MUTUAL FUND

Asst.Prof.Vishal P. Varma
Dayanand College of
Commerce,Latur.

MUTUAL FUND

A Mutual Fund is a **trust** that pools the savings of a number of investors who share a common financial goal.

The money thus collected is then invested in capital market instruments such as shares, debentures and other securities.

The income earned through these investments is shared by its unit holders in proportion to the number of units owned by them. Thus a Mutual Fund is the most suitable investment for the common man as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

Everybody wants to be rich with as little investment possible!

Mutual Fund Investments can be a great way to create wealth over a long term


Mutual Funds?
Stocks?


MUTUAL
FUNDS
BONDS
STOCKS
CASH

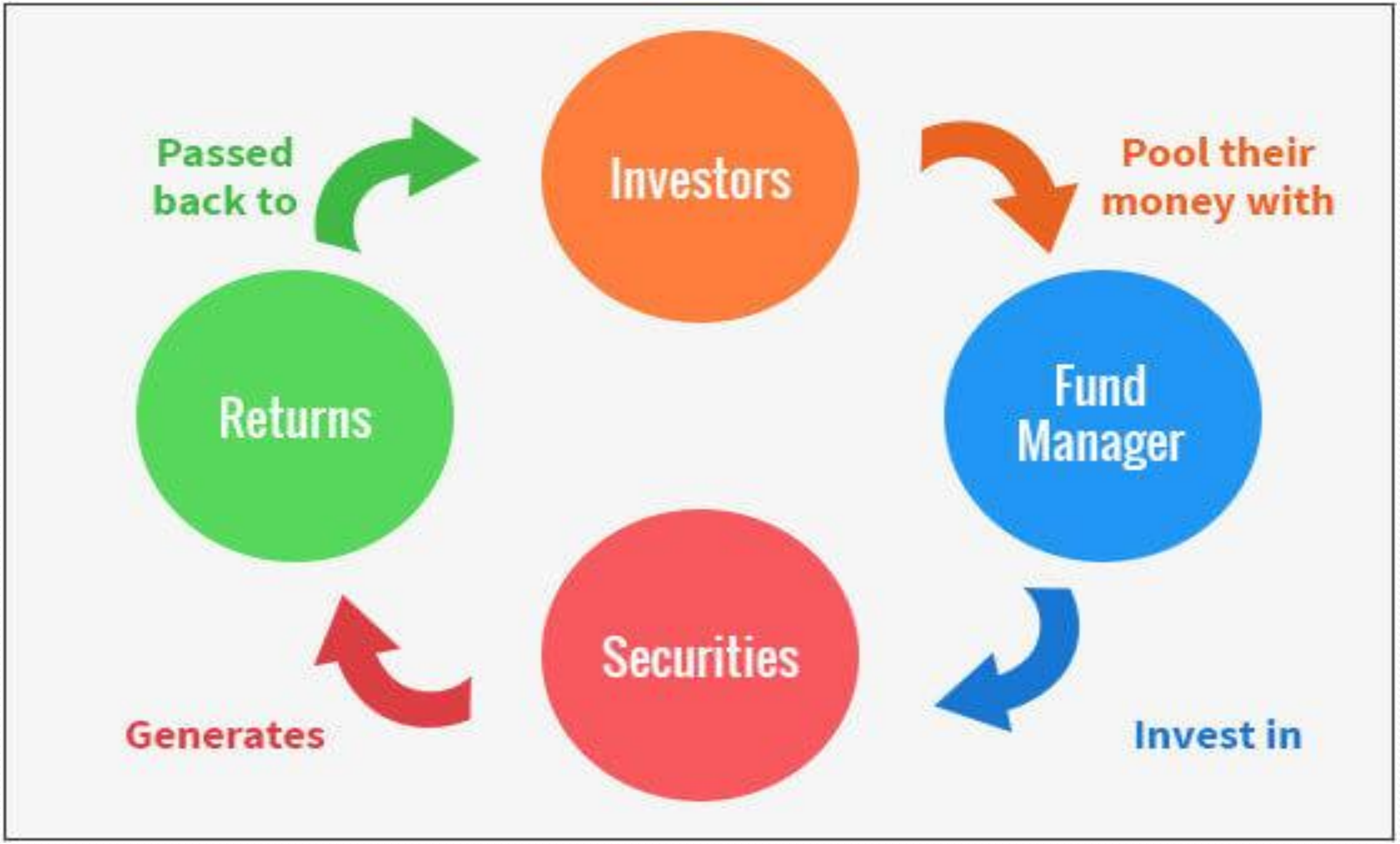

Mutual Funds
A Better way of Investment


HOW MONEY FLOWS THROUGH MUTUAL FUNDS
Your Money
+
Other Investors' Money
MUTUAL FUND
INVESTS IN ASSETS LIKE STOCKS, BONDS, ETC.

