A

Project Report on

"PORTFOLIO MANAGEMENT AND MUTUAL FUND ANALYSIS FOR SBI MUTUAL FUND & SECURITIES LID"

Submitted to Department of Commerce

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DEPARTMENT OF COMMERCE

Dr. BRR GOVT. DEGREE COLLEGE, JADCHERLA

Palamuru University

2021-2022

CERTIFICATE

THIS IS TO CERTIFY THAT THE MAJOR PROJECT REPORT ENTITLED **" PORTFOLIO MANGEMENT AND MUTUAL FUND ANALYSIS FOR SBI MUTUALFUND & SECURITIES LTD"** IS THE BONAFIED WORK CARRIED OUT BY

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EXECUTIVE SUMMARY

Company: SBI Mutual Fund and Securities Ltd.

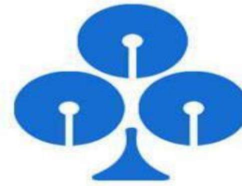
The project on Portfolio Management and mutual fund analysis was carried out in SBI GROUP Wakdewadi, Pune. The intention behind taking over this project with SBI Group was to primarily understand the role of banks in providing investment solutions and advice to its customers. The project was carried out for the period of 45 days i.e. from July 16, 2007 to Aug. 31, 2007. The project was done by analyzing the different investment options available and to compare them with the mutual fund investments. For the purpose of analyzing the Investment pattern and selecting effective and beneficial schemes of mutual funds, different available schemes were thoroughly analyzed and then an ideal portfolio of those investment options available was made.

Finally the ideal portfolio was created to understand the importance of portfolio management and to ease the selection of different mutual fund schemes and the weight age to be given to them.

The project study focused on increasing brand awareness at retail level clients and various activities that result in brand awareness among the same. This project also consists of generating and getting clients, generating databases and after sales services to retain clients and make them happy investors.

While analyzing trends, I tried to map how Asset Under Management (AUM) varied over the period with BSE-Sensex to facilitate feature projections. It has been done separately for Equity Schemes, Income Schemes, Balanced Schemes and Liquid Schemes.

COMPANY PROFILE



STATE BANK OF INDIA - MUTUAL FUND

A partner for life

SBI Mutual Fund (SBI MF) is one of the largest mutual funds in the country with an investor base of over 4.6 million. With over 20 years of rich experience in fund management, SBI MF brings forward its expertise in consistently delivering value to its investors.

Proven Skills in wealth generation:

SBI Mutual Fund is India‟s largest bank sponsored mutual fund and has an enviable track record in judicious investments and consistent wealth creation.

The fund traces its lineage to SBI - India‟s largest banking enterprise. The institution has grown immensely since its inception and today it is India's largest bank, patronized by over 80% of the top corporate houses of the country.

SBI Mutual Fund is a joint venture between the State Bank of India and Société General Asset Management, one of the world‟s leading fund management companies that manages over US$ 500 Billion worldwide.

Exploiting expertise, compounding growth:

In twenty years of operation, the fund has launched 38 schemes and successfully redeemed fifteen of them. In the process it has rewarded it‟s investors handsomely with consistently high returns

A total of over 5.4 million investors have reposed their faith in the wealth generation expertise of the Mutual Fund.

Schemes of the Mutual fund have consistently outperformed benchmark indices and have emerged as the preferred investment for millions of investors and HNI‟s.

Today, the fund manages over Rs. 51,461 crores of assets and has a diverse profile of investors actively parking their investments across 36 active schemes.

The fund serves this vast family of investors by reaching out to them through network of over 130 points of acceptance, 28 investor service centers, 46 investor service desks and 56 district organizers.

SBI Mutual is the first bank-sponsored fund to launch an offshore fund – Resurgent India Opportunities Fund.

Growth through innovation and stable investment policies is the SBI MF credo

Fund house expertise:

The investment environment is becoming increasingly complex. Innumerable parameters need to be factored in to generate a clear understanding of market movement and performance in the near and long term future.

At SBIMF, we devote considerable resources to gain, maintain and sustain our profitable insights into market movements. We consistently push the envelope to ensure our investors get the maximum benefits year after a year.

Research - the backbone of our Performance

Our expert team of experienced and market savvy researchers prepare comprehensive analytical and informative reports on diverse sectors and identify stocks that promise high performance in the future.

This team works in tandem with a compliance and risk-monitoring department, which ensures minimization of operational risks while protecting the interests of the investors.

Quite naturally many of our equity funds have delivered consistent returns to investors and have repeatedly out performed benchmark indices by wide margins

Risk Factors

Mutual Funds and Securities Investments are subject to market risks and there is no assurance or guarantee that the objective of scheme(s)/plan(s) will be achieved. As with any other investment in securities, the NAV of the Magnums/Units issued under the scheme(s)/plan(s) can go up or down depending on the factors and forces affecting the securities market. Past performance of the Sponsor/AMC/Mutual Fund/Scheme(s)/Plan(s) and their affiliates do not indicate the future performance of the scheme(s) of the Mutual Fund. **Statutory details:** SBI Mutual Fund has been set up as a trust under the Indian Trusts Act, 1882. State Bank of India („SBI"), the sponsor is not responsible or liable for any loss resulting from the operation of the schemes beyond the initial contribution made by it of an amount of Rs. 5 lakhs towards setting up of the mutual fund.

