



INVESTING IN MUTUAL FUNDS FOR SENIORS

* Derived from AMFIs Investor Awareness PPT 2020

**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 !!!

Solution?

Investing - the safeguard against inflation

- Start Saving ... earlier you start the better
- Progress from a 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

DETERMINE WHAT ARE YOU INVESTING FOR?

Goal based investing

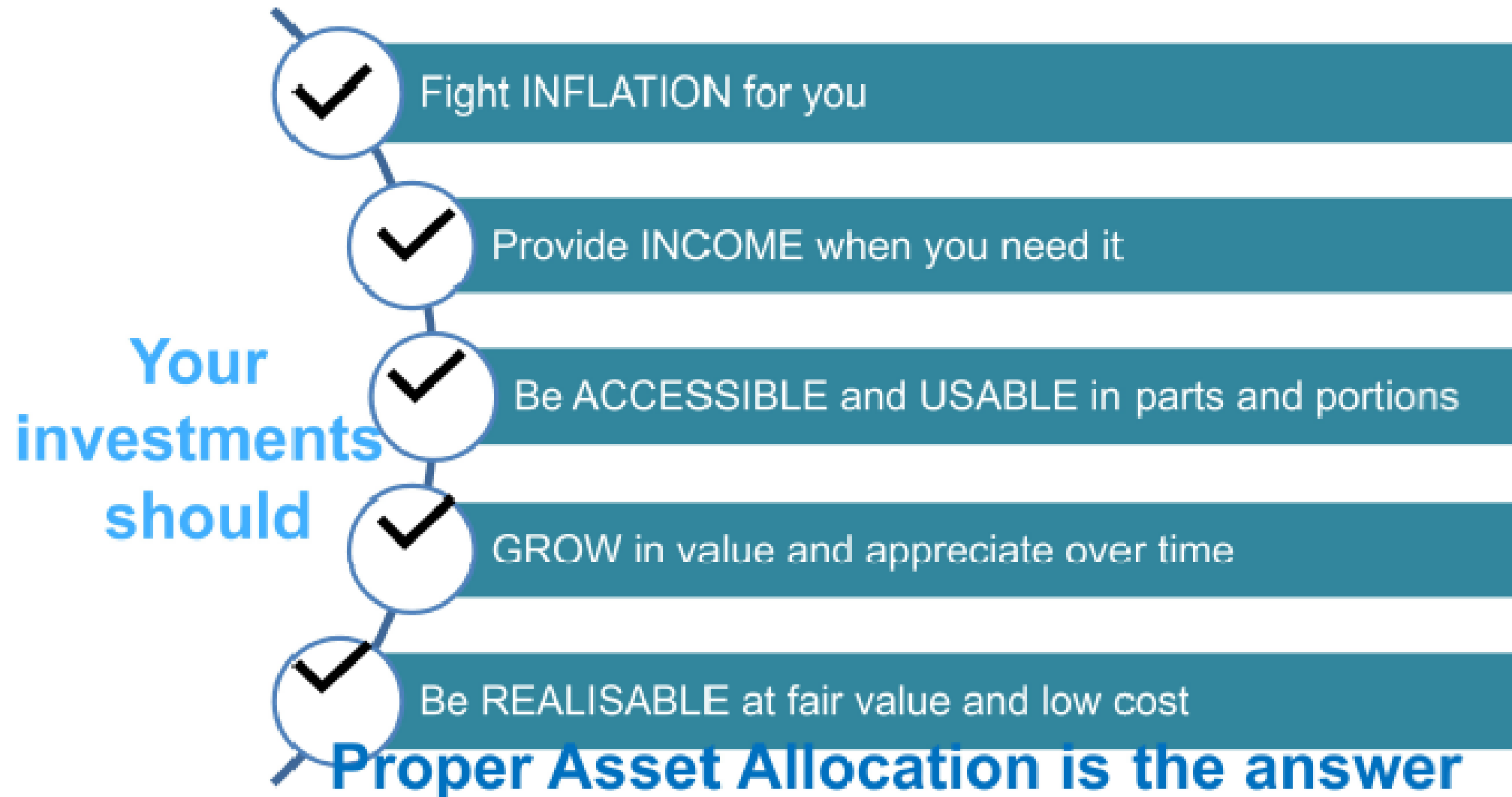


Always invest in assets
with your specific financial goal in mind

What are the various options?



