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A COMPARATIVE STUDY BETWEEN CLOSED ENDED AND OPEN ENDED MUTUAL FUNDS IN INDIA

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Abstract

The study is about evaluating the performance of close ended and open ended funds in India. It provides guidance to the investors on how risk adjusted performance evaluation of mutual funds can be done and how it can be used by the investors for analyzing performances at the time of making investment decision. It also highlights the possible reasons for returns of closed ended mutual funds lagging in comparisons with open ended mutual funds. This research considers both close ended and open ended mutual funds. Secondary data has been used for performance evaluation.

Key words; *mutual funds, open ended and closed ended funds*

Introduction

Mutual Funds

Mutual Funds are categorized based on various features like type of investment, risk attributes and investment philosophy. In addition to this, mutual funds are also differentiated based on their structure i.e open-ended and closed-ended. The difference between the two types of funds is

a function of flexibility and ease of sale and purchase of fund units.

Open- Ended Mutual Fund

Open-end funds are what you know as a mutual fund. Open end funds do not trade on

the open market. They don't have a limit as to how many shares they can issue. The NAV changes daily because of market fluctuations of the shares or stocks and bond prices in the fund. Open-end mutual fund shares are bought and sold on demand at their net asset value or NAV which is dependent on the value of the fund's underlying securities and is estimated at the end of every trading day. Investors buy shares directly from a fund. The investments of the open ended fund are valued at fair market value which is also the closing market value for listed public securities. These funds also do not have a fixed maturity period.

Mutual funds are classified according to various attributes, such as the nature of investment, risk profile and investment philosophy. Apart from these, the funds are differentiated on the basis of their structure—open-ended and closed-ended. The difference between the two depends on the flexibility of sale and purchase of fund units.

These funds buy and sell units on a continuous basis and, hence, allow investors to enter and exit as per their convenience. The units can be purchased and sold even after the initial offering (NFO) period (in case of new funds). The units are bought and sold at the net asset value (NAV) declared by the fund.

The number of outstanding units goes up or down every time the fund house sells or repurchases the existing units. This is the reason that the unit capital of an open-ended



mutual fund keeps varying. The fund expands in size when the fund house sells more units than it repurchases as more units than it sells. An open-ended fund is not obliged to keep selling new units all the time. For instance, if the management thinks that it cannot manage a large-sized fund optimally, it can stop accepting new subscription requests from investors. However, it has to repurchase the units at all times.

Closed-ended funds: The unit capital of closed-ended funds is fixed and they sell a specific number of units. Unlike in open-ended funds, investors cannot buy the units of a closed-ended fund after its NFO period is over. This means that new investors cannot enter, nor can existing investors exit till the term of the scheme ends. However, to provide a platform for investors to exit before the term, the fund houses list their close ended schemes on Stock Exchange.

Trading on a stock exchange enables investors to buy and sell units through a broker in the same manner as transacting the shares of a company. The units may trade at a premium or discount to the NAV depending on the investors' expectations of the fund's future performance and prospects. The demand and supply of fund units and other market factors also affect their price.

The number of outstanding units of a closed-ended fund does not change as a result of trading on the stock exchange. Apart from listing on an exchange, these funds sometimes offer to buy back the units, thus

offering another avenue for liquidity. SEBI regulations ensure that closed-ended funds provide at least one of the two avenues to investors for entering or exiting.

The closed-ended funds are free from the worry of regular and sudden redemption and their fund managers are not worried about the fund size. However, open-ended funds have outperformed the closed-ended funds comprehensively. The latter have generated average annualized returns of 7.38%, 6.28% and 2.83% in the past one year, three years and five years, respectively. On the other hand, open-ended funds have generated - 6.54%, 8.86% and 3.36% annualized returns in the same time periods, respectively.

Categorization by maturity period

A mutual fund scheme can be classified into open-ended scheme or close-ended scheme depending on its maturity period.

- **Open-ended fund/scheme**

An open-ended fund or scheme is one that is available for subscription and repurchase on a continuous basis. These schemes do not have a fixed maturity period. Investors can conveniently buy and sell units at Net Asset Value (NAV) related prices which are declared on a daily basis. The key feature of open-end schemes is liquidity.

