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Mahavidyalaya
Department of Management(BBA)



PRESENTATION ON TOPIC
MUTUAL FUND

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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 shares, debentures and other securities.
- The income earned through these investments and the capital appreciation released are shared by its unit holders in proportion to the number of units owned by them.

Myths about Mutual Funds



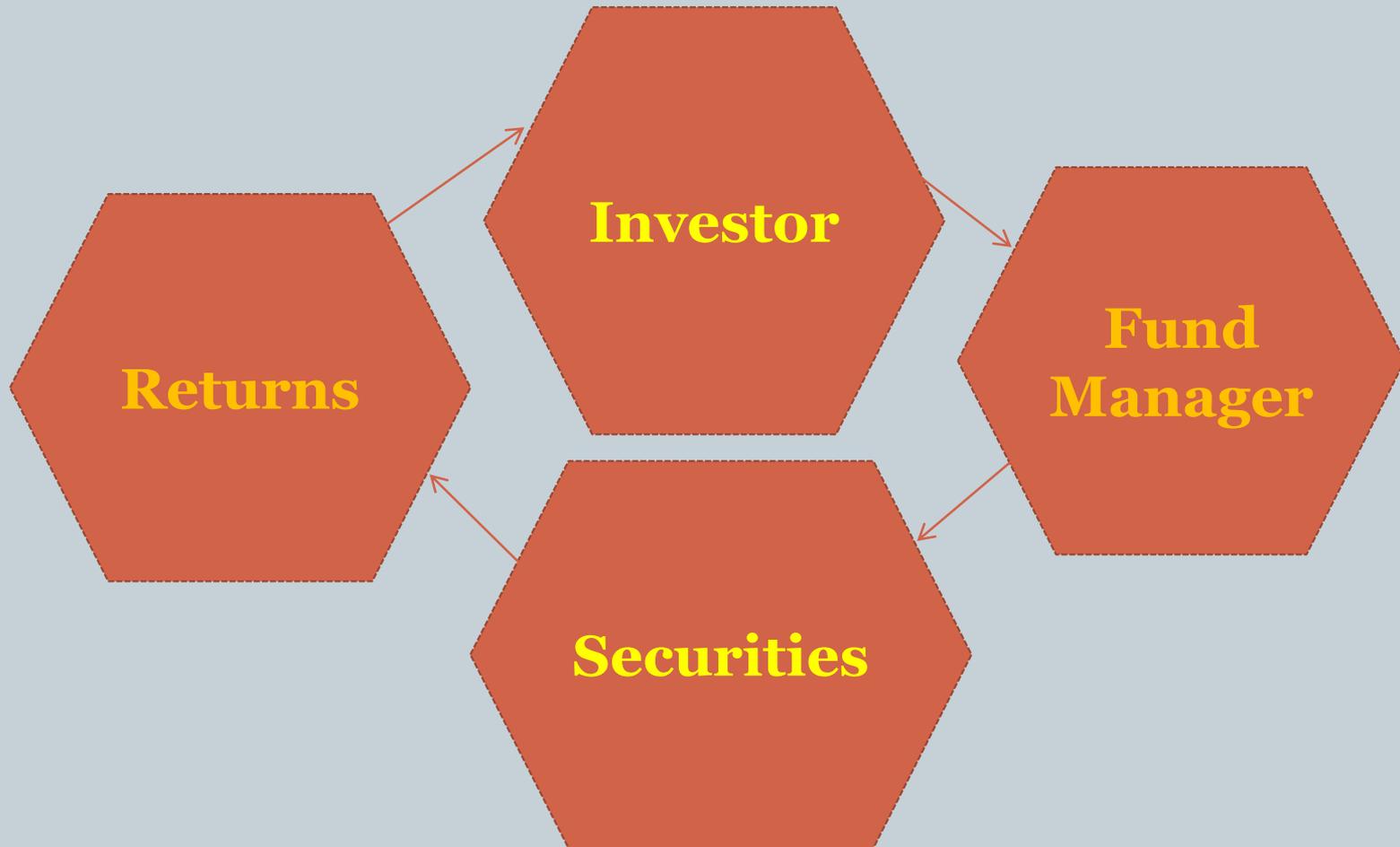
1. Mutual Funds invest only in shares.
2. Mutual Funds are prone to very high risks/actively traded.
3. Mutual Funds are very new in the financial market.
4. Mutual Funds are not reliable and people rarely invest in them.
5. The good thing about Mutual Funds is that you don't have to pay attention to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