AWARDS AND ACHIEVEMENTS

SBI- MUTUAL FUND has been performing excellently since its inception. The fund has received a lot of appreciation for its performance from the mutual fund industry. It has been awarded by ICRA online award 8 times, CNBC- TV 18 CRISIL 4 AWARDS, the Lipper award (year 05-06) and most recently the CNBC TV 18 Crisil Mutual Fund Award of the year 2007 and 5 award for the schemes.

Lipper Award -
The Lipper India Fund Awards 2007

ICRA
MUTUAL FUND AWARDS 2007

CNBC TV18 - CRISIL
Mutual Fund of the Year Award 2007

CNBC
Awaaz Consumer Awards 2006

Lipper Award -
The Lipper India Fund Awards 2006

CNBC TV18 - CRISIL
Mutual Fund of the Year Award 2006

ICRA
MUTUAL FUND AWARDS 2005

RISK MANAGEMENT TEAM

The Risk Management unit is a separate division within the organization headed by the Chief Risk Officer (CRO). A Risk Management Committee, comprising the MD, Deputy CEO, CRO, COO, CIO and the CMO meets on a regular basis to manage risk within the organization.

The CRO is responsible for risk management over all the functions within the organization including Investments, Marketing, Operations, etc. Currently, the CRO is an experienced investment professional and is assisted by a two-member team, one being an investment Professional with an MBA in Finance and the other being an investment professional deputed from SGAM.

SBI- MUTUAL FUND PRODUCTS:

- EQUITY SCHEMES:

The investments of these schemes will predominantly be in the stock markets and endeavor will be to provide investors the opportunity to benefit from the higher returns which stock markets can provide. However they are also exposed to the volatility and attendant risks of stock markets and hence should be chosen only by such investors who have high risk taking capacities and are willing to think long term. Equity Funds include diversified Equity Funds, Sectoral Funds and Index Funds. Diversified Equity Funds invest in various stocks across different sectors while Sectoral funds which are specialized Equity Funds restrict their investments only to shares of a particular sector and hence, are riskier than Diversified Equity Funds. Index Funds invest passively only in the stocks of a particular index and the performance of such funds move with the movements of the index.

- Magnum COMMA Fund
- Magnum Equity Fund
- Magnum Global Fund

Magnum Index Fund

- Magnum MidCap Fund
- Magnum Multicap Fund
- Magnum Multiplier Plus 1993
- Magnum Sector Funds Umbrella
    - MSFU - FMCG Fund
    - MSFU - Emerging Businesses Fund
    - MSFU - IT Fund
    - MSFU - Pharma Fund
    - MSFU - Contra Fund
- SBI Arbitrage Opportunities Fund
- SBI Blue chip Fund
- SBI Infrastructure Fund - Series I
- SBI Magnum Tax gain Scheme 1993
- SBI ONE India Fund
- SBI TAX ADVANTAGE FUND - SERIES I

DEBT SCHEMES

Debt Funds invest only in debt instruments such as Corporate Bonds, Government Securities and Money Market instruments either completely avoiding any investments in the stock markets as in Income Funds or Gilt Funds or having a small exposure to equities as in Monthly Income Plans or Children's Plan. Hence they are safer than equity funds. At the same time the expected returns from debt funds would be lower. Such investments are advisable for the risk-averse investor and as a part of the investment portfolio for other investors.

- Magnum Children‟s Benefit Plan
- Magnum Gilt Fund

- Magnum Gilt Fund (Long Term)
- Magnum Gilt Fund (Short Term)

Magnum Income Fund

- Magnum Income Plus Fund
    - Magnum Income plus Fund (Saving Plan)
    - Magnum Income plus Fund (Investment Plan)
- Magnum Insta Cash Fund
- Magnum InstaCash Fund -Liquid Floater Plan
- Magnum Institutional Income Fund
- Magnum Monthly Income Plan
- Magnum Monthly Income Plan Floater
- Magnum NRI Investment Fund
- SBI Capital Protection Oriented Fund - Series I
- SBI Debt Fund Series
    - SDFS 15 Months Fund
    - SDFS 90 Days Fund
    - SDFS 13 Months Fund
    - SDFS 18 Months Fund
    - SDFS 24 Months Fund
    - SDFS 30 DAYS
    - SDFS 30 DAYS
    - SDFS 60 Days Fund
    - SDFS 180 Days Fund
    - SDFS 30 DAYS
- SBI Premier Liquid Fund
- SBI Short Horizon Fund
    - SBI Short Horizon Fund - Liquid Plus Fund
    - SBI Short Horizon Fund - Short Term Fund

- **BALANCED SCHEMES**

Magnum Balanced Fund invests in a mix of equity and debt investments. Hence they are less risky than equity funds, but at the same time provide commensurately lower returns. They provide a good investment opportunity to investors who do not wish to be completely exposed to equity markets, but are looking for higher returns than those provided by debt funds.

KEY PERSONNEL OF SBI MUTUAL FUND

Mr. Syed shahbuddin	Managing Director
Mr. Didier Turpin	Dy. CEO
Mr. Achal K. Gupta	Chief Operating Officer
Mr. Sanjay Sinha	Chief Investment Officer
Mr. R. S. Srinivas Jain	Chief Marketing Officer
Mr. C A Santosh	Chief Manager - Customer Service
Ms. Aparna Nirgude	Chief Risk Officer
Mr. Ashutosh P Vaidya	Company Secretary & Compliance Officer
Mr. Parijat Agarwal	Head – Fixed Income

OBJECTIVE OF STUDY

To provide investors long term capital appreciation along with the liquidity of an open-ended scheme by investing in a mix of debt and equity. The scheme will invest in a diversified portfolio of equities of high growth companies and balance the risk through investing the rest in a relatively safe portfolio of debt.