- **Close-ended fund/scheme**

A close-ended fund or scheme has a stipulated maturity period, e.g., five and seven years. The fund is open for



subscription only during a specified period at the time of launch of the scheme. Investors can invest in the scheme at the time of the initial public issue and thereafter they can buy or sell the units of the scheme on the stock exchanges where the units are listed. In order to provide an exit route to the investors, some close-ended funds give an option of selling back the units to the mutual fund through periodic repurchase at NAV related prices. SEBI Regulations stipulate that at least one of the two exit routes is provided to the investor i.e., either repurchase facility or through listing on stock exchanges. These mutual funds schemes disclose NAV generally on weekly basis.

Categorization by investment objective

A scheme can also be classified as growth scheme, income scheme, or balanced scheme considering its investment objective. Such schemes may be open-ended or close-ended schemes as described earlier. Such schemes may be classified mainly as follows:

- **Growth/Equity oriented schemes**

The aim of growth funds is to provide capital appreciation over the medium to long-term. Such schemes normally invest a major part of their corpus in equities. Such funds have comparatively high risks. These schemes provide different options to the investors like dividend option, capital appreciation, etc and the investors may choose an option depending on their

preferences. The investors must indicate the option in the application form. The mutual funds also allow the investors to change the options at a later date. Growth schemes are good for investors having a long-term outlook seeking appreciation over a period of time.

- **Income/Debt oriented scheme**

The aim of income funds is to provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures, Government securities and money market instruments. Such funds are less risky compared to equity schemes. These funds are not affected because of fluctuations in equity markets. However, opportunities of capital appreciation are also limited in such funds. The NAVs of such funds are affected because of change in interest rates in the country. If the interest rates fall, NAVs of such funds are likely to increase in the short run and vice versa. However, long term investors may not bother about these fluctuations.

- **Balanced fund**

The aim of balanced funds is to provide both growth and regular income as such schemes invest both in equities and fixed income securities in the proportion indicated in their offer documents. These are appropriate for investors looking for moderate growth. They generally invest 40-60 per cent in equity and debt instruments. These funds are also affected because of fluctuations in share



prices in the stock markets. However, NAVs of such funds are likely to be less volatile compared to pure equity funds.

- **Money Market or Liquid fund**

These funds are also income funds and their aim is to provide easy liquidity, preservation of capital and moderate income. These schemes invest exclusively in safer short-term instruments such as treasury bills, certificates of deposit, commercial paper and inter-bank call money, government securities, etc. Returns on these schemes fluctuate much less compared to other funds. These funds are appropriate for corporate and individual investors as a means to park their surplus funds for short periods.

- **Gilt fund**

These funds invest exclusively in government securities. Government securities have no default risk. NAVs of these schemes also fluctuate due to change in interest rates and other economic factors as is the case with income or debt oriented schemes.

- **Index funds**

Index funds replicate the portfolio of a particular index such as the BSE Sensitive index, S&P NSE 50 index (Nifty), etc. These schemes invest in the securities in the same weightage comprising of an index. NAVs of such schemes would rise or fall in accordance with the rise or fall in the index, though not exactly by the same percentage

due to some factors known as "tracking error" in technical terms. Necessary disclosures in this regard are made in the offer document of the mutual fund scheme.

There are also exchange traded index funds launched by the mutual funds which are traded on the stock exchanges.

- **Sector specific funds/schemes**

These are the funds/schemes which invest in the securities of only those sectors or industries as specified in the offer documents. Eg Pharmaceuticals, Software, Fast Moving Consumer Goods (FMCG), Petroleum stocks, etc. The returns in these funds are dependent on the performance of the respective sectors/industries. While these funds may give higher returns, they are more risky compared to diversified funds. Investors need to keep a watch on the performance of those sectors/industries and must exit at an appropriate time. They may also seek advice of an expert.

- **Tax saving schemes**

These schemes offer tax rebates to the investors under specific provisions of the Income Tax Act, 1961 as the Government offers tax incentives for investment in specified avenues. Eg Equity Linked Savings Schemes (ELSS). Pension schemes launched by the mutual funds also offer tax benefits. These schemes are growth oriented and invest pre-dominantly in equities. Their growth opportunities and risks associated are like any equity-oriented scheme.



