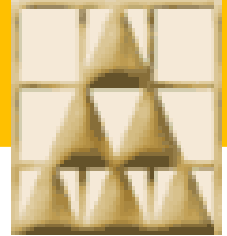


# Why Mutual Fund?

**AMFI IAP (Association of Mutual Funds India Investor Awareness Program)**

# Your Investment Menu Card

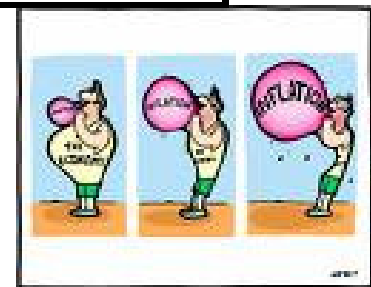


Instrument	Tax Benefit	Return	Duration
EPF	✓	8.50%	Long Term
PPF	✓	8%	Long Term
NSC	✓	8%	Long Term
FD's – Banks & Post Office	✓	5.70 to 8.50%	Short Term
Senior Citizen Savings Scheme	✓	9%	Long Term
<b>Mutual Funds</b>	✓	<b>Market Linked</b>	<b>Long Term &amp; Short Term</b>
ULIP	✓	Market Linked	Long Term
NPS	✓	Market Linked	Long Term
Direct Equity	✓	Market Linked	Long Term
Gold	✓	Market Linked	Short Term
Real Estate	✓	Market Linked	Long Term



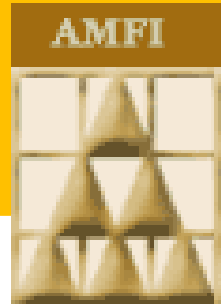
## Cost of money lying idle...

Money in savings account	+	100000
Interest earned in 1 year (@3.5 per annum)	+	3500
		103500
Tax on Interest (@30.9%)	-	1081
Impact of Inflation (@5% per annum)	-	5000
Value at the end of year 1		97418

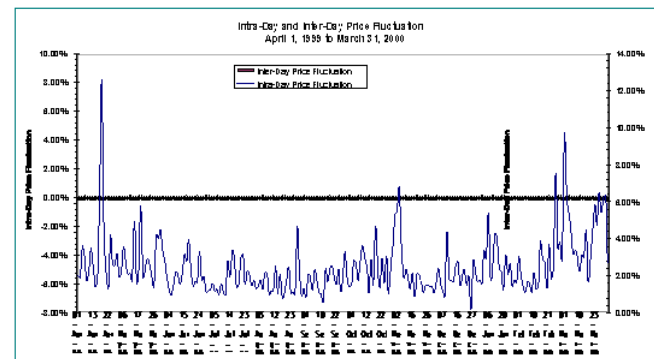


**Your investment ought to beat the inflation !!!**

# Challenges involved investing directly in Capital Market

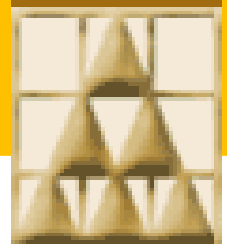


- Time
- Expertise
- Lack of Information
- Portfolio
- Volatility

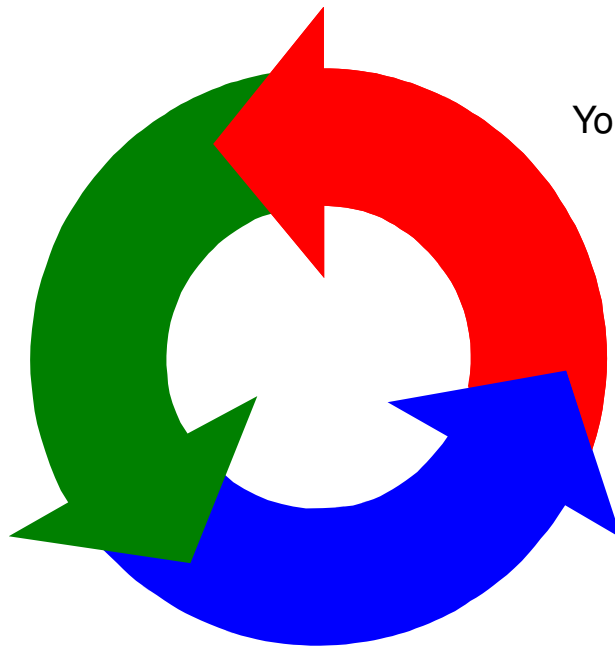


# Key Investment Considerations

AMFI



**Safety**  
You get your  
money back



**Liquidity**

You get your money back when you want it

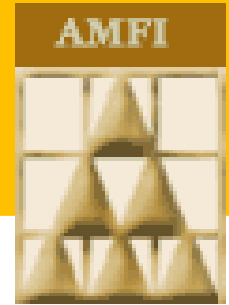
**Plus Convenience**

How easy is it to invest, disinvest  
and adjust to your needs?

**Post-tax Returns**

How much is really left for you post tax?

