



BIJU PATNAIK INSTITUTE OF INFORMATION TECHNOLOGY & MANAGEMENT STUDIES (BIITM), BHUBANESWAR

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SUMMER INTERNSHIP PROJECT 2024

REPORT TITLE

Impact of global economic events on mutual fund performance

SUBMITTED BY

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MBA Batch: 2023-25

University Regn. No.: 2306258044

FACULTY GUIDE

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EXTERNAL GUIDE

Kumaresh Beura
(Branch head)
Bhubaneswar

**Aditya Birla Sun Life
Mutual Fund**




To whomsoever It May Concern

Ref: Certificate on Completion of "Internship in Sales & Marketing"

This is to certify that **Biswajeet Lenka** has successfully completed his internship in "Sales & Marketing" with Aditya Birla Sun Life AMC Ltd from **01st June, 2024 to 15th July, 2024**.

We would take this opportunity to wish all the best for their future endeavors.

Sincerely,
Aditya Birla Sun Life AMC Ltd.


Kumaresh Beura
Branch Head-Bhubaneswar



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CERTIFICATE OF INTERNAL GUIDE

This is to certify that Mr. Biswajeet Lenka bearing university registration no.2306258001 of 2023-25 batch, has completed his/her summer internship at Aditya Birla Capital

from 01-06-2024 to 15-07-2024 under the supervision of Mr. Kumaresh Beura (corporate guide) and has submitted this project report under my guidance in partial fulfilment of the requirements for award of the degree of Master of Business Administration at Biju Patnaik Institute of Information Technology and Management Studies, Bhubaneswar. To the best of my knowledge and belief, this project report has been prepared by the student and has not been submitted to any other institute or university for the award of any degree or diploma .

Date:

Signature of the Internal Guide

Place: Bhubaneswar

Name : Dr.Debabrata sharma

Designation: Assistant Professor(Finance)

DECLARATION

I, Mr. Biswajeet Lenka Bearing university registration no.2306258001 (2023-25batch), hereby declare that the project report title **Impact of global economic eventon mutual fund performance** is based on my internship at Aditya Birla Capital, during the period 01 – 06 - 2024 to 15 – 07 – 2024 and is an original work done by Me under the supervision of Mr. Kumaresh Beura(Corporate Guide) Dr. BR Mohanty (Internal Guide)

This report is being submitted to Biju Patnaik Institute Of Information Technology and Management Studies , Bhubaneswar , affiliated to Biju Patnaik University Of Technology , Odisha , in partial fulfillment of the requirements for the award of the degree of Master Of Business Administration . This Report has not been submitted into other institute / university for the award of any degree or diploma .

Date:

Place: Bhubaneswar

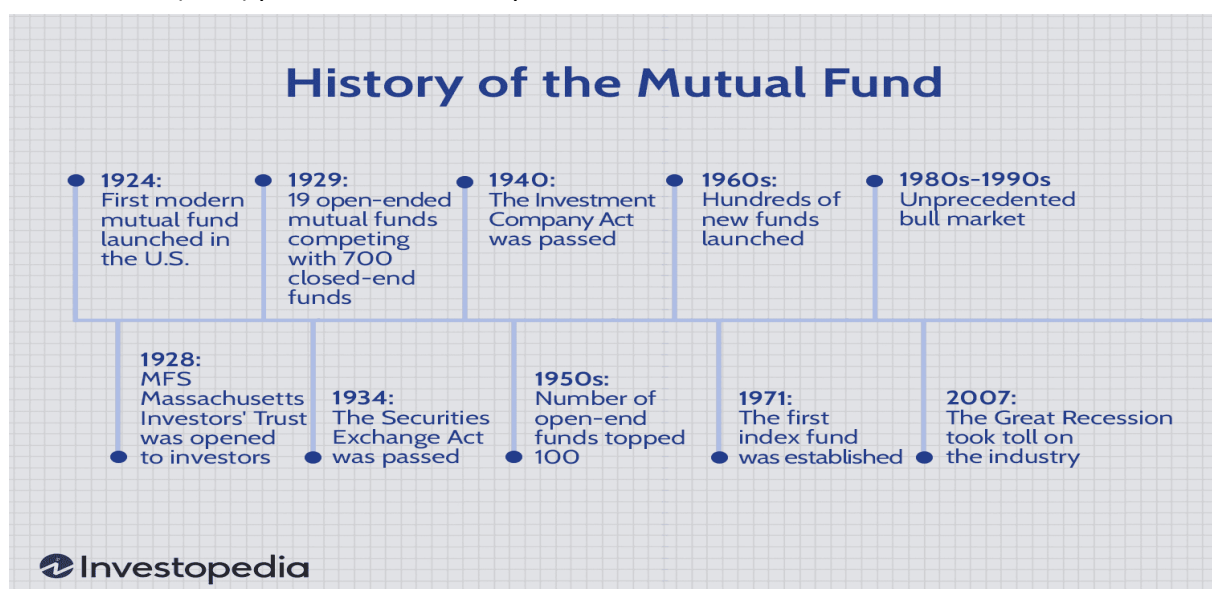
Signature

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INTRODUCTION

The financial system is a set of institutional arrangements through which financial surpluses available in the economy are mobilized. A financial system, which is inherently strong, functionally diverse and displays efficiency and flexibility, is critical in creating a market driven, productive and competitive economy. The financial sector reforms in India in the early nineties has resulted in explosive growth of the economy, opening up of the Indian financial market to foreign and private Indian players, large inflow of Foreign Ninth AIMS International Conference on Management Institutional Investors, increased competition and better product offerings to consumers. One of the major developments of this decade has been the take-off of mutual funds. Mutual funds have emerged as a strong financial intermediary and are the fastest growing segment of the financial services sector in India. It aims at promoting a diversified, efficient and competitive financial sector increasing the return on investment and promoting and accelerating the growth of the economy. It is a medium of investment suitable to the small investors, who are not able to invest in stock market directly. Mutual funds now play a very significant role in channelizing the savings of millions of individuals. The mutual fund industry in India over the years has seen dramatic improvements in terms of quantity as well as quality of product and service offerings in recent years. The tremendous growth of Indian Mutual Funds industry is an indicator of India's efficient financial market and the trust which investors have on the regulatory Environment. The Securities Exchange Board of India (SEBI) regulates this fast growing industry and it is there preventative body of all mutual funds in the country. Every mutual fund has a goal - either growing its assets (capital gains) and/or generating income (dividends) for its investors. Distribution in the form of capital gains (short-term and long-term) and dividends may be passed on (paid) to the shareholders as income or reinvested to purchase more shares. A mutual fund is valued daily and reports a price known as a Net Asset Value (NAV) per share. In its simplest form, a NAV is the total value of all the securities



held in a fund divided by the total number of shares owned by its shareholders. As the price of the NAV increases or decreases, the shareholder's value will increase or decrease.

Types of Investment in Mutual Funds:

- **Systematic investment plan**
- **Lump sum payment**

A lump sum investment is when the depositor invests a significant sum of money on a particular mutual fund scheme. Lump sum investments are particularly preferred by a majority of investors, as there are lesser variables involved and returns are generally on the higher side.

➤ Types of return for a lump sum investment:

- Absolute return
- Total return
- Annualised return
- Point to point return
- Trailing return
- Rolling return

❖ Here are some benefits of lump sum investment:

- **One-Time Investment** Lump sum investment is a one-time investment in a particular scheme/plan for a specific duration. It is generally chosen by individuals who have a large amount of money handy for making investments.
- **Convenience** Individuals who want to invest a big sum of money can often find it more convenient to make lump sum investments.
- **Compounding Benefits** The power of compounding can help you gain profits on the interest you receive on your investment for financial instruments such as fixed deposit

Scope of the study:-

The scope of this report encompasses an in-dept analysis of comparing mutual funds with other alternative investments available also comparison of organization funds with competitors funds.

OBJECTIVE OF THE STUDY

To examine and quantify the impact of significant global economic events on the performance of mutual funds, with a focus on identifying key patterns, vulnerabilities, and potential strategies for investors and fund managers to mitigate risks and capitalize on opportunities.

Specific Objectives:

- **To identify and analyze the most influential global economic events that have historically impacted mutual fund performance.**
- **To assess the differential impact of these events on various types of mutual funds (equity, debt, hybrid, etc.).**
- **To measure the magnitude and speed of reaction of mutual fund performance to global economic shocks.**
- **To evaluate the effectiveness of different risk management strategies employed by mutual fund managers during periods of economic turmoil.**
- **To develop a framework for predicting potential impacts of future global economic events on mutual fund performance.**

By achieving these objectives, the study aims to provide valuable insights for investors, fund managers, and policymakers in understanding the complex interplay between global economic trends and mutual fund returns.

Limitations:-

1. Data Availability: Limited access to proprietary or detailed performance data for Aditya Birla's alternative investments may restrict the depth of analysis.
2. Market Volatility: The study's findings may be influenced by short-term market fluctuations, potentially skewing the comparison.
3. Scope of Alternatives: The study focuses on specific alternative investments, which may not represent the full spectrum available in the market.
4. Investor Behavior: Behavioral analysis is based on available data and surveys, which may not fully capture investor sentiment.
5. Time Constraints: The study's timeframe may limit the ability to assess long-term performance and trends.

METHODOLOGY:-

This research is based on secondary data. The objective of this research is to analyze and compare the performance of mutual funds with various alternative investments, such as hedge funds, private equity, real estate, and commodities. The study primarily focuses on assessing the risk-return profiles, diversification benefits, and overall portfolio performance of these investment vehicles. The analysis is based on secondary data gathered from reputable financial databases and academic journals.

Mutual Funds

Mutual funds have long been a popular investment vehicle due to their diversified nature, professional management, and liquidity. Numerous studies have examined the performance of mutual funds relative to market benchmarks. For instance, Jensen (1968) introduced the concept of "Jensen's Alpha" to evaluate mutual fund performance, providing a measure of risk-adjusted returns. Later research by Fama and French (1993) expanded on this by introducing the three-factor model, which takes into account market risk, size, and value factors. Despite the widespread use of mutual funds, critics argue that active management often fails to outperform passive benchmarks, especially after accounting for fees (Malkiel, 2003).

Alternative Investments

Alternative investments, including hedge funds, private equity, real estate, and commodities, have gained traction as investors seek higher returns and portfolio diversification. According to a study by Liang (1999), hedge funds tend to provide higher returns compared to mutual funds, but they also come with higher risk and less liquidity. Private equity, on the other hand, offers the potential for significant returns, albeit with a longer investment horizon and higher illiquidity (Kaplan & Schoar, 2005).

Real estate investments, particularly through Real Estate Investment Trusts (REITs), provide diversification benefits and serve as a hedge against inflation (Gyourko & Keim, 1992). Commodities, especially gold, have been studied for their role in portfolio diversification, acting as a safe haven during market downturns (Baur & Lucey, 2010).