- **Load or no-load fund**

A load fund is one that charges a percentage of NAV for exit. That is, each time one sells units in the fund, a charge will be payable. This charge is used by the mutual fund for marketing and distribution expenses.

A no-load fund is one that does not charge for exit. It means the investors can exit the fund/scheme at no additional charges are payable on sale of units.

In accordance with the SEBI circular no. SEBI/IMD/CIR No.4/168230/09 dated June 30, 2009, no entry load will be charged for purchase / additional purchase / switch-in accepted by the Fund with effect from August 1, 2009. Similarly, no entry load will be charged with respect to applications for registrations under Systematic Investment Plan/ Systematic Transfer Plan / Systematic Investment Plan Plus accepted by the Fund with effect from August 1, 2009.

- **Assured return scheme**

Assured return schemes are those schemes that assure a specific return to the unitholders irrespective of performance of the scheme.

A scheme cannot promise returns unless such returns are fully guaranteed by the sponsor or AMC and this is required to be disclosed in the offer document.

Investors should carefully read the offer document whether return is assured for the

entire period of the scheme or only for a certain period. Some schemes assure returns one year at a time and they review and change it at the beginning of the next year.

Objectives

- 1) To understand open ended mutual funds and closed ended mutual funds
- 2) To compare open ended mutual funds with closed ended mutual funds

Methodology Adopted

This study is mainly analytical and descriptive in nature; A secondary data is collected from various journals, articles, newspapers and magazines. Considering the objectives of study descriptive type research design is adopted to have more rigorous and accuracy analysis of research study. The accessible secondary data is intensively used

Review Of Literature

V.R. Palanivelu & K. Chandrakumar (2013) examined the Investment choices of salaried class in Namakkal Taluk, Tamil Nadu, India with the help of 100 respondents as a sample size & it reveals that as per Income level of employees, invest in different avenues. Age factor is also important while doing investments.

Avinash Kumar Singh (2006) the study analyzed the investment pattern of people in Bangalore city and Bhubaneswar & analysis of the study was undertaken with the help of



survey method. After analysis and interpretation of data it is concluded that in Bangalore investors are more aware about various investment avenues & the risk associated with that. All the age groups give more important to invest in equity & except people those who are above 50 give important to insurance, fixed deposits and tax saving benefits.

Karthikeyan (2001) has conducted research on Small Investors Perception on Post office Saving Schemes and found that there was significant difference among the four age groups, in the level of awareness for kisanvikaspatra (KVP), National Savings Scheme (NSS), and deposit Scheme for Retired Employees (DSRE), and the Overall Score Confirmed that the level of awareness among investors in the old age group was higher than in those of young age group.

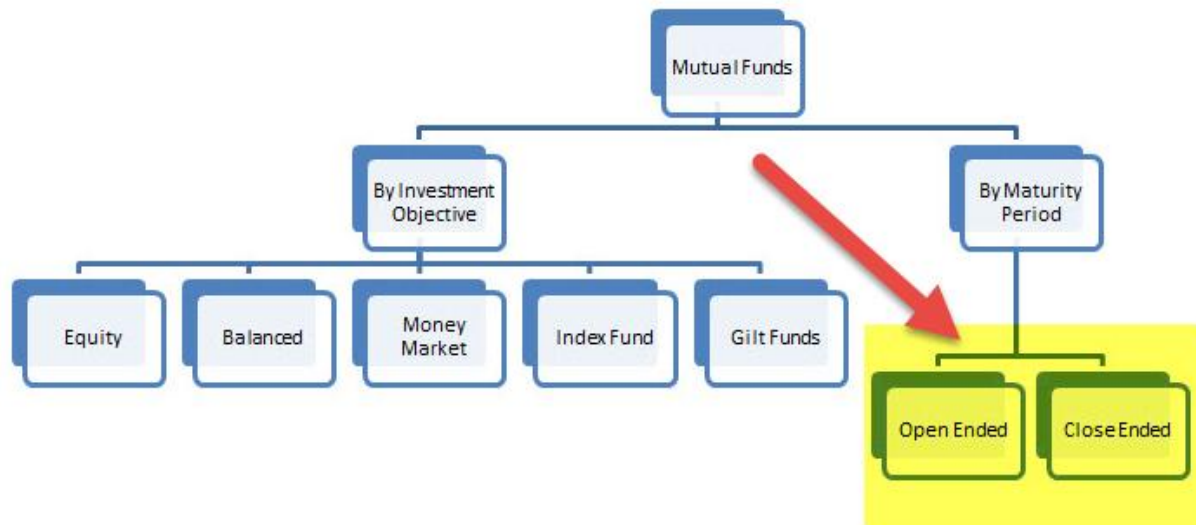
Sandhu and Singh (2004) The study analyzed in case of adopters that transparency, safety, convenience and economy judged as an important feature of net trading followed by market quality and liquidity whereas in case of non-adopters economy and convenience were the important features followed by the other factors like market quality, safety and liquidity.

