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A Study on Mutual Funds in Kotak

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I. INTRODUCTION

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 invested by the fund manager in different types of securities depending upon the objective of the scheme. These could range from shares to debentures to money market instruments. The income earned through these investments and the capital appreciations realized by the scheme are shared by its unit holders in proportion to the number of units owned by them (prorate). 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 portfolio at a relatively low cost. Anybody with an investaible surplus of as little as a few thousand rupees can invest in Mutual Funds. Each Mutual Fund scheme has a defined investment objective and strategy.

A mutual fund is the ideal investment vehicle for today's complex and modern financial scenario. Market for equity shares, bonds and other fixed income instruments, real estate, derivatives and other assets have become mature and information driven. Price changes in these assets are driven by global events occurring in faraway place. A typical individual is unlikely to have the knowledge, skills, inclination and time to keep track of events, understand their implications and act speedily. An individual also funds it difficult to keep track of ownership of his assets, investments, brokerage dues and bank transactions etc.

A mutual fund is the answer to all these situations. It appoints professionally qualified and experienced staff that manages each of these functions on a full time basis. The large pool of money collected in the fund allows it to hire such staff at a very low cost to each investor. In effect, the mutual fund vehicle exploits economics of scale in all three areas – research, investments and transaction processing. While the concept of individuals coming together to invest money collectively is not new, the mutual fund in its present form is a 20th century phenomenon. In fact, mutual funds gained popularity only after the Second World War. Globally, there are thousands of firms offering tens of thousands of mutual funds with different investment objectives. Today, mutual funds collectively manage almost as much as or more money as compared to banks.

A draft offer document is to be prepared at the time of launching the fund. Typically, it pre specifies the investment objectives of the fund, the risk associated, the costs involved in the process and the broad rules for entry into and exit from the fund and other areas of operation. In India, as in most countries, these sponsors need approval from a regulator, SEBI (Securities exchange Board of India) in our case. SEBI looks at track records of the sponsor and its financial strength in granting approval to the fund for commencing operations.

A sponsor then hires an asset management company to invest the funds according to the investment objective. It also hires another entity to be the custodian of the assets of the fund and perhaps a third one to handle registry work for the unit holders (Subscribers) of the fund.

In the Indian context, the sponsors promote the Asset Management Company also, in which it holds a majority stake. In many cases a sponsor can hold a 100% stake in the Asset Management Company (AMC), E.g. Birla Global Finance is the sponsor of the Birla Sun Life Asset Management Company LTD., which has floated different mutual funds schemes and also acts as an asset manager for the funds collected under the scheme

II. NEED OF THE STUDY

Worldwide Mutual Fund concept is very much prevailing, though, perhaps in different terms like it is called 'Unit Trust' in some parts of the world. Mutual Funds are increasingly developing financial markets and uplifting the National Economy. Through the concept of Mutual Fund is of recent origin in many national economics it has overtaken all other financial instruments used for financial growth of a nation. Mutual Funds are offered by Sponsor. Any person who is acting alone or in combination with another body corporate, established a Mutual Fund. Invariably, Mutual Funds offered by financial institutions that are well versed with public finance, as they have the experience required to handle Mutual Funds. Mutual Funds can be termed as an alternative mechanism to share market.

The goal is to reduce risk to customers when they invest their amount on Mutual Funds.

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III. OBJECTIVES OF THE STUDY

1) To make a detailed study on the mutual funds and its development in India
2) To study the working of mutual funds in its organization of kotak securities.
3) To know how investors are benefited from mutual funds rather than equity investors.
4) To evaluate the performance of mutual funds.
5) To create awareness about mutual funds and its benefits to the investors.

IV. METHODOLOGY OF THE STUDY

The information for the study has been collected from various sources. The data gathered can be categorized into primary and secondary data.

1) *Primary Data:* Primary data are that is collected afresh and for the first time and is original in character. No primary data has been used for the study.
2) *Secondary Data:* Data that have been collected by some one else and which have already been passed through statistical process. The study is entirely based on the secondary data. The data is collected from the offer documents of various Asset Management Companies, terms of reference, objectives and scope of Mutual Funds and their standing in the market. A term of 5 years has been fixed to assess the performance and they're by ranking of various Mutual Funds. Company's annual reports, financial statements, balance sheets, profit & loss accounts have also been consulted for deriving a lot of comparative statistical information.

V. LIMITATIONS OF THE STUDY

Mutual Fund Industry is a vast subject. It can be studied at any length of time. As there are more than 500 Mutual Funds are existing in India today, a separate full-fledged research work can be taken up on the subject. Due to paucity of time and space, the study has been limited to one Mutual Fund in Kotak. Since one fund only has been selected it has been studied to its entirety. In a general study the specific points may not be brought out, as it is not pinpoint to any single objective.

There are both advantages and disadvantages in selecting a single case study. Disadvantages are they any one Mutual Fund cannot be considered to be representative of the entire Mutual Fund Industry. It may suffer due to lack of all characteristics of Mutual Funds. Hence the limitation. However, the study of only one Mutual Fund can bring into light the various hidden characteristics of Mutual Funds.

