FINANCIAL PRODUCTS DISTRIBUTORS NETWORK

# INVESTMENTOR

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Dear Investor,

This book explains the common topics pertaining to Mutual Funds in a simplified manner which would fuel your understanding of mutual funds.

It will answer your queries on various topics such as What is Mutual Fund?, Benefits of SIP, What are the Various Myths related to Mutual Funds?, Understanding the Volatility in Market and many such questions that you might have in mind while thinking about your investments.

I am confident that this would boost your confidence to invest in Mutual Funds.

Yours faithfully,

**Bhadresh Patel**
**Phone No. : 9825360860**
**Email ID : eticaadvisory2016@gmai.com**

# Index

Mutual Fund

*It's never too early to encourage long term savings.*

*– Ron Lewis*

# What is Mutual Fund?

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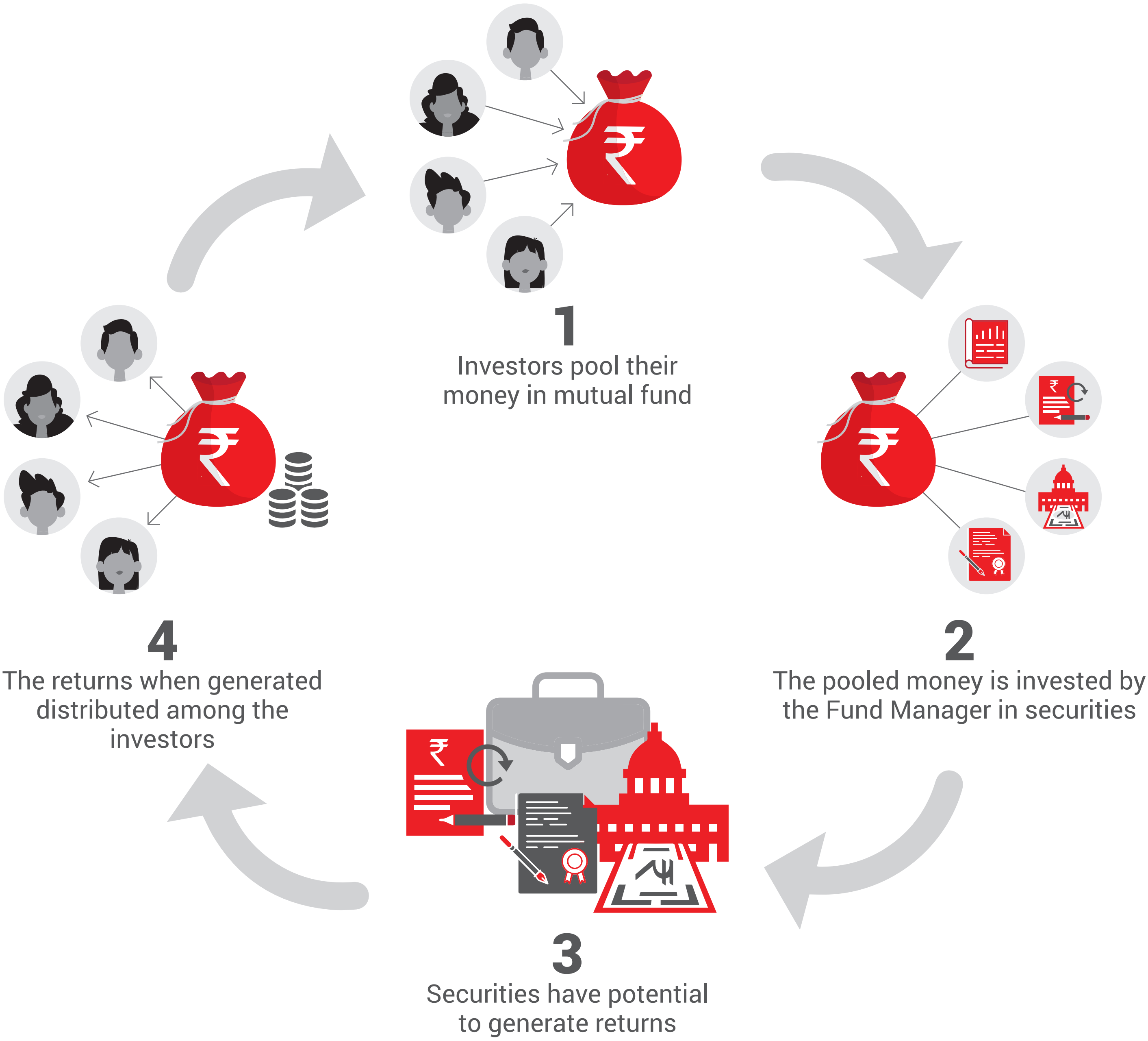
Mutual Fund is a smart investment tool that helps grow your wealth. All mutual funds are registered with SEBI (Securities Exchange Board of India).

**Mutual Fund is a smart investment tool that helps achieve your financial goals.**




The gains when generated from this collective investment is distributed proportionately amongst the investors after deducting certain expenses, by calculating a scheme's Net Asset Value or NAV.

**Mutual fund is a smart way to make money work harder, without you working for it.**

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*You work the first eight hours of each day for survival. Anything after that is an investment.*

*- Thomas Watson*

# Benefits Of Investing In Mutual Funds

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## Benefits

**Diversification**
'Don't put all your eggs in one basket' Concept

**Transparency**
Sharing account statements, factsheets and declaring NAVs daily

**Rupee Cost Averaging**
Your money buys more units when markets are low and vice-versa

**Professional Management**
Qualified professionals with research teams manage your funds

**Regulation**
Funds follow strict regulations to protect investors

**Liquidity**
Redeem your investments with convenient payout options

## Mr. A
Invests in Mutual Fund

Professional Fund Managers take investment decisions

Exposure to Well diversified Portfolio

Stress free

## Mr. B
Invests in Stocks

Rely on own research for decision making

Limitations on portfolio diversification

Market stress

**Invest in Mutual Funds and let the professionals handle your money.**

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*The stock market is filled with individuals who know the price of everything, but the value of nothing.*

*- Phillip Fisher*

# Equity Mutual Funds

kotak Mutual Fund

## What are Equity Mutual Funds?

These funds invest primarily in equity and equity related stocks.

## Objective Of Equity Mutual Funds

Capital Appreciation

Income From Equities

## How Long To Invest

It is advised to invest in Equity Mutual Funds with an investment horizon of minimum 3-5 years which enables the fund to ride out different market cycles and volatility.