Prasad (2009) examined the perception of the investors and their awareness on various investment alternatives available. A sample of 100 investors has been taken from the twin cities of Hyderabad and Secunderabad. The result of findings showed 75% Net

traders were using online stock trading requiring strong technology base whereas Traditional traders felt online trading not an acute process of stock trading and they didn't participate in net trading due to risk of a system failure

Analysis and discussion

Mutual Funds



Open- Ended Mutual Fund

Open-end funds are what you know as a mutual fund. Open end funds do not trade on the open market. They don't have a limit as to how many shares they can issue. The NAV changes daily because of market fluctuations of the shares or stocks and bond prices in the fund. Open-end mutual fund shares are bought and sold on demand at their net asset value or NAV which is dependent on the value of the fund's underlying securities and is estimated at the end of every trading day. Investors buy

Mutual Funds are categorized based on various features like type of investment, risk attributes and investment philosophy. In addition to this, mutual funds are also differentiated based on their structure i.e. open-ended and closed-ended. The difference between the two types of funds is a function of flexibility and ease of sale and purchase of fund units.

shares directly from a fund. The investments of the open ended fund are valued at fair market value which is also the closing market value for listed public securities. These funds also do not have a fixed maturity period.

Advantages of Investing In Open-Ended Funds:

- a. Flexible
- b. With minimal knowledge investors can invest directly

- c. Less risk as the fund has different stocks or varied assets. (Eg :Debtand equity oriented funds)
- d. Liquid funds as can be sold at any point of time
- e. NAV is determined every day which can determine buy and sell

Disadvantages of Investing In Open-Ended Funds:

- 1. Load or commission needs to be paid
- 2. Not traded like stocks
- 3. Managed by professionals and investor can choose funds and not the asset composition within the mutual fund.

Close-Ended Mutual Funds:

COMPARISON TABLE HIGHLIGHTING THE DIFFERENCES BETWEEN OPEN ENDED AND CLOSED ENDED MUTUAL FUNDS

BASIS FOR COMPARISON	OPEN ENDED MUTUAL FUNDS	CLOSED ENDED MUTUAL FUNDS
Meaning – Open Ended vs Closed Ended Mutual Funds	Continuous buying and selling of the units	Capital is fixed selling a specific number of units.
Entry & Exit	Convenience as per the investors	Participation only till the NFO (New Fund Offer) is on
Availability	Funds are not traded in the open market and get repriced based on the amount of shares bought and sold. Transactions	They are launched through an IPO for raising money and subsequently listed like a

Advantages of Investing in Close-Ended Funds:

- 1. Can be purchased at discount to NAV
- 2. Traded on Stock exchange

Disadvantages of Investing in Close-Ended Funds:

- 1. Volatile and risky due to changes in the NAV
- 2. Not as liquid as open ended Funds
- 3. Limited issues
- 4. Better for experienced investor
- 5. Cannot do an SIP

	are performed directly through the fund.	stock or an ETF
Price Determination	The NAV per share is arrived at by dividing the Total Net assets by the number of outstanding shares. Any additional expenses have to be reduced from the Total assets.	The value is based on the NAV but the actual price is determined by the demand and supply making it possible to trade at prices above or below the value of its holdings.
Management Style	It can be active, passive or a combination depending on circumstances.	It follows an Active style of management
Maturity Period	No Fixed maturity	Fixed maturity period which can normally range from 2-5 years.
Publishing of NAV	Published on a Daily basis	Published on a Weekly basis
Profits	Profits depend on the investors and when they exit the fund. If they have exceeded their initial investment, then it is considered as a Gain.	Profits to the shareholders can be in the form of income and capital gain distributions. It can also be capital gains realized from sale of shares with increasing share value though it is exposed to tax liability.
Corpus	Varies depending on the confidence of the investors.	Corpus remains fixed as new units are not issued
Selling Price	NAV plus entry or exit load as specified in the Prospectus	Traded at Premiums or Discounts to their NAV's
Trading	Purchased directly from the underwriter of the fund	Bought and sold through brokers. Brokerage firms underwrite and sell newly-issued shares

