Ordinary Investor's Education Series No. 3

HOW MUTUAL FUNDS WORK

With Special Reference to:

- **Diversified Equity Funds**
- **Index Funds**
- **Systematic Investment Plans**
- **Equity Schemes vs. Direct Equityholding**
- **Regulatory and organizational Aspects**

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Contents

I. RATIONALE BEHIND MUTUAL FUNDS : HOW BEST TO COMBINE RETURN-AND-RISK

1. The essential purpose behind mutual funds is to secure two important benefits for small investors, viz.,(a) diversification of risk, and (b) professional management of investments.

2. As regards (a), mutual funds can spread their investments over dozens or even hundreds of companies but this is not possible for a small investor. Diversification reduces risk.

3. As regards (b), it may be noted that success in the investment game requires that (1) one must be prepared to spend the time required for selecting investments and (2) one must also have the necessary skills. A majority of ordinary investors can’t devote the time required and/or don’t have the skills.

4. Mutual funds resolve the problems mentioned above, as they employ full-time professionally qualified managers who continuously follow companies and can be expected to select the investments more skillfully than ordinary investors.

5. This is not to say that all mutual funds are good. There are wide differences in their performance. Such differences become noticeable only over a long period of 5-10 years. Over short periods of 1-2 years, a particular fund may, at one time, be among the best, and at another time among the worst!

6. Hence, you should choose from among the mutual funds those which have a record of *consistently good performance* and possess characteristics (e.g. the industry composition of investments) which will help to achieve good long term performance.

7. In the case of equity funds, the ups and downs in the equity market have direct effect on the performance of the equity funds. This is an inherent source of risk over both short-term and long-term in the case of equity funds. An investor in equity funds should have some understanding of the equity market’s behaviour.

II. GOVERNANCE, MANAGEMENT STRUCTURE AND SEBI REGULATIONS

8. The top management structure of a mutual fund should ensure that the fund is managed in the best interest of the 'unitholders' in the mutual fund. It is to be noted in this connection that, unlike the shareholders of a company, the *unitholders in a mutual fund do not have voting rights* and have no hand in appointing, supervising or dismissing the fund's top management. The unitholders are simply "beneficiaries".

9. Mutual funds' original legal form was that of a "trust", as their history in the U.K. shows. The fund was divided into "units" for sale to the public. Hence, the name "investment trust" or "unit trust" came to be used. There are three parties to such an arrangement:

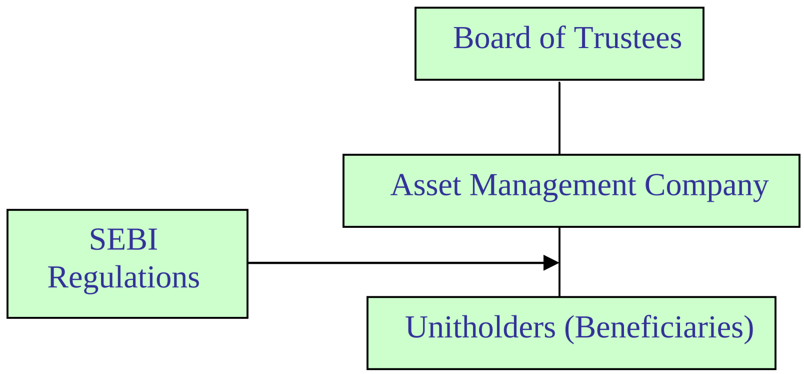
   (a) trustees who exercise over-all control;
   (b) managers who manage the investments from day to day; and
   (c) beneficiaries or unitholders, i.e. investors.

10. The question which arises is: How do we ensure that the mutual fund will be managed in the best interest of the unitholders? This problem is taken care of partly by the regulatory system and partly by fairly fierce competition among the mutual funds for the investor's money. There are as many as 30 mutual fund organisations in India (see Appendix 1). Each of them has dozens of mutual fund schemes.

11. Mutual funds in India are structured on the lines indicated below in Exhibit I.

Exhibit 1

Mutual Fund Structure



12. Each mutual fund has a *Board of Trustees*, an *Asset Management Company* or AMC (the manager) and *unitholders.* In India, we also have a promoter or "*sponsor*" who takes the initiative of starting a mutual fund but has no active role after the fund has been launched. The sponsor remains only as a shareholder of the AMC. As per SEBI regulations, the effective control of the AMC is not with the sponsor but with the Board of Trustees. A majority of the trustees have to be chosen from amongst independent persons and the rest are the nominees of the sponsor. The Board of Trustees functions as the governing body of the mutual fund.

13. SEBI regulations provide the framework within which mutual funds have to operate. Maximum limits have been prescribed for management fees and other chargeable expenses, as detailed a little later. SEBI also regulates many other aspects of their operations and policies.