# What is Mutual Fund and Why Mutual Fund



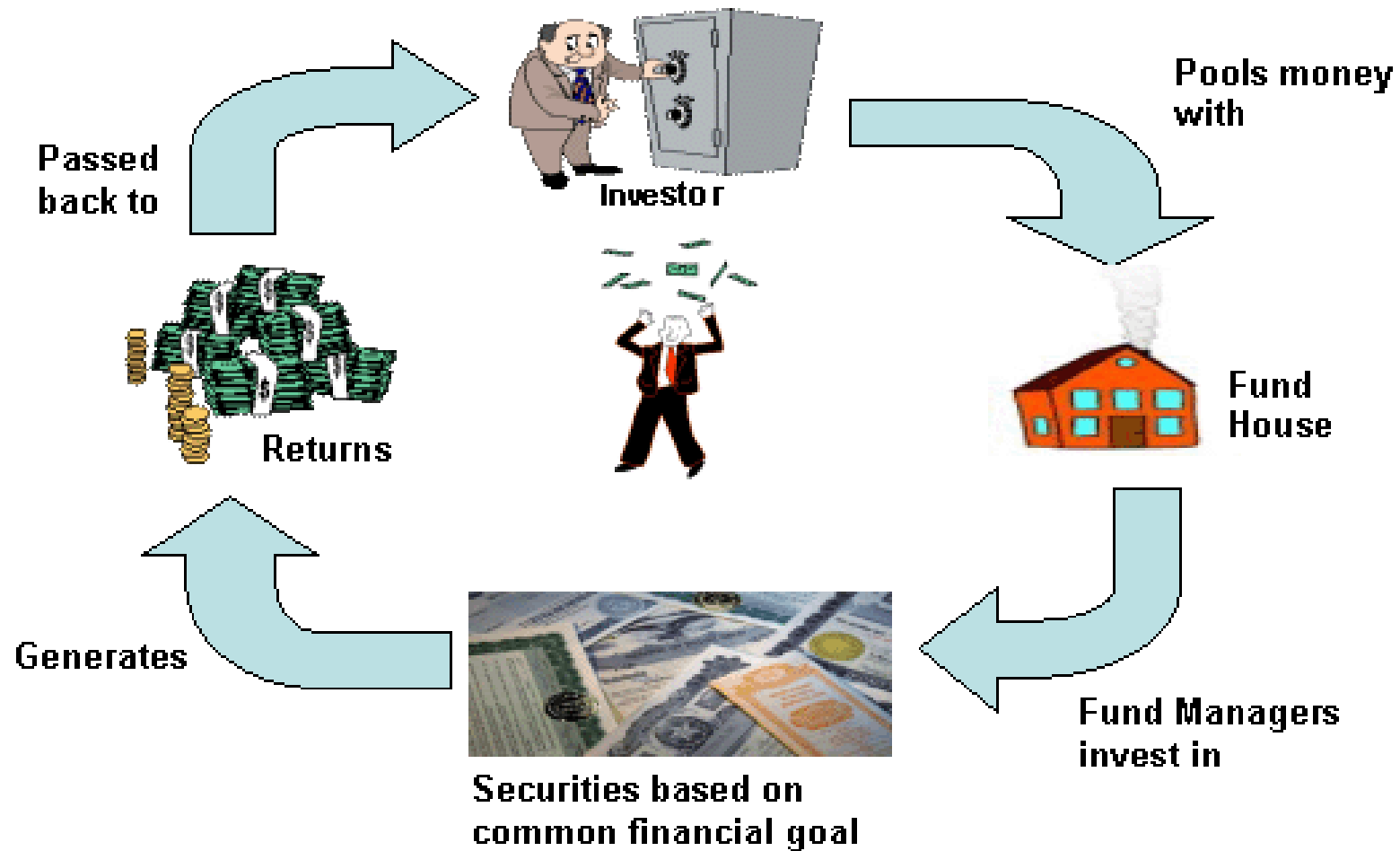
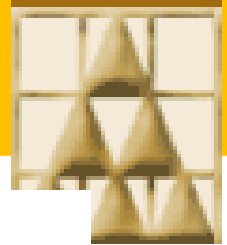
- A mutual fund is the trust that pools the savings of a number of investors who share a common financial goal.
- Anybody with an investible surplus of as little as a few hundred rupees can invest in Mutual Funds.
- The money thus collected is then invested by the fund manager in different types of securities. These could range from shares to debenture to money market instruments, depending upon the scheme's stated objective.
- It gives the market returns and not assured returns.
- In the long term market returns have the potential to perform better than other assured return products.
- Mutual Fund is the most cost efficient distributors of financial products