Restrictions	Reasonable restrictions on investment in Leverage & Liquidity due to high levels of volatility and risks involved.	Fewer restrictions with respect to leverage and liquidity but strict regulatory limits would be applicable.
Minimum Investment	Smaller investment which is attractive to retail investors with limited disposable money.	Lump sum investment is permitted
Liquidity	Investments which can be easily liquidated	Investments are tilted towards illiquid securities that cannot get sold at the NAV within 7 days.

Comparison Between Open-End and Closed-End Mutual Funds.

It is difficult to say whether open end funds are better than closed end funds or vice versa. The performance of a fund whether open ended or closed ended depends on the fund category, fund management & investment style.

Some open end fund investors are quick to redeem their units after the NAV appreciates by 5 – 10% to book short term profits. This hurts the investors who remain invested in the funds. Closed end funds are better options in such situations because the lock – in period prevents early redemptions and protects the interest of long term investors.

Close ended funds can be useful for someone who has less or no knowledge of the markets and desires a annual return of 15 – 20%. As these funds are managed by

professionals and experts , with the NAV being updated daily and highly liquid these get a slightly more advantage for investors than the close ended funds

Returns and Risks in mind:

The much hyped close-ended mutual fund equity funds have not been able to have an impressive performance compared to their open-ended counterparts. The period between 2013 and 2015 witnessed a sudden surge in close-ended products by India's fund houses, which were embedded with high commission to distributors – to the tune of eight per cent in some cases.

Against expectations that close-ended products allow fund managers to have better room to manage money as investments are locked for a certain period and investors are not allowed to redeem their units, it appears

open-ended schemes are either at par or in some cases better than closed products.

Consider this: The average return of close-ended equity schemes in the small-cap category over the past one year stands at 2.86 per cent, while that of open-ended category is at 6.57 per cent. In the mid-cap space, close-ended schemes offered an average return of five per cent, while open-ended schemes offered 4.9 per cent. Further, in the multi-cap category, one-year return of close-ended products was 5.4 per cent while that of open-ended was 4.93 per cent.

In the three-years horizon, the average annual return of open-ended schemes in all the three above-mentioned categories was 24.4 per cent. Only five close-ended schemes have completed three years, which were launched during 2013-2015 and have an average return of 26.3 per cent.

Returns Comparison of Top 5 Close and Open-Ended Funds Over Last 3 Years :



