax-free bond fund](#).

**DEFNITION:**

A security that gives small investors access to a well-diversified portfolio of equities, bonds and other securities. Each shareholder participates in the gain or loss of the fund. Shares are issued and can be redeemed as needed

## **CHAPTER-III**

# COMPANY PROFILE **COMPANY PROFILE**

## **BIRLA SUNLIFE MUTUAL FUND**

Birla Sunlife Mutual Fund is a joint venture between Sun Life Assurance Company, the Canada-based financial service organization and the Indian industrial house of Aditya Birla, this AMC was launched in the mid-90's. Both the partners are well known in all areas that they operate in. While Aditya Birla is a household name in India and has renowned brands in businesses spread across industries as wide ranging as Aluminium (Hindalco), Textiles (Grasim), Fertilizers (Indo-Gulf), Finance (Birla Global Finance Ltd.) and Rayon (India Rayon), Sun Life is a leading financial service organization in North America. Sun Life provides services related to risk management, money management and wealth management across globe. Having established itself at Toronto in 1871, it has now spread its wings across Asia Pacific, U.S.A. and U.K. It also has a significant presence through MFS Investment Management in U.S. and Spectrum United Mutual Funds in Canada.

The major strengths of the group are its expertise drawn from managing assets over the globe, a big agent network and an ability to cater to the need of people. Drawing on the expertise of a worldwide staff of over 10,000 people and a network of more than 65,000 agents and distributors, Sun Life is committed to providing not just products and services, but solutions for clients financial and risk management needs.

Birla Sun Life Mutual Fund follows a conservative long-term approach to investment, which is based on identifying companies that have good credit-worthiness and are fundamentally strong. It places a lot of emphasis on quality of management and risk control. This is done through extensive analysis that includes factory visits and field research. It has one of the largest team of research analysts in the industry. The company is one of India's leading private mutual funds with a large customer base.

Birla Mutual Fund has been constituted as a trust under the provisions of the Indian Trusts Act, 1882 and registered with SEBI. The objective of Mutual Fund is to offer to the public and other eligible investors units in one or more schemes in the Mutual Fund for making group or collective investments primary in Indian Securities in accordance with and as permitted under the directions and guidelines issued from time to time by SEBI.

The Sponsors of Birla Mutual Fund are Birla Global Finance Ltd. and Sun Life (India) AMC Investments Inc., which is wholly owned subsidiary of Sun Life Financial Services Company of Canada. Birla Sun Life Trustee Company Private Ltd. (BSLTC) is a company incorporated with limited liability under the Companies Act, 1956. Birla Sun Life Asset Management Company Ltd. (BSLAMC) is the investment manager of Birla Mutual Fund.

### **Vision**

To be the most trusted name in investment and wealth management, to be the preferred employer in the industry and to be a catalyst for growth and excellence of the asset management business in India.

### **Mission**

To consistently pursue investor's wealth optimization by

- Achieving superior and consistent investment results
- Creating a conducive environment to hone and retain talent
- Providing customer delight
- Institutionalizing system-approach in all aspects of functioning
- Upholding highest standards of ethical values at all times

## **Schemes Offered by Birla Sunlife Mutual Fund**

### **Equity Schemes**

Investments in equities are made with a long-term objective in mind. Empirical studies have indicated that despite the short-term volatility that is characteristic of equities, over the longer term, equities have generated superior returns. This makes equities the best instruments for long-term growth of capital. Investing in a diversified equity portfolio can help minimize risk as the portfolio gets exposure across various sectors, while enabling investors to capitalize on the fundamental upsides presented by these sectors. The various Equity schemes are

- Birla Advantage Fund
- Birla Dividend Yield Plus
- Birla Midcap Fund
- Birla India Opportunities Fund
- Birla MNC Fund
- Birla Equity Fund
- Birla Index Fund

### **Debt Schemes**

- Birla Income Plus
- Birla Gilt Plus
- Birla Bond Plus
- Birla Cash Plus
- Birla MIP
- Birla MIP-II
- Birla Floating Rate Fund
- Birla Bond Index Fund

### **Other Schemes**

- Birla Asset Allocation Fund
- Birla Balance

## **Offshore Schemes**

- India Advantage Fund
- Excel India Fund

## **Investment Plans Offered**

### **GROW (Gain Regularly On Withdrawals)**

Formerly known as Regular Withdrawal Plan (RWP) - is the best alternative for investors who need regular income. GROW is available in two options:

- **Fixed Withdrawal:** Where investors specify amounts they wish to withdraw from their investment on a monthly/quarterly basis.
- **Appreciation Withdrawal:** Where they can withdraw 90% of their appreciated amount on a monthly/quarterly basis.

### **REAP (Regular Extra Advantage Plan)**

The REAP formerly known as Systematic Investment Plan (SIP) - lets investors invest small amounts of money on a monthly basis and gives them the option of increasing these amounts as their investment capacity increases.

### **STEER (Systematic Transfer to Earn Equity Returns)**

While investing in a debt, fund normally assures of fairly consistent returns, equities have the potential to create wealth. But the unpredictability in equity funds can be quite a deterrent when Investors make a choice. To combine the best of both worlds Birla presents STEER formerly known as Systematic Transfer Plan (STP).

## **Unique Features of Birla**

### **Birla Bond Exchange**

Birla Bond Exchange is a unique facility introduced by Birla Sun Life AMC Ltd. to help retail investors replace their existing portfolio of debt securities with a diversified debt fund in order to optimize returns and improve liquidity.

**Readicheques**

A product add-on available for Resident Indian investors in the growth plans of the debt schemes, i.e. Birla Income Plus, Birla Cash Plus, Birla Bond Plus, Birla MIP and Birla Gilt Plus. Readicheques are pre-issued undated repurchase cheques drawn in favour of the first applicant. Under normal circumstances, when investor wishes to redeem, he needs to fill up a repurchase request and submit it to the Investor Service Centre. Normally the repurchase warrant is delivered to the investor on the third working day from the date of submitting the redemption request. With Readicheques, all the investor needs to do is to request for preissued warrants in advance and deposit them as and when needed. Thus, the hassles of filling in a redemption request, submitting at an Investor Service Centre and then waiting for the redemption warrant to reach him are done away with this product add-on.

**Birla Gift Certificates**

Birla Gift Certificates brought to investors is a novel idea for presenting a gift for special occasions, festivals or simply to say you care. Investors can present these Gift Certificates to their loved ones or their valued business associates on special occasions. Birla Gift Certificates can be used for acquiring units of five funds - Birla Income Plus (BIP), Birla Monthly Income Plan (MIP), Birla Midcap, Birla Dividend Yield Plus (BDYP) and Birla Advantage Fund (BAF). These Gift Certificates can be bought from any of BSLAMC branches.

## Awards

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### CNBC TV 18 CRISIL – MUTUAL FUND OF THE YEAR AWARDS



**Open ended Income Fund –  
Birla Income Plus  
Open ended Income Short Term Funds –  
Birla Bond Plus**

**ICRA ONLINE MUTUAL FUND AWARDS 2005**



**Birla Gilt Plus - Liquid Plan  
ICRA-MFR 1  
Open Ended Gilt Scheme -  
Short Term - 1 Year**



**Birla Gilt Plus - Liquid Plan  
ICRA-MFR 1  
Open Ended Gilt Scheme -  
Short Term - 3 Year**



**Birla India Opportunities Fund  
ICRA-MFR 1  
Open Ended Sectoral Schemes  
- Technology (3 Year)**



**Birla IncomePlus  
ICRA-MFR 1  
Open Ended Debt Scheme  
- Long Term (3 Year)**



CNBC - TV 18 – BNP  
PARIBAS  
Mutual Fund of the Year  
Award 2004  
**Presented to**  
Birla MIP (Gr):  
Best Performing Open-Ended  
Monthly Income Plan Fund  
(three years)



ICRA Online Mutual Fund  
Awards 2004  
**Presented to**  
Birla Income Plus:  
Ranked MFR 1 in open-ended  
debt schemes - long term  
category (one year)



CNBC - TV 18 – BNP  
PARIBAS  
Mutual Fund of the Year  
Award 2004  
**Presented to**  
Birla Gilt Plus (Regular Plan)  
(Gr):  
Best Performing Open-Ended  
Gift Fund (three years)



ICRA Online Mutual Fund  
Awards 2004  
**Presented to**  
Birla Equity Plan:  
Ranked MFR 1 in open-ended  
equity linked savings schemes  
category (one year)



CNBC - TV 18 – BNP  
PARIBAS  
Mutual Fund of the Year  
Award 2004

**Presented to**  
Birla Equity Plan:  
Best Performing Open-Ended  
Equity Tax Saving (ELSS)  
(one year)



ICRA Online Mutual Fund  
Awards 2004

**Presented to**  
Birla India Opportunities  
Fund:  
Ranked MFR 1 in open-ended  
sectoral schemes - technology  
category (one year)



ICRA Online Mutual Fund  
Awards 2004  
**Presented to**  
Birla Gilt Plus - Regular Plan:  
Ranked MFR 1 in open-ended  
gift schemes - long term  
category (one year)



ICRA Online Mutual Fund  
Awards 2004  
**Presented to**  
Birla India Opportunities  
Fund:  
Ranked MFR 1 in open-ended  
sectoral schemes - technology  
category (three years)



ICRA Online Mutual Fund  
Awards 2004  
**Presented to**  
Birla Gilt Plus - Liquid Plan:  
Ranked MFR 1 in open-ended  
gilt schemes - short term  
category (one year)



CRISIL Best Fund Awards  
2003  
**Presented to**  
Birla Bond Plus:  
Best performing Open-end  
Income-Short Term Fund



ICRA Online Mutual Fund  
Awards 2004  
**Presented to**  
Birla Gilt Plus - Liquid Plan:  
Ranked MFR 1 in open-ended  
gift schemes - short term  
category (three years)



Standard & Poor's Fund  
Awards, 2004 Offshore, India  
Advantage Fund  
**Presented to**  
Awarded 1st Place in the  
Standard & Poor's Five Years  
Offshore Funds Equity India  
Sector.