# How Mutual Fund works?

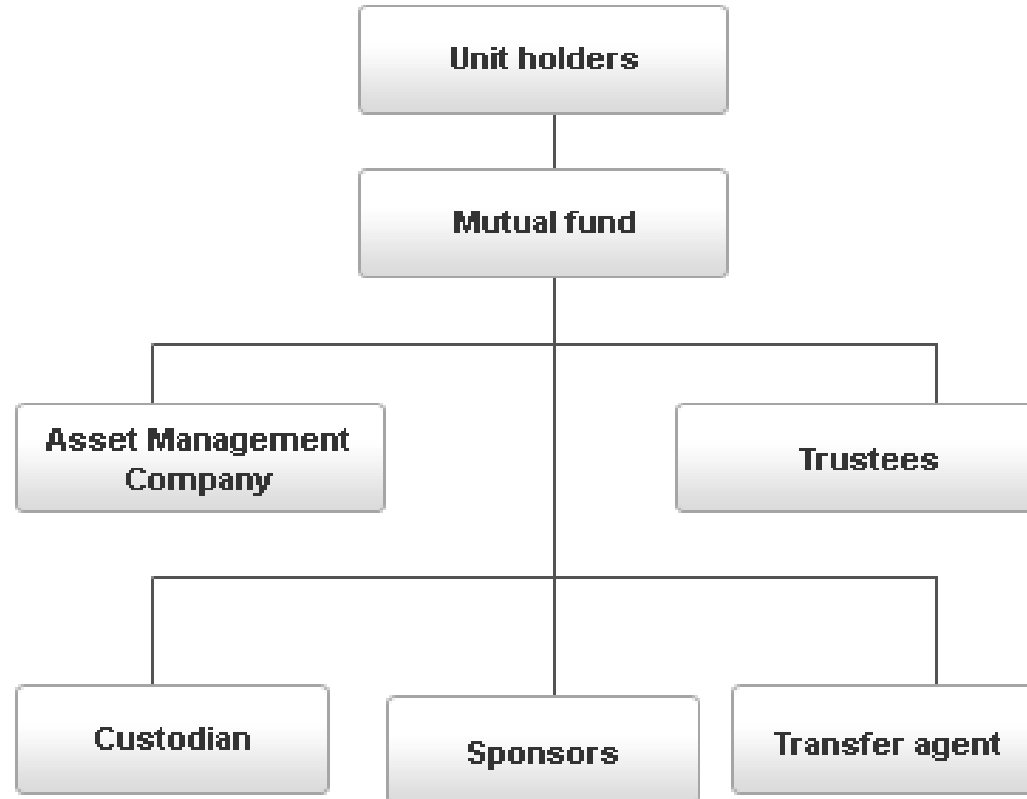
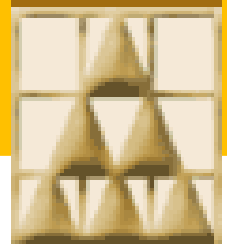
A vehicle for investing in portfolio of stocks and bonds

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# Structure of Mutual Fund

AMFI



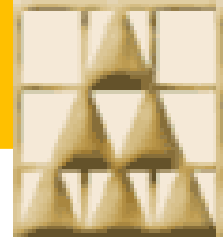
Custodian keeps safe custody of the investments (related documents of securities invested).





# Types of Mutual Funds

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Types of Mutual Funds

By Constitution

By Investment Objective

Close Ended

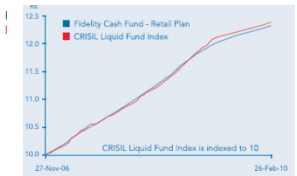
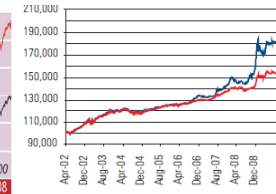
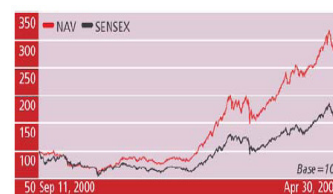
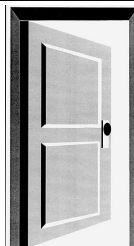
Open Ended

Interval

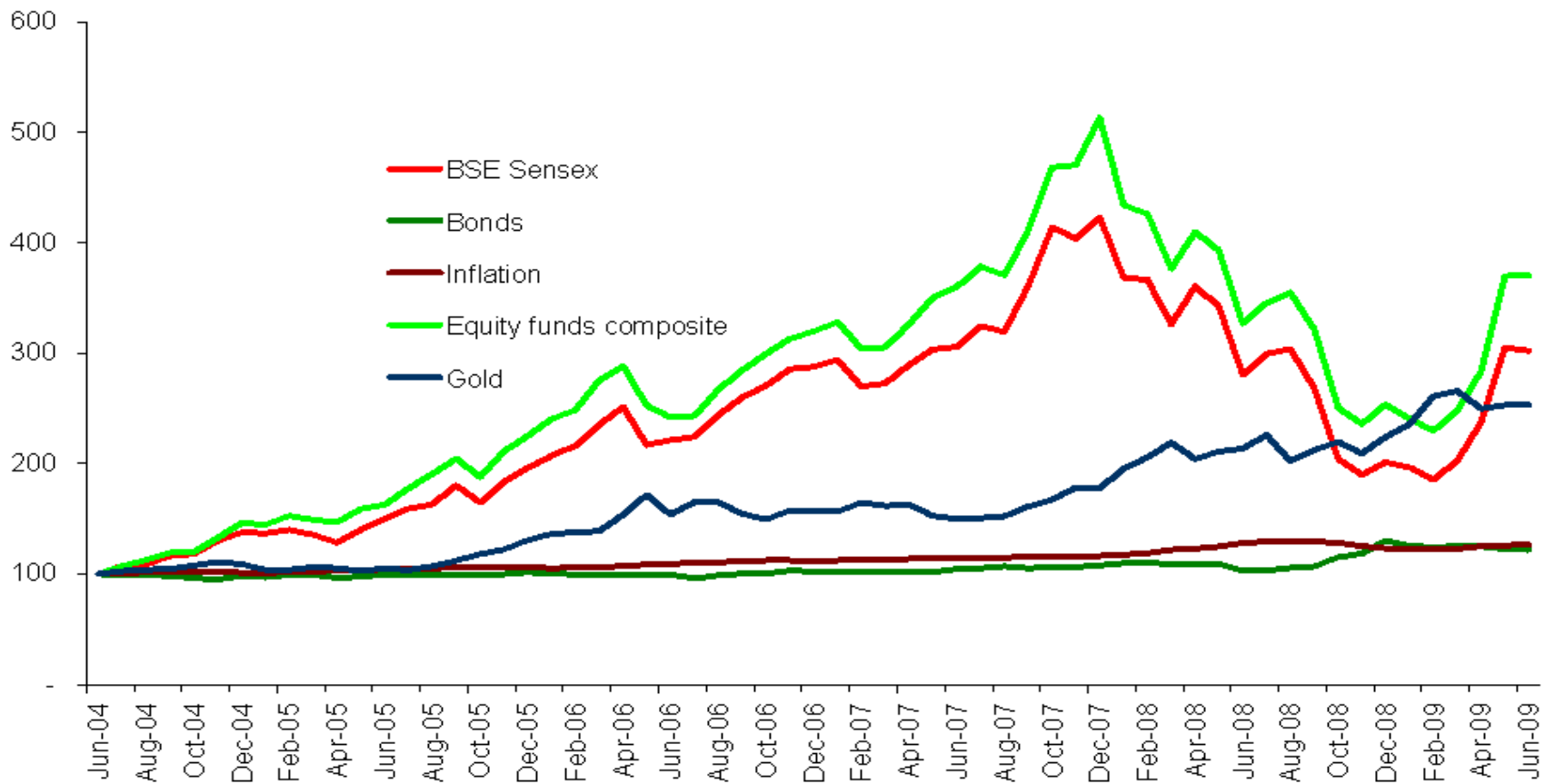
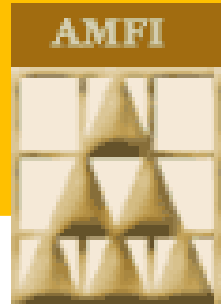
Equity Funds

