Chapter: 2

REVIEW OF LITERATURE

INTRODUCTION:

This chapter covers various aspects and opinions regarding mutual fund, written by researchers and expert of this field fund. A large number of studies are carried out in India and abroad to measure the performance of mutual funds, to know the growth of mutual funds, to measure the skill and ability in market timing and selectivity of fund manager, as well as to find out suitable answer to question whether the mutual fund manager can select proper and systematic stock to achieve the investors goal or not All such research increased the wealth of knowledge about mutual funds in al aspects. The following is a brief account of research articles, essays, opinions published in various magazine, journal, newspaper, books, research papers presented in seminar and brief of lecture given in seminars etc.

Sharpe (1966) Sharpe study concludes that out of 34 open-ended funds during the period 1944-63, 19 had outperformed the benchmark in terms of total risk and return. He evaluated the relationship of performance of fund and its expense, which shows that the good performance achieved by low expense. The performance of average mutual funds is distinctly inferior to an investment in the DJIA.

Treynor (1966) evaluated the fund manager's ability in marketing. He studied 57 funds and found that not a single fund manager had outguessed market. Investors of mutual funds were totally dependent on fluctuations in the general market. Importance in the ratio of return on mutual fund lead to the ability of fund manager to identify low priced industries and companies not due to their ability to analyze of market.

Jensen (1968) developed evaluation technique which considered the ability and skill of fund manager to predict security price that is net return adjusted for risk. For this he evaluated 115 open-ended mutual funds. Jensen studied net returns of mutual funds with respect to net expenses and gross expenses. Out of 115 mutual funds, 36 funds had found above average returns and 76 funds had earned poor return. As per gross returns analysis, 48 funds had achieved above average result whereas 67 funds had poor return i.e. below average. The performance of 42 %

mutual funds had found above average and 58 % mutual funds showed below average. He found out that out of 115 mutual funds, no fund manager were able to predict security prices as well as to buy the market and held the policy well enough to cover research expenses and fees.

Carson (1970) tried to find the effect of market series used over different time period on overall performance of mutual funds industries. He evaluated the performance of mutual funds which were of period during the years 1948-1967. Studies indicated that result or performance of funds were greatly dependent on the market series used by mutual fund industry like S & P 500, NYSE composite or DJIA. He also evaluates the relations of performance of funds with size, a new fund factor and expense ratio. He concludes that size, expense ratio or new fund factor doesn't affect the performance of fund, however new cash into funds and performance are interrelated. It affects to the performance of fund.

Friend, Blume & Crockett (1970) conducted study to find the impact of fund size on performance of funds which were randomly selected portfolio. They compared the result of i.e. performance of 86 mutual funds with random portfolio. They found that in term of total risk, mutual funds did poor performance than the randomly selected portfolio. The size of funds did not affect the performance of funds. It means performance is not dependent on a fund size which is small or huge.

Fama **(1972)** put effort to develop models for distinguishing the return for security selection and return from bearing risk. For same, he prepared a multi-period model. This model helped to evaluate funds by both, period by period and on a cumulative basis. At last, he suggested models that combined concepts of modern theories of portfolio selection and capital market equilibrium to find what constituted have good portfolio management.

Gupta (1974) examined the performance of mutual funds in term of their investment goal and stated objective. According to goal and objective, he divided mutual funds into several groups and sub-groups. He evaluated funds which were available during the period 1962-71.For evaluation; he used the performance model developed by Sharpe, Jensen and Treynor. The result of study showed that the return per unit was of different with the level of volatility assumed and the funds with higher volatility achieved better result than the other funds. The growth schemes continued to be as second rank and income schemes maintained their dominance.

John Mc Donald (1974) evaluated the relationship of objectives of fund and their risk & return. According to his study, fund manager keep their portfolio within the stated risk and do not invest else.