Make your investments work for you



What is Asset Allocation ?



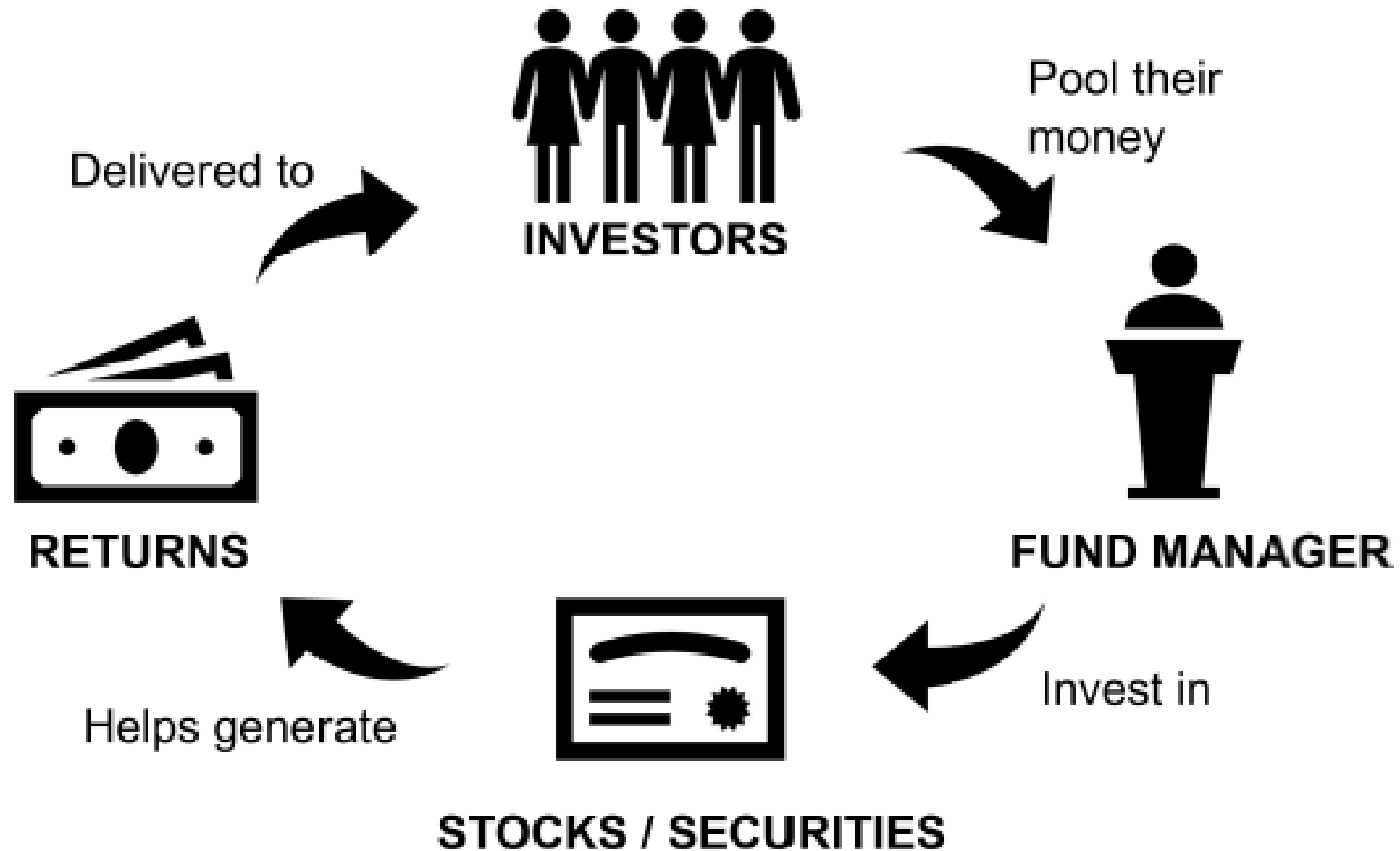
Asset Allocation is like a balanced thali ...

