PROJECT REPORT
(Summer Internship)

ON

QUERY HANDLING & INVESTOR SEVICES &

CONSUMER'S BENEFIT OF INVESTING

IN

RELIANCE MUTUAL FUND
Anil Dhirubhai Ambani Group

SUBMITTED TO:
Guide Name

SUBMITTED BY:
Your Name

ACKNOWLEDGEMENT

At the very outset ,I fail to find adequate words ,with limited vocabulary at my command ,to express my emotions to '**Dear God**', whose eternal blessings divine presence ,and masterly guidance helps me to fulfill all my goals.

I am thankful to the authority of **Reliance Capital Asset Management Limited** for providing me an opportunity to with them. I am especially thankful to Mr.Abhishek Arora (Branch Manager), Mrs.Deepika Arora (Operations Executive), Mr.Rajiv Singh and Mr. Yash Katyal (Relationship Managers) for providing me opportunity, knowledge and all the vital information on which this project report stands. The support provided to me during my project was overwhelming and the work environment was conducive to work.

Sometimes it is not easy to express your emotions in words especially when you have to say thanks to your parents for their constant undemanding love, dedication, sacrifice, inspiring guidance, affectionate encouragement and never-ending enthusiasm; with which this project would not have been completed successfully.

I would like to thank many others who have been associated with work directly or indirectly.

Your Name

PREFACE

This project “QUERY HANDLING, INVESTOR SERVICES AND CONSUMER BENEFIT IN INVESTING IN MUTUAL FUNDS” has been prepared for the requirements of the Post Graduate Diploma in Business Management. I have tried my best to present my project under the able Co-operation with all the staff of Reliance Mutual Fund and my faculties

Project stretched for Eight weeks training in the company to gain the knowledge of mutual funds. Mutual funds are now the most appropriate investment option for the investors. The development of economic form of organization marks turning point for rapid industrialization and economic growth. This form of organization flourished on account of several features such as limited liability easy transerferability of share separate legal entity etc. This led to development of security market where ownership interest are initially sold (Primary market) and later sold in the faster industrial growth and channelizing the savings of masses who do not venture to create and manage enterprise but want to be more investor.

CONTENTS

1. Introduction
    - ❖ An overview on Mutual Fund
    - ❖ Company Profile (Reliance Capital Asset Management Ltd.)
    - ❖ Product Profile
2. An overview on Mutual Funds companies in India
3. Research Methodology
    - ❖ Research Design
    - ❖ Sample Design
4. Analysis and Interpretation of Data
5. Finding
6. Recommendations& Suggestions
7. Conclusion
8. Appendix
    - ❖ Questionnaire
    - ❖ Bibliography

INTRODUCTION

AN OVERVIEW ON MUTUAL FUNDS:-

HISTORY OF MUTUAL FUNDS:-

In 1774, a Dutch merchant invited subscriptions from investors to set up an investment trust by the name of Eendragt Maakt Magt (translated into English, it means, 'Unity Creates Strength'), with the objective of providing diversification at low cost to small investors. Its success caught on, and more investment trust were launched, with verbose and quirky names that when translated read 'profitable and prudent' or 'small maters grow by consent. The foreign and colonial Govt. trust, formed in London in 1868, promised 'start 'the investor of modest means the same advantages as the large capitalist… by spreading the investment over a number of stock.

When three Boston securities executives pooled their money together in 1924 to create the first mutual fund, they had no idea how popular mutual funds would become. The idea of pooling money together for investing purposes started in Europe in the mid-1800s. The first pooled fund in the U.S. was created in 1893 for the faculty and staff of Harvard University. On March 21st, 1924 the first official mutual fund was born. It was called the Massachusetts Investors Trust.

After one year, the Massachusetts Investors Trust grew from $50,000 in assets in 1924 to $392,000 in assets (with around 200 shareholders). In contrast, there are over 10,000 mutual funds in the U.S. today totaling around $7 trillion (with approximately 83 million individual investors) according to the Investment Company Institute.

HISTORY OF MUTUAL FUNDS IN INDIA:-

The Evolution:

The formation of Unit Trust of India marked the evolution of the Indian mutual fund industry in the year 1963. The primary objective at that time was to attract the small investors and it was made possible through the collective efforts of the Government of India and the Reserve Bank of India. The history of mutual fund industry in India can be better understood divided into following phases:

Phase 1. Establishment and Growth of Unit Trust of India - 1964-87:

Unit Trust of India enjoyed complete monopoly when it was established in the year 1963 by an act of Parliament. UTI was set up by the Reserve Bank of India and it continued to operate under the regulatory control of the RBI until the two were de-linked in 1978 and the entire control was tranferred in the hands of Industrial Development Bank of India (IDBI). UTI launched its first scheme in 1964, named as Unit Scheme 1964 (US-64), which attracted the largest number of investors in any single investment scheme over the years. UTI launched more innovative schemes in 1970s and 80s to suit the needs of different investors. It launched ULIP in 1971, six more schemes between 1981-84, Children's Gift

Growth Fund and India Fund (India's first offshore fund) in 1986, Mastershare (Inida's first equity diversified scheme) in 1987 and Monthly Income Schemes (offering assured returns) during 1990s. By the end of 1987, UTI's assets under management grew ten times to Rs 6700 crores.

Phase II. Entry of Public Sector Funds - 1987-1993:

The Indian mutual fund industry witnessed a number of public sector players entering the market in the year 1987. In November 1987, SBI Mutual Fund from the State Bank of India became the first non-UTI mutual fund in India. SBI Mutual Fund was later followed by Canbank Mutual fund, LIC Mutual Fund, Indian Bank Muatual Fund, Bank of India Mutual Fund, GIC Mutual Fund and PNB Mutual Fund. By 1993, the assets under management of the industry increased seven times to Rs. 47,004 crores. However, UTI remained to be the leader with about 80% market share.

1992-93	Amount Mobilised	Assets Under Management	Mobilisation as % of gross Domestic Savings
UTI	11,057	38,247	5.2%
Public Sector	1,964	8,757	0.9%
Total	13,021	47,004	6.1%

Phase III. Emergence of Private Secor Funds - 1993-96:

The permission given to private sector funds including foreign fund management companies (most of them entering through joint ventures with Indian promoters) to enter the mutal fund industry in 1993, provided a wide range of choice to investors and more competition in the industry. Private funds introduced innovative products, investment techniques and investor-servicing technology. By 1994-95, about 11 private sector funds had launched their schemes.

Phase IV. Growth and SEBI Regulation - 1996-2004:

The mutual fund industry witnessed robust growth and stricter regulation from the SEBI after the year 1996. The mobilisation of funds and the number of players operating in the industry reached new heights as investors started showing more interest in mutual funds. Invetors' interests were safeguarded by SEBI and the Government offered tax benefits to the investors in order to encourage them. SEBI (Mutual Funds) Regulations, 1996 was introduced by SEBI that set uniform standards for all mutual funds in India. The Union Budget in 1999 exempted all dividend incomes in the hands of investors from income tax. Various Investor Awareness Programmes were launched during this phase, both by SEBI and AMFI, with an objective to educate investors and make them informed about the mutual fund industry.

In February 2003, the UTI Act was repealed and UTI was stripped of its Special legal status as a trust formed by an Act of Parliament. The primary objective behind this was to bring all mutal fund players on the same level.

UTI was re-organised into two parts:

1. The Specified Undertaking,
2. The UTI Mutual Fund

Presently Unit Trust of India operates under the name of UTI Mutual Fund and its past schemes (like US-64, Assured Return Schemes) are being gradually wound up. However, UTI Mutual Fund is still the largest player in the industry. In 1999, there was a significant growth in mobilisation of funds from investors and assets under management which is supported by the following data:

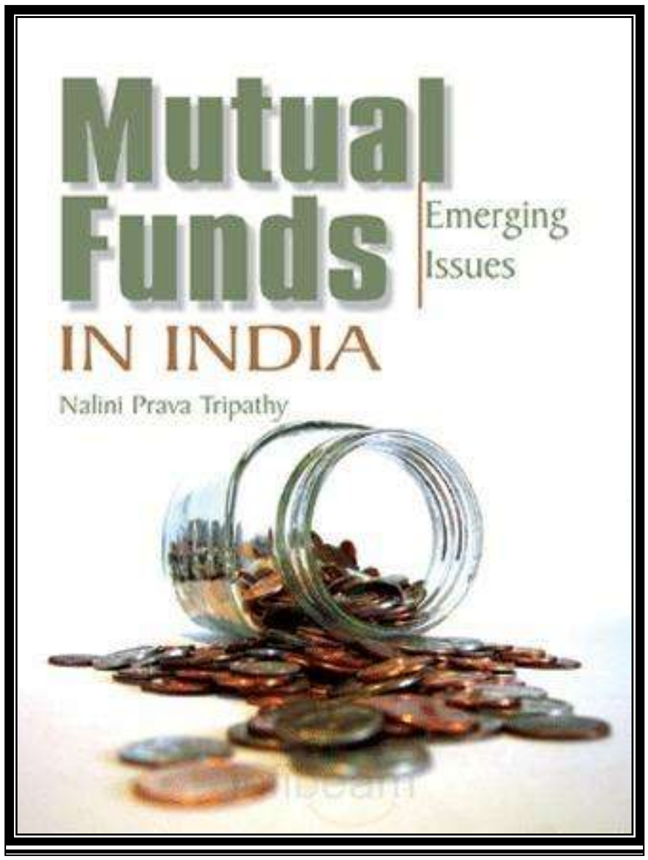
GROSS FUND MOBILISATION (RS. CRORES)					
FROM	**TO**	**UTI**	**PUBLIC SECTOR**	**PRIVATE SECTOR**	**TOTAL**
01-April-98	31-March-99	11,679	1,732	7,966	21,377
01-April-99	31-March-00	13,536	4,039	42,173	59,748
01-April-00	31-March-01	12,413	6,192	74,352	92,957
01-April-01	31-March-02	4,643	13,613	1,46,267	1,64,523

01-April-02	31-Jan-03	5,505	22,923	2,20,551	2,48,979
01-Feb.-03	31-March-03	*	7,259*	58,435	65,694
01-April-03	31-March-04	-	68,558	5,21,632	5,90,190
01-April-04	31-March-05	-	1,03,246	7,36,416	8,39,662
01-April-05	31-March-06	-	1,83,446	9,14,712	10,98,158

ASSETS UNDER MANAGEMENT (RS. CRORES)				
AS ON	**UTI**	**PUBLIC SECTOR**	**PRIVATE SECTOR**	**TOTAL**
31-03March-99	53,320	8,292	6,860	68,472

Phase V. Growth and Consolidation - 2004 Onwards:

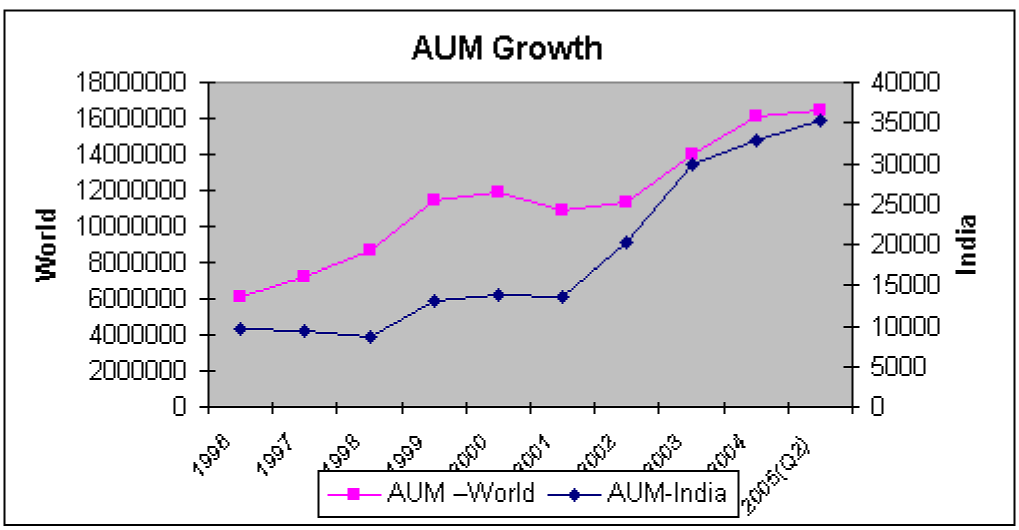
The industry has also witnessed several mergers and acquisitions recently, examples of which are acquisition of schemes of Alliance Mutual Fund by Birla Sun Life, Sun F&C Mutual Fund and PNB Mutual Fund by Principal Mutual Fund. Simultaneously, more international mutal fund players have entered India like Fidelity, Franklin Templeton Mutual Fund etc. There were 29 funds as at the end of March 2006. This is a continuing phase of growth of the industry through consolidation and entry of new international and private sector players.