Norman E Mains **(1977)** used neutral risk adjusted performance of systematic measure to know the ability of risk adjustment with net returns. He studied risk adjusted performance of 75 funds. He concluded that nearly 66 % of the funds had larger net returns adjusted for systematic risk.

MalKiel **(1977)** examined 24 major close- ended stock funds during period of 1967 to 1974 to make some theoretical principles which concerned the valuation of shares of close-ended investment companies. The study takes into account behaviours of discounts independent of the market. The study indicated that discount become less when market was down and winded when market goes up. The study concluded that, pricing of close- ended investment companies proved that a market imperfection is there in the valuation of capital market.

James Guy **(1978)** studied the risk adjusted performance of UK investment Trust. He used performance model developed by Sharpe and Jensen to evaluate the risk adjusted performance of funds. The research concluded that, no risk had showed superior performance compared to the London Stock Exchange Index.

Kon and Jen (1979) Henrikson (1984)and chang and Lewellen (1984) evaluated the performance of mutual fund managers considering the ability of fund manager in market timing and selectivity. The study summarized that the fund manager did not possess these abilities. The additional returns earned are not able to cover the research expenses if there is any little evidence of selectivity. They stated that, the expected return on a security use a linear function of the security's sensitivity to various common factors in addition to sensitivity of charges in the market portfolio.

***Louis R. Morrell* (1989)** computed historical returns going back over several decades from 1928 – 1988. He described the historic behavior of three classes. The study shows that its more important to allocate assets according to major asset classes based on investors goals and stage in life than to select individual stocks and mutual funds randomly. He also evaluated investment performance, examined returns from investments (income and growth of principal) and risk level (Volatility). The study concluded that, investor need to consider the major concepts like cash, Cash Equipment and Fixed investments which historically hardly exceeded inflation and their use for decision making when allocating assets in retirement plans.

Mark M. Carhart (1994): Mark Carhart's classic study of the mutual fund industry determined that once investor accounted for style factors like small cap versus large cap and value versus growth, the average actively managed fund underperformed its benchmark on a pretax basis by 1.8% per annum.

***Edwin J Elton & Martin J. Gruber* (1996)** analyze overall fund performance and how the overall evaluation can be decomposed into those factors that affect the overall performance. They also examined the implications of multi-index, the Arbitrage Pricing Theory (APT) for performance evaluation, mutual bond performance and whether fund performance is predictable. Study found that, only one fund out of the 37 exhibited significant timing ability and also focus that high expense funds do not seem to earn sufficient extra return to overcome the higher expenses.

M jaydev (1996) in his paper, attempted to evaluate the performance of two growth-oriented mutual funds (Mastergain and Magnum Express) on the basis of monthly returns compared to benchmark returns. For this purpose, risk adjusted performance measures suggested by Jenson, Treynor and Sharpe are employed. It is found that, Mastergain has performed better according to Jenson and Treynor measures and on the basis of Sharpe ratio, its performance is not up to the benchmark. The performance of Magnum Express was poor on the basis of all these three measures. However, Magnum Express is well diversified and has reduced its unique risk where as Mastergain did not. These two funds are found to be poor in earning better returns either adopting marketing or in selecting under priced securities. He concluded that, the two growth oriented funds have not performed better in terms of total risk and the funds are not offering advantages of diversification and professionalism to the investors. Though Master Gain has performed better than the benchmark of its systematic risk (volatility) but with respect to total risk the fund has not out performed the Market Index. Growth oriented mutual funds are expected to offer the advantages of Diversification, Market timing and Selectivity

Sean Collins and Phillip Mack (1997) have covered all 533 mutual fund complexes that existed in the U.S. during the years 1990-1994. The study covered mutual fund expenses ratios and the behaviors of these ratios with respect to mutual fund complexes and individual product lines with various amounts of assets under management. The study utilized data provided by Lipper Analytical Services. The study did not cover the problem of "market impact costs" which are clearly and even greater expense to mutual funds than are the more visible costs used in the calculation of their expense ratio. They concluded that funds charging 12b-1 fees are imposing an undue burden on their shareholders. They also noted that, equity mutual funds are experiencing diseconomies of scale in their expense ratios when their size exceeds $600 million to $800 million.