Comparative Analysis

The comparative analysis between mutual funds and alternative investments reveals key differences in their risk-return profiles and suitability for different types of investors. Mutual funds offer ease of access, transparency, and liquidity, making them suitable for retail investors. However, the potential for higher returns in alternative investments, despite their higher risk and illiquidity, attracts institutional investors and high-net-worth individuals.

Empirical studies, such as those by Kuenzi and Stivers (2008), have shown that adding alternative investments to a traditional mutual fund portfolio can enhance diversification and improve overall portfolio performance. However, the benefits are highly dependent on the specific type of alternative investment and the investor's risk tolerance.

LITERATURE REVIEW :-

1. **Dr. Sandeep Bansal, Deepak Garg and Sanjeev K Saini (2012)**, have studied Impact of Sharpe Ratio & Treynor's Ratio on Selected Mutual Fund Schemes. This paper examines the performance of selected mutual fund schemes, that the risk profile of the aggregate mutual fund universe can be accurately compared by a simple market index that offers comparative monthly liquidity, returns, systematic & unsystematic risk and complete fund analysis by using the special reference of Sharpe ratio and Treynor's ratio.
2. **Dr. K. Veeraiah and Dr. A. Kishore Kumar (Jan 2014)**, conducted a research on Comparative Performance Analysis of Select Indian Mutual Fund Schemes. This study analyzes the performance of Indian owned mutual funds and compares their performance. The performance of these funds was analyzed using a five year NAVs and portfolio allocation. Findings of the study reveals that, mutual funds out perform naïve investment. Mutual funds as a medium-to-long term investment option are preferred as a suitable investment option by investors.
3. **Dr. Yogesh Kumar Mehta (Feb 2012)**, has studied Emerging Scenario of Mutual Funds in India: An Analytical Study of Tax Funds. The present study is based on selected equity funds of public sector and private sector mutual fund. Corporate and Institutions who form only 1.16% of the total number of investors accounts in the MFs industry, contribute a sizeable amount of Rs. 2,87,108.01 crore which is 56.55% of the total net assets in the MF industry. It is also found that MFs did not prefer debt segment.
4. **Dr Surender Kumar Gupta and Dr. Sandeep Bansal (Jul 2012)**, have done a Comparative Study on Debt Scheme of Mutual Fund of Reliance and Birla Sunlife. This study provides an overview of the performance of debt scheme of mutual fund of Reliance, and Birla Sunlife with the help of Sharpe Index after calculating Net Asset Values and Standard Deviation. This study reveals that returns on Debt Schemes are close to Benchmark return (Crisil Composite Debt Fund Index: 4.34%) and Risk Free Return: 6% (average adjusted for last five year).
5. **Prof. V. Vanaja and Dr. R. Karrupasamy (2013)**, have done a Study on the Performance of select Private Sector Balanced Category Mutual Fund Schemes in India. This study of performance evaluation would help the investors to choose the best schemes available and will also help the AUM's in better portfolio construction and can rectify the problems of underperforming schemes. The objective of the study is to evaluate the performance of select Private sector balanced schemes on the basis of returns and comparison with their bench marks and also to appraise the performance of different category of funds using risk adjusted measures as suggested by Sharpe, Treynor and Jensen.

6. **E. Priyadarshini and Dr. A. Chandra Babu (2011)**, have done Prediction of The Net Asset Values of Indian Mutual Funds Using Auto- Regressive Integrated Moving Average (Arima). In this paper, some of the mutual funds in India had been modeled using Box-Jenkins autoregressive integrated moving average (ARIMA) methodology. Validity of the models was tested using standard statistical techniques and the future NAV values of the mutual funds have been forecasted.
7. **Dr. Ranjit Singh, Dr. Anurag Singh and Dr. H. Ramananda Singh (August 2011)**, have done research on Positioning of Mutual Funds among Small Town and Sub-Urban Investors. In the recent past the significant proportion of the investment of the urban investor is being attracted by the mutual funds. This has led to the saturation of the market in the urban areas. In order to increase their investor base, the mutual fund companies are exploring the opportunities in the small towns and sub-urban areas. But marketing the mutual funds in these areas requires the positioning of the products in the minds of the investors in a different way. The product has to be acceptable to the investors, it should be affordable to the investors, it should be made available to them and at the same time the investors should be aware of it. The present paper deals with all these issues. It measures the degree of influence on acceptability, affordability, availability and awareness among the small town and sub-urban investors on their investment decisions.

CHAPTER 2

COMPANY PROFILE AND INDUSTRY ANALYSIS -



ADITYA BIRLA GROUP

❖ ADITYA BIRLA GROUP

The **Aditya Birla Group** is one of India's largest and most influential multinational conglomerates. Founded by Seth Shiv Narayan Birla in 1857, the group has grown from its roots in the Indian cotton trade to become a global powerhouse with diverse business interests spanning over 36 countries. Headquartered in Mumbai, India, the Aditya Birla Group operates in sectors such as metals, cement, textiles, carbon black, telecommunication, financial services, and retail. The group's flagship companies include Hindalco, Grasim Industries, UltraTech Cement, Aditya Birla Capital, and Aditya Birla Fashion and Retail. Hindalco Industries is a prominent player in the aluminium and copper industries, recognized as one of the world's largest aluminium rolling companies and a significant copper producer. UltraTech Cement is the largest manufacturer of grey cement, ready-mix concrete (RMC), and white cement in India, emphasizing the group's strength in the building materials sector.

The Aditya Birla Group has a rich legacy of industrial prowess combined with a forward-thinking approach. Under the visionary leadership of Kumar Mangalam Birla, who took over as chairman in 1995, the group has pursued aggressive expansion and diversification strategies. This has included substantial investments in overseas acquisitions, making it a truly global entity. Notable acquisitions include the purchase of Novelis Inc., an Atlanta-based aluminium company, which positioned Hindalco as a leading player in the global aluminium market. Similarly, the group's telecommunications venture, Vodafone Idea Ltd, formed through a merger of Idea Cellular with Vodafone India, highlights its strategic moves in the rapidly evolving telecom sector, despite facing significant challenges in recent years.

Sustainability and corporate responsibility are integral to the Aditya Birla Group's operations. The group is committed to reducing its environmental footprint and enhancing community development through various initiatives. Its focus on renewable energy, efficient resource utilization, and sustainable practices across its businesses underscores its dedication to environmental stewardship. Additionally, the group runs extensive social programs in the fields of education, healthcare, and rural development, aiming to uplift the communities in which it operates. These initiatives have earned the Aditya Birla Group numerous accolades, reflecting its commitment to ethical business practices and social responsibility.

Innovation and excellence are at the heart of the Aditya Birla Group's ethos. The group continuously invests in research and development to stay ahead of industry trends and meet the evolving needs of its global customer base. Its emphasis on innovation is evident in its adoption of cutting-edge technologies and processes across its various businesses. For example, in the textile sector, Aditya Birla Fashion and Retail Ltd. integrates advanced technologies to enhance product quality and customer experience, while also focusing on sustainable fashion.

In summary, the Aditya Birla Group exemplifies a blend of tradition and modernity, leveraging its historical strengths while embracing contemporary challenges and opportunities. With a robust portfolio and a commitment to sustainable growth, the group continues to be a formidable force in the global business landscape. Its relentless pursuit of excellence, strategic vision, and dedication to societal betterment underscore its position as a leading conglomerate, poised for continued success and impact on a global scale.



ADITYA BIRLA CAPITAL

❖ ADITYA BIRLA CAPITAL

Aditya Birla Capital Limited (ABCL) is a significant arm of the Aditya Birla Group, serving as the conglomerate's financial services business. Established as a comprehensive financial solutions provider, ABCL operates across a wide spectrum of services, including life insurance, asset management, lending, housing finance, wealth management, and general insurance broking. Headquartered in Mumbai, India, ABCL's primary aim is to cater to the diverse financial needs of individuals and businesses, leveraging the extensive network and resources of the Aditya Birla Group. The company is renowned for its robust and diversified portfolio, making it a prominent player in India's financial services sector.

ABCL's life insurance business, operated under Aditya Birla Sun Life Insurance, is a joint venture with Sun Life Financial of Canada. It offers a range of life insurance products to cater to various customer needs, including term plans, savings plans, and retirement plans. The asset management wing, Aditya Birla Sun Life AMC, is one of India's largest asset management companies, providing a wide array of mutual fund schemes and portfolio management services. With a focus on delivering consistent returns, the AMC has built a strong reputation for managing investor assets prudently and efficiently.

The lending business of ABCL is another crucial component, encompassing retail, SME, and corporate lending. Through its non-banking financial company (NBFC) Aditya Birla Finance

Limited, the company provides a range of lending solutions such as personal loans, business loans, mortgage loans, and project finance. Additionally, Aditya Birla Housing Finance Limited offers home loans, loans against property, and construction finance, contributing significantly to the group's financial services portfolio. These lending services are tailored to meet the varied requirements of customers, ensuring access to credit for a wide demographic.

Wealth management is a critical area for ABCL, addressed through Aditya Birla Capital Wealth Management. This segment offers comprehensive wealth management solutions, including financial planning, investment advisory, and estate planning, aimed at helping clients achieve their financial goals. The company employs a customer-centric approach, ensuring personalized services that cater to the unique financial objectives of each client. The focus on customer satisfaction and long-term relationship building has established ABCL as a trusted partner for wealth management.

General insurance broking is another vital service offered by ABCL through Aditya Birla Insurance Brokers Limited. This subsidiary provides a range of insurance solutions, including health, motor, and commercial insurance products. The broking services ensure that customers receive the best insurance coverage tailored to their needs, coupled with expert advice and support.

ABCL is also committed to leveraging technology to enhance its service offerings. By integrating digital platforms and innovative solutions, the company aims to provide seamless and efficient services to its customers. The adoption of digital tools has enabled ABCL to expand its reach, improve customer engagement, and streamline operations, making financial services more accessible and user-friendly.

In summary, Aditya Birla Capital Limited stands out as a comprehensive financial services provider, committed to addressing the diverse financial needs of its customers. Through its wide range of services, from life insurance and asset management to lending, wealth management, and insurance broking, ABCL plays a pivotal role in the financial services landscape of India. Its focus on innovation, customer satisfaction, and sustainable growth underscores its position as a leading financial solutions provider, well-equipped to navigate the evolving financial ecosystem and contribute to the economic development of the country.



ADITYA BIRLA CAPITAL

Mutual Funds

Aditya Birla Sun Life Mutual Fund

❖ **ADITYA BIRLA CAPITAL SUN LIFE INSURANCE -**

Aditya Birla Sun Life Asset Management Company (ABSLAMC) is a prominent player in India's financial landscape, operating as a joint venture between the Aditya Birla Group and Sun Life Financial Inc. of Canada. Established in 1994, ABSLAMC has grown to become one of the largest and most respected asset management companies in India. Headquartered in Mumbai, it manages assets across various mutual fund schemes, catering to a diverse clientele that includes individual investors, corporate clients, and institutional investors. The company's mission is to provide innovative and customer-centric investment solutions that help clients achieve their financial goals while maintaining a strong commitment to ethical business practices and regulatory compliance.