Mutual
Funds
Emerging
Issues
IN INDIA
Nalini Prava Tripathy

Emerging Issues of the Mutual Fund Industry in India:

- By end of **JUNE 2010**, Indian mutual fund industry reached more than **Rs. 640000 crore**.
- **100% growth** in the last **6 years**.
- Number of foreign **AMC's** are in the queue to enter the Indian markets.
- Our saving rate is over **23%**, highest in the world. Only channelizing these savings in mutual funds sector is required.
- We have approximately **39** mutual funds which is much less than US having more than 800. There is a big scope for expansion.
- 'B' and 'C' class cities are growing rapidly. Today most of the mutual funds are concentrating on the 'A' class cities. Soon they will find scope in the growing cities.
- Mutual fund can penetrate rural like the Indian insurance industry with simple and limited products.
- SEBI allowing the MF's to launch commodity mutual funds.
- Emphasis on better corporate governance.
- Trying to curb the late trading practices.

GRAPH OF AUM OF INDIA vs AUM OF WORLD:-



PRESENT POSITION:-

Mutual funds play vital role in resource mobilization and their efficient allocation in a transitional economy like India. Economic transition is usually marked by changes in the financial mechanism, institutional integration, market regulation, re-allocation of savings and investments, and changes in the inter-sector relationships. These changes often imply negativity which shakes investor's confidence in the capital market. Mutual funds perform a crucial task as efficient alligators of resources in such a transitional period.

Throughout the world, mutual funds have worked as reliable instruments of change in financial intermediation, development of the capital market, and growth of the corporate sector. The active involvement of mutual funds in promoting economic development can also be seen in their dominant presence in the money and capital markets. Mutual funds make a significant contribution in vibrating both the markets.

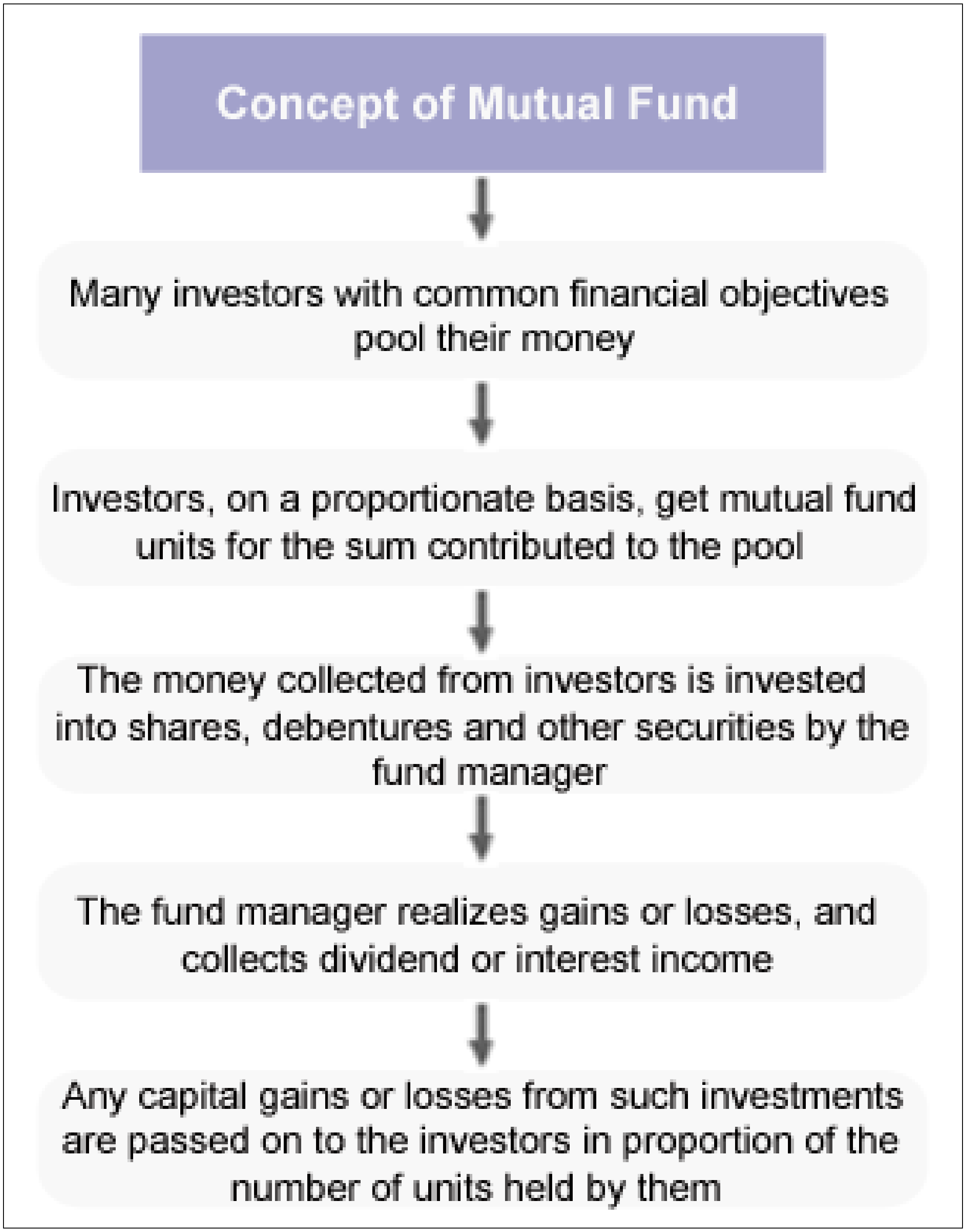
The spread of equity cult has further increased reliance of the corporate sector on equity financing. The role of mutual funds in the financing of corporate has substantially increased after the SEBI allowed the corporate sector to reserve 20% of their public issues for Indian mutual funds.

The percentage share of corporate equity and debentures in the household investors, together with UTI units, have increased from 3.7% in 1980-81 to 17.2% in 1992-93, while the share of less liquid assets like LIC, PF, and pension have shown a marginal increase from 25.1% to 27.2% during the same period. Mutual funds have been the fastest growing institution during this period in the household savings sector. Growing market complications and investment risk in the stock market with high inflation have pushed households further towards mutual funds.


Total Assets Under Management (India)
600000
500000
400000
300000
200000
100000
0
Total Assets - Rs. Crores
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
Year
Total Assets Under Management (India)

MUTUAL FUND CONCEPT:-

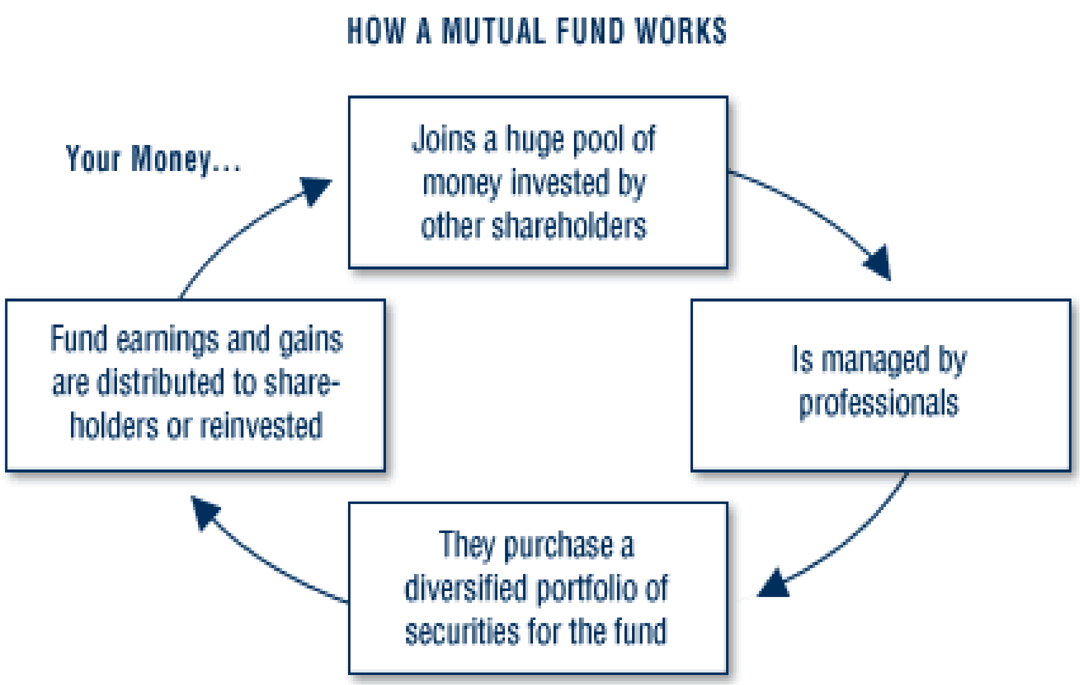
A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as equities, debentures and other securities. The income earned through these investments and the capital appreciation realized (after deducting the expenses and profits of mutual fund managers) is shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund strives to meet the investment needs of the common man by offering him or her opportunity to invest in a diversified, professionally managed basket of securities 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 surplus of as little as a few thousand rupees can invest in Mutual Funds.


Concept of Mutual Fund
Many investors with common financial objectives pool their money
Investors, on a proportionate basis, get mutual fund units for the sum contributed to the pool
The money collected from investors is invested into shares, debentures and other securities by the fund manager
The fund manager realizes gains or losses, and collects dividend or interest income
Any capital gains or losses from such investments are passed on to the investors in proportion of the number of units held by them

MUTUAL FUND OPERATION FLOW CHART:-

WORKING OF MUTUAL FUND:-

A Mutual Fund is a collection of stocks, bonds, or other securities owned by a group of investors and managed by a professional investment company. For an individual investor to have a diversified portfolio is difficult. But he can approach to such company and can invest into shares. Mutual funds have become very popular since they make individual investors to invest in equity and debt securities easy. When investors invest a particular amount in mutual funds, he becomes the unit holder of corresponding units. In turn, mutual funds invest unit holders money in stocks, bonds or other securities that earn interest or dividend. This money is distributed to unit holders. If the fund gets money by selling some stocks at higher price the unit holders also are liable to get capital gains.



TYPES OF MUTUAL FUND SCHEMES:-

Mutual funds can be done depending upon various factors and variables, such as, maturity period, investment objectives etc... funds schemes again can be classified into three broad categories: equity schemes funds invest in three broad categories of assets—stocks, bonds and cash. Depending upon the asset mix, mutual Classification of mutual, hybrid schemes, and debt schemes. However the following are the various types of mutual funds available to the investors.

Schemes according to Maturity Period:

A mutual fund can be classified into close-ended or open-ended scheme depending upon its maturity period:

Open-ended fund/scheme:

An open-ended fund is one that is available for subscription and repurchase on continuous basis. These schemes do not have a fixed maturity period. Investors can conveniently buy and sell units at Net Asset Value(NAV) related prices which are declared on a daily basis. The key feature of open-end scheme is liquidity.

Close-ended fund/scheme:

A close-ended scheme has a stipulated maturity period e.g. 5-7 years. The fund is open for subscription only during a specified period at the time of launch of the scheme. Investors can invest in the scheme at the time of initial public issue and thereafter they can buy or sell the units of the scheme on the stock exchanges where the units are listed. In order to provide an exit route to the investors, some close ended funds give an option of selling back the units to mutual funds through periodic repurchase at NAV related prices. SEBI regulation stipulated that at least one of the two exit routes is provided to the investors i.e. either repurchase facility or through listing on stock exchanges. These mutual funds schemes disclose NAV generally on weekly basis.

Schemes according to Investment Objectives:

A scheme can also be classified as growth scheme, income scheme, or balanced scheme considering its investment objective. Such schemes may be open-ended or close-ended schemes as described earlier. Such schemes may be classified mainly as follows:

Growth or equity oriented Scheme:

The aim of growth funds is to provide capital appreciation over the medium to long term. Such schemes normally invest a major part of their corpus in equities. Such funds have comparatively high risk. These schemes provide different options to the investors like dividend option, capital appreciation etc... and the investors may choose an option depending on their performance. The investors must indicate the option in the application form. The mutual funds also allow the investors to change the options at a later date. Growth schemes are good for investors having a long term outlook seeking appreciation over a period of time.