III. TYPES OF MUTUAL FUND SCHEMES

Main types

14. Before proceeding further, let us take note of the various types of mutual fund schemes. The main types are:

(1) Equity Schemes
(2) Bond Schemes
(3) Balanced Schemes
(4) Money Market or Liquid Schemes

The actual relative importance of the various mutual fund schemes, as measured by the value of assets held, is shown in Exhibits 2 and 3.

Types of equity schemes

15. Equity schemes are the most important among mutual fund schemes. The original purpose of mutual funds was to enable small investors to invest in equities. Within equity schemes, most of the mutual funds offer several options, such as growth plan, dividend plan and dividend reinvestment plan.

16. Equity schemes enjoy a *tax advantage*: the return from such schemes, whether dividend or long-term capital gain, is totally exempt from income tax in the hands of the recipients. Most equity schemes invest the bulk of the fund in equities.

17. Equity schemes can be further classified as:

(a) **Broadly diversified**: The fund manager is entirely free to choose the composition of the equity portfolio. For ensuring a certain minimum degree of diversification, SEBI regulations require that not more than 5% of the fund should be invested in any one company.

Exhibit 2

Mutual Fund Schemes in India According to Assets Under Management

(January 31, 2007)

Sl. No.	Scheme Type	Assets Under Management	
		Rs. Crore	% of Total
1	Growth (i.e. equity) Schemes	1,21,751	36
2	Liquid/ Money Market Schemes	1,07,204	32
3	Income (i.e. Bond) Schemes	89,665	25
4	Equity-Linked Saving Schemes (ELSS)	9,541	3
5	Balanced Schemes	9,383	3
6	Gilt	2,118	1
	All schemes	**3,39,662**	**100**

Source: Association of Mutual Funds in India, Monthly Newsletter for January 2007.

Exhibit 3

Schemewise Assets Under Management of Mutual Funds in India

(January 31, 2007)

