Preference of Investors for Indian Mutual Funds and its Performance Evaluation

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Mutual funds have opened new vistas to millions of small investors by virtually taking investment to their doorstep. In India, a small investor generally goes for such kind of information, which do not provide hedge against inflation and often have negative real returns. He finds himself to be an odd man out in the investment game. Mutual funds have come, as a much needed help to these investors. Thus the success of MFs is essentially the result of the combined efforts of competent fund managers and alert investors. A competent fund manager should analyze investor behavior and understand their needs and expectations, to gear up the performance to meet investor requirements. Therefore, in this current scenario it is very important to identify needs of mutual funds investors, their preference for mutual funds schemes and its performance evaluation. In this research paper, researcher has an objective to know preference of mutual funds investors and performance evaluation of the preferred schemes by the investors. The survey is undertaken of 100 educated investors of Ahmedabad and Baroda city and the major findings reveal the major factors that influence buying behavior mutual funds investors, sources that investor rely more while making investment and preferable mode to invest in mutual funds market. The study will be immensely useful to the AMC';s , Brokers, distributors and to the other potential investors and last but not least to academician as well.

Keywords: Mutual funds, buying behavior, performance evaluation.

Introduction

Consumer behaviour from the marketing world and financial economics have come together to bring to surface an exciting area for study and research in the form of Behavioural Finance and it has been gaining importance over the recent years. With reforms in financial sector and the developments in the Indian financial markets, Mutual Funds (MFs) have emerged to be an important investment avenue for retail (small) investors. The investment habit of the small investors particularly has undergone a sea change. Increasing number of players from public as well as private sectors has entered in to the market with innovative schemes to cater to the requirements of the investors in India and abroad. For all investors, particularly the small investors, mutual funds have provided a better alternative to obtain benefits of expertise- based equity investments to all types of investors. So in this scenario where many schemes are flooded in to market, it is important to analyse needs of consumers and to find out which factors affects consumers' needs the most.

Literature Review

Langer (1983) suggests that when these preferences are based on choices, there is more ego involvement and attachment to the preferences, suggesting heightened level of preference bias. This phenomenon is consistent with the prediction from Cognitive Dissonance theory of Festinger (1957).

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De Bondt and Thaler (1985) while investigating the possible psychological basis for investor behaviour, argue that mean reversion in stock prices is an evidence of investor over reaction where investors overemphasise recent firm performance in forming future expectations.

Ippolito (1992) says that fund/scheme selection by investors is based on past performance of the funds and money flows into winning funds more rapidly than they flow out of losing funds

Robert J. Shiller (1993) reported that many investors do not have data analysis and interpretation skills. This is because, data from the market supports the merits of index investing, passive investors are more likely to base their investment choices on information received from objective or scientific sources.

Gupta (1994) made a household investor survey with the objective to provide data on the investor preferences on MFs and other financial assets. The findings of the study were more appropriate, at that time, to the policy makers and mutual funds to design the financial products for the future.

Kulshreshta (1994) offers certain guidelines to the investors in selecting the mutual fund schemes.

Phillip (1995) reported that there is a change in financial decision-making and investor behaviour as a result of participating in investor education programmes sponsored by employees.

Berhein and Garnette (1996) affirmed Philip's findings and further stated that a serious national

Campaign to promote savings through education and information could have a measurable impact on financial behaviour.

Madhusudhan V Jambodekar (1996) conducted a study to assess the awareness of MFs among investors, to identify the information sources influencing the buying decision and the factors influencing the choice of a particular fund. The study reveals among other things that Income Schemes and Open Ended Schemes are more preferred than Growth Schemes and Close Ended Schemes during the then prevalent market conditions. Investors look for safety of Principal, Liquidity and Capital appreciation in the order of importance; Newspapers and Magazines are the first source of information through which investors get to know about MFs/Schemes and investor service is a major differentiating factor in the selection of Mutual Fund Schemes.

Sujit Sikidar and Amrit Pal Singh (1996) carried out a survey with an objective to understand the behavioural aspects of the investors of the North Eastern region towards equity and mutual funds investment portfolio. The survey revealed that the salaried and self-employed formed the major investors in mutual fund primarily due to tax concessions. UTI and SBI schemes were popular in that part of the country then and other funds had not proved to be a big hit during the time when survey was done.