One of the key strengths of ABSLAMC lies in its comprehensive range of mutual fund offerings. The company manages a diverse portfolio of equity, debt, hybrid, and thematic funds designed to meet the varied investment needs of its clients. Equity funds aim to provide long-term capital growth by investing in stocks of companies with strong growth potential. Debt funds focus on generating regular income through investments in government securities, corporate bonds, and other fixed-income instruments. Hybrid funds combine elements of both equity and debt to offer a balanced approach to investment. Thematic funds, on the other hand, target specific sectors or themes, such as technology or healthcare, allowing investors to capitalize on particular market trends.

ABSLAMC's commitment to research and analysis is a cornerstone of its investment philosophy. The company's team of experienced fund managers and analysts conducts rigorous research to identify investment opportunities and manage risks effectively. By leveraging in-depth market insights and employing a disciplined investment process, ABSLAMC aims to deliver consistent and competitive returns to its investors. This focus on research and disciplined investing has earned the company a strong reputation for performance and reliability.

In addition to its mutual fund offerings, ABSLAMC provides a range of portfolio management services (PMS) and alternative investment funds (AIFs). The PMS offerings cater to high-net-worth individuals and institutional clients who seek personalized investment solutions tailored to their specific financial objectives. AIFs, meanwhile, offer investment opportunities in non-traditional assets such as private equity, real estate, and hedge funds, providing diversification benefits and potentially higher returns.

ABSLAMC's emphasis on investor education and financial literacy is another aspect that sets it apart. The company conducts various initiatives and programs to educate investors about the importance of financial planning and informed investment decisions. Through seminars, workshops, and digital platforms, ABSLAMC empowers investors with the knowledge and tools they need to make sound financial choices and achieve their long-term financial goals.

Sustainability and responsible investing are also integral to ABSLAMC's operations. The company is committed to incorporating environmental, social, and governance (ESG) factors into its investment process, recognizing the impact of these factors on long-term value creation.

CHAPTER 3

COMPETITOR ANALYSIS

COMPETITOR ANALYSIS

The top competitors of Aditya Birla Sun Life AMC include SBI Mutual Fund, ICICI Prudential Asset Management Company, HDFC Mutual Fund, Mahindra Manulife and IIFL Mutual Fund. Aditya Birla Sun Life AMC has 54 active competitors.

Here is a list of the top 10 competitors of Aditya Birla Sun Life AMC:

1. SBI Mutual Fund
2. ICICI Prudential Asset Management Company
3. HDFC Mutual Fund
4. UTI Mutual Fund
5. IIFL Mutual Fund
6. Tata Mutual Fund
7. Franklin Templeton India
8. Baroda BNP Paribas Mutual Fund
9. DSP Mutual Fund
10. Invesco Mutual Fund

Out of all the competitors, detailed comparison is done between Aditya Birla Sun Life AMC and UTI Mutual Fund to give a clear understanding about both the funds

➤ UTI MUTUAL FUND :

- UTI Asset Management Co. Ltd. (UTI AMC) is a professionally managed company led by its proficient Board of Directors having expertise in diverse fields and a dedicated management team having requisite talent and experience
- UTI AMC has been managing assets across different businesses. These include domestic Mutual Fund, Portfolio Management Services, International business, Retirement Solutions, and Alternate Investment assets.
- UTI Mutual Fund has a long & distinguished pedigree, along with a nationwide distribution network spread across the length and breadth of the country.
- UTI Mutual Fund has a competent and professional fund management team to take care of the investments and a strong in-house research team to track, research and evaluate macro-economic indicators, capital markets & financial sectors. It has appropriate & robust risk management processes and follows a five layered investment management structure viz. Advisory, Decision Making, Execution, Fund Accounting and Control.

➤ **Some of the schemes offered by UTI Mutual Fund are:**

➤ **UTI Nifty Next 50 Exchange Traded Fund:**

UTI Nifty Next 50 ETF is an open ended scheme replicating / tracking Nifty Next 50 Index. It is an exchange traded fund, i.e. units of UTI Nifty Next 50 ETF are tradable on the NSE and BSE. It is predominantly large cap scheme with a potential to generate mid cap like returns. Historically, many stocks have first become part of Nifty Next 50 Index, grown here and then became part of Nifty 50 Index. Generally these stocks are more volatile in nature than stocks in Nifty 50 Index and thus has potential to generate mid cap like returns.

➤ **UTI Corporate Bond Fund:**

UTI Corporate Bond fund is an open ended debt scheme predominantly investing in AAA and AA+ rated corporate bonds. UTI Corporate Bond Fund would invest high credit quality instruments (min. 80% investment in AAA & AA+ rated instruments). The fund aims to generate reasonable income and capital appreciation by investing in debt instruments with shorter maturity (1 to 3 years)

➤ **UTI Arbitrage Fund:**

Arbitrage funds work on the mispricing opportunities of equity shares in the spot and futures market. Funds aim to take advantage of the price differences between current and future securities to maximise return outcome. The fund manager simultaneously buys shares in the cash market and sells it in futures or derivatives markets. The difference in the cost price and the selling price is the return potential. UTI Arbitrage Fund is an equity-oriented fund under a hybrid category that invests simultaneously in the equity instrument in two different markets (cash and futures) to generate returns. The minimum exposure to equity in UTI Arbitrage Fund is 65% of the total asset while the balanced portion is invested into debt segment.

➤ **UTI Balanced Advantage Fund:**

The scheme intends to provide long-term capital appreciation and income by investing in a dynamically managed portfolio of equity and debt instruments.

➤ **UTI Banking and Financial Services Fund:**

Banking and Financial Services Funds are a type of equity funds that predominantly invest in companies that cater to the banking and financial sector. The sector comprises of universal banks, small finance banks, insurance companies, non-banking financial companies, HFCs,

cooperatives, pension funds, mutual funds and other smaller financial entities. Banking and Financial Services Funds are a type of equity funds that predominantly invest in companies that cater to the banking and financial sector. The sector comprises of universal banks, small finance banks, insurance companies, non-banking financial companies, HFCs, cooperatives, pension funds, mutual funds and other smaller financial entities.

➤ **UTI Banking and PSU Debt Fund:**

The investment objective of the scheme is to generate reasonable income, with low risk and high level of liquidity from a portfolio of predominantly debt & money market securities by Banks, Public Sector Undertakings (PSUs), Public Financial Institutions (PFIs) and Municipal Bonds. However there can be no assurance that the investment objective of the Scheme will be achieved. The Scheme does not guarantee / indicate any returns. The scheme seeks to generate steady and reasonable income, with low risk and high level of liquidity from a portfolio of predominantly debt & money market securities by Banks and Public Sector Undertakings (PSUs).

Category Debt : Banking and PSU

Benchmark CRISIL Banking and PSU Debt Index

Asset Under Management 959.55 Cr

Expense Ratio 0.57 %

Fund Name	Benchmark	5 yr return	Benchmark return	3 yr return	Benchmark return
Quantum Long-Term Equity Fund	Sensex	11.92%	3.78%	28.38%	14.78%
HDFC Equity	CNX 500	11.10%	3.91%	26.49%	15.52%
ICICI Prudential Focused Bluechip Equity Fund	Nifty	NA	NA	23.20%	14.24%
HDFC Top 200	BSE 200	11.82%	4.60%	22.60%	16.42%
Franklin India Bluechip Fund - Growth	Sensex	9.11%	3.78%	20.61%	14.78%
Birla Sun Life Frontline Equity Fund - Growth	BSE 200	9.22%	4.60%	19.84%	16.42%
DSP BlackRock Top 100 Equity Fund	BSE 100	10.40%	4.62%	19.47%	15.65%

❖ Comparison between Aditya birla sun life growth fund and UTI growth fund

UTI vs Aditya Birla Sun Life MNC Fund compare

Compare Mutual Funds

Share Comparison ↗



Aditya Birla Sun Life MNC Fund - Growth - Regular Plan

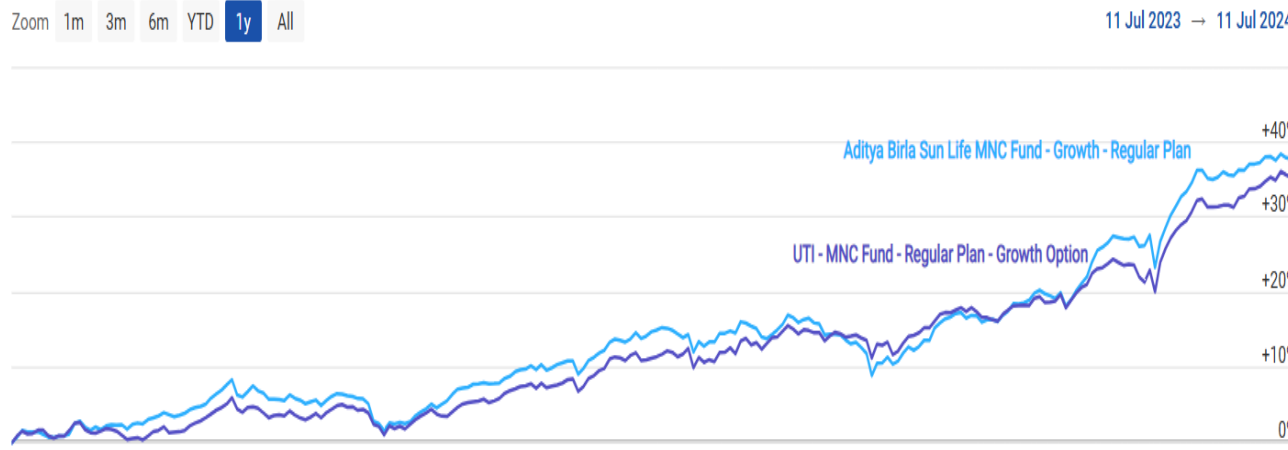
Invest Now



UTI - MNC Fund - Regular Plan - Growth Option

Invest Now

Chart Comparison



❖ **Comparison between Aditya birla sun life frontline equity fund and SBI blue chip fund**

Parameters		Aditya Birla Sun Life Frontline Equity Fund	SBI Bluechip Fund
		Growth	Growth
		<u>Fund Details</u>	<u>Fund Details</u>
Basics	NAV	₹510.1 ↑ 2.09 (0.41 %)	₹89.22 ↑ 0.31 (0.35 %)
	Net Assets (Cr)	₹27,275 on 31 May 24	₹46,085 on 31 May 24
	Launch Date	30 Aug 02	14 Feb 06
	Rating	☆☆☆☆	☆☆☆☆
	Category	Equity	Equity
	Sub Cat.	Large Cap	Large Cap
	Category Rank	14	9
	Risk	Moderately High	Moderately High
	Expense Ratio	1.73	1.64
	Sharpe Ratio	1.96	1.44
	Information Ratio	0.18	-0.4
	Alpha Ratio	1.94	-1.91
	Benchmark	Not Available	Not Available
	Exit Load	0-365 Days (1%),365 Days and above(NIL)	0-1 Years (1%),1 Years and above(NIL)