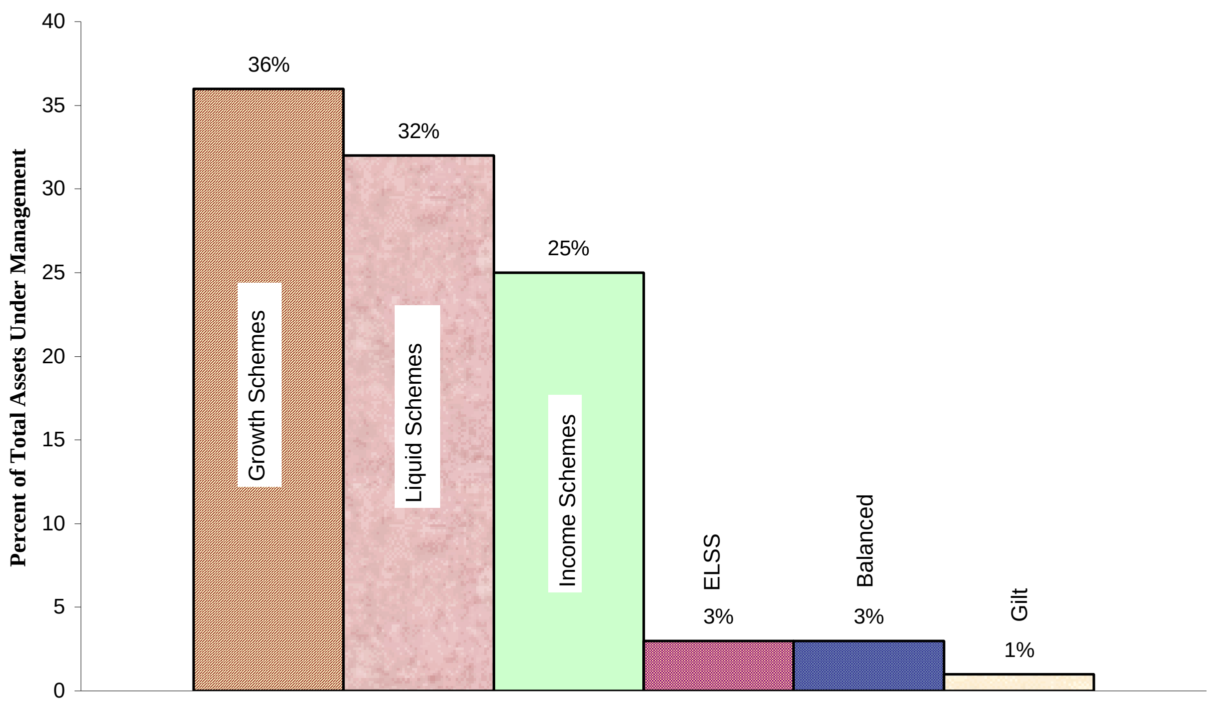
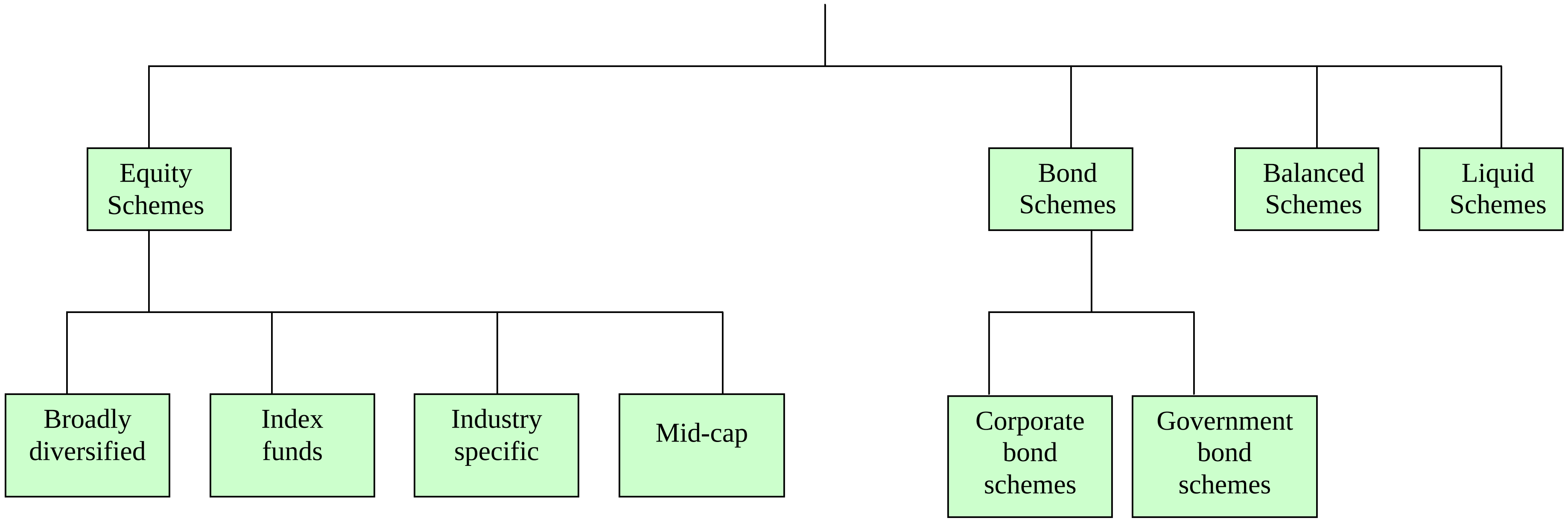


Exhibit 4

Mutual Fund Scheme Types



(b) **Industry–specific**: Some mutual funds specialize in particular industry segments. They specify the industry or industries in which the fund is to be invested although the exact boundary line for an industry is not always easy to draw. The idea is to concentrate on some promising industries expected to give superior returns. It should be borne in mind that the fortunes of particular industries are liable to much sharper and sudden changes than the broad economy.

(c) **Mid-cap funds**: As the name implies, these funds are meant to be invested in companies of "medium-size". There is no general definition of medium size. Each such fund adopts its own definition, usually in terms of a company's market capitalisation. They have emerged in recent years in the hope that relatively young, innovative and small-sized companies are likely to grow faster than the large and mature companies.

(d) **Index Funds:** Here, the portfolio composition is not decided by the fund manager but is given by a particular index, as announced at the time of launching the scheme. The merits and demerits of index funds will be discussed in the next section at length.

Bond schemes

18. *Bond schemes*, also known as income schemes, invest in government and corporate bonds of medium and long duration. The bulk of their income arises from interest and some part from trading of bonds.

19. Bonds are exposed to *interest rate risk*: if interest rates rise, the market value of the existing portfolio of bonds will fall. Bonds of longer maturity will decline more than bonds of shorter maturity. Two other risks in the case of bonds arise respectively from *defaults* by the issuers and market *illiquidity*. Hence, bond schemes are not always as safe as they may appear to be.

Balanced schemes

20. *Balanced schemes* invest in both equity and bonds. For this purpose, limits are specified in the form of percentage to be invested in equity and bonds respectively. The idea is to provide a mix of equity and bonds in a single scheme to suit the somewhat conservative investor. However, such schemes are not popular in India, an important reason being that they don't enjoy the tax advantage which equity schemes have.