Mutual Funds

What is a 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.
- Money collected is invested by a professional fund manager in different types of securities.
 - Securities could range from shares to debenture, from Government Bond to money market instruments, depending upon the scheme's stated objective.
- Mutual Fund investment 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.
- Investment in Mutual Fund is the most cost efficient as it offers the lowest charge to the investor

How does a Mutual Fund work?

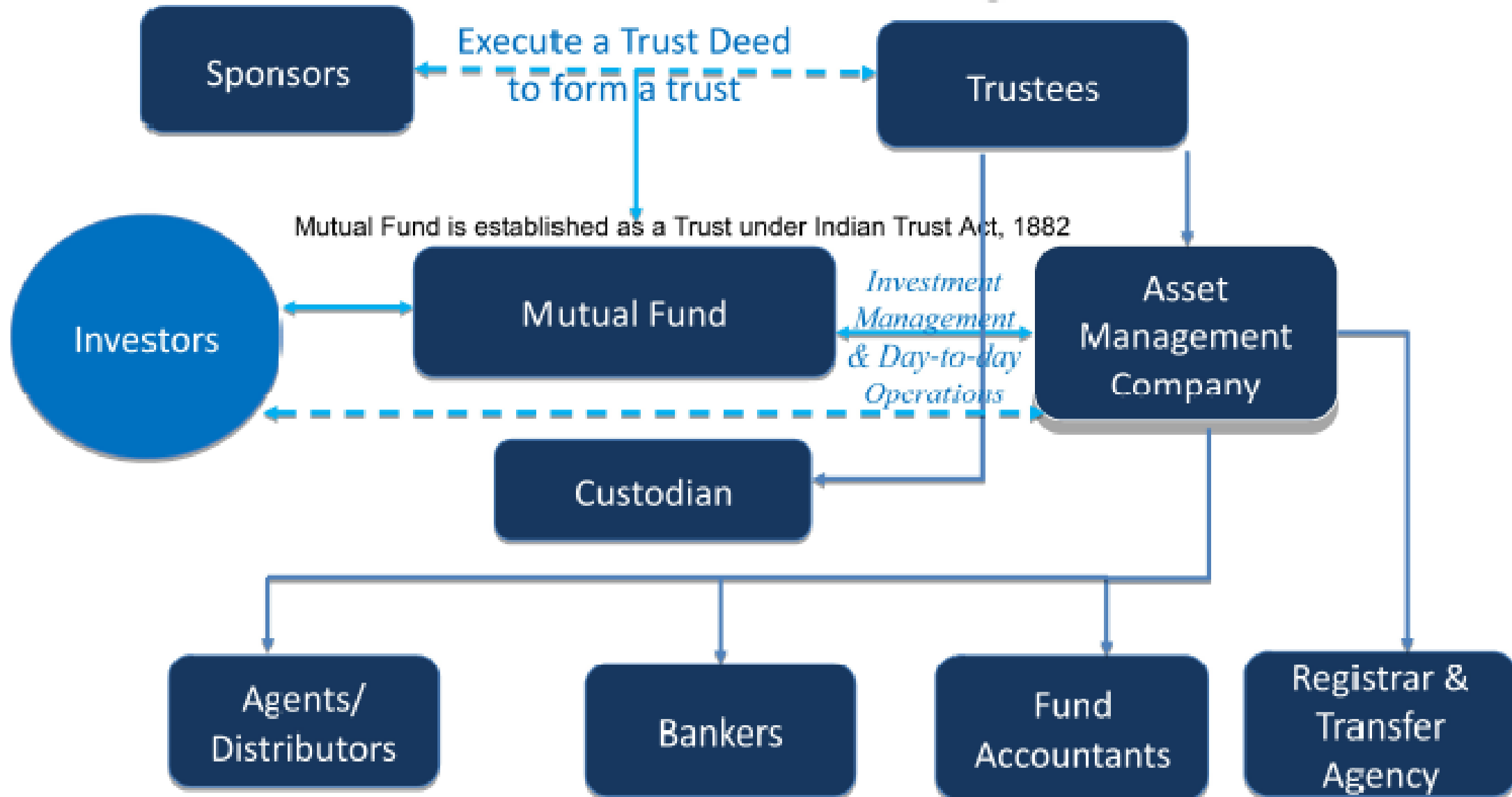


Why invest in Mutual Funds?



Mutual Fund Structure & Scheme Categories

Structure of Mutual Fund at a glance ...



Types of Mutual Funds

Organisational 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 –

1. Equity Schemes
 2. Debt Schemes
 3. Hybrid Schemes
 4. Solution Oriented Schemes – For Retirement and Children
 5. 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 Categories

Multi Cap Fund*

- At least 65% investment in equity & equity related instruments

Large Cap Fund

- At least 80% investment in large cap stocks

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

* Also referred to as Diversified Equity Funds

Equity Funds

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 a 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

Debt schemes

Debt Funds Categories

Overnight Fund

- Overnight securities having maturity of 1 day

Liquid Fund