Syama Sunder (1998) conducted a survey to get an insight into the mutual fund operations of private institutions with special reference to Kothari Pioneer. The survey revealed that awareness about Mutual Fund concept was poor during that time in small cities like Visakhapatnam. Agents play a vital role in spreading the Mutual Fund culture; open-end schemes were much preferred then; age and income are the two important determinants in the selection of the fund/scheme; brand image and return are the prime considerations while investing in any Mutual Fund.

In India, one of the earliest attempts was made by

NCAER in 1964 when a survey of households was undertaken to understand the attitude towards and motivation for saving of individuals. Another NCAER study in 1996 analysed the structure of the capital market and presented the views and attitudes of individual shareholders. SEBI - NCAER Survey (2000) was carried out to estimate the number of households and the population of individual investors, their economic and demographic profile, portfolio size, and investment preference for equity as well as other savings instruments. This is a unique and comprehensive study of Indian Investors, for, data was collected from 3,00,0000 geographically dispersed rural and urban households. Some of the relevant findings of the study are : Households preference for instruments match their risk perception; Bank Deposit has an appeal across all income class; 43% of the non-investor households equivalent to around 60 million households (estimated) apparently lack awareness about stock markets; and, compared with low income groups, the higher income groups have higher share of investments in Mutual Funds (MFs) signifying that MFs have still not become truly the investment vehicle for small investors. Nevertheless, the study predicts that in the next two years (i.e., 2000 hence) the investment of households in MFs is likely to increase. We have to wait and watch the investors' reaction to the July 2nd 2001, great fall of the Big Brother, UTI. (Note: Behaviour is a reaction to a situation. So as situation changes, behaviour gets modified. Hence, findings and predictions of behaviour studies should be viewed accordingly).

Shanmugham (2000) conducted a survey of 201 individual investors to study the information sourcing by investors, their perceptions of various investment strategy dimensions and the factors motivating share investment decisions, and reports that among the various factors, psychological and sociological factors dominated the economic factors in share investment decisions.

Anjan Chakarabarti and Harsh Rungta (2000) stressed the importance of brand effect in determining the competitive position of the AMCs. Their study reveals that brand image factor, though cannot be easily captured by computable performance measures, influences the investor's perception and hence his fund/ scheme selection.

Hirshleifer (2001) categorized different types of cognitive errors that investors make i.e. self-deception, occur because people tend to think that they are better than they really are; heuristic simplification, which occurs because individuals have limited attention, memory and processing capabilities; disposition effect, individuals are prone to sell their winners too quickly and hold on to their losers too long

In this paper, an attempt is made by the author, mainly to study preference of investors for mutual funds and their performance evaluation.

Objectives of the Study

- To know the preference of investors and their needs regarding mutual funds investment.
- To analyse factors that influence most while buying mutual funds.
- To evaluate performance of mutual fund schemes preferred by investors on the basis of return parameters.

Research Methodology

Research is divided into two different studies:

Research 1: Primary Research to know the preference of mutual fund investors regarding their investment.

Research 2: Secondary Research to evaluate the performance of Mutual funds which are preferred by most of the investors is based upon Descriptive Research Design. Three mutual fund sectors viz. tax

funds, diversified funds and sector funds are selected and top 5 companies based on NAV is selected from each sector for further analysis.

Sampling Method and Sampling Frame

Research 1: The primary research is based upon convenience sampling. Convenience sampling (sometimes known as grab or opportunity sampling) is a type of non- probability sampling which involves the sample being drawn from that part of the population which is close to hand.

Research 2: The secondary Research is based upon Judgmental Sampling. Judgmental sampling is a non-probability sampling technique where the researcher selects units to be sampled based on their knowledge and professional judgment. This type of sampling technique is also known as

Purposive sampling and authoritative sampling.

SAMPLE SIZE: Primary research is conducted of 100 educated investors of Ahmedabad and Baroda city.