Income / debt oriented schemes:

The aim of income funds is to provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures, Govt. securities and money market instruments. Such funds are less risky compared to equity schemes. These funds are not affected because of fluctuations in equity markets. However, opportunities of capital appreciation are also limited in such funds. The NAVs of such funds are affected because of change in interest rates in the country. If the interest fall, NAVs of such funds are likely to increase in the short run and vice-versa. However, long term investors may not bother about these fluctuations.

Balanced Funds:

The aim of balanced funds is to provide both growth and regular income as such schemes invest both in equity and fixed income securities in the proportion indicated in their offer document. These are appropriate for the investors looking for moderate growth. They generally invest 40% to 60% in equity and debt instruments. These funds are also affected because of fluctuation in share prices in the stock markets. However, NAVs of such funds are likely to be less volatile compare to pure equity funds.

Money market or liquid funds:

These funds are income funds and their aim is to provide easy liquidity, preservation of capital and moderate income. These schemes invest exclusively in safer short-term instruments such as treasury bills, certificates of deposits, commercial paper and inter-bank call money, government securities, etc. Returns on these schemes fluctuate much less compared to other funds. These funds are appropriate for corporate and individual investors as a means to park their surplus funds for short periods.

Gilt funds:

These funds invest exclusively in Govt. securities. Govt. securities have no default risk. NAVs of these schemes also fluctuate due to change in interest rates and other economic factors as is the case with income or debt oriented schemes.

Index funds:

Index funds replicate the portfolio of a particular index such as the BSE sensitive index, S&P NSE-50 index (Nifty) etc. These schemes invest in the securities in the same weightage comprising of an index. The NAVs of such schemes would rise or fall in accordance with the rise or fall in the index, though not exactly by same percentage due to some factors known as "tracking error" in technical terms. Necessary disclosures in this regards are made in the offer document of the mutual fund scheme.These are also exchange traded index funds launched by the mutual funds which are traded on the stock exchange.

ELSS:

Equity linked savings scheme (ELSS) are equity funds floated by mutual funds. This scheme is suited for young people as they have the ability to take on higher risk. The ELSS funds should invest more than 80 per cent of their money in equity and related instruments. It is ideal to invest in them when the markets are down. These funds are now open all the year round. The other way of investing in these funds could be a systematic investment, which essentially means investing a small sum regularly (monthly or quarterly). It is a market-linked security and therefore there will be risks accordingly.

HOW RISKY YOUR MUTUAL FUND IS:-

Investors always judge a fund by the return it gives, never by the risk it took. In any historical analysis of a mutual fund, the return is remembered but the risk is quickly forgotten. So a fund manager may have used very high-risk strategies (that are bound to fail disastrously in the long run), hoping that his wins will be remembered (as they often are), but the risk he took will soon be forgotten.

WHAT IS RISK?

Risk can be defined as the potential for harm. But when anyone analyzing mutual funds uses this term, what is actually being talked about is volatility. Volatility is nothing but the fluctuation of the Net Asset Value (price of a unit of a fund). The higher the volatility, the greater the fluctuations of the NAV. Generally, past volatility is taken as an indicator of future risk and for the task of evaluating mutual fund, this is an adequate (even if not ideal) approximation.

Defining Mutual fund risk:

Mutual funds face risks based on the investments they hold. For example, a bond fund faces interest rate risk and income risk. Bond values are inversely related to interest rates. If interest rates go up, bond values will go down and vice versa. Bond income is also affected by the change in interest rates. Bond yields are directly related to interest rates falling as interest rates fall and rising as interest rise. Income risk is greater for a short-term bond fund than for a long-term bond fund.

Similarly, a sector stock fund (which invests in a single industry, such as telecommunications) is at risk that its price will decline due to developments in its industry. A stock fund that invests across many industries is more sheltered from this risk defined as industry risk.

Following is a glossary of some risks to consider when investing in mutual funds:

CALL RISK:-

The possibility that falling interest rates will cause a bond issuer to redeem or call its high-yielding bond before the bond's maturity date.

COUNTRY RISK:-

The possibility that political events (a war, national elections), financial problems (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country's economy and cause investments in that country to decline.

CREDIT RISK:-

The possibility that a bond issuer will fail to repay interest and principal in a timely manner. Also called default risk.

CURRENCY RISK:-

The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies. Also called exchange-rate risk.

INCOME RISK:-

The possibility that a fixed-income fund's dividends will decline as a result of falling overall interest rates.

INDUSTRY RISK:-

The possibility that a group of stocks in a single industry will decline in price due to developments in that industry.

INFLATION RISK:-

The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.

INTEREST RATE RISK:-

The possibility that a bond fund will decline in value because of an increase in interest rates.

MANAGER RISK:-

The possibility that an actively managed mutual fund's investment adviser will fail to execute the fund's investment strategy effectively resulting in the failure of stated objectives.

MARKET RISK:-

The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.

PRINCIPAL RISK:-

The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

HOW RISK IS MEASURED:-

There are two ways in which you can determine how risky a fund is.

STANDARD DEVIATION:-

Standard Deviation is a measure of how much the actual performance of a fund over a period of time deviates from the average performance. ***"Since Standard Deviation is a measure of risk, a low Standard Deviation is good."***

SHARPE RATIO:-

This ratio looks at both, returns and risk, and delivers a single measure that is proportional to the risk adjusted returns.***"Since Sharpe Ratio is a measure of risk-adjusted returns, a high Sharpe Ratio is good."***

HOW TO CHECK THE FUND'S RISK:-

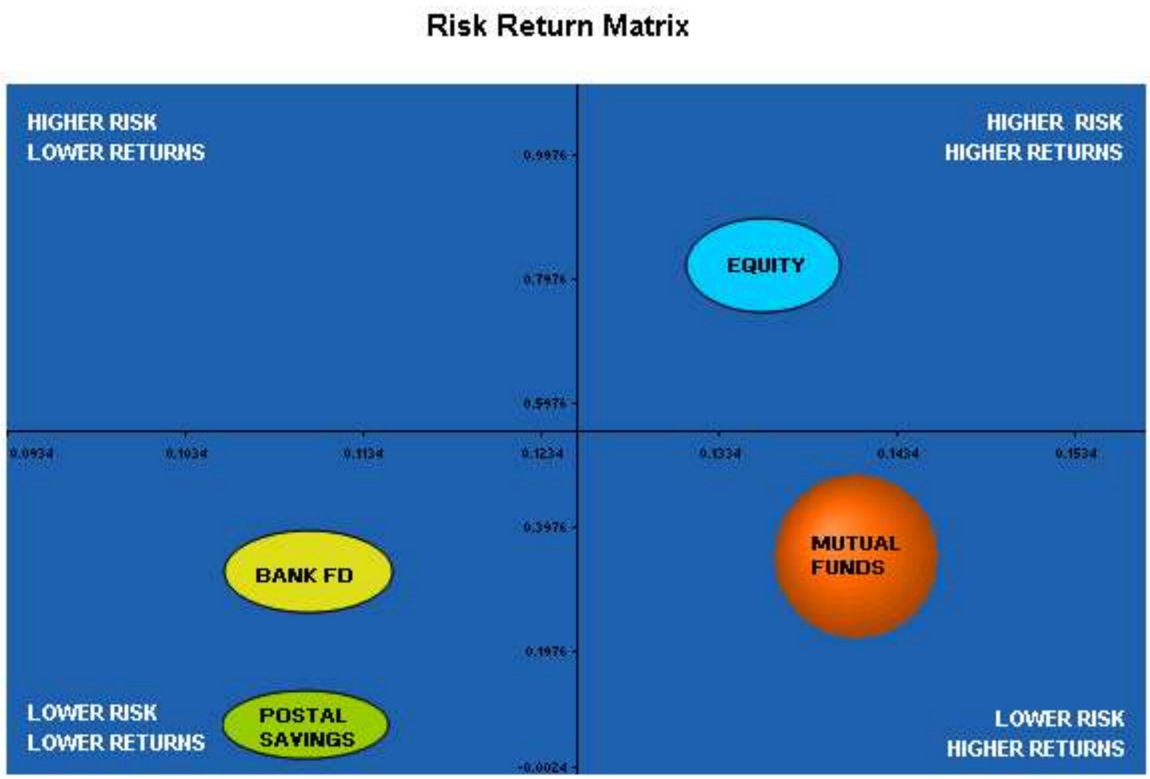
So how would you figure out how risky a mutual fund is?

Value Research a mutual fund research outfit, carries out a rating every month which is also carried on rediff.com. If you would like to take a look at the latest ratings, click on the relevant month *viz* March, April, May.

In this rating, each fund is given a star. The funds with a 5-star**(★★★★★)** rating are the best. Those with a 1-star**(★)** rating are the worst.

This star rating is based on risk-adjusted return. In a very simple way, it gives investors an understanding of whether a fund is taking an acceptable amount of risk in generating the kind of returns it is doing.

Risk Return Matrix in different sources of investments:



THINGS TO BE SEE WHILE INVESTING IN MUTUAL FUNDS:-

1. Don't just look at the NAV, also look at the risk:

Alliance Buy India and Alliance Equity both have 3 stars. That does mean their NAV is identical. In fact, the NAV of Alliance Equity is 91.66 while that of Buy India is 16.05.

However, Alliance Buy India took an average risk and delivered an average return, while Alliance Equity took an above average risk to get the above average returns. Hence their stars are identical, despite one having a higher NAV.

2. Higher rating does not mean better returns:

A fund with more stars does not indicate a higher return when compared with the rest. All it means is that you will get a good return without putting your money at too much risk.

Birla Equity Plan has a 4-star rating while Alliance Tax Relief '96 has a 2-star rating. However, the fund with the 2-star rating has a higher NAV (131.96) than the one with the 4-star rating (39.37).

3. Higher rating does not mean more risk:

Birla Advantage has an NAV of 67.09 while Franklin India Prima has an NAV of 122.92. This does not necessarily mean that Franklin India Prima is offering a higher risk since the return is higher. In fact, according to our ratings, Franklin India Prima is a 5-star fund while (risk is below average) while Birla Advantage is a 2-star fund (risk is above average).

On a final note:

When you decide to invest in a mutual fund, you must look at risk and return.
Always ask yourself one question: What are the chances of my losing money?
Do not get misled by high returns. You could also end up losing a substantial part of your savings.

Note: All NAVs are as on June 20, 2005.

FREQUENTLY USED TERMS IN MUTUAL FUNDS:-

NET ASSETS VALUE:-

The net asset value, or NAV, is the current market value of a fund's holdings, less the fund's liabilities, usually expressed as a per-share amount. For most funds, the NAV is determined daily, after the close of trading on some specified financial exchange, but some funds update their NAV multiple times during the trading day. The public offering price, or POP, is the NAV plus a sales charge. Open-end funds sell shares at the POP and redeem shares at the NAV, and so process orders only after the NAV is determined. Closed-end funds (the shares of which are traded by investors) may trade at a higher or lower price than their NAV; this is known as a premium or discount, respectively. If a fund is dividend into multiple classes of shares, each class will typically have its own NAV, reflecting differences in fees and expenses paid by the different classes.

Some mutual funds own securities which are not regularly traded on any formal exchange. These may be shares in very small or bankrupt companies; they may be derivatives; or they may be private investments in unregistered financial instruments (such as stock in a non-public company).

In the absence of a public market for these securities, it is the responsibility of the fund manager to form an estimate of their value when computing the NAV. How much of a fund's assets may be invested in such securities is stated in the fund's prospectus.

SALE PRICE:-

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

REPURCHASE PRICE:-

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

REDEMPTION PRICE:-

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

TURNOVER:-

Turnover is a measure of the fund's securities transactions, usually calculated over a year's time, and usually expressed as a percentage of net asset value.

This value is usually calculated as the value of all transactions (buying, selling) divided by 2 divided by the fund's total holdings; Le., the fund counts one security sold and another one bought as one "turnover". Thus turnover measures the replacement of holdings.

EXPENSES:-

Mutual funds bear expenses similar to other companies. The fee structure of a mutual fund can be divided into two or three main components: management fee, non management expense, and 12b-l/non12b-1 fees. All expenses are expressed as a percentage of the average daily net assets of the fund.