1. Primarily, to understand the basic concepts of Portfolio management and Mutual funds and its benefits as an investment avenue.

2. Secondly, to compare and evaluate the performance of different equity mutual fund schemes of different companies on the basis of risk, return and volatility.

3. Thirdly, to suggest schemes which are out performers and laggards.

4. Finally, to create an ideal portfolio in which risk will be distributed towards different schemes and will earn a higher rate of return.

THEREOTICAL BACKGROUND

INVESTMENT OPTIONS:

Savings form an important part of the economy of any nation. With the savings invested in various options available to the people, the money acts as the driver for growth of the country. The Indian financial scene too presents a plethora of avenues to the investors. Though certainly not the best or deepest of markets in the world, it has reasonable options for an ordinary man to invest his savings. Let us examine several of them:

Banks

Considered as the safest of all options, banks have been the roots of the financial systems in India. Promoted as the means to social development, banks in India have indeed played an important role in the rural upliftment. For an ordinary person though, they have acted as the safest investment avenue where a person deposits money and earns interest on it.

The two main modes of investment in banks, savings accounts and Fixed deposits have been effectively used by one and all. However, today the interest rate structure in the country is headed southwards, keeping in line with global trends. With the banks offering little above 9 percent in their fixed deposits for one year, the yields have come down substantially in recent times. Add to this, the inflationary pressures in the economy and you have a position where the savings are not earning. The inflation is creeping up, to almost 8 percent at times, and this means that the value of money saved goes down instead of going up. This effectively mars any chance of gaining from the investments in banks.

Post Office schemes

Just like banks, post offices in India have a wide network. Spread across the nation, they offer financial assistance as well as serving the basic requirements of communication.

Among all saving options, Post office schemes have been offering the highest rates. Added to it is the fact that the investments are safe with the department being a Government of India entity. So, the two basic and most sought for features, those of return safety and quantum of returns were being handsomely taken care of. Though certainly not the most efficient systems in terms of service standards and liquidity, these have still managed to attract the attention of small, retail investors. However, with the government announcing its intention of reducing the interest rates in small savings options, this avenue is expected to lose some of the investors. Public Provident Funds act as options to save for the post retirement period for most people and have been considered a good option largely due to the fact that returns were higher than most other options and also helped people gain from tax benefits under various sections. This option too is likely to lose some of its sheen on account of reduction in the rates offered.

Company Fixed Deposits

Another oft-used route to invest has been the fixed deposit schemes floated by companies. Companies have used fixed deposit schemes as a means of mobilizing funds for their operations and have paid interest on them. The safer a company is rated, the lesser the return offered has been the thumb rule. However, there are several potential roadblocks in these.

First of all, the danger of the financial position of the company not being understood by the investor lurks. The investors rely on intermediaries who more often than not, don't reveal the entire truth.

Professional Management

Mutual Funds employ the services of skilled professionals who have years of experience to back them up. They use intensive research techniques to analyze each investment option for the potential of returns along with their risk levels to come up with the figures for performance that determine the suitability of any potential investment.

Potential of Returns

Returns in the mutual funds are generally better than any other option in any other avenue over a reasonable period of time. People can pick their investment horizon and stay put in the chosen fund for the duration. Equity funds can outperform most other investments over long periods by placing long-term calls on fundamentally good stocks. The debt funds too will outperform other options such as banks. Though they are affected by the interest rate risk in general, the returns generated are more as they pick securities with different duration that have different yields and so are able to increase the overall returns from the portfolio.

Liquidity

Fixed deposits with companies or in banks are usually not withdrawn premature because there is a penal clause attached to it. The investors can withdraw or redeem money at the Net Asset Value related prices in the open-end schemes. In closed-end schemes, the units can be transacted at the prevailing market price on a stock exchange. Mutual funds also provide the facility of direct repurchase at NAV related prices. The market prices of these schemes are dependent on the NAV of funds and may trade at more than NAV (known as Premium) or less than NAV (known as Discount) depending on the expected future trend of NAV which in turn is linked to general market conditions. Bullish markets may result in schemes trading at Premium while in bearish markets the funds usually trade at Discount.

withdrawal plans and dividend reinvestment plans enabling systematic investment or withdrawal of funds. Even the investors, who could otherwise not enter stock markets with low inventible funds, can benefit from a portfolio consisting of high-priced stocks because they are purchased from pooled funds.

As has been discussed, mutual funds offer several benefits that are unmatched by other investment options. Post liberalization, the industry has been growing at a rapid pace and has crossed Rs. 100000 crore in terms of its assets under management. However, due to the low key investor awareness, the inflow under the industry is yet to overtake the inflows in banks. Rising inflation, falling interest rates and a volatile equity market make a deadly cocktail for the investor for whom mutual funds offer a route out of the impasse.

The investments in mutual funds are not without risks because the same forces such as regulatory frameworks, government policies, interest rate structures, performance of companies etc. that rattle the equity and debt markets, act on mutual funds too. But it is the skill of managing risks that investment managers seek to implement in order to strive and generate superior returns than otherwise possible that makes them a better option than many others.