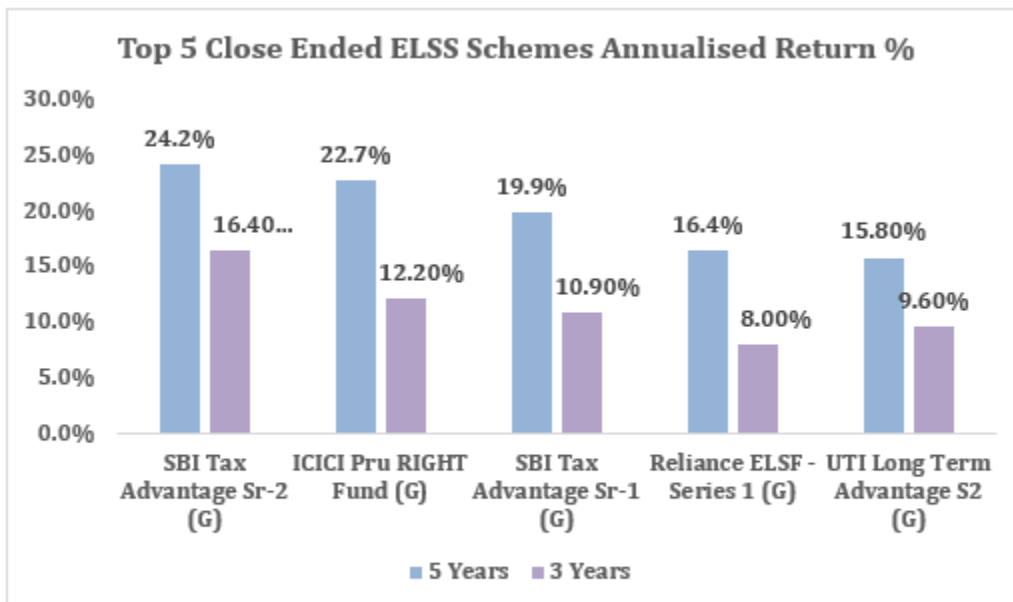
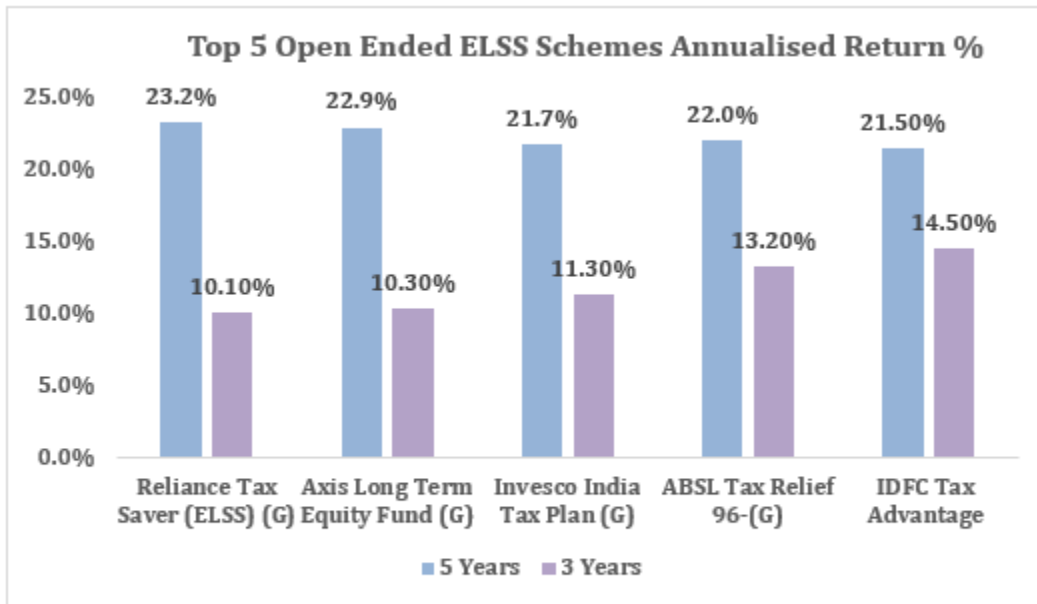
Series 1 and Series 2 of ICICI Prudential Value Fund were launched in November and December of 2013. Their three years' return stand at 22.44 per cent and 23.19 per cent as on January 2, 2016. Reliance Close Ended Equity Fund - Series A was launched in November 2013. It has a three-year annualised return of 21.23 per cent, while that of Axis Small Cap Fund stands at 28.61 per cent.

According to fund experts, sharp volatility in markets in 2015 and 2016 might have restricted the performance of close-ended equity schemes. By nature, such funds are closed for further subscription. So, the schemes did not see any extra inflows when the markets were trading lows and restricted fund managers to buy more at low prices. On the other hand, open-ended schemes continued to see strong inflows when the markets cracked giving headroom to fund managers to buy at dips.(Business standards)

Scheme Name	Category	3 Years Returns*
SBI Small & Midcap Fund - Direct (G)	Small & Mid Cap	28.6%
SBI Small & Midcap Fund (G)	Small & Mid Cap	27.1%
DSP BR Natural Resources Direct (G)	Thematic Infrastructure	26.5%
L&T Emerging Businesses Fund-DP (G)	Small & Mid Cap	26.5%
DSP BR Natural Resources -Regular (G)	Thematic Infrastructure	25.7%

Closed -Ended Schemes:

Scheme Name	Category	3 Years Return*
Sundaram Select Micro Cap-Sr 5-DP-G	Small & Mid Cap	22.0%
Sundaram Select Micro Cap-Sr 5-RP-G	Small & Mid Cap	21.4%
Sundaram Select Micro Cap-Sr 5-DP-G	Small & Mid Cap	21.0%
Sundaram Select Micro Cap-Sr 5-DP-G	Small & Mid Cap	20.8%
ICICI Pru Value Fund – Sr 1-DP (D)	Diversified Equity	20.3%



Mixed Bag Performance:

At a broader level, closed-end funds have failed to impress. Over the past 2 years, closed-end funds in the mid-cap space returned 3.23%, while openended schemes returned 4.72% (see table). Over the last 2 years, many closed-end funds too have completed 2 years.