MYTHS ABOUT MUTUAL FUNDS

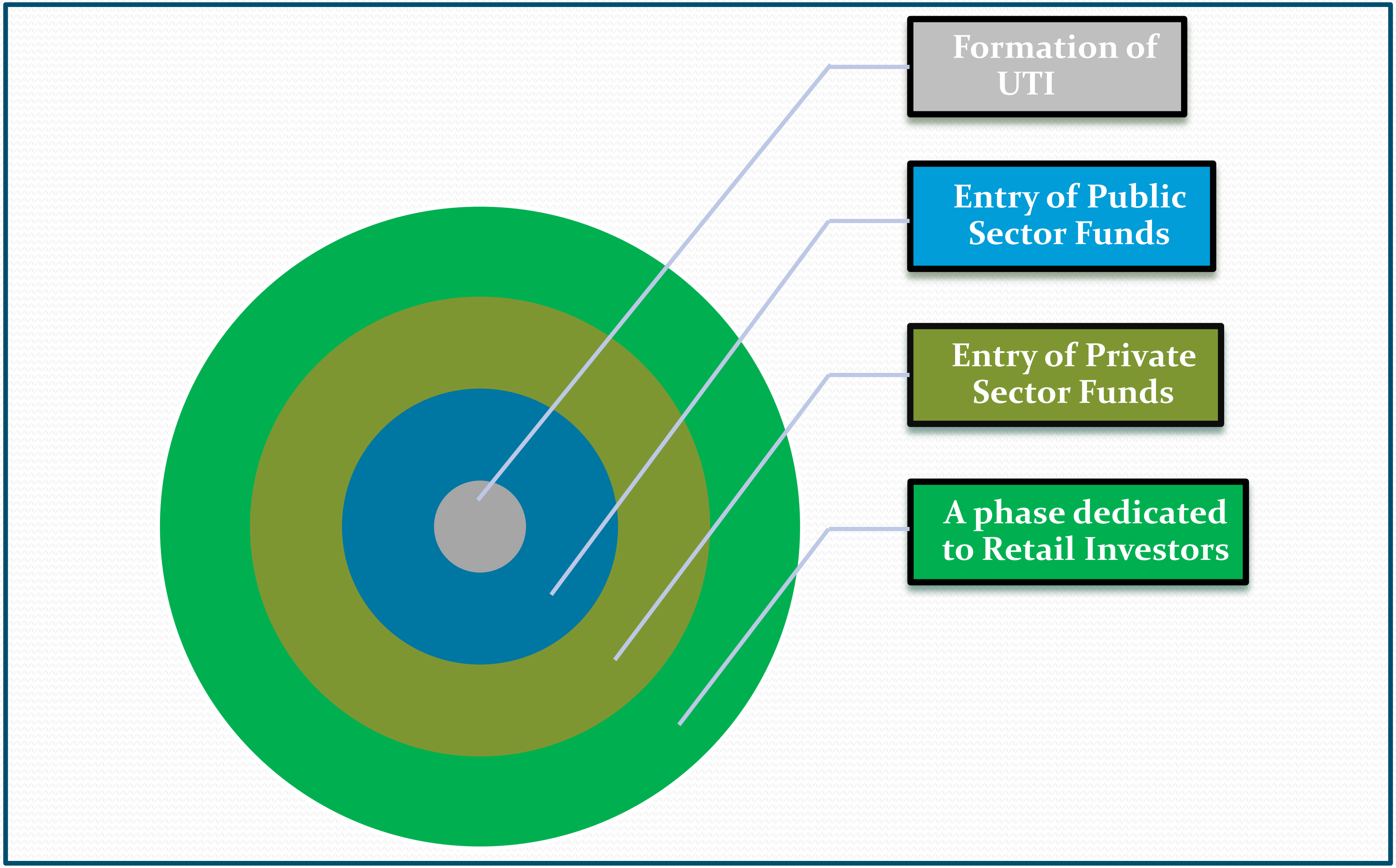
1. **Mutual Funds invest only in shares.**
2. **Mutual Funds are prone to very high risks/actively traded.**
3. **Mutual Funds are very new in the financial market.**
4. **Mutual Funds are not reliable and people rarely invest in them.**
5. **The good thing about Mutual Funds is that you don't have to pay attention to them.**

MUTUAL FUNDS
A CYCLIC PROCESS



HISTORY OF MUTUAL FUNDS IN INDIA

Phases of Mutual Fund Industry in India



History of Mutual Funds

Phase I – 1964 – 87:

In 1963, UTI was set up by Parliament under UTI act and given a monopoly. The first equity fund was launched in 1986.

Phase II – 1987 – 93:

Non-UTI, Public Sector mutual funds,Like-

SBI Mutual Fund,
Canbank Mutual Fund,
LIC Mutual Fund,
Indian Bank Mutual Fund,
GIC Mutual Fund and
PNB Mutual Fund.

Phase III – 1993 – 96:

Introducing private sector funds. As well as open-end funds.

Phase IV – 1996:

Investor friendly regulatory measures

Action taken by SEBI to protect the investor, and To enhance investor's returns through tax benefits.

BENEFITS OF INVESTING IN MUTUAL FUNDS

- Easy to buy and sell.
- Investments can be made in lump sum or periodic payments (easy on the pocket).
- Mutual fund industry in India is very well regulated and transparent.
- Professional management - saves time, costs and reduces risk.
- Diversification - to protect from downside risk.

Other classification of MF schemes

By Structure

Open-Ended – anytime enter/exit

Close-Ended Schemes – listed on exchange, redemption after period of scheme is over.

By Investment Objective

Equity (Growth) – only in Stocks – Long Term (3 years or more)

Debt (Income) – only in Fixed Income Securities

Liquid/Money Market – Short-term Money Market (CPs, CDs, Treasury Bills)

Balanced/Hybrid – Stocks + Fixed Income Securities (1-3 years)

Gilt Funds – primarily in G-Sec

Other Schemes

Tax Saving Schemes such as ELSS

Equity / Growth Funds :-

Equity funds are those that invest in stocks and are also called stock funds. Its investment objective is long term capital growth. These funds invest minimum 65% of its corpus in equity and equity related securities.

Debt Funds :-

Debt Funds are mutual funds that invest in fixed income securities like bonds and bills. Gilt fund, monthly income plans (MIPs), short term plans (STPs), liquid funds, and fixed maturity plans (FMPs) are some of the investment options in debt funds. Apart from these categories, debt funds include various funds investing in short term, medium term and long term bonds.

Different types of Mutual Funds

Balanced Funds

These funds invest both in equities and fixed income instruments and its investment objective