CHAPTER 4

CUSTOMER ANALYSIS

CUSTOMER ANALYSIS

Customer analysis of Aditya Birla Asset Management Company involves understanding the various customer segments they cater to. Aditya Birla Asset Management Company serves a diverse range of customers, and customer segmentation is crucial for tailoring products and services to meet the unique needs and preferences of each segment. Here's an overview of customer segmentation for Aditya Birla Asset Management Company:

- 1. Retail Investors:** These are individual investors who invest in mutual funds for personal financial goals. Aditya Birla AMC offers a wide range of mutual fund schemes, including equity, debt, hybrid, and tax-saving funds, to cater to the diverse needs and risk profiles of retail investors.
- 2. High Net Worth Individuals (HNIs):** Aditya Birla AMC provides specialized wealth management and investment solutions for HNIs. These individuals typically have substantial assets to invest and require personalized advisory services to optimize their portfolios.
- 3. Institutional Investors:** Institutional investors, such as banks, insurance companies, pension funds, and corporate treasuries, seek Aditya Birla AMC's expertise in managing their investments. The company offers customized investment solutions and strategies to meet their specific goals and risk profiles.
- 4. Corporates and Employers:** Aditya Birla AMC also caters to corporate clients and employers who offer mutual fund investment options to their employees as part of their benefits package. This includes corporate retirement plans like Employee Provident Fund (EPF) or Employee Pension Scheme (EPS).
- 5. Non-Resident Indians (NRIs):** Aditya Birla AMC provides investment opportunities and advisory services for NRIs looking to invest in Indian mutual funds, ensuring compliance with Indian regulations and taxation.
- 6. Financial Advisors and Distributors:** The company collaborates with financial advisors, independent financial planners, and distributors who recommend and distribute Aditya Birla's mutual fund products to end investors. They play a crucial role in extending the company's reach to retail investors.
- 7. Online and Tech-Savvy Investors:** Aditya Birla AMC offers online platforms and mobile apps to cater to customers who prefer digital and tech-savvy investment options. These investors value convenience, accessibility, and real-time updates.
- 8. First-Time Investors:** Aditya Birla AMC targets first-time investors by simplifying investment processes, providing educational resources, and offering low-cost options to encourage them to start their investment journey.

9. Long-Term and Short-Term Investors: The company tailors its products and services to investors with varying investment horizons, whether they are looking for long-term wealth creation or short-term gains.

10. Ethical and Sustainable Investors: Aditya Birla AMC offers socially responsible investment options for customers who prioritize ethical and sustainable investing, aligning their investments with their values.

Customer segmentation allows Aditya Birla Asset Management Company to design products and services that meet the unique needs and preferences of each customer group. By understanding the diverse customer base, the company can provide personalized investment solutions, customer support, and advisory services to help clients achieve their financial goals.

FACTS AND FINDINGS

In this project report one can analyse how these factors align with the retail investors mindset that illustrate how SIPs have been beneficial to small investors in achieving their financial goals. Additionally, consider the cultural and socio-economic aspects that influence investment decisions in India. Certainly, here are some facts and findings focusing on the objective of comparison between lumpsum and SIP with reference to the comparison between Aditya Birla Sun Life Asset Management Company and UTI Banking and PSU fund:

Comparison between Aditya Birla Sun Life Asset Management Company and UTI Banking and PSU fund

Large Cap - Aditya Birla Sun Life Growth Fund has a 10-year return of 17.34%, while UTI Large Cap Equity Fund has a 10-year return of 15.83%.

Mid Cap - Aditya Birla Sun Life Midcap Fund has a 10-year return of 19.82%, while UTI Mid Cap Equity Fund has a 10-year return of 18.12%.

Small Cap - Aditya Birla Sun Life Small Cap Fund has a 10-year return of 21.19%, while UTI Small Cap Equity Fund has a 10-year return of 19.52%.

Diversified Equity - Aditya Birla Sun Life Balanced Advantage Fund has a 10-year return of 14.23%, while UTI Balanced Fund has a 10-year return of 13.42%.

Flexi Cap - Aditya Birla Sun Life Flexi Cap Fund has a 10-year return of 16.42%, while UTI Flexi Cap Fund has a 10-year return of 14.23%.

Debt - Aditya Birla Sun Life Ultra Short Duration Fund has a 10-year return 9.23%, while UTI Short Duration Fund has a 10-year return of 9.12%.

Hybrid - Aditya Birla Sun Life Hybrid Equity Fund has a 10-year return of 12.42%, while UTI Hybrid Equity Fund has a 10-year return of 11.23%.

Some facts and findings on the benefits of investment in SIP with reference to Aditya Birla Sun Life Asset Management Company are :

1. **Rupee-cost averaging:** SIPs help investors overcome market volatility by investing a fixed amount at regular intervals, regardless of market conditions. This means that they purchase more units when the NAV is low and fewer units when the NAV is high, effectively averaging out their purchase cost.
According to Aditya Birla Sun Life Mutual Fund, investing through SIPs has historically yielded higher returns compared to lump-sum investments. For instance, a Rs 1,000 SIP invested in Aditya Birla Sun Life Frontline Equity Fund over the past 10 years would have grown to approximately Rs 24,000, while a lump-sum investment of Rs 10,000 invested at the beginning of the period would have grown to approximately Rs 22,000.
2. **.Disciplined savings habit:** SIPs instil a disciplined savings habit, encouraging investors to save regularly and consistently. This can be particularly beneficial for individuals who struggle with saving money on their own. Aditya Birla Sun Life Mutual Fund offers a variety of SIP options to suit different investor needs, including flexible SIP amounts, multiple SIP registrations, and the ability to pause or top up SIPs as needed.
3. **Power of compounding:** SIPs allow investors to benefit from the power of compounding, where the returns earned on investments are reinvested and earn additional returns over time. This can lead to significant wealth accumulation over the long term. According to Aditya Birla Sun Life Mutual Fund, the power of compounding can be illustrated using the following example: An investor who invests Rs 1,000 per month through SIPs for 20 years and earns an average annual return of 12% can accumulate a corpus of approximately Rs 10.5 lakhs.
4. **Flexibility and convenience:** SIPs offer a great deal of flexibility and convenience, allowing investors to start with small amounts and gradually increase their investments as their income grows. Additionally, SIPs can be easily automated through bank transfers or standing instructions, making it easy to stay on track with your investment goals. Aditya Birla Sun Life Mutual Fund provides a user-friendly online platform and mobile app that allows investors to manage their SIPs seamlessly, including setting up new SIPs, tracking SIP performance, and making adjustments as needed.
5. **Professional investment management:** Aditya Birla Sun Life Mutual Fund has a track record of over 30 years in the Indian mutual fund industry and offers a wide range of diversified mutual fund schemes to suit different investor risk appetites and investment goals. By investing in SIPs through Aditya Birla Sun Life Mutual Fund, investors can benefit from the expertise of experienced fund managers who actively manage their investments.

CHAPTER 5

IMPACT OF GLOBAL ECONOMIC EVENT ON MUTUAL FUND PERFORMANCE

1. Covid 19 pandemic :

The COVID-19 pandemic has had a profound impact on financial markets globally, including in India. This section examines the performance of mutual funds in India before, during, and after the pandemic, highlighting key trends and changes.

➤ Pre-COVID-19 Period (Before March 2020)

Market Overview Before the COVID-19 pandemic, the Indian mutual fund industry was experiencing steady growth.

➤ The market was characterized by :

- **Strong Economic Growth:** India's GDP growth rates were robust, which positively influenced investor sentiment.
- **Rising Inflows:** Mutual funds saw increasing inflows from retail investors, driven by growing awareness and financial literacy.
- **Equity Market Performance:** The stock market was performing well, contributing to positive returns for equity mutual funds.
- **Interest Rates:** The Reserve Bank of India (RBI) maintained a relatively stable interest rate environment, benefiting bond funds.

➤ Mutual Fund Performance

- **Equity Funds:** Benefited from a bullish stock market, with sectors like technology, banking, and consumer goods showing strong performance.
- **Debt Funds:** Enjoyed stable returns due to controlled inflation and consistent interest rates.
- **Balanced Funds:** Offered steady returns by leveraging both equity and debt markets.
- **Sectoral Funds:** Technology and healthcare funds performed well due to industry-specific growth trends.

➤ During COVID-19 Period (March 2020 - Early 2021) Market Overview

The onset of the COVID-19 pandemic in March 2020 triggered significant volatility in the financial markets:

- **Market Crash:** The stock market saw a sharp decline, with the S&P BSE Sensex and Nifty 50 indices dropping by around 30% in March 2020.
- **Economic Uncertainty:** Lockdowns and economic disruptions caused uncertainty, impacting investor confidence.
- **Policy Responses:** The Indian government and the RBI implemented various fiscal and monetary measures to stabilize the economy.

➤ **Mutual Fund Performance**

- **Equity Funds:** Suffered significant losses during the initial market crash but began recovering as the market rebounded later in 2020. Sectors like pharmaceuticals and technology saw quicker recoveries.
- **Debt Funds:** Initially provided stability, but faced challenges due to credit risk and liquidity issues. The Franklin Templeton debt fund crisis highlighted risks in the debt market.
- **Balanced Funds:** Experienced volatility but benefited from the subsequent market recovery.
- **Sectoral Funds:** Healthcare and technology funds outperformed due to increased demand for medical services and digital solutions.

➤ **Post-COVID-19 Period (Late 2021 - Present) Market Overview**

The period following the initial shock of the pandemic saw significant recovery and growth:

- **Economic Recovery:** Gradual lifting of lockdowns and resumption of economic activities contributed to market recovery.
- **Vaccination Drive:** Accelerated vaccination efforts boosted investor confidence.
- **Continued Policy Support:** Ongoing support from the government and RBI helped maintain economic stability.

➤ **Mutual Fund Performance**

- **Equity Funds:** Showed robust recovery, with many funds surpassing pre-pandemic levels. Sectors like technology, pharmaceuticals, and FMCG led the recovery.
- **Debt Funds:** Stabilized as the credit environment improved, though cautious sentiment remained among investors.
- **Balanced Funds:** Benefited from the recovery in both equity and debt markets, providing steady returns.
- **Sectoral Funds:** Technology and healthcare funds continued to perform well, while cyclical sectors like manufacturing and real estate showed recovery signs.

- **Performance Metrics**

To analyse the performance of mutual funds across these periods, key metrics such as Net Asset Value (NAV) changes, returns, and risk measures (standard deviation, beta) were considered.

Equity Funds:

- **Pre-COVID-19:** Average annual returns were around 10-12%.
- **During COVID-19:** Experienced a sharp decline in March 2020, with some funds losing up to 30% of their value. However, a V-shaped recovery was observed by the end of 2020.
- **Post-COVID-19:** Annual returns for many equity funds rebounded, averaging 15-20% in 2021 and 2022.