## Why You Should Invest In Equity Mutual Funds

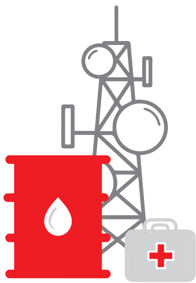
- Equities may generate wealth over the long term
- Professional fund managers will invest your money without you picking stocks
- Can be used to invest In specific sector or industry to enable diversification

## Types of Equity Mutual Funds

Small Cap Funds

Mid Cap Funds

Large Cap Funds



Sectoral Funds

International Funds

**Choose Equity MFs if long-term wealth creation is your goal. Though volatile in the short-term, you may be rewarded if you patiently stay invested for a longer time frame.**

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*Those who are unwilling to invest in the future haven't earned one.*

*- H.W. Lewis*

# 5 Points To Keep In Mind Before Investing

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**1**

## Know Your Investment Goal

Based on the time frame of your goal, it can be classified as long-term or short-term goals. Goal based investing helps you to draw a proper plan to meet your financial needs within a stipulated time frame.

**2**

## Know Your Investment Timeframe

Having a defined time frame for your investments can help you prioritize your goals and helps you stay focused and disciplined.

**3**

## Know Your Risk Tolerance

Investing without knowing risk tolerance can give you sleepless nights. Decide your risk taking ability and stay calm once invested.

**4**

## Know Your Asset Allocation

It's necessary to decide Asset Allocation to diversify your investment across Equity, Debt & Gold. Knowing how much to invest across these instruments will help manage risk-reward aptly.

**5**

## Know Which Product To Invest

Zero in on a product that suits your investment needs and matches the time horizon of your investment as well as your risk taking capability.

**Keep these 5 points in mind before investing to meet your financial needs with discipline.**

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*Try to learn from your mistakes - better yet, learn from the mistakes of others!*

*- Warren Buffett*

# Investing With A Goal In Mind

"A goal is a dream with a deadline" - Napoleon Hill
We all have some goals in our lives and to attain those, we need to plan our investment smartly.

## Investing With A Goal In Mind Helps You Decide On...

- Where to invest ?
- How much risk ?
- How much to invest ?
- How long to invest ?

## Investing Without A Goal is Like Travelling Without Destination
## Planning For Investment Is As Simple As Planning For Travel. Let's See How

| Planning for travel | | Planning for investing |
|---|---|---|
| Place to travel | Decide | Goals to fulfill |
| When to travel | Timeline | When to reach the goal |
| Deciding budget | Budget | Investment required |
| Select transportation & stay options | Option | Select a right product based on asset allocation |
| When to start travel | Commencement | When to start investing |
| Finding the best deal | Research | Find the suitable product within asset class |
| Consulting a Travel Planner | Expert Advice | Consulting a Financial Advisor |

## Define Your Goal To Know A Suitable Product For Investment

**Short-Term Goal**
0 to 3 Years

Buying a car, home appliances, creating an emergency fund or

Suggested investment in
**Liquid & Debt Funds**

**Mid-Term Goal**
3 to 5 Years

Foreign trip for family, Marriage or alike

Suggested investment in
**Hybrid Funds (Equity oriented)**

**Long-Term Goal**
5 or More Years

Child Education, Marriage, Retirement or alike

Suggested investment in
**Equity Funds**

## Points To Be Considered While Goal Based Investment Planning

Goals Should Be Smart

Review & Realign

Don't Forget Inflation

**Investing with a goal in mind helps you stay committed and focused on your investments**

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*Compound interest is the eigth wonder of the world. He who understands it, earns it; he who doesn't, pays it.*

*- Albert Einstein*

# Reasons To Do An SIP

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1

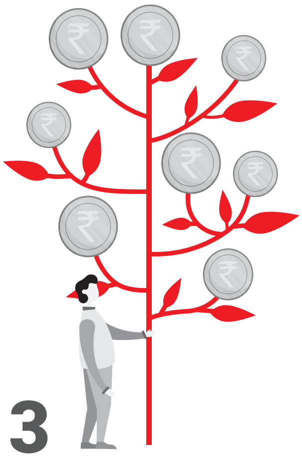
## Brings In Discipline

Investing on a pre-set date every month, makes you set aside fixed sum of money to invest and gradually turns you into a disciplined investor.

2

## Rupee Cost Averaging

You get more units when the markets go down and less when it goes up. Thus you average out the cost of buying mutual fund units.



3

## Power Of Compounding

The longer you stay invested, more is the benefit of compounding. It is like earning interest on interest. Hence start an SIP early & enjoy the power of compound-

4

## Convenience

SIP offers convenience since you invest a small amount periodically without affecting your household budget.

5

## No Need To Time The Market

Investing through SIP helps you avoid timing the market.

6

## Helps in Achieving Financial Goals

SIP is a smart tool that helps break your big goals into small amounts. Just ascertain the investment amount & start investing regularly through a SIP to achieve your dreams.

7

## Flexibility To Select Investment Frequency

Select an investment frequency based on your convenience and need.

**Start an SIP today to generate wealth in the long-run!**

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*In investing money the amount of interest you want should depend on whether you want to eat well or sleep well.*

*- Kenfield Morley*

# Benefits of Compounding

"Compound interest is the eighth wonder of the world." - Albert Einstein

## Why Is It So? Let Us Understand

In Compounding, interest is generated not only on the initial invested amount but also on the previously accumulated interest. Reap the benefits of Compounding by investing early to achieve your financial

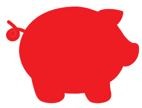
Let us understand with an example

**Mr. A**

**Age 25**

Starts investing for his retirement

**50,000 p.a.**



**Age 30**

Starts investing for his retirement

**62,500 p.a.**

**Mr. B**

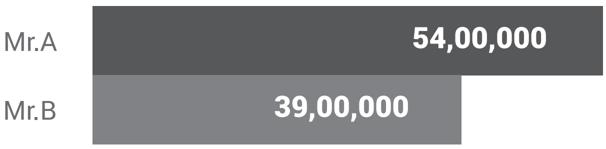
When they turn 50, they both had invested

**12,50,000 each.**

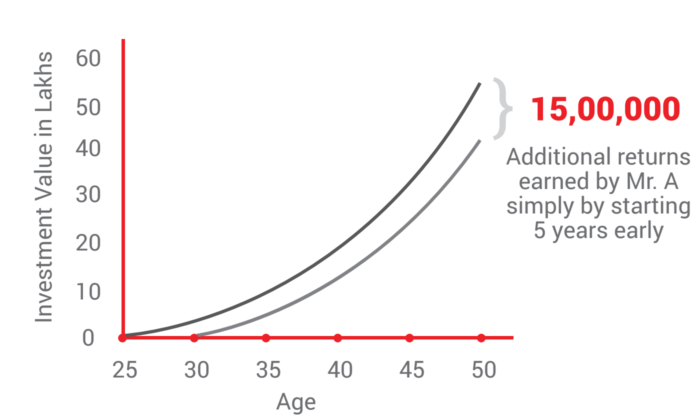
However, their investment or holding value were different.
Let us see what is their investment value when they turn 50.