Standard & Poor's Fund  
Awards, 2002 Offshore, India  
Advantage Fund  
**Presented to**  
BIRLA MUTUAL FUND  
1st place in the standard &  
Poor's Five Years (Dec 1996-  
Dec 2001).



Wealth Creator Award 2003  
**Presented to**  
BIRLA MUTUAL FUND for  
the Best Mutual Fund.



Business Barons,  
Best Brand Award 2002,  
**Presented to**  
BIRLA MUTUAL FUND  
Birla Income Plus - Open- end  
Debt/Income Fund-. Birla  
MIP- Open- end Monthly  
Income Plan.



R J Bhatt Awards 1999  
**Presented to**  
BIRLA MUTUAL FUND  
The Best Mutual Fund  
the IRIS Mutual Fund Award  
in memory of R J Bhatt.



R J Bhatt Awards 1999  
**Presented to**  
BIRLA ADVANTAGE  
FUND  
The Best Performing Scheme  
The category of Growth Funds  
the IRIS Mutual Fund Award  
in memory of R J Bhatt.



R J Bhatt Awards 1999  
**Presented to**  
BIRLA INCOME PLUS  
The Best Performing Scheme  
In the category of Income  
Funds  
the IRIS Mutual Fund Award  
in  
memory of R J Bhatt .



Business Standard  
**Presented to**  
MR.BHARAT SHAH  
Fund Manager of Year 1999.



Motilal Oswal institute of  
wealth Creation  
Pioneers in Investor's  
Education  
**Presented to**  
BIRLA ADVANTAGE  
FUND  
The Award for The Best  
Equity Mutual Fund Scheme  
1999.



Mr R J BHATT Mutual Funds  
Awards 2000  
**Presented to**  
Birla Sunlife Asset  
Management Company  
Limited  
In recognition of  
BIRLA ADVANTAGE  
FUND  
The BEST GROWTH  
SCHEME  
Based on three years  
performance between August  
1 ,1997-July 31,2000.



Mr R J BHATT Mutual Funds  
Awards 2000  
**Presented to**  
Birla Sunlife Asset  
Management Company  
Limited  
In recognition of  
BIRLA INCOME PLUS  
The Best Scheme Income  
Scheme  
Based on three years  
performance between August  
1 ,1997-July 31,2000.



Standard & Poor's  
www.micropal.com 1998  
Awards

**Presented to**  
INDIA ADVANTAGE FUND

The award for standing first  
place in the Standard & Poor's  
Micropal one year offshore  
Territories Equity India sector  
out of 36 funds.



BANCO  
Emerging Markets Awards  
2000

**Presented to**  
Birla Sunlife Asset

Management Company  
Limited

For having secured the first  
place for its risk-adjusted  
performance over three years  
with the India Advantage Fund  
in the Standard & Poor's fund  
Services ,Asia excl. Japan  
Equity Sector.

## **SCHEMES OF BIRLA SUN LIFE**

### **Scheme: Birla Advantage Fund**

Type	Open ended growth scheme
Investment pattern	70% in equity & 30% in Debt
Fund Objective	Long term growth of capital
Investment horizon	Min of one year

### **Scheme: Birla Dividend Yield plus**

Type	Open ended Growth Scheme
Investment pattern	100% in equity
Fund objective	Capital growth & income
Investment horizon	Min of one year

### **Scheme: Birla Equity plan**

Type	Open ended equity linked savings schemes
Investment	80% in equity & 20% in short term, money market & liquid instruments
Fund objective	Long term growth of capital along with income tax relief for investment
Investment horizon	Minimum of 3years

### **Scheme: Birla Index Fund**

Type	Open ended index Linked Scheme
Investment pattern	100% in Securities
Fund Objective	Generate Returns
Investment Horizon	Min of one Year

### **Scheme: Birla India opportunities Fund**

Type	Open ended growth scheme
Investment pattern	70-100% in equity, 30% in cash & money market instruments
Fund objective	Long term growth of capital
Investment horizon	Minimum of one year

### **Scheme: Birla Mid Cap Fund**

Type	Open ended growth scheme
Investment pattern	65-100% in equity related companies with market capitalization of Rs.150 crores to Rs.1,500 crores 35% in equity related companies with a market capitalization.
Fund Objective	Long term growth of capital
Investment horizon	Minimum of 1 year

**Scheme: Birla MNC Fund (MNC)**

Type	Open ended growth scheme
Investment pattern	Upto 100% in equity of 20% in debt
Fund objective	Long term growth of capital by marking Investments in security of MNC's.
Investment horizon	Minimum of one year

**Scheme: Birla Balance Fund**

Type	Open ended balanced scheme
Investment pattern	50 to 75% in equity 25-50% in debt
Fund object	To balance income requirements with long term growth of capital
Investment horizon	Minimum of one year

**Scheme: Birla Asset Allocation Fund**

Type	Open ended fund of funds
Investment pattern	Aggressive plan 70-80% in equity 20-25% indebt Moderate plan 40-60% in equity 40-60% indebt Conservative plan 20-25% in equity 75-80% indebt
Fund objective	Income & capital Application with diversification in equity & debt schemes in line with risk profile of investor
Investment horizon	Minimum of one year

### **Scheme: Birla Gilt Plus**

Type	Open ended governments securities schemes
Investment pattern	100% in securities permitted by RBI
Fund objective	To generate in income & capital appreciation through investments in government securities.
Investment horizon	Least 6 months to 1 year

### **Scheme: Birla Dynamic Bond Fund**

Type	Open ended income scheme
Investment pattern	50-65% in Government securities, 25-35% in corporate bonds, 0-25% in cash liquid instruments.
Fund objective	To generate optimal returns with high liquidity
Investment horizon	Minimum of one year

### **Scheme: Birla Income Plus**

Type	Open ended income scheme
Investment pattern	100% in debt & money market
Fund objective	To generate consistent income
Investment horizon	Minimum of 1 year

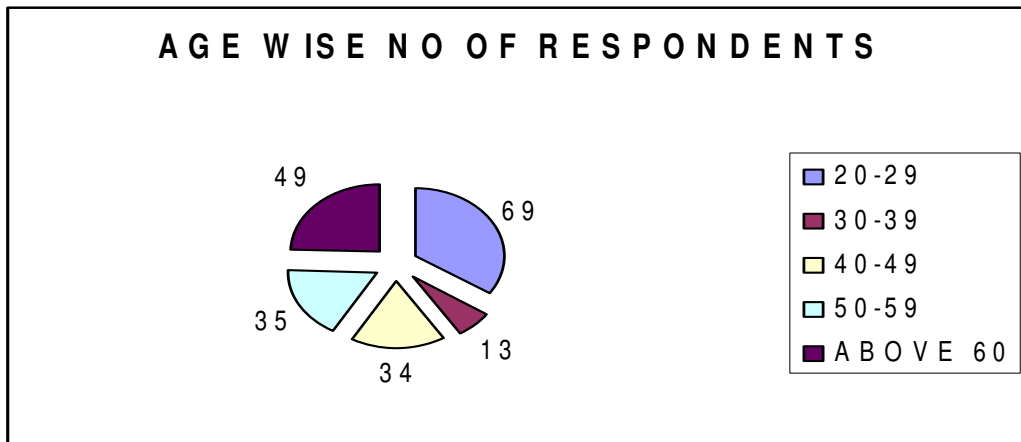
## **CHAPTER-IV**

# **ANALYSIS & INTERPRETATION OF DATA**

**TABLE -1:**

**AGE WISE CLASSIFICATION OF RESPONDENTS**

<b>AGE</b>	<b>NO. OF RESPONDENTS</b>	<b>PERCENTAGE</b>
BELOW 20	NIL	NIL
20-29	69	34.5
30-39	13	6.5
40-49	34	17
50-59	35	17.5
ABOVE 60	49	24.5
TOTAL	200	100