VI. REVIEW OF LITERATURE

A. *Evaluation Of Portfolio Performance*

Portfolio management aims simultaneously at maximizing returns ad minimizing risks. The evaluation criteria for portfolio performance therefore take both of the factors into consideration. The Sharpe Ratio computes excess of portfolio return over risk free return for one unit of risk as measured by portfolio standard deviation. The Treynor Ratio computes excess of portfolio return over risk free return fro one unit of risk as measured by portfolio beta. Since standard deviation gives same weightage to upside and downside deviations, the beta as a measure of risk is considered better than standard deviation. The Treynor Ratio is therefore more reliable than the Sharpe Ratio.

The Jenson's Alpha, a third evaluation criteria take the difference between actual return from a portfolio and expected return from another comparable portfolio having similar risk. The risk for computation Jensen's Alpha is measured by portfolio beta.

1) *Sharpe Ratio*

This ratio measures the return earned in excess of the risk free rate (normally Treasury instruments) on a portfolio to the portfolio's total risk as measured by the standard deviation in its return over the measurement period. Nobel Laureate William Sharpe developed the model and the results of it indicate the amount of return earned per unit of risk. The Sharpe ratio is often used to rank the risk-adjusted performance of various portfolios over the same time. The higher a Sharpe ratio, the better a portfolio's returns have been relative to the amount of investment risk the investor has taken. The major advantage of using the Sharpe ratio over other models (CAPM) is that the Sharpe ratio used the volatility of the portfolio return instead of measuring the volatility against a benchmark (i.e., index). The primary disadvantage of the Sharpe ratio is that it is jest a number and it is meaningless unless you compare it to several other types of portfolios with similar objectives.

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Return portfolio – Return of Risk free investment

S = ----------

Standard Deviation of Portfolio

Example:

If during one year period an index fund earned @10%, risk free rate of return on investment is 8% and the standard deviation of the index fund was 20%, then Sharpe Ratio is

Portfolio return – Risk free return on investment

Sharpe Ratio = ----------

Standard Deviation of Portfolio

$$= \frac{10-8}{0.20} = \frac{}{}$$

$$= 10\%$$

2) TREYNOR TARIO:

This ratio is similar to the Sharpe Ratio except is used beta instead of standard deviation. It's also known as the Reward to Volatility Ratio, it is the ratio of a fund's average excess return to the fund's beta. It measures the returns earned in excess of those that could have been earned on a riskless investment per unit of market risk assumed. The formula is typically used in ranking Mutual Funds with similar objectives.

Return portfolio – Return of Risk free investment

T = ----------

Beta of Portfolio

Example:

The return of two portfolios x and y is given by r_x = 10%, r_y =12%, and their beta is 2_x= 0.5, 2_y=0.9. If risk free rate of return is 8% then Treynor Ratio is?

Return portfolio – Return of Risk free investment

T = ----------

Beta of Portfolio

$$Tx = \frac{0.10 - 0.08}{0.5} = 0.04$$

$$Ty = \frac{0.12 - 0.08}{0.9} = 0.044$$

3) JENSEN'S ALPHA

This is the difference between a fund's actual return and those that could have been made on a benchmark portfolio with the same risk – i.e beta. It measures the ability of active management to increase returns above those that are purely a reward for bearing market risk. Caveats apply however since it will only produce meaningful results if it is used to compare two portfolios which have similar heats.

Jensen's Alpha = portfolio Return – Expected Return

Expected Return = Risk Free Return + Beta portfolio (Return of market – Risk Free Return)

Example:

A portfolio P has a return of 14% and beta 0.5. if the market return is 14% and risk free return 10%, then Jensen's Alpha is ?

Jensen's Alpha = portfolio Return – Expected Return

Expected Return=Risk Free Return + Beta Portfolio (Return of Market – Risk Free Return)

Expected return of P = 0.10 + 0.5 (0.14 – 0.10) = 0.12

Jensen's alpha = 0.14 – 0.12

= 0.02

= 2%

B. Accounting Policies

The annual report of a mutual fund consists of

1) Balance sheet
2) Revenue Account
3) Report of the Board of Trustees
4) Auditor's Report and
5) Statement of the Board of Trustees on specified matters.

As per regulation 50(3) of SEBI (Mutual Funds) Regulation, 1996, the Asset Management Companies are required to follow the accounting policies and standards specified in the Ninth Schedule of the Regulations, the requirements of the said schedule are as below:

a) For the purpose of the financial statements, mutual funds shall mark all investments to market and carry investments in the balance sheet at market value. However, since the unrealized gain arising out of appreciation on investments cannot be distributed, provision has to be made for exclusion of this item when arriving at distributable income.

b) Dividend income earned by a scheme should be recognized, not on the date the dividend is declared, but on the date the share is quoted on the ex-dividend basis. For investments, which are not quoted on the stock exchanges, dividend income must be recognized on the date of declaration.

c) In respect of all interest –bearing investments, income must be accrued on a day-today basis as it is earned. Therefore, when such investments are purchased, interest paid for the period from the last interest due date upto the date of purchase must not be treaded as a cost of purchase but must be debited to interest Recoverable Account. Similarly interest received at the time of sale for the period from the last interest due date upto the date of sale must not be treated as an addition to sale value but must be credited to interest recoverable account.