Money market schemes

21. *Money market or liquid schemes* are a relatively recent phenomenon in India. They invest in money market instruments which are of very short-term maturity and, therefore, do not generally involve much interest-rate-risk. Such schemes compete with bank deposits as a method of holding liquid balances.

IV. INDEX FUNDS

Reasons for index funds

22. Index funds simply mirror a chosen market index. They first emerged in the U.S. because it was found that many equity fund managers did worse than the market average as measured by the index. That is, they earned a lower return than the return which could be earned on a portfolio corresponding to the market index. So, why not hold a portfolio which simply mirrors the market index? *An index fund can reduce the fund management costs on two counts:* (1) it can dispense with the highly paid fund managers because no selection of investments is required and (2) it can reduce the transaction costs also because there is no need for portfolio churning, i.e. changing the portfolio mix by constantly reviewing the portfolio, selling some shares and buying others in their place.

How index funds operate

23. For the reasons given above, the cost of running an index fund is substantially lower compared to the discretionary diversified equity funds. Hence, *index funds charge lower management fees and expenses to the extent of almost one-half, compared to discretionary diversified funds.*

24. Of course, some purchases and sales of stocks will be necessitated even in the case of index funds. This is because some existing investors may leave the fund and some new investors join the fund from time to time. The purchases and sales of stocks have to be made in such a manner that the portfolio composition continues to match the index chosen.

Slight "tracking error"

25. This means that if the fund has to reduce its portfolio size by, say, 1%, each distinct holding should be reduced by 1%. The exact calculation may mean fractions of some shares but shares cannot be sold or bought in fractions. The fund manager can only try to match the fund's portfolio to the index as nearly as possible. Slight mismatch, known as "tracking error", will generally remain but this is unlikely to affect the fund's performance materially.

Effect of index revision

26. Agencies which compile the share index usually revise the index at some intervals by replacing some of the existing companies by others. The agency has to give an advance notice to the public about such changes. The index fund will have to readjust its portfolio composition so that it corresponds to the revised index. Some changes in the composition of the index are necessitated by mergers and liquidations of companies also.

Index funds not popular in India

27. *In India, index funds are not very popular for two main reasons. First*, not many investors in India have much idea about what kind of future return to expect from the particular index. *Second, an emerging economy, like India, provides many rewarding opportunities of investing in companies not included in the index.* These may be young and fast growing companies. Even in the case of index companies, some companies may be more promising than others but *index funds have to rigidly adhere to the percentage representation of the various index companies in the fund's portfolio.* In the present Indian situation, flexibility in fund management has been found to be advantageous.

V. NET ASSET VALUE (NAV) : A VERY IMPORTANT CONCEPT

28. Once a mutual fund scheme has been floated, the buying and selling prices of its units from day to day are related to the NAV of the units according to the regulations of SEBI. It is important for investors to understand the NAV concept.

Daily NAV

29. A mutual fund is required to compute the NAV once a day based on the closing market prices by valuing all assets and liabilities at their *current values*.

NAV per unit

30. The steps involved in computing the *NAV per unit* are as follows:

(a) Compute the aggregate assets of the fund *as a whole* at current values.

(b) Compute the aggregate liabilities at current values.

(c) Compute the *aggregate* NAV i.e. (a) minus (b).

(d) Compute the *per unit* NAV by dividing the aggregate NAV by the total number of units outstanding. That is:

$$\text{NAV of per unit} = \frac{\text{Aggregate NAV}}{\text{No. of units outstanding}}$$

Watch the NAV per unit

31. Just as investors in shares watch the share prices in order to know how their investment is faring, a mutual fund investor can keep track of the progress of the fund by looking at the movement of the NAV per unit.

Mutual fund and stock market relationship

32. *Remember that the NAV per unit of an equity fund is linked to the value of the fund's portfolio, which, in turn, is related to the ups and downs of the stock market.* The fickleness of the equity market as a whole affects the mutual fund investors through its effect on the NAV per unit. Such fickleness sometimes borders on madness because it has no link with fundamental factors. It is best brought out by movements of the market's P/E ratio.[1] Exhibit 5 presents the movements over a fairly long period from January 1999 to March 2007.

