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Review Article

Market-phase performance of LIC MF Large & Midcap Fund

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ABSTRACT

MF is set up in the form of a trust. The trust has sponsor, trustee, Asset Management Company (AMC) and custodian. It has to be registered with Securities exchange board of India (SEBI). MF is regulated under the SEBI (MF) Regulation, 1996. Mutual Fund is a tool for small investors and for people who cannot invest directly in equity shares and debt instruments. Small investors can take benefits of stock market growth by investing in equity and debt instruments through MF. Though it is a convenient way of investment for the people who do not have knowledge, time or inclination to invest directly in stocks, it does not guarantee return or value of the original investment. The appreciation of investment depends on the performance of fund and stock market. MFs are Financial Intermediaries that pool the financial resources of investors and invest in diversified portfolio of assets. It is a mechanism for pooling resources by issuing units to the investors and investing funds in securities. It is a vehicle for collective investment, where the unit holders become part owners of the investment done under a scheme. The profit or losses are shared by the investors in proportion to their investments.

Keywords: Mutual Fund, Finance Resource, Pooling Resources, Investment

Review of Literature

A large number of studies on the growth and financial performance of Mutual Fund have been carried out during the past, in the developed and developing countries. Brief reviews of the following research works reveal the wealth of contributions towards the performance evaluation of Mutual Fund systematic investment plan. Malkiel B.J. (1995) says in his study utilizes a unique data set including returns from all equity mutual funds existing each year. These data enable us more precisely to examine performance and the extent of survivorship bias. In the aggregate, funds have underperformed benchmark portfolios both after management expenses and even gross of expenses.

Survivorship bias appears to be more important than other studies have estimated. Moreover, while considerable performance persistence existed during the 1970s, there was no consistency in fund returns during the 1980s.Louis K.C and Lakonishok C.C.(1999) have discussed “they provide an exploratory investigation of mutual funds’ investment styles. Funds’ styles tend to cluster around a broad market benchmark. When funds deviate from the benchmark they are more likely to favour growth stocks with good past performance. There is some consistency in styles, although funds with poor past performance are more likely to change styles. Some evidence suggests that growth funds have better style-adjusted performance than value funds.

The results are not sensitive to style identification procedure, but an approach based on fund portfolio characteristics performs better in predicting future fund returns. Carhart,M.M,. Carpenter,J.N. LynchW.A. and Musto.K.D. (2000) they have estimates of the returns to different mutual fund portfolios for 3-year, 5-year and 10-year holding period intervals. Finally explained that how the relation between performance and fund characteristics can be affected by the use of a survivor-only sample and show that the magnitudes of the biases in the slope coefficients are large for fund size, expenses, turnover and load fees in our sample. Because survivorship issues are relevant for many data sets used in finance, the analysis in this paper has potential applications in areas of financial economics beyond just mutual fund research. Redman, A.L. and Manakyan,H.(2001) have given information the risk-adjusted returns using Sharpe's Index, Treynor's Index, and Jensen's.

The results show that for 1985 through 1994 the portfolios of international mutual funds outperformed the U. S. market and the portfolio of U. S. mutual funds under Sharpe's and Treynor's indices. During 1985-1989, the international fund portfolio outperformed both the U. S. market and the domestic fund portfolio, while the portfolio of Pacific Rim funds outperformed both benchmark portfolios. Returns declined below the stock market and domestic mutual funds during 1990-1994. Bollen,P.B.& Busse,J.A.(2004) they have given the information that investor cash flows can distort inference in mutual fund performance. The impact of cash flow on performance can be controlled for using conditional methods, as in Edelen (1999). Sindhu,K.P.&Kumar,S.R(2008): have discussed that "the stock market provides higher returns than any of the investment options available in the financial market. A prudent investor can earn a lot from the stock market operations. But there is a chance of high risk and uncertainty.

As we know, higher the return, higher will be the risk. Those investors with lack of knowledge and expertise may lose their money while investing in financial assets, especially in securities. This is where mutual funds come into picture. Mutual Fund is the most suitable investment for a common man as it offers an opportunity to invest in a diversified professionally managed basket of securities at a relatively low cost. A mutual fund is an investment company or a trust that pools the resources of a large number of its' shareholders and invest on behalf of them in diversified portfolios to attain the objectives of the investors which in return achieve income or growth or both.