d) In determining the holding cost of investments and the gains and loss on sale of investments, the "average cost" method must be followed.

e) Transaction for purchase or sale of investments should be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the financial statements for that year. Here investment transactions take place outside the stock market, for example, acquisition through private placement or purchases or sales through private treaty, the transaction should be recorded in the event of a purchase, as of the date on which the scheme obtain an enforceable obligation to pay price or, in the event or a sale, when the scheme obtain an enforceable right to collect the proceeds or sale or an enforceable obligation to deliver the instruments sold.

f) Bonus shares to which the scheme becomes entitled should be recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus. Similarly, rights entitlement should be recognized only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.

g) Where income receivable on investments has accrued but has not been received for the period specified in the guideline issued by the Board, provision shall be made be debiting to the revenue account the income so accrued in the manner specified by guidelines issued by the Board.

h) When in the case of an open – ended scheme units are sold, the difference between the sale price and the face value of the unit, if positive, should be credited to reserves and if negative be debited to reserves, the face value being credited to Capital Account. Similarly, when in respect of such scheme, units are repurchased, the difference between the purchase price and face value of the unit, if positive should be debited to reserves and, if negative, should be credited to reserves, the face value being debited to the capital account.

i) In the case of an open-ended scheme, when units are sold an appropriate part of the sale proceeds should be credited to an Equalization Account and when units are repurchased an appropriate amount should be debited to Equalization Account. The new balance on this account should be credited or debited to the Revenue Account. The balance on the Equalization Account debited or credited to the Revenue Account should not decrease or increase the net income of the fund but is only an adjustment to the distributable surplus. It should, therefore, be reflected in the Revenue Account only after the net income of the fund is determined.

j) In a close-ended scheme which provide to the unit holders the option for an early redemption or repurchase their own units, the par value of the unit has to be debited to Capital Account and the difference between the purchase price and the par value, if positive should be credited to reserves and, if negative, should be debited to reserves. A proportionate part of the unamortized initial issue expenses should also be transferred to the reserves so that the balance carried forward on that account is proportional to the number of units remaining outstanding.

k) The cost of investments acquired or purchased should include brokerage, stamp charges and any charge customarily included in the broker's brought note. In respect or privately placed debt instruments any front – end discount offered should be reduced from the cost of the investment

l) Underwriting commission should be recognized as revenue only when there is no development on the scheme. Where is development on the scheme, the full underwriting commission received and not merely the portion applicable to the development should be reduced from the cost of the investment.

C. Regulatory Aspects

1) Schemes of Mutual Fund

- The asset management company shall launch no scheme unless the trustees approve such scheme and a copy of the offer document has been filed with the Board.
- Every mutual fund shall along with the offer document of each scheme pay filing fees.
- The offer document shall contain disclosures which are adequate in order to enable the investors to make informed to be made by the scheme in the listed securities of the group companies of the maturity period. "Unless a majority of the unit holders otherwise decide for its rollover by passing a resolution".
- The mutual fund and asset management company shall be liable to refund the application money to the applicants,-
  - If the mutual fund fails to receive the minimum subscription amount referred to in clause (a) of sub- regulation (1);
  - If the moneys received from the applicants for units are in excess of subscription as referred to in clause (b) of sub-regulation (1).
- The asset management company shall issue to the applicant whose application has been accepted, unit certificates or a statement of accounts specifying the number of units allotted to the applicant as soon as possible but not later than six week from the date of closure of the initial subscription list and or from the date of receipt of the request from the unit holders in any open ended scheme.

2) Rules Regarding Advertisement:

The offer document and advertisement materials shall not be misleading or contain any statement or opinion, which are incorrect or false.

3) Investment objectives and valuation policies:

The price at which the units may be subscribed or sold and the price at which such units may at any time be repurchased by the mutual fund shall be made available to the investors.

4) General Obligations:

- Every asset management company for each scheme shall keep and maintain proper books of accounts, records and documents, for each scheme so as to explain its transactions and to disclose at any point of time the financial position of each scheme and in particular give a true and fair view of the state of affairs of the fund and intimate to the Board the place where such books of account, records and documents are maintained.

- The financial year for all the schemes shall end as of March 31 of each year. Every mutual fund or the asset management company shall prepare in respect of each financial year an annual report and annual statement of accounts of the schemes and the fund as specified in Eleventh Schedule.
- Every mutual fund shall have the annual statement of accounts audited by an auditor who is not in any way associated with the auditor of the asset management company.

D. Industry Profile

Asset Management Companies (AMC) is one of the 5 key parties or players or special bodies or constituents of Mutual Funds organization. AMC is a contractor appointed by Board of Trustees or Trust Company who are also the Sponsors of the Mutual Funds. Professional Managers run AMC. The AMC conduct the necessary researches and based on it manages the funds or portfolio. It is responsible for floating, managing, redeeming the schemes, it also handles the administrative chores. It receives fee the services rendered by it. The custodian is responsible for co-ordination with brokers, the actual transfer & storage of stocks, and handling the property of the trust. He is answerable to the AMC.