Debt Funds:

- **Pre-COVID-19:** Average annual returns ranged from 6-8%.
- **During COVID-19:** Faced liquidity challenges, but short-term funds provided stability. Returns varied widely based on credit exposure.
- **Post-COVID-19:** Returns stabilized around 5-7%, with improved credit conditions.

Balanced Funds:

- **Pre-COVID-19:** Delivered annual returns of 8-10%.
- **During COVID-19:** Volatility was high, but funds benefited from equity recovery.
- **Post-COVID-19:** Returns improved to around 10-12%.

Sectoral Funds:

- **Pre-COVID-19:** Technology and healthcare sectors showed strong performance, while cyclical sectors were moderate.
- **During COVID-19:** Healthcare funds outperformed due to pandemic demand. Technology funds benefited from increased digital adoption.
- **Post-COVID-19:** Continued strong performance in healthcare and technology, with cyclical sectors starting to recover.

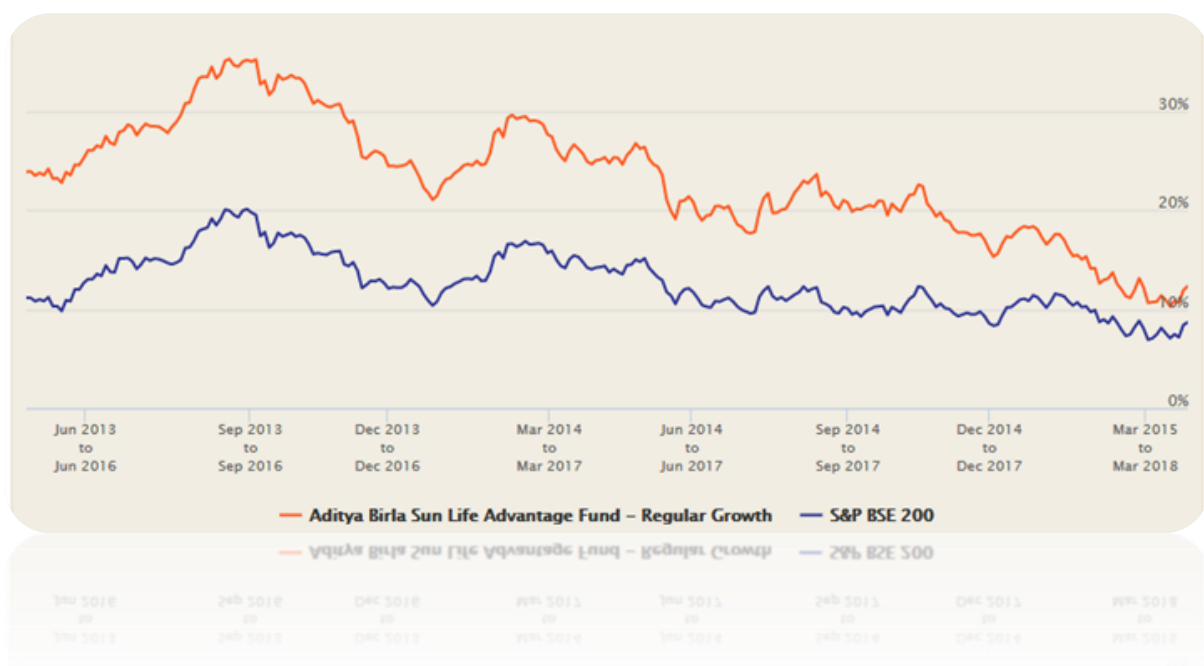
Discussion and Implications

➤ Key Findings:

Volatility and Recovery: Mutual funds in India experienced significant volatility during the pandemic but showed resilience and recovery in the post-pandemic period.

Sectoral Resilience: Healthcare and technology funds demonstrated strong performance, highlighting the importance of sectoral diversification.

Investor Behaviour: Investor sentiment fluctuated significantly, with increased inflows into safer debt funds during the crisis and a shift back to equity funds during the recovery.



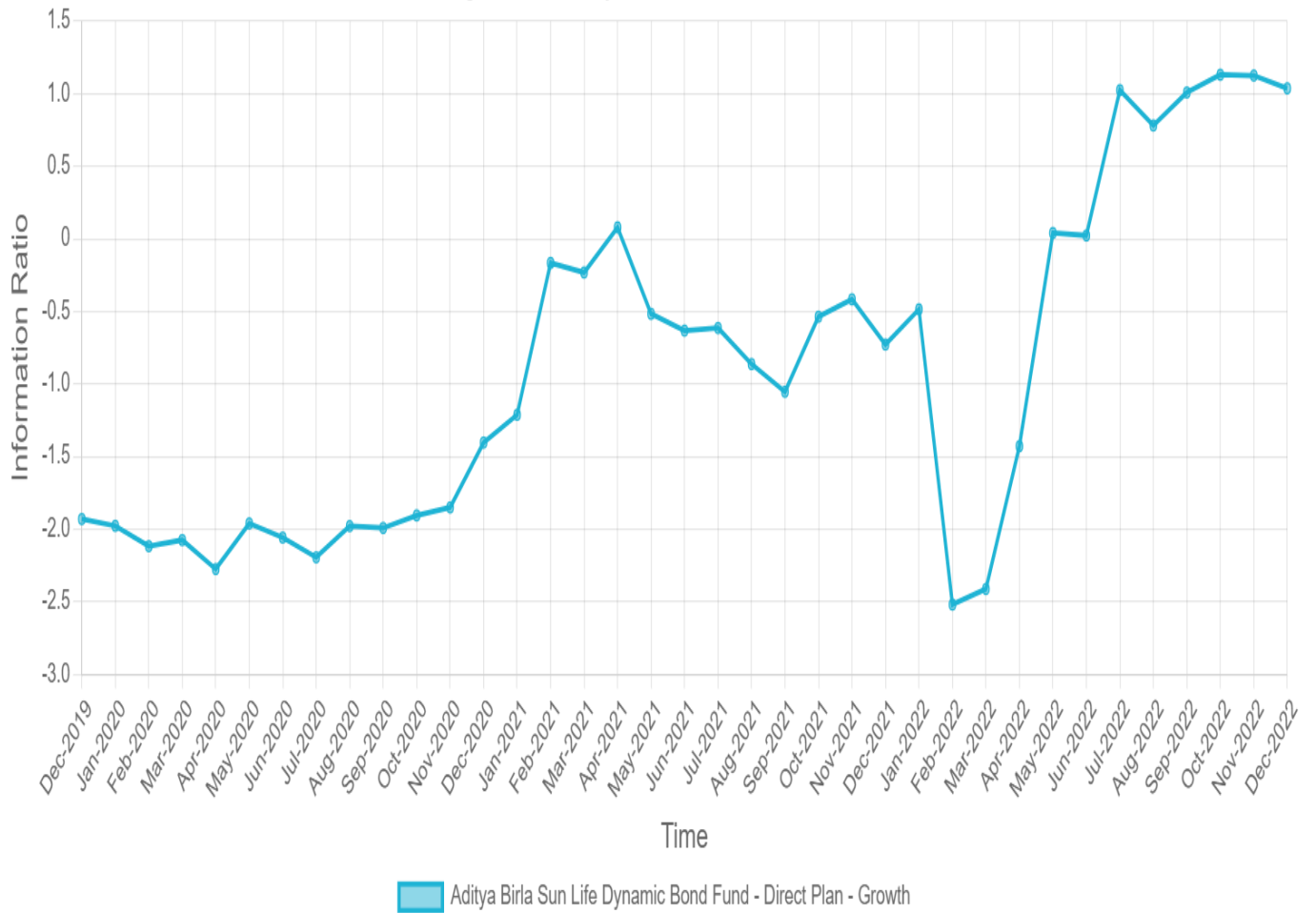
➤ Implications for Investors

Diversification: Investors should consider diversifying across asset classes and sectors to mitigate risks during economic uncertainties.

Long-Term Perspective: Maintaining a long-term investment horizon can help investors weather short-term volatility.

Risk Management: Understanding credit risks in debt funds and staying informed about market trends can aid in better investment decisions.

Information Ratio Chart
Aditya Birla Sun Life Dynamic Bond Fund - Direct Plan - Growth 1Y Rolling information ratio
against CRISIL Dynamic Bond Fund BIII Index



2. IMPACT OF MONETARY POLICY ON MUTUAL FUND

Monetary policy, implemented by a country's central bank, involves the management of interest rates and money supply to achieve macroeconomic objectives such as controlling inflation, maximizing employment, and ensuring economic stability. The mutual fund industry, comprising various types of funds including equity, debt, and hybrid funds, is significantly influenced by these monetary policy measures. This essay examines the impact of monetary policy on mutual funds during, before, and after policy changes, highlighting key trends and changes over time.

➤ Before Monetary Policy Changes

Before a central bank implements changes in monetary policy, mutual funds often exhibit a period of anticipation and adjustment. Investors and fund managers closely monitor economic indicators and central bank communications to gauge potential policy shifts. This phase can be characterized by:

- **Market Volatility:** Speculation regarding potential changes can lead to increased market volatility. Equity mutual funds, in particular, may experience fluctuations in their Net Asset Values (NAVs) as stock prices react to anticipated interest rate changes.
- **Adjustments in Fund Strategies:** Fund managers might begin adjusting their portfolios in anticipation of policy changes. For instance, in expectation of a rate hike, managers of bond funds might reduce the duration of their portfolios to mitigate interest rate risk.
- **Shifts in Asset Allocation:** Investors may reallocate their assets across different types of mutual funds. For example, if a rate cut is expected, investors might shift towards equity funds anticipating higher corporate earnings and stock prices.

➤ During Monetary Policy Changes

The actual implementation of a monetary policy change marks a critical juncture for mutual funds. The immediate impact can vary based on the type of policy enacted:

- **Interest Rate Changes:**
 - **Rate Hike:** An increase in interest rates typically leads to a decrease in bond prices, negatively impacting bond mutual funds. However, it can be beneficial for money market funds as they can reinvest at higher yields.

- **Rate Cut:** A decrease in interest rates generally boosts bond prices, benefiting bond mutual funds. Equity funds may also gain as lower borrowing costs can enhance corporate profitability and stock valuations.
- **Quantitative Easing (QE):** During periods of QE, where central banks purchase securities to increase money supply, mutual funds often experience increased liquidity and higher asset prices. Equity funds, in particular, may benefit from rising stock markets, while bond funds can gain from lower yields.
- **Regulatory Changes:** Sometimes, monetary policy changes include regulatory adjustments that affect mutual funds directly, such as modifications in reserve requirements or changes in taxation of mutual fund investments.