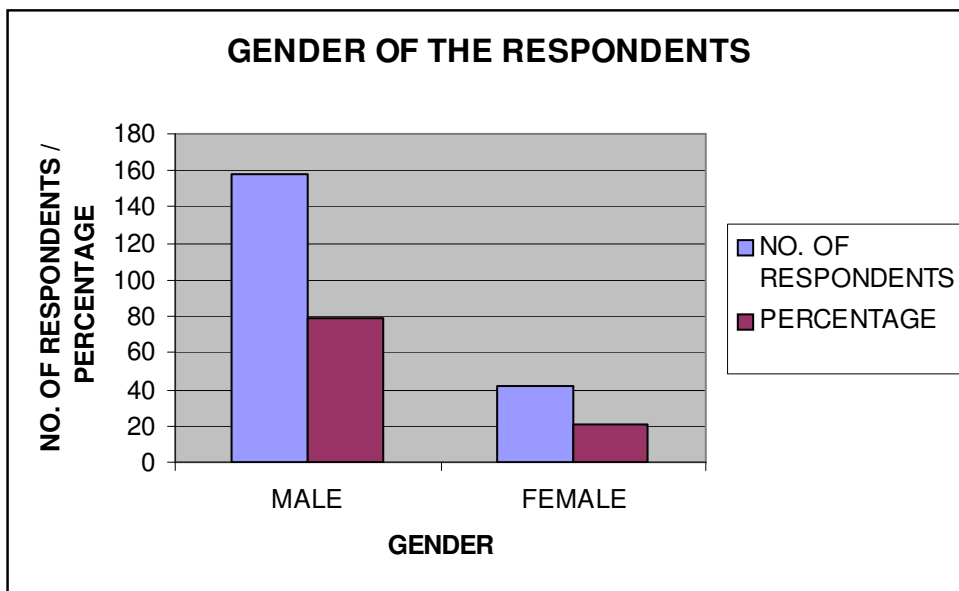
**Interpretation:**

According to the survey the respondents were of different age groups. There are no respondents of age below 20 are in no number. The investors of age 20-29 are 69 in number with 34.5%. The investors of age 30-39 are 13 with 6.5%, 40-49 there are 34 investors with 17% and in between 50-59 there are 35 investors with 17.5% and above 60 there are 49 investors with 24.5%.

**TABLE-2:**

**GENDER OF THE RESPONDENTS**

GENDER	NO. OF RESPONDENTS	PERCENTAGE
MALE	158	79
FEMALE	42	21
TOTAL	200	100

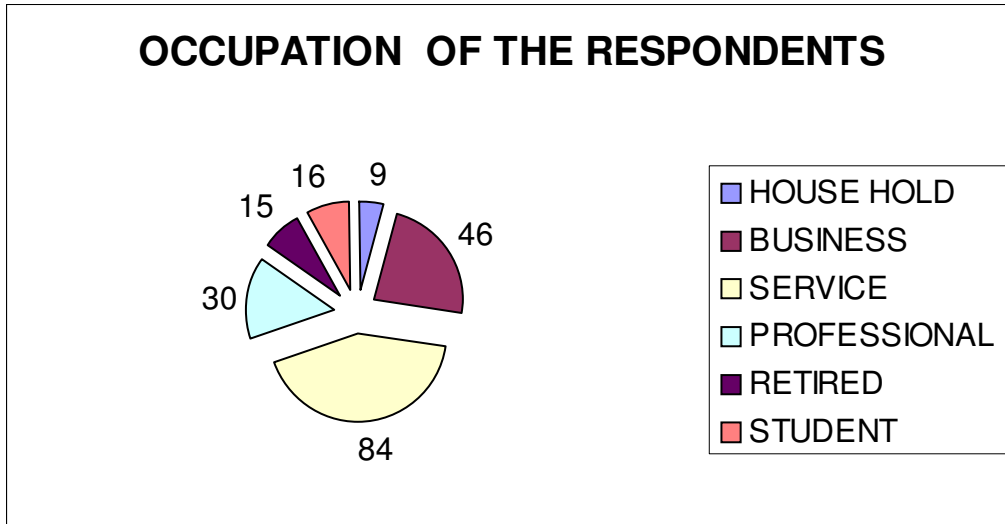


**Interpretation:**In the survey number of male respondents are more in number that is about 79% & the next position has been occupied by female respondents they are about 21% of the sample so, mainly men are preferring to go for investments.

**TABLE-3:**

**OCCUPATION OF THE RESPONDENTS**

OCCUPATION	NO. OF RESPONDENTS	PERCENTAGE
HOUSE HOLD	9	4.5
BUSINESS	46	23
SERVICE	84	42
PROFESSIONAL	30	15
RETIRED	15	7.5
STUDENT	16	8
TOTAL	200	100



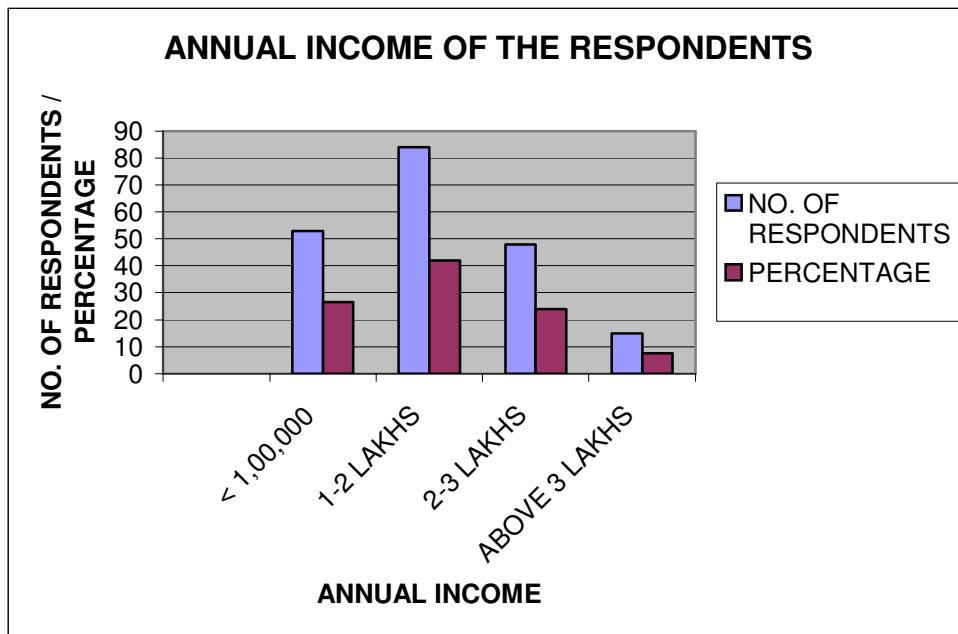
**Interpretation:**

According to the survey the respondents were of different occupations. Most of respondents are from service sector is about 42% of the sample. Respondents from the business are occupying 23%, then comes professional with 15%, students occupy 8%, retired people occupy 7.5%, with house hold occupying 4.5%.

**TABLE-4:**

**ANNUAL INCOME OF THE RESPONDENTS**

ANNUAL	NO. OF RESPONDENTS	PERCENTAGE
< 1,00,000	53	26.5
1-2 LAKHS	84	42
2-3 LAKHS	48	24
ABOVE 3 LAKHS	15	7.5
TOTAL	200	100



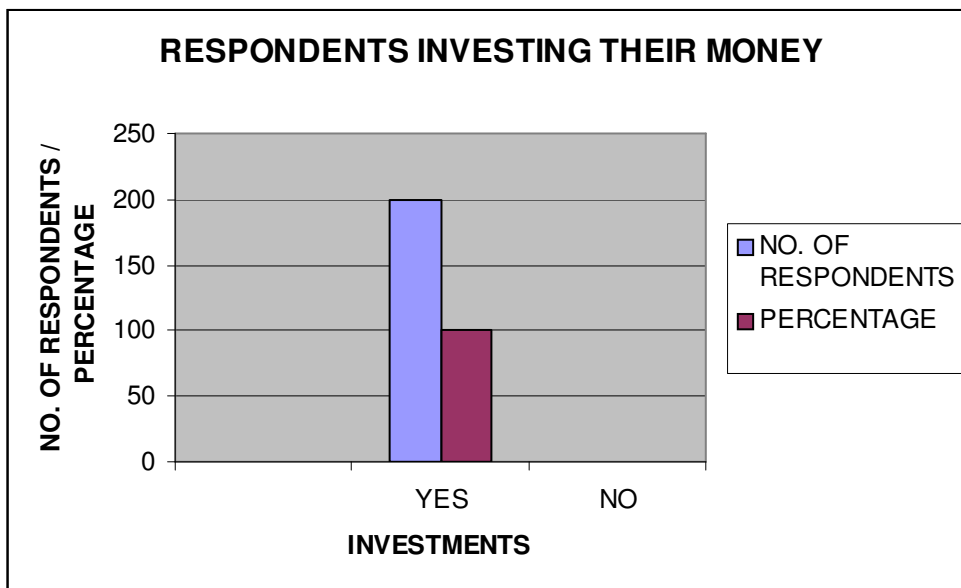
**Interpretation:**

According to the survey, the respondents of the income group of less than 1 lack are of 26.5%. They were about 42% of the respondents are of the income group between 1-2 lack. 24% of the respondents were of the income group 2-3 lacks. 7.5% respondents were of the income group more than 3 lacks.