As already mentioned, it is statutory for every Mutual Fund proposed by a sponsor has to be set up as a trust under the Indian Trust Act 1882. all Mutual Funds have to be registers with SEBI. The constituents of the Mutual Funds should maintain a good working relationship to ensure protection to investors. There are about 39 Mutual Funds with about 500 schemes are presently offered by AMC's functions, role, scope, and the various types of schemes with their funds mobilization, performance etc., But due to paucity of space and time the study in this chapter is limited to 3 Macs in Public Sector and the same number in Private Sector as a sample study. The AMC's are

PUBLIC SECTOR

- IDBI (Industrial Development Bank Of India)
- UTI (Unit Trust Of India)
- SBI (State Bank Of India

PRIVATE SECTOR

- Alliance Capital.
- Kothari Pioneer.
- Kotak Mahindra.

1) Public Sector

a) IDBI (Industrial Development Bank Of India):-

IDBI Mutual Fund is sponsored by Industrial Development Bank of India and Principal Financial Services Ltd. Board of Trustees with IDBI as the Principal Trustee and the Investment Manager is IDBI- the Government of India under the IDBI Act established PRINCIPAL AMC (IPAMCO) LTD.IDBI IDBI is India's premier development financial institutions and one of the largest development banks in the world, has an asset base of over Rs. 72,000 crores and a net worth exceeding Rs.9000 crore. IDBI is offering 10 schemes including options 23 schemes, out of which 6 are Equity schemes, 12 are Debt schemes, 2 are short term Debt schemes, 2 are Equity & Debt schemes & 1 Money market schemes. The following are the schemes of Mutual Funds offered by IDBI:

- IDBI Principal Equity Fund
- IDBI Principal Money Market Fund
- IDBI Principal Deposit Fund
- IDBI Principal Growth Fund
- IDBI Principal Balanced Fund
- IDBI Principal Index Fund
- IDBI Principal Income Fund
- IDBI Principal Cash Management Fund

All the schemes are open-ended schemes. IDBI Mutual Fund has beeb constituted as a Trust with provisions of India Trust Act 1882. Mutual Funds are registers under SEBI dated December 13, 1994.

IDBI as sponsor to the fund has irrevocably settled a sum of Rs.25 crores as the Trust corpus, which is held and managed as per the provisions of the Trust Deed. The IDBI- principal is a leading provider of a wide range of financial services globally to business and individuals including retirement and Investment services, Mutual Funds, Life & Health, Insurance, Mortgage Banking.
All the schemes of IDBI are aimed at achieving their objectives by invest in equities and other equity related securities besides debt securities. These schemes are also invested of companies whose securiries are included in NSC NIFTY.

b) UNIT RUST OF INDIA (UTI):

UTI has dominated position in Mutual Fund Industry in India. The UTI was setup as a Trust in terms of the UTI Act in 1963. it was an associate institute of RBI till February 1976,when it was made an associate of IDBI. It provides attractive investment opportunities through issues of Units and Shares under various schemes. In the financial market, the first major instrument introduced by UTI was UNIT under Unit Scheme 64 (US64).
The main objective of UTI is to encourage saving, investment and participation in the income, profits and gains accruing to the Trust from the acquisition, holdings management and disposal of Securities.
UTI has serving & distribution network of branch offices and district representatives throughout the country and very wide network of agents. It provides a complete range of services to its investors at its different offices.
UTI is offering 74 schemes and with options number of schemes are 118. out of 118 schemes, Equity are 30, Debt schemes are 72, Equity & Debt schemes are 5, Money market 1 and Glit fund-2. All these schemes are open-ended.

c) State Bank Of India Funds Management Limited

It is the investment manager of the SBI Mutual Fund has been consisted as trust sponsored by SBI. Today the fund had a investor base of over 2.8 million spreads over 23 schemes with a large network of collecting branches and investor services, SBI Mutual Fund constantly endeavors to get closer to its growing family of investors, SBI is the largest Public Sector Bank in India with 8,836 branches all over India. SBI is the leader in providing loans to Trade & Industry. It also provides related services, which generate significant fee-based income. It has also identified project finance and consumer banking as key areas.
The number of schemes offered by BI is 19, with options, the total number of schemes is 36. Out of 36 schemes, 14 are Equity schemes, 15 Debt schemes, 2 are short-term debt schemes< Equity & Debt schemes and 4 are Glit fund schemes.
All schemes offered by SBI are open-ended schemes. Among large size fund schemes category, SBI Magnum Liquid bond, SBI Magnum Gilt LTP, SBI Magnum Multiplier Plus 93 and SBI Magnum Balanced Fund are some of the schemes.
Recently announced scheme by SBI is its SBI Magnum MIP. This is an open-ended debt scheme. The objectives of the schemes will be to provide regular income, liquidity and attractive returns to the investors through actively managed portfolios of Debt & Equity & Money market securities. The scheme has systematic Investment Plan (SIP) systematic withdrawal plan (SWP) and automatic withdrawal facility.
Some of the other schemes offered by SBI are-

- SBI Magnum Global Fund 94;
- SBI Magnum Sector Umbrella – InfoTech;
- SBI Magnum Tax Gain Scheme;
- SBI Insta-cash.