Data Collection Instrument

Research 1: The data collection instrument used for primary research is questionnaire. The type of questionnaire used is open and close ended structured questionnaire.

Research 2: The data collection instrument used for secondary research is various data available on websites like www.mutualfundindia.com and other various sources of secondary information.

Statistical Tools used for Analysis of data:

Chi square test and Cramer's V(Testing for the Strength of Categorical Relationships)

?2 and Fisher's Exact Test only test whether or not there is a relationship between categorical variables. To test the strength of such relationships we use correlation-like measures such as the Contingency Coefficient, the Phi coefficient or Cramer's V. These coefficients can be thought of as Pearson product-moment correlations for categorical variables. However, unlike the Pearson r, which can assume negative values, these coefficients only range from 0 to +1 (you cannot have a 'negative' relationship between categorical variables).

The choice of which statistic to employ in a given research situation is determined by the size of the data matrix and whether or not the two nominal variables under consideration have the same number of possible values. The Phi statistic is used when both of the nominal variables under consideration have exactly two possible values. When this is true, the data matrix will always have a simple 2x2 design. The Contingency Coefficient is used when there are 3 or more values for each nominal variable, as long as there are an equal number of possible values leading to the construction of a data matrix that has an equal number of rows and columns (3x3, 4x4, etc). Cramer's V is used when the number of possible values for the two variables is unequal, yielding a different number of rows and columns in the data matrix (2x3, 3x5, etc).

The following table is self-explanatory. However the following observations can be made.

Gender Distribution: Total number of respondents is 100 out of which 93% are male and 7% are female respondents. Hence we can say that the majority of our respondents are male and due to this reason NO further analysis of the impact of gender as a dependant (demographic) factor on other independent factors is done.

Age Distribution: This shows that majority of the respondents are young and they have just started their career. It might be possible that these respondents do

Analysis of data and Findings:

(i) Findings of Demographics:

1.	Gemder	Male 93	Female 7		
2.	Age	Less than 30 52	31-40 17	41-50 14	More than 50 17
3.	Qualification	High School 6	Graduate 46	Post Graduate 29	Professional 19
4.	Occupation	Professional 12	Business 33	Salaried 51	Retired 4
5.	Annual Income	3-5 lakhs 59	5-15 lakhs 34	15-25 lakhs 6	Above 25 lakhs 1

The above table is self-explanatory. However the following observations can be made.

not have complete knowledge of mutual fund and they might be investing in various avenues according to the advices given by their brokers and agents.

Qualification Distribution: A minor portion of 6% of the respondents are high school pass out while maximum of them i.e. 46% are graduates while 29% and 19% of the respondents hold Postgraduate and Professional qualification respectively.

Occupation Distribution: 51% of the respondents are salaried employees which forms a majority. 33% are business persons 12% are practicing professionals (like Chartered Accountants, Architects, Lawyers etc.) while a minor portion of 4% of them are retired employees.

Income Distribution: Majority of the respondents i.e. 59% lie in the slab of annual income between Rs. 3-5 lakhs. 34% of the respondents have an income ranging from Rs. 5-15 lakhs, while a minor portion of 6% and 1% of the respondents have an annual income of Rs. 15-25 lakhs and above Rs. 25 lakhs respectively.

(ii) Preferred Investment Avenue by investors:

Ranking the Kind of investments preferred by the respondents.

Kind of Investments	No. of Respondents	Ranks
Savings A/c.	50	1
Mutual Fund	48	2
Gold/Silver	45	3
Shares/debentures	41	4
Fixed Deposit	40	5
Insurance	31	6
Real Estate	26	7
Post Office	24	8

(iii) Factor preferred most while making investment and Age of investors:

H0: Factor preferred the most while taking investment decision and age of the investor are independent of each other.

H1: Factor preferred the most while taking investment decision and age of the investor are dependent on each other.

		Factor Preferred Most				Total
		Liquidity	High Return	Low risk	company Reputation	
Age	Less than 30	11	21	12	8	52
	31-40	4	10	2	1	17
	41-50	4	4	4	2	14
	More than 50	3	6	7	1	17
Total		**22**	**41**	**25**	**12**	**100**

The investors who are of the age of less than 30 are more attracted by the high returns followed by low risk involved and then liquidity or company reputation. Investors in the age group of 31-40 years of age also give high preference to high return. On the other hand the investors between the age group of 41-50 are evenly distributed for factors like liquidity, high return and low risk. Investors above 50years of age prefer low risk more than any other factor.

