

Investor Awareness Program

Save



Spend



Invest



What do you do
with your money?

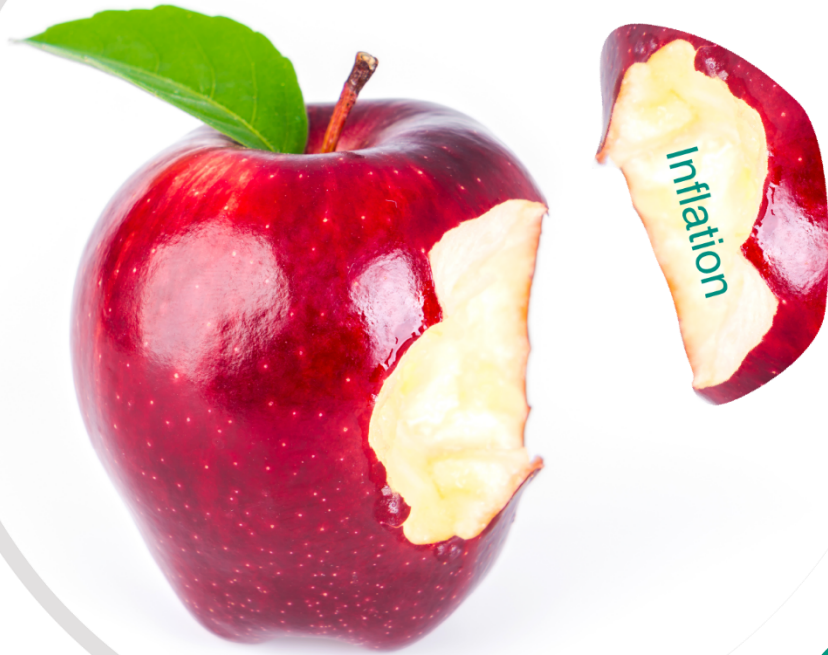
“

Do not save what is left after spending,
But spend what is left after saving.

——— Warren Buffett

”

What's wrong with just saving?

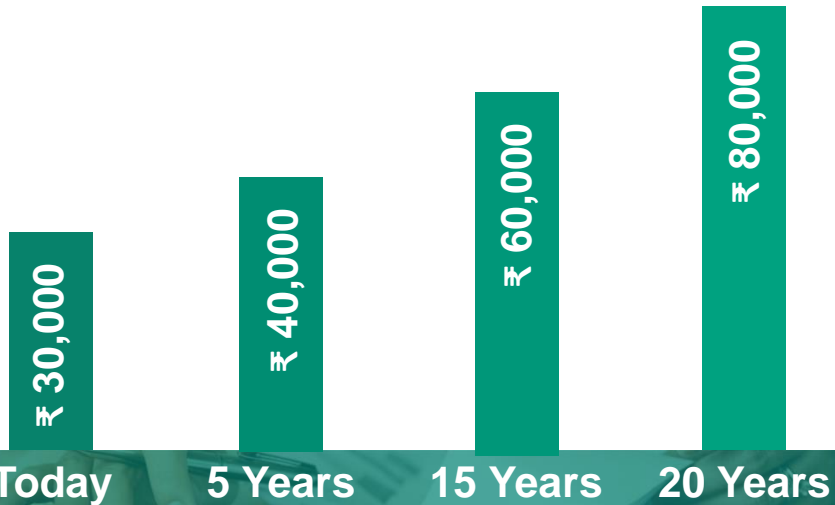


Inflation
eats up your savings over time!

Impact of Inflation

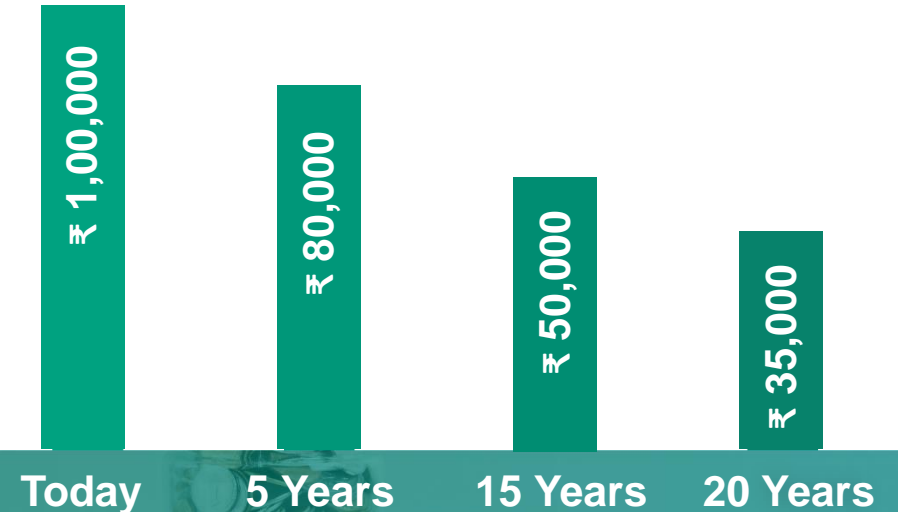


Impact of Inflation on expenses



Impact of 5% yearly inflation on expenses

Impact of Inflation on savings



Impact of 5% yearly inflation on Savings

Solution?



Investing - the safeguard against inflation



Start Saving ...
the earlier you start, the better



Progress from 'Saving'
to 'Investing'



Put money to work rather than
accumulating or keeping it idle



You work hard to earn money ...
So, make the money work hard
for you



Benefit from the
Power of Compounding

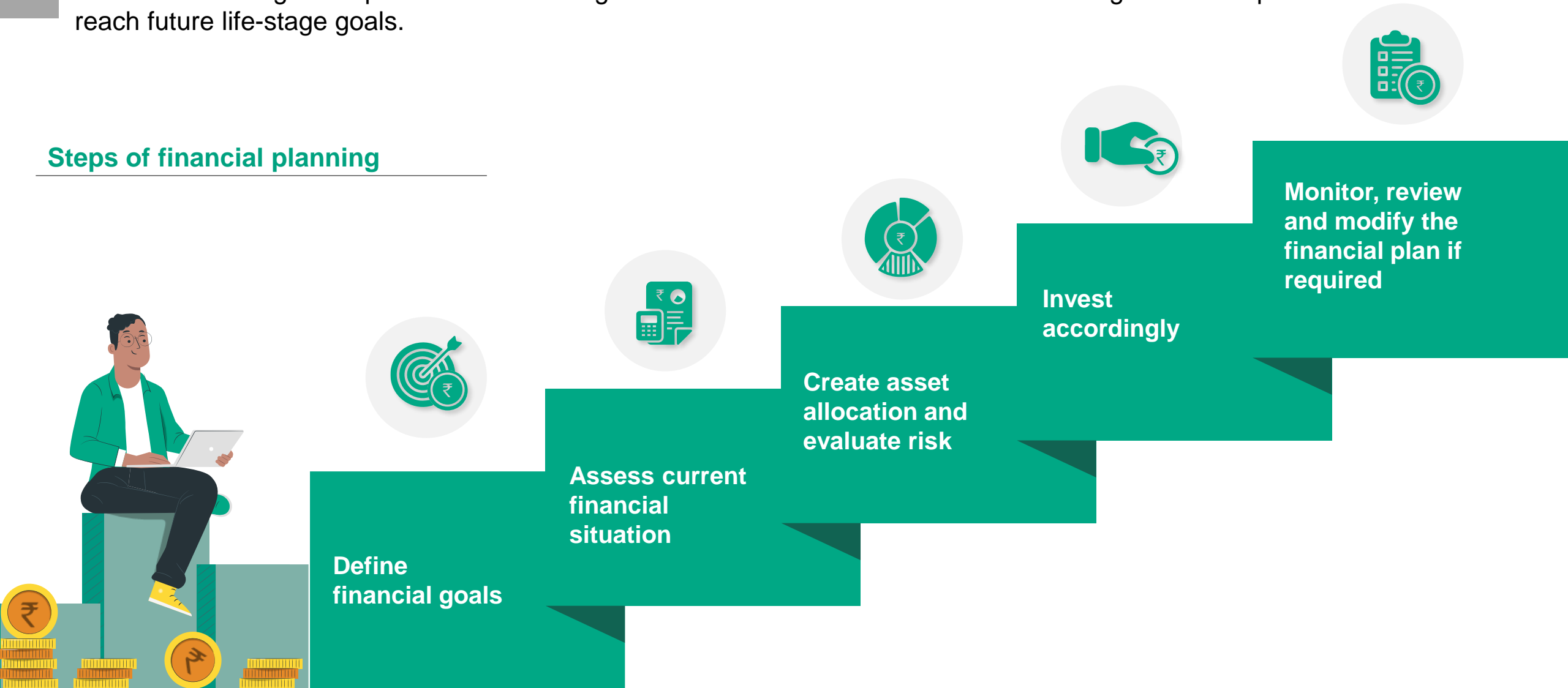
A comprehensive financial plan can help you plan your investments efficiently

What is Financial Planning?