## Value Of Investment

We assumed that both earned 10% returns (compounded annually) on their investment




Let us see how their investment grew over years




## Benefits Of Compounding

**1**
Starting early gives you the benefit of investing smaller

**2**
Staying invested for longer helps you in getting better returns

**3**
Proper planning can help you achieve your financial

**Time is the best wealth creator - The earlier you start and longer you stay invested, the more rewarding it is! Hence avoid delays in investing.**

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*Rule number one: Don't lose money.*

*Rule number two:Don't forget rule number one.*

*- Warren Buffett*

# Sabr Ka Fal - Be Patient with SIPs

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It takes about 5-10 years for a mango tree to finally bear the fruit we love so much.

Similarly, staying invested for as long as possible may help you achieve your financial goal. While you can start and stop your SIP at any time, you should stay invested for as long as you can.

## For Instance, Let Us Look At Mr. A And Mr. B And Analyse Their Financial Choices

**Mr. A**

**Mr. B**

Same College | Same Job | Same Salary

**Years**

Mr. A chooses to invest **1,000** per month through SIP

Assuming **12%** returns

Total Investment 2,40,000 =

Portfolio worth*
**9,99,148**

10 Years

20 Years

Mr. B chooses to save **2,000** per month

He then invests the **2,40,000** that he has saved

Assuming **12%** returns

Total Investment = 2,40,000

Portfolio worth*
**7,45,403**

**Thus, staying invested and having patience when it comes to your SIP is the key to capital appreciation.**

*The above investment simulation, based on assumed rate of return(s), is for illustration purpose only and should not be construed as a promise on minimum returns and safeguard of capital. This is only an illustration & a hypothetical example to demonstrate the concept of compounding and should not be construed as a promise, guarantee or a forecast of any minimum returns.

**Systematic and regular investments pay off in the long term due to the power of compounding**

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*Wealth is like sea-water; the more we drink, the thirstier we become; and the same is true of fame.*

*– Arthur Schopenhauer*

# Reason To Opt For SIP Top-up

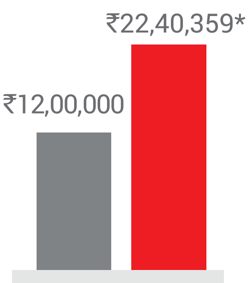
SIP Top-up Facility provides an option to increase your SIP installment amount at pre-defined intervals.

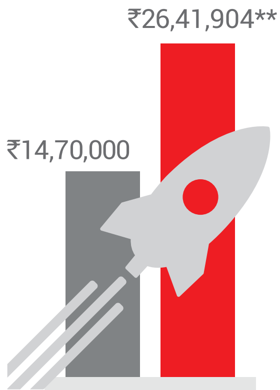
## Lets Us See With An Example, How This Tool Can Help You Become Wealthy In A Disciplined Manner.

Ms. A and Ms. B started investing ₹10,000 each in a equity mutual fund scheme* in 2005. Ms. A kept on investing the same amount over the next 10 years, whereas Ms. B increased her SIP amount every year by ₹500. Let us see, how their investment faired after 10 years.

*considered Sensex

| Ms. A | | Ms. B |
|---|---|---|
| ₹10,000 | **2005** | ₹10,000 |
| ₹10,000 | **2006** | ₹10,500 |
| ₹10,000 | **2007** | ₹11,000 |
| ₹10,000 | **2008** | ₹11,500 |
| | **after 7 years** | |
| ₹10,000 | **2015** | ₹14,500 |




**Growth Of Investment***

Total investment    Investment value

Thus, a small SIP top-up of ₹500 can make a huge difference in wealth accumulated

## Benefits Of SIP Top-up

**1**
Increase your investment without even realizing it

**2**
Manage your income to investment ratio better

**3**
Manage your financial goal better

* SIP returns are calculated by XIRR approach assuming investment of Rs 10000 @ 12% on the 1st working day of every month Compounded monthly

* *SIP top-up returns are calculated by XIRR approach assuming investment of Rs 10000 @ 12% on the 1st working day of every month for the first year, with a Rs 500 annual increase in SIP amount the returns are compounded monthly

**You too can boost your investment using SIP Top-up facility**

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*If a business does well, the stock eventually follows.*

*- Warren Buffet*

# Investing In Volatile Markets

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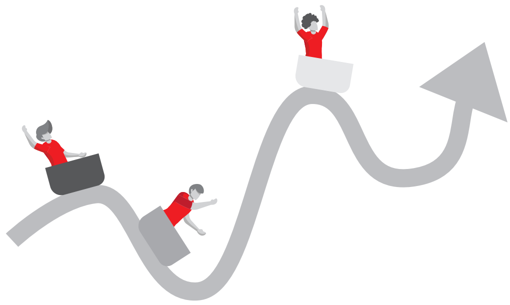


## How To Ride On Volatility?

Markets are volatile by its nature! Investors need to know how to manage volatility to benefit from it.

## Let Us First Understand, What Causes Volatility?

In the short term, markets get swayed away by speculation and noise created by the media. But, in the long run, it rewards the ones who stay focused on their investment strategy &

1
### Global Factors
Uncertainty in global economy

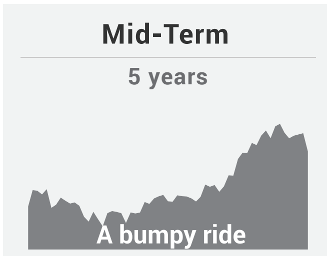
2
### Domestic Factors
Uncertainty in domestic economy, political scenario, inflation & currency volatility

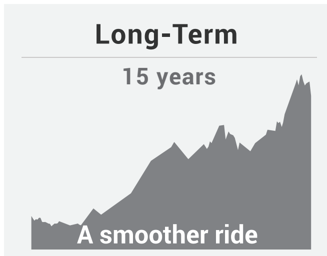
3
### Industry Specific
Risk arising due to sector specific policy changes

4
### Company Specific
Risk arising from company's management & operations

## Market volatility in the short, medium and long term

In the short run, market volatility is inevitable. Whereas in the long run, volatility is a myth.

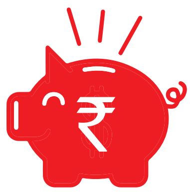




## Mutual Fund – Key To Manage Volatility

With Mutual Funds, one can invest across various asset classes like equity, debt and others that could help you sail through volatility rather smoothly. Let us understand how Mutual funds can help in managing volatility with

### Offers Diversification
Mutual funds invest your money in different asset classes/sectors and offers diversification that helps manage portfolio volatility better.

### Stay Patient
In investing, EQ (Emotional Quotient ) is more important than IQ (intelligence quotient).




### Discipline
Make volatility your friend using SIP. With every dip in the market, the SIP instalment garners more units for you, which turns market downturns in your

**Keep calm and keep investing!**

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*Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future.*

*– Warren Buffet*

# 5 Steps Which May Help You Generate Wealth

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Here's how you can tread the path which may help you generate wealth.

1

## Save Smartly

Saving is the first step to wealth creation. Save as much as you can by putting a curb on unwanted spends. Review your spending habits periodically & save diligently.

2

## Invest – The Sip Way

Put your regular savings into action by investing through SIP* in any mutual fund scheme/s of your choice.