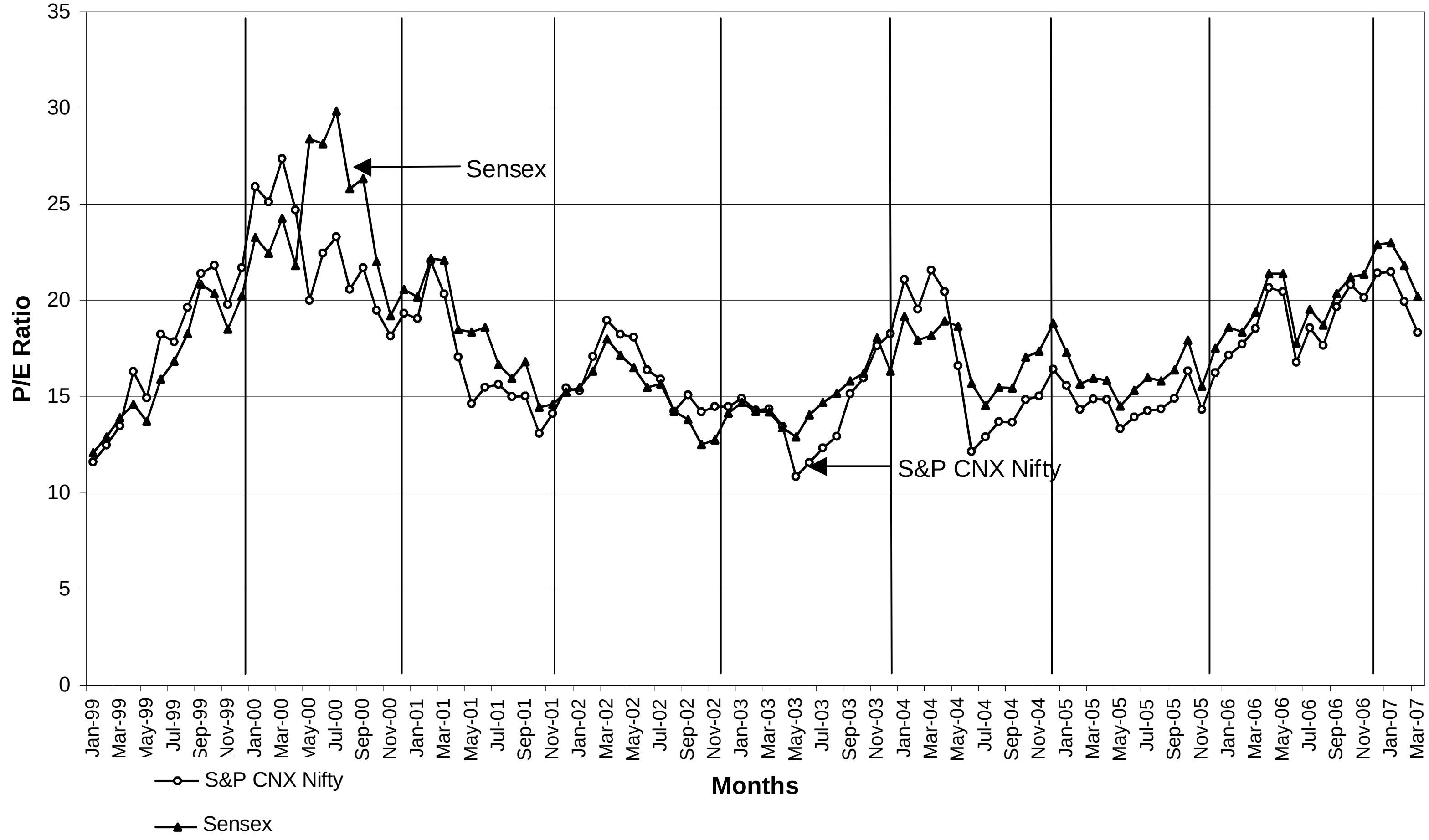
33. *If the stock market crashes, the value of an equity fund will also crash.* As Peter Lynch has said, "there is no such thing as a crash-proof portfolio".[2] Even the best fund manager cannot protect the investor in such an eventuality. Short-term and cyclical fluctuations are a characteristics of stock markets all over the world.

34. Investors should view mutual fund equity schemes as an avenue for long-term investment rather than for short-term speculation.

[1] See our Investor's Education Series No. 1 on *How the P/E Ratio Can Really Help You*, specially pp. 6-8.

[2] Peter Lynch, *Learn to Earn: A Beginner's Guide to Basics of Investing and Business* (Fireside, New York, 1995), p. 119.

Exhibit 5
P/E Ratio - Sensex & Nifty Comparison



VI. CHARGEABLE FEES AND EXPENSES

SEBI Regulations

35. The AMC (Asset Management Company) charges an investment advisory fee to the mutual fund. In addition, the day to day running expenses are also chargeable to the mutual fund.

36. If the AMC is lavish, careless or unscrupulous in spending, the net return to investors will be adversely affected. Hence, SEBI regulations have laid down in detail what and how much can be charged to the mutual fund in the form of advisory fees and expenses.