Financial Planning is the practice of assessing one's current financial situation and drawing a financial plan to reach future life-stage goals.

Steps of financial planning



Why is Financial Planning important?



To reach financial goals faster & in a disciplined manner

Investing systematically can help you stay focused on the goal



To enhance your standard of living

Saving and investing according to a financial plan can help you live a sustainable standard of living.



To prepare for financial emergencies

Keeping aside a contingency fund can protect your financial being during a crisis situation



To manage and save taxes efficiently

Financial planning helps you invest in tax-saving instruments which are aligned with your goals and asset allocation



To enjoy peace of mind

A financial plan manages your money efficiently and thereby helps you enjoy peace of mind.

“

Never depend on single income.
Make investment to create a second source.

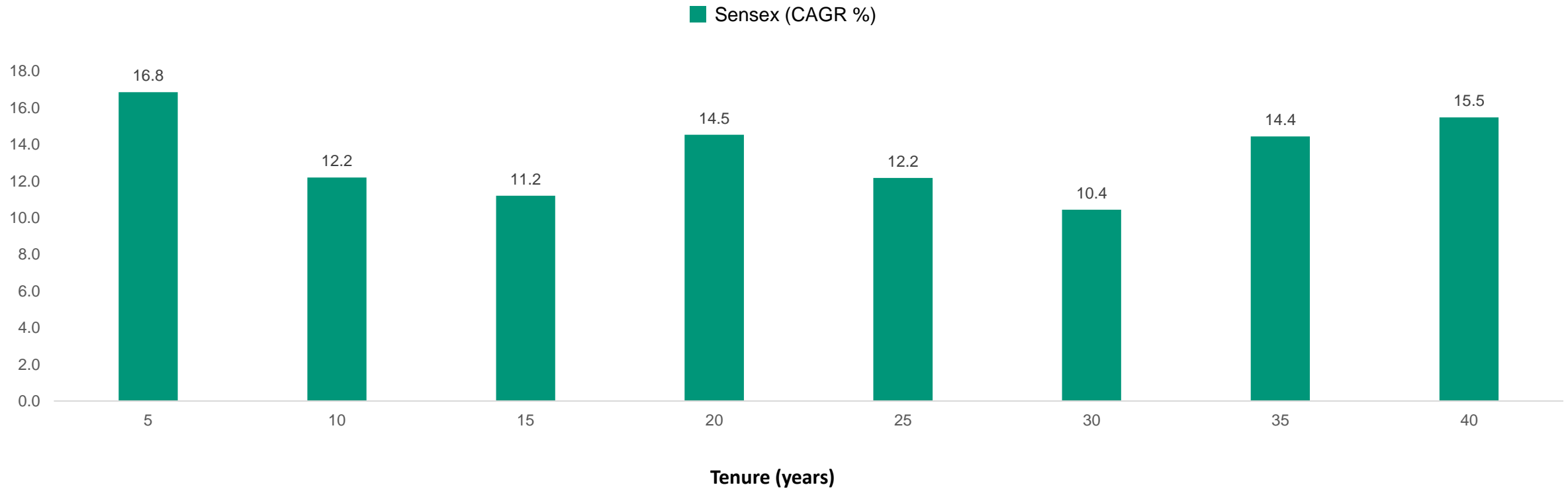
——— Warren Buffett

”

Investing in the right asset can help create wealth in the long term

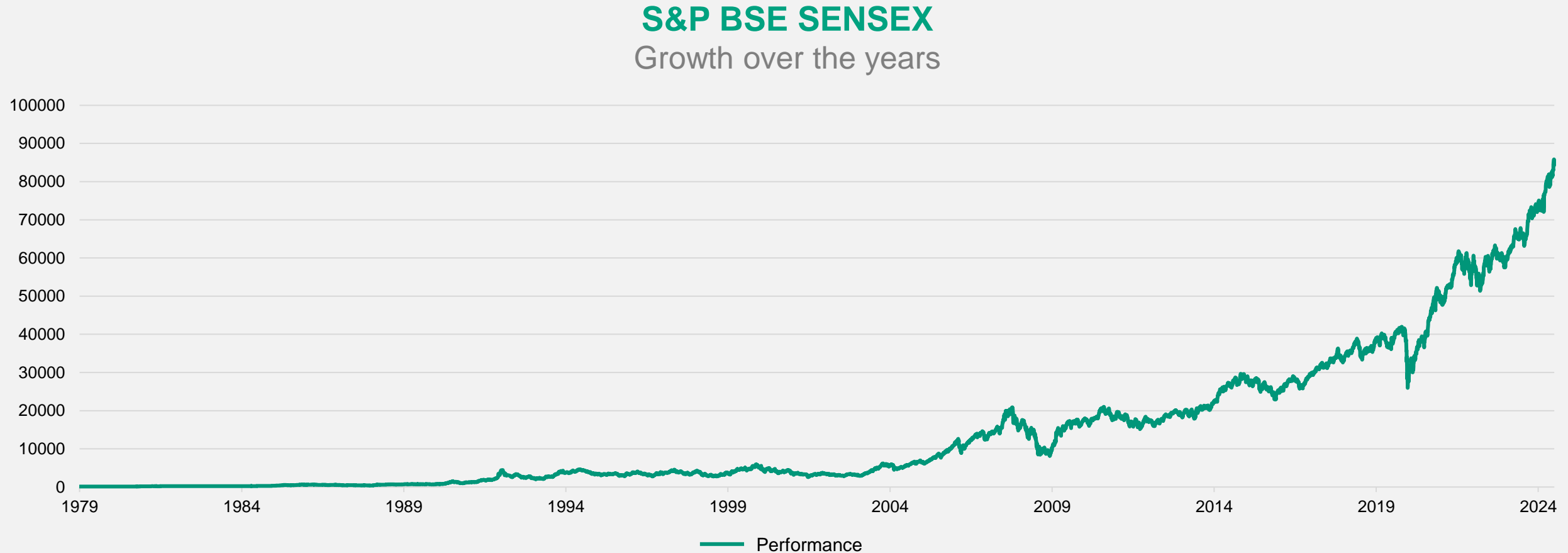


Returns generated by investment in stock market over different tenures



Source: ACE MF | CAGR returns are as on 30th September, 2024 | Returns are calculated in a way that the investment period for every tenure is ending on 30th September 2024. For example, the investment period for five-years returns is 30th September 2019 to 30th September 2024; the investment period for ten-years is 30th September 2014 to 30th September 2024 and so on | Past performance may or may not guarantee future performance