3

## Channelize Savings To Investments

Saving alone won't help. Based on your financial needs, channelize your savings into different investment products. Mutual Funds are a smart tool to invest in.

4

## Increase Savings & Investments Periodically

Your savings and investments should increase in the same proportion as the rise in your income levels. Give your SIPs regular top-up to boost your investments.

5

## Invest Lumpsum When Possible

Invest certain part of the windfall gains/bonus as lumpsum amount to your regular mutual fund investment rather than splurging it.

*SIP-Systematic Investment Plan

**Creating wealth is very simple. Just be disciplined once you start investing.**

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*If you don't value your time, neither will others. Stop giving away your time and talents. Value what you know & start charging for it.*

*– Kim Garst*

# 5 Reasons To Invest In Equity Linked Savings Scheme

Check out these 5 reasons to select Equity Linked Savings Scheme(ELSS) over

## 1

### Save Tax & Create Wealth

Investments in ELSS qualify for tax deductions of up to 1.5 lakh in a financial year under Section 80C of the Income Tax act. Also, ELSS has the potential to create wealth through equities.

## 2

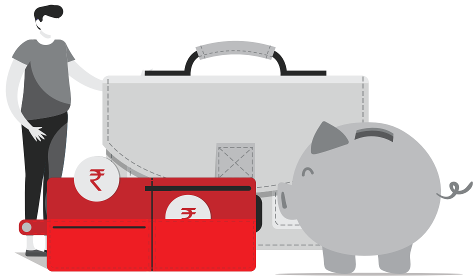
### Shortest Lock-in Period

It has a lock in of just 3 years which is lower than other tax savings investment options.

## 3

### Invest Small

Can start investing with as low as 500. While you can also opt to start an SIP.



## 4

### Taxation Policy

Investment held for less than a year qualify for short term capital gains tax of 15% plus applicable cess and surcharge. Investments held for more than a year qualify for long term capital gains tax exceeding 1 Lakh in a year at a rate of 10% without indexation plus applicable cess and surcharge.

## 5

### Benefits From Compounding

Long term equity investment ensures you benefit from compounding.

**Follow these 5 simple steps to retire peacefully.**

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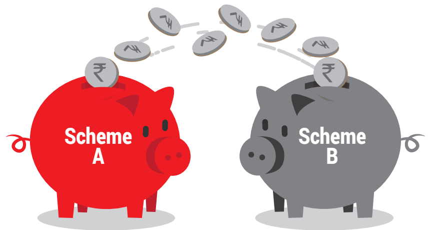
*We don't have to be smarter than the rest. We have to be more disciplined than the rest.*

*- Warren Buffet*

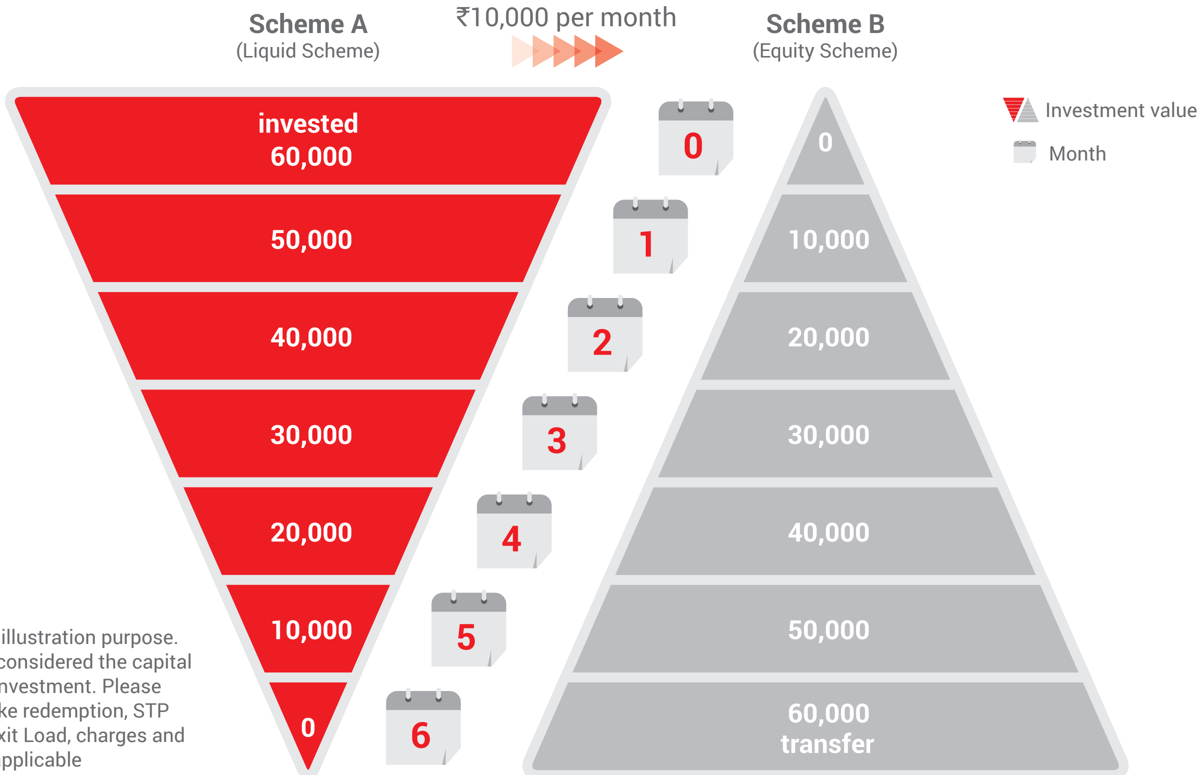
# How To Use STP Smartly

Systematic Transfer Plan (STP) is a tool provided by Mutual Funds that help transfer money automatically between two schemes at a predefined frequency.




## How It Works

Mr X had invested 60,000 in scheme A (Liquid – Debt scheme). Now, he wants to transfer 10,000 every month in scheme B (an Equity scheme). With STP, he can invest in scheme B using his existing investment in scheme A, simply by following a one-time registration process.




* Data for illustration purpose. Have not considered the capital gains on investment. Please note – Alike redemption, STP attracts exit Load, charges and taxes as applicable

## Different Types of STP

### Fixed STP
Transfer amount is fixed

### Capital Appreciation STP
Transfers only profit amount

### Flexi STP
Transfers variable amount* based on liquidity

*minimum transfer amount can vary from different schemes

## Strategies To Use STP Smartly

### Fixing Liquidity Problems

Facing liquidity problems but want to invest regularly? Simple, once you get money, invest lumpsum amount in liquid scheme and start STP into an Equity scheme – it works like SIP.

### Plan Your Tax Savings Better

Let say you have liquidity issue and still want to invest in an ELSS, start a STP from an existing investment in equity scheme to an ELSS and save tax.

### Doing Value Based Investing

Rebalance the portfolio across assets based on market valuation, using STP. When markets look overpriced, start STP from equity scheme to liquid scheme and vice versa.