➤ **After Monetary Policy Changes**

The aftermath of monetary policy changes can set the tone for mutual fund performance over the medium to long term. Key trends and changes include:

- **Normalization and Market Stabilization:** Following the initial reaction to policy changes, markets often stabilize. Mutual funds start reflecting the new economic environment in their performance. Bond funds adjust to the new interest rate levels, and equity funds recalibrate based on updated earnings expectations.
- **Inflation and Economic Growth:** Sustained changes in monetary policy can have broader economic implications. For instance, prolonged low-interest rates may spur economic growth and inflation, benefiting equity mutual funds. Conversely, high-interest rates aimed at curbing inflation can suppress economic growth, potentially hurting equity funds while benefiting certain types of bond funds.
- **Investor Behaviour:** Over time, investors' behaviour and preferences may shift in response to the new monetary landscape. This can lead to changes in fund flows, with capital moving between different types of mutual funds based on their perceived risk and return profiles.

➤ **Key Trends and Changes Over Time**

Examining historical trends provides insight into how mutual funds respond to varying monetary policies:

- **Global Financial Crisis (2008-2009):** The aggressive monetary easing policies, including near-zero interest rates and large-scale QE, led to significant inflows into equity mutual funds as investors sought higher returns. Bond funds also performed well due to falling yields.
- **Taper Tantrum (2013):** The Federal Reserve's indication of reducing QE led to market volatility, adversely affecting both equity and bond funds initially. However, long-term bond funds suffered more due to rising yields.

- **COVID-19 Pandemic (2020-Present):** Central banks worldwide slashed interest rates and implemented unprecedented QE measures. This resulted in a sharp recovery in equity markets, benefiting equity mutual funds, while bond funds experienced mixed results depending on their duration exposure.
- **Rising Rate Environment (2022-Present):** As central banks began tightening monetary policy to combat inflation, bond funds with longer durations faced headwinds from rising yields, while equity funds experienced volatility due to concerns over higher borrowing costs and potential economic slowdown.

Conclusion

Monetary policy plays a pivotal role in shaping the performance and dynamics of mutual funds. Post-policy normalization leads to adjustments in fund performance and investor behaviour. By understanding these impacts, investors and fund managers can better navigate the complex landscape of mutual funds and align their strategies with prevailing economic conditions.

3. Impact of the Technology Bubble and Burst on Mutual Funds

The technology bubble of the late 1990s and its subsequent burst in the early 2000s had a profound impact on the mutual fund industry. This period saw unprecedented growth in technology stocks followed by a dramatic collapse, which significantly influenced mutual fund performance and investor behaviour. This essay examines the impact of the technology bubble and burst on mutual funds before, during, and after the event, highlighting key trends and changes over time.

➤ Before the Bubble Burst

During the late 1990s, the technology sector experienced explosive growth driven by the rapid expansion of the internet and related technologies. This period, often referred to as the "dot-com boom," saw substantial capital inflows into technology stocks, which significantly affected mutual funds.

- **High Returns and Popularity:** Technology-focused mutual funds delivered spectacular returns, attracting significant investor interest. Funds heavily invested in technology stocks saw substantial growth in their Net Asset Values (NAVs).
- **Increased Fund Launches:** The popularity of the tech sector led to the launch of numerous technology-oriented mutual funds. Fund managers sought to capitalize on the booming market by increasing their exposure to tech stocks.

- **Shift in Asset Allocation:** Many diversified mutual funds began increasing their allocation to technology stocks to enhance performance. This shift was driven by the strong performance of tech stocks and investor demand for higher returns.

➤ **During the Bubble Burst**

The burst of the technology bubble, starting in March 2000, had severe repercussions for the mutual fund industry. The NASDAQ Composite, heavily weighted with technology stocks, plummeted nearly 78% from its peak by October 2002.

- **Sharp Decline in NAVs:** Mutual funds with heavy exposure to technology stocks suffered significant declines in NAVs. Many tech-focused funds saw their values halve or worse, leading to substantial losses for investors.
- **Investor Redemptions:** The dramatic fall in tech stock prices led to a wave of investor redemptions. Investors, spooked by the market collapse, withdrew their money from mutual funds, exacerbating the decline in fund values.
- **Fund Closures and Mergers:** The severe downturn led to the closure or merger of many technology-oriented mutual funds. Funds that could not sustain the losses or maintain investor interest were forced to shut down or consolidate with other funds.
- **Shift to Value Investing:** As growth-oriented tech stocks plummeted, there was a notable shift towards value investing. Investors and fund managers began focusing on fundamentally strong, undervalued stocks, leading to a resurgence in value-oriented mutual funds.

➤ **After the Bubble Burst**

In the aftermath of the technology bubble burst, the mutual fund industry underwent significant changes and adjustments to adapt to the new market realities.

- **Regulatory Changes:** The market collapse prompted regulatory scrutiny and reforms aimed at protecting investors. Regulations were introduced to enhance transparency, improve fund governance, and ensure better risk management practices.
- **Diversification Emphasis:** The technology bubble burst underscored the importance of diversification. Mutual funds increasingly emphasized diversified portfolios to mitigate the risk of sector-specific downturns. Fund managers became more cautious about over-concentrating in any single sector.
- **Long-term Focus:** The post-burst period saw a shift towards long-term investment strategies. Both fund managers and investors began prioritizing sustainable growth and long-term value over short-term gains. This led to more prudent investment approaches and risk management practices.

- **Growth of Index Funds:** The volatility and unpredictability of actively managed funds during the bubble and burst period led to the growth in popularity of index funds. These funds, which track broad market indices, offered lower costs and diversification, appealing to investors seeking stability.

➤ Key Trends and Changes Over Time

Examining the longer-term impact of the technology bubble and burst reveals several key trends and changes in the mutual fund industry:

- **Increased Investor Awareness:** The dramatic rise and fall of tech stocks heightened investor awareness about market risks and the importance of due diligence. Investors became more cautious and informed about their investment choices.
- **Evolution of Technology Sector:** Despite the initial collapse, the technology sector rebounded and evolved, giving rise to new investment opportunities. Mutual funds gradually increased their exposure to technology stocks again, but with a more measured and diversified approach.
- **Emergence of Tech-Heavy ETFs:** The rise of Exchange-Traded Funds (ETFs) provided investors with a new way to gain exposure to the technology sector. Tech-heavy ETFs became popular due to their liquidity, lower fees, and diversification benefits.
- **Shift in Fund Management Strategies:** Fund management strategies evolved to incorporate lessons learned from the bubble. There was a greater emphasis on rigorous fundamental analysis, risk management, and aligning investment strategies with long-term market trends.

Conclusion-



The technology bubble and its burst had a profound and lasting impact on the mutual fund industry. Before the bubble burst, mutual funds saw significant growth driven by tech stock performance. During the burst, many funds suffered severe losses, leading to investor redemptions and fund closures. In the aftermath, the industry adapted with regulatory changes, increased diversification, and a focus on long-term investment strategies. The lessons learned from this period continue to influence mutual fund management and investor behaviour, underscoring the importance of prudent investing and risk management

Bitcoin Price History vs NASDAQ Tech Bubble



Elementus.io

Source: Yahoo Finance, CoinMarketCap

4.Impact of Geopolitical Conflict and War on Mutual Funds

Geopolitical conflicts and wars have profound impacts on financial markets, including the mutual fund industry. These events can create uncertainty, volatility, and shifts in investor sentiment, influencing fund performance and management strategies. This essay examines the impact of geopolitical conflicts and wars on mutual funds before, during, and after such events, highlighting key trends and changes over time.

➤ Before Geopolitical Conflicts and Wars

In the period leading up to geopolitical conflicts or wars, mutual funds are often affected by rising tensions and uncertainties. Investors and fund managers closely monitor geopolitical developments, which can lead to various anticipatory actions:

- **Market Volatility and Risk Aversion:** As geopolitical tensions rise, financial markets typically experience increased volatility. Investors often become more risk-averse, leading to fluctuations in mutual fund NAVs, particularly for equity funds. Safe-haven assets like gold and government bonds may see increased demand, benefiting funds invested in these areas.
- **Shifts in Asset Allocation:** Anticipating potential conflicts, fund managers might adjust their portfolios to reduce exposure to regions or sectors likely to be impacted. This could involve increasing cash holdings, investing in defensive sectors like utilities and consumer staples, or increasing allocations to geographically diversified funds.
- **Inflows to Defensive and Safe-Haven Funds:** Investors may shift their capital into mutual funds perceived as safer during times of uncertainty. This includes funds that invest in low-volatility stocks, bonds, or precious metals. Additionally, funds with a focus on stable, developed markets might see increased inflows.
- **Heightened Due Diligence:** Fund managers and investors typically engage in heightened due diligence, assessing the potential impacts of geopolitical risks on their investments. This period often sees increased scrutiny of geopolitical analysis and risk assessment in fund management strategies.

➤ During Geopolitical Conflicts and Wars

When geopolitical conflicts or wars break out, the immediate impacts on mutual funds can be significant and multifaceted:

- **Market Downturns and Flight to Safety:** Initial reactions to conflict often include sharp market downturns, particularly in equity markets. Investors tend to flee to safe-haven assets, leading to gains in funds investing in gold, U.S. Treasuries, and other low-risk instruments. Equity funds, especially those with significant exposure to affected regions, typically suffer losses.

- **Currency Fluctuations:** Geopolitical conflicts often lead to currency volatility. Funds with international exposure may be affected by exchange rate fluctuations, impacting their returns. Currency-hedged funds or those investing in stronger currencies might benefit during these times.
- **Sector-Specific Impacts:** Different sectors respond differently to conflicts. For example, defence stocks might rise, benefiting funds with defence sector exposure. Conversely, sectors like tourism, travel, and luxury goods may suffer, negatively impacting funds with high exposure to these industries.
- **Redemptions and Liquidity Management:** Increased market volatility and declining NAVs can trigger investor redemptions. Fund managers must manage liquidity carefully to meet redemption demands without significantly impacting fund performance. This might involve selling liquid assets or halting new investments temporarily.
- **Regulatory and Economic Policy Responses:** Governments often respond to conflicts with economic sanctions, trade restrictions, or fiscal and monetary policy changes. These actions can create additional challenges for mutual funds, requiring adjustments in investment strategies and asset allocations.

➤ **After Geopolitical Conflicts and Wars**

Once geopolitical conflicts or wars subside, the mutual fund industry undergoes a period of adjustment and recovery. The post-conflict period can be characterized by several key trends and changes:

- **Market Recovery and Realignment:** Financial markets typically begin to recover once the conflict ends or stabilizes. Mutual funds with exposure to previously affected regions or sectors may start to rebound. However, the pace and extent of recovery can vary based on the conflict's impact on global economic conditions.
- **Long-Term Strategic Shifts:** The aftermath of a conflict often leads to long-term shifts in investment strategies. Fund managers might incorporate new geopolitical risk assessments into their decision-making processes, leading to more diversified and resilient portfolios. There may also be a greater emphasis on ESG (Environmental, Social, and Governance) factors, particularly if the conflict had significant humanitarian or environmental consequences.
- **Reallocation of Assets:** Investors often reassess their portfolios in the post-conflict period, reallocating assets based on the new economic and geopolitical landscape. This can lead to inflows into funds that are perceived as more stable or positioned to benefit from reconstruction and economic recovery.
- **Emerging Opportunities:** Post-conflict periods can present new investment opportunities, particularly in rebuilding and development. Mutual funds may target sectors poised for growth, such as infrastructure, energy, and technology, in regions

recovering from conflict. This can attract new investments and drive fund performance.