Debt Funds

Cash Fund

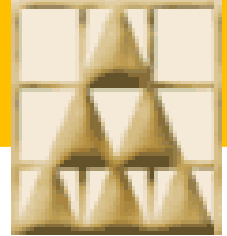


# Comparison : Mutual Funds vis-à-vis other asset classes



# Advantages of Mutual Funds

AMFI



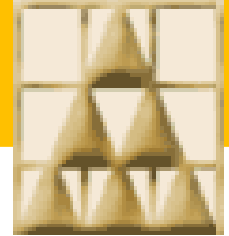
1. Professional Management
2. Diversification
3. Convenient Administration
4. Return potential
5. Low cost
6. Liquidity
7. **Transparency**
8. Flexibility
9. Choice of schemes
10. **Well regulated**
11. **Tax benefits**



The traditional theory on diversification: Don't put your eggs in one basket!  
(Photo courtesy of www.shutterstock.com)



# How do I make money from a mutual fund?



## 1. Capital appreciation:

As the value of securities in the fund increases, the fund's unit price will also increase. You can make a profit by selling the units at a price higher than at which you bought

## 2. Coupon / Dividend Income:

Fund will earn interest income from the bonds it holds or will have dividend income from the shares

## 3. Income Distribution:

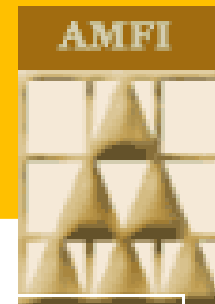
The fund passes on the profits it has earned in the form of dividends

Disclaimer

As the value of securities in the fund increases, the fund's unit price will also increase. You can make a profit by selling the units at a price higher than at which you bought. Although Mutual Fund does not guarantee the same.

# Mutual Fund- How to invest in Mutual Funds

## Selection Process- 3 step process



### Step 3 Select the ideal mix of schemes

Investing in just 1 scheme may not meet all your investment needs. You may consider investing in a combination of schemes to achieve your specific goals.

### Step 1 Identify your investment needs

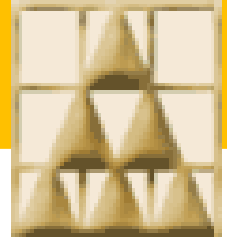
1. What are my investment objectives and needs?
2. How much risk am I willing to take?
3. What are my cash flow requirements?

### Step 2 Choose the right mutual fund.

1. The track record of performance over the last few years in relation to the appropriate Benchmark and similar funds in the same category
2. How well the mutual fund is organized to provide efficient, prompt and personalized service.
3. Degree of transparency as reflected in frequency and quality of their communications.