37. The SEBI regulations have laid down sub-limits for (a) "investment advisory fee", and (b) other recurring expenses and also an over-all limit for the two combined. Expenses which are not expressly allowable have to be borne by the AMC. (For example, expenses of account maintenance is the AMC's responsibility. There could be others, like rental for office space)

38. The over-all limit on advisory *fees plus recurring expenses*, which the AMC can charge to the fund, is prescribed as a percentage of "average weekly net assets", indicated below:

	Average Weekly Net Assets	*Over-all limit on fees & expenses*
(1)	First Rs 100 crore	2.50%
(2)	Next Rs 300 crore	2.25%
(3)	Next Rs 300 crore	2.00%
(4)	Additional assets	1.75%

Note: The percentages mentioned are applied to the "average weekly net assets".

39. In the case of *bond schemes*, the percentage is required to be lower by at least 0.25% than the above-mentioned figures.

40. Within the over-all limit mentioned above, there is a sub-limit for advisory fees as follows:

Average Weekly Net Assets	*Sub-limit on advisory fee*
(1) Rs 100 crore	1.25%
(2) Excess over Rs 100 crore	1.00%

41. The difference between the combined over-all limit (mentioned in Para 38 above) and the sub-limit for advisory fee represents the sub-limit for allowable recurring expenses. These expenses comprise brokerage and transaction cost, registrar's services, custodian fees, audit fees, trustees' fees and expenses, investor communication expenses, insurance premium and statutory advertisement costs.

Initial launching expenses

42. The initial launching expenses of a scheme are also regulated by SEBI as a separate category. SEBI regulations allow these expenses upto a maximum limit of 6% of the initial resources raised. Till recently, the regulations required that if the initial expenses exceeded 6%, the excess will have to be borne by the AMC. A recent change disallows initial expenses beyond 6% even if the AMC is prepared to bear the excess. Ostensibly, this change has been made to stop unhealthy competition among mutual funds.

Load funds and no-load funds

43. No-load funds are those funds which do not charge an initial entry-fee from investors. On the other hand, load funds charge an entry fee. In the case of schemes launched on "no load basis", the AMC is permitted to recover the launching expenses by increasing the investment management advisory fee slightly, i.e. by upto 1% of the average weekly net assets. Some investors may get attracted into a scheme because it charges no entry fee but this advantage is, more or less, cancelled out by higher advisory fee and exit fee.

Are no-load funds preferable?

44. In the case a load-fund which has an entry fee of, say, 6%, for every Rs. 100 paid by the investor, the amount actually invested on his/her behalf will be Rs. 94 only. On the other hand, in the case of a no-load fund, the full amount of Rs. 100 paid by the investor is available to be invested on his/her behalf but the fund is allowed to charge an additional 1% advisory fees in lieu of not charging an entry fee.

45. There is thus a trade-off. The difference between the two alternatives does not seem to be significant from the long-term angle. Usually, in the case of no-load funds, the investor has to pay upto 1% additional advisory fee and also an exit charge if he/she exits from the fund within a short period. In the case of load funds which levy an entry fee, there is generally no exit charge.

VII. CLOSED-END AND OPEN-END SCHEMES

46. Mutual fund schemes are of two broad types, viz., (a) closed-end and (b) open-end. A *closed-end fund* has a fixed number of units outstanding, just like shares of a company. Such units are listed on stock exchanges and traded in the market at the prevailing market prices in the same way as shares of a company. The liquidity of such units depends on how actively they are being traded. With just a few exceptions, most closed-end funds are not actively traded but have a fixed tenure. At the end of such tenure, the fund is liquidated and the money returned to the unit holders.

47. An *open-end mutual* fund has arrangement both to issue further units and also to repurchase existing units from the holders. The sale and repurchase prices are both linked to the NAV. The SEBI has laid down rules for regulating the maximum permissible spread between issue and repurchase prices of open-end schemes.

A puzzle

48. In the case of closed-end schemes, it has been observed that their market price is often significantly lower than the NAV (i.e., "at a discount to NAV", in market parlance). This has always been a puzzle because it looks illogical. In such a case, the unitholders will be better off if the fund is liquidated and the money returned to the unitholders. If unitholders had voting power, they could get the scheme liquidated.

Open-end schemes are better

49. From the investor's viewpoint, open-end funds are preferable because they provide immediate liquidity to the investor in case of need. They also keep the fund's management on its toes. If an open-end fund is poorly managed, the investors can walk out any time. This is not so in the case of closed-end schemes which, in a sense, lock-in the existing investors. In the case of actively traded closed-end funds, an existing investor can sell his holding in the market but usually at a price which is significantly below the NAV.

VIII. SYSTEMATIC INVESTMENT PLAN (SIP)

What is SIP?