### Managing Asset Allocation For Goal Based Investing

Investors who are nearing the goal either in terms of amount and / or time can transfer investment from equity to liquid scheme using STP to manage portfolio volatility better.

**Use STP prudently to earn smart returns on your investments.**

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*An investment in knowledge always pays the best interest.*

*– Benjamin Franklin*

# What Is An ETF?

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An Exchange Traded Fund (ETF) is an investment fund traded on stock exchanges, much like stocks.

### Exchange

They are bought and sold on a stock exchange like Bombay Stock Exchange (BSE) or the National Stock Exchange

### Traded

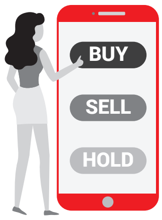
They can be traded throughout the day like a stock on a real time basis

### Fund

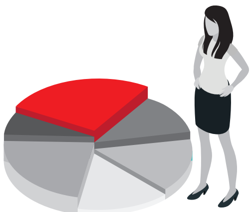
Like a Mutual Fund, they track the valuation of an index or basket of assets

## ETFs VS Equity Shares

Both can be bought, sold or held




Diversification becomes simple with ETFs as compared to Direct Equity

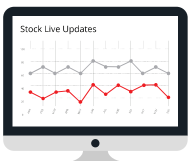


## ETFs VS Mutual Funds

Both are baskets of stocks and/or bonds

Price of ETFs change dynamically whereas Mutual Fund NAVs are declared at the end of the day

## Types Of ETFs




Equity ETFs



Gold ETFs

Bank ETFs


Debt ETFs

## Benefits Of Investing In ETFs

Lower Cost Alternative to diversification

Easier Redemption due to daily liquidity

**ETFs are an emerging investment class and you can allocate a small portion of your investment for better diversification.**

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*Happiness is not in the mere possession of money; it lies in the joy of achievement, in the thrill of creative effort.*

*– Franklin D. Roosevelt*

# 5 Reasons Why You Should Invest While You Are Young

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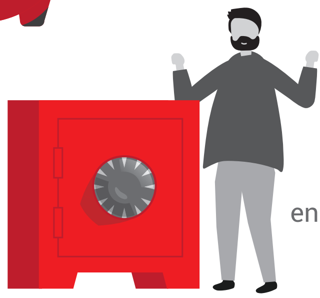
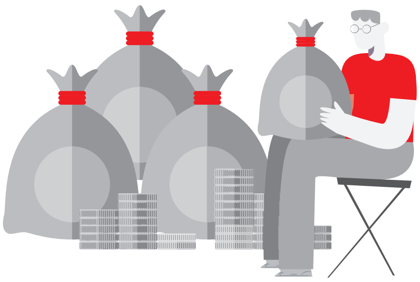
Mutual Fund

**You Can Start Small.**
One can invest in mutual funds with as less as  500 and gradually increase the amount. A small part of your salary, stipend or pocket-money will go a long way if you invest in mutual funds early.

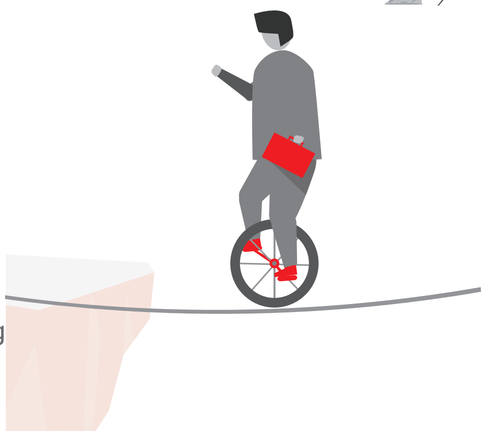


**Improve Your Spending Habits.**
Investing while you are young enables you to develop the habit of disciplined spending.

**Power Of Compounding.**
Earlier you start, greater is the Power of Compounding since you stay invested for a long time.



**Accumulate A Larger Corpus Amount.**
When you stay invested over a long period of time, you stand a better chance to accumulate a sizeable corpus by the time you retire.



**Higher Risk Taking Ability.**
When you are young, you have a better chance to take risks since you have lesser responsibilities at this stage. You also have more time to invest which ultimately helps in generating more wealth over the long

**Investing early not only helps you plan your long term goals, but also gives you the advantage of taking more risks.**

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*The safe way to double your money is to fold it over once and put it in your pocket.*

*– Frank Hubbard*

# 5 Steps To Secure Your Child's Future Using Mutual Funds

When it comes to the future of your child, you do not think twice. You will do whatever it takes. You can build it brick by brick and one step at a time without hurting your finances. Mutual Funds are a way to go.

## 1 Set Goals

You must know the purpose you wish to save and invest the money for. It could be an international school admission or a professional degree at a university. Set your sight on a figure that will ensure your child gets the education he or she wants.

## 2 Save More

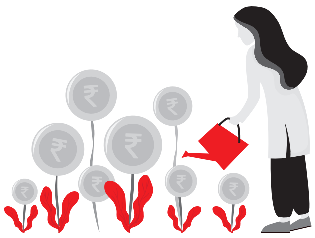
Once you know your goals, set aside some money for this goal before you spend the rest. It is important to get into a good saving habit every month as the stepping stone to secure your child's future.

## 3 Start With SIPs

A way to get into a discipline of investing is by using SIPs. Systematic Investment Plans or SIPs help you use 'rupee cost averaging'. This means you buy more when prices fall and buy less when prices rise. You can start with as little as  500 every month.


## 4 Use SIP Top-up

As your income grows, you can boost your allocation to SIPs by using the SIP Top-up. This increases the amount you set aside each month for your child's future. A timely boost every month can make a significant difference to the final amount you receive when you need it.



## 5 Do Not Stop Investing

You must continue your monthly Mutual Fund investments till you meet your goals. If you stop investing for some reason, figure out a way to quickly replenish the child education kitty.
The more you stay away, the more you hurt your

**It makes sense to allocate your SIPs to diversified equity funds. Your money grows along with your child. To reap the benefit, you need to give your money that much time.**

INVESTMENTOR

*Great investment opportunities come around when excellent companies are surrounded by unusual circumstances that cause the stock to be misappraisal.*

*– Warren Buffett*

# Steps to Build a Retirement Corpus

kotak Mutual Fund

Determine your monthly expenditure

Ascertain your retirement age and duration. For e.g:, Retirement age: 60 years
Expected to live: Till 80 years
20 years of retirement

Prepare for your retirement early

Decide retirement corpus that you will

Ascertain SIP amount that you should invest to achieve your goal

Keep investing regularly and harness the power of compounding

Review & rebalance periodically to keep a track of your goal

**Follow these 7 simple steps to retire peacefully.**

INVESTMENTOR

*An investment in knowledge always pays the best interest.*

*– Benjamin Franklin*

# Different Mutual Funds For Various Stages Of Life

kotak Mutual Fund

We have different life goals. Some are short-term like buying a car or a house. Some are long-term like child's professional education or retirement. With so many options in mutual funds, making a choice is easier said than done.

