

Date

16-06-21

## Fund of Funds

1) In this case one MF will invest into another MF/MF's, instead of investing into stocks/securities directly

Eg:- if you have invested in Franklin templeton funds of funds MF's scheme, they have invested into

- \* JP Morgan large cap fund
- \* HDFC small cap fund
- \* Axis bluechip fund

2) These other funds like JP morgan will invest into stocks/securities.



3) In this model, the fund house is helping the investors to find out other fund managers/funds who are experts in other some other investment style/investment strategy.

Eg:- Motilal Oswal can have many funds in India, they may be experts to find out good opportunities in Indian market. However in American markets they may not have knowledge to find out good stocks so they can launch the fund in India, invest that into JP Morgan fund, who are expert in that US market.

4) Another advantage of this model is diversification of risk. Since main fund invest into international funds, funds with different fund styles/strategies so one of the fund give better returns when other funds are giving losses.

5) The major dis-advantage of this model is, more expensive to the investor since they have to pay expense at main fund level, at the portfolio funds/fund of funds level also.

### Parties in Mutual Fund

To launch a MF, to manage the fund there are multiple parties/co's involved to ensure the fund is working properly, chances of fraud is reduced/mitigated.

#### 1) Sponsor - Axis bank Ltd

Axis bank is launching axis cessant fund. The sponsor is axis bank who is responsible to register the fund, launch the fund by submitting scheme related documents with regulator; taking approval from them.



## 2) Asset Management co (Amc)

This is the main party in fund who takes all important decisions like where to invest, when to invest etc.

Eg: Axis Asset management co Ltd

✓ The fund manager is part of this entity.

## 3) Trustee

If the fund is registered as a trust, there will be trustee who will take care of day to day operations of the fund, they will monitor the operations of the fund to protect investors interest

## 4) Custodian

1) This custodian keeps the Assets of the fund in their custody

Eg: if the fund is purchasing assets like gold, equity shares, those title documents/assets will be in the custody of this co.

Eg: Axis bank will appoint Best bank as custodian

2) This will ensure the sponsor/Amc is not misusing the assets of the fund since the custodian is a third party.

3) In the international fund (it is common practice in market) to appoint this custodian as fund administrator also. fund administrator helps the fund to prepare the financials of the fund to initiate bank payments, receipts of the fund etc



## 57 RTA :- Registrar and Transfer agents

This party is responsible to maintain the list of owners/investors in the fund. They will update any investor transfers, keep the list of current owners/investors in the fund.

### Advantages

⇒ MF ⇐

### Disadvantages

- Professional management
- Risk management
- Diversification
- Liquidity
- Regulatory support
- Tax benefit
- Low investment
- Convenience

- MIS use of money
- Expenses
- too many choices

1) Most of these fund managers/fund houses will give better returns to the investor than an investor can get based on their own investment/Direct investment into any asset. This consistent returns can at least happen in the long term. Most of the investors will make mistakes by taking more risk so return in one/two years may be lost with a loss of on another asset in the next year.

2) These fund houses will have team of professionals like research ~~analyst~~ <sup>Analyst</sup> (fundamental, technical), economists etc. so they will use different risk practices to reduce ~~the chance~~ the losses even in bad market.

3) Depends on the type of investor, risk they can take there are many types of schemes, they can advise on how an investor can diversify the risk by investing into different schemes/different assets.