Investing for long-term can prove to be beneficial

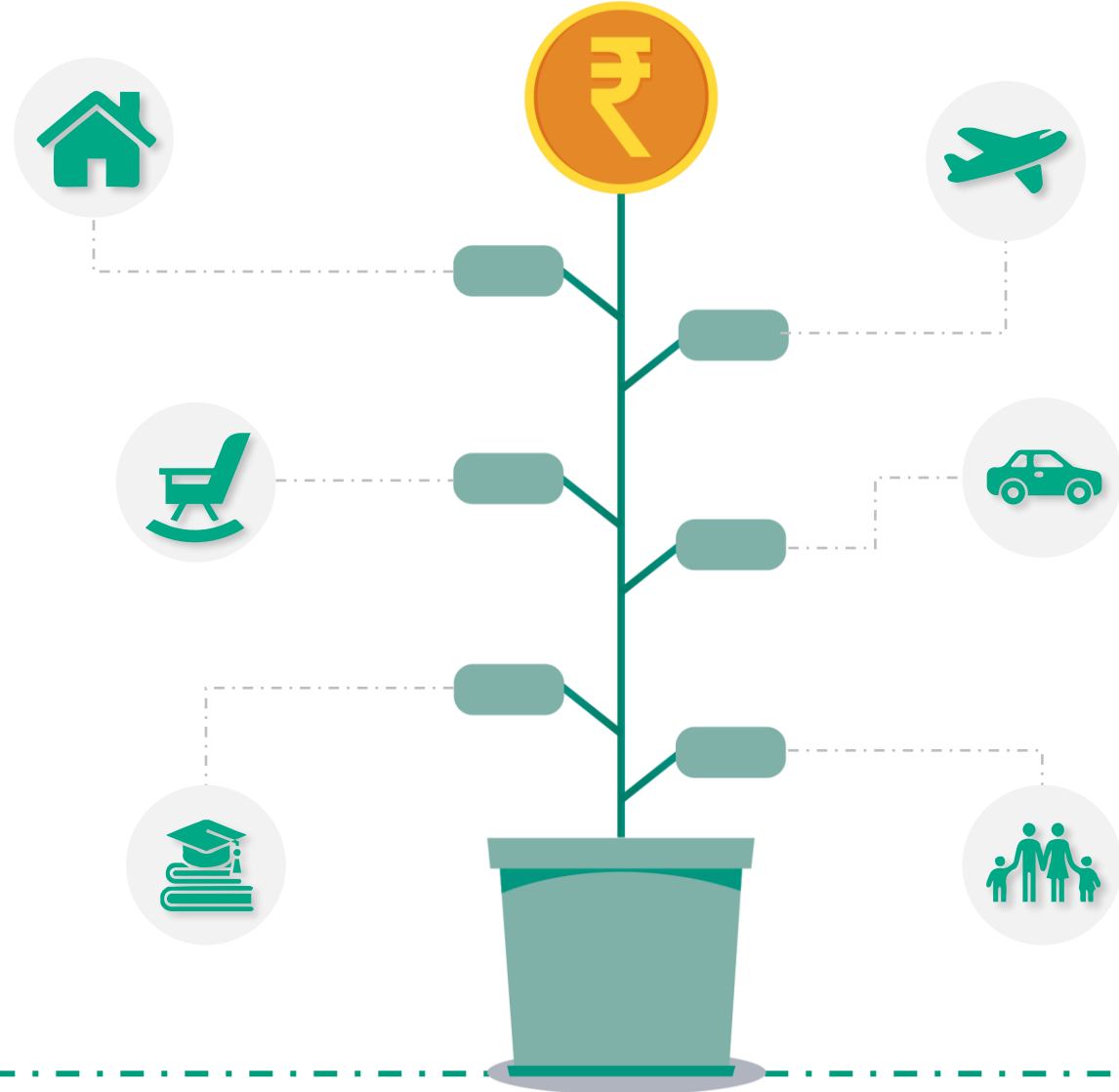


Source: ACE MF | Past performance may or may not guarantee future performance | Data as on 30th September 2024

Determine What are you Investing for?

Goal based investing

Always invest in assets
with your specific financial
goal in mind



What are the various options?



Gold



Stocks



Bonds



Property



Insurance



Bank
Deposits



Make your investments work for you

Your Investments should



Fight **inflation** for you



Provide **income** when you need it



Be **accessible & usable** in parts and portions



Grow in value and appreciate over time



Be **realizable** at fair value and low cost

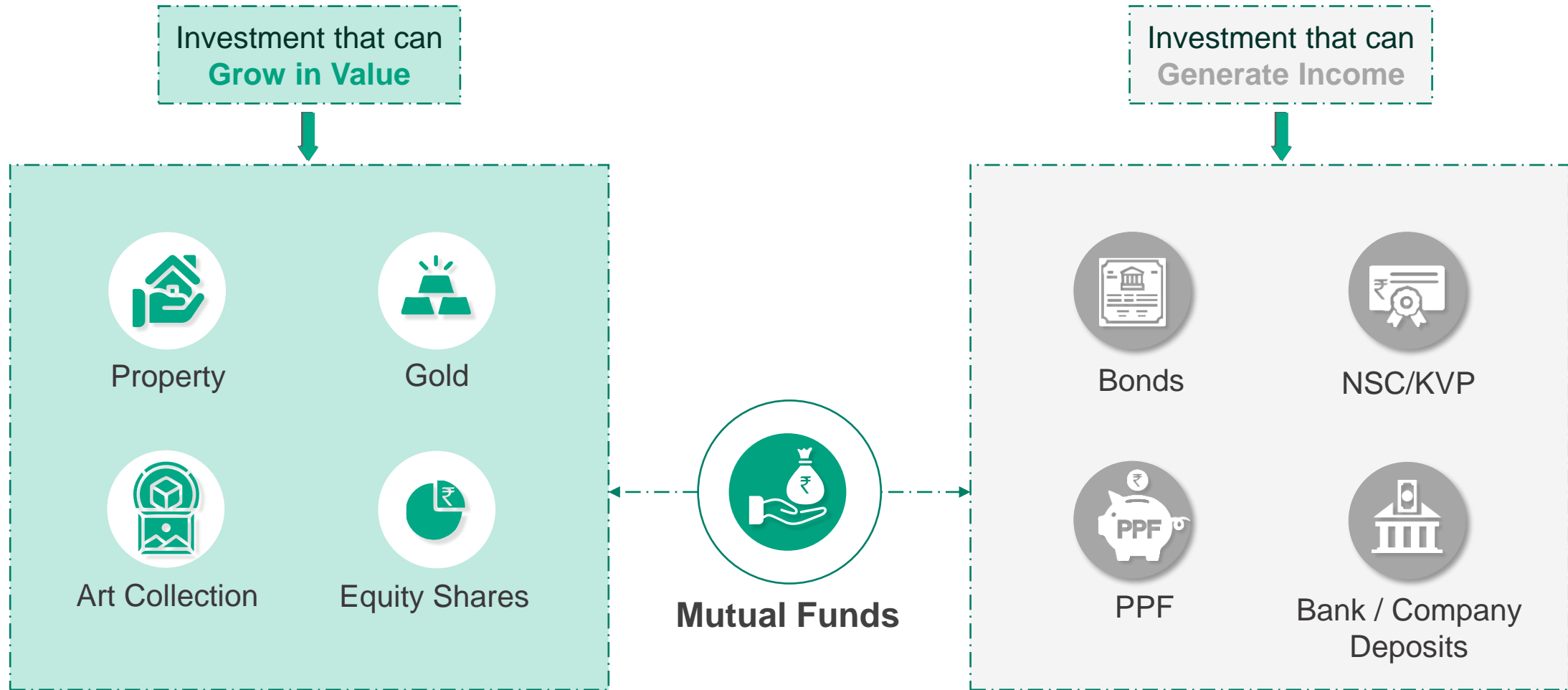
Proper Asset allocation is the answer

What is Asset Allocation ?



Asset Allocation
is like a balanced thali ...

Asset Allocation should match your financial planning/goals



Are you investing in the **right assets**?

— Mutual Funds



What is a Mutual Fund?