50. A systematic investment plan (SIP) commits the investor to invest a specified amount every month (or every quarter) in the units of a fund's equity scheme. The number of units bought each month for the investor under the plan will depend on the ruling price: fewer units are bought when the price is high, and more units are bought when price is low. This is a built-in advantage of SIPs. It averages out investor's buying price over the entire period of holding. The SIP resolves a dilemma often facing investors due to ups and downs in the market price. The investor finds it difficult to decide when to invest in the equity scheme.

51. The monthly or quarterly amount to be invested can be as small as Rs. 500 or Rs. 1000. Mutual funds specify the schemes for which SIP is allowed by them. Some funds charge a lower entry load under SIP than for one-time investment, but others don't make any such distinction. An exit load under SIP is charged if the investor leaves the scheme before a specific period of time.

When is SIP advantageous

52. It cannot be claimed that the SIP is always more advantageous than a lump sum investment. It all depends on the course of equity prices which form the basis for computing the price of units.

53. *If over the total period of holding, the prices have been generally declining, the SIP would cause a loss: the redemption amount (based on NAV at the end) paid to the investor for the accumulated units in his/her account would be less than the total cost. In the opposite case of rising prices, the SIP would be advantageous.*

Example

54. Consider the following simplified example: Monthly investment is Rs. 1000 for the next 12 months. The amount is invested each month immediately in units of an equity scheme at the ruling price of units.

Assumption-1 (Declining Prices): The price per unit is *Rs. 16 for first 8 months* and Rs 10 per unit for last 4 months. (This is a simplification. The price for each month would ordinarily be different.) Under this assumption, against Rs. 1000 per month paid by the investor, the number of units purchased will be 500 in the first 8 months and 400 in the last 4 months. Thus the total number of units purchased over 12 months will be 900 at a cost of Rs. 12000. The redemption of the accumulated units is done always at the closing NAV. As per our assumptions, the accumulated units are 900 and will fetch only Rs. 9000 at the closing NAV of Rs. 10 per unit. The investor suffers a loss of Rs. 3000 on the total amount invested (Rs. 12000 – 9000).

Assumption-2 (Rising Prices): The ruling prices of units are reversed, being *Rs. 10 for first 8 months* and Rs. 16 for last 4 months. The number of units bought for the investor will be 800 in the first 8 months and 250 in the last 4 months. The total number of units accumulated over the 12 months will be 1050 for Rs. 12000. These 1050 units will fetch Rs. 16800 at the closing price of Rs. 16 per unit. There is a total gain of Rs. 4800 for the investor (Rs. 16800 – 12000).

55. The example given above brings out that the crucial factor is how the ruling price behaves over the period of SIP. In the real world, no one can predict the pattern of prices which will prevail in the future over the next 12 months or a longer period of some years. The most advantageous situation for the investor is when his/her over-all buying cost is the least and the realisable price on completion of the investment plan is the highest.

56. An investor, who joins the SIP at a wrong time (i.e. when the equity prices are all-time high), will be in an unfortunate situation unless the prices rise further in the future. Thus, we see that the averaging of price over the period of SIP does not always insulate the small investors against the market's volatility.

57. In the case of SIP, the possibility of loss can be avoided by not starting at the wrong time (i.e. when equity prices are too high). We should bear in mind the fact that the Indian stock market is far more volatile than the developed markets, like U.S. and U.K. If we look at the movements of BSE Sensex, a significant fall or rise of 20-25% within a few months is fairly common. The SIP provides a very imperfect solution to the problem posed by market's high volatility.

Caution needed

58. The *investor should not take it for granted that SIP is always advantageous. The price level at the starting point is particularly important*, as illustrated above. The price level at the end of the period chosen is also critical. *The rigidity of most SIP schemes can be both inconvenient and disadvantageous to the investors. The investor should avoid a situation of forced redemption of accumulated units at unduly low price by building some flexibility in the choice of redemption date.*

IX. DIRECT EQUITYHOLDING VS. MUTUAL FUND EQUITY SCHEMES

Future performance is the key

59. A mutual fund's future performance over the long-term is directly linked to the kind of companies in its portfolio: Are these the companies and industries in which good growth is expected over the long-term? The mutual funds are required to disclose their portfolio in periodical reports. This is to enable investors to form a broad judgment about the fund's portfolio. There is generally a fair degree of performance continuity in the case of large, diversified and established mutual fund schemes.

Direct shareholding

60. An advantage of direct shareholding vis-à-vis mutual fund equity schemes is that direct investors do not have to bear the burden of annual management fees and expenses charged by mutual funds. Such burden usually amounts to around 2.5% per annum of the mutual fund portfolio value, in addition to the entry and exit loads. For this reason, a knowledgeable long-term equity investor can hope to earn a higher annual return through direct equity holding than through mutual fund equity schemes.