Chi square calculated value is 7.1773 and tabulated value for the same is 16.91. as calculated value is less than tabulated value Ho is not rejected. (Fail to reject H0, thus there is no significant relationship between two variables.) .This means that age of the investor and the factor preferred the most by them are independent of each other.

Out of total sample of 100 investors, 75 investors are investing in to mutual funds.so further Analysis is done with sample of 75 investors.

(iv) Annual income of the respondent and % investment of mutual fund in total Investments.

H0: Annual income of the individual investor and annual investment in mutual fund are Independent of each other.

H1: Annual income of the individual investor and annual investment in mutual fund are Dependent on each other.

The respondents having an annual income of 3-5 lakhs usually prefer to invest less than Rs. 20000 or between 20000-50000 in mutual fund while investors with an annual income between 5-15 lakhs usually prefer to invest between 20000-50000. On the other hand investment of more than 100000 in mutual fund is made only by the investors having an annual income ranging between 5-15 lakhs.

Chi square calculated value is 8.5316 and tabulated value for the same is 12.592. as calculated value is less than tabulated value Ho is not rejected. (Fail to reject H0, thus there is no significant relationship between two variables.) Annual income of the individual investor and annual investment in mutual fund are Independent of each other.

		Annual Investment in Mutual Fund				Total
		Less than 20000	20000 - 50000	50000 - 100000	More than 100000	
Annual Income	3-5	19	19	5	0	43
	5-15	8	15	1	3	27
	15-25	2	2	1	0	5
Total		**29**	**36**	**7**	**3**	**75**

(v) Share of Mutual Funds in your total Investment:

H0: Share of mutual funds in the total investment and the income of the investors are independent of each other.

H1: Share of mutual funds in the total investment and the income of the investors are dependent on each other.

		% Investment of Mutual fund in total Investment			Total
		0% - 25%	25% - 50%	50% - 75%	
Annual	3 - 5	33	7	3	43
Income	5 - 15	18	7	2	27
	15 - 25	4	1	0	5
Total		**55**	**15**	**5**	**75**

The cross tabulation clearly states that no matter in which income slab the investor might lie, he would mostly prefer to invest 0-33% of his total investments in mutual funds. There are around 15 no of investors who would prefer 25-50% of their investments in mutual fund, while only 5 investors prefer 50-75% investments in mutual fund. This is the minimum. Moreover the above table also states that annual income does not have any impact on % investment of mutual fund out of total investment and a high income does not mean that his investment in mutual fund would also be high. Chi square calculated value is 1.3956 and tabulated value for the same is 9.488. as calculated value is less than tabulated value Ho is not rejected. (Fail to reject H0, thus there is no significant relationship between two variables.) .Share of mutual funds in the total investment and the income of the investors are independent of each other.

(vi) Qualification of the respondent and knowledge about mutual fund.

H0: Knowledge about mutual fund and the qualification of the investors are independent of each other.

H1: Knowledge about mutual fund and the qualification of the investors are dependent on each other.

Usually it is referred that the qualification of an individual would also affect his knowledge about various avenues for investment. So this chi-square test is

Qualification		Knowledge about mutual fund				Total
		Ignorant	Partial Knowledge	Aware of specific investment Scheme	Fully Aware	
	High School	0	0	2	1	3
	Graduate	5	8	16	2	31
	Post-Graduate	0	13	10	2	25
	Professional	0	1	13	2	16
Total		5	22	41	7	75

carried out to check whether does actually the qualification of an individual really affect his knowledge for mutual fund. The above cross tabulation shows those investors who are just high school pass out are mostly aware of the specific scheme in which they have invested. The graduates are either mostly partially aware of mutual fund or fully aware of the specific scheme. It can be clearly seen that whatever the qualification maybe the investors are on an average aware of the scheme in which they have invested and their qualification plays a little role to determine their knowledge about mutual funds.