What is Portfolio Management?

An investor considering securities is faced with the problem of choosing from among a large number of securities. His choice depends upon the risk return characteristics of individual securities. He would attempt to choose the most desirable securities and like to allocate his funds over this group of securities. Again he is faced with the problem of deciding which securities to hold and how much to invest in each. The investor faces an infinite number of possible portfolios or groups of securities. The risk and return characteristics of portfolios differ from those of individual securities combining to form a portfolio. The investor tries to choose the optimal

portfolio taking into consideration the risk return characteristics of all possible portfolios.

Phases of Portfolio Management

Security Analysis
Portfolio Analysis
Portfolio Selection
Portfolio Revision
Portfolio Evaluation

Security Analysis

(a) Fundamental analysis: This analysis concentrates on the fundamental factors affecting the company such as EPS (Earning per share) of the company, the dividend payout ratio, competition faced by the company, market share, quality of management etc.

(b) Technical analysis: The past movement in the prices of shares is studied to identify trends and patterns and then tries to predict the future price movement. Current market price is compared with the future predicted price to determine the misprision.

Technical analysis concentrates on price movements and ignores the fundamentals of the shares.

(c) Efficient market hypothesis: This is a comparatively more recent approach. This approach holds that market prices instantaneously and fully reflect all relevant available information. It means that the market prices will always be equal to the intrinsic value.

Portfolio Analysis

A portfolio is a group of securities held together as investment. It is an attempt to spread the risk all over. The return & risk of each portfolio has to be calculated mathematically and expressed quantitatively. Portfolio analysis phase of portfolio

Management consists of identifying the range of possible portfolios that can be constituted from a given set of securities and calculating their risk for further analysis.

Portfolio Selection

The goal of portfolio construction is to generate a portfolio that provides the highest returns at a given level of risk. Harry Markowitzh portfolio theory provides both the conceptual framework and the analytical tools for determining the optimal portfolio in a disciplined and objective way.

Portfolio Revision

The investor/portfolio manager has to constantly monitor the portfolio to ensure that it continues to be optimal. As the economy and financial markets are highly volatile dynamic changes take place almost daily. As time passes securities which were once attractive may cease to be so. New securities with anticipation of high returns and low risk may emerge.

Portfolio Evaluation

Portfolio evaluation is the process, which is concerned with assessing the performance of the portfolio over a selected period of time in terms of return & risk. The evaluation provides the necessary feedback for better designing of the portfolio the next time around.

Measurement of risk

Risk refers to the possibility that the actual outcome of an investment will differ from the expected outcome. In other words we can say that risk refers to variability or dispersion. If any investment is said to be invariable it means that it is totally risk free. Whenever we calculate the mean returns of an investment we also need to calculate the variabilityinthereturns.

Variance and Standard Deviation

The most commonly used measures of risk in finance are variance or its square root the standard deviation. The variance and the standard deviation of a historical return series is defined as follows:

n – 1

Beta

A measure of risk commonly advocated is beta. The beta of a portfolio is computed the way beta of an individual security is computed. To calculate the beta of a portfolio, regress the rate of return of the portfolio on the rate of return of a market index. The slope of this regression line is the portfolio beta. It reflects the systematic risk of the portfolio.

Performance Measures Of Mutual Funds

The Mutual Fund industry today, with about 34 players and more than five hundred schemes, is one of the most preferred investment avenues in India. However, with a plethora of schemes to choose from, the retail investor faces problems in selecting funds. Factors such as investment strategy and management style are qualitative, but the funds record is an important indicator too. Though past performance alone can not be indicative of future performance, it is, frankly, the only quantitative way to judge how good a fund is at present.

Therefore, there is a need to correctly assess the past performance of different mutual funds. Worldwide, good mutual fund companies are known by their AMCs and this fame is directly linked to their superior stock selection skills. For mutual funds to grow, AMCs must be held accountable for their selection of stocks. In other words, there must be some performance indicator that will reveal the quality of stock

The Treynor Measure

Developed by Jack Trey nor, this performance measure evaluates funds on the basis of Treynor‟s Index. This Index is a ratio of return generated by the fund over and above the risk free rate of return (generally taken to be the return on securities backed by the government, as there is no credit risk associated), during a given period and systematic risk associated with it (beta). Symbolically, it can be represented as: Treynor's Index (Ti) = (Ri - Rf)/Bi.

Where, Ri represents return on fund, Rf is risk free rate of return and Bi is beta of the fund. All risk-averse investors would like to maximize this value. While a high and positive Treynor's Index shows a superior risk-adjusted performance of a fund, a low and negative Treynor's Index is an indication of unfavorable performance.

The Sharpe Measure

In this model, performance of a fund is evaluated on the basis of Sharpe Ratio, which is a ratio of returns generated by the fund over and above risk free rate of return and the total risk associated with it. According to Sharpe, it is the total risk of the fund that the investors are concerned about. So, the model evaluates funds on the basis of reward per unit of total risk.

Symbolically, it can be written as:

Sharpe Index (Si) = (Ri - Rf)/Si

Where, Si is the standard deviation of the fund.

While a high and positive Sharpe Ratio shows a superior risk-adjusted performance of a fund, a low and negative Sharpe Ratio is an indication of unfavorable performance.