Some managers of these funds could claim, with some justification that their mandate-as defined by the Scheme Information Document-is to beat their benchmark index, not their peers. But did they score on this count?

About 65-85% of the large-cap, multi-cap, mid-cap and small-cap schemes have beaten their benchmark indices. But these numbers aren't so great numbers if you dig a little deeper. Schemes like Sundaram Select Micro Cap - Series I, Sundaram Select Micro Cap - Series III and Reliance Capital Builder-Series A outperformed their benchmark indices, but came in the bottom quintile of the small-cap category.

Sunil Subramaniam, chief executive officer, Sundaram Asset Management Co. Ltd, said: "I am not sure if our schemes have been compared to the correct set because our micro-cap funds have been very thematic. For instance, our first few series focused on multinational companies, the next few focused on cyclical industries and so on."

Then, there are schemes that have underperformed their benchmark indices as

well as their category averages. "Our scheme's benchmark index consists of larger-sized mid-cap scrips, while the fund itself goes for small sized companies. The share prices of underlying companies of the benchmark index have risen (more), as compared to the companies that our fund holds," says a fund manager of one such scheme who did not wish to be named because he says the closed-end tenure is not yet over and comparing the fund at this juncture 'wouldn't be fair.' He justified the stock selection saying: "Our set of companies do well, typically, when there is a secular bull run, as opposed to flat markets that we've seen recently." Time will tell if his claims come true.

Experts say that closed-end funds have performed in pockets. "Schemes that focus on mid- and small-cap scrips can adopt a 'buy and hold strategy' as there is no continuous inflow or outflow," says KunalValia, director, Credit Suisse Securities India.

The Challenge of Timing:

In 2013, when equity markets were at low on the back of policy paralysis, and little government- and private-sector spending on the back of corruption allegations at the time, some fund houses saw an opportunity.

The anticipation was that a new government in the Centre would revive the economy. True to expectations, the Nifty50 went up 29% between June 2013 and 16 May 2014, the day election results were announced.

Most of the schemes launched until then did well. ICICI Prudential Value Fund - Series1 (launched in October 2013) and ICICI Prudential Value Fund - Series2 (launched in November 2013) have returned around 22% and 23% respectively over the past 3-years and are in the top quintile of multi-cap funds. But getting the timing right was not the only factor in their favour. "The outperformance is mainly on account of skill of the fund manager, ability...to identify under-researched and underowned ideas...and no pressure due to inflows or outflows," says Valia.

The Dividend Promise:

Some closed-end funds, particularly the earliest ones, aimed to pay dividends as

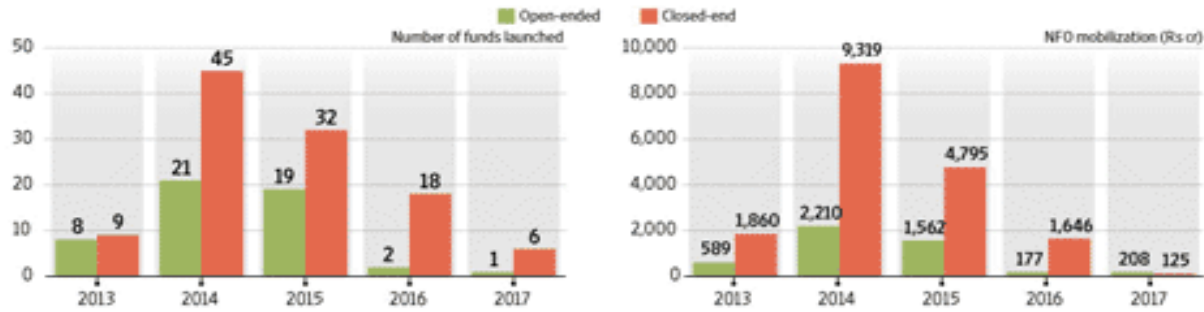


regularly as possible. "During 2007-09, equity markets went up and then crashed. People made profit, theoretically, but never encashed them. The ensuing fall eroded their profits. So when we launched closed-end funds, we decided to book profits and pay dividends as much as we can," said S. Naren, chief investment officer, ICICI Prudential Asset Management Co. Ltd.