**Allow Us To Simplify It For You. Depending On Your Life-stage And Basic Needs, You Can Opt For The Following Types Of Mutual Funds.**

| Life Stage | Basic Needs | Investment Goals | Mutual Fund To Opt | Why? |
|---|---|---|---|---|
| **Young and working** | Emergency Fund, Build an Investment Corpus or Wealth Creation. | **Short-term:** Save for future wedding.<br><br>**Medium-term:** Buying a car, house. | **Short-term:** Liquid Funds.<br><br>**Medium-term:** Balanced Funds.<br><br>**Long term:** Equity Mutual Fund. | Liquid Funds are used for liquidity.<br><br>Balanced Funds offer exposure to both Equity and Debt. |
| **Middle-aged couple** | Child's Education, Retirement or Own Home. | **Short-term:** Child's school fees, home loan EMI.<br><br>**Medium-term:** Child's higher education and wedding, buying a larger house.<br><br>**Long-term:** Retirement. | **Short-term:** Liquid or Short-term Debt Funds.<br><br>**Medium-term:** Large Cap Funds.<br><br>**Long-term:** Diversified Equity MFs, Retirement Plans. | Invest the returns from prior investments in Liquid or Debt Funds for ready availability.<br><br>Over the long-term, the potential for return is higher than the risk with Equity Funds. |
| **Retirees** | Healthcare, Living Expenses or Medical. | **Short-term:** Daily expenses, medical bills. | **Short-term:** Systematic Withdrawal Plans (SWP). | Capital protection is priority. |

Short Term = 6 months- 1 year | Medium Term = 1-5 years | Long Term = 5 years and above

**You have multiple options under the Debt, Balanced and Equity Fund categories. Choose the right combination of funds for meeting different goals.**

INVESTMENTOR

*The highest use of capital is not to make more money, but to make money do more for the betterment of life.*

*- Henry Ford*

# 7 Myths That Can Be Detrimental To Your Investment Plan

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When it comes to investing, lack of awareness is a common problem. This applies to Mutual Fund (MF) investments too.

## Here Are 7 Myths That Can Be Detrimental To Your Investment Plan

### 1 The Investing Procedure Is Difficult

The myth could not have been more wrong! You can easily invest in Mutual Funds from distributors, financial advisors, brokers or even your own bank.


### 2 You Need A Demat Account

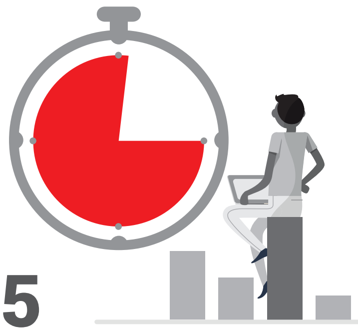
Your Demat account is required only in case of listed schemes of Mutual Funds and buying equity – shares of companies listed on the stock exchange.

### 3 You Cannot Exit Mutual Funds Easily

It is very easy to sell and exit. For open-ended funds, Mutual Funds sell or repurchase units on weekdays during market hours.

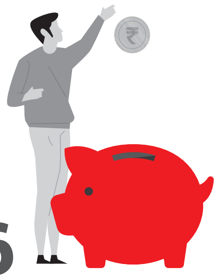

### 4 MFs Are All About Equity

Funds invest across asset classes. This includes Debt instruments like Bonds and Money-Market instruments or even Gold. There are different kinds of Gold, Debt and Hybrid Funds available.



### 5 MFs Are Only For The Long Term

You can invest in Mutual Funds for the short-term too. In fact, Liquid Funds and Short-term Debt Funds can be used for creating your Emergency corpus.



### 6 You Need To Invest A Large Amount In Mutual Funds

You can start investing in Mutual Funds with as less as 5,000 in case of lump-sum investments. If you invest through SIP, you can start investing with as less as 500 or 1,000.

### 7 Funds With A Lower NAV Are Cheaper

The Net Asset Value (NAV) represents the value of the assets that the Fund has invested in. It has nothing to do with whether a Fund is available cheaply.

**Do not invest on hearsay or follow the herd when it comes to investing. Look at your own needs and then decide.**

INVESTMENTOR

*It’s not your salary that makes you rich, it’s your spending habits.*

*– Charles A Jaffe*

# Net Asset Value (NAV) Simplified

**(Mutual Funds are bought and sold at their NAV)**

kotak Mutual Fund

## So, what's NAV?

NAV is the price per unit of a Mutual Fund like the price per share of a company. It measures how much each unit of a mutual fund is

$$\text{NAV} = \frac{\text{Assets - Liabilities}}{\text{Number of Units}}$$

### Assets

Assets includes market value of scheme investment and current assets including Accrued Income

### Liabilities

Liabilities include current liabilities and provisions including accrued expenses like management fees, custody charges, commission to distributors & brokers, marketing expenses etc

### Number of Units

Total number of units issued by the Mutual Fund Company till date.

## Let's Understand This With An Example.

You and your three friends decided to pool in ₹**150** each to buy a large pizza costing ₹**600**

Each friend got **2 slices** each from that pizza, thus the unit cost of each slice comes at ₹**75** (₹600 pizza divided in 8 slices).


## Now Just Replace The Pizza With A Mutual Fund

Let's assume there is a mutual fund scheme with total assets under management (AUM) of ₹**600** with 8 outstanding units

The scheme had 4 investors who held **2** units each Thus the NAV of the fund comes at ₹**75** (₹600 AUM divided by 8 outstanding units).


**NAV is Calculated Everyday -**
NAV of Mutual Fund Scheme changes every trading day since market value of securities it holds changes every trading day.

**Busting the Myth -**
"One should invest in a scheme with a lower NAV" Let's assume there is a scheme A whose NAV is ₹50 and a scheme B whose NAV is ₹100. You invest ₹10,000 in each fund

| Scheme A | | Scheme B |
|---|---|---|
| **50** | Buy NAV (₹) | **100** |
| **200** Units bought = $\frac{\text{10,000 Investment}}{\text{50 NAV}}$ | | $\frac{\text{10,000 Investment}}{\text{100 NAV}}$ = Units bought **100** |

After 1 year, if portfolio value increases by 20% for both the schemes, then

| Scheme A | | Scheme B |
|---|---|---|
| **12,000** Value of Investment (₹) | 200 units x 60 NAV (50 x 20% + 50 = 60 NAV) | |
| | 100 units x 120 NAV (100 x 20% + 100 = 120 NAV) | Value of Investment (₹) **12,000** |

Thus, low NAV does not signify that the scheme is Under-priced and vice versa. What matters is the schemes performance.