Jenson Model

Jenson's model proposes another risk adjusted performance measure. This measure was developed by Michael Jenson and is sometimes referred to as the Differential Return Method.

This measure involves evaluation of the returns that the fund has generated vs. the returns actually expected out of the fund given the level of its systematic risk. The surplus between the two returns is called Alpha, which measures the performance of a fund compared with the actual returns over the period. Required return of a fund at a given level of risk (Bi) can be calculated as: $Ri = Rf + Bi (Rm - Rf)$

Where, Rm is average market return during the given period. After calculating it, alpha can be obtained by subtracting required return from the actual return of the fund. Higher alpha represents superior performance of the fund and vice versa. The limitation of this model is that it considers only systematic risk not the entire risk associated with the fund and an ordinary investor cannot mitigate unsystematic risk, as his knowledge of market is primitive.

RESEARCH METHODOLOGY

Research methodology is a very organized and systematic way through which a particular case or problem can be solved efficiently.

- It is a step-by-step logical process, which involves:
- Defining a problem
- Laying the objectives of the research
- Sources of data
- Methods of data collection
- Data analysis & processing
- Conclusions & Recommendations
- Research inculcates scientific and inductive thinking and it promotes the development of logical habits of thinking and organization.

Methodology Used:

Descriptive Analytical Research

Under this type the researcher has to use the facts and information already available and analyze them to make an evaluation of the market.

In analytical research the researcher has to use the facts already available and analyze these to make the critical evaluation data of the material.

Data has been collected from the Fact sheet of the various mutual fund schemes and used for the research. In fact sheet past returns were given to different funds.

Data also included value of risk measuring instruments like Standard Deviation, Beta etc from the secondary data from the websites such as www.valueresearchonline.com.

PRODUCT PROFILE

CONCEPT OF MUTUAL FUNDS

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 realized are 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. The flowchart below describes broadly the working of a mutual fund:

What are the benefits of investing in Mutual Funds?

Qualified and experienced professionals manage Mutual Funds. Generally, investors, by themselves, may have reasonable capability, but to assess a financial instrument, a professional analytical approach is required, in addition to access to research and information as well as time and methodology to make sound investment decisions and to keep monitoring them.

Since Mutual Funds make investments in a number of stocks, the resultant diversification reduces risk. They provide small investors with an opportunity to invest in a larger basket of securities.

The investor is spared the time and effort of tracking investments, collecting income, etc. from various issuers, etc. It is possible to invest in small amounts as and when the investor has surplus funds to invest. Mutual Funds are registered with SEBI. SEBI monitors the activities of Mutual Funds. In case of open-ended Funds, the investment

DATA ANALYSIS

Prudential SBI balanced fund

Scheme objective:

The scheme seeks to generate long term capital appreciation and current income by investing in a portfolio of equities, fixed income and money market securities. The approximate allocation to equity would be in the range of 60-80 per cent with a minimum of 51 percent and the approximate debt allocation is 40-49 percent, with a minimum of 20 percent.

Composition:

Equity	65.96 %
Debt	24.27 %
Cash	9.77 %

Risk analysis:

Standard deviation:	4.82	**Beta:**	1.23
Sharpe ratio:	0.64	**Alpha:**	1.18

Trailing returns:

3 Months	1 year	3 years	5 years	since launch

Relative performance (Fund Vs Category Average)

Analysis

We can‟t expect miracles in Prudential SBI Balanced. Though, it can take us to our goal in a stable fashion. The last five calendar years are testimony to this fact that it has consistently been delivering an above average performance. Last year also the fund kept its record intact the return was up 38.70 percent against the category average of 32.56 percent. So, on an average we can rate this fund in low risk segment which can perform in a consistent manner.

(All data as on March 31, 2006. Returns up to one year are absolute and those above are compounded.)

Franklin India prima plus

Scheme objective:

The scheme aims to provide growth of capital and regular dividend from a portfolio of equity, debt and money market instruments and focusing on the wealth creating companies across all sectors and market cap ranges.

Composition:

Equity 92.59 %

Debt 0.01 %

Cash 7.39 %

Risk analysis:

Standard deviation: 6.03 **Beta:** 0.80

Sharpe ratio: 0.073 **Alpha:** 1.69

Trailing returns:

3 Months	1 Months	3 Years	5 Years	Since Launch

Relative performance (Fund Vs Category Average)

Analysis

This fund was launched around the peak of the IPO boom, Prima Plus started as a stock collector. By March 1996, the fund‟s portfolio was totally out of focus with nearly 200 stocks in its kitty, including many small cap and illiquid issues. Despite relentless cleaning of the portfolio, the fund took nearly four years to consolidate. Since 1998 the fund has been focusing on large and mid caps and to a more manageable number of issues 45 60 in the last two years. It grew at a fast pace to make up for initial losses with big bets in technology, some of which included scripts such as Satyam. Hughes. Zee and Mastic. Losing nearly 32 percent has made it a conservative with high concentration on large caps. This year the fund from the word go has been almost fully invested. Since the start of the year the fund is up 11.91 percent as on February 28, 2006. Today it favors diversified financial and technology sector stocks.

(All data as on March 31, 2006 Returns up to one year are absolute and those above are compounded)

SBI vision fund

Scheme objective: The fund seeks capital appreciation by investing in larger stocks with good fundamentals and good long term prospects.