Facts about Mutual Funds

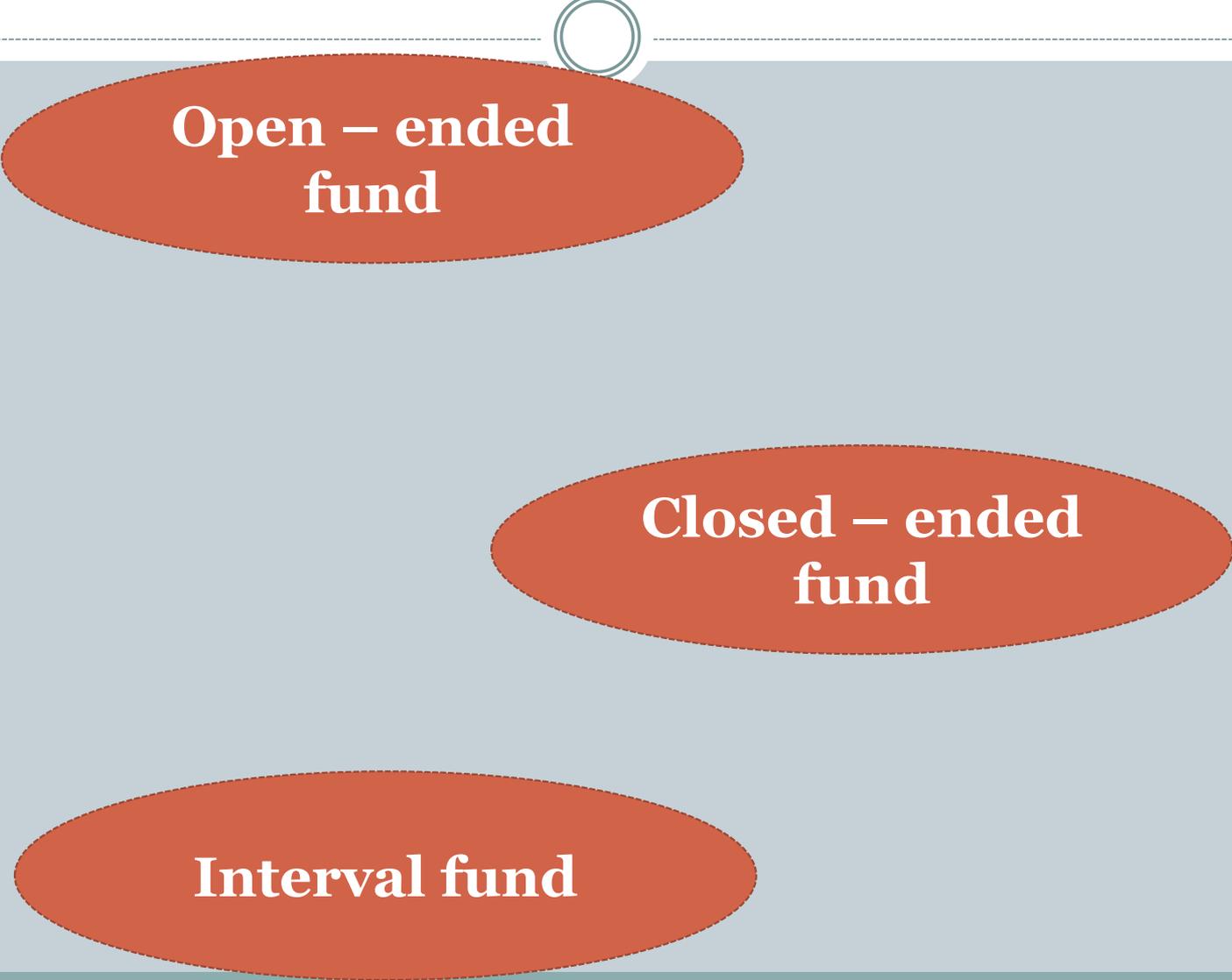


1. Equity Instruments like shares are only a part of the securities held by mutual funds. Mutual funds also invest in debt securities which are relatively much safer.
2. Mutual Funds are there in India since 1964. Mutual Funds market has evolved in U.S.A and is there for the last 60 years.
3. Mutual Funds are the best solution for people who want to manage risks and get good returns.
4. US is very much a part of the market and is not immune to its vagaries. The crisis has risen due to mismanagement of the fund.

Mutual Funds A Cyclic Process



TYPES OF MUTUAL FUNDS



Open – ended
fund

Closed – ended
fund

Interval fund

Advantages of Mutual Funds



- **Portfolio diversification:** It enables him to hold a diversified investment portfolio even with a small amount of investment like Rs. 2000/-.
- **Professional management:** The investment management skills, along with the needed research into available investment options, ensure a much better return as compared to what an investor can manage on his own.
- **Reduction of transaction costs:** The investor has the benefit of economies of scale; the funds pay lesser costs because of larger volumes and it is passed on to the investors.