**TABLE-5:**

**DO THE RESPONDENTS INVEST THEIR MONEY**

<i>INVESTMENTS</i>	<b>NO.OF RESPONDENTS</b>	<b>PERCENTAGE</b>
YES	200	100
NO	NIL	NIL
TOTAL	200	100



**Interpretation:**

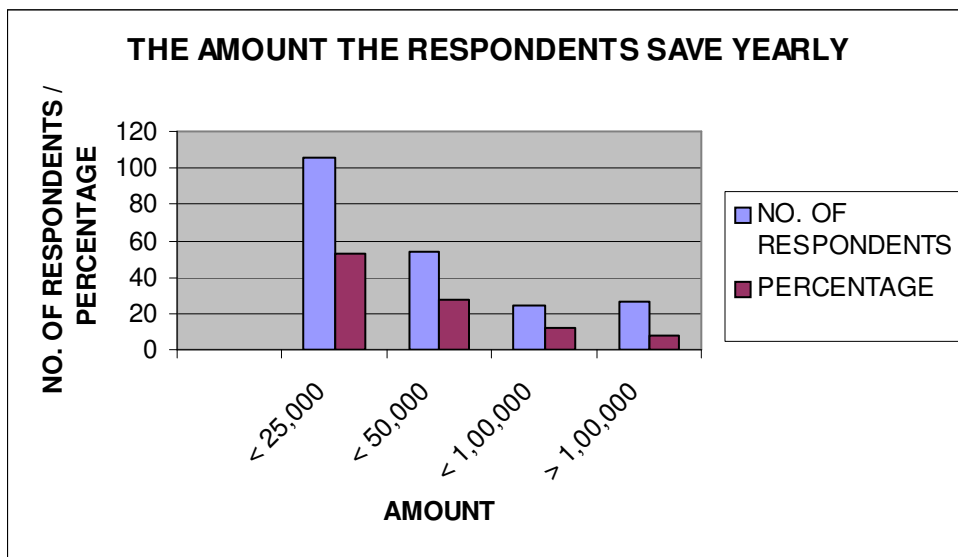
All the respondents considered in the sample, do invest their savings.

Out of the total sample the respondents going for investments are total in numbers with all the two hundred respondents considered in sample are going for complete investments with 100%.

**TABLE-6:**

**THE AMOUNT THE RESPONDENTS SAVE YEARLY**

<i>AMOUNT</i>	<b>NO. OF RESPONDENTS</b>	<b>PERCENTAGE</b>
<25,000	106	53
<50,000	54	27
<1,00,000	24	12
>1,00,000	16	8
TOTAL	200	100

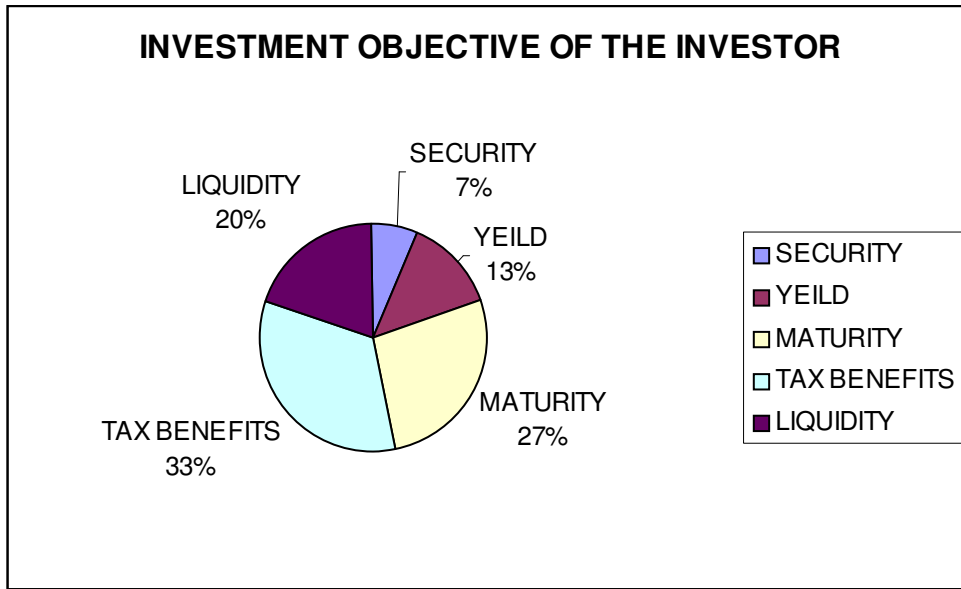


**Interpretation:**

According to the survey, the respondents who save < 25,000 yearly is about 53%, <50,000 is about 27% & the individuals who save less than 1,00,000 are 12%, followed by individuals who save more than 1,00,000 is 8%.

**TABLE-7:**  
**INVESTORS PREFERENCE FOR VARIOUS INVESTMENT**  
**OBJECTIVES**

OPTIONS	RANK	SCORE
SECURITY	1	55
YEILD	2	47
MATURITY	4	35
TAX BENEFITS	5	22
LIQUIDITY	3	40



**Interpretation:**

Different types of investors look forward to different investment objectives. Most of the investors ranked 1<sup>st</sup> to security, 2<sup>nd</sup> rank to yield, 3<sup>rd</sup> rank has been given to liquidity, 4<sup>th</sup> & 5<sup>th</sup> ranks for maturity & tax benefits.

## INVESTOR PREFERENCE FOR VARIOUS INVESTMENT

### OBJECTIVES

ATTRIBUTES	I	II	III	IV	V	WEIGHTED AVERAGE	RANK
SECURITY	88	64	32	9	7	55	I
YEILD	63	44	46	24	23	47	II
MATURITY	19	24	45	85	27	35	IV
TAX BENEFIT	8	25	5	42	120	22	V
LIQUIDITY	22	43	72	40	23	40	III

MODEL CALCULATION:

$$= 88*5 + 64*4 + 32*3 + 9*2 + 7*1 / 1 + 2 + 3 + 4 + 5$$

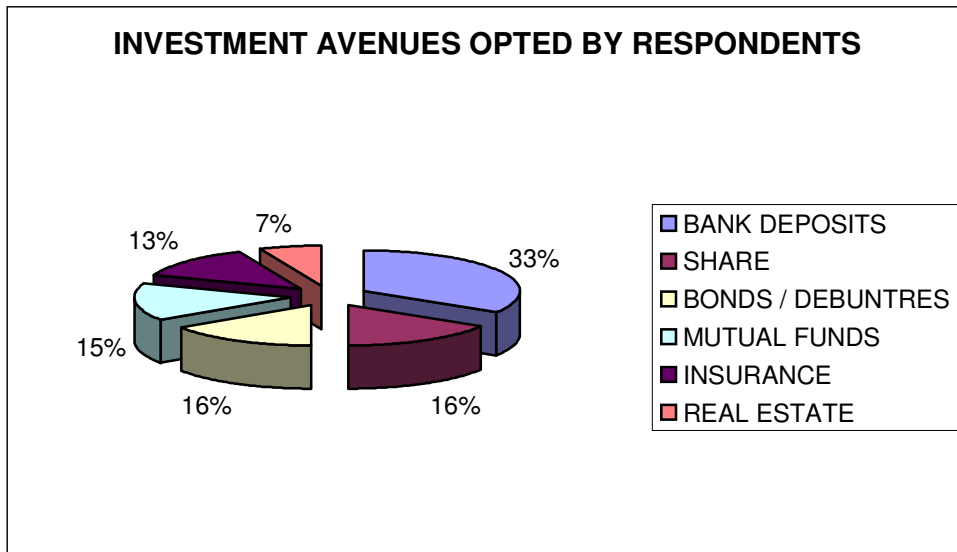
$$= 440 + 256 + 96 + 18 + 7 / 15$$

$$= 817/15$$

$$= 55.$$

**TABLE 8:  
INVESTMENT OPPURTUNITIES USUALLY  
PREFERED BY RESPONDENTS**

OPTIONS	NO. OF RESPONDENTS	PERCENTAGE
BANK DEPOSITS	68	33
SHARES	32	16
BONDS/DEBENTURES	31	16
MUTUAL FUNDS	30	15
INSURANCE	26	13
REAL ESTATE	13	7
TOTAL	200	100