MANAGEMENT FEES:-

The management fee for the fund is usually synonymous with the contractual investment advisory fee charged for the management of a fund's investments. However, as many fund companies include administrative fees in the advisory fee component, when attempting to compare the total management expenses of different funds, it is helpful to define management fee as equal to the contractual advisory fee + the contractual administrator fee. This "levels the playing field" when comparing management fee components across multiple funds.

NON-MANAGEMENT EXPENSES:-

Apart from the management fee, there are certain non-management expenses which most funds must pay. Some of the more significant (in terms of amount) non-management expenses are: transfer agent expenses (this is usually the person you get on the other end of the phone line when you want to purchase/sell shares of a fund), custodian expense (the fund's assets are kept in custody by a bank which charges a custody fee), legal/audit expense, fund accounting expense, registration expense (the SEC charges a registration fee when funds file registration statements with it), board of directors/trustees expense (the disinterested members of the board who oversee the fund are usually paid a fee for their time spent at meetings), and printing and postage expense (incurred when printing and delivering shareholder reports).

BROKERAGE/COMMISSIONS:-

An additional expense which does not pass through the statement of operations and cannot be controlled by the investor is brokerage commissions. Brokerage commissions are incorporated into the price of the fund and are reported usually 3 months after the fund's annual report in the statement of additional information. Brokerage commissions are directly related to portfolio turnover (portfolio turnover refers to the number of times the fund's assets are bought and sold over the course of a year).

Usually the higher the rate of the portfolio turnover, the higher the brokerage commissions. The advisors of mutual fund companies are required to achieve "best execution" through brokerage arrangements so that the commissions charged to the fund will not be excessive. and buys back shares from investors wishing to leave the fund.

EXCHANGE-TRADED FUNDS:-

A relatively recent innovation, the exchange-traded fund or ETF, is often structured as an open-end investment company. ETFs combine characteristics of both mutual funds and closed-end funds. ETFs are traded throughout the day on a stock exchange, just like closed-end funds, but at prices generally approximating the ETF's net asset value. Most ETFs are index funds and track stock market indexes. Shares are issued or redeemed by institutional investors in large blocks (typically of 50,000). Most investors purchase and sell shares through brokers in market transactions. Because the institutional investors normally purchase and redeem in in kind transactions, ETFs are more efficient than traditional mutual funds (which are continuously issuing and redeeming securities and, to effect such transactions, continually buying and selling securities and maintaining liquidity positions) and therefore tend to have lower expenses.

12b-I/NON-12b-1 SERVICE FEES:-

12b-1 service fees/shareholder servicing fees are contractual fees which a fund may charge to cover the marketing expenses of the fund. Non-12b-1 service fees are marketing/shareholder servicing fees which do not fall under SEC rule 12b-1. While funds do not have to charge the full contractual 12b-1 fee, they often do. When investing in a front-end load or no-load fund, the 12b-1 fees for the fund are usually .250% (or 25 basis points). The 12b-1 fees for back-end and level-load share classes are usually between 50 and 75 basis points but may be as much as 100 basis points. While funds are often marketed as "no-load" funds, this does not mean they do not charge a distribution expense through a different mechanism. It is expected that a fund listed on an online brokerage site will be paying for the "shelf-space" in a different manner even if not directly through a 12b-1 fee.

INVESTOR FEES AND EXPENSES:-

Fees and expenses borne by the investor vary based on the arrangement made with the investor's broker. Sales loads (or contingent deferred sales loads (CDSL) are not included in the fund's total expense ratio (TER) because they do not pass through the statement of operations for the fund. Additionally, funds may charge early redemption fees to discourage investors from swapping money into and out of the fund. quickly, which may force the fund to make bad trades to obtain the necessary liquidity. For example, Fidelity Diversified International Fund (FDIVX) charges a 1 percent fee on money removed from the fund in less than 30 days.

Most FOFs of invest in affiliated funds (Le., mutual funds managed by the same advisor), although some invest in funds managed by other (unaffiliated) advisors. The

cost associated with investing in an unaffiliated underlying fund is most often higher than investing in an affiliated underlying because of the investment management research involved in investing in fund advised by a different advisor. Recently, FoFs have been classified into those that are actively managed (in which the investment advisor reallocates frequently among the underlying funds in order to adjust to changing market conditions) and those that are passively managed (the investment advisor allocates assets on the basis of on an allocation model which is rebalanced on a regular basis).

The design of FoFs is structured in such a way as to provide a ready mix of mutual funds for investors who are unable to or unwilling to determine their own asset allocation model. Fund companies such as TIAA-CREF, American Century Investments, Vanguard, and Fidelity have also entered this market to provide investors with these options and take the "guess work" out of selecting funds. The allocation mixes usually vary by the time the investor would like to retire: 2020, 2030, 2050, etc. The more distant the target retirement date, the more aggressive the asset mix.

HEDGE FUNDS:-

Hedge funds in the United States are pooled investment funds with loose regulation and should not be confused with mutual funds. Some hedge fund managers are required to register with SEC as investment advisers under the Investment Advisers Act. The Act does not require an adviser to follow or avoid any particular investment strategies, nor does it require or prohibit specific investments.

Hedge funds typically charge a management fee of 1% or more, plus a "performance fee" of 20% of the hedge fund's profits. There may be a "lock-up" period, during which an investor cannot cash in shares. A variation of the hedge strategy is the 130-30 fund for individual investors.

COMPARISON BETWEEN MUTUAL FUND & OTHER INVESTMENTS

Mutual funds offer several advantages over investing in individual stocks. For example, the transaction costs are divided among all the mutual fund shareholders, which allows for cost-effective diversification. Investors may also benefit by having a third party (professional fund managers) apply expertise and dedicate time to manage and research investment options, although there is dispute over whether professional fund managers can, on average, outperform simple index funds that mimic public indexes.

Whether actively managed or passively indexed, mutual funds are not immune to risks. They share the same risks associated with the investments made. If the fund invests primarily in stocks, it is usually subject to the same ups and downs and risks as the stock market.

SHARE CLASSES:-

Many mutual funds offer more than one class of shares. For example, you may have seen a fund that offers "Class A" and "Class B" shares. Each class will invest in the same pool (or investment portfolio) of securities and will have the same investment objectives and policies. But each class will have different shareholder services and/or distribution arrangements with different fees and expenses.

These differences are supposed to reflect different costs involved in servicing investors in various classes; for example, one class may be sold through brokers with a front-end load, and another class may be sold.

INDEX FUNDS VS. ACTIVE MANAGEMENT:-

An index fund maintains investments in companies that are part of major stock (or bond) indices, such as the S&P 500, while an actively managed fund attempts to outperform a relevant index through superior stock-picking techniques. The assets of an index fund are managed to closely approximate the performance of a particular published index.

Since the composition of an index changes infrequently, an index fund manager makes fewer trades, on average, than does an active fund manager. For this reason, index funds generally have lower trading expenses than actively managed funds, and typically incur fewer short-term capital gains which must be passed on to shareholders.

BONDS FUNDS:-

Bond funds account for 18% of mutual fund assets. Types of bond funds include term funds, which have a fixed set of time (short-, medium-, or long-term) before they mature. Municipal bond funds generally have lower returns, but have tax advantages and lower risk. High-yield bond funds invest in corporate

bonds, including high-yield or junk bonds. With the potential for high yield, these bonds also come with greater risk.

MONEY MARKET FUNDS:-

Money market funds hold 26% of mutual fund assets in the United States. Money market funds entail the least risk, as well as lower rates of return. Unlike certificates of deposit (CDs), money market shares are liquid and redeemable at

any time. The interest rate quoted by money market funds is known as the 7 Day SEC Yield.

FUNDS OF FUNDS;-

Funds of funds (FoF) are mutual funds which invest in other underlying mutual funds (i.e., they are funds comprised of other funds). The funds at the underlying level are typically funds which an investor can invest in individually. A fund of funds will typically charge a management fee which is smaller than that of a normal fund because it is considered a fee charged for asset allocation services.

The fees charged at the underlying fund level do not pass through the statement of operations, but are usually disclosed in the fund's annual report, prospectus, or statement of additional information. The fund should be evaluated on the combination of the fund-level expenses and underlying fund .

EQUITY FUNDS:-

Equity funds, which consist mainly of stock investments, are the most common type of mutual fund. Equity funds hold 50 percent of all amounts invested in mutual funds in the United States. Often equity funds focus investments on particular strategies and certain types of issuers.

CAPITALIZATION:-

Fund managers and other investment professionals have varying definitions of mid-cap, and large-cap ranges. The following ranges are used by Russell Indexes:

Russell Microcap Index - micro-cap ($54.8 - 539.5 million)

Russell 2000 Index - small-cap ($182.6 million - 1.8 billion)

Russell Mid-cap Index - mid-cap ($1.8 - 13.7 billion)

Russell 1000 Index -large-cap ($1.8 - 386.9 billion)

Growth vs Value:

Another distinction is made between growth funds, which invest in stocks of companies that have the potential for large capital gains, and value funds, which concentrate on stocks that are undervalued. Value stocks have historically produced higher returns; however, financial theory states this is compensation for their greater risk. Growth funds tend not to pay regular dividends.

Income funds tend to be more conservative investments, with a focus on stocks that pay dividends. A balanced fund may use a combination of strategies, typically including some level of investment in bonds, to stay more conservative when it comes to risk, yet aim for some growth direct to the public with no load but a "12b-1 fee" included in the class's expenses (sometimes referred to as "Class shares). Still a third class might have a minimum investment of $10,000,000 and be available only to financial institutions (a so-called "institutional" share class).

In some cases, by aggregating regular investments made by many individuals, a retirement plan (such as a 401 (k) plan) may qualify to purchase "institutional" shares (and gain the benefit of their typically lower expense ratios) even though no members of the plan would qualify individually. As a result, each class will likely have different performance results.

A multi-class structure offers investors the ability to select a fee and expense structure that is most appropriate for their investment goals (including the length of time that they expect to remain invested in the fund).

Load and expenses:

A front-end load or sales charge is a commission paid to a broker by a mutual fund when shares are purchased, taken as a percentage of funds invested. The value of the investment is reduced by the amount of the load. Some funds have a deferred sales charge or back-end load. In this type of fund an investor pays no sales charge when purchasing shares, but will pay a commission out of the proceeds when shares are redeemed depending on how long they are held. Another derivative structure is a level '" load fund, in which no sales charge is paid when buying the fund, but a back-end load may be charged if the shares purchased are sold within a year.

COMPANY PROFILE:-

Reliance Capital Asset Management Limited (Anil DhiruBhai Ambani Group Company), a company registered under the Companies Act, 1956 was appointed to act as the Investment Manager of Reliance Mutual Fund.

Reliance Capital Asset Management Limited (RCAM) was approved as the Asset Management Company for the Mutual Fund by SEBI vide their letter no IIMARP/1264/95 dated June 30, 1995. The Mutual Fund has entered into an Investment Management Agreement (IMA) with RCAM dated May 12,1995 and was amended on August 12,1997 in line with SEBI (Mutual Funds) Regulations, 1996. Pursuant to this IMA, RCAM is authorized to act as Investment Manager of Reliance Mutual Fund.

Reliance Mutual Fund (RMF) is one of India's leading Mutual Funds, with Average Assets Under Management (AAUM) of Rs. 118973.14 Crs (AAUM for 31st MAY 2010) and an investor base of over 76 Lakhs.

Reliance Mutual Fund, a part of the Reliance - Anil Dhirubhai Ambani Group, is one of the fastest growing mutual funds in the country. RMF offers investors a well-rounded portfolio of products to meet varying investor requirements and has presence in more than 120 cities across the country. Reliance Mutual Fund constantly endeavors to launch innovative products and customer service initiatives to increase value to investors.

Reliance Mutual Fund schemes are managed by Reliance Capital Asset Management Limited., a subsidiary of Reliance Capital Limited, which holds 93.37% of the paid-up capital of RCAM, the balance paid up capital being held by minority shareholders."

Reliance Capital Ltd. is one of India's leading and fastest growing private sector financial services companies, and ranks among the top 3 private sector financial services and banking companies, in terms of net worth. Reliance Capital Ltd. has interests in asset management, life and general insurance, private equity and proprietary investments, stock broking and other financial services.