Composition:

Equity	95.76%
Debt	0.00 %
Cash	4.24 %

Risk analysis:

Standard deviation:	6.97	**Beta:**	0.92
Sharpe ratio:	0.70	**Alpha:**	1.81

Trailing returns:

3 Months	1 Months	3 Years	5 Years	Since Launch

23.64	79.64	80.47	62.11	29.93

Relative performance (Fund Vs Category Average)

Analysis

SBI vision is a good choice for those who want high returns but can deal with some downside in bear markets. The fund was an average performer in the early part of its nine year existence, but it has staged an impressive turnaround in the past few years. The fund has never shied away from shuffling its portfolio between large caps and mid caps to boost performance. This strategy has worked especially well in the last two years. In 2002 it topped the category with a mind boggling 72 percent return against the category average of just 20 percent. The year 2003 also proved to be an excellent year thanks to a higher exposure in banks and healthcare stocks. The years 2004 and 2005 were the ups and downs for the fund respectively.

(All data as on March 31, 2006 Returns up to one year are absolute and those above are compounded)

Principal dividend yield fund

Scheme objective:

The scheme aims to provide capital appreciation by investing predominantly in a well diversified portfolio of companies that have a relatively high dividend yield.

Composition:

Equity	91.69 %
Debt	0.00 %
Cash	8.31 %

Risk analysis:

Standard deviation:	N/A	**Beta:**	N/A
Sharpe ratio:	N/A	**Alpha:**	N/A

Trailing returns:

3 Months	1 Months	3 Years	5 Years	Since Launch
13.64	49.82	N/A	42.84	

Relative performance (Fund Vs Category Average)

Analysis

Principal dividend yield is the second of the six dividend yield funds presently available. The fund is quite young and was launched in September 2004 with the aim of providing capital appreciation by investing predominantly in a well diversified portfolio of companies that have a relatively high dividend yield. The strategy of investing in high dividend yielding stocks is a conservative strategy and therefore can lead to relatively lower returns during the times when the stock markets are scaling new peaks by the day. The situation is no different for this fund which has underperformed other diversified equity funds by quite a margin.

This fund may add value during bearish markets because of its conservative strategy. (All data as on March 31, 2006 Returns up to one year are absolute and those above are compounded)

Scheme objective: The scheme seeks capital appreciation and would invest up to 90 percent in equity and the remaining in debt instruments. Also the stocks would be drawn from the companies in the BSE 200 index as well as 200 largest capitalized companies in India.

Composition:

Equity	97.93 %
Debt	0.00 %
Cash	2.07 %

Risk analysis:

Standard deviation:	6.95	**Beta:**	0.91
Sharpe ratio:	0.70	**Alpha:**	1.78

Relative performance (Fund Vs Category Average)

Analysis

With a quality conscious portfolio and a preference for large caps the fund will add value to those who want to step into the equity markets with a conservative approach. This fund is especially targeted to those people who want to invest in India s largest companies. This fund limits its investing universe to the stocks constituting primarily the BSE 200 index plus stocks that can qualify to be among the 200 largest capitalized companies. The stocks that the fund normally invests in are typically large caps blue chip and are frequently traded. The fund has stayed largely diversified at the stock level though the exposure to the top three holdings tends to be higher than some of its peers.

(All data as on March 31, 2006 Returns up to one year are absolute and those above are compounded)

Kotak 30 fund

Scheme objective:

This is an open-ended large-cap, diversified equity fund, which seeks to generate capital appreciation from a portfolio of predominantly equity and equity related securities with investment in, generally, not more than 30 stocks.

Composition:

Equity 90.87 %

Debt 0.00 %

Cash 9.13 %

Risk analysis:

Standard deviation: 7.14 **Beta:** 0.90

Sharpe ratio: N/A **Alpha:** N/A

Trailing returns:

3 Months	1 year	3 years	5 years	since launch

Relative performance (Fund Vs Category Average)

Analysis

Having stormed into the top performers league over the last six months period Kotak 30 continues to churn out healthy returns for the investors. Kotak 30 is the top performer amongst its peers over the last 3 months period and third top performer over the 6 months time frame, while it ranks 19th on its one year performance. Kotak 30 has churned out an impressive return of 27.5% annualized since its inception in December 1998 as compared to 12.5% annualized yielded by its benchmark Sensex for the same period. Banking on a bottom-up approach to stock picking, Kotak 30 has consistently outperformed its benchmark index by significant margins.

(All data as on March 31, 2006. Returns up to one year are absolute and those above are compounded.)

SBI Standard equity fund

Scheme objective:

The scheme seeks to provide long term capital appreciation by predominantly investing in high growth companies.

Composition:

Equity	97.30 %
Debt	0.00 %
Cash	2.70 %

Risk analysis:

Standard deviation:	6.45	**Beta:**	0.85
Sharpe ratio:	0.74	**Alpha:**	1.90

Trailing returns:

11.75	60.89	58.47	40.51	23.27

Relative performance (Fund Vs Category Average)

Analysis

In the five years ending October 07, 2005 this fund has outperformed an average diversified equity fund with a 60:40 equity debt portfolio. Within its category the fund has rarely been rated below four stars and has donned up top ratings since December 2002. This speaks volumes about the funds consistency. The fund's long term performance has been praiseworthy. In more than 10 years of existence the fund has put up a top quartile performance every year. If we ignore the recent few months, the fund has delivered by largely sticking to its 60-40 equity debt allocation. Even in 2003 when the markets were on fire it continued with this approach and gained 91.92 percent. Astute sector moves and a portfolio spread over 20 to 30 stocks has clicked for the fund.