- **5. Regulatory Adjustments and Innovations:** The experiences of managing funds through conflict often lead to regulatory adjustments aimed at enhancing investor protection and market stability. Additionally, mutual funds might innovate new products designed to mitigate geopolitical risks, such as funds with built-in hedging strategies or those focused on geopolitical stability.

➤ **Key Trends and Changes Over Time**

Examining historical instances of geopolitical conflicts and wars reveals several key trends and changes in the mutual fund industry:

- **Increased Focus on Diversification:** Geopolitical risks have reinforced the importance of diversification in mutual fund portfolios. Funds with a broad geographical and sectoral diversification tend to be more resilient during conflicts, leading to a greater emphasis on diversification strategies.
- **Growth of Thematic and ESG Funds:** The rise of thematic investing and ESG considerations has been influenced by geopolitical events. Investors increasingly seek funds that align with their values and address global challenges, such as sustainable development, human rights, and environmental protection.
- **Advancements in Risk Management:** The mutual fund industry has advanced in its risk management practices, incorporating sophisticated geopolitical risk models and scenario analysis. This has improved fund managers' ability to navigate geopolitical uncertainties and protect investor capital.
- **Investor Education and Communication:** Geopolitical conflicts have highlighted the importance of investor education and transparent communication. Mutual funds have enhanced their efforts to educate investors about geopolitical risks and the strategies employed to manage them. Clear communication during times of conflict helps maintain investor confidence and trust.
- **Regulatory Evolution:** Regulatory bodies have evolved their frameworks to address the challenges posed by geopolitical conflicts. This includes measures to enhance market stability, protect investor interests, and ensure the resilience of the financial system during turbulent times.

➤ **Conclusion**

Geopolitical conflicts and wars significantly impact the mutual fund industry before, during, and after such events. In the lead-up to conflicts, market volatility and risk aversion dominate, leading to shifts in asset allocation and increased due diligence. During conflicts, mutual funds face market downturns, currency fluctuations, and sector-specific impacts,

requiring careful liquidity management. Post-conflict periods involve market recovery, long-term strategic shifts, and emerging investment opportunities. Over time, the industry has adapted through increased diversification, advancements in risk management, and a focus on ESG factors. By understanding these dynamics, fund managers and investors can better navigate the complexities of geopolitical risks and achieve more resilient and sustainable investment outcomes

RUSSIA AND UKRAIN WAR



The Russia-Ukraine war has significantly impacted the global financial markets, including the mutual fund market. The conflict has led to heightened geopolitical tensions, causing **volatility and uncertainty** across various asset classes. Mutual funds with exposure to Russian and Ukrainian assets have faced steep declines due to sanctions, market closures, and economic instability in the region. Additionally, the war has contributed to global inflationary pressures, driven by disruptions in the supply chains of essential commodities such as oil, gas, and wheat. This inflationary environment has led central banks to adopt more aggressive monetary policies, including interest rate hikes, which have further influenced the **performance of mutual funds**. Equity mutual funds, in particular, have experienced heightened volatility as investors reassess risk and shift their portfolios towards safer assets. Bond funds have also been affected by rising yields and changing interest rate expectations. However, some mutual funds with investments in defense, energy, and commodities have seen gains due to increased demand in these sectors. Overall, the Russia-Ukraine war has underscored the importance of diversification and risk management for mutual fund investors amid geopolitical uncertainties

5. Impact of Inflation on Mutual Funds

Inflation, the rate at which the general level of prices for goods and services rises, erodes purchasing power and affects various aspects of the economy, including investments. Mutual funds, which pool money from investors to purchase a diversified portfolio of securities, are particularly sensitive to inflationary trends. This essay examines the impact of inflation on mutual funds before, during, and after inflationary periods, highlighting key trends and changes over time.

➤ Before Inflationary Periods

Before inflation becomes a prominent concern, mutual funds often experience subtle shifts as investors and fund managers anticipate potential inflationary pressures:

- **Market Speculation and Volatility:** Speculation about rising inflation can lead to increased market volatility. Equity mutual funds might experience fluctuations in NAVs as stock prices react to expectations of higher inflation.
- **Shift to Inflation-Resistant Assets:** Fund managers might start reallocating portfolios towards assets historically resilient to inflation, such as real estate, commodities, and inflation-protected securities like TIPS (Treasury Inflation-Protected Securities).
- **Rising Interest in Value Stocks:** There may be a gradual shift from growth stocks to value stocks, as the former are more susceptible to the negative impacts of inflation due to their typically higher valuations and future-oriented earnings.
- **Increased Bond Yields:** Anticipation of inflation often leads to rising bond yields as investors demand higher returns to compensate for anticipated loss in purchasing power. This can negatively impact the prices of existing bonds, affecting bond mutual funds.

➤ During Inflationary Periods

When inflation becomes a reality, the impact on mutual funds can be significant, affecting various types of funds differently:

- **Equity Funds:** Inflation can have a mixed impact on equity funds. Companies with strong pricing power and those in sectors like energy and materials might perform well as they can pass on higher costs to consumers. However, companies with fixed revenue streams and higher input costs may suffer, negatively impacting their stock prices and, consequently, equity funds invested in them.
- **Bond Funds:** Rising inflation generally hurts bond funds, especially those with long-duration bonds. As inflation erodes the fixed interest payments of bonds, their prices

fall, leading to lower returns for bond funds. Funds focused on TIPS or short-duration bonds tend to perform better during high inflation.

- **Real Assets and Commodities:** Funds invested in real assets (like real estate) and commodities often benefit from inflation, as these assets typically retain value and may even appreciate in inflationary environments. Real estate investment trust (REIT) funds and commodity funds may see increased interest and inflows.
- **Increased Fund Redemptions:** Higher inflation can lead to economic uncertainty, prompting investors to redeem their investments in mutual funds. Fund managers must manage liquidity to meet these redemptions, which may involve selling assets and potentially impacting fund performance.

➤ **After Inflationary Periods**

In the aftermath of high inflation, the mutual fund industry typically undergoes adjustments and realignments:

- **Market Stabilization and Recovery:** Once inflation stabilizes or decreases, financial markets often recover. Equity funds, particularly those with exposure to previously affected sectors, may rebound as investor confidence returns.
- **Rebalancing Portfolios:** Fund managers might rebalance their portfolios to align with the new economic environment. This can involve reducing exposure to inflation-resistant assets and increasing allocations to growth sectors expected to benefit from a stabilized economy.
- **Interest Rate Adjustments:** Central banks often respond to high inflation with interest rate hikes. As rates stabilize or fall post-inflation, bond funds, especially those with longer durations, might start recovering as yields decrease and bond prices rise.
- **Investor Sentiment and Behaviour:** Investor behaviour often shifts post-inflation. There may be increased interest in funds offering inflation protection, such as those focusing on TIPS, commodities, or real assets. Additionally, investors might favor funds with strong risk management practices to mitigate future inflation risks.

➤ **Key Trends and Changes Over Time**

Historical analysis reveals several key trends and changes in the mutual fund industry related to inflation:

- **Diversification Strategies:** The need for diversification becomes more evident during inflationary periods. Funds that are well-diversified across asset classes and sectors tend to be more resilient.

- **Innovation in Fund Offerings:** The mutual fund industry has seen innovation in products designed to hedge against inflation, including funds specifically targeting commodities, real estate, and TIPS.



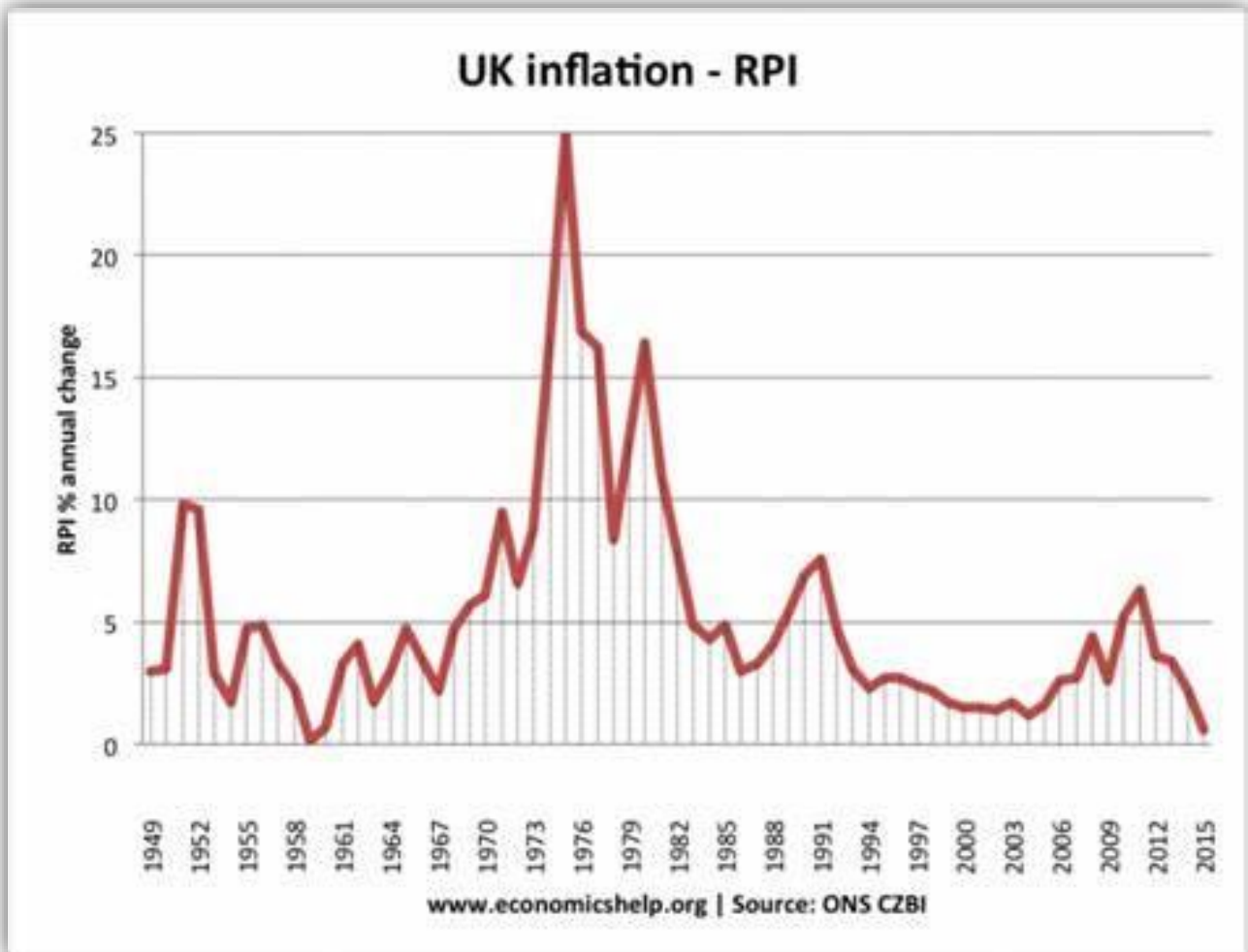
- **Risk Management Practices:** Enhanced risk management practices have been adopted by fund managers to better navigate inflationary environments. This includes scenario analysis and strategic asset allocation adjustments.
- **Increased Focus on Real Returns:** Investors and fund managers increasingly focus on real returns (returns adjusted for inflation) rather than nominal returns. This shift emphasizes the importance of maintaining purchasing power in investment strategies.

