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Analysis on the Performance of Different Mutual Funds

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Abstract: *A mutual fund is a type of investment that takes investor money and uses it to buy securities in a portfolio that is managed by an investor manager in line with the investor's goals.*
The purpose of this study was to ascertain how the performance of mutual funds was impacted by cash flow, fund size, family size, expense ratio, stock picking skill, and load charge. The NAV, BI Rate, expense ratio, load charge, and total NAV investment manager of 45 mutual funds over the 2012–2014 period are the statistics used in this study. Multiple regression analysis with classical assumption is the methodology that was employed, and it makes use of the heteroscedasticity, multicollinearity, autocorrelation, and normality tests. The F-test and t test are the methods used to test the hypothesis. The test's outcome indicated that stock picking abilities and cash flow have a considerable beneficial impact on mutual fund performance. The load fee and expense ratio have a large detrimental impact on the mutual fund performance. Although family size and fund size have a positive but insignificant impact on mutual fund performance. The adjusted R square result is 0.318, meaning that cash flow, fund size, fund family size, expense ratio, stock selection ability, and load charge can account for 31,8% of the mutual fund performance achieved.

Keywords: mutual fund.

I. INTRODUCTION

An investment instrument known as a mutual fund collects investor money and uses it to buy stocks, bonds, gold, government securities, and other assets. Organisations that meet the requirements to establish mutual funds establish Asset Management Companies (AMCs) or Fund Houses, which combine investor capital, promote mutual funds, oversee investments, and facilitate investor dealings.

Fund managers, reputable financial experts with experience in investment analysis and management, oversee mutual funds. According to the fund's investment objective, the money received from mutual fund investors is invested by the fund managers in a variety of financial assets, including stocks, bonds, and other assets. The fund managers handle a number of things, including where and when to invest.

How Are Mutual Funds Operational?

Let's first review the idea of NAV (Net Asset Value) in order to better grasp how mutual funds operate. The price at which investors can purchase or redeem their mutual fund investments is known as NAV per unit. Mutual fund investors receive units in proportion to their investments, which are determined using the NAV. For instance, you will receive (500/10), or 50 unitsof the mutual fund, if you put Rs 500 in one with a NAV of Rs 10.

Now, the mutual fund's NAV fluctuates daily based on the performance of theassets that are invested in. The NAV of a mutual fund will increase if it makesan investment in a stock that increases in value tomorrow, and vice versa.

Thus, in the aforementioned example, your 50 units, which was valued at Rs500, will now be worth Rs 1000 (500 units x Rs 20) if the mutual fund's NAVincreases to Rs 20. Because its underlying assets produce the returns that investors get, the mutual fund's performance is therefore determined by these.

TYPES OF MUTUAL FUNDS

Open-ended mutual funds

In open-ended mutual fund schemes, you can invest and redeem your investments whenever you want. There is no maturity tenure or a specific time for investment into the scheme. Open-ended mutual funds are, therefore, liquid in nature. Most types of mutual fund schemes are open-ended in nature. However, ELSS schemes and sometimessolution-oriented schemes are exceptions with lock-in. Redemption is not allowed whilesolution-oriented funds can have lock-in periods of up to 5 years.

Close-ended mutual funds

Close-ended mutual fund schemes have a set investment and maturity period, available during their New Fund Offer (NFO) launch. Investments can only be made during this period, and there's a fixed maturity date for redemptions. Some close-ended schemes get listed on stock exchanges post-NFO, allowing investors to trade them. Periodic repurchasing options are also available, where investors can sell units back to the mutual fund company. SEBI mandates that mutual fund companies must offer investors an exit route, either through stock exchange sales or selling back to the company.

Equity mutual funds

Equity mutual funds are the type of mutual fund that invests in the stocks of different companies. The return of these funds is influenced by the performance of the investedstocks in the market. These funds take high risks, and they also have the potential to generate stunning returns.