- Debt and money market securities with maturity of up to 91 days only

Ultra Short Duration Fund

- Debt & Money Market instruments with Macaulay duration of the portfolio between 3 months - 6 months

Low Duration Fund

- Investment in Debt & Money Market instruments with Macaulay duration portfolio between 6 months- 12 months

Money Market Fund

- Investment in Money Market instruments having maturity up to 1 Year

Short Duration Fund

- Investment in Debt & Money Market instruments with Macaulay duration of the portfolio between 1 year - 3 years

Debt Funds

Medium Duration Fund

- Investment in Debt & Money Market instruments with Macaulay duration of portfolio between 3 years - 4 years

Medium to Long Duration Fund

- Investment in Debt & Money Market instruments with Macaulay duration of the portfolio between 4 - 7 years

Long Duration Fund

- Investment in Debt & Money Market Instruments with Macaulay duration of the portfolio greater than 7 years

Dynamic Bond

- Investment 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

Debt Funds

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

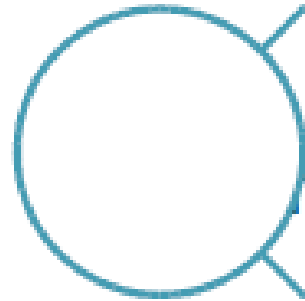
- Minimum 80% in G-secs, such that the Macaulay duration of the portfolio is equal to 10 years

Floater Fund

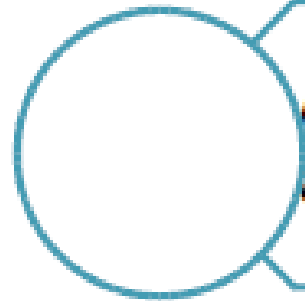
- Minimum 65% in floating rate instruments (including fixed rate instruments converted to floating rate exposures using swaps/ derivatives)