VII. COMPANY PROFILE

History of Kotak Mahindra Group

The Kotak Mahindra Group was born in 1985 as Kotak Capital Management Finance Limited. Uday Kotak, Sidney A.A.Pinto and Kotak & Company promoted this company. Industrialists Harish Mahindra and Anand Mahindra took a stake in 1986, and that's when the company changes its name to Kotak Mahindra Finance Limited.
Since then it's been a steady and confident journey to growth and success.

1986: - Kotak Mahindra Finance Limited starts the activity of Bill Discounting.
1987: - Kotak Mahindra Finance Limited enters the lease and hire purchase market.
1990: - The Auto Finance Division is started.
1991: - The Investment Banking Division is started.

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1992: - Enters the Funds Syndication sector.
1995: - Brokerage and Distribution Businesses incorporated in to a separate company - Kotak Securities Investment Banking Division incorporated into a separate company – Kotak Mahindra Capital Company.
1996: - The Auto Finance Business is hired off into a separate company – Kotak Securities investment Banking Division Incorporated into a separate company - Kotak Mahindra Capital Company.
2021: - Enters the Mutual Fund Marker with the launch of Kotak Mahindra asset Management Company.
2000: - Kotak Mahindra tie up with old Mutual PIC for the life insurance business. Kotak Securities launches its on-line broking site (www.kotak securities .com)
2001: - Matrix sold to Friday Corporation launches insurance Services
2003: - Kotak Mahindra Finance Limited converts to a Commercial Bank – The first Indian Company to do so.
2004: - Launches India growth fund, a private equity fund.
2005: - Kotak group realigns Joint Ventures in ford credit; Buys Kotak Mahindra prime and sells ford credit Kotak Mahindra.Launches a Real-estate Fund.

Group Management : -

Mr.Uday Kotak – Executive Vice Chairman & Managing Director.
Mr.Sivaji Dam
Mr.C.Jayaram
Mr.Dipak Gupta.

Kotak Mahindra Group

Kotak Mahindra is one of India's leading financial institutions offering complete financial solutions that encompass every sphere of life. From commercial banking, to stock broking, to mutual funds, to life insurance to investment banking, the group caters to the financial needs of individuals and corporates.

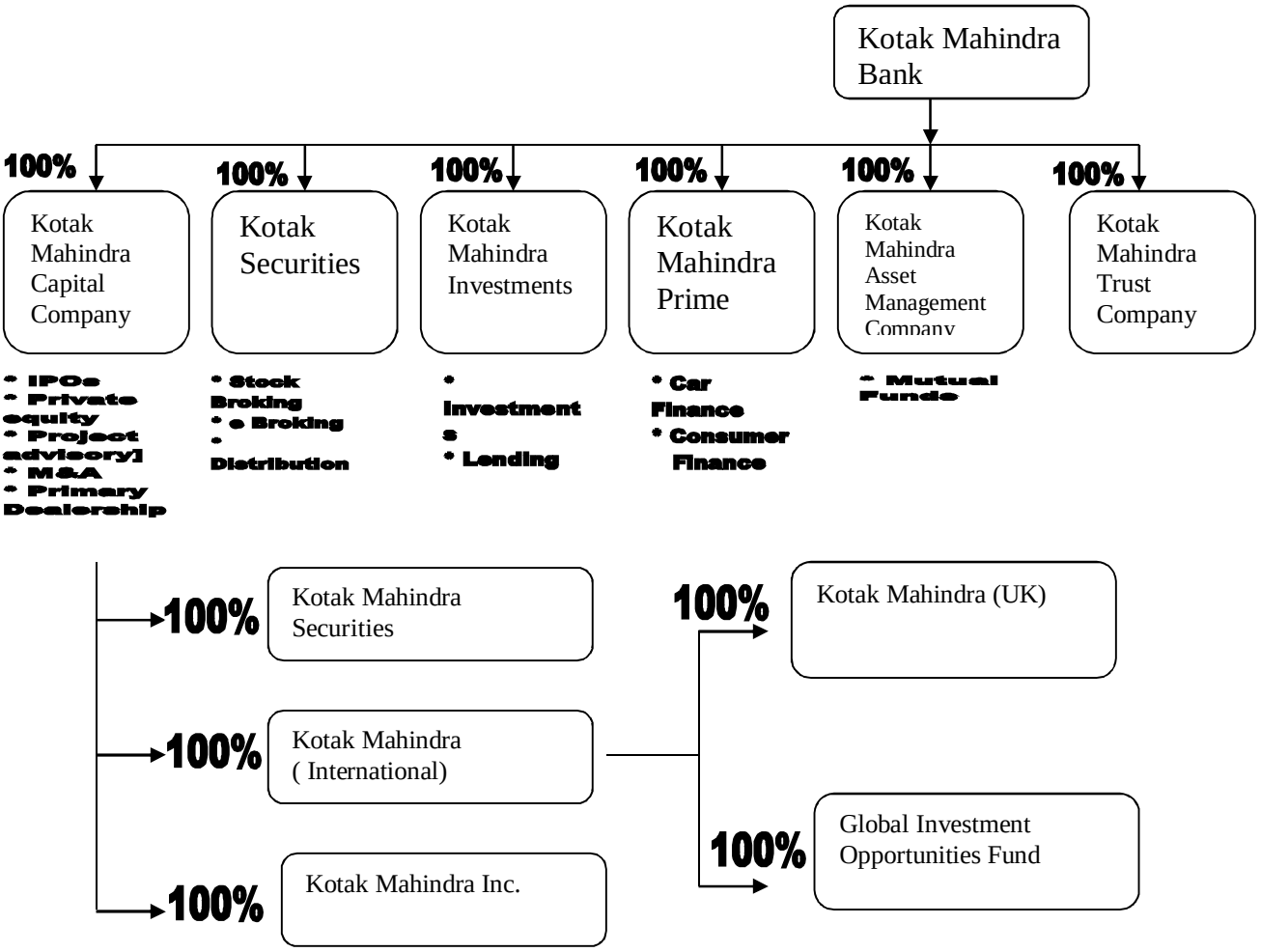
The group has a net worth of around Rs.2000 crore and the AUM across the group is around 120 billion and employs over 6000 employees in its various businesses. With a presence in 216 cities in India and offices in New York, London, Dubai and Mauritius, it services a customer base of over 10.00,000.