M.S.Turan and B.S. Bodla **(1998)** analyzed 37 schemes including 10 of UTI, 16 of public sector and 11 private sectors. All these schemes were selected on judgment and convenience basis. To carry out return and risk analysis and evaluate risk adjusted performance of mutual funds, they considered both listed and open-ended scheme during the period of 1995- 1998. They examined 50 listed and 20 open-ended schemes during 1995, 53 listed and 26 open ended during 1996, 54 listed and 34 open-ended in the year of 1997, and in1998, they examined 45 listed and 36 open-ended schemes. They analyzed growth of mutual fund industry in term of no. of schemes launched, resources mobilized, number of investors, gain to investors in term of average return on NAVs and the risk associated with these returns. The model developed by Sharpe, Treynor and Jensen have been applied to evaluate the risk adjusted performance of schemes.

The study concluded that rise in number, the growth schemes continued to be at second rank and income schemes maintained their dominance. Higher the risk , higher the return found during these period except the year 1997 when return have rose despite the risk decreased.

ICI (Investment Company Institue-1998) classified mutual fund investors into certain category like middle –aged, married and saving for retirement. They contacted more than 1400 financial decision-makers to determine demographic, financial and fund ownership characteristics of mutual fund shareholders nationwide. The survey also examined patterns of fund ownership through employer-sponsored retirement plans and outside of those plans. "This study indicates that mutual funds continue to serve investors from all walks of life who are saving for retirement and other long-term financial goals," "Mutual funds are affordable investments that provide significant value to millions of Americans."

Mark Hulbert (1998) studied the influence of past performance on selecting suitable mutual funds by the investors. He recommended that based on his experience of evaluating the performance of funds: "On new mutual funds, let them prove themselves for 10 to 15 years." He concluded that past performance is not strong prediction of the future, but some correlation does exist.

Craing L. Israelsen (1998) in his research paper entitled "Characteristics of Winning Mutual Funds" made attempt to evaluate the funds performance characteristics on the basis of expense ratio, 12b-1 fee, net assets manger tenure and turnover ratio over the period from January 1,1992 to December 31, 1996.. The study revealed that no-load fund had significantly higher return than load, annual expense ratio less than or equal to 1.22 %, Net assets greater than or equal to $235 million, Manager tenure greater than or equal to six years and annual turnover ratio less than or equal to 60 %.

Jason J. Fichtner (1999) examines the tax treatment of unrealized capital gains as they relate to forced distributions associated with regulated investment companies (such as mutual funds). The study reveals that on a $10,000 investment earning a 10 percent annual rate of return, a 2.3 percentage point reduction in the pre-liquidation rate of return would cost a mutual fund investor almost $82,000 over a 30 year period on a $26,000 investment a mutual fund investor would forego approximately $213,000 over a 30 year period. This also shows that a change in the tax treatment of mutual funds would have a beneficial impact on all owners of mutual funds, but the benefits would primarily help those earning less than $100,000 a year. The study concluded that proposed tax change would move toward more equal tax treatment between investments in mutual funds and investments in direct stock ownership.

***Kaals Baks, Andrew Metrix, Jessica Wachter* (1999)** analyzed mutual fund performance from an investor's perspective. They studied the open-period portfolio allocation for mean-variance investors choosing from a risk –free asset, benchmark [passively managed index funds] and non-benchmark [actively managed mutual funds].To overcome the problems of choice, the study proposed a Bayesian method of performance evaluation. The main innovation in their approach was the development of a flexible set of prior beliefs about managers' abnormal performance ("alphas"). They motivated this Bayesian approach by demonstrating unrealistic results for an investor who ignores prior beliefs and relies only on the data. They then apply their methodology to a sample of domestic diversified equity mutual funds and ask, "What prior beliefs would imply zero investment in active managers?" In this sample, they found that it is not possible to reject the null hypothesis that the best performance is due to chance. The study concluded that, the policy of zero investment in active managers can only be supported by extremely skeptical prior beliefs about the probability of skill; such extreme skepticism could not possibly be "proved" using current methods and data.