Chi square calculated value is 20.9241 and tabulated value for the same is 16.919. as calculated value is more than tabulated value Ho is rejected. Thus there is significant relationship between two variables.. Knowledge about mutual fund and the qualification of the investors are dependent on each other.

As matrix is 4*4 Contingency Coefficient (C) is calculated for finding out correlation

$$C = \sqrt{\frac{\chi^2}{n + \chi^2}}$$

and its value is 0.4670 i.e. Qualification and knowledge about mutual funds have moderate correlation with each other.

(vii) Occupation of the respondent and the

		Feature that allures the most					Total
		Diversification	Better Return & Safety	Regular Income	Tax Benefit	Reduction In Risk & Transaction Cost	
Occupation	Professional	3	4	0	2	0	9
	Business	2	10	3	5	0	20
	Salaried	6	12	8	15	2	43
	Retired	0	1	1	1	0	3
Total		11	27	12	23	2	75

feature that allures him the most while investing in mutual fund.

H0: Occupation of individual investor and the feature that allures him the most are independent of each other.

H1: Occupation of individual investor and the feature that allures him the most are dependent on each other.

Chi square calculated value is 9.3070 and tabulated value for the same is 21.026. as calculated value is less than tabulated value Ho is not rejected. (Fail to reject H0, thus there is no significant relationship between two variables.). Occupation of individual investor and the feature that allures him the most are independent of each other

(viii) Preferred mode to receive the returns and frequency to receive the returns from a mutual fund scheme.

H0: Mode preferred to receive returns yearly and the type of Return expected by the investors is independent of each other.

H1: Mode preferred to receive returns yearly and the type of Return expected by the investors is dependent on each other.

Chi square calculated value is 13.3738 and tabulated value for the same is 12.592. As calculated value is more than tabulated value Ho is rejected. Thus there is significant relationship between two variables. Mode preferred to receive returns yearly and the type of Return expected by the investors is dependent on each other.

		Frequency to receive returns				Total
		Monthly	**Quarterly**	**Semi-Annually**	**Annually**	
Preferred mode to receive returns	Dividend payout	5	7	1	9	22
	Dividend Reinvestment	0	4	1	6	11
	Growth in NAV	2	9	13	18	42
Total		7	20	15	33	75

As matrix is 4*4, the relevant Contingency Coefficient is 0.3890 which shows moderate correlation between two variables.

(ix) Findings related to Schemes most preferred by the investors:

Investors mostly prefer equity schemes while making investment into mutual funds. Amongst equity schemes also equity tax savings (ELSS), Equity diversified scheme and Equity sectoral schemes are mostly preferred by the investors.

Based on this preference top 5 schemes are selected from each of this category and its Performance is measured on the basis of secondary data analysis and schemes are identified which have outperformed the market. The analysis is as follows.

Equity Tax Savings Scheme

Risk Analysis:

Scheme	Standard Deviation	Sharpe	Beta	Treynor	Correlation
Axis Long-term Equity Fund- Growth	2.07	0.04	0.77	0.10	0.46
BNP Paribas Tax Advantage Plan – Growth	3.36	0.05	0.80	0.21	0.78
Franklin India Tax shield – Growth	3.32	0.08	0.81	0.32	0.79
Canara Robeco Equity TaxSaver –Growth	3.03	0.18	0.81	0.65	0.66
Tata Tax Saving Fund	3.38	0.06	0.77	0.25	0.75

The Risk analysis of Equity Tax Planning top 5 schemes have a varying attributes such as Standard deviation, Sharpe, Beta, Treynor and Correlation which measures the schemes in terms of risk to the portfolio or the individual schemes. As per Sharpe and Treynor ratio Canara Robeco Equity TaxSaver - Growth is considered as a better scheme but with standard deviation, beta and correlation to also be considered then Axis Long Term Equity Fund - Growth is considered as a viable investment option.