The group specializes in offering top class financial services catering to every segment of the industry. The various group companies include.

- Kotak Mahindra Capital Limited
- Kotak Mahindra Securities Limited
- Kotak Mahindra Inc
- Kotak Mahindra (International) Limited
- Global Investments Opportunities Fund Limited
- Kotak Mahindra(UK) Limited Kotak Securities Limited
- Kotak Mahindra Old Mutual Life Insurance Company Limited
- Kotak Mahindra Asset Management Company Limited
- Kotak Mahindra Trustee Company Limited
- Kotak Mahindra Investments Limited
- Kotak Forex Brokerage Limited
- Kotak Mahindra Private-Equity Trustee Limited

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Group Structure



* 40% through Kotak Mahindra Investments Limited and 1% through Kotak Mahindra Asset Management.

25% in KMCC is held through KS and 25% in KS is held through KMCC

Kotak Securities Limited.

Kotak Securities Ltd. Is India's leading stock broking house with a marker share of around 8% Kotak Securities Ltd. Has been the largest in IPO distribution.

The accolades that Kotak Securities has been graced with include :

- Prime Ranking Award (2003-04) Largest Distributor of IPO's
- Finance Asia Award (2004) – India's best Equity House.
- Finance Asia Award (2005) – Best Broker in India.
- Euromoney Award (2005) – Best Equities House in Inida

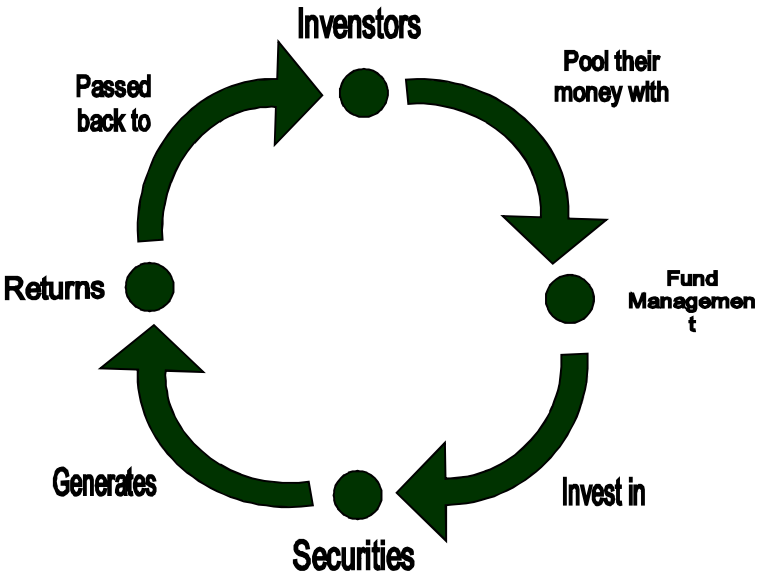
The company has a full-fledged research division involved in Macro Economic studies Sectoral research and Company specific Equity Research combined with a strong and well networked sales force which helps deliver current and up to date market information and news.

Kotak Securities Ltd is also a depository participant with National Securities Depository Limited (NSDL) and Central Depository services Limited (CSDL), Providing dual benefit services wherein in investors can use the brokerage services of the company for executing the transactions and the depository services for settling them.