Thus mutual funds become a major investment vehicle for mobilization of savings particularly from small and household sectors for the investment in security market. At present the importance of mutual funds in India has been increasing in the capital market by expanding the investors' base. Nowadays, there are different types of investment plans are available for mutual fund investors. At the same time, investment in mutual fund is to be considered as a long term investment. Anich Uddin[Subject:Finance/Marketing] International Journal of Research in Humanities & Soc. Sciences [I.F. = 0.564] Vol. 4, Issue: 3, April:2016 ISSN:(P) 2347-5404 ISSN:(O)2320 771X 24 Online & Print International, Refereed, Impact factor & Indexed Monthly Journal www.raijmr.com RET Academy for International Journals of Multidisciplinary Research (RAIJMR) Hence, it is important to know their investment horizon.

The present paper tries to understand the investment horizon by analyzing their periodical investment plans and investment duration" Sharma,P.(2010):In this paper they found that Mutual Funds markets are constantly becoming more efficient by providing more promising solutions to the investors. Mutual funds industry is responding at a good pace and understanding the investor's perception ,still they are continuously following this race in their attempt to differentiate their products responding to sudden changes in the economy. Singhal,s.& Goel,M.(July, 2011) The Empirical result reported that SIP Plans has performed better than the one time investment.Shelly Singhal (2011) have stated that Systematic Investment Plans (SIP) is among the most successful financial innovations grown at a fairly rapid pace in emerging markets and India is no exception to it. Dr. Ravi Visa,(2012) says that mutual funds were not that much known to investors, still investor rely upon bank and post office deposits, most of the investor used to invest in mutual fund for not more than 3 years and they used to quit from the fund which were not giving desired results. Equity option and SIP mode of investment were on top priority in investors' list.

It was also found that maximum number of investors did not analyse risk in their investment and they were depend upon their broker and agent for this work. PAUL,T. (july 2012) have observed Mutual funds have evolved over the years, in keeping with the changes in the economic and financial systems, as well as the legal environment of the country. New products have launched according to the requirements and changes in the investors‟ perceptions and expectations. Understanding the investors‟ expectations and meeting those expectations are the key area of interest of marketing experts. Amarnath,B., Dr.Reddy,R.S.& Krishna,K.T(2012), have observed that if there is broad agreement that appropriately regulated Mutual Fund activity can play a large part in financial development in all its dimensions, these barriers can surely be addressed in a collaborative way between the three stakeholders – the investors, the fund managers and the regulators. Tahseen A.A and

Narayana S (2012) have discussed consumer attitudes towards financial investments have always been a challenge for the finance companies due to limited risk appetite of consumers which are largely attributed to both cognitive and affective components of attitude. Kandpa V & Kavidayal P.C.(2013)have given the information for restriction of mutual fund investment in top cities or Urban areas is the lack of awareness level in the rural and semi urban areas.

The absence of product diversification and confusion in the market has been enlarged by the lack of marketing initiatives for Mutual Funds. The role of mutual fund agents or distributors is to educate the investor community. Therefore the spread of Mutual Fund market has been limited. Vyas,R.(2013) have mentioned in his study that mutual fund companies should come forward with full support for the investors in terms of advisory services, participation of investor in portfolio design, ensure full disclosure of related information to investor, proper consultancy should be given by mutual fund companies to the investors in understanding terms and conditions of different mutual fund schemes, such type of fund designing should be promoted that will ensure to satisfy needs of investors, mutual fund information should be published in investor friendly language and style, proper system to educate investors should be developed by mutual fund companies to analyse risk in investments made by them, etc. Juwairiya,P.P(2014) says systematic investment plan is the best option planned for small investors who wish to invest small amounts regularly to build wealth over a long period of time. Kumar,S.&Kumar,V. (2014) in their study it is mention that "Mutual fund is a kind of investment that uses money from many investors to invest in stocks, bonds or other types of investment and the fund manager decides how to invest the money.