***Paul F. Roye, Barry D. Miller and research team of Division of Investment Management* (2000)** studied the factors that influence the level of fees charged and to describe how the fee levels have changed over time. They used econometric model to analyze the relationship between expense ratio and operating expense ratio of mutual fund and factors like fund asset size, fund family asset size, number of funds in its fund family, portfolio turnover, number of portfolio holdings, fund age, investment category, method by which it finances distribution, whether or not it is an index fund or an institutional fund and whether it is part of a multi-class fund. They evaluated expense data for the 8,901 classes in 1999. The study concludes that the mutual fund expenses vary with all above factors like

1] As fund assets increase, the operating expense ratio declines.

2] Equity fund have a higher operating ration than Bond Fund and International Fund have a higher operating ration than Domestic funds.

3] A fund group having a less member than their operating ratio is higher than other. 4] A fund that has a higher portfolio turnover leads to higher operating expense ratios. 5] The current regulatory framework for mutual fund fees relies on a combination of disclosure, investor education, and procedural safeguards.

Marina F. Bush. **(2000)** Evaluated performance of close ended funds and focused on how closed ended fund's performance should be measured regarding its total returns instead of change in price. They chose a close-ended fund representative from several fund categories to illustrate the disparity between simple price change and the total returns of a fund. The report suggests that when evaluating a closed ended fund, investors should be focus on its total return instead of just change in price.

Larry Swedroe (2000) has studied 13 hedge fund indices and 77 individual funds to study the performance of hedge funds. The study also considered the possible benefits of diversifying across hedge funds. The study's findings are, firstly 12 out of 13 indices showed signs of inefficiency with the average efficiency loss on these 12 indices amounting to 3.0 % per annum. Secondly only five funds offered superior performance, with an average efficiency gain of 1.5 % per annum. Thirdly there was an average efficiency gain over individual hedge funs of 3.7 % per annum. He concluded that "Even without taking survivorship bias into account, these results clearly contradict the claim that hedge funds generate superior investment result on a stand – alone basis".

Brain M. Smith **(2001)** Evaluated average total returned based on market price and net value performance of close-ended mutual funds. For this purpose, close-ended funds were classified into four categories such as Domestic Equity Close-ended funds, International Equity close–ended mutual funds, taxable income close-ended funds and Municipal closed-ended funds. Regarding performance of funds, he concluded that the market price for domestic equity closed-ended funds outperformed NAV return over past year, 11.2 % versus 7.3 %. Total return performance for Municipal bond closed ended funds was quite strong in 2000 as the average market price return was 16.7%

Amitabh Gupta (2001) evaluated the annual reports and unaudited half –yearly result available on website and prospectus. This study does not contain the mutual fund which results were not available on website. The study gave emphasis on investment by companies, associates and group of companies of mutual funds. The study revealed that most of schemes are being run like proprietary fund. Mutual funds and their sponsors & associate companies invested in back to back arrangements to damage or harm the small investors. It also observed that associate or group companies of mutual fund invest in the schemes launched by it.

ET & CRISIL Funds TRACKER **(2001)** examined 64 open-ended schemes during period September 2001 to June 2002. Out of 64 schemes 19 were open-ended equity funds, 18 were open-ended general debt fund, 12 were open-ended Liquid Funds, 6 open-ended Long term Gilt Funds and 9 were open-ended Balanced Funds. The study evaluated investment strategy, active fund management and the ability to beat the market by mutual funds. The study showed that all 19 open-ended funds have given negative returns for the two years period ended September 2001. It has been due to more concentrated holding in technology media- telecom stocks by mutual funds industry.