Hybrid schemes

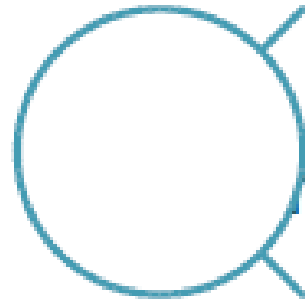
Hybrid Funds



Invest in different types of fixed income securities



Aims to earn interest income and capital appreciation



Suitable for investors seeking income at moderate risk

Hybrid Funds

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

Conservative Hybrid Fund	<ul style="list-style-type: none">• 10% to 25% investment in equity & equity related instruments; and• 75% to 90% in Debt instruments
Balanced Hybrid Fund	<ul style="list-style-type: none">• 40% to 60% investment in equity & equity related instruments; and• 40% to 60% in Debt instruments
Aggressive Hybrid Fund	<ul style="list-style-type: none">• 65% to 80% investment in equity & equity related instruments; and• 20% to 35% in Debt instruments
Dynamic Asset Allocation or Balanced Advantage	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Investment in at least 3 asset classes with a minimum allocation of at least 10% in each asset class
Arbitrage Fund	<ul style="list-style-type: none">• Scheme following arbitrage strategy, with minimum 65% investment in equity & equity related instruments
Equity Savings	<ul style="list-style-type: none">• Equity and equity related instruments (min.65%);• debt instruments (min.10%) and• derivatives (min. for hedging to be

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 the underlying fund

Mutual Fund Scheme - Which one to buy

.... a matter of Risk Return Trade-Off

Risk	Return	Type of Scheme
Higher Risk	Higher Returns	Equity Schemes
Moderate Risk	Moderate Returns	Hybrid Schemes
Low - Moderate Risk	Low - Moderate Returns	Debt Schemes
Very Low Risk	Lower Returns	Liquids Schemes