61. A second advantage of direct shareholding is that, over the years, the investor becomes more knowledgeable about companies, industries and the share market. On the basis of such knowledge, the investor may buy more shares of the good companies already in his/her portfolio as and when the share price dips. The shares of the laggard companies may be disposed of. This kind of investment strategy reduces the market risk by reducing the average acquisition cost of his/her shareholdings. It also improves the over-all quality of the portfolio. A portfolio of just 5-10 carefully selected companies from different industries, held for long periods of over 5 years or even 10 years, can be quite rewarding.

Narrow diversification works well

62. It has been statistically proved that more than one-half of the "market risk" is eliminated by portfolios of 5 different shares; and more than two-thirds of risk is eliminated by portfolios of 10 shares.[3] "Market risk" is the risk of loss arising from the whole market falling. Diversifying beyond 10 companies can reduce the remaining market risk. However, since the remaining risk is small, its elimination brings only a minor benefit. Even this is cancelled out because too much diversification makes it difficult to supervise the portfolio.

The practical angle

63. From the practical angle, a more comfortable as well as more profitable strategy would be to have a combination of direct equity holdings and mutual fund equity schemes. In this way, a well-to-do investor can avoid having too many companies in his/her own portfolio.

[3] See L.C. Gupta, *Rates of Return on Equities: The Indian Experience* (Oxford University Press, 1981), pp. 33-34. 'Market risk' has to be distinguished from the risk of random error or insurable risk. See Ibid., pp. 31-32.

Appendix 1
List of Mutual Funds In India

Sr. No.	Name of the Asset Management Company	Assets Under Management
A.	**Bank Sponsored**	
(i)	**JOINT VENTURES – PREDOMINANTLY INDIAN**	
1	SBI Funds Management Pvt. Ltd.	17,552
	TOTAL A (i)	**17,552**
(ii)	**OTHERS**	
1	BOB Asset Management Co. Ltd.	118
2	Canbank Investment Management Services Ltd.	2,308
3	UTI Asset Management Co. Pvt. Ltd.	37,535
	TOTAL A (ii)	**39,961**
	TOTAL A (i + ii)	**57,513**
B.	**INSTITUTIONS**	
1	LIC Mutual Fund Asset Management Co. Ltd.	12,237
	TOTAL B	**12,237**
C.	**PRIVATE SECTOR**	
(i)	**INDIAN**	
1	Benchmark Asset Management Co. Pvt. Ltd.	**6,076**
2	DBS Cholamandalam Asset Management Co. Ltd.	2,263
3	Escorts Asset Management Ltd.	129
4	J.M. Financial Asset Management Pvt. Ltd.	3,816
5	Kotak Mahindra Asset Management Co. Ltd.	12,674
6	Quantum Asset Management Co. Ltd.	59
7	Reliance Capital Asset Management Ltd.	39,020
8	Sahara Asset Management Co. Pvt. Ltd.	181
9	Tata Asset Management Ltd.	13,222
10	Taurus Asset Management Co. Ltd.	261
	TOTAL C (i)	**77,701**
(ii)	**JOINT VENTURES - PREDOMINANTLY INDIAN**	
1	Birla Sun Asset Management Co. Ltd.	21,190
2	DSP Merrill Lynch Fund Mangers Ltd.	13,440
3	HDFC Asset Management Co. Ltd.	31,424
4	Prudential ICICI Asset Management Co. Ltd.	34,746
5	Sundaram BNP Paribas Asset Management Co. Ltd.	7,104
	TOTAL C (ii)	**107,904**
(iii)	**JOINT VENTURES - PREDOMINANTLY FOREIGN**	
1	ABN AMRO Asset Management (India) Ltd.	5,145
2	Deutsche Asset Management (India) Pvt. Ltd.	6,330
3	Fidelity Fund Management Pvt. Ltd.	5,873
4	Franklin Templeton Asset Management (India) Pvt. Ltd.	23,908
5	HSBC Asset Management (India) Pvt. Ltd.	12,140
6	ING Investment Management (India) Pvt. Ltd.	4,067
7	Lotus India Asset Management Co. Pvt. Ltd.	647
8	Morgan Stanley Investment Management Pvt. Ltd.	3,118
9	Principal PNB Asset Management Co. Pvt. Ltd.	10,333
10	Standard Chartered Asset Management Co. Pvt. Ltd.	12,746
	TOTAL C (iii)	**84,307**
	TOTAL C (i+ii+iii)	**269,912**
	TOTAL (A+B+C)	**339,662**

Source: Newsletter of Association of Mutual Funds in India (AMFI), January 2007