A mutual fund is a financial vehicle (scheme) that collects money from many investors and invests it in securities such as stocks, bonds, debentures etc.



Mutual Funds are managed by fund managers, who have the expertise in studying the financial markets.



Anybody with an investible surplus of as little as a few hundred rupees can invest in Mutual Funds



Mutual Fund investment gives the market returns and not assured returns

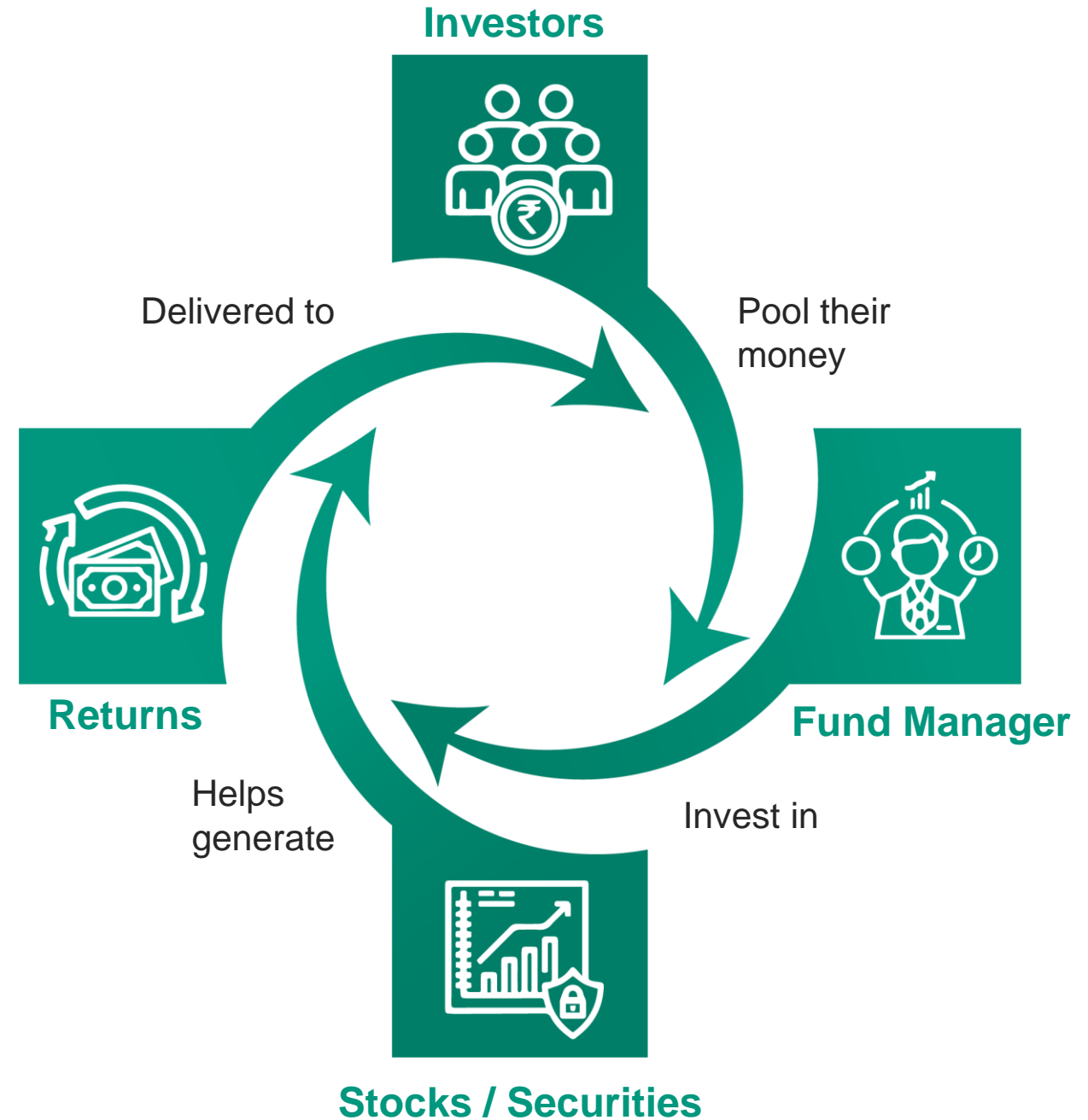


Investment in Mutual Funds is the most cost-efficient as it offers the lowest charge to the investor



In the long term, market returns have the potential to perform better than other assured return products

How does a Mutual Fund work?



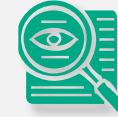
Why invest in Mutual Funds?



Low Cost



Professional Management



Transparency



Risk Diversification



Liquidity



Convenient
(Invest Small Amounts)



Well-Regulated
By SEBI



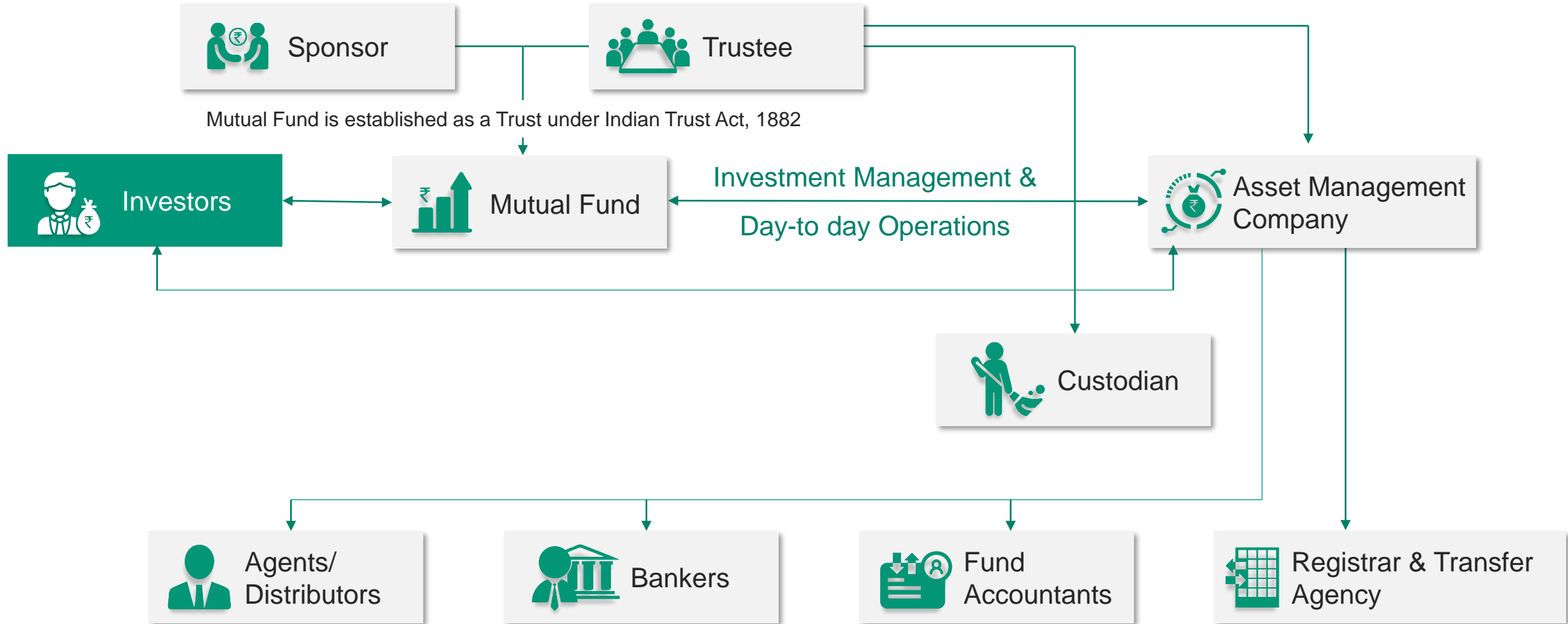
The background of the slide is a teal-tinted image showing a person's hands working on financial documents. One hand is pointing at a tablet displaying a 'STATISTICAL ANALYSIS' report with various charts and graphs. The other hand is holding a pen, poised to write on a document that also features charts, including a large circular chart labeled 'APRIL - JULY'. The overall scene suggests a professional financial analysis or investment management environment.