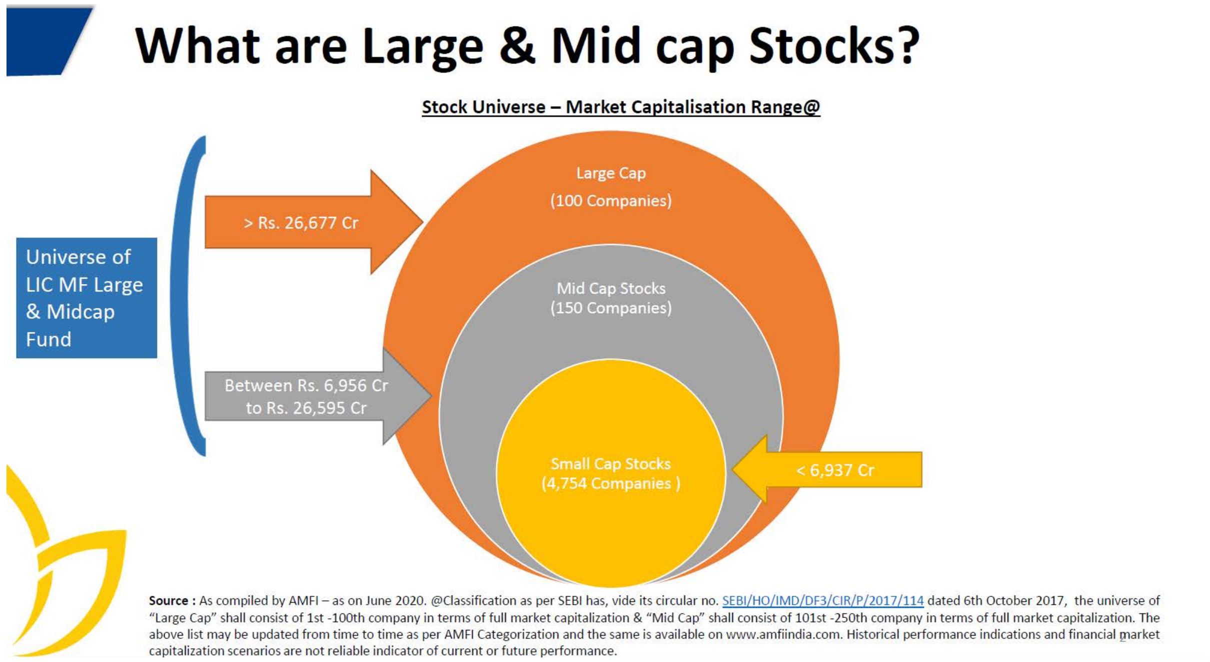
Goswami A.G. (2014) have observed mutual fund investment is a diversified portfolio of securities, which can include equity securities (such as common and preferred shares), debt securities (such as bonds and debentures) and other financial instruments issued by corporation and government, according to the stated investment objectives of fund. The benefit to investor in buying shares of mutual fund comes primarily from diversification, professional money management and capital gain and dividend reinvestment at relatively low cost. Azzheurova,K.E. & Bessonova,E.A. (2015): says management of regional investment projects is the analysis and estimation of their efficiency. It influences the pace of development, as well as solving regional socio-economic problems. The paper substantiates the necessity to complement the evaluation algorithm of regional investment projects with functional units of analysis of social, Anich Uddin [Subject:Finance/ Marketing] International Journal of Research in Humanities & Soc. Sciences [I.F. = 0.564] Vol. 4, Issue: 3, April:2016 ISSN:(P) 2347-5404 ISSN:(O)2320 771X 25 Online & Print International, Refereed, Impact factor & Indexed Monthly Journal www.raijmr.com RET Academy for International Journals of Multidisciplinary Research (RAIJMR) innovative, environmental consequences of projects. Joseph G, Telma M & Romeo A. (Feb 2015): have observed that Systematic Investment Plan (SIP) will reduce risk when the market is volatile And SIP works more advantageously only on bearish market whereas, Lump sum gives high returns in bullish market.

From this study it can be concluded that in order to get better results from SIP, invest for a minimum period of 5 years is necessary. PRABAKARAN,V. (Sep 2015) Says stock market is one of the economic indicators of growth of country's economic development. The bullish trend of stock market attracts many equity investors in the recent past days. Though many investors trade on their own, they require the experts help as investment tips to trade. The investors risk taking ability is one of the important think that must have to know by the fund manager to allocate the investors fund accordingly. Sharma,R.(2015)In his study he discover the investment objectives of selected mutual fund investors and to identify the types of mutual fund schemes preference by elected mutual fund investors. The results presented that the main objective behind to invest in mutual fund is good return, safety and tax benefit.