**High NAV should not be a deterrent and low NAV should not be a preference while buying a mutual fund.**

INVESTMENTOR

*Risk comes from not knowing what you are doing.*

*- Warren Buffett*

# 5 Investment Risks You Should Know

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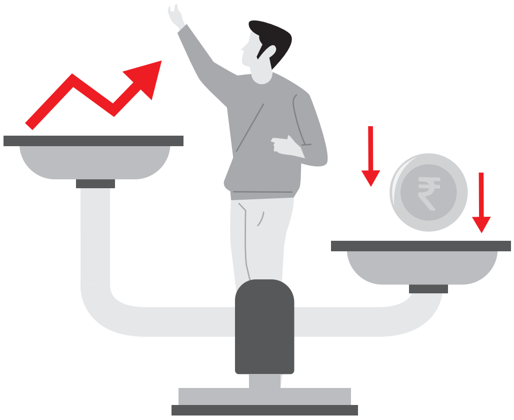
We do not stop living just because there are risks in life. Similarly, we must not stop investing just because there are risks. In the investment world, knowledge is the best hedge against any risk.

## 1
### Stock Market Risk
Anything that affects corporate profits can lead to a fall in the Stock Markets.



## 2
### Risk
Interest Rate Risk- When interest rate rise, bond prices in the market fall.
Credit Risk- Default on a debt that may arise when an obligor fails to make required payments

## 3
### Natural Calamities
Natural calamities of any sort lead to great losses financially and affect corporate profits.

## 4
### World Risk
In an increasingly globalised and interconnected world, financial markets all over could be affected by events in one country.

## 5
### Socio-Political Risks
Political uncertainty can lead to delay in policy implementation and future business prospects.

**Embrace risk and learn how to use it to your advantage. Mutual Funds are designed for diversification. The risk in one asset can make up for the loss in another.**

INVESTMENT₹R

kotak
Mutual Fund

*When I was young I thought that money was the most important thing in life; now that I an old I know that it is.*

*- Oscar Wilde*

# Who Are You ?
# A Saver Or An Investor?

Investing is an art. To become a good investor, it is important to know more about yourself. For that, you need to ask yourself a few questions. Here is a checklist to find out what personality are you?

## Saver

### Short-term Needs

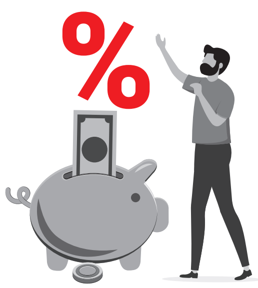
You save usually for going on vacation or for an emergency.

### Easy Access To Money

You prefer keeping money in cash to meet an emergency need or expense.

### Negligible Risk

You prefer to play it safe when it comes to investment and prefer government-guaranteed savings scheme account for minimal or no risk.




### Gain Interest

You like interest income because it is easy to under-stand.

## Investor

### Long-term: Attain Bigger Objectives

You want to save for your child's college education, a holiday home or retiring rich.

### You Have Saved Enough

You feel you have enough money in the bank to take care of your emergencies.

### Higher Risk

You take the risk because you know inflation is your enemy and just saving is not enough.

### More Possibilities Of Profit

You want to buy when prices are low and sell when prices are high. But you are not sure if that is the right time.

**Being a good saver is the starting point of becoming a good investor. Once you have kept aside an adequate sum for emergencies, the transition becomes easy.**

INVESTMENTOR

*Emotions are your worst enemy in the stock market.*

*- Don Hays*

# 7 Investing Mistakes To Avoid

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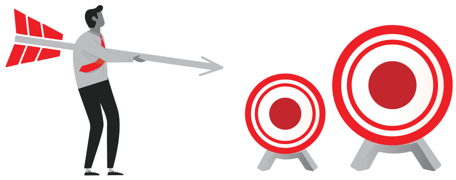
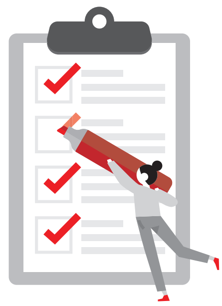
Avoid these common investment mistakes as they can be detrimental to your investment.



## 1 Investing Without A Goal & Understanding Your Risk Profile

Knowing your investment goals helps give you direction, stay focused and disciplined through your investment journey.



## 2 Selecting A Product Without Doing Proper Due Diligence

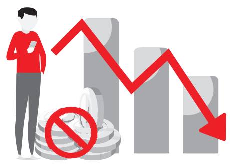
It is imperative to check whether your investment objective matches with that of the schemes' you are investing in. Invest only after doing proper research.

## 3 Trying To Time The Market

Invest using SIP and stay invested for long to reach your financial goal.

## 4 Reshuffling Your Investment Too Often

Taking decisions based on rumours is not advisable. Frequent churning attracts exit loads and in turn affects growth potential.

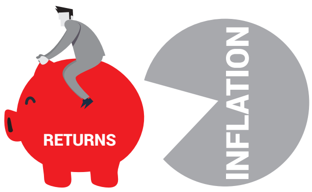


## 5 Stop Investing When The Market Are Down

Keep investing through SIP and keep a tab on your emotions across market cycles.

## 6 Putting All Your Eggs In One Basket

Not all asset classes perform in tandem. Diversify your investment across equity, debt and gold.




## 7 Not Considering Impact Of Inflation On Returns

Ignoring the impact of inflation on investment can make huge dent in your financial plan.

**Avoid these simple mistakes and achieve your goals with ease.**

INVESTMENTOR

*Wealth is not only what you have but also what you are.*

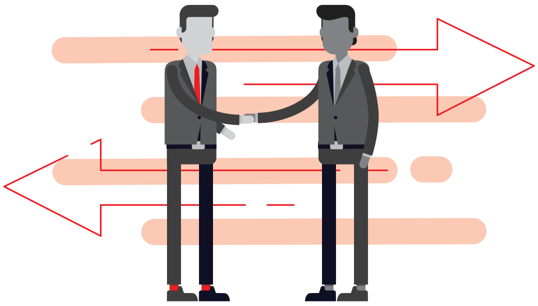
*- Sterling W. Sill*

# Get Started With Mutual Funds Now

kotak Mutual Fund

Today, investing in Mutual Funds is as easy as tapping on your phone or clicking your mouse.

## Here Are 4 Ways To Get Started.



### Financial Advisors

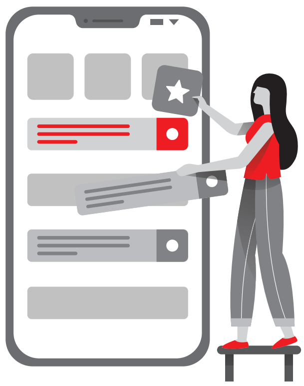
Most advisors and Wealth Managers not just recommend, but also help you buy Mutual Funds. Get in touch with your Advisor to know more about investing in Mutual Funds.

### Through Your Broker

Already have a trading account with a broker? You can approach your brokerage house to buy Mutual Funds. They can also suggest the Mutual Funds schemes most suitable to your profile.


### From Banks

Most Banks offer investment products, including Mutual Funds Speak to your Banker today.



### Buy Direct Funds

If you have the time and the required skills to analyse the funds for finding the one that suits your needs and risk appetite, you can go for Direct funds. You can also buy MFs directly through funds website.