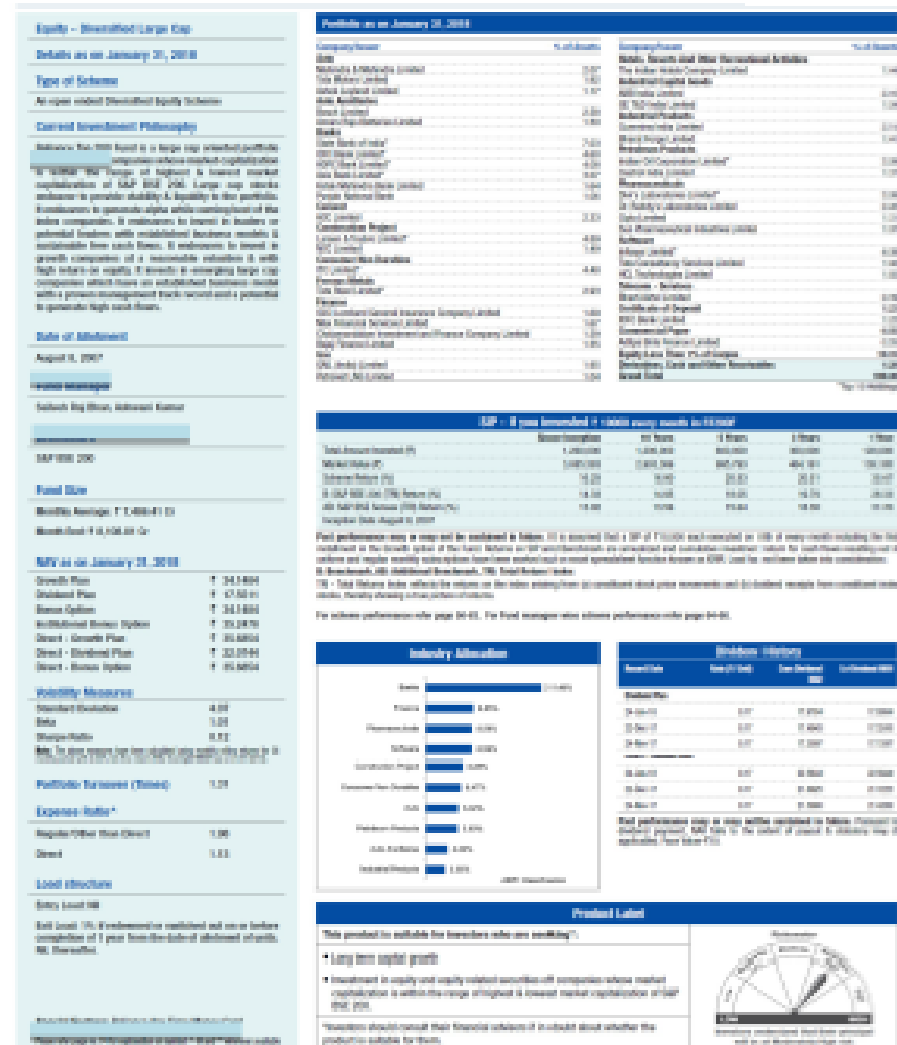
Scheme Related Documents

- Scheme information document (SID)
 - SID contains information that is specific to a each MF scheme.
 - Concise & detailed information that a prospective investor should know so as to take an informed decision to invest
- Statement of Additional Information(SAI)
 - SAI contains information with regards to each mutual fund and is common across all schemes of a mutual fund.
- Key Information Memorandum (KIM)
 - Abridged version of SID
 - Simple to understand and contains key / essential information that investors need to be aware about before they invest

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

Factsheet

- Fact sheets help you assess a scheme and keep track of its performance
- Issued every month
- Easy to understand and provides a snapshot of the scheme
- Show following key information at a glance:
 - NAV
 - Returns
 - Fund Managers managing the portfolio
 - Riskometer
 - Other statistics allowing investors to compare mutual funds and decide which ones to invest in.



Fact sheet is like a score card

Plans & Options

Direct Plans & Regular Plans

- All MF schemes offer a Direct Plan and Regular Plan for investments
- You can invest –
 - DIRECTLY i.e., without involving or routing the investment through any distributor/agent in a '**Direct Plan**' OR
 - Through / with the help of a Mutual Fund agent/distributor in a **Regular Plan**
- Direct Plan has a separate NAV, which is higher than the normal "Regular" Plan's NAV.
- Direct Plan has lower expense ratio as there is no distributor/agent involved

Growth Option & Dividend Option

- **Growth Option**

- Capital appreciation in the investment are ploughed back in the scheme and are reflected in increase in the NAV.
- Investors do not receive any periodic payments.
- Suitable for investors who do not require regular income.
- Tax efficient

- **Dividend Option**

- Capital appreciation in the investment are paid / distributed to the investors by way of dividend, periodically.
- Dividend payment is subject to availability of distributable surplus in the MF scheme.
- On dividend payment NAV of the scheme drops.
- Dividends are tax-free in the hands of investors but are subject to levy of Dividend Distribution Tax (DDT).
- Suitable for investors who require income cash flow.
- Under Dividend Reinvestment sub-option, the dividend proceeds are reinvested in the same scheme and additional units are allotted.

Modes of Investing



Lumpsum Investment – Initial + Additional



Systematic Investment Plan (SIP)



Systematic Transfer Plan (STP)



Inter Scheme Switches

HOW TO INVEST IN MUTUAL FUNDS

Steps for Investing in Mutual Funds

Pre-requisites

1. KYC (Know Your Customer) Process
2. PAN Card
3. Bank Account

Steps to complete KYC Process

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

- i. Address Proof → Aadhaar Card, Passport, Tel. bill etc.
- ii. 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 .

Modes of Investing



Physical Mode

(Traditional / Paper based)

And



On-line Mode

How to invest in a Mutual Fund Scheme?

- One can invest in a Mutual Fund scheme Offline or Online
- **Offline (physical application) mode**
 - Duly completed scheme application form signed by all applicants
 - Cheque or bank draft for the amount to be invested
 - Submit the above at the branch office or designated Investor Service Centres (ISC) of mutual funds or Registrar & Transfer Agents & MFU
- **Online mode**
 - Websites of the respective Mutual Funds
 - Websites of Mutual Fund Distributors
 - Buy mutual funds units through NSE – MFSS and BSE - StAR MF just like a company stock
 - MF Utilities (**MFU**) a technology based shared service platform for MF transactions promoted by the mutual fund industry for participating mutual funds.