The research also suggested that the growth schemes and balanced schemes are most preferred in comparison to other schemes. Male and female respondents do not significantly different across investment experience. Graduate respondent are less experienced as compare to other academic qualified respondents. If investment experience is analyzed on the base of occupation than it is found that servicemen and professionals are less experienced in compare to other occupational groups. Sharma S. (2015) have mentioned about the ELSS of mutual fund Equity Linked Savings Scheme (ELSS) is a type of mutual fund, which invests the corpus in equity and the equity related products. These schemes offer tax rebates to the investors under specific provisions of the Indian Income Tax ELSS is open-ended; hence can be subscribed to and exited from at any point of time.

Large cap funds

Are those funds which invest a larger proportion of their corpus in companies with large market capitalization? Trustworthy, reputable and strong are three adjectives that are often used to describe a large-cap company. These are the old and well-established players with a track record. Such companies typically have strong corporate-governance practices, and have generated wealth for their investors

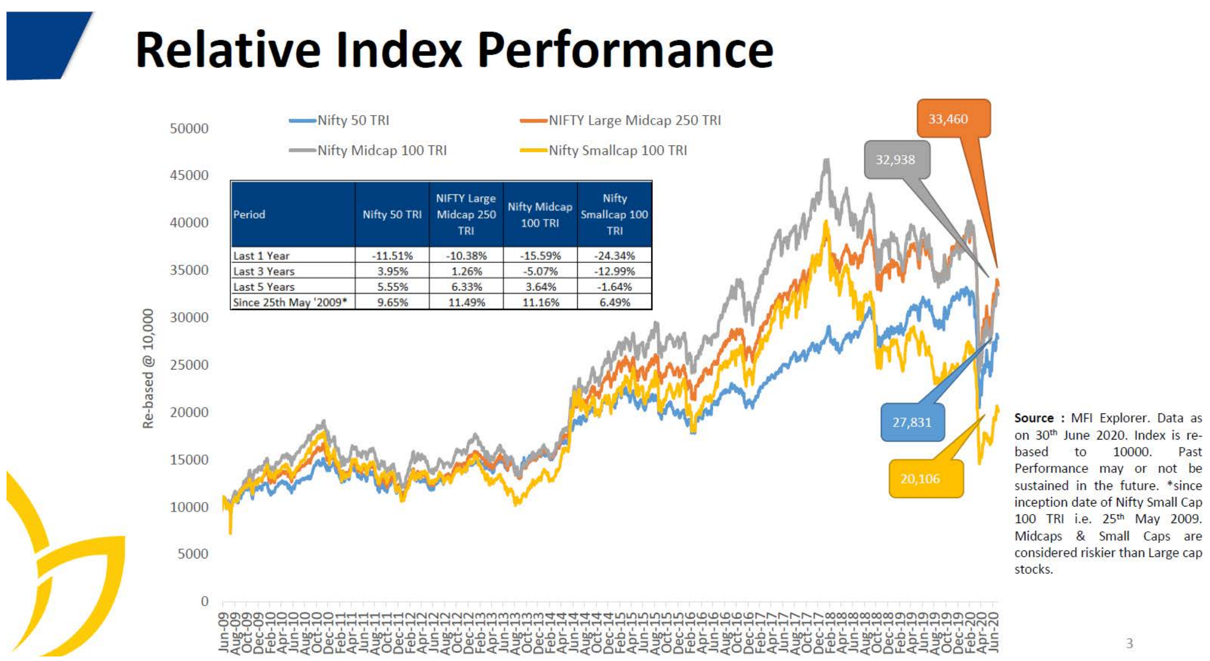


slowly and steadily over a long term. These corporate houses are usually among the most highly followed and well-researched on the market. Mutual funds that invest a majority of their investible corpus in these companies are labelled as large-cap funds.