Kotak Securities has 122 branches servicing more than 1,70,000 customer and a coverage of 187 cities, kotaksecurities.com, the online division of Kotak Securities Limited offers internet Broking services and also online IPO and Mutual Fund Investments.
Kotak Securities Limited Manages assets over 2500 crores of Assets under Management (AUM). The Portfolio Management Services provide top class service, catering to the high end of the market. Portfolio Management from Kotak Securities comes as an answer to those who would like to grow exponentially on the crest of the stock market, with the backing of an expert.
At Kotak securities.com, acknowledge and accept that the personal details that you impart to us, is to be kept in strict confidentiality and to use the information only in the manner which would be beneficial to our customers. We consider our relationship with you as invaluable and strive to respect and safeguard your right to privacy.
We shall protect the personal details received from you with the same degree of care, but no less than a reasonable degree of care, to prevent the unauthorized use, dissemination, or publication of this information as we protect our own confidential information of a like nature.
We shall use the personal information to improve our service to you and to keep you updated about our new product or information that may be of interest to you. The information collected from you would be used in the right spirit and context in which it is intended to be used. Your information would be used by us to process your trading request and to carry out the settlements of your obligations.
We would ensure that we collect personal information only to the extent it is necessary to administer out services in the best possible manner and what is required under the various regulations of India Laws.

VIII. 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 appreciations 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 flow chart below describes broadly the working of a mutual fund:



The investors are known as unit holder. The fund pools money from a number of all investors and invest the in the securities according the objectives of the scheme to generate returns to the investors on their investment.

IX. HISTORY OF THE MUTUAL FUND INDUSTRY

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank the. The history of mutual funds in India can be broadly divided into four distinct phases.

1) First Phase – 1964-87

Unit Trust of India (UTI) was established on 1963 by an Act of Parliament. It was set up by the Reserve Bank of India and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978 UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI) took over the regulatory and administrative control in place of RBI. The first scheme launched by UTI was Unit Scheme 1964. at the end of 1988 UTI had Rs. 6,700 crores of assets under management.

2) Second Phase – 1987-1993 (Entry of Public Sector Funds)

1987 marked the entry of non-UTI, public sector mutual funds set up by public sector banks and Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was the first non- UTI Mutual Fund established in June 1987 followed by Can bank Mutual Fund (Dec 87), Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (Jan 90), Bank of Baroda Mutual Fund (Oct 92), LIC established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990.

At the end of 1993, the mutual fund industry had assets under management of Rs. 47,004 crores.

3) Third Phase –1993-2003 (Entry of Private Sector Funds)

With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families. Also, 1993 was the year in which the first Mutual Fund Regulations came into being under which all mutual funds, except UTI were to be registered and governed. The erstwhile

Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993.

The 1993 SEBI (Mutual Fund) Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (Mutual Funds) Regulations 1996.

The number of mutual fund houses went on increasing with many foreign mutual funds setting up funds in India and also the industry has witnessed several mergers and acquisitions. As at the end of January 2003, there were 33 mutual funds with total assets of Rs. 1, 21,805 cross. The Unit Trust of India with Rs. 44,541 cross of assets under management was way ahead of other mutual funds.

4) Fourth Phase –since February 2003

In February 2003, following the repeal of the Unit Trust of India Act 1963 UTI was bifurcated into two separate entities. One is the Specified Undertaking of the Unit Trust of India with assets under management of Rs. 29,835 crores as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes. The Specified Undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by Government of India and does not come under purview of the Mutual Fund Regulations. The second is the UTI Mutual Fund Ltd, sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the Mutual Fund Regulations. With the bifurcation of the erstwhile UTI which had in March 2000 more than Rs. 76,000 crores of assets under management and with the setting sup of a UTI Mutual Fund, conforming to the SEBI Mutual Fund Regulations, and with recent mergers taking place among different private sector funds, the mutual fund Industry has entered its current phase of consolidation and growth. As at the end of October 31, 2003, there were 31 funds, which manage assets of Rs. 126726 crores under 386 schemes.

X. FINDINGS

Through the analysis of my study, these are the findings of various schemes of Mutual funds;

1) Kotak Opportunities is an open-ended equity growth scheme, it has the flexibility of investing in up coming sectors. If we take the performance of this scheme although it has breached the bench mark index by 21.85% for one year.
2) Kotak Contra is a diversified equity growth scheme, by the peformance of this scheme we can say that it is not even up to comfort level of returns. In this fund debt investments were given priority thus foregoing equity related investment. This has happened the results badly.
3) Kotak Global India is a open-ended equity growth scheme mainly investes in globally competitive Indian companies. The performance of his fund is quite good, with its returns 56.9% in one year allocation.

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4) Kotak MNC is a open-ended equity growth scheme it is a scheme who will invest in MNC'S, if we see the performance graph it is not performed well. Since allotment returns are very low. The poor performance can be attributed to the higher allocation for pharmaceuticals in which most Indian companies dominating the MNC.
5) Kotak 30 is a open-ended equity growth scheme is a large cap diversified scheme whose investment mostly on large caps for medium and long term. They followed the strategy of 70-30. It has yielded almost double the return than BSE Sensex and Nifty.
6) Kotak ELSS is a open-ended equity linked savings scheme, this scheme is mainly meant for to avail income tax rebate. The investment strategy is 80-100%.
7) This is open-ended equity growth scheme called Kotak Tech, the investors in this scheme only invest in IT sector, investment strategy between 90-100%.
8) Through my survey I observed Kotak Equity FOF is a multi manager FOF scheme. In this scheme the investment is not invested in securities or stock. It is directly invested in other schemes of mutual funds. The performance of this scheme is good.