Return Analysis

Scheme	1 month	3 months	6 months	1 year	3 year	5 year	Since inception
AxisLongTerm Equity Fund- Growth	-4.47	-8.64	-13.44	-13.96	NA	NA	5.14
BNP Paribas Tax Advantage Plan –Growth	-4.05	-8.13	-11.70	-14.16	18.76	-2.20	3.83
Franklin India Tax shield Growth	-3.88	-7.44	-12.01	-14.17	23.81	8.21	25.85
Canara Robeco Equity Tax saver –Growth	-2.81	-6.82	-13.11	-15.43	NA	NA	32.82
Tata Tax Saving Fund	-3.47	-7.05	-13.09	-17.18	20.92	3.63	17.66

For the return analysis of Equity Tax Planning top 5 schemes it can be seen that all the returns of 1 month, 3 months, 6 months and 1 year are having negative returns so here investor have to invest minimum for 3 years to get returns in positive value. The returns of such schemes since inception have shown a growth but on a fluctuating basis as the scheme Canara Robeco Equity Tax saver - Growth and Franklin India Tax shield - Growth which is ranked fourth and third respectively shows the highest return since inception of 32.82 and 25.85 while the schemes such as BNP Paribas Tax Advantage Plan - Growth and Axis Long Term Equity Fund - Growth which are ranked second and first respectively have the lowest growth amongst the top 5 schemes. So the investors who have invested in the schemes whose growth has been highest have benefited more than the investors who had invested in the first two schemes.

Equity Diversified Schemes:
Risk Analysis:

Scheme	Standard Deviation	Sharpe	Beta	Treynor	Correlation
Edelweiss Absolute Return Fund –Growth	0.69	-0.01	1.08	NA	0.62
UTI Wealth Builder Fund Series II Growth	2.48	0.14	0.62	0.57	0.52
SBI Magnum Sector Funds Umbrella Emerging Buss Fund –Growth	4.66	0.09	1.03	0.42	1.02
UTI Opportunities Fund Growth	3.25	0.10	0.76	0.43	0.74
Canara Robeco Large Cap Fund Growth	1.81	-0.09	0.63	-0.26	0.41

Amongst the top 5 schemes of Equity Diversified funds, it can be said that UTI Wealth Builder Fund - Series II - Growth is said to be the most advisable one irrespective of the ranking giving on the basis of NAV, so similarly Canara Robeco Large Cap+ Fund - Growth is said to be the least advisable to the investors. Hence these schemes are not having the same ranking as per the preference given on the basis of the risk analysis so it can be said that Standard Deviation, Sharpe, Beta, Treynor and Correlation are not the only measure of fund ranking analysis.

(table on next page)

Return Analysis:

The top 5 schemes of Equity Diversified funds are having negative returns for short term investments that include 1month, 3 months, 6 months and 1 year. But for the investors who wants to invest for a long term period they will be benefited with the positive return. Again the investors who have invested in these schemes since last 3 years have benefited more in comparison with the investors who have invested in such schemes since inception. So the most profitable period for investors to invest in the Equity Diversified schemes can be said is of last 3 years. Again as per the ranking

Scheme	1 month	3 months	6 months	1 year	3 year	5 year	Since inception
Edelweiss Absolute Return Fund –Growth	-0.09	-0.09	-2.18	-1.84	NA	NA	4.96
UTI Wealth Builder Fund Series II Growth	-2.84	-3.68	-4.75	-6.5	23.2	NA	23.23
SBI Magnum Sector Funds Umbrella Emer Buss Fund Growth	-6.4	-9.72	-9.00	-7.84	36.37	5.11	20.55
UTI Opportunities Fund Growth	-1.94	-3.84	-7.26	-11.05	27.98	12.62	15.47
Canara Robeco Large Cap Fund Growth	-2.41	-5.66	-11.31	11.90	NA	NA	-4.98

the most beneficial scheme is the Edelweiss Absolute Return Fund - Growth but if the return of the schemes are considered then UTI Wealth Builder Fund - Series II - Growth and SBI Magnum Sector Funds Umbrella - Emerging Buss Fund - Growth are more viable from the investment point of view.