➤ Conclusion

Inflation significantly impacts mutual funds before, during, and after inflationary periods. Anticipation of inflation leads to market speculation and portfolio adjustments. During inflation, different types of mutual funds experience varied impacts, with equities, bonds, and real assets reacting differently. Post-inflation, the mutual fund industry stabilizes and adapts, with trends emphasizing diversification, innovation, risk management, and a focus on real returns. Understanding these dynamics enables investors and fund managers to better navigate the challenges and opportunities presented by inflation.

- **EXAMPLE**

High inflation in the UK during the 1970s and 80s was primarily driven by oil price shocks, increased wage demands, and government policies. The 1973 oil crisis led to skyrocketing energy costs, while wage-price spirals and expansive fiscal policies further fuelled



inflationary pressures.

6.Impact of Environmental Summits, Rules, and Policies on Mutual Funds

Environmental summits, rules, and policies have become increasingly influential in shaping the global financial landscape. These initiatives, aimed at addressing climate change and promoting sustainable practices, impact various investment vehicles, including mutual funds. This essay explores the impact of environmental summits, rules, and policies on mutual funds before, during, and after their implementation, highlighting key trends and changes over time.

➤ Before Environmental Summits, Rules, and Policies

In the lead-up to major environmental summits and the introduction of new rules and policies, mutual funds often undergo a period of anticipation and adjustment:

- **Increased Focus on ESG (Environmental, Social, Governance) Criteria:** Anticipation of stricter environmental regulations and global commitments often leads to a heightened focus on ESG criteria among mutual fund managers. Funds begin integrating ESG considerations into their investment strategies, prioritizing companies with strong environmental practices.
- **Shift in Asset Allocation:** Fund managers may start reallocating portfolios to include more environmentally friendly companies and sectors. This shift often involves increasing investments in renewable energy, clean technology, and companies with robust sustainability initiatives.
- **Investor Interest and Demand:** Growing awareness and concern about environmental issues drive investor interest in ESG-focused mutual funds. This increased demand can lead to higher inflows into funds that prioritize sustainability and environmentally responsible investments.
- **Pre-Summit Speculation:** Financial markets and mutual funds may experience volatility due to speculation about the outcomes of upcoming environmental summits. Investors and fund managers try to anticipate policy changes and their potential impacts on different sectors and companies.

➤ During Environmental Summits and Implementation of Rules and Policies

The actual occurrence of environmental summits and the implementation of new rules and policies mark critical moments for mutual funds:

- **Market Reactions:** Environmental summits and policy announcements can lead to immediate market reactions. Positive commitments to sustainability and strong

regulatory frameworks may boost the performance of ESG-focused funds, while funds heavily invested in fossil fuels or other environmentally harmful sectors may face declines.

- **Regulatory Compliance and Adjustments:** New environmental policies often require companies to comply with stricter regulations. Mutual funds may need to adjust their portfolios to ensure that their holdings meet these new standards. This can involve divesting from non-compliant companies and increasing investments in those that adhere to new regulations.
- **Sectoral Shifts:** Funds with exposure to industries directly impacted by environmental policies, such as energy, manufacturing, and transportation, may undergo significant shifts. Clean energy and technology sectors often benefit, while traditional energy sectors may face headwinds.
- **Increased Transparency and Reporting:** Environmental policies often come with increased requirements for transparency and reporting. Mutual funds may need to enhance their reporting on ESG metrics and ensure greater transparency in their investment practices to meet regulatory standards and investor expectations.

➤ **After Environmental Summits and Policy Implementation**

Following the implementation of environmental policies and the conclusion of summits, mutual funds typically experience several long-term adjustments and trends:

- **Market Stabilization and Growth:** After initial market reactions, mutual funds often stabilize as investors gain clarity on the new regulatory landscape. ESG-focused funds continue to attract interest, and sectors aligned with sustainability see long-term growth prospects.
- **Long-Term Performance:** Studies have shown that ESG-focused funds can perform well over the long term. Companies with strong environmental practices often exhibit better risk management, resilience, and innovation, leading to sustainable growth and profitability, which benefits ESG mutual funds.
- **Emergence of New Investment Opportunities:** The focus on sustainability and environmental responsibility creates new investment opportunities. Mutual funds may increasingly invest in green bonds, sustainable infrastructure projects, and innovative technologies aimed at reducing carbon footprints and promoting environmental health.
- **Enhanced Risk Management:** Environmental risks become a crucial component of risk management for mutual funds. Fund managers incorporate climate risk assessments into their strategies, ensuring that portfolios are resilient to environmental shocks and regulatory changes.

➤ Key Trends and Changes Over Time

The influence of environmental summits, rules, and policies has led to several key trends and changes in the mutual fund industry:

- **Proliferation of ESG Funds:** The number of mutual funds incorporating ESG criteria has grown significantly. ESG funds are now a prominent segment of the mutual fund market, offering investors a wide range of options aligned with their values and sustainability goals.
- **Integration of ESG in Traditional Funds:** Beyond dedicated ESG funds, traditional mutual funds have increasingly integrated ESG considerations into their investment processes. This mainstreaming of ESG reflects a broader recognition of the financial materiality of environmental factors.
- **Investor Education and Advocacy:** Investors are becoming more educated and active in advocating for sustainable investing. This has led to increased demand for transparency and accountability from mutual funds regarding their ESG practices and impact.
- **Innovation in Investment Products:** The mutual fund industry has seen innovation in the development of new investment products focused on sustainability. Examples include green ETFs, impact funds, and thematic funds targeting specific environmental challenges like clean water, renewable energy, and carbon reduction.
- **Global Collaboration and Standardization:** Environmental summits and policies have fostered global collaboration and the development of standardized frameworks for ESG investing. Initiatives like the UN's Principles for Responsible Investment (PRI) and the Task Force on Climate-related Financial Disclosures (TCFD) provide guidelines that mutual funds increasingly adhere to.

➤ Conclusion

Environmental summits, rules, and policies have a significant impact on mutual funds before, during, and after their implementation. Anticipation of these events leads to a focus on ESG criteria and shifts in asset allocation. During summits and policy implementation, market reactions, regulatory adjustments, and increased transparency are prominent. Afterward, mutual funds stabilize, and long-term growth prospects emerge, particularly for ESG-focused funds. Over time, key trends include the proliferation of ESG funds, integration of ESG in traditional funds, investor education and advocacy, innovation in investment products, and global collaboration and standardization. Understanding these dynamics helps fund managers and investors navigate the evolving landscape of sustainable investing.

CONCLUSION

Mutual Funds now represent perhaps most appropriate investment opportunity for most investors. As financial markets become more sophisticated and complex, investors need a financial intermediary who provides the required knowledge and professional expertise on successful investing. As the investor always try to maximize the returns and minimize the risk. Mutual fund satisfies these requirements by providing attractive returns with affordable risks. The fund industry has already overtaken the banking industry, more funds being under mutual fund management than deposited with banks. With the emergence of tough competition in this sector mutual funds are launching a variety of schemes which caters to the requirement of the particular class of investors. Risk takers for getting capital appreciation should invest in growth, equity schemes. Investors who are in need of regular income should invest in income plans. On the basis of this study, I can conclude that Mutual Fund SIP is a monthly based investment plan through which an investor could invest a fixed sum into mutual funds every month at predecided dates. This hedges the investor from market instability and derives maximum benefit as the investment is done at regular basis irrespective of market conditions. SIP is a feature especially designed for investors who wish to invest small amounts on a regular basis to build wealth over a long term. It inculcates the habit of regular savings and does not encourage timing and speculation in the markets. The study would be helpful for the small investors by entering into capital market by using the Systematic investment plan. Like every investment avenue, SIP also suffers from various disadvantages but it still seems to be one of the best investment option available to a long term investor especially First-time investors, Salaried people etc. A study on investors perception towards mutual fund through SIP has help us to understand better about the investor's investment objective, investment period, risk tolerance and returns for the investment made in mutual fund. There were independent variables as demographic variables such as education qualification, annual-income, age, occupation and gender. The conclusion for this research that factors which encourage them to invest in mutual fund through systematic investment plan are Easy to invest facility is most encouraged factors followed by portfolio diversification, monthly investment, professional management services.

SUGGESTION

- **Invest in Fintech Innovations:** Continue investing in fintech innovations such as blockchain, AI, and machine learning to improve customer service, enhance fraud detection, and streamline operations.
- **Upgrade Digital Platforms:** Regularly update and improve their digital platforms to offer a more seamless user experience, including better mobile apps and online tools.

- **Expand Digital Marketing:** Utilize advanced digital marketing strategies and data analytics to better target and engage potential customers.
- **Personalized Services:** Develop more personalized financial solutions based on individual customer profiles and preferences.
- **Enhanced Customer Support:** Implement advanced customer support systems, such as chatbots and AI-driven customer service tools, to provide 24/7 assistance.
- **Feedback Mechanisms:** Regularly collect and analyze customer feedback to continuously improve products and services.
- **Diversify Mutual Fund Offerings:** Consider adding new mutual fund schemes that cater to emerging sectors or niche markets, such as sustainable or ESG (Environmental, Social, Governance) funds.
- **Innovative Insurance Products:** Develop and offer innovative insurance products that address changing customer needs, such as customizable health insurance or telematics-based car insurance.
- **Enhanced Risk Assessment Tools:** Invest in advanced risk assessment and management tools to better predict and mitigate potential risks.
- **Regular Stress Testing:** Conduct regular stress testing of financial models and risk management strategies to prepare for adverse market conditions.
- **Collaborate with Fintech Startups:** Explore partnerships with fintech startups to leverage their technology and innovation capabilities.
- **Cross-Sector Alliances:** Form alliances with companies in other sectors (e.g., retail or technology) to offer bundled financial products and services.
- **Geographic Expansion:** Consider expanding into new geographic markets, especially emerging economies with growing middle-class populations.
- **Brand Building:** Invest in brand-building activities to enhance market presence and customer trust.

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