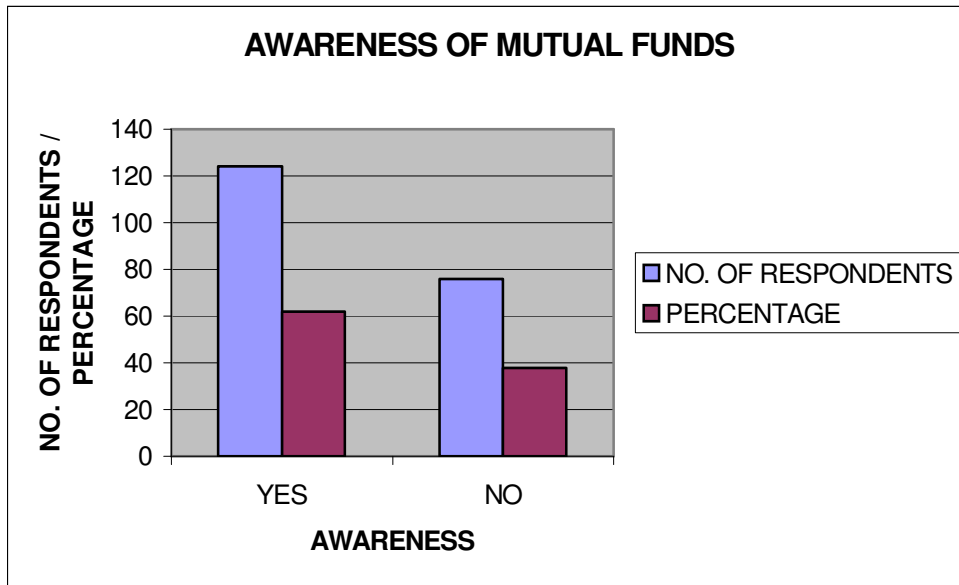


**Interpretation:** It is observed from the above chart that 33% of the individuals prefer to bank deposits, 16% of the individuals prefer to shares, respondents preferring bonds are 16% of with respondents preferring mutual funds are 15%, followed by insurance and real estate with 13% and 7%.

**TABLE-9:**

**AWARENESS OF MUTUAL FUNDS**

OPTIONS	NO. OF RESPONDENTS	PERCENTAGE
YES	124	62
NO	76	38
TOTAL	200	100



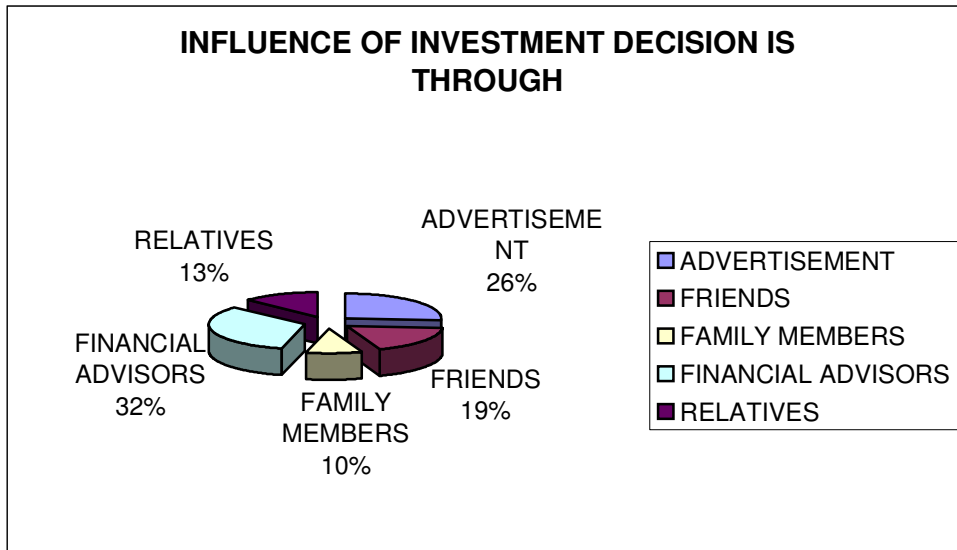
**Interpretation:**

According to the survey, most investors are aware of mutual funds. It can be observed from the above table that 62% of respondents are aware of Mutual Funds and the rest are not aware of Mutual Funds..

**TABLE-10:**

**AWARENESS OF MUTUAL FUNDS IS THROUGH**

OPTION	NO. OF RESPONDENTS	PERCENTAGE
ADVERTISEMENT	52	26
FRIENDS	37	19
FAMILY MEMBERS	19	10
FINANCIAL ADVISORS	66	32
RELATIVES	26	13
TOTAL	200	100



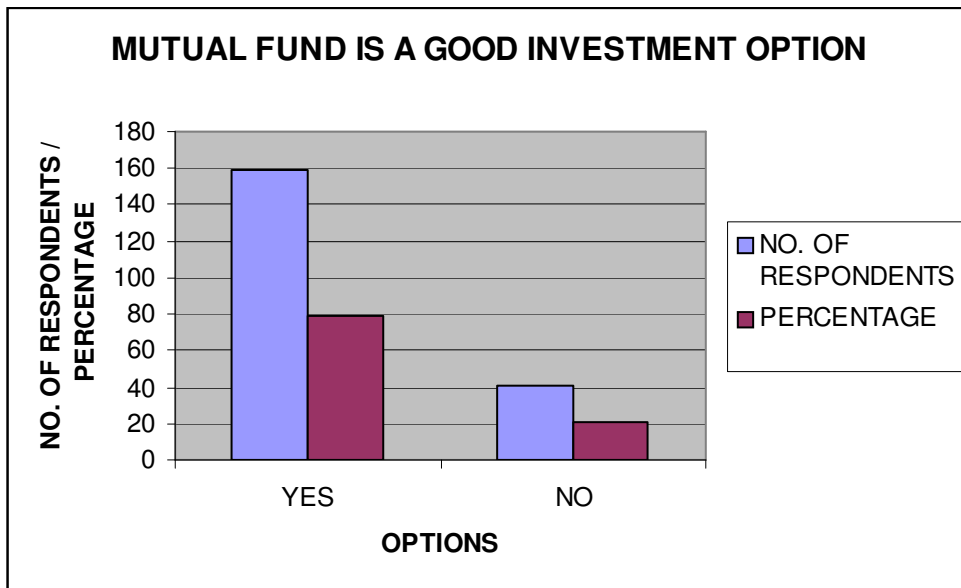
**Interpretation:**

According to the survey, the respondents are more aware of mutual funds through Financial Advisors who occupy 32%, followed by Advertisements 26%, Friends 19%, Relatives 13% & Family Members 10%

**TABLE 11:**

**MUTUAL FUND IS A GOOD INVESTMENT OPTION.**

<b>OPTIONS</b>	<b>NO. OF RESPONDENTS</b>	<b>PERCENTAGE</b>
YES	159	79.5
NO	41	20.5
TOTAL	200	100



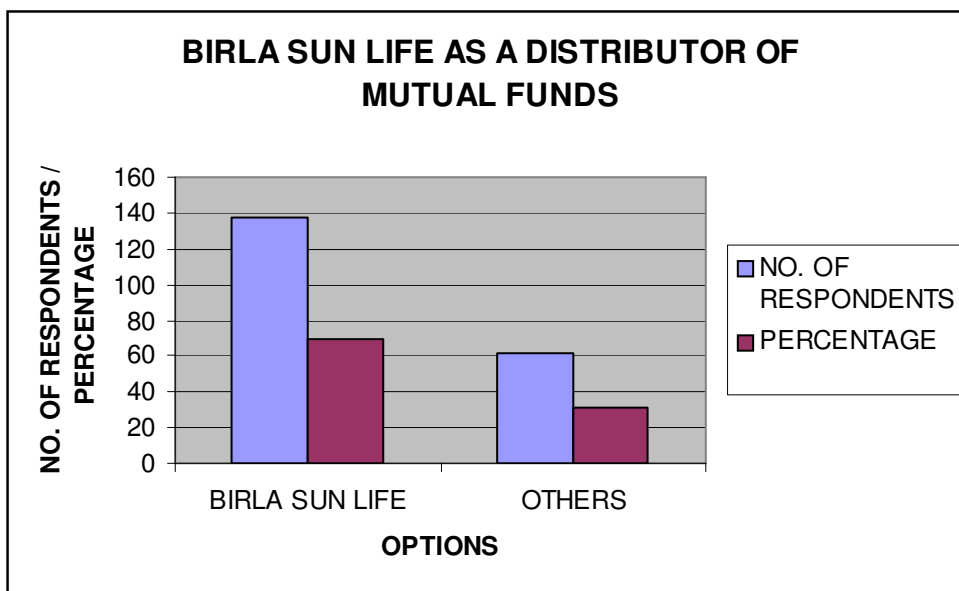
**Interpretation:**

Many of the individuals are of the view that mutual fund is a good investment option. Of the total sample survey around 79.5% of the respondents feel that mutual fund is a good investment option & 20.5% of the respondents feel that it is not a good investment option.