(All data as on March 31, 2006. Returns up to one year are absolute and those above are compounded.)

Kotak balanced fund

Scheme objective:

The scheme seeks to exploit the capital appreciation of equity and the stable returns of the debt and money markets instruments. It aims to minimize the risk that arises out of even the most carefully picked equity stocks.

Composition:

Equity	62.50 %
Debt	33.65 %
Cash	3.86 %

Risk analysis:

Standard deviation:	5.12	**Beta:**	1.23
Sharpe ratio:	0.66	**Alpha:**	1.49

Trailing returns:

3 Months	1 Months	3 Years	5 Years	Since Launch
23.29	67.9	53.76	33.3	24.01

Relative performance (Fund Vs Category Average)

Analysis

This fund has a reasonable long term performance record. In the last two calendar years it has landed itself in the top quartile returns. In 2005 the fund gained 43.19 percent to comprehensively beat the 32.56 percent return of an average peer. In 2004 too it had returned nearly 25 percent to win a place among the top three funds in the category. The fund has also benefited by not being very rigid with its asset allocation in the past for e.g. when the bulls returned to the equity markets in the early 2002 the fund reduced its bond exposure from an average 41 percent in 2001 to around 33 percent in 2002. The portfolio has once again gone for a complete overhaul. The exposure to equities has gone up to 68 percent now. A well diversified portfolio is also a plus here. The fund always keeps 20 to 30 stocks and limits exposure in individual stocks to around 6 percent at most. This funds versatility is hard to beat. Long term investors would be rewarded here.

(All data as on March 31, 2006 Returns up to one year are absolute and those above are compounded)

Prudential SBI blended fund Plan A

Scheme objective: To generate efficient risk adjusted return for the investor by using arbitrage opportunities in equity and equity derivative markets.

Composition:

Equity	75.51 %
Debt	21.88 %
Cash	2.61 %

Risk analysis:

Standard deviation:	N/A	**Beta:**	N/A
Sharpe ratio:	N/A	**Alpha:**	N/A

Trailing returns:

3 Months	1 Months	3 Years	5 Years	Since Launch
1.31	7.18	N/A	N/A	7.36

Relative performance (Fund Vs Category Average)

Analysis

These funds, popularly known as Arbitrage Funds or Derivative Funds are recognized for modest and secured returns across the world and are comparatively safer investment option when compared with equity funds. Arbitrage in the financial parlance is the practice of taking advantage of a state of imbalance between two or more markets i.e. it involves buying and selling of equal quantities of a security in two different markets with the expectation that a future change in price in one market will be offset by an opposite change in the other. One of the markets is usually cash or spot, while the other is derivatives. Though it cannot generate the kind of returns that an equity fund can but will not give negative returns either. Also being coming under the category of equity funds post tax returns enhances in such funds compared to the debt funds. There is no denying that such funds provide good hedge against volatile markets but the concern is that investment opportunities catering to the mis-pricing of securities in different markets to generate returns may be few and difficult to spot and would require the fund managers to be very active.

(All data as on March 31, 2006. Returns up to one year are absolute and those above are compounded.)

IDEAL PORTFOLIO

Fund Scheme	**Weightage**	**Type**
Prudential SBI balanced fund	**5%**	Balanced
Franklin India prima plus	**5%**	Equity
SBI vision fund	**15%**	Equity
Principal dividend yield fund	**5%**	Equity
SBI top 500 fund	**5%**	Equity
Kotak 30 fund	**10%**	Equity
SBI standard equity fund	**5%**	Balanced
Kotak balanced fund	**5%**	Balanced
Prudential SBI blended fund Plan A	**25%**	Arbitrage

OBSERVATION AND FINDINGS

FINDINGS

- Most of the investors want guaranteed returns from the investment.
- Every fund has some percentage of debt product to avoid high risk of the market.
- The investors are aware of mutual funds they do not invest in proportionate.
- Midcap funds have high risk but potential for high returns.
- Most of the investors are interested in banks that too in saving deposits and it is very popular tool of investment.

Ground Rules of Mutual Fund

Mutual Fund Investing Moses gave to his followers 10 commandments that were to be followed till eternity. The world of investments too has several ground rules meant for investors who are novices in their own right and wish to enter the myriad world of investments. These come in handy for there is every possibility of losing what one has if due care is not taken.

1. **Assess yourself:** Self-assessment of one's needs; expectations and risk profile is of prime importance; failing which, one will make more mistakes in putting money in right places than otherwise. One should identify the degree of risk bearing capacity one has and also clearly state the expectations from the investments. Irrational expectations will only bring pain.

2. **Try to understand where the money is going:** It is important to identify the nature of investment and to know if one is compatible with the investment. One can lose substantially if one picks the *wrong* kind of mutual fund. In order to avoid any confusion it is better to go through the literature such as offer documents and fact sheets that mutual fund companies provide on their funds.

3. Don't rush in picking funds, think first: one first has to decide what he wants the money for and it is this investment goal that should be the guiding light for all investments done. It is thus important to know the risks associated with the fund and align it with the quantum of risk one is willing to take. One should take a look at the portfolio of the funds for the purpose. Excessive exposure to any specific sector should be avoided, as it will only add to the risk of the entire portfolio. Mutual funds invest with a certain ideology such as the "Value Principle" or "Growth Philosophy".