Mutual Fund Structure & Scheme Categories

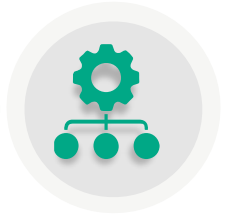
Structure of Mutual Fund at a glance ...



Execute a Trust Deed to form a trust



Types of Mutual Funds



Organizational Structure

- Open ended Funds
- Close ended Funds
- Interval Funds



Management of Portfolio

- Active Funds
- Passive Funds



Investment Objective

- Growth Funds
- Income Funds
- Hybrid Funds



Investment portfolio

- Equity Funds
- Debt Funds
- Hybrid Funds
- Liquid Funds



Other Fund Types

- Exchange Traded Funds (ETF)
- Gold ETF
- ELSS
- Retirement / Pension Scheme
- Overseas Funds
- Fund of Funds

Categorization of Mutual Fund Schemes



As per SEBI guidelines on Categorization and Rationalization of schemes issued in October 2017, mutual fund schemes are classified as:



Equity Schemes



Debt Schemes



Hybrid Schemes



**Solution Oriented Schemes –
For Retirement and Children**



**Other Schemes – Index Funds &
ETFs and Fund of Funds**

- Under Equity category, Large, Mid and Small cap stocks have now been defined.
- Naming convention of the schemes, especially debt schemes, as per the risk level of underlying portfolio (e.g., Credit Opportunity Fund is now called Credit Risk Fund)
- Balanced / Hybrid funds are further categorised into conservative hybrid fund, balanced hybrid fund and aggressive hybrid fund etc

Equity schemes



Equity Funds



Invest in equities and equity related instruments of companies



Seek growth in the long term, can be volatile in the short term



Suitable for investors with higher risk appetite and longer investment horizon

Equity Fund Categories



Multi Cap Fund*

At least 65% investment in equity & equity related instruments



Large Cap Fund

At least 80% investment in equity & equity related instruments



Large & Mid Cap Fund

At least 35% investment in large cap stocks and 35% in mid cap stocks



Mid Cap Fund

At least 65% investment in mid cap stocks



Small cap Fund

At least 65% investment in small cap stocks



Flexi Cap Fund

An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks

* Also referred to as Diversified Equity Funds

Equity Fund Categories



Dividend Yield Fund

Predominantly invest in dividend yielding stocks, with at least 65% in stocks



Value Fund

Value investment strategy, with at least 65% in stocks



Contra Fund

Scheme follows contrarian investment strategy with at least 65% in stocks



Focused Fund

Focused on the number of stocks (maximum 30) with at least 65% in equity & equity related instruments



Sectoral/ Thematic Fund

At least 80% investment in stocks of a particular sector/ theme



ELSS

At least 80% in stocks in accordance with Equity Linked Saving Scheme, 2005, notified by Ministry of Finance

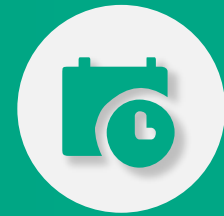
Equity Linked Savings Scheme (ELSS)



Deduction from taxable
income of up to
Rs.1,50,000 under Sec 80C



Invests predominantly in
equity and helps generate
market-linked returns



Shortest lock-in period of 3
years, as compared to other
tax-saving options

Tax benefits are subject to the provisions of the Income Tax Act, 1961 and are subject to amendments from time to time. | Investments of up to Rs 1.5 lakhs done in ELSS Mutual Funds in a financial year are eligible for tax deduction u/s 80C. It translates into a tax saving of up to Rs 46,800 in a financial year.

— Debt schemes

Debt Funds



Invest in different types
of fixed income securities

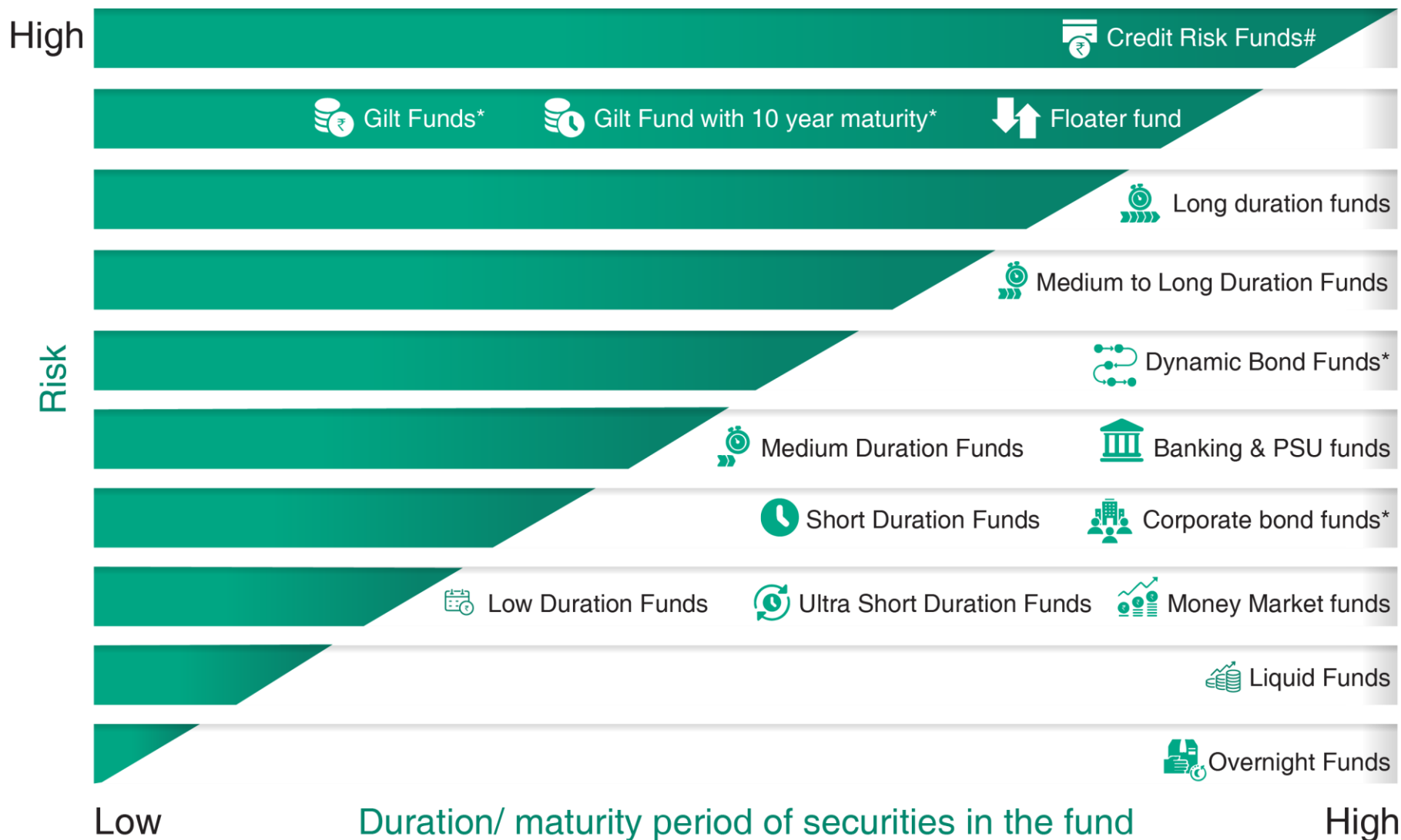


Aim to earn interest income
and capital appreciation



Suitable for investors
seeking returns with low
or moderate risk

Types of debt funds



* Dynamic Bond Fund and Gilt Funds are suitable across duration | # Duration of securities in Credit Risk Fund is strategic and not pre-determined