# Mutual Fund- Which one to buy?

AMFI



**Your Investment goal**

Based on your goals and risk tolerance

Capital Preservation



Generate Income



Capital Appreciation



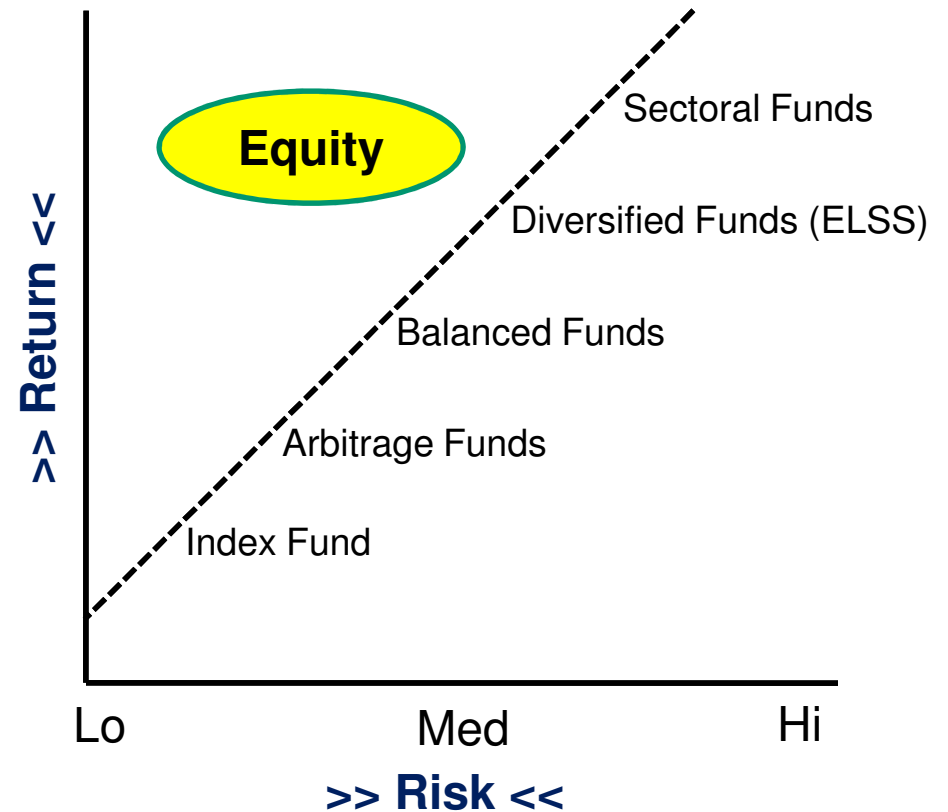
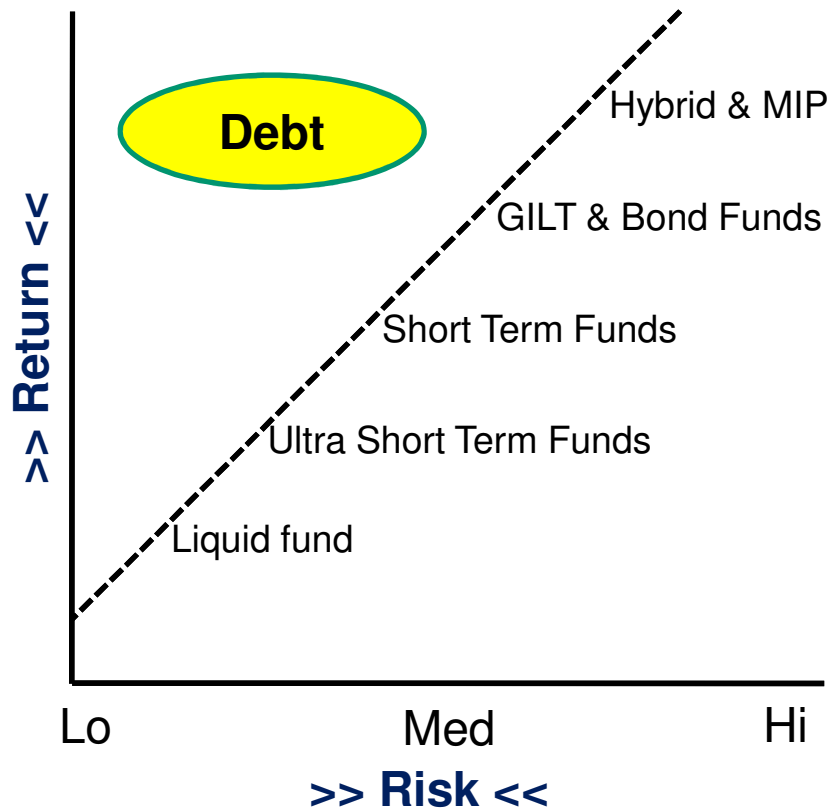
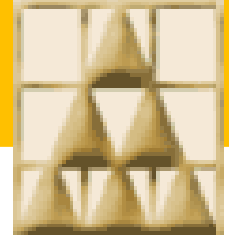
Savings Bank Account	Fixed Deposits	Real Estate
PPF	Post office Monthly Income Scheme	Gold
<b>Cash Funds</b>	<b>Debt Funds</b>	<b>Equity Funds</b>

Mutual Funds

Disclaimer

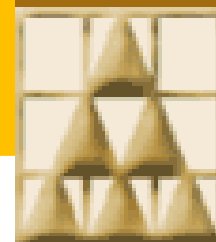
As the value of securities in the fund increases, the fund's unit price will also increase. You can make a profit by selling the units at a price higher than at which you bought. Although Mutual Fund does not guarantee the same.

# Mutual Fund Products – Risk / Return Graph

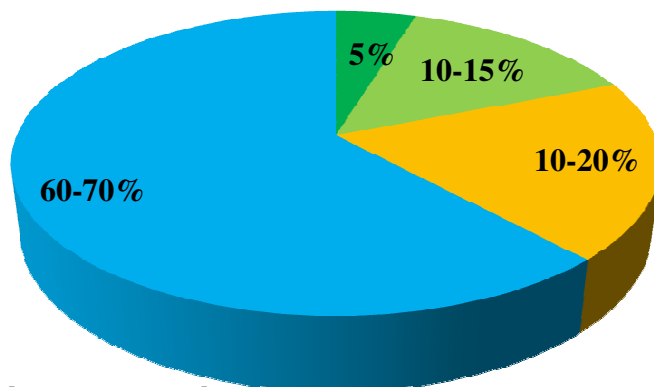


# Suggested Portfolio based on Risk tolerance

AMFI



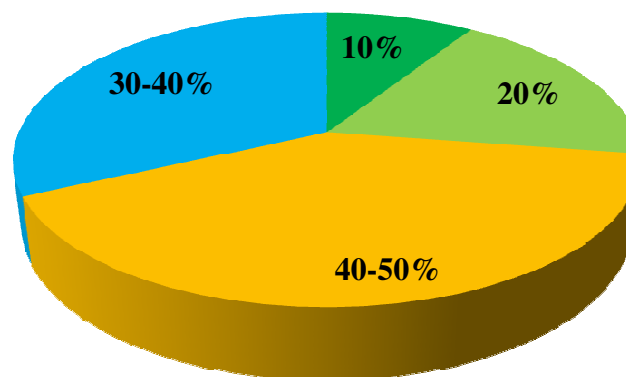
## Aggressive Plan



### This plan may suit:

- Investors in their prime earning years and willing to take more risk
- Investors seeking growth over a long term