A.N.SHANBHAG **[2001]** studied three options, Regular dividend option, Reinvestment of dividend option and Growth option. The study examined which option should one go in for. The studies indicate that the equity-based schemes are for people with a large appetite for risk, while for people who put safety first there are pure debt schemes. He concluded that most of the investors are attracted by the word "Tax Free". So instead of taking a good look at ways to by pass the dividend tax legally, they blindly opt for the regular dividend option or reinvestment option. According his view the growth option is the best option which is one plan equal to all.

***Pierre A. Rinfret* (2001)** evaluated the performance of 13 random common stock funds and did not cover any fund specializing in IPOs of periods of 5 years during the years 1996 – 2000. He concluded that, the fund manager follow the market but cannot match the markets. They are totally and completely unable to beat, much less match , the market averages. He also highlighted that, the name and reputation have no value or relevance at all in evaluating a mutual fund performance. At last he said that, manager can absolutely not manage money.

Wilfred L. Della (2001) in the paper attempted to explain how Exchange trade Funds became popular and developed as alternatives of traditional mutual funds. For this he identified the features of Exchange Trade Funds (ETF) and compared it with index mutual funds in terms of trading, creation and redemptions, cost comparisons and tax efficiency. The paper concluded that, transaction costs limit ETF attractiveness for small investors, creation and redemption process of ETFs provide significant tax efficiencies and finally the study find little or no ETF advantages for tax deferred, long term retirement investor.

***S Suma* (2001)** examined socially responsible fund, which is a popular investment vehicle in the US mutual fund market. Article revealed that, ethical funds will follow a process of elimination while taking investments decisions and will not invest in companies that are engaged in running abattoirs, meat processing and packaging, production of liquor, tobacco, leather goods and pesticides. She concluded that for an investor just looking for performance, there is no reason to buy a socially responsible fund. There is no guarantee of high returns since the performance, as in case of other funds, will depend only on the ability of the fund manager and the stocks he picks. However, for an investor, who is very religious and has ethical convictions, Ethical Funds are the right funds to invest in.

Marke Riepe (2001, examined the performance of thousand of corporate, government and municipal bond mutual funds from 1992 through 1999. Not surprisingly, one of the biggest factors in the performance of a bond fund at any given time is the length of time to maturity of the bonds the fund is holding in relation to whether interest rates are raising or falling. When interest rates rise, shorter-term bond funds perform better than intermediate or long-term funds, and vice versa when interest rates fall. The study also found that load-fund managers did not outperform their no-load competition, that lower-turnover bond funds did no better or worse than higher-turnover funds, and that funds receiving large cash inflows did not do worse than funds that supposedly were more nimble because they had smaller cash inflows. He concluded that the Bond fund investors, realizing the difficulty of forecasting interest rate movements, should diversify across funds with different target maturities and credit quality. Within maturity and credit-quality categories, investors should focus on funds with good past risk-adjusted performance and low expenses.

S. Narayan Rao, Shailesh J Mehta & M. Ravidran **(2002)** The authors studied the performance of 58 open-ended schemes using tools and techniques like relative performance index, risk-return analysis, Treynor's ratio, Sharpe ratio, Sharpe's measure, Jensen's measure and Fama's measure. To evaluate the performance of funds, NAVs considered as basis. The relative performance index was constructed by using logarithmic returns based on NAVs. The schemes were classified into underperformer, those with a return of 2 % to 5 %, those with a return of 5 % to 8.4 %, with 8.5 % and above. The study observed that the medium-term debt funds were the best performer. If viewed from the risk return, 12 gave negative returns and 46 gave positive return. All the schemes studied yielded returns excess over that expected based on both premiums for systematic and total risk. Study concluded that the average mutual fund was found with low unsystematic and high total risk.