Debt Fund Categories



Overnight Fund

Overnight securities/ Securities having maturity of 1 day



Liquid Fund

Debt and money market securities with maturity of upto 91 days only



Ultra Short Duration Fund

Securities with Macaulay duration of the portfolio between 3 months - 6 months



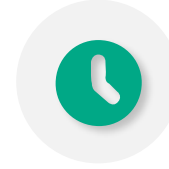
Low Duration Fund

Securities with Macaulay duration of the portfolio between 6 months - 12 months



Money Market Fund

Money Market instruments having maturity upto 1 Year



Short Duration Fund

Securities with Macaulay duration of the portfolio between 1 year- 3 years



Medium duration fund

Securities with Macaulay duration of the portfolio between 3 year- 4 years



Medium to long duration fund

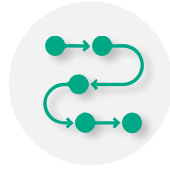
Securities with Macaulay duration of the portfolio between 4 year- 7 years

Debt Fund Categories



Long Duration Fund

Securities with Macaulay duration of the portfolio greater than 7 years



Dynamic Bond

Securities across duration



Corporate Bond Fund

Minimum 80% investment in corporate bonds only in AA+ and above rated corporate bonds



Credit Risk Fund

Minimum 65% investment in corporate bonds, only in AA and below rated corporate bonds



Banking and PSU Fund

Minimum 80% in Debt instruments of banks, Public Sector Undertakings, Public Financial Institutions and Municipal Bonds



Gilt Fund

Minimum 80% in G-secs, across maturity



Gilt Fund with 10 year constant Duration

Minimum 80% in G-secs, such that the Macaulay duration of the portfolio is equal to 10 years



Floater fund

Minimum 65% in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/ derivatives)

Hybrid schemes

Equity

Debt

Hybrid

Hybrid Funds



Invest in a mix of equities and debt



Aim to generate wealth from equity exposure while the debt portion fortifies them against any downturn



Suitable for investors looking for a mix of safety, income and modest capital appreciation

Hybrid Funds



SEBI has classified Hybrid funds into 7 sub-categories as follows:



Conservative Hybrid Fund

- 10% to 25% investment in equity & equity related instruments; and
- 75% to 90% in Debt instruments



Balanced Hybrid Fund

- 40% to 60% investment in equity & equity related instruments; and
- 40% to 60% in Debt instruments



Dynamic Asset Allocation or Balanced Advantage

- Investment in equity/ debt that is managed dynamically (0% to 100% in equity & equity related instruments; and
- 0% to 100% in Debt instruments)



Multi Asset Allocation

- Investment in at least 3 asset classes with a minimum allocation of at least 10% in each asset class



Arbitrage Fund

- Arbitrage funds are hybrid mutual funds that generate returns by using the strategy of simultaneously buying and selling of securities in different markets to take advantage of different prices.



Equity Savings

- Equity and equity related instruments (min.65%);
- Debt instruments (min.10%); and
- Derivatives (min. for hedging to be specified in the SID)



Solution-oriented & Other schemes

Solution Oriented & Other Schemes



Retirement Funds

Lock-in for at least 5 years or till retirement age whichever is earlier



Children's Funds

Lock-in for at least 5 years or till the child attains age of majority whichever is earlier



Index Funds/ ETFs

Minimum 95% investment in securities of a particular index



Fund of Funds (Overseas/ Domestic)

Minimum 95% investment in securities of a particular index

Index Funds



Portfolio replicates the index



Aims to provide returns in line with index



Suitable for investors seeking returns similar to index

Index Funds



Mirrors a market index.



Includes securities as per index and in the same proportion/weightage



Passive fund management



Aims to offer returns and undertake risks similar to the of the index it tracks



Fees capped at: 1.5% (of the amount one invests annually)



Complete transparency in knowing the stocks in the portfolio



Exchange Traded Funds (ETFs)



Tracks an index, a commodity, bonds, or a basket of assets



Trades like a common stock on the stock exchange



Passive fund management



Lower cost of fund management than active funds



Gold

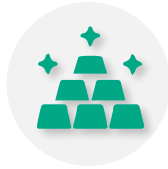
Exchange Traded Funds



Invests in pure physical gold bullion of 99.5% purity. May also invest in gold related instruments approved by SEBI and Gold Deposit Scheme of banks upto 20% of net assets



Each unit of Gold ETFs represents a defined weight in gold, typically one gram.



The price of Gold ETF unit moves in line with the domestic price of gold.



Gold ETF are benchmarked against the price of gold.



Considered as non-equity mutual funds for the purpose of taxation

- Eligible for long-term capital gains benefits if held for 3 years
- No wealth tax is applicable on Units of Gold ETFs



International Funds



International funds expose your portfolio to international markets, by holding one or more of the following:

- Equity/ Debt of companies listed abroad
- ADRs and GDRs of Indian companies
- Debt of companies listed abroad
- ETFs of other countries
- Units of passive index funds in other countries
- Units of actively managed mutual funds in other countries



An international equity fund may also hold some Indian equity or debt and invest in money market instruments to manage liquidity.

Fund of Funds (FoF)



Fund of funds invest in the units of another mutual fund. Hence, FoFs are also known as multi-manager funds



The portfolio of a FoF scheme includes the units of different mutual fund schemes the FOF invests in



The fund management cost includes expenses of FoF along with underlying schemes.



Investing in an FoF helps diversify the portfolio and benefit from risk diversification



Arbitrage Funds



The word 'Arbitrage' refers to the practice of buying a security in one market, and then selling it at a higher price in another market.



An Arbitrage fund buys a security in the cash market and simultaneously sells it in the Futures market, at a higher price. The price difference in these two markets helps generate returns.



The positions have to be held until expiry of the derivative cycle and both positions need to be closed at the same price to realize the difference.



The cash market price converges with the futures market price at the end of the contract period. Thus it delivers risk-free profit for the investor/trader.



Price movements do not affect initial price differential because the profit in one market is set-off by the loss in the other market.



Suitable for cautious investors who want to benefit from a volatile market without taking on too much risk.

Mutual Fund Scheme - Which one to buy?