**TABLE-12:**

**RESPONDENTS PREFERRED BIRLA SUN LIFE AS A  
DISTRIBUTOR OF MUTUAL FUNDS**

<b>OPTION</b>	<b>NO. OF RESPONDENTS</b>	<b>PERCENTAGE</b>
BIRLA SUN LIFE	138	69
OTHERS	62	31
TOTAL	200	100



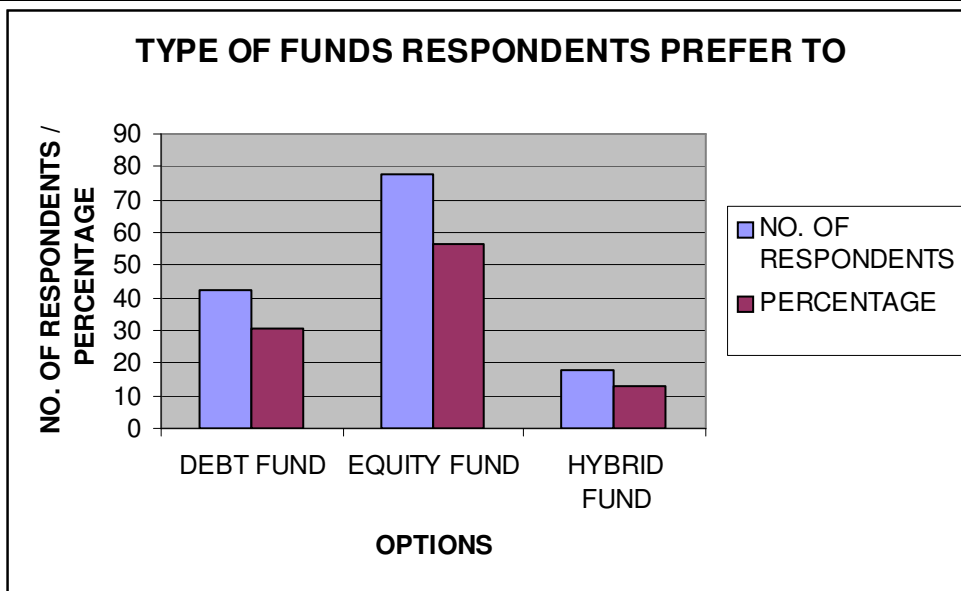
**Interpretation:**

According to the survey, 69% of the respondents are aware of Birla sun life as a distributor of mutual funds & these 69% of the investors would like to invest in Birla sun life mutual fund option. The rest 31% of the respondents would like to prefer others.

**TABLE-13:**

**TYPE OF FUNDS RESPONDENTS PREFER TO**

<b>OPTION</b>	<b>NO.OF RESPONDENTS</b>	<b>PERCENTAGE</b>
DEBT FUND	42	30.5
EQUITY FUND	78	56.5
HYBRID FUND	18	13
TOTAL	138	100



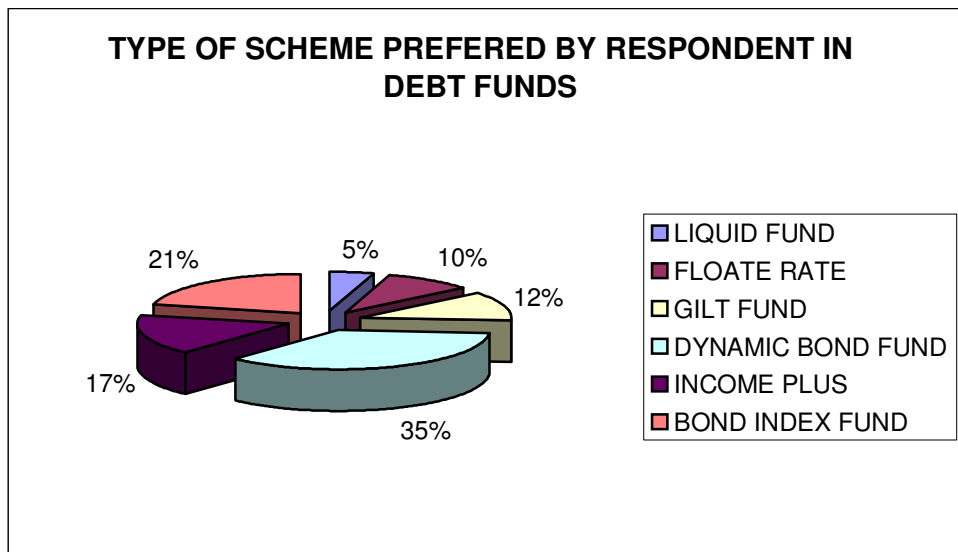
**Interpretation:**

From the survey conducted the respondents prefer Equity funds more in number they occupy 56.5%, followed by Debt funds with 30.5% and a very few respondents prefer to hybrid funds with 13%.

**TABLE-14:**

**TYPE OF SCHEME PREFERRED BY RESPONDENT IN DEBT FUNDS**

OPTION	NO. OF RESPONDENTS	PERCENTAGE
LIQUID FUND	2	5
FLOATE RATE	4	10
GILT FUND	5	12
DYNAMIC BOND FUND	15	35
INCOME PLUS	7	17
BOND INDEX FUND	9	21
TOTAL	200	100



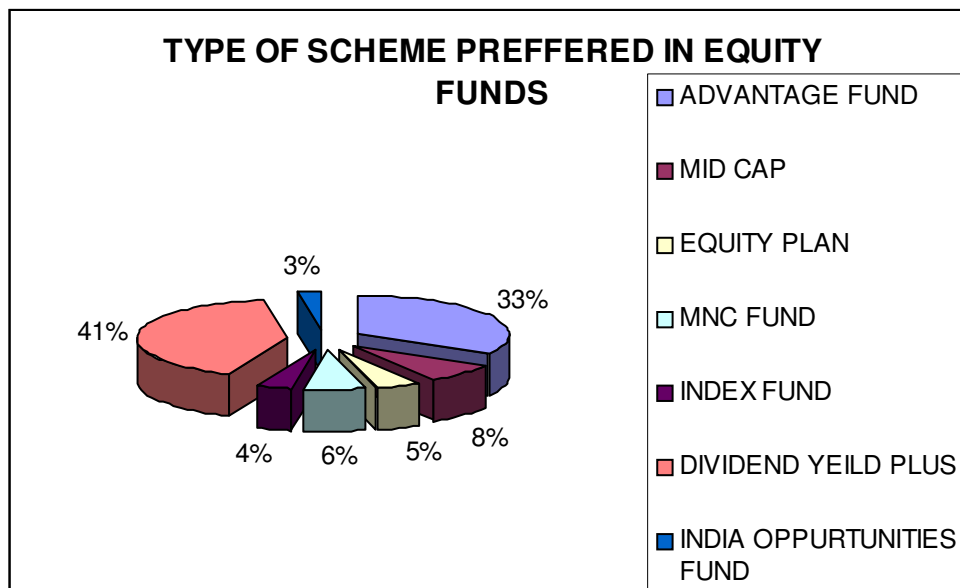
**Interpretation:**

Based on the survey, it is found that the respondents prefer dynamic bond fund which occupies 35%, then follows is the bond Index Fund with 21%, thirdly Income Plus is seen with more percentage with 17, followed by Gilt Fund, Floating Rate Fund, & Liquid Fund with 12, 10, 5.

**TABLE-15:**

**TYPE OF SCHEME PREFERRED IN EQUITY FUNDS**

OPTION	NO. OF RESPONDENTS	PERCENTAGE
ADVANTAGE FUND	26	33
MID CAP	6	8
EQUITY PLAN	4	5
MNC FUND	5	6
INDEX FUND	3	4
DIVIDEND YEILD PLUS	32	41
INDIA OPPURTUNITIES FUND	2	3
TOTAL	78	100



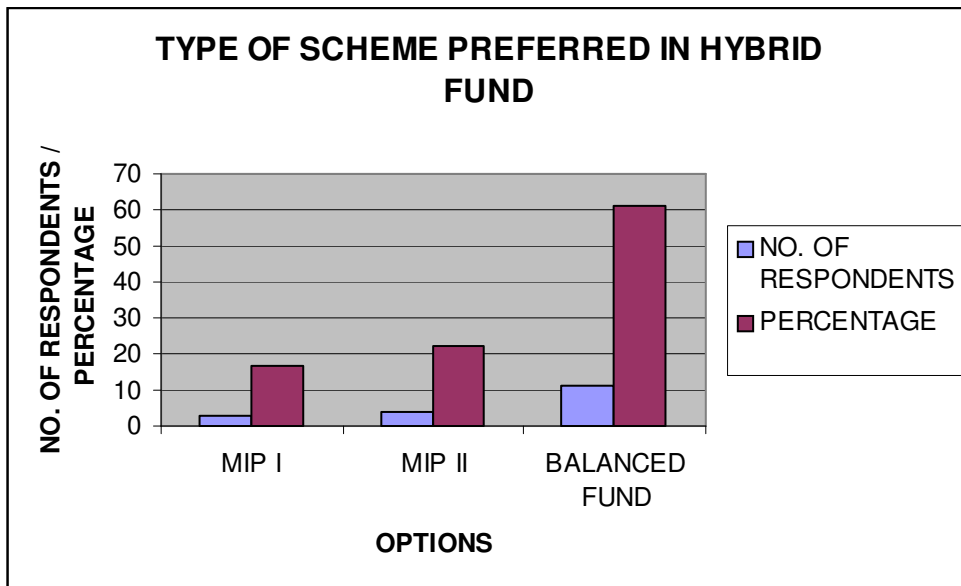
**Interpretation:**

Based on the survey, that out of 78 sample size, most of the investors choose dividend yield plus which occupies 41%, followed by Advantage Fund with 33%, then MNC fund with 6%, mid cap 8%, Equity plan 5%, India opportunities fund 3%.