Reliance Equity Fund, a New Fund Offering (NFO) from Reliance Mutual Fund, has become the largest ever fund in the country and the first to cross Rs 5,000 crore in asset size. The NFO, which closed on 07 March 2006, has reportedly collected around Rs 5,200 crore.

The Reliance Equity Fund is a diversified equity scheme, aiming to invest in the top 100 companies by market capitalisation, which are also included in the derivative segment. The fund would have a very high exposure to equity with an allocation of more than 75 per cent and would be benchmarked against the CNX Nifty index.

After including the Reliance Equity Fund, Reliance MF would become the second largest fund house in the country behind UTI and the largest in the private sector. Prudential ICICI has been holding this position for the last many years.

Such large NFO would also have a significant impact on the equity markets, which are seeing huge liquidity flows. NFOs had collected a significantly large sum in January 2006, which supported the market rally in February. If the inflows into new MF schemes continue, markets will find it easy to sustain the momentum.

Anil Ambani-promoted Reliance Mutual Fund - the No.-1 mutual fund in the country in terms of assets under management – has added another feather to its cap. It has become the first mutual fund house in India whose AUM has topped the Rs. 1 lakh crore-mark

An official at Reliance Mutual Fund confirmed that the AUM has crossed the coveted milestone, but added that numbers to be released by the **Association of Mutual Funds of India (Amfi)** on Friday may not reflect the achievement. This is because Amfi figures take into consideration the average AUM for the whole month.

For the past year, Reliance’s AMC has been topping the AUM charts backed by strong inflows into equity schemes, as retail investors rushed to benefit from the booming stock market. Its Average Assets Under Management (AAUM) was in the order of Rs 90,938 crore for March, 2008. It also has one of the largest investor bases in the country with 66.87 lakh investors on its scrolls.

PRODUCT PROFILE:-

Funds Of Reliance Under Equity Growth Scheme:

Reliance Equity Fund:

(An open-ended diversified Equity Scheme.) The primary investment objective of the scheme is to seek to generate capital appreciation & provide long-term growth opportunities by investing in a portfolio constituted of equity & equity related securities of top 100 companies by market capitalization & of companies which are available in the derivatives segment from time to time and the secondary objective is to generate consistent returns by investing in debt and money market securities.

Reliance Tax Saver (ELSS) Fund:

(An Open-ended Equity Linked Savings Scheme.) The primary objective of the scheme is to generate long-term capital appreciation from a portfolio that is invested predominantly in equity and equity related instruments.

Reliance Equity Opportunities Fund:

(An Open-Ended Diversified Equity Scheme.) The primary investment objective of the scheme is to seek to generate capital appreciation & provide long-term growth opportunities by investing in a portfolio constituted of equity securities & equity related securities and the secondary objective is to generate consistent returns by investing in debt and money market securities.

Reliance Vision Fund:

(An Open-ended Equity Growth Scheme.) The primary investment objective of the Scheme is to achieve long term growth of capital by investment in equity and equity related securities through a research based investment approach. It is purely large capital company fund.

Reliance Growth Fund:

(An Open-ended Equity Growth Scheme.) The primary investment objective of the Scheme is to achieve long term growth of capital by investment in equity and equity related securities through a research based investment approach. It include both the mid capital and large capital companies.

Reliance Quant Plus Fund (Formerly known as Reliance Index Fund) :

(An Open Ended Equity Scheme.) The investment objective of the Scheme is to generate capital appreciation through investment in equity and equity related instruments. The Scheme will seek to generate capital appreciation by investing in an active portfolio of stocks selected from S & P CNX Nifty on the basis of a mathematical model.

Reliance NRI Equity Fund:

(An open-ended Diversified Equity Scheme.) The Primary investment objective of the scheme is to generate optimal returns by investing in equity or equity related instruments primarily drawn from the Companies in the BSE 200 Index.

Reliance Regular Savings Fund:

(An Open-ended Scheme.) Equity Option: The primary investment objective of this option is to seek capital appreciation and/or to generate consistent returns by actively investing in Equity &Equity-related Securities.

Balanced Option : The primary investment objective of this option is to generate consistent returns and appreciation of capital by investing in mix of securities comprising of equity, equity related instruments & fixed income instruments.

Reliance Long Term Equity Fund:

(An close-ended Diversified Equity Scheme.) The primary investment objective of the scheme is to seek to generate long term capital appreciation & provide long-term growth opportunities by investing in a portfolio constituted of equity & equity related securities and Derivatives and the secondary objective is to generate consistent returns by investing in debt and money market securities.

Reliance Equity Advantage Fund:

(An open-ended Diversified Equity Scheme.) The primary investment objective of the scheme is to seek to generate capital appreciation & provide long-term growth opportunities by investing in a portfolio predominantly of equity & equity related instruments with investments generally in S & P CNX Nifty stocks and the secondary objective is to generate consistent returns by investing in debt and money market securities.

Funds Of Reliance Under Debt/Liquid Scheme:

Reliance Monthly Income Plan:

An Open Ended Fund. Monthly Income is not assured & is subject to the availability of distributable surplus) The Primary investment objective of the Scheme is to generate regular income in order to make regular dividend payments to unit holders and the secondary objective is growth of capital.

Reliance Gilt Securities Fund - Short Term Gilt Plan & Long Term Gilt Plan:

(Open-ended Government Securities Scheme) The primary objective of the Scheme is to generate Optimal credit risk-free returns by investing in a portfolio of securities issued and guaranteed by the central Government and State Government.

Reliance Income Fund:

(An Open-ended Income Scheme) The primary objective of the scheme is to generate optimal returns consistent with moderate levels of risk. This income may be complemented by capital appreciation of the portfolio. Accordingly, investments shall predominantly be made in Debt & Money market Instruments.

Reliance Medium Term Fund:

(An Open End Income Scheme with no assured returns.) The primary investment objective of the Scheme is to generate regular income in order to make regular dividend payments to unit holders and the secondary objective is growth of capital.

Reliance Short Term Fund:

(An Open End Income Scheme) The primary investment objective of the scheme is to generate stable returns for investors with a short investment horizon by investing in Fixed Income Securities of short term maturity.

Reliance Liquid Fund:

(Open-ended Liquid Scheme). The primary investment objective of the Scheme is to generate optimal returns consistent with moderate levels of risk and high liquidity. Accordingly, investments shall predominantly be made in Debt and Money Market Instruments.

Reliance Floating Rate Fund:

(An Open End Liquid Scheme) The primary objective of the scheme is to generate regular income through investment in a portfolio comprising substantially of Floating Rate Debt Securities (including floating rate securitized debt and Money Market Instruments and Fixed Rate Debt Instruments swapped for floating rate returns). The scheme shall also invest in Fixed rate debt Securities (including fixed rate securitized debt, Money Market Instruments and Floating Rate Debt Instruments swapped for fixed returns

Reliance NRI Income Fund:

(An Open-ended Income scheme) The primary investment objective of the Scheme is to generate optimal returns consistent with moderate levels of risks. This income may be complimented by capital appreciation of the portfolio. Accordingly, investments shall predominantly be made in debt Instruments.

Reliance Liquidity Fund:

(An Open - ended Liquid Scheme) The investment objective of the Scheme is to generate optimal returns consistent with moderate levels of risk and high liquidity. Accordingly, investments shall predominantly be made in Debt and Money Market Instruments.

Reliance Interval Fund:

(A Debt Oriented Interval Scheme) The primary investment objective of the scheme is to seek to generate regular returns and growth of capital by investing in a diversified portfolio

Reliance Liquid Plus Fund:

(An Open-ended Income Scheme.) The investment objective of the Scheme is to generate optimal returns consistent with moderate levels of risk and liquidity by investing in debt securities and money market securities.

Reliance Fixed Horizon Fund:

(A closed ended Scheme) The primary investment objective of the scheme is to seek to generate regular returns and growth of capital by investing in a diversified portfolio. These schemes come for short time period. In these schemes returns are fixed and there is no risk.

Funds Of Reliance Under Sector Specific Scheme:

Sector Funds are specialty funds that invest in stocks falling into a certain sector of the economy. Here the portfolio is dispersed or spread across the stocks in that particular sector. This type of scheme is ideal for investors who have already made up their mind to confine risk and return to a particular sector.

Reliance Banking Fund:

Reliance Mutual Fund has an Open-Ended Banking Sector Scheme which has the primary investment objective to generate continuous returns by actively investing in equity / equity related or fixed income securities of banks.

Reliance Diversified Power Sector Fund:

Reliance Diversified Power Sector Scheme is an Open-ended Power Sector Scheme. The primary investment objective of the Scheme is to seek to generate consistent returns by actively investing in equity related or fixed income securities of Power and other associated companies.

Reliance Pharma Fund:

Reliance Pharma Fund is an Open-ended Pharma Sector Scheme. The primary investment objective of the Scheme is to generate consistent returns by investing in equity / equity related or fixed income securities of Pharma and other associated companies.

Reliance Media & Entertainment Fund:

Reliance Media & Entertainment Fund is an Open-ended Media & Entertainment sector scheme. The primary investment objective of the Scheme is to generate consistent returns by investing in equity related or fixed income securities of media & entertainment and other associated companies.

Reliance Infrastructure Fund:

The primary objective of this type of fund is to provide government facility for developing the Bridges, Highways, and Over Bridges.

The punch line of this Fund is

"Infrastructure Grow India Grow".

AN OVERVIEW ON MUTUAL FUNDS COMPANIES IN INDIA

ABN AMRO Mutual Fund:

ABN AMRO mutual fund is promoted by the ABN AMRO banking group, one of the banking giants in the world with an asset base of over $500 billion. ABN AMRO Asset Management, a subsidiary of ABN AMRO, manages the investment management business of the group.

ABN AMRO Asset Management is one of the world's leading asset management companies with more than 70 years of experience in managing money for individual customers and institutional clients.

ABN AMRO Asset Management (India) Limited is the AMC to the ABN AMRO mutual fund. ABN AMRO Bank NV holds 75 per cent stake in the AMC. As of Aug 2006, the fund has assets of over Rs.4,176 crore under management.

Birla Sun Life Mutual Fund:

Birla Sunlife Mutual Fund is one of India's leading mutual funds with assets of over Rs.17,098 crore under management as of Aug 2006. Birla Sun Life Asset Management Company Limited, the investment manager of Birla Sunlife Mutual Fund, is a joint venture between the Aditya Birla Group and Sun Life Financial Services, leading international financial services organization.

Baroda Pioneer Mutual Finds:

Baroda Pioneer Mutual Fund is presently under the management of Baroda Pioneer Asset Management Company Limited (its AMC). The AMC was set up in the year 1995, as wholly owned subsidiary of Bank of Baroda. The main aim behind the establishment of the company was to manage the assets of Baroda Pioneer Mutual Fund. On 5th October 2007, Bank of Baroda became party to an agreement with Pioneer Investments (Pioneer Global Asset Management SpA), a global asset manager

HDFC Mutual Fund:

HDFC Mutual Fund has been one of the best performing mutual funds in the last few years. HDFC Asset Management Company Limited (AMC) functions as an Asset Management Company for the HDFC Mutual Fund.

AMC is a joint venture between housing finance giant HDFC and British investment firm Standard Life Investments Limited. It conducts the operations of the Mutual Fund and manages assets of the schemes, including the schemes launched from time to time. As of Aug 2006, the fund has assets of Rs.25,892 crores under management.

HSBC Mutual Fund:

HSBC is one of the world's leading banking giants and boasts of a 140-year history in banking services. HSBC operates in more than 70 countries across the globe and has assets of over $1.2 trillion on the consolidated group balance sheet. The investment banking and fund management businesses of the group is handled by HSBC Investments.

HSBC Asset Management India Private Limited acts as the Asset Management Company to the HSBC Mutual Fund. HSBC Securities and Capital Markets India Private Limited, an affiliate of the HSBC group, is the sponsor of the fund and owns 75 percent stake in the AMC. The AMC is headed by its chairman Niall S Booker, who is also the head of HSBC Bank in India. The operations of the AMC are headed by Sanjay Prakash, director and CEO. As of Aug 2006, the fund has assets of over Rs.10,684 crore under management.