Equity Schemes

- Higher Returns
- Higher Risk



Hybrid Schemes

- Moderate Returns
- Moderate Risk



Debt Schemes

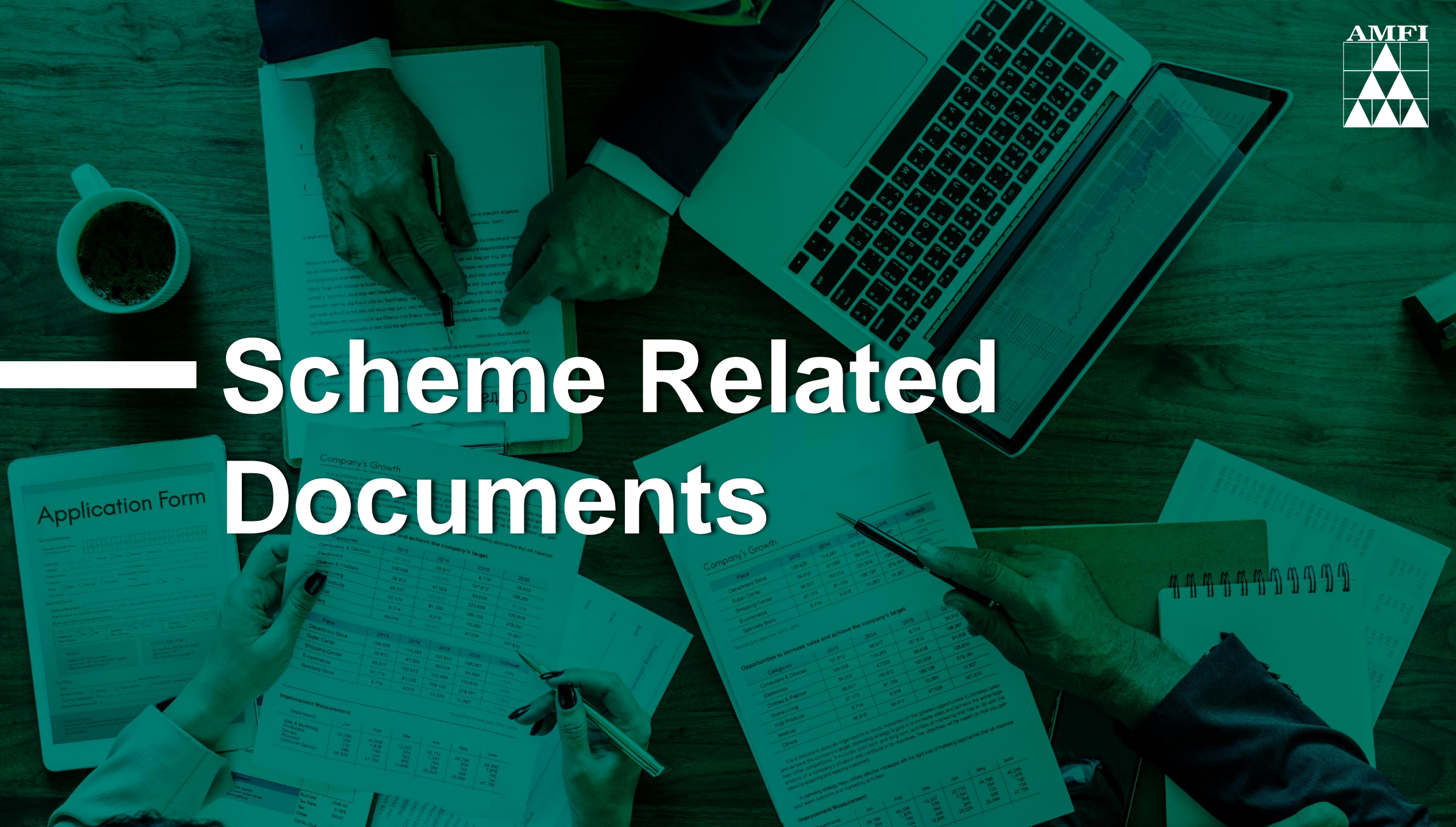
- Low - Moderate Returns
- Low - Moderate Risk



Liquids Schemes

- Lower Returns
- Very Low Risk

Scheme Related Documents





Scheme information document (SID)

- It includes detailed information that an investor should know before investing, like the investment objective, fees, asset allocation, etc.



Statement of Additional Information (SAI)

- SAI contains information related to legal, tax, and general aspects of a mutual fund.
- It is common for all schemes issued by a mutual fund.



Key Information Memorandum (KIM)

- KIM is a summarized version of the SID
- It includes key/essential details that an investor must understand before investing.

- One must read & understand scheme related documents before investing in a mutual fund scheme.

Plans & Options

Direct Plans & Regular Plans



Regular Plan



You can invest with the help of Mutual Fund Distributor/agent



It has comparatively LOWER NAV



It has High Expense Ratio

Direct Plan



You can invest DIRECTLY without involving any distributor/agent



It has HIGHER NAV than regular plan



It has Low Expense Ratio as there is no additional fees involved to broker/agent

Growth Option & IDCW (Dividend) Option



Growth Option

Profits made by the scheme are re-invested in the scheme and not paid out to investors

This option can help avail the benefit of compounding

Suitable for investors who do not require regular income



Income Distribution cum Capital Withdrawal (IDCW) Option

Profits made by the scheme are either re-invested or paid out to investors from time to time

Suitable for investors who require a source of income

Investors have to pay a tax on the dividend income

Modes of Investing



Lump sum Investment

Investing a certain amount
in one go



Systematic Investment Plan (SIP)

Investing a fixed amount
periodically



Systematic Transfer Plan (STP)

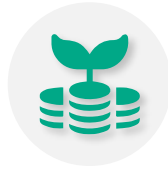
Transferring a certain amount
from one mutual fund scheme
(source) to another mutual fund
scheme (target) of your choice



Inter Scheme Switches

Switching investment from
one open ended scheme
to another within the same
fund house

Systematic Investment Plan (SIP)



SIP allows an investor to regularly invest a fixed amount in a mutual fund scheme.



This is similar to the Recurring Deposit facility provided by banks



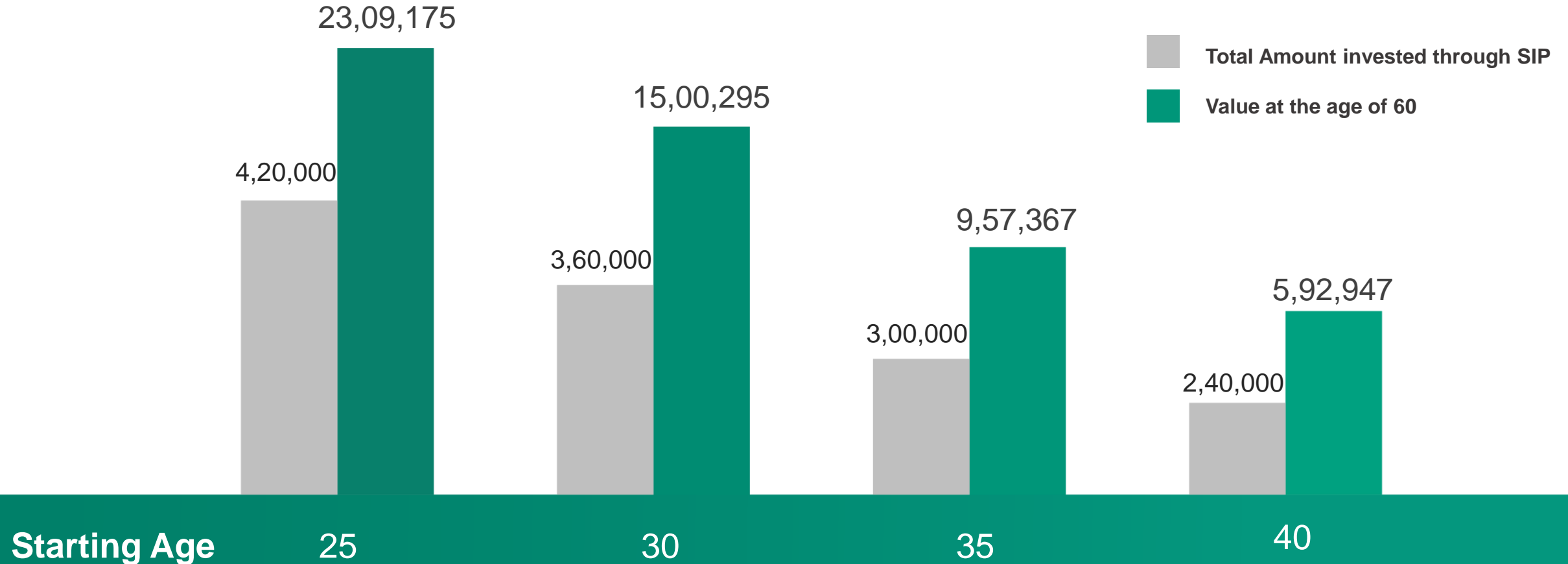
The advantages of investing through SIP are:

- Regular, disciplined investing
- Smaller installments
- Averaging the cost of one unit i.e., 'Rupee Cost Averaging'
- No need to time the market!

SIP: The Power Of Compounding



SIP of Rs. 1,000 invested per month @ 8% pa till the age of 60.



...the sooner you start, makes a lot of difference!

