

# [Mutual funds](https://assignbuster.com/mutual-funds/)

The growth and maturation of mutual fund industry is the greatest investment story of the twentieth century. With the introduction of innovative products, the world of mutual funds nowadays has a lot to offer to its investors. With the introduction of diverse options, investors need to choose a mutual fund that meets his risk acceptance, his risk capacity levels and has similar investment objectives as the investor. There are a large number of schemes available in the market to cater to the different needs of the investor.

The market has been bullish in the past few months and has given huge returns. Even the retail investors started investing in a big way expecting the rally to continue. But with the change in the global scenario, there has been a sudden and unexpected downfall in the market which sunk the investor’s expectations, creating a negative sentiment in the market. This has also affected the mutual fund investments. Since Indian economy is no more a closed market, and has started integrating with the world markets, external factors which are complex in nature are also affecting us.

Factors such as sub-prime crisis, expected US recession, and increase in short-term US interest rates, the hike in crude prices and many other factors have made Indian market volatile. INDIAN MUTUAL FUND INDUSTRY The Indian mutual fund industry is dominated by the Unit Trust of India which has a total corpus of Rs700bn collected form more than 20 million investors. The UTI has many funds/schemes in all categories i. e. equity, balanced, income, etc. , with some being open-ended and some being closed-ended.

The Unit Scheme 1964 commonly referred to as US 64, which is a balanced fund, is the biggest scheme with a corpus of about Rs200bn. UTI was floated by financial institutions and is governed by a special act of Parliament. Most of its investors believe that the UTI is government owned and controlled, which, while legally incorrect, is true for all practical purposes. The second largest category of mutual funds is the ones floated by nationalized banks. Canbank Asset Management floated by Canara Bank and SBI funds management floated by the State Bank of India are the largest of these.

GIC AMC floated by General Insurance Corporation and Jeevan Bima Sahayog AMC floated by the LIC are some of the other prominent ones. The aggregate corpus of funds managed by this category of AMC’s is about Rs150bn. The third largest categories of mutual funds are the tones floated by the private sector and by foreign asset management companies. The largest of these are Prudential ICICI AMC and Birla Sun Life AMC. The aggregate corpus of assets managed by this category of AMC’s is in excess of Rs250bn.