ICICI Prudential Mutual Fund:

Prudential ICICI Mutual Fund is the largest private sector mutual fund in India with assets of over Rs.34,119 crore under management as of Aug 2006. The asset management company, Prudential ICICI Asset Management Company Limited, is a joint venture between Prudential Plc, Europe's leading insurance company and ICICI Bank, India's premier financial institution. Prudential Plc holds 55 per cent of the asset management company and the balance by ICICI Bank. In a span of just over six years, Prudential ICICI Asset Management Company has emerged as one of the largest asset management companies in the country.

State Bank of India Mutual Fund:

SBI Mutual Fund, India's largest bank sponsored mutual fund, is a joint venture between the State Bank of India and Societe Generale Asset Management, one of the world's top-notch fund management companies. Over the years, SBI Mutual Fund has carved a niche for itself through prudent investment decisions and consistent wealth creation. Since its inception, SBI Funds Management Private Ltd. has launched thirty-two schemes and successfully redeemed fifteen of them. Throughout this journey, SBI Mutual Fund has profusely rewarded the 20,00,000 investors who have reposed their faith in it. Today, the SBI fund boasts of an expertise of managing assets over Rs. 13,000 crores and has a diverse profile of investors actively parking their investments across 28 active schemes. A vast network of 82 collection branches, 26 investor service centres, 21 investor service desks and 21 district organizers helps the SBI Mutual Fund to reach out to their investors.

ING Vysya Mutual Fund:

ING Vysya mutual fund benefits from the vast international experience and professional expertise of its promoters the ING Group, Dutch insurance and banking giant. ING, one of the largest financial services groups globally, took over the former Vysya Bank in India to form ING Vysya Bank. ING Investment Management (India) Private Limited is the AMC for the mutual fund with the sponsor of the fund holding a majority stake in the company. ING Vysya mutual fund strives to provide investors with the most practical and secure investment opportunities to invest their valuable savings.

Sahara Mutual Fund:

Sahara Mutual Fund is sponsored by the Sahara India Financial Corporation Limited (SIFCL), the flagship company of Sahara India Group. Incorporated in 1987, SIFCL is the First Residuary Non-Banking Company (RNBC) in India that has been granted certificate of registration by RBI and is a leading public deposit mobilization company in the Private sector.

Sahara Asset Management Company Private Limited, the AMC of Sahara Mutual Fund, was incorporated on August 31, 1995..

Tata Mutual Fund:

Tata mutual fund, set up in 1995, is one of the leading private sector funds in the country and is promoted by the Tata group. The sponsors of the fund are Tata Sons Limited and Tata Investment Corporation Limited.

Tata Asset Management Limited is the investment manager of the mutual fund and has F K Karavana of Tata Sons as its chairman. The management of the AMC is headed by Ved Prakash Chaturvedi, managing director. Tata Sons holds a majority stake in the AMC with the balance being held by Tata Investment Corporation. Tata Mutual Fund offers a wide range of investment products for institutional and individual investors and as of August 31, 2006, has assets of Rs. 12562.65 crores under management.

Kotak Mahindra Mutual Fund:

Kotak Mahindra mutual fund is one of the leading mutual funds in the country with assets of over Rs.12,530 crore under management as of Aug 2006. The fund is promoted by Kotak Mahindra Bank, one of India's leading financial institutions that offer financial solutions ranging from commercial banking, stock broking, life insurance and investment banking.

Kotak Mahindra mutual fund launched its schemes in December 1998 and today manages assets of 4,34,504 investors in various schemes. Kotak Mahindra mutual fund was the first fund house in the country to launch a dedicated gilt scheme investing only in government securities.

Unit Trust of India Mutual Fund:

The setting up of the Unit Trust of India (UTI) in 1963 heralded the birth of the Indian mutual fund industry. In 1964, UTI mutual fund launched its flagship scheme US-64 and went on to become a generic term for the mutual fund sector till the government allowed public sector banks to start mutual funds in 1987. The fund's sponsors are public sector financial giants like Life Insurance Corporation, SBI, Bank of Baroda and Punjab National Bank. The sponsors hold equal stakes in the asset management company, UTI Asset Management Company Private Limited. UTI Mutual Fund remains the largest fund in the country with assets of over Rs.35,028 crore under management as of Aug 2006.

Standard Chartered Mutual Fund:

Standard Chartered mutual fund is promoted by banking giant Standard Chartered and exclusively focuses on debt schemes. The fund started as ANZ Grindlays Mutual Fund and was later renamed as Standard Chartered Mutual Fund after the takeover of Grindlays Bank by Standard Chartered. Standard Chartered Bank is a truly global bank with employees representing 80 nationalities. The bank has a strong brand presence in India and is well entrenched in developing markets of Asia Pacific region.

The sponsor of the fund is Standard Chartered Bank. The AMC of the fund is Standard Chartered Asset Management Company Private Limited. The sponsor holds a 75 per cent stake in the company and the balance is held by Atul Choksey of Apcotex. As of Aug 2006, the fund has assets of over Rs.15,551 crore under management.

Franklin Templeton India Mutual Fund:

Franklin Templeton Investments, global investment management major, started their India operations in 1996 as Templeton Asset Management India Pvt. Limited. It flagged off the mutual fund business with the launch of Templeton India Growth Fund in September 1996. Over the years, Franklin Templeton has emerged as one of the largest and renowned mutual funds in the country. Franklin Templeton has over Rs.24,198 crore under management as of Aug 2006.

Morgan Stanley Mutual Fund India: When the Indian mutual fund sector was opened up for foreign investment in 1993, Morgan Stanley became the first international fund manager to enter India with a domestic mutual fund. One of the largest investment banks and fund managers in the world, Morgan Stanley operates in 28 countries and has $576 billion in assets under management globally.

Morgan Stanley boasts of a rich expertise of investing in Indian markets. The firm has been managing offshore India specific funds from 1989. The India Magnum Fund (traded on the Dublin Stock Exchange) and the India Investment Fund (traded on the New York Stock Exchange) are the major offshore India funds managed by MSIM. Morgan Stanley Investment Management India Private Limited is the AMC for the fund. The fund management is headed by Sridhar Sivaram, a director on the board of the AMC. As of Aug 2006, the fund has assets of over Rs.2,688 crore under management.

Escorts Mutual Fund:

Escorts Mutual Fund is promoted by the business conglomerate Escorts group. Escorts Asset Management Limited acts as the AMC to the mutual fund. Escorts Mutual Fund usually offers open ended schemes and the fund category is Equity-balanced fund. The fund is a member of the Escort Group of Companies, which deals with a number of high growth industries like construction and material handling equipment, farm machinery, two wheelers, auto ancillary products and financial Services.

Balanced Fund, Growth Plan and Floating Rate Fund are some popular open ended plans of Escorts Mutual Fund. Balanced Fund aims to generate long term capital appreciation and current income from a well diversified portfolio of equity shares and fixed income securities. Floats Rates objective is to make regular income through investment in a portfolio comprising substantially of Floating Rate Debt Securities. Growth Plan generates capital appreciation by investing mainly in a well diversified portfolio of equity shares with growth potential.

Alliance Capital Mutual Fund:

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

Benchmark Mutual Fund:

Benchmark Mutual Fund offers low cost innovative products which can bring good returns at acceptable levels of risk. Quantitative techniques of investing are employed for finding appropriate places for parking the funds. The techniques used involve gathering large amounts of financial information analyzing and transforming it to set a model of investing. With these quantitative techniques, best can be hoped out of investment.

Canbank Mutual Fund:

Canara Bank made its foray into the mutual fund sector by establishing the mutual fund arm Canbank Mutual Fund in December, 1987. Canara Bank, one of the largest public sector banks in the country, is also the sponsor of the fund. Canbank Investment Management Services Limited, a wholly owned subsidiary of the bank, functions as the AMC to the fund. The operations of the AMC are headed by N R Ramanujam, managing director. As of Aug 2006, the fund has assets of over Rs.3,246 crore under management.

LIC Mutual Fund

Promoted by India's largest life insurer, Life Insurance Corporation of India, LIC mutual fund was launched on June 19, 1989. As of Aug 2006, the fund has assets of close to Rs.10,703 crore under management. The fund is sponsored by Life Insurance Corporation of India. The investment manager for the mutual fund, Jeevan Bima Sahayog Asset Management Company Limited, was formed on April 20, 1994 in compliance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1993. The operations of the company are headed by M. S. Suryanarayana, chief executive officer.

DBS Chola Mutual Fund:

Effective from June, 2006, the Chola mutual fund has been named DBS Chola Mutual Fund following the conversion of the fund's sponsor Cholamandalam Investment and Finance Limited into Cholamandalam DBS Finance Limited, a joint venture of the Murugappa group with DBS Bank of Singapore.

DBS is the largest bank in Singapore and the fifth largest banking group in Hong Kong with total assets of S$175.5 billion. The bank has a strong presence in consumer banking, treasury and markets, asset management, securities brokerage, equity and debt fund raising.

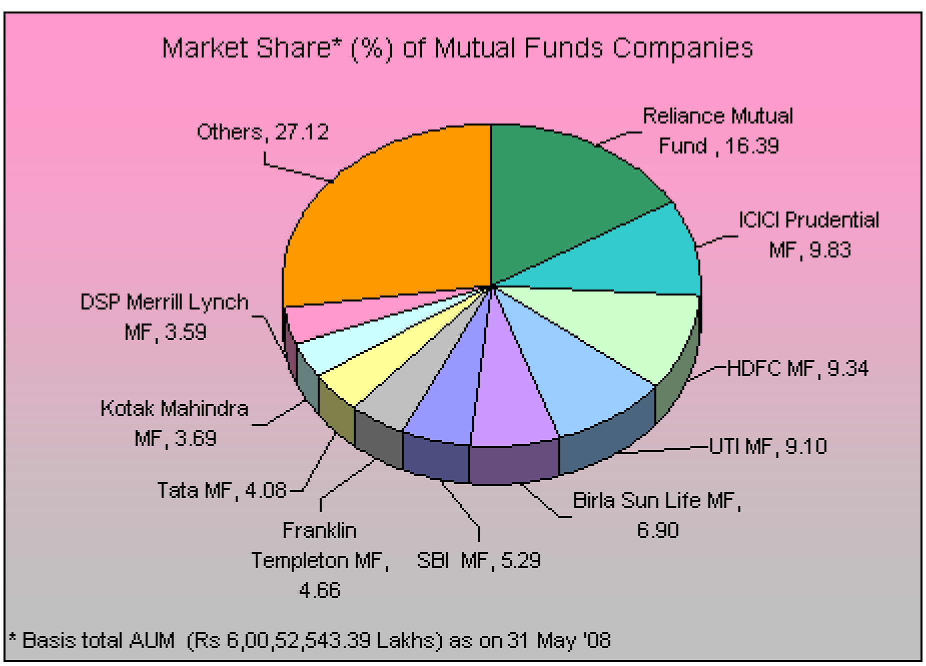
As of Aug 2006, the fund has assets of over Rs.2,293 crore under management.

RELIANCE Mutual Fund
Anil Dhirubhai Ambani Group

Reliance Mutual Fund:

Reliance mutual fund, promoted by the Anil Dhirubhai Ambani (ADAG) group, is one of the fastest growing mutual funds in India having doubled its assets over the last one year. ***In March, 2006, the Reliance mutual fund emerged as the largest private sector fund house in the country, overtaking Prudential ICICI which has been holding that position for many years.***

Total Market Share of Mutual Fund Companies:



RESEARCH METHODOLOGY

Research methodology

Introduction:

This study focused on Meerut Cantt. In this I have covered almost all the places. Being constraints by data availability (both primary and secondary) and time and improper response from the respondents I have covered the regions during my summer training programme viz: in Meerut.

The objectives of the study are as following:

- Awareness of mutual funds in Indian market.
- To identify the consumer behavior while selecting a fund.
- To identify the consumer perception about mutual funds.

Research is divided in two parts:

- **Research Design**
  - **Type of Research**
  - **Research methods**
  - **Collection of data**
- **Sample Design**

Type of Research:

- Descriptive: Description of the conditions as it exists presently. Includes survey & fact-finding enquiries of different kinds.

Research method:

Research methods are understood as all those methods and techniques that are used for conduction of research. Research methods or techniques refer to methods the researchers use in performing research operation. In other words, all those methods which are used by the researchers during the course of studying his research problems are termed as research methods. Since the object of research, particularly the applied research, is to arrive at a solution for a given problem, the available data and the unknown aspects of the problem have to be related to each other to make a solution possible. Keeping this in view I took the following two methods:

- **Analysis of documents**
- **Interview**

Collection of data:

Primary data:- Survey methods:

This method was adopted because it helps to procuring data and detail information from the respondents. Here I collected data by filling questionnaires, directly talking to the respondents

.