Advantages of Mutual Funds



- **Liquidity:** Investors may be unable to sell shares directly, easily and quickly. When they invest in mutual funds, they can cash their investment any time by selling the units to the fund if it is open-ended and get the intrinsic value. Investors can sell the units in the market if it is closed ended fund.
- **Convenience and Flexibility:** Investors can easily transfer their holdings from one scheme to other, get updated market information and so on. Funds also offer additional benefits like regular investment and regular withdrawal options.
- **Transparency:** Fund gives regular information to its investors on the value of the investments in addition to disclosure of portfolio held by their scheme, the proportion invested in each class of assets and the fund manager's investment strategy and outlook

Disadvantages of Mutual Funds



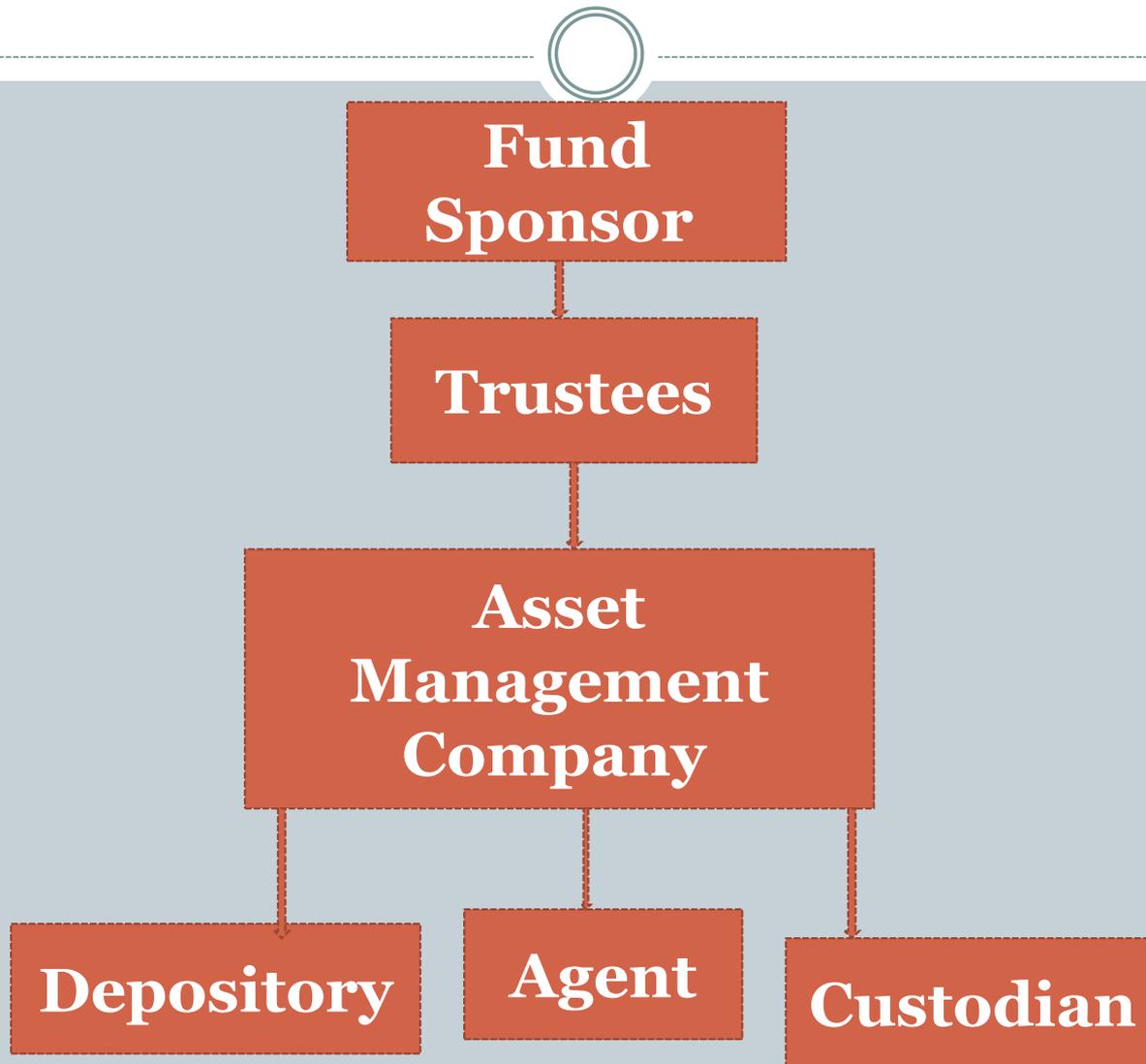
- **No control over costs:** The investor pays investment management fees as long as he remains with the fund, even while the value of his investments are declining. He also pays for funds distribution charges which he would not incur in direct investments.
- **No tailor-made portfolios:** The very high net-worth individuals or large corporate investors may find this to be a constraint as they will not be able to build their own portfolio of shares, bonds and other securities.
- **Managing a portfolio of funds:** Availability of a large number of funds can actually mean too much choice for the investor. So, he may again need advice on how to select a fund to achieve his objectives.

Mutual Funds Prove Best



- While instruments like shares give high returns at the cost of high risk, instruments like NSC and bank deposits give lower returns and higher safety to the investor.
- Mutual Funds aim to strike a balance between risk and return and give the best of both to the investor.

Fund Structure





THANK YOU!