XI. SUGGESTIONS

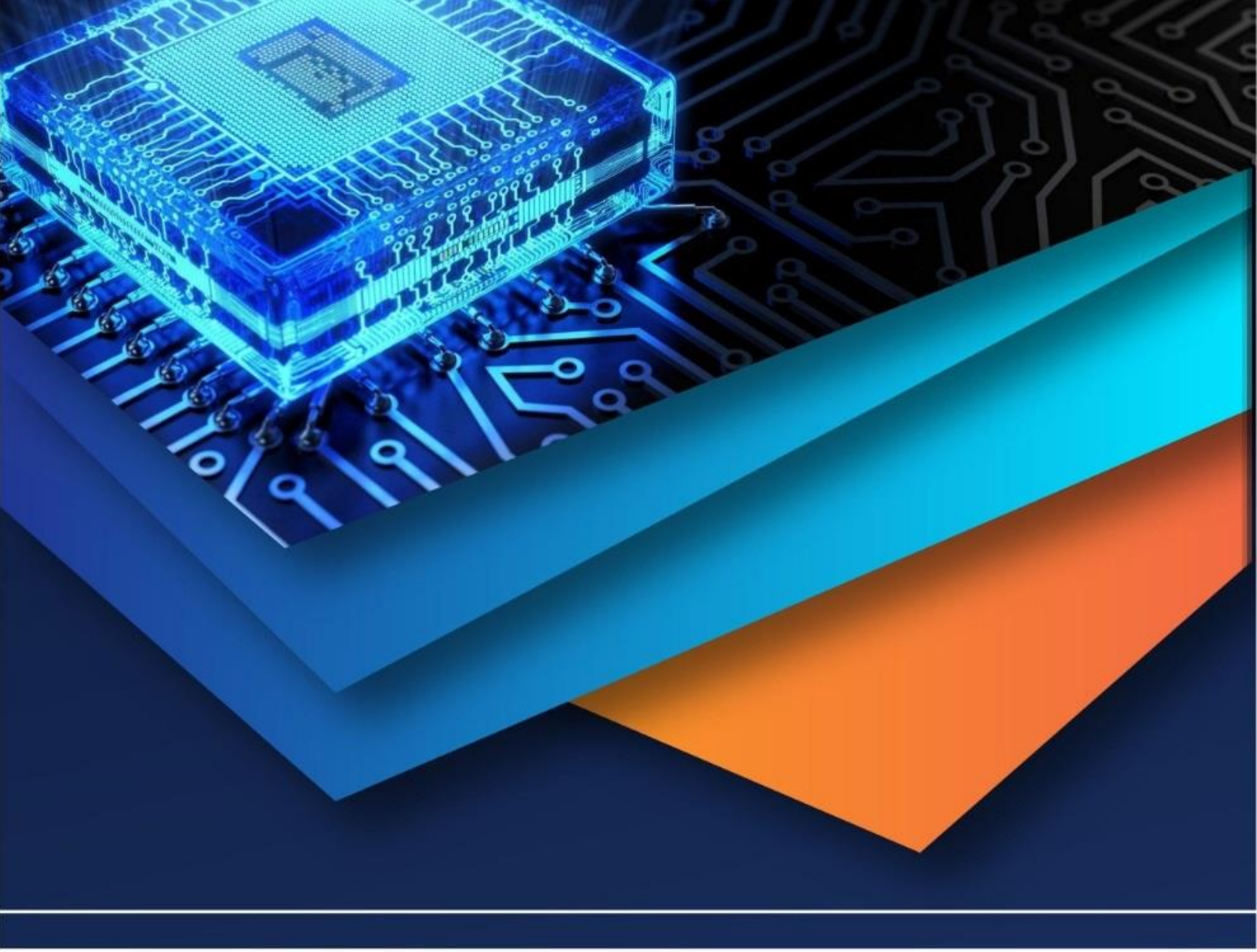
1) By adopting more flexible methods the overall performance will be more advisable.
2) The schemes have conservative allocation than it should be more dynamic.
3) Kotak Global India can be made more productive if the software allocation is more.
4) Kotak Contra should fallow aggressive strategy to get desired results.
5) Kotak Large Cap can be more attractive if the large cap mid cap ratio is 60 to 40 than 70-30.
6) Kotak MNC scheme can be improved if the investment switches over to telecom, industrial capital goods sector.
7) In Kotak Tech, if we made 60% on IT sector and 40% in money market instruments the performance of schemes will give more returns than before.
8) I feel that the evergreen industry of this decade is software industry; if we made right share allocation we will get good returns.

XII. CONCLUSION

1) Kotak Dynamic FOF is a closed multi managers FOF scheme with a maturity period of 3 years, mainly this scheme allocates assets across the diversified large cap schemes and liquidity schemes in a specific proportion. The performance of the scheme breached bench mark return by 9%.
2) Kotak Income Plus is a open-ended income with investment strategy of 80% to 100% in debt and money market instruments. The performance of the scheme is very good with its returns @ 11.14%.
3) An increased allocation of government securities may be advisable as allocation to gilt portfolio helps in benefiting from additional liquidity.
4) Kotak should understand that in the period of market uncertainty it should emphasize the benefits of maintaining a diversified portfolio.

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