Secondary data:

I have also used the secondary data which include various written documents and other related information about the mutual fund industry in India.

Sampling:

The sample comprised 120 respondents from Meerut Cantt itself. All the respondents were first surveyed, interviewed and asked various questions regarding the three broad objectives of my research work and then their feed backs were taken. Then the analysis of each and every question was done and finally incorporated into research result.

As there is no such popular model or technique available for this kind of research, I have done the analysis part of my project on my own, without using any model or scientific technique

ANALYSIS AND INTERPRETATION OF DATA

Analysis and Interpretation of Data

After a thorugh study and analysis of the questionnaires of my consumer survey I have come across some important and useful findings. Theses findings have helped me in a great way to come to the conclusion part of my project work.

The following are the findings of my consumer survey in Meerut cantt:

Consumer Survey Result: Total Respondents-- 120

Age bracket:

Above the age 25 and below 60 though most of the respondents are above the age 35 years of age Out of the total respondents only 12% are female. Working individuals who are below the age 30 have little a bit idea about the mutual fund. They have heard about MF but they do not know anything about the mutual fund.

Occupation:

Business man:	Service man:	Professional:	Others:
27	53	28	12

Monthly income bracket:

Below 15000	15000 to 20000	20000 to 30000	30000 and above
18	45	47	10

- % of savings— average savings 35% to 40%
- Do they invest or not? --- Most of the service men think bank deposits as investments. Businessmen have rather more knowledge about MF.

Place of their investment:

Banks	Insurance	Share market	Others
76	45	19	18

Investment objective:

Return	Risk hedging	Tax benefits	Other reasons
74	16	48	4

Influencer in investment decision:

Relatives and friends	Family members	Advisors/ experts	Self
28	16	65	37

- Reasons of not investing—not have proper knowledge about MF. As this is a new concept in India they fear investing in MF esp. after the UTI overhaul.

Source of knowing Mutual Funds:

Ads & newspapers	Friends & relatives	Agents and experts	Other source
37	16	43	27

Awareness about Mutual Funds:

Yes	No
48	72

- Perception/concept about Mutual Funds--Very few have Clear cut idea about the Mutual funds.

- Recall of any Mutual fund company--- UTI, SBI, Pru-ICICI, Reliance.
- Want to invest in Mutual Funds?

Yes -44 No -76

Reasons of investing in Mutual Funds:

Good return	Safety and security	Awareness	Others
24	**11**	**-**	**17**

Reasons of not investing in Mutual Funds:

Risky affair	Do not know about MF	Not so popular investment vehicle	Others
69	**37**	**74**	**15**

FINDINGS

- Out of total 120 respondents in Meerut, 39% belong to the upper-lower and lower- upper social class.
- Out 120 respondents 43% belong to upper- middle social class.
- There were only 8.33% of the respondents who belong to upper social class. **(Please refer to the graph no. 6**)
- Most of the surveyed respondents are service men. 44% of the total respondents belong to service class. 23.33% of the respondents are professionals, 22.25% of the respondents belong to business class and 10% of the respondents belong to the other category. This other category includes—unemployed, housewives, students.(**Please refer to the graph no. 1**)
- Most of the service men don't have proper knowledge about the mutual funds and that is why probably they don't invest in mutual fund.
- Most of the business men have proper knowledge about the mutual funds and as result they invest in mutual fund very frequently.
- Average savings of the people varies between 35& to 40%. This no doubt a good figure to take in account.

- 49% of the respondents keep their money in banks, 28% of the respondents invest in insurance, 12 % invest in share market and rest 11% in other investment vehicle. This other category includes—Mutual Funds, KVP, Post Office etc.. (**please refer to the graph no.2**)

- Most of the respondents consider bank deposit as investment vehicle. They don't have clear cut idea about the difference between the savings and investment.
- 63% of the respondents keep their money in banks for return, 40% of the respondents invest in insurance for tax benefits, 13% of the respondents invest for risk hedging purpose, and 3% invest for not any specific reasons.
- In 54% cases agents/ experts influence the investment decision. In 30% cases, investment decisions are taken by self only. In 23% and 13% cases the investment decisions are given by friends and relatives and family members respectively. (**Please refer to the graph no.4**)
- In 35% cases people come to know about the mutual funds from agents/experts. In 30% of the cases they come to know about the mutual funds from newspapers ads, 13% from friends and in 22 % cases they come to know about the mutual funds from other sources like---radio, TVs, WoM.(**please refer to the graph no.5**)
- 36% of the respondents want to invest in mutual funds. But they don't have enough knowledge where and when to invest in mutual funds. This means customer education is urgently required here.
- Most of the respondents are not aware of the private mutual funds in India. When it comes to recall the names of some of the mutual funds in India they recall the names like--- SBI mutual fund, UTI mutual fund, ICICI mutual funds.

RECOMMENDATIONS AND SUGGESTIONS

After a through study and analysis of the data and information, the following are the few recommendations and suggestions, if adopted, would definitely benefit the financial market in Meerut, which is in its booming stage, in the short run and in the long run as well. Recommendations and suggestions are normally given when there are some problems or difficulties lying in the market. Here in this research report my recommendations and suggestions are totally based on the facts, reactions, attitudes, perceptions, and many other things of the respondents which I have received from them during my research work. The recommendation part of this research work has three parts only, which I feel can push the mutual fund market in Meerut to a higher level.

The three parts are –

1. Market Development
2. Marketing techniques
3. Marketing plans

Market development:

My consumer survey in Meerut has revealed the fact that the market for mutual fund is still in its expansion stage. Hence the companies have to do a lot of things and activities to develop the market for mutual fund in this capital city. Because the market development is as important as STP of any marketing plan. Market development means doing anything and everything for the growth of the mutual fund industry. Hence in the following ways the market of mutual fund in Meerut can be developed more significantly:

Awareness:

Awareness of mutual fund products must be increased in this city. The awareness can be enhanced in the following ways---

- Conference or seminars on "mutual funds" can be conducted on regular basis. This will no doubt increase the awareness of mutual fund in the minds of the investors.
- All the companies must join hands and work together for this.

Customer education:

As the awareness of mutual funds is still improving in this market, companies should give focus on "customer education". For this purpose again the conference and seminars can be the best way towards educating the customers. Again free training programme to the agents can be fruitful.

Government intermediation:

Government must also work together with the mutual fund companies in promoting the concept of mutual fund in Meerut.

Confidence building activities:

People in this city are not confident in investing their money in mutual funds. Hence there is a need to do something which will build the confidence in the minds of the investors.

Hence the confidence building activities must be carried out the mutual fund companies. Because most of the people in Meerut think that investing in mutual funds is a very risky affair. In the following ways the confidence can be increased in the minds of the people in Meerut.

1. As the common person has blind faith in all the government institutions, hence they have to come forward and convey the message that investing in mutual fund is not that risky.

2. The present performance of the mutual funds is very good indeed. And the companies should cash in on this opportunity. The performance of the mutual funds can be published in the local and

3. other newspapers and magazines, journals. This will no doubt induce the investors towards investing in mutual funds.

4. Case study of the investors who have been benefited in investing in mutual funds can be published in the newspapers, magazines and journals.

<u>Marketing techniques:</u>

While the Mutual in India has seen dramatic improvements in quantity as well as quality of product and service offerings over the past decade (refer the graph on page number - 33). One of the primary reasons for this slow growth is the fact that mutual funds are a new concept in India, which needs to be still understood by large sections of Indian investors. In this scenario, the mutual fund companies have the onerous responsibility of not just selling mutual fund products, but 'marketing' them correctly.

Marketing plans:

Booklets on mutual funds can be distributed at free of cost to the common people with the newspapers, magazines, journals. This will help in attitude formation of the investors.

Companies must focus on tailored made mutual fund schemes rather than on the traditional products/ schemes.

Unlike the case of insurance where there is a restriction on certain age of the investors to invest on insurance, there is no such restriction on investing in mutual fund. An investor of any age bracket can invest in mutual fund. Hence the strong and efficient CRM can prove to be very fruitful.

Selling of mutual funds only through agents and the branch will not serve the purpose. Distribution network should be increased. Here aggressive strategy must be taken by a company in selling mutual funds. This will only be possible when the investors are well familiar with the concept of mutual funds and its advantages and benefits.

- ✓ As selling of financial products requires well trained people, the companies must provide proper training to the agents and financial planners. For this training institute must be opened in this township.
- ✓ Continuous brand building activities must be carried out by the companies. For this purpose companies should initiate some sort of promotional activities like,ads in newspapers, magazines, journals.

- ✓ Educational institutes must start some professional courses on mutual funds and other finance specialized courses. This will create some sort awareness about the mutual funds.
- ✓ Mutual fund companies must tie up with other financial institute like banks, post office for reaching to the mass people. Because these financial institutes have tremendous reach to the mass people in our country. As a result mutual fund companies can have easy access to the common people. The companies must go in for this kind of strategic alliance with other companies as well. Because strategic alliance not only benefit the companies but help in developing the market also.

Handsome incentive:

Push selling of mutual funds products must be stressed on. This push selling must be done through agents and financial planners. Handsome incentives and commission will no doubt motivate them to push sell the mutual funds.

Attractive schemes:

As the maximum number of investors of mutual funds in this city are confined to the business class and upper social class category. Common people rarely invest in mutual funds. Hence the different attractive schemes can be launched to attract the common people towards mutual fund investment. These schemes are for promotional purpose only. The main purpose of these schemes are to draw retail investors towards the mutual funds investment.

The following are some of the schemes:

- For opening of new savings bank account, certain units of mutual funds of a company (strategic alliance company) can be given at free of cost to the account holder. This will no doubt make the people more familiar with the concept of mutual funds.

- On buying of one or some life insurance policies, again certain units of mutual fund can be given at free of cost
to the policy holders This will ultimate lead to the mutual
fund buying habit of the common people.

- Again each car loan or other kind loan of a certain amount will get the loan taker certain units of mutual funds absolutely free of cost.

Sponsorship of management events:

As we all know that management institutes and universities and other educational institutes are the production houses of the business managers. In
these institutes, several kind of management activities going on throughout the year. The companies must cash this opportunities to make them know to the students and to the people who are associated with these institutes. Companies can sponsor some of the management events of these institutes. This will again lead to the communication of the products of the companies.

Conclusion

We can infer from the analysis that the concept of mutual fund in the place like Meerut is still in its growing phase. With the growing importance of mutual fund in other areas in the country, this place is witnessing the same rate of growth in mutual funds. Apart from these facts the following are some other important facts which can easily be inferred from the paper---

- Huge opportunities of Mutual funds exist in the Meerut. In short the market in this city is a growing market
- As because many companies exist in this market, competition is cut to throat.
- Mindsets of the investors are not towards mutual funds. They still think of investing in traditional investment alternatives. Customers are not properly educated about the mutual funds.
- Few private sectors banks like ICICI, HDFC, UTI, ING VYSYA etc. sell mutual funds through their branches only.
- Specialized agents of mutual funds are rarely seen. Financial advisors are not seen there who can educate the investors.
- Posters, banners or other promotional activities are rarely seen in this market.
- Mutual fund companies do not have aggressive strategies.
- Insurance products are and can be the main competitors of mutual funds.
- Mutual fund investors are confined to the upper-middle and upper social class in this market. Upper-lower class and lower-upper class people are still untouched.

- More than half of the respondents have wrong perception about the mutual funds. They feel mutual funds are very risky investment alternative
- Most of the respondents are satisfied with their current return from their investment. Most of the respondents neither do nor want to take risk in investing their money in mutual funds.