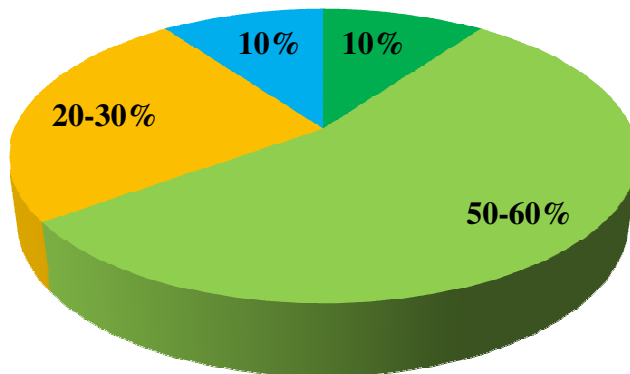
## Moderate Plan



### This plan may suit:

- Investors seeking income and moderate growth
- Investors looking for growth and stability with moderate risk

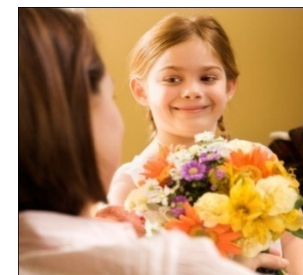
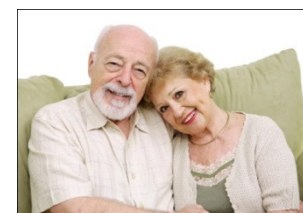
## Conservative Plan



### This plan may suit:

- Retired and other investors who need to preserve capital and earn regular income

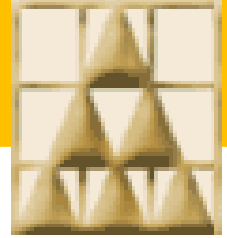
- Growth Schemes
- Income Schemes
- Balanced Schemes
- Money Market Schemes





# Select a mutual fund

AMFI



1. Evaluate past performance
2. Look for consistency

Sample Mutual Fund Comparison Chart. Category: Diversified Equity Funds



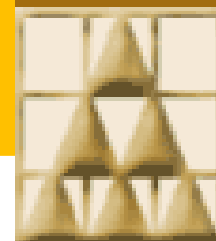
Fund Name	1 Year Return in %	1 Year Rank	3 Year Return in %	3 Year Rank	5 Year Return in %	5 Year Rank
A	119.59	42/219	27.7	1/162	10.30	87/96
B	12.093	40/219	24.6	2/162	13.45	43/96
C	165.72	1/219	21.71	3/162	28.20	3/96
D	89.02	130/219	21.48	4/162	23.25	26/96
E	113.90	58/219	21.26	5/162	26.26	17/96



***Fund C is more consistent in the above chart***

# Rating Agencies

AMFI



## Role of Rating Agencies

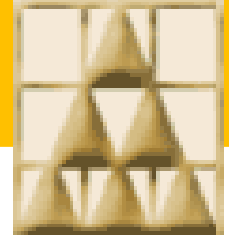
1. Facilitate informed investment decision making
2. Provide independent and reliable opinion of schemes
3. The quality of the Fund's management and operations
4. Help meet specific investment objective



❖ CRISIL~CPR Rankings and Value Research Star Rating are prominent ones



# Taxation Benefit investing in Mutual Funds



## Taxation of dividends of mutual fund schemes

Category	Tax Rates for Individuals
Liquid Funds	25.75%
Other Debt Funds	12.87%
Equity Funds	Nil

The amount invested in tax-saving funds (ELSS) is eligible for deduction under Section 80C, However the aggregate amount deductible under the said section cannot exceed Rs 100,000 (in a financial year).

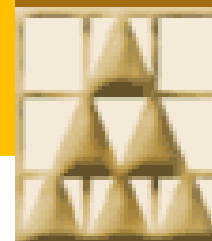
## Capital Gains

- Under Indexation, you are allowed by law to inflate the cost of your asset by a government notified inflation factor.
- This factor is called the 'Cost Inflation Index', from which the word 'Indexation' has been derived.
- This inflation index is used to artificially inflate your asset price.
- This helps to counter erosion of value in the price of an asset and brings the value of an asset at par with prevailing market price.
- This cost inflation index factor is notified by the government every year. This index gradually increases every year due to inflation.

# Equity Linked Saving Schemes (ELSS)

**advantage:** all about 80C investments

AMFI



Instrument	Returns	Lock In Period (in Years)
EPF	8.50%	Until Retirement
PPF	8%	15
NSC	8%	6
FD's – Banks & Post office	5.70 to 8.50%	5
Senior Citizen Savings Scheme	9%	5
Life Insurance Policies	5 to 6%	3
<b>ELSS</b>	<b>Market Linked</b>	<b>3</b>
ULIP	Market Linked	5
NPS	Market Linked	till age 60

## ELSS Advantage over other tax saving instruments

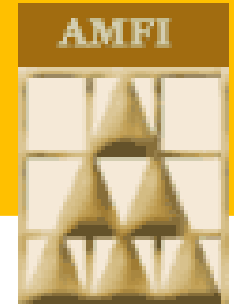
1. Low Lock in period
2. Earn market linked return
3. Tax free returns

# Investment in Mutual Fund through SIP

## SIP – Systematic Investment Planning

...it is a method of investing a fixed sum, at a regular interval, in a mutual fund.