**TABLE-16:**

**TYPE OF SCHEME PREFERRED IN HYBRID FUND**

<b>OPTION</b>	<b>NO. OF RESPONDENTS</b>	<b>PERCENTAGE</b>
MIP I	3	16.7
MIP II	4	22.2
BALANCED FUND	11	61.1
<b>TOTAL</b>	<b>18</b>	<b>100</b>



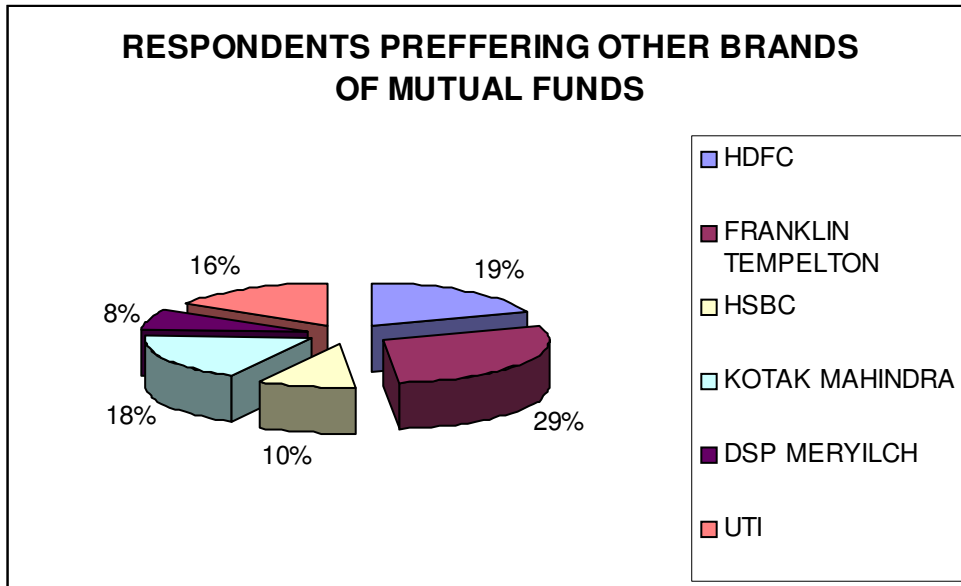
**Interpretation:**

Based on the survey, it is found that the respondents prefer to choose balanced fund with 61.1% of sample, followed by MIP I & MIP II schemes in the Hybrid Fund Type with 22.2% & 16.7%.

**TABLE 17:**

**RESPONDENTS PREFERRED OTHER BRANDS OF MUTUAL FUNDS**

OPTION	NO.OF RESPONDENTS	PERCENTAGE
HDFC	12	19
FRANKLIN TEMPLETON	18	29
HSBC	6	10
KOTAK MAHINDRA	11	18
DSP MERYLLICH	5	8
UTI	10	16
TOTAL	62	100



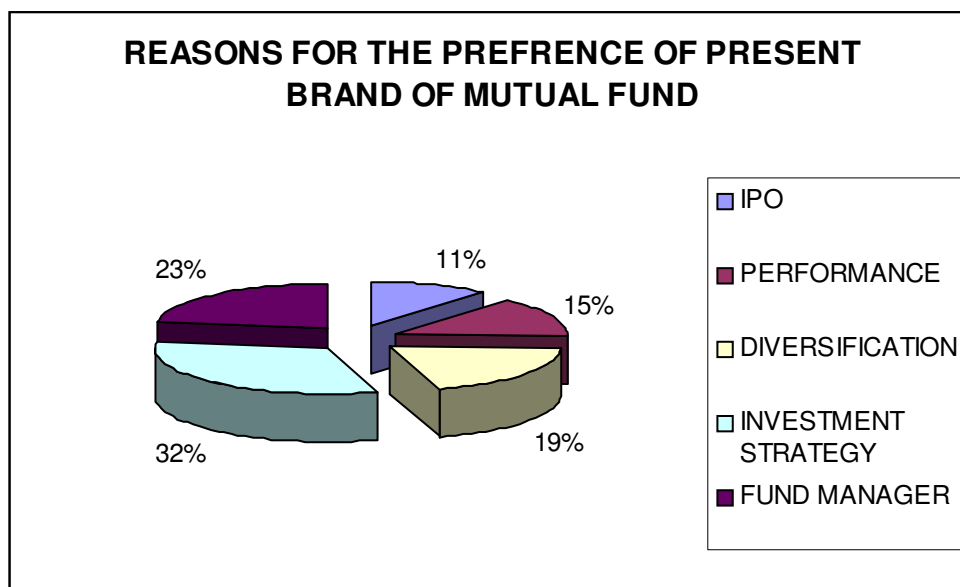
**Interpretation:**

Based on the survey, it is found that the respondents would definitely prefer other brands of Mutual Funds with Franklin Templeton in the lead with 29%, then HDFC with 18%, UTI in the fourth place with 16%, Kotak Mahindra with 18%, HSBC with 10% & DSP merllich with 8%.

**TABLE 18:**

**REASONS FOR THE PREFERENCE OF PRESENT BRAND OF  
MUTUAL FUND**

OPTION	NO. OF RESPONDENTS	PERCENTAGE
IPO	7	11
PERFORMANCE	9	15
DIVERSIFICATION	12	19
INVESTMENT STRATEGY	20	32
FUND MANAGER	14	23
TOTAL	62	100



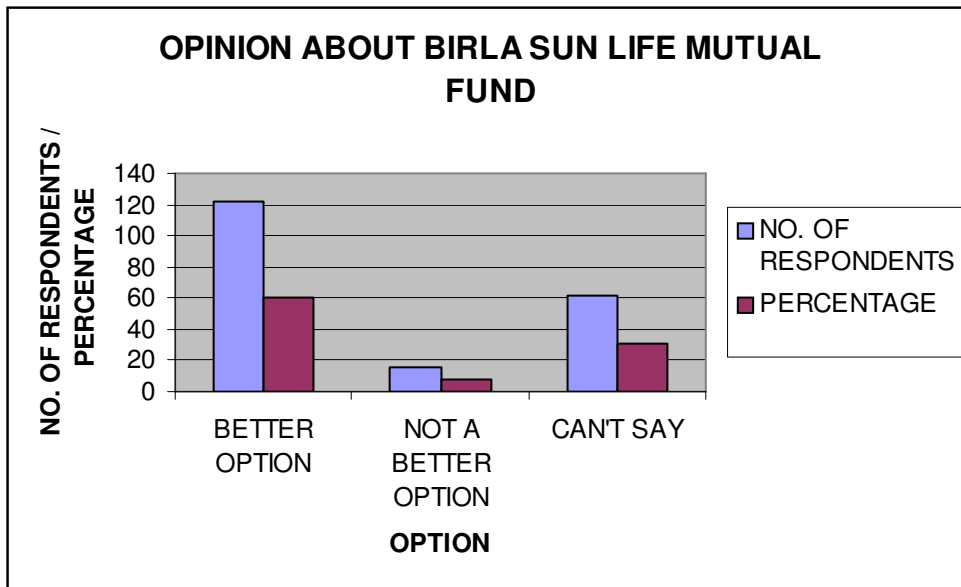
**Interpretation:**

The respondents Preferred the present brands of Mutual Fund because of the investment strategy which occupies 32%, then comes Fund Manager with 23%, Diversification with 19%, performance & IPO with 15%, 11% respectively.