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
 - Unit holder needs to submit a duly filled and signed Redemption Request form to the AMC's or the Registrar's designated office
 - All holders have to sign the Redemption form
 - The proceeds from the redemption will be credited to the registered bank account of the first named unit holder
- **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.
 - Returns have to always be seen in comparison with a fund's benchmark
 - Appropriate benchmarks should be used to evaluate a fund's performance
- The return of a fund should be measured over a period of time, representative of recommended holding period and objectives of the fund
 - Debt funds are held for shorter periods
 - Equity funds are held for longer periods
- The return of the fund has to be adjusted for the risk it has assumed to generate the return.
 - Higher return with higher than proportionate risk, is a case of underperformance, compared to a fund with higher return at lower risk

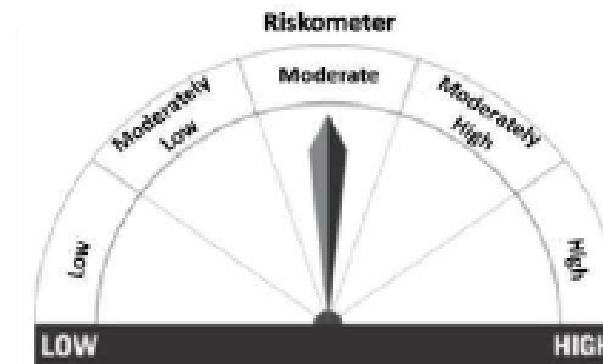
What is NAV?

- The NAV (net asset value) is the market value of all the funds investments less liabilities and expenses, divided by outstanding number of units for the firm.
- NAV is important as it is the basis for valuing an investor's holding of units in a mutual fund, and the relative appreciation of the same
- Mutual Fund NAVs are published daily on AMFI's website, Mutual Fund Websites, leading newspapers, etc.

**A HIGH NAV OR LOW NAV BETWEEN SCHEMES
DOESN'T MEAN ANYTHING AND SHOULD NOT
BE A BASIS OF WHY YOU SHOULD INVEST**

Product Labelling

- Mutual funds are required to 'Label' their schemes on the following parameters:
- Nature of scheme in an indicative time horizon (short/medium/long term)
- A brief about the investment objective (in a single line sentence) followed by kind of product in which investor is investing (Equity/Debt).
- Level of risk, depicted by 'Riskometer' as under:
 - Low - principal at low risk
 - Moderately Low - principal at moderately low risk
 - Moderate - principal at moderate risk
 - Moderately High -- principal at moderately high risk
 - High - principal at high risk
- A disclaimer saying: "Investors should consult their financial advisers if they are not clear about the suitability of the product."



Investors understand that their principal will be at moderate risk

Nomination

- Facility that enables an individual unitholder (including sole proprietor of sole proprietary concern) to nominate a person, who can claim the Units held by the unitholder or the redemption proceeds thereof in the event of death the unitholder.
- If the Units are held jointly by more than one person, all joint unit holders are required to together nominate a person in whom all the rights in the units would vest in the event of death of all the joint unit holders.
- Nomination can be made either at the time of initial application for purchase of Units or subsequently.
- Nomination once made can be changed subsequently any time and any number of times.

So as we say in Gujarati in the market.....

હન કહન Invest કારુ

A bright yellow rectangular sticky note is tilted slightly to the right. It is held in place by a piece of translucent grey tape at the top-left corner. The words "Thank You!" are written in a blue, hand-drawn, slightly irregular font. The note has a subtle drop shadow, giving it a three-dimensional appearance against the plain white background.

Thank
You!