Being seasoned players, the underlying companies in the portfolio of large-cap funds may be considered as relatively steady compounders and regular dividend payers. On the risk-return spectrum, large-cap funds deliver steady returns with relatively lower risk, compared with mid- and small-cap funds. They are ideal for investors with lower risk appetite. So, adopt a long-term perspective, stay patient, and remain invested to reap good returns over the long term.

Mid Cap Mutual Funds

Mid-caps are those that they lie between large-caps and small-caps in terms of company size. During a bull phase, mid-cap stocks may outperform their large-cap counterparts, as these companies seek to expand by looking out for suitable growth opportunities. Investors should, however, note that the underlying stocks are more volatile than their large-cap counterparts. Mutual funds that mainly invest in mid-cap entities are labeled mid-cap funds. Through prudent stock selection, diversification across sectors, and market timing, fund managers aim for better returns.



Period	Nifty 50 TRI	NIFTY Large Midcap 250 TRI	Nifty Midcap 100 TRI	Nifty Smallcap 100 TRI
Last 1 Year	-11.51%	-10.38%	-15.59%	-24.34%
Last 3 Years	3.95%	1.26%	-5.07%	-12.99%
Last 5 Years	5.55%	6.33%	3.64%	-1.64%
Since 25th May '2009*	9.65%	11.49%	11.16%	6.49%

Mid-cap equity funds are advised for investors with a higher risk tolerance than large-cap investors. So, invest in these schemes if you seek higher capital appreciation, albeit w ith reasonably higher risk.

Small Cap Mutual Funds

Small-cap stocks typically have the highest growth potential, since the underlying companies are young, and seek to expand aggressively. They are more vulnerable to a business or economic downturn, making them more volatile than large and mid-caps. Investors who are keen to invest in the small-cap space and may not have the time to research but possess the high risk-taking capacity can look to invest in small cap funds.

Small- and mid-cap funds typically outperform large-caps during a bull market (Chart 2), but decline more when the sentiment turns bearish. The choice of a right fund should be in line with the risk appetite, return expectations and investment horizon of the investor.

Intoduction of LIC Mutual Fund

An open ended equity scheme investing in both large cap and mid cap stocks.

To generate long term capital appreciation by investing substantially in a portfolio of equity and equity linked Instruments of large cap and midcap companies.

Asset Allocation

Application Amount (Other than fresh purchase through SIP) – Rs.5,000/- and in multiples of Rs.1 thereafter.

SIP Amount – 1) Daily – Rs.300/- and in multiples of Rs.1/- thereafter

Monthly – Rs.1,000/- and in multiples of Rs.1/- thereafter.

Quarterly – Rs.3,000/- and in multiples of Rs.1/- thereafter

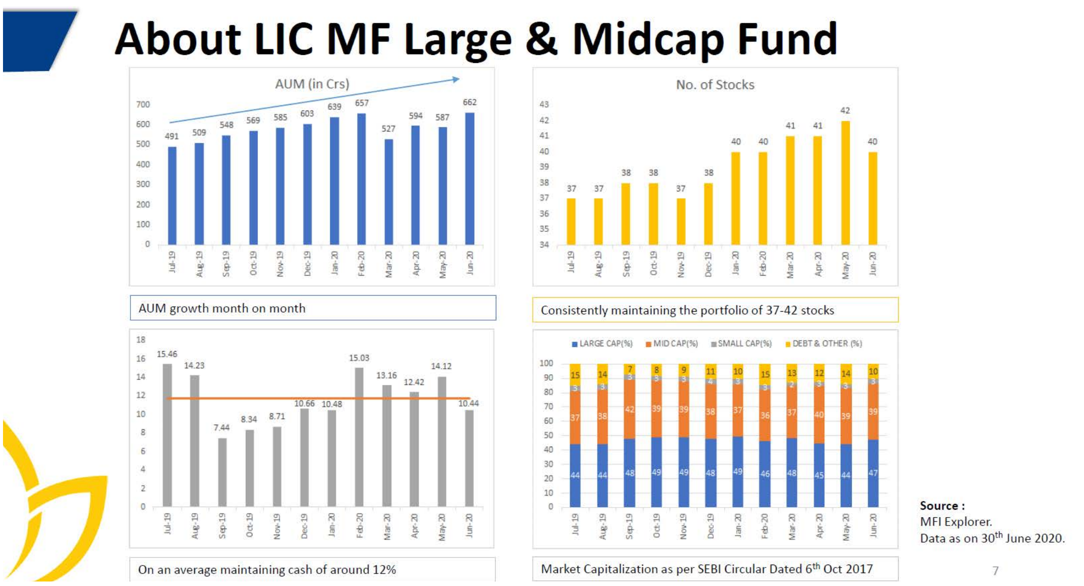
12% of the units allotted shall be redeemed or switched out without any exit load, on or before completion of 12 months from the date of allotment of units.