Thomson (2002) Conducted survey to know the growing link between faith values and finance decisions, He analyzed religious mutual funds of united states in terms that up to what extent Americans bring their personal faith to bear in making investing & other financial decision,. The analysis indicates that 3 out of 5 (62 %) investors who were religious make their religious beliefs & other personal value when deciding how to make financial choices. The study found that religious mutual funds grew up very fast in United States. The growth rate was 121 percent whereas other mutual funds rose by only 16 percent. Similarly, Assets of religious mutual funds climbed from $. 3.65 billion in 1999 to $.4.42 billion in 2002, a jump of 21 %.

Dalbar (2002) examined investor returns from stock, bond and money funds from January 1984 to December 2002. It evaluated how long investors remained in the mutual funds based on the cash flow in and out of the funds. It's not an exact way to tell how each investor did, but it's a good approximation. A lot of money goes into funds when prices are rising. Then a lot of money leaves funds when their prices turn down.

Russ Wermers **(2002)** revealed that after a fund manager purchases a stock, that stock outperforms the S&P 500 by almost 1 percent annually. After a stock is sold, it tends to underperform the market by about one percentage annually.

John Nofsinger **(2002)** also found similar results. The stock most purchased by professional money managers in one year outperformed the market by more than 3 percent the following year. The stock sold declined –2.4 percent the following year. He concluded "The costs mutual fund companies imposed are too high to overcome with their superior ability". Study stated that investors should be very diligent in picking mutual funds with low costs.

John C. Bogle (2002) analyzed the performance of index funds against managed mutual funds during the period of 10 years ended June 30, 2001. The study also examined risk adjusted return and the relevant data in the nine Morningstar box sub categories of equity mutual funds. Equity Mutual Funds were divided into a "matrix with large, mid, and small capitalization funds on one axis and value, blend and growth on the other". The study indicates that, Index Funds outperformed All Funds by 14.4 % per year to 13.7% per year. But, this understates the performance superiority of Index Funds because the study did not adjust for "survivorship bias and ignored substantial elements of costs. The study showed result that, only one {small cap growth} did the risk adjusted performance of all funds outperformed the comparable {small cap growth} Index Funds category. And for all other eight categories, the risk adjusted performance victory went to the Index Funds.

Rich Fortin & Stuart Michelson (2002) This paper examines the benefits of active mutual funds management versus investing in index funds during period of 1997-2000.The study examines eight classes of mutual fund categories, including multiple categories of equity funds and bond funds. The study found that index funds outperform actively managed funds for most equity and all bond fund categories on both a total return and after – tax total return basis, with exception of actively managed Small Company Equity and International Stock Funds.

Phil Edwards **(2003)** S &P's managing director of funds research, conducted study to examine and to evaluate market fees levied on closed mutual funds of U.S. during the year2003. The study evaluated 213 funds, out of its 139 funds charged an average 0.62 % fees whereas 74 funds charged the maximum rate of 1 %. The study also highlighted that mutual funds particularly, stock funds, often close to new investor because the fund's assets bases are getting too big.

Mathew Morey **(2003)** The study examines two issues. First, the study documents the mutual fund ratings/rankings methodology of the Morningstar, Value Line and Lipper Analytical systems. Second, the study investigates the out-of-sample predictive ability of the Morningstar and Value Line ratings. He analyzed the ratings methodologies the researchers use "an approach that is robust to survivorship bias and load-adjusted returns.", The researchers find the Morningstar system "emphasizes expense, load and risk-adjusted returns where risk is defined as downside risk". On the other hand, the Value Line system "emphasizes the persistence of fund performance, i.e., the ability of a fund to consistently outperform other funds in terms of simple (non-expense, non-load, non-risk adjusted) returns. He concluded that mutual fund rating services like Morningstar and Value Line show little ability to predict winning funds, and cautions those who use ratings as signals of future performance. "There is some weak evidence that the Value Line system actually predicts future performance better than the Morningstar system. However, this result only holds for the poor performing funds and only for the Sharpe index and Jensen alpha performance matrix.