Did they live up to their promise? A Mint study of open-ended and closedend funds between 2013 and now shows that many of the closed-end funds did pay dividends (see table) .If you rank the funds in terms of the dividends paid between 2013 and now, top 13 out of the 20 funds were closed-end

THE AVALANCHE OF CLOSED-END FUNDS: VERSION 2

Starting 2013, fund houses started to launch closed-end funds, before the central government elections of 2014. But the turnaround in the economy got delayed, fund houses continued to launch closed-end funds. The cap on upfront commissions in 2015 has been partially responsible for arresting the flow



HAVE CLOSED-END FUNDS GIVEN DIVIDENDS?

To assess if closed-end funds launched in the market boom really paid high dividends as they promised, we checked their claim. We took all diversified equity schemes, then omitted index and exchange-traded funds, Rajiv Gandhi Equity Linked Savings Scheme, and also schemes that only had a growth plan. We also left out institutional and direct plans. We took the growth in net asset values in growth as well as dividend plans. The schemes with the highest difference meant these had given away most of their gains as dividends.

The top 10 schemes with highest dividends	Launch date	Category	% increase or decrease in growth plan	% increase or decrease in dividend plan	Difference
IDFC Equity Opportunity Series 1	10 Apr 2013	Equity: Mid cap	32.34	-1.49	33.83
Canara Robeco Emerging Equities	24 Feb 2005	Equity: Small cap	26.43	-0.80	27.24
Sundaram Select Micro Cap Series IV	5 Mar 2014	Equity: Small cap	36.09	10.85	25.24
Sundaram Select Micro Cap Series III	11 Feb 2014	Equity: Small cap	37.63	13.00	24.63
Sundaram Select Micro Cap Series II	21 Jan 2014	Equity: Small cap	37.74	13.67	24.07
Sundaram Select Micro Cap Series I	30 Dec 2013	Equity: Small cap	37.02	13.56	23.46
ICICI Pru Value Series 4	5 May 2014	Equity: Multi cap	25.91	4.80	21.11
ICICI Pru Equity Savings Series 1	18 Feb 2014	Equity: Multi cap	27.17	6.45	20.72
ICICI Pru Value Series 3	14 Mar 2014	Equity: Multi cap	25.25	4.77	20.48
IDFC Equity Opportunity Series 2 Reg	24 Jan 2014	Equity: Mid cap	24.94	5.14	19.80

For this study, we only considered dividends declared from 1 January 2013 till date, and net asset values for this period. This was to ensure all schemes had a level playing field. For schemes that only had dividend plans, we simulated their growth plans' net asset values by adding back the dividend as if they had not distributed it and then calculated the difference between both the plans.

CLOSED-END FUNDS: A REPORT CARD

How the category performed

Category	Type	2-year returns (in %)	No. of schemes to outperform benchmark
Large-cap	Open-ended (48)	1.57	40
	Closed-end (8)	1.06	7
Mid-cap	Open-ended (39)	4.72	23
	Closed-end (17)	3.23	11
Small-cap	Open-ended (18)	8.41	14
	Closed-end (15)	6.81	11
Multi-cap	Open-ended (66)	2.74	49
	Closed-end (11)	2.74	8

As on 31 December 2016; Figures in brackets are the number of schemes considered in the categories; *47 schemes were considered

Conclusion:

Despite each of the category having its pros and cons, the decision to make the investment rests in the hands of the investors and their investment objectives. It also depends on the risk appetite of the investor. A retail investor with limited amount of capital will prefer an open ended fund as it offers a lot of flexibility with relatively stable returns.

Considering an investment in closed ended mutual funds could be a dilemma for investors who are new in the market. A big drawback in closed-end funds is the absence of track record, Since the securities within this structure sell at a premium or discount to the NAV, it requires determining the intrinsic value of the underlying security for deciding whether the investment is fruitful or not.

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