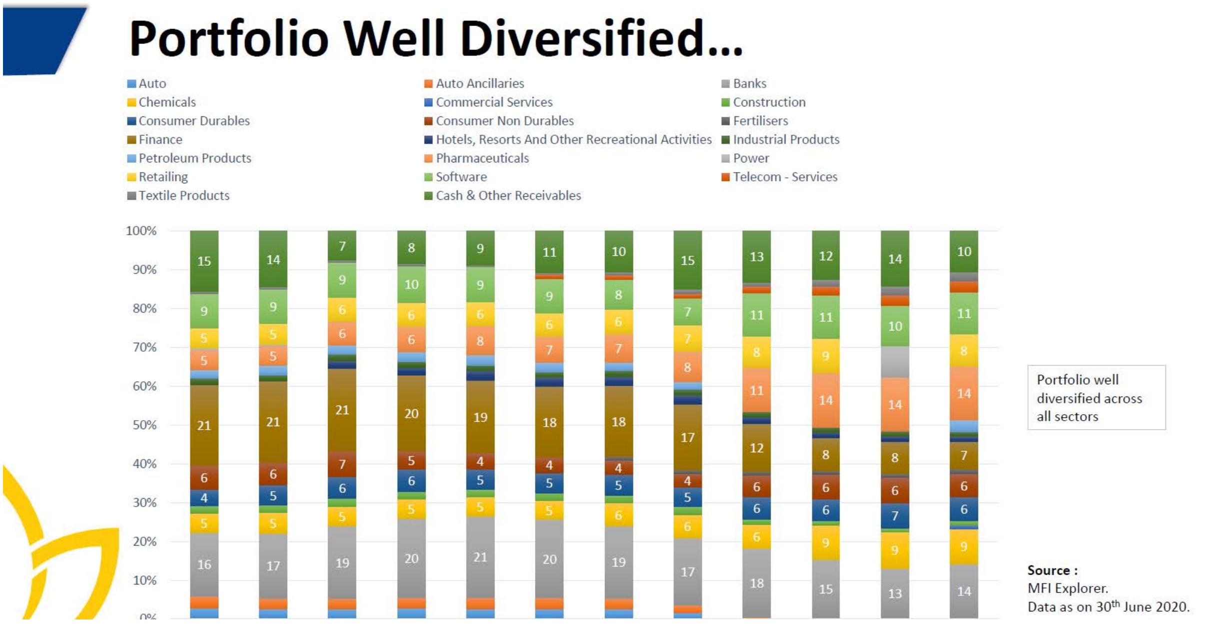
1% on remaining units if redeemed or switched out on or before completion of 12 months from the date of allotment of units Nil, if redeemed or switched out after completion of 12 months from the date of allotment of units.