It is very similar to monthly saving schemes like a recurring monthly deposit / post office deposit

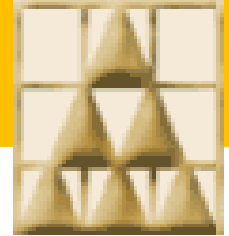


## Advantages of Systematic Investment Planning

- Encourages Regular Investments (just like recurring deposit schemes)
- A Convenient way to invest regularly
  - Lower initial investment without cutting into regular expense
- Long term perspective
- **Rupee Cost Averaging Benefit** to counter volatility - it brings down the average cost of your Investments
- No timing the market!!!
- Meet investment objective with investment needs
- Helps to match the risk / return profile



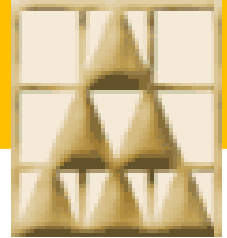
# SIP: The Power Of Compounding



SIP of Rs. 1000 invested per month @ 8% pa till the age of 60.

Starting Age	Total Amount Saved	Value at the age of 60
25	4,20,000	23,09,175
30	3,60,000	15,00,295
35	3,00,000	9,57,367
40	2,40,000	5,92,947

*...the sooner you start, makes a 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	10000	10	1000.00	10	1000.00	10	1000.00
2	10000	10.5	952.38	9.75	1025.64	10.5	952.38
3	10000	12	833.33	9	1111.11	9	1111.11
4	10000	14	714.29	7	1428.57	11	909.09
5	10000	17	588.24	6.5	1538.46	13	769.23
6	10000	18	555.56	6	1666.67	11.5	869.57
<b>Total</b>	<b>60000</b>	<b>81.50</b>	<b>4643.79</b>	<b>48.25</b>	<b>7770.45</b>	<b>65.00</b>	<b>5611.38</b>
Avg. Purchase NAV (Total of NAVs/No. of investments)		13.58		8.04		10.83	
<b>Avg. cost per unit (Total Investment /No of units held)</b>		<b>12.92</b>		<b>7.72</b>		<b>10.69</b>	

Put aside an amount regularly

Discipline is the key

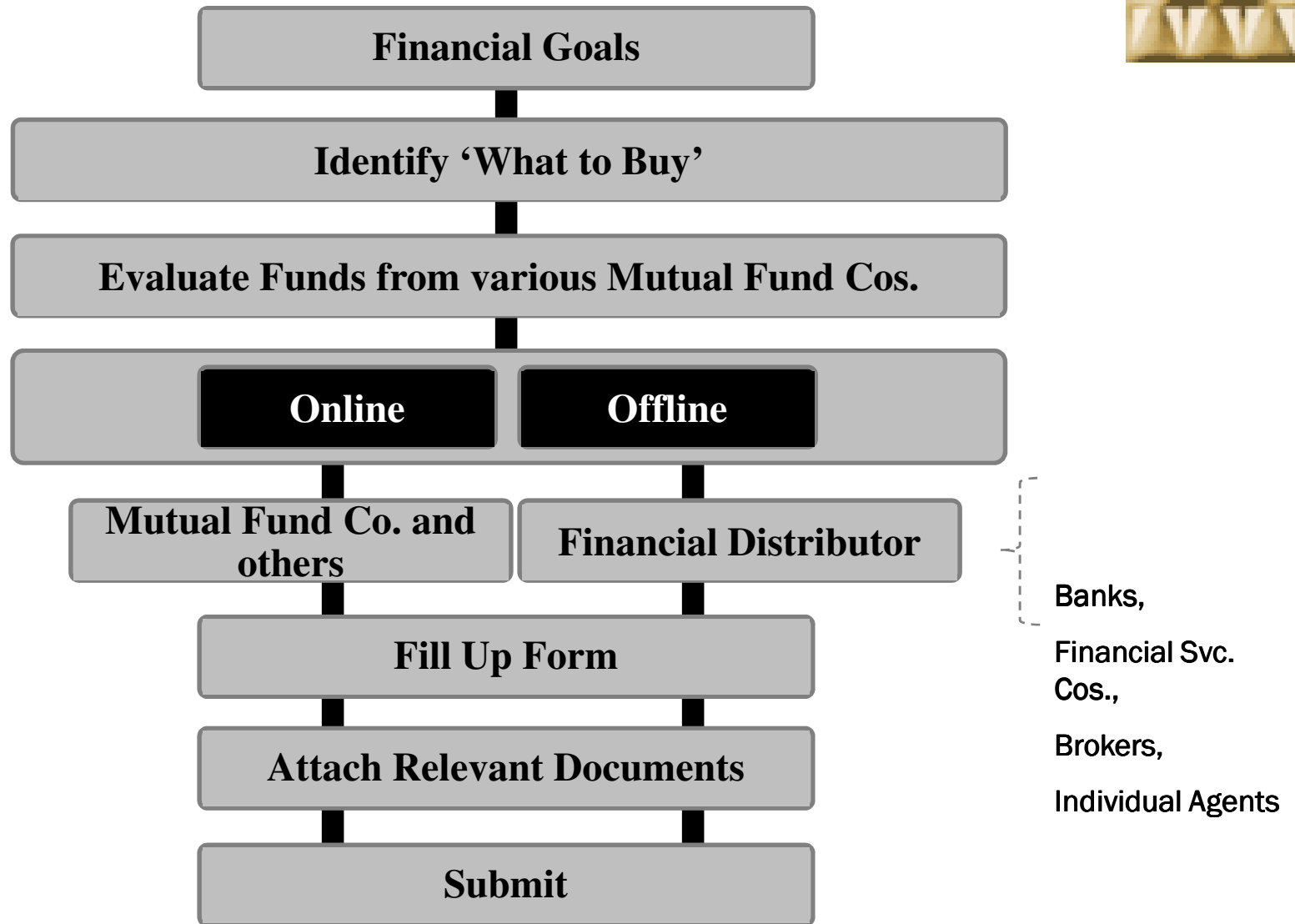
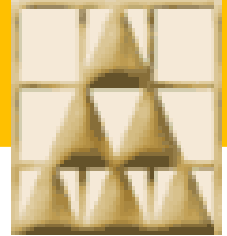
Rupee cost averaging