As per SEBI guidelines, equity funds should invest at least 65% of their portfolio in equities. Equity funds invest in stocks of a specific type of market cap. Examples of such schemes include large-cap funds, mid-cap funds, large and mid-cap funds, and small-capfunds.

Similarly, some funds invest in a specific sector like technology or banking. These fundsare called Sectoral Funds. And then, there are categories of funds that invest across market caps and sectors. It includes funds like Flexi Cap Funds, Focused Funds, and Multi Cap Funds, among others.

OBJECTIVES AND FUNCTIONS OF MUTUAL FUNDS

Diversification of assets

The fact that mutual funds have a sizable portfolio of assets is one of the reasons they make such excellent investments. Frequently, knowledgeable investors will advise against putting all of your eggs in one basket. Because there's a good probability your entire portfolio will be impacted by the asset value decline if you do this. Since mutual funds make many investments, they offer the essential diversity to safeguard the investment in the event that the value of any one of these assets' declines.

Making Money

To provide income for investors, fixed-income investment managers often employ two categories of investment management. They are spread traders and interest rate predictors. A mutual fund is riskier than a money market fund if its primary goal is to generate income. Its profits are substantial, nevertheless. Consider domestic and international bond funds, dividend and mortgage funds, etc. if you're looking for a mutual fund with a high-income potential.

Preserving money

You should choose a mutual fund that prioritises capital preservation if you are investing in them to protect your capital. There is typically less risk-to-return ratio associated with certain mutual fund categories. A money market mutual fund is anexcellent illustration of a mutual fund in this area.

Starting to expand

Growth-oriented mutual funds are an excellent way to invest and protect yourself against inflation. Generally referred to as equities funds, their holdings consist of common stocks and occasionally preferred shares. Additionally, compared to incomefunds, this kind of mutual fund gives bigger returns, but the dangers are also higher.

Capital Protection

Mutual funds take in client money and use it to purchase a variety of securities, such as Treasury Bills, Government Bonds, and Blue-Chip company stocks. SEBI exists to safeguard investors as well. As a result, there is relatively little danger and capital is safe.

Liquidity

SIPs are similar to bank recurring deposits (RDs). But when it comes to liquidity, SIP and RD differ significantly. In RD, a set sum must be invested for a predetermined amount of time. You can redeem money in SIP the very next day.

II. RESEARCH METHODOLOGY

According to earlier research or reviews of the literature, some studies have examined the performance of mutual fund schemes using quantitative or statistical methods up to this point. Every study will compare the mutual funds of one or two businesses or schemes solely, or compare performance, using one or two techniques between commercial funding houses and the governmental sector. Certain studies concentrated solely on a specific fund section and presented the benefits and drawbacks of that fund exclusively. Comparing comparable open-ended growth schemes across other categories, such as Large Cap, Mid & Small Cap, and Diversified/Multi Cap funds, has not been the subject of any research.

In order to close this gap, research has been done to evaluate a few chosen schemes from the top five mutual fund houses across several categories usingvarious statistical and ratio analyses.

III. CONCLUSION

Mutual funds are collections of assets that are invested in stocks, bonds, and other financial instruments in accordance with predetermined investment goals. An investor can access asset types like stocks, bonds, fixed income securities, commodities, and even bullion by investing in them.

Investors who purchase units or shares in these investment vehicles are the ones who own them; fund companies form them under the auspices of an investment trust. These are investment pools created from the capital contributed by investors in return for units or shares. They are overseen by an investment team, with a fund or portfolio manager making choices on the makeup of the portfolio.

Any organization that serves as a middleman in financial transactions between the necessary parties is referred to as a "financial intermediary," as the term suggests. Any bank, mutual fund, pension fund, investment company, etc.

might be considered this. A financial intermediary's main benefit is its ability to move money around as needed, allocating available capital according to the company's needs. As a result, the market stays steady and the likelihood of financial extremes is decreased

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