SIP - How Rupee Cost Averaging helps



Month	Amount	Rising Market		Falling Market		Volatile Market	
		NAV (Rs)	Units Allotted	NAV (Rs)	Units Allotted	NAV (Rs)	Units Allotted
1	10,000	10	1000.00	10	1000.00	10	1000.00
2	10,000	10.5	952.38	9.75	1025.64	10.5	952.38
3	10,000	12	833.33	9	1111.11	9	1111.11
4	10,000	14	714.29	7	1428.57	11	909.09
5	10,000	17	588.24	6.5	1538.46	13	769.23
6	10,000	18	555.56	6	1666.67	11.5	869.57
Total	60,000	81.50	4643.79	48.25	7770.45	65.00	5611.38
Avg. Purchase NAV		13.58		8.04		10.83	
Avg. cost per unit		12.92		7.72		10.69	

Put aside an amount regularly

Rupee cost averaging

Discipline is the key

Control volatility

Note: The above example uses assumed figures and is for illustrative purposes only.

Systematic Withdrawal Plan (SWP)



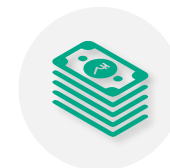
SWP allows an investor to regularly withdraw a fixed amount from their mutual fund investments



The desired amount is credited to the investor's bank account by redeeming equivalent units



SWP can aid retirement planning as it provides a regular cash inflow



SWP also helps in supplementing your regular salary, etc. income by way of additional cash flow

How to invest in Mutual Funds



Be 'Investment-ready'!



Pre-requisites



KYC (Know Your Customer) Process



PAN Card



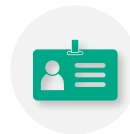
Bank Account

Steps to complete KYC Process

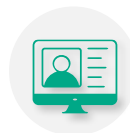
Visit any MF Branch Investor Service Centre / Branch with required KYC Documents, namely –



Address Proof - Aadhaar Card, Passport, Tel. bill etc.



Identity Proof - PAN Card, Aadhaar Card, Passport, Voter's card etc.



Submit Completed KYC form with photograph with required documents

After completing KYC

you can open a MF Folio with any Mutual Fund and start investing .



Start Investing

KYC is an acronym for "**Know Your Customer**" and is a term used for Customer Identification Process as a part of Account Opening process with any financial entity.



To know your KYC status, visit your Mutual Fund's or Registrar & Transfer Agent's (RTA) Website and check for "KYC Status" link. Enter your **10-digit PAN to know your KYC status**.



If your KYC status is "**Validated**" you can transact in any Mutual Fund, anytime.



If your KYC status is "**Registered**", you can transact in all you existing mutual fund investments, but will need to update your KYC to invest in a Mutual Fund where you don't have an investment already.



If your KYC status is "**On-Hold/ Rejected**", you will have to remediate the reason for KYC On-Hold/ Rejected by following the steps on the Mutual Fund website.

Modes of Investing



Physical Mode

(Traditional / Paper based)



Online Mode



How to invest in a Mutual Fund Scheme?



One can invest in a Mutual Fund scheme **Offline** or **Online**



Offline (physical application) mode

To invest in mutual funds through the offline mode:



Fill out the scheme application form and sign it



Provide a cheque or a bank draft for the amount to be invested



Submit the form and the cheque/bank draft at the branch office or designated Investor Service Centers of mutual funds or Registrar and Transfer Agents and MFU



Online mode

To invest in mutual funds through the online mode:



Visit the website of the respective mutual fund or a mutual fund distributor



Buy mutual funds units through NSE – MFSS and BSE - StAR MF



Visit the [MF Utilities website](#), which is a shared service platform promoted by the mutual fund industry

How to withdraw your money?



Withdrawing your money from Mutual Fund scheme is called as Redemption or Repurchase.



You can withdraw full or partial amount or even a specific number of units.



Offline mode to redeem your mutual fund investments



Submit the Redemption Request form to the AMC or the Registrar's office.



The form has to be signed by all unit holders.



The proceeds from the redemption will be credited to the first named unit holder's bank account.



Online mode to redeem your mutual fund investments



Log-on to the 'Online Transaction' page of the desired Mutual Fund.



Select the Scheme and the number of units (or the amount) you wish to redeem and confirm your transaction.

Performance Evaluation Principles



A mutual fund provides relative return, with respect to its benchmark.



The returns have to be compared with the fund's benchmark



Appropriate benchmarks should be used to evaluate a fund's performance



The returns of a fund should be measured over the recommended holding period



Debt funds are held for shorter periods



Equity funds are held for longer periods



The risk a fund undertakes, and the returns generated by taking this risk, should be proportionate



A fund underperforms when higher returns are generated with higher than proportionate risks, and vice versa.



The idea is to know if the risk is worth the returns of a fund

Stress Testing



Stress Testing is a computer-simulated method to test how investment portfolios may perform under extreme conditions.



In Mutual Fund context, it aims to measure the impact on a fund in case a significantly large amount of portfolio needs to be liquidated in a very short time.



Stress testing is based on the latest real stock data and is updated every month on the AMFI website for Mid and Small Cap Funds.






It is only a measure of resilience of a portfolio based on certain assumptions and may or may not behave the same in actual future market conditions.

What is NAV?



Net Asset Value

-  The [NAV](#) indicates the price of one unit of a particular fund.
-  The formula of NAV is:
NAV = (Assets-Liabilities)/ Total number of outstanding shares
-  Mutual Fund NAVs are published daily on [AMFI's website](#), Mutual Fund Websites, leading newspapers, etc.

Product Labelling



Riskometer



Investors understand that their principal will be at moderate risk

- The product label of a mutual fund helps the investor understand:
- Ideal time horizon for investing in scheme i.e., short, medium or long term
- Brief investment objective of the scheme, and the asset/assets it invests in
- Level of risk the investor will undertake by investing in the scheme, indicated by the 'Riskometer'. The levels of risk may be as follows:
 - Low Risk – Principal at low risk
 - Low to Moderate Risk - Principal at low to moderate risk
 - Moderate Risk - Principal at moderate risk
 - Moderately High Risk - Principal at moderately high risk
 - High Risk - Principal at high risk
 - Very High Risk - Principal at very high risk
- Disclaimer that says "Investors should consult their financial advisers if they are not clear about the suitability of the product."

Nomination



- Nomination is a facility that enables an individual **unit holder** to **nominate** a person, who can **claim** the units held by the unit holder or the **redemption** proceeds thereof in the event of death the unit holder.
- If the Units are held **jointly** by more than one person, all joint unit holders are required to **together nominate** a person who gets the rights of the units, upon the death of all joint unit holders.
- W.e.f October 1, 2021, it is mandatory for investors subscribing to Mutual Funds to register nomination / opt-out of nomination
- Nomination once made can be changed subsequently **any time** and **any number of times**.
- It is **mandatory** for **mutual fund unit holders** to provide nomination. Failing to do so might result in **freezing of folios from debit**.



Why is Nomination important?



If a unit holder does not nominate a person, the units would be transmitted to the account of **legal heir(s)**.



It also depends upon the Will left by the unit holder (if any) and as per the **relevant laws**. This may make the procedure lengthy, expensive and cumbersome.



Thus, Nomination provides a simpler and **cost-efficient way** for the nominee to claim the units/money in one's mutual fund portfolio, demat account or bank account.



It also involves **minimal paperwork**.



The nominee has to complete formalities as completing the KYC process, providing the **proof of death** of the unit holder, etc. to claim the units after the death of the unit holder.



If the nominee is a minor, a proof of **guardianship** is required.

Complaint to Mutual Fund



Contact the Investor Relations Officer of the Mutual Fund



Name and contact details of the Investor Relations Officer are available in the Scheme Information Document and also on the website of the concerned mutual fund.

SEBI Complaints Redress System



- SEBI Complaint Redress System (SCORES) is a web-based complaint redressal portal provided by SEBI.
- An investor can lodge an online complaint with SEBI through SCORES if he/she is not satisfied with the response from the Mutual Fund/company/intermediary.
- SEBI takes up the complaints registered via SCORES with the concerned company / mutual fund / intermediary for timely redressal.










To log on to SCORES System, please visit <http://scores.gov.in/>

SEBI Saarthi App



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