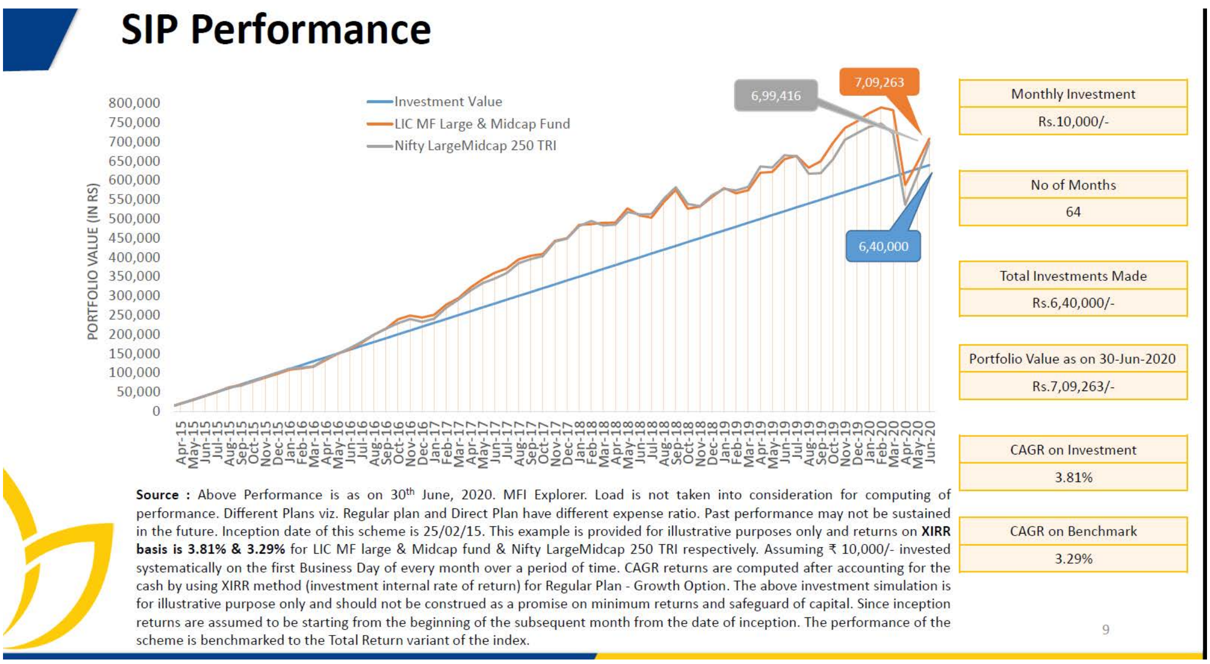
Systematic Investment Plan (SIP)

has emerged at alternative investment plan for large number of investors interested in high returns but less risk with investments in instalments. The purpose of the study is to find out the motivating factor to invest in systematic investment plan and the problem in this scheme. Sample of 100 respondents who are SIP holder belonging in Gandhi agar city in Gujarat has been taken for the purpose of the study. Data have been collected from primary sources using questionnaire method. Collected data were analysed using various statistical tools. Results of the study found that for higher return with low risk the investor motivates

Instruments	Indicative allocations (% of Net assets)		Risk Profile
	Minimum	Maximum	High/Medium/Low
Equity & Equity related instruments of large cap companies , Mid Cap Companies	70	100	High
Debt & Money market instruments. (including investments in securitized debt)	0	30	Low to Medium







to invest in systematic investment plan on the other hand knowledge and operational platform is one of the main barrier that investor are facing of scheme.

Conclusion

Fund managers provide regular information about the current value of the investment, along with their strategy and outlook, to give a clear picture of how your investments are doing.

Moreover, since every mutual fund is regulated by SEBI, you can be assured that your investments are managed in a disciplined and regulated manner and are in safe hands.

Every form of investment involves risk. However, skilful management, selection of fundamentally sound securities and diversification can help reduce the risk, while increasing the chances of higher returns over time. Financial planners and advisers also say that other than just being an investment vehicle, mutual funds also offer a variety and choice to investors. As an investor, one can choose to invest his/her money in funds from over thousands of funds managed by about 40 fund houses. “When an investor chooses to go with equities, he/she can opt for a growth fund or a value fund or even a fund which combines both. For those who prefer dividends, he/she can select income funds. The opportunities are limitless,” says a financial planner. One can also use mutual fund schemes for asset allocation. For example, allocation funds include equity funds and debt funds simultaneously by investing in equity and fixed income instruments in different proportions. And since Indian investors have a fascination for gold, fund houses have smartly tapped into this long-standing fascination by introducing funds that can simultaneously invest in equity, fixed income and gold (via the ETF route), the financial planner added. Although here the fund manager decides in what proportion the allocations would be made to various assets while remaining within the broad contours of the scheme, "in effect, such funds are a one-stop shop for asset allocation". The last but not the least is the tax efficiency that mutual funds offer. If one invests in debt instruments directly, he/she may not enjoy all the tax benefits that can (indirectly) come to him/her if he/she takes the mutual fund route. In equity funds, however, the scope for tax advantage is limited compared to direct investing.

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