APPENDIX

Chart No. 1

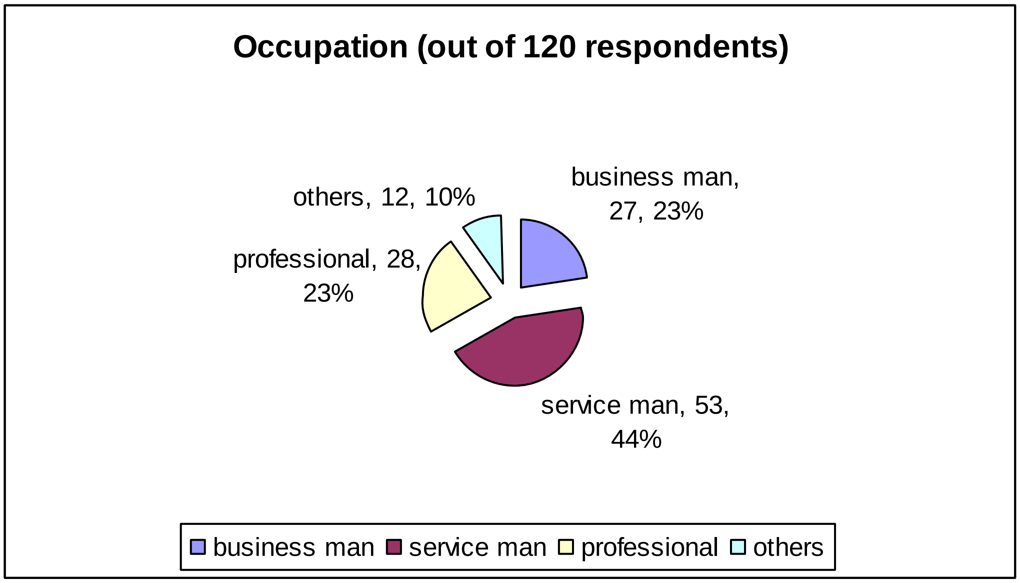


Chart No. 2

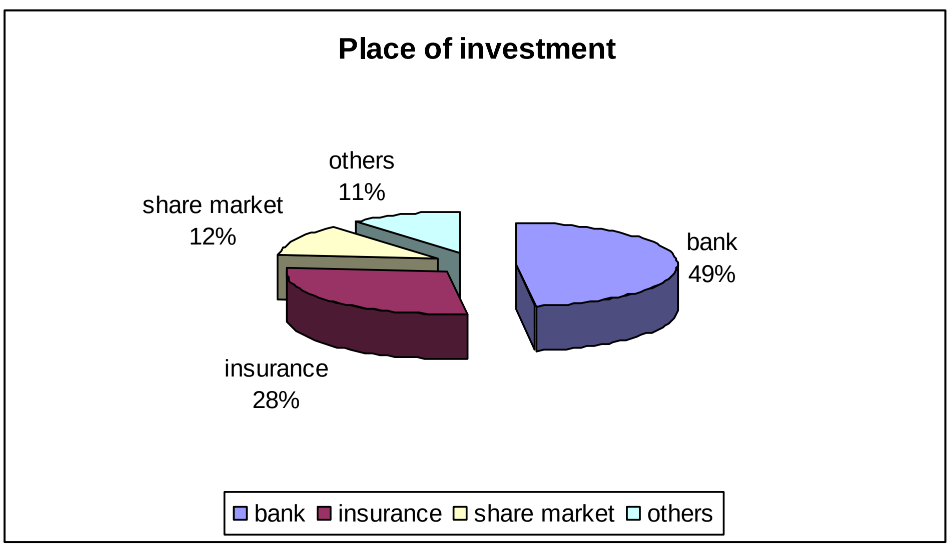


Chart No. 3

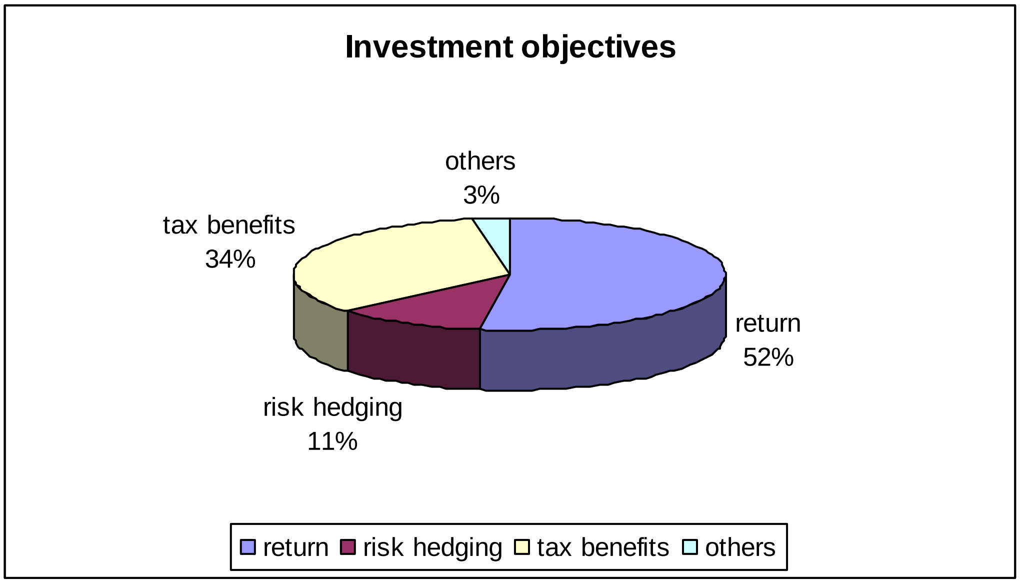


Chart No. 4

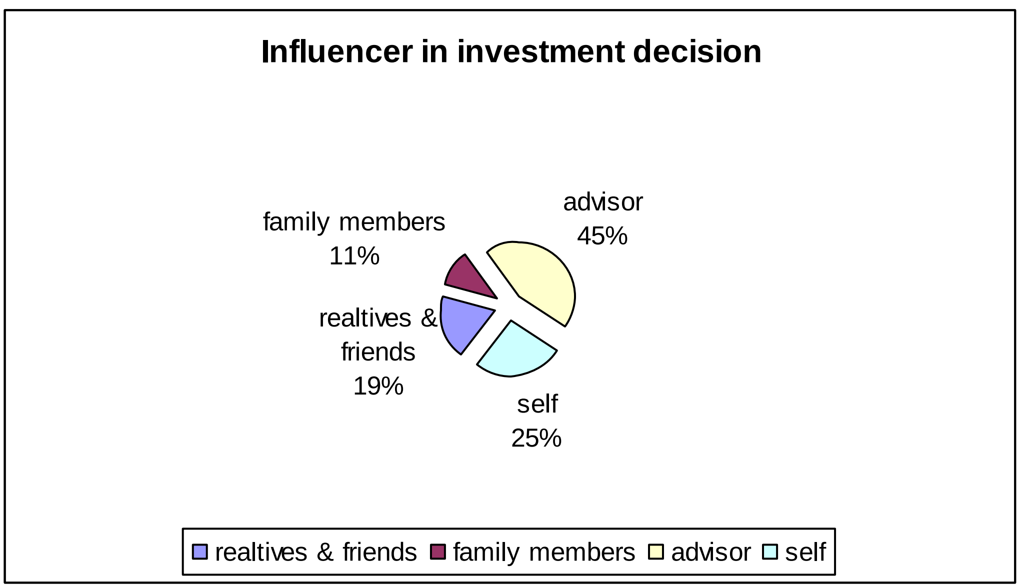


Chart No. 5

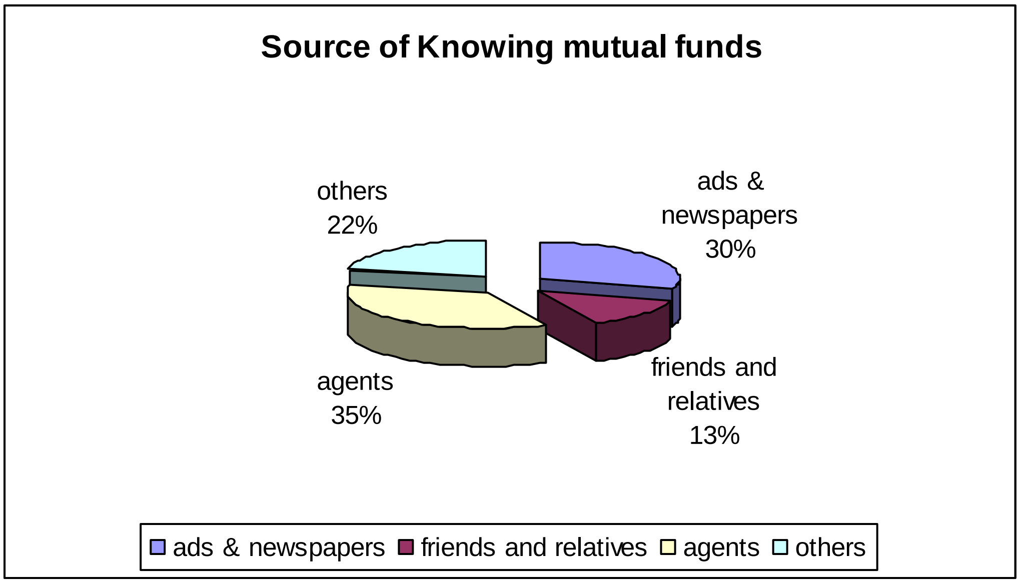
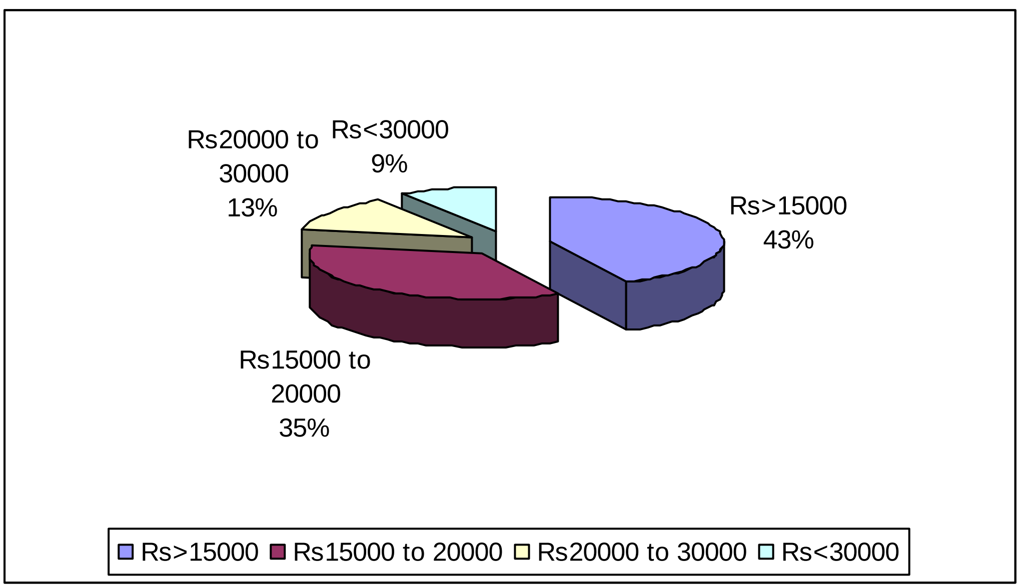


Chart No. 6



QUESTIONNAIRE

Consumer Survey:

Name: ______________________________

Age: ______________________________

Sex:

- Male ☐
- Female ☐

Occupation:

- Businessman ☐
- Service man ☐
- Professional ☐
- Others ☐

Monthly income brackets:

- Below 15000 ☐
- 15000- 20000 ☐
- 20000-30000 ☐
- 30000 and above ☐

% of your savings _________

Do you invest?

- Yes ☐
- No ☐

If yes, then where do you invest your money?

- Bank ☐
- Insurance ☐
- Share market ☐
- Others ☐

Why do you invest (investment objectives)?

- Return ☐
- Risk hedging ☐
- Tax benefits ☐
- Other reasons (specify) ________

Who influence your investment decision?

- Relatives and friends ☐
- Family members ☐
- Advisors/ experts ☐
- You yourself ☐

If no then why?

- Do not know where to invest ☐
- Satisfied with your current investment return ☐
- Don’t want take risk ☐

- Other reasons

  ____

  ____

Do you know about MF?

- Yes ☐
- No ☐

If yes, then from where you have come to know about an Mutual Fund?

- Advertisements on newspapers ☐
- Friends and relative ☐
- Agents/ experts ☐
- Other source _________

What do you think about Mutual Fund?

- It means investing only in share market ☐
- Constant watch must be kept always ☐
- Return is not satisfactory ☐
- Other perception

  ____

Can you recall any mutual fund company?

  ____

Can you recall any MF scheme?

  ____

Would you want to invest in MF?

- Yes ☐
- No ☐

If yes, then why?

____

If no, then why?

____

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