Equity Sector Funds

Scheme	Standard Deviation	Sharpe	Beta	Treynor	Correlation
SBI Magnum Sector Fund Umbrella-Pharma–Growth	3.30	0.10	1.01	0.32	0.99
UTI MNC Fund – Growth	2.56	0.15	0.71	0.54	0.69
UTI Pharma And Healthcare Fund –Growth	2.44	0.12	0.78	0.39	0.76
Reliance Pharma Fund – Growth	3.13	0.18	0.91	0.62	0.88
Birla Sun Life MNC Fund Growth	2.79	0.15	0.74	0.55	0.72

In the top 5 schemes of Equity Sector funds for risk analysis all the measure have more or less the same result so there is hardly any difference in the preference of the schemes. Even though it can be said that UTI MNC Fund -Growth is a better scheme than the others as it has comparative low standard deviation and beta,

high Sharpe and Treynor. And SBI Magnum Sector Funds Umbrella - Pharma - Growth can be said to be least preferred from amongst Others in case of risk analysis of top 5 schemes of equity sector funds.

Return Analysis

Scheme	1 month	3 months	6 months	1 year	3 year	5 year	Since inception
SBI Magnum Sector Fund Umbrella-Pharma–Growth	-1.95	0.67	-6.13	-4.67	31.76	3.96	13.35
UTI MNC Fund – Growth	-3.59	-7.9	-9.31	-5.39	29.83	10.15	14.14
UTI Pharma And Healthcare Fund – Growth	-3.21	-2.39	-8.51	-9.04	27.99	11.33	12.16
Reliance Pharma Fund – Growth	-2.93	-5.65	-11.88	-10.56	38.27	20.32	24.11
Birla Sun Life MNC Fund Growth	-4.93	-8.05	-13.93	-12.83	30.09	8.65	18.05

The investment in the top 5 schemes of Equity Sector Funds advisable for a long term period as investment in short term period yields negative returns to the investor. So only those investors who are planning to retain the mutual fund investment as their asset for more than a year invest in such schemes. The growth in 3 years investment in higher than the growth in the 5 years investment and a balance growth between the two is for the investors who had invested in the Equity Sector Fund since inception. As per the ranking the SBI Magnum Sector Fund Umbrella-Pharma-Growth is the first ranked scheme to invest in but the scheme that has shown the highest growth in terms of return is the Reliance Pharma Fund - Growth scheme. Irrespective of the long term period of investment that is 3 years, 5 years or since inception the Reliance Pharma Fund - Growth have shown the highest growth in terms of return analysis to the investor. But other schemes in the Equity Sector Fund also have a good amount of return to the investor as all the schemes have more or less the similar return to the investors.

Suggestions

- One should diversify the investments between a few funds (the actual number depends entirely on the amount of investment). This strategy ensures that the portfolio is not dependent on the performance of one single fund. However, one needs to avoid over-diversification as that would achieve nothing.
- Investor can also plan like one mutual fund of diversified equity plan, second mutual fund of balanced type and third one you can plan of debt type etc. In this manner the money will get diversified, risk is reduced and the investor will get excellent profit. For Example: Rs 20,000 per month, it would be wise to opt for a maximum of three funds. Consider well rated large-cap funds, mid-cap funds and a balanced fund. The latter would provide the debt component and reduce the portfolio's downside risk.
- Don't just judge a fund by its NAV only.
- Never judge a fund on the basis of its NAV. Also

have a look at the Standard Deviation, Sharpe ratio, Treynor Ratio, Beta, Correlation, P/E Ratio, P/B Ratio and Expense Ratio & also its performance in the bear and the bull phase, and then invest in it. Only judging a fund by its NAV, is irrelevant while selecting the fund as it is the percentage gain or loss that matters.

- Also look for past returns, dividend etc. the mutual fund has declared. If the investor has chosen equity or stock market related mutual fund, then he may go for SIP (Systematic Investment Plan) method. A risk adverse investor should avoid investing in the Sectoral funds.
- AMC's use NFOs to create excitement and push their funds. These schemes are launched because they are easy avenues to capture management fees and increase the fund house's asset base. These schemes are usually just clones of existing schemes, but with new peppy names flaunted to attract investors.
- It is important for investors to understand that NFOs are merely marketing devices. There are a number of existing funds that have proved their mettle and investors should opt for them because they have a track record

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