Control volatility

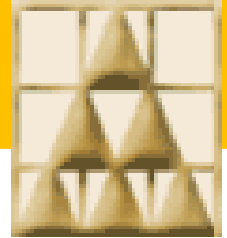
**This example uses assumed figures and is for illustrative purposes only.**

# Mutual Fund: How to buy?

AMFI







# Mutual Fund: How to redeem?

## Download Common Transaction Slip

*(Download from Mutual Fund Company's website or get it from the branch)*

## Choose 'redemption'

## Fill-up relevant details

*(You could do partial redemption as well)*

## Sign the Form

*(All applicants to the units need to sign)*

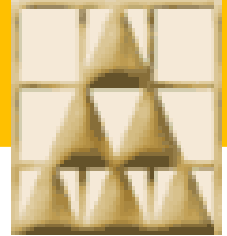
## Submit

*(Submit the form to the Branch of the specific Mutual Fund Co.)*

## Money into your Bank Account

*(Money gets credited to you as per the scheme-specific turnaround time)*

# Demystifying NAV – Net Asset Value



While selecting a fund, the NAV shouldn't be the criteria, A low NAV need not mean that it's a good buy ...

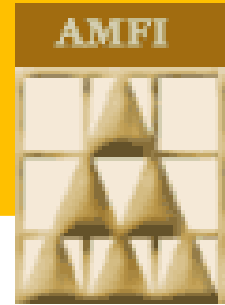
Mutual Fund Scheme Name	NAV's on		Growth
	Jan 1st 2009	Oct 21st 2009	
A	23.55	38.97	65.5%
B	7.44	12.04	61.8%
C	19.86	30.23	52.2%
D	21.70	31.57	45.5%
E	12.10	16.56	36.9%

In the above example during the period under consideration the best growths have been recorded by the funds with the “lowest” (Scheme B Rs 7.44) and the “highest” (Scheme A- Rs 23.55) NAVs respectively.

On the other hand the least growth has been recorded by (Scheme E), a fund with a low NAV.

Clearly the data suggests that there is no correlation between the NAV size and the returns.

# Types of risks associated with Mutual Fund Investment



Risk is an inherent aspect of every form of investment. For Mutual Fund investments, risks would include variability, or period-by-period fluctuations in total return.

**Market risk:** At times the prices or yields of all the securities in a particular market rise or fall due to broad outside influences. This change in price is due to 'market risk'.

**Inflation risk:** Sometimes referred to as 'loss of purchasing power'. Whenever the rate of inflation exceeds the earnings on your investment, you run the risk that you'll actually be able to buy less, not more.

**Credit risk:** In short, how stable is the company or entity to which you lend your money when you invest? How certain are you that it will be able to pay the interest you are promised, or repay your principal when the investment matures?

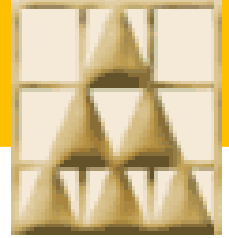
**Interest rate risk:** Interest rate movements in the Indian debt markets can be volatile leading to the possibility of large price movements up or down in debt and money market securities and thereby to possibly large movements in the NAV.

**Other risks associated are:**

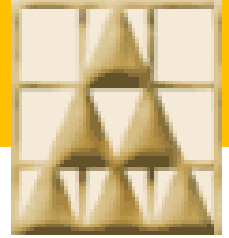
**Investment risks**

**Liquidity risk**

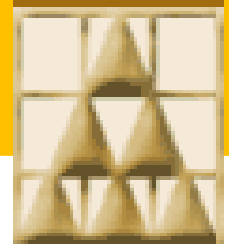
**Changes in the government policy**



# Q & A Time



**THANK YOU**



## Important Information

The market information, wherever stated has been sourced from the entities referred in the document. This information is purely for informational purposes and should not be construed as reflecting or indicating the views of (Name of the AMC). The value of investments and income from them may go down as well as up and an investor may not get back the amount invested. Please consult your tax advisor before investing. Risk Factors: ▪ Mutual funds, like securities investments, are subject to market risks and there is no guarantee against loss in the schemes or that the schemes objectives will be achieved. ▪ As with any investment in securities, the NAV of the units issued under the schemes can go up or down depending on various factors and forces affecting capital markets. ▪ Past performance of the Sponsor /the AMC/the Mutual Fund does not indicate the future performance of the schemes. ▪ Please read the scheme information documents of the scheme and the statement of additional information before investing.

**Statutory: Kindly incorporate the statutory details related to the constitution of the AMC and the names of the Trustee and AMC.**