Both have their share of critics but both philosophies work for investors of different kinds. Identifying the proposed investment philosophy of the fund will give an insight into the kind of risks that it shall be taking in future.

4. Invest. Don t speculate: A common investor is limited in the degree of risk that he is willing to take. It is thus of key importance that there is thought given to the process of investment and to the time horizon of the intended investment. One should abstain from speculating which in other words would mean getting out of one fund and investing in another with the intention of making quick money. One would do well to remember that nobody can perfectly time the market so staying invested is the best option unless there are compelling reasons to exit.

5. Don't put all the eggs in one basket: This old age adage is of utmost importance. No matter what the risk profile of a person is, it is always advisable to diversify the risks associated. So putting one's money in different asset classes is generally the best option as it averages the risks in each category. Thus, even investors of equity should be judicious and invest some portion of the investment in debt. Diversification even in any particular asset class (such as equity, debt) is good.

Not all fund managers have the same acumen of fund management and with identification of the best man being a tough task, it is good to place money in the hands of several fund managers. This might reduce the maximum return possible, but will also reduce the risks.

6. **Be regular:** Investing should be a habit and not an exercise undertaken at one's wishes, if one has to really benefit from them. As we said earlier, since it is extremely difficult to know when to enter or exit the market, it is important to beat the market by being systematic. The basic philosophy of Rupee cost averaging would suggest that if one invests regularly through the ups and downs of the market, he would stand a better chance of generating more returns than the market for the entire duration. The SIPs (Systematic Investment Plans) offered by all funds helps in being systematic. All that one needs to do is to give post-dated cheques to the fund and thereafter one will not be harried later. The Automatic investment Plans offered by some funds goes a step

further, as the amount can be directly/electronically transferred from the account of the investor.

7. Do your homework: It is important for all investors to research the avenues available to them irrespective of the investor category they belong to. This is important because an informed investor is in a better position to make right decisions. Having identified the risks associated with the investment is important and so one should try to know all aspects associated with it. Asking the intermediaries is one of the ways to take care of the problem.

8. **Find the right funds**: Finding funds that do not charge much fees is of importance, as the fee charged ultimately goes from the pocket of the investor. This is even more important for debt funds as the returns from these funds are not much. Funds that charge more will reduce the yield to the investor. Finding the right funds is important and one should also use these funds for tax efficiency. Investors of equity should keep in mind that all dividends are currently tax-free in India and so their tax liabilities can be reduced if the dividend payout option is used. Investors of debt will be charged a tax on dividend distribution and so can easily avoid the payout options.

9. Keep track of your investments: Finding the right fund is important but even more important is to keep track of the way they are performing in the market. If the market is beginning to enter a bearish phase, then investors of equity too will benefit by switching to debt funds as the losses can be minimized. One can always switch back to equity if the equity market starts to show some buoyancy.

10. **Know when to sell your mutual funds:** Knowing when to exit a fund too is of utmost importance. One should book profits immediately when enough has been earned i.e. the initial expectation from the fund has been met with. Other factors like non-performance, hike in fee charged and change in any basic attribute of the fund etc. are some of the reasons for exit. Investments in mutual funds too are not risk-free and so investments warrant some caution and careful attention of the investor. Investing in mutual funds can be a dicey business for people who do not remember to

follow these rules diligently, as people are likely to commit mistakes by being ignorant or adventurous enough to take risks more than what they can absorb. This is the reason why people would do well to remember these rules before they set out to invest their hard-earned money.

LIMITATION

This report gives an insight about mutual funds and mutual fund schemes but with few limitations as follows:

The big question is how to judge a mutual fund before investing? It is important for an investor to consider a fund's performance over several years.

The report only analyzes equity mutual fund schemes of only some funds and there are around 34 AMCs offering a wide range of schemes but to analyze them is a tedious task.

This information is mainly regarding those mutual funds which were collected to which SBI GROUP is an advisor.

Different fund managers adopt different strategies to improve performance. While one fund manager may have invested in speculative stocks over a period, another one who has invested in speculative stocks may have struck gold in that year to outperform the former by a long way.

Lack of proper knowledge and awareness about advantages and disadvantages associated with various schemes among the investor.

Usually there is a tendency among investors to ignore the consistency of returns over a period of time rather they focus on absolute returns generated in the short term.

CONCLUSION

After studying & analyzing different mutual fund schemes the following conclusions can be made:

Winning with stocks means performing at least as well as a major market index over the long haul. If one can sidestep the common investor mistakes, then one has taken the first and biggest step in the right direction.

Diversified stock portfolios have offered superior long term inflation protection. Equities are especially important today with people living longer and retiring early. To understand stock funds, one needs to be familiar with the characteristics of the different types of companies they hold.

Portfolio managers have done a fairly good job in generating positive returns. It may lead to investors' confidence. Thus overall good performance of the funds is a sign of development in a new era in the capital market.

On the basis of the analysis the performance of the schemes during the study period can be concluded to be good.

Those who want to eliminate the risk element but still want to reap better then it would be advisable to go for debt or arbitrage schemes which ensure both safety and returns.

So the future of mutual funds in India is bright, because it meets investors' needs perfectly. This will give a boost to Indian investors and will attract foreign investors also. It will lead to the growth of a strong institutional framework that can support the capital markets in the long run.

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