**TABLE-19:**

**OPINION ABOUT BIRLA SUN LIFE MUTUAL FUND**

<b>OPTION</b>	<b>NO. OF RESPONDENTS</b>	<b>PERCENTAGE</b>
BETTR OPTION	122	61
NOT A BETTER OPTION	16	8
CAN'T SAY	62	31
TOTAL	200	100

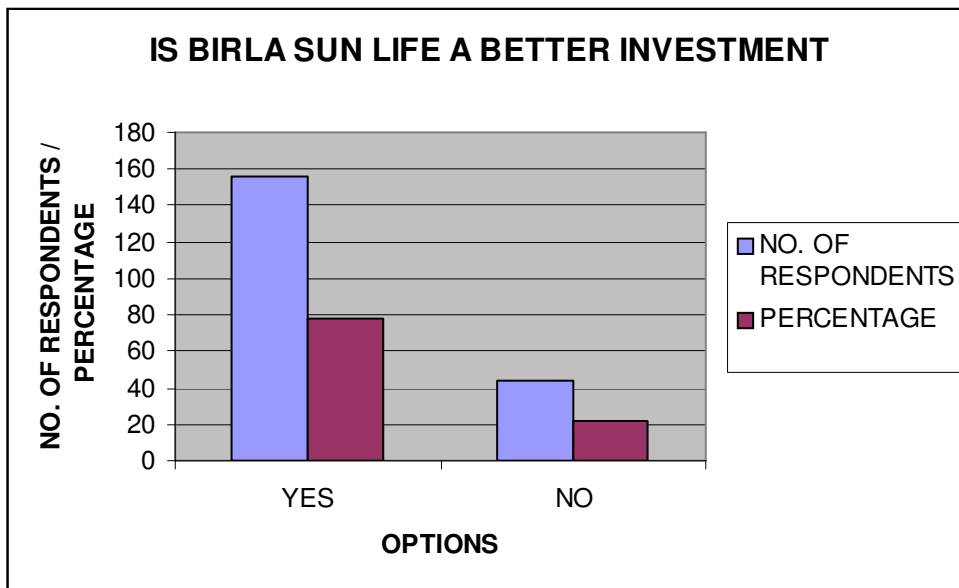


**Interpretation:**

According to the survey, the respondents are mostly of the opinion that investing in Birla sun life Mutual funds is a Better option as it occupies 61%, a few respondents are of no opinion with 31%, & the rest feel that it is not a better option with only 8% of the total.

**TABLE 20:**  
**RESPONDENT RECOMMENDING BIRLA SUN LIFE MUTUAL  
FUND AS A BETTER INVESTMENT OPPURTUNITY**

OPTIONS	NO. OF RESPONDENTS	PERCENTAGE
YES	156	78
NO	44	22
TOTAL	200	100



**Interpretation:**

According to the survey the respondents recommending Birla Sun Life Mutual Fund as a better investment opportunity is of 78%. & the respondents who do not recommend Birla Sun Life as a better investment opportunity are 22%.

## **CHAPTER-V**

# **FINDINGS & SUGGESTIONS**

## **Findings**

1. The majority of respondents were of the age group below 29 & above 60.
2. Major part of the respondents belong to service sector.
3. Annual income of the respondents between 1-2 lacks prefers more of investments.
4. Respondents irrespective of major investment or small are investing in some or other sources of investments.
5. Investor's preference when going for an investment is primarily for security.
6. Respondents prefer Bank Deposits as most secured avenue for investment, & then preference is given to shares, Bonds / Debentures & then to Mutual Funds.
7. The role of Financial Advisors play a key role in making investors educated about mutual fund. Around 33% of the respondents choose Financial advisors for guidance.
8. From the Survey conducted it is clear that 80% of the respondents feel that Mutual fund is a good investment option.
9. 69% of the respondents are aware of Birla Sun Life as a distributor for Mutual Funds.
10. Out of total respondents, many of them prefer the current brand of mutual fund because of investment strategy.
11. From the survey it is clear that most of the respondents feel Birla Sun Life as a better option for mutual fund.
12. 78% of the Respondents are recommending Birla Sun Life as a better investment opportunity.

## **Suggestions**

- Birla Sun Life has to review their portfolio frequently to maximize the wealth of the investors. (Data support)
- Birla Sun Life has to invest in firms, which are having good offers & high growth opportunities such as shares listed in GroupA.
- The awareness of mutual fund & its various schemes should be increased among the people by proper advertising, promotion and conducting investors meets..
- The fund manager has to be aggressive in portfolio decisions especially MIP I & MIP II fund.

## **CHAPTER-VI**

# **BIBLIOGRAPHY**

## BIBLIOGRAPHY

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## **CHAPTER-VII**

# **ANNEXURE**

## **KEY STEPS FOR FINANCIAL PLANNING**

### **INSURE YOURSELF BEFORE YOU INVEST**

Insurance is the pre-requisite of all investments the main purpose of insurance is to protect your current life style after retirement. It acts as a shield against all type of financial risks. Investor has to realize that insurance is more for safe guarding against risk faced in life rather than being an investment for profit.

### **CHOOSE SIMPLE INVESTMENT**

Our daily life is full of complications the day-to-day grind leaves us with little energy to keep track of our financial investments. That is why an investor should choose simple & uncomplicated instruments. Therefore he has to invest the hassle free instruments.

### **UTILIZE THE POWER OF COMPOUNDING**

Compounding means payment of interest on accumulated interest. Thus money earned by you works hard & earns more money for you. This implies that not only the principal earns income for you but interest generated by you also earns income. One important factor is the time period. Longer the time higher the benefit

### **INVEST IN INSTRUMENTS THAT KEEP YOU AHEAD OF INFLATION**

That silently creeps up from behind & starts eating your hard earned savings even before you realize the situation. An investor should look at the real return (the rate of return minus the rate of inflation) while considering an investment. He should invest in instruments, which provide profitable-post-inflation returns.

## **REDUCE TAX ON YOUR INVESTMENT**

There are two realities in the life. One is death & the other is tax. It is advisable that investments should be so planned that least possible tax would be required to be paid. Smart move for the investor is to save every rupee from tax man.

## **GO FOR STABLE & REALISTIC RETURNS**

Stability of returns is more important than increased profit. Usually these are associated with high volatile investment options like equities & even with government securities or gilts as they also run high market risk. The asset allocation is suggested according to the risk profile of an investor. So invest in the best option & get the maximum returns.

## Identification Data

1. Name of the respondent :
2. Age :
  - Below 20
  - 20 – 29
  - 30 – 39
  - 40 – 49
  - 50 – 59
  - Above 60
3. Sex :
  - Male
  - Female
4. Address with Phone Number :

Telephone Number

E-mail ID:

5. Occupation :
  - Household
  - Business
  - Service
  - Professional
  - Retired
  - Student
6. Annual Income
  - < One Lakh
  - 1 – 2 Lakh
  - 2 – 3 Lakh
  - Above 3 Lakhs

## Investment Preference

1. Do you invest any part of your savings?
  - Yes
  - No
2. What amount do you save yearly.

- < 25000
- < 50000
- < 100000
- > 100000

**If Yes**

3. What criteria you keep in your mind while selecting an investment opportunity (rank them accordingly)?
  - Security
  - Yield
  - Maturity

- Tax Benefits
- Liquidity
- 

4. Normally what investment opportunities you prefer to invest your savings?

- Bank deposits
- Shares
- Bonds/Debentures
- Mutual funds
- Insurance
- Real Estate

**If Mutual Funds**

5. Do you know about the Mutual Funds?

- Yes
- No

**If Yes**

6. How did you come to know of these brands of mutual funds?

- Advertisements
- Friends
- Family members
- Financial Advisors
- Relatives
- 

7. Have you invested any amount in the Mutual Funds?

- Yes
- No

**If Yes**

8. In which Mutual funds did you invest?

- Birla Sunlife
- Others

**If Birla Sun Life**

9. What type of funds you prefer?

- Debt Funds
- Equity Funds
- Hybrid Funds

**If Debt Funds**

10. Which type of schemes you prefer?

- Liquid Fund
- Floating Rate
- Gilt Fund
- Dynamic Bond Fund
- Income Plus
- Bond Index Fund

**If Equity Funds**

11. Which type of schemes you prefer?

- Advantage Fund
- Midcap
- Equity Plan
- MNC Fund
- Index Fund
- Dividend yield plus
- India Opportunities fund

**If Hybrid Funds**

12. Which type of schemes you prefer?

- MIP I
- MIP II
- Balanced Fund

**If Others**

13. Which is that one?

- HDFC
- Franklin Tempelton
- HSBC
- Kotak Mahindra
- DSP Meryllich
- UTI

14. What are the reasons for the preference of present brand of mutual funds?

- IPO
- Performance
- Diversification
- Investment Strategy
- Fund Manager

15. In your opinion, Birla Sun Life Mutual Fund is a?

- Better option
- Not a better option
- Can't say

**If a Better Option**

16. Why? And How?

**If Not a better Option**

17. Why and How?

18. Will you recommend Birla Sun-life Mutual Fund as a better investment opportunity to your friends?

- Yes
- No

19. What are your valuable suggestions for the improvement of Birla-Sunlife Mutual Funds schemes?