William N. Goetzmann & Massimo Massa (2003) The study evaluated three major Standard and Poor's index funds regarding to analyze the relationship among index funds, asset prices, and volatility. For this he used 2 years of daily flows for three major Standard and Poor's index funds. The study found that the strong contemporaneous correlation between inflows and returns, no evidence for positive feedback trading, and evidence that negative market returns may induce subsequent sales. Market volatility affects investors as dynamic risk sharing, but higher volatility does not drive investors from the market. Bullish newsletter sentiment is associated with greater inflows. The study also indicates high correlation exists among investor disagreement and market uncertainty and flows. Dispersion in advice and open interest correlate with lower inflows.

***O'Neal, Jason Karoeski & Miles* (2004)** They conducted the study to find trading cost of Mutual Funds. They evaluated Index Funds, Actively managed Funds, Growth funds and Value Funds. The study indicated that there is a high gap between trading costs for index funds and actively managed funds. Active funds racked up about 0.48 percent in trading costs per year, compared with 0.064 percent per year for index funds. Trading cost of the surveyed Mutual Funds were 44 % of their reported expenses ratio, growth fund have higher than average trading costs as percent of annual expenses.. It broke the class into large-cap growth funds - with trading costs averaging 43.1 percent of stated expense ratios - mid-cap growth, at 86 percent, and small-cap growth, Value funds have fewer hidden trading costs than growth funds.

***Andrew Clark* (2004)** evaluated 31 open-ended equity funds and18 taxable bond funds for over a period of 12 years from 1992-2003 as well as 8 equity shares classes and 9 bond share classes to examine how expenses and net returns predict affect the future performance. The study indicates that there is no difference between using low expenses versus good three- years returns for picking index – beating funds. The study also highlighted that sometime choosing funds with the highest expenses will help investors to beat the index more handily than bargaining based on fund fees. He concluded that funds with higher expense ratios tend to be associated with higher returns for load shares and for no-load shares fee is primary a dead weight cost that investors accept because they know very little about it and less about how to evaluate its economic impact.

***Heather Almand* (2004)** in his editorial article, wrote that Hedge fund provide greater risk, less reward and diversification than may think .He argued that the returns and diversification benefits of hedge funds are misleading and that an alternative. using exchange-traded options on stock, bonds, currencies and commodities can provide better results at a low cost. The author proposed an alternative , capturing hedge fund return characteristics- marked by location, trading and leverage factors by passively creating a portfolio using exchange-traded options on stock ,bonds, currencies and commodities .He concluded that yet hedge funds do not provided the benefits advisors are led to believe.

Nikhil Lohade **(2005)** Evaluated Assets Under Mutual Fund during the period of December to January 05. He conclude that most of mutual funds have had a tough time to generate fresh funds under the old and have been resorting to launching new funds to raise their AUM. Only some good performer funds have been able to attract fresh inflow from old schemes. Most of mutual funds used new schemes to getting larger amount in IPO (Initial Public Offer) but only few good performing funds got repeat investors.

Barney Jopson and James Drummond **(2005)** evaluated hedge funds and focused on how hedge fund exploit new accounting rules. Hedge funds are looking to profit from international accounting standards by anticipating share price volatility. Share price volatility is expected if companies delay results or fail to explain swings in income statement or balance sheet. Hedge funds trying to identify companies with significant stock option plans and derivatives portfolio will effect on earning first time under the new rules.

Michael A Jones, Vance P. Lesseing and Thomas I. Smythe **(2005)** This study provides survey result of over 500 financial investors regarding their decision process in buying mutual funds. The research identified the importance of various fund characteristics that financial advisors use when recommending mutual funds, as well as the importance of various information sources. The result of study indicate that financial advisors place greater importance on objective information sources such as comprehensive data sources and independent rankings, and much less importance on fund advertising and popular press publications. The study concluded that the financial advisors who surveyed used a more sophisticated decision process than individual investors.

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