**It is a myth that Mutual Funds investing is hard. It's hassle-free! With so many options available, you can get started immediately.**

INVESTMENT₹R

*An investor without investment objectives is like a traveller without a destination.*

*- Ralph Seger*

# How To Read Your Mutual Fund Statement

kotak Mutual Fund

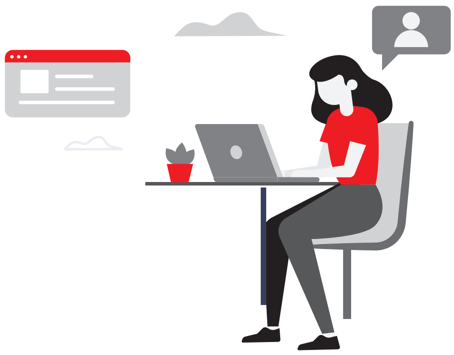
You read your credit card statements carefully to ensure you do not pay more or are wrongly charged for something you did not transact.

Similarly, you must read your mutual fund holding statement to know more about the performance of your investment.

## What To Read In MF Statement

### Personal Details

You must check that your name, address and PAN Card details are correctly mentioned and your KYC status says ‘OK’

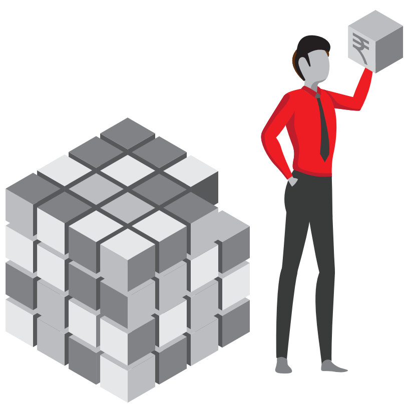


### Nominee

In case you haven't updated your nominee details then please do so at the earliest. The process to claim or do the transmission of units gets long and cumbersome in the unfortunate event of death of the primary holder.

### Transaction

Every purchase or sale is recorded in your account statement.

### Price Of Units

Every statement will show units you hold, the Net Asset Value, your investment and the current market value of

**Your Mutual Fund transactions are explained in your statement.
Understand how your money is working for you by reading it regularly.**

INVESTMENTOR

*Try to learn from your mistakes - better yet, learn from the mistakes of others!*

*- Warren Buffett*

# Mutual Fund Myth Busters

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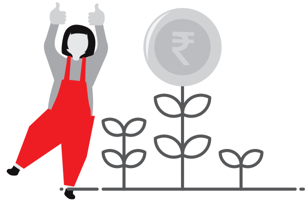
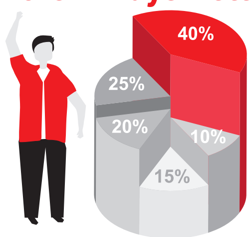
Mutual Fund investments are believed to be easier than other investment classes, but there are some myths which obstruct people from investing. Let's bust some of the top myths about Mutual Funds.

| | Myth | | Truth |
|---|---|---|---|
| **Who Can Invest?**  | Mutual Funds are for experts. | 1 | In Mutual Funds, the fund manager who is a financial expert tracks various sectors and companies along with a research team and invest on your behalf. |
| **What's The Difference?**  | They are same as Direct Equity. | 2 | Mutual Funds invest in various investment classes ranging from equity to debt. |
| **How Much To Invest?**  | You need a large sum of money to invest. | 3 | Most funds allow investments as low as 1000 for SIP. Infact for ELSS the amount is as low as 500. |
| **How Long To Invest?**  | They are only for long-term. | 4 | Equity schemes are for long-term and debt schemes can be from 1 day to a few weeks. |
| **Is More Always Better?**   | More funds, better diversification. | 5 | Ideally, you should diversify your investment with 3-5 funds according to your objective. |

**Do not invest on hearsay or follow the herd when it comes to investing. Look at your own needs and then decide.**

INVESTMENTOR

*It's never too early to encourage long term savings.*

*- Ron Lewis*

# Debt Fund. An Alternative To Traditional Fixed Income Products.

## Let's Learn About Debt Mutual Funds

Debt Mutual Fund is a scheme that invests in fixed income instruments, such as Corporate and Government Bonds, Corporate Debt Securities, and Money market Instruments that offer capital appreciation.

### Features of Debt MF and FD Investments

| Debt Fund | | Bank FD |
|---|---|---|
| Alpha Potential | **Returns** | Fixed Return |
| Market Risk | **Risk** | Almost Risk-free |
| Highly Liquid | **Liquidity** | Less Liquid |
| Yes | **Indexation Benefit** | No |

**Debt Fund Returns Comprise :**

- Capital appreciation/depreciation in the value of the security due to changes in market dynamics
- Interest income

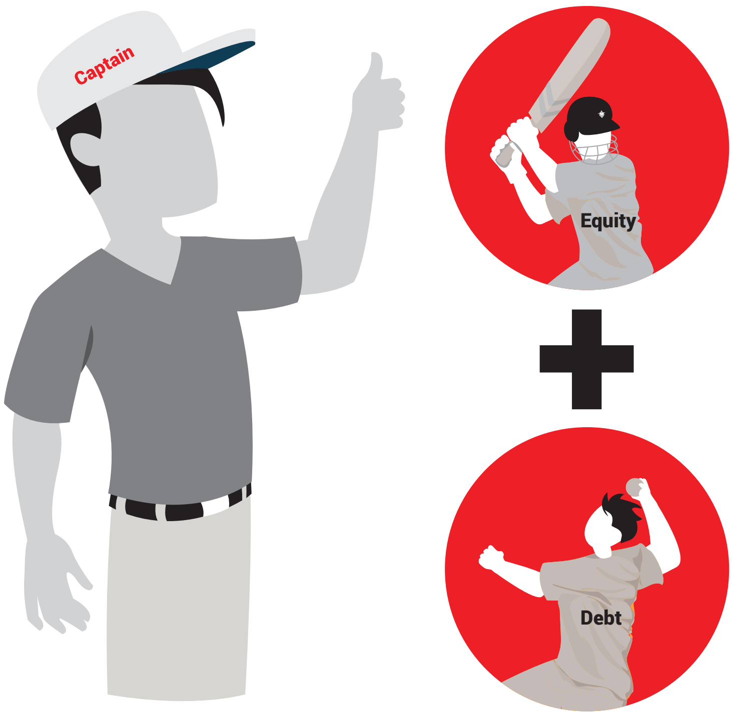
**Debt Mutual Funds can play an important role in overall portfolio rebalancing.**

*Every day I get up and look through the Forbes list of the richest people in America. If I'm not there, I go to work.*

*- Robert Orben*

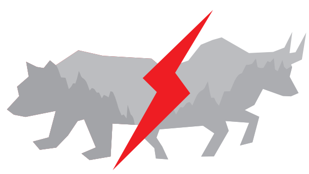
# Confused Between Equity And Debt ? Go With Hybrid.

If you were the captain of a cricket team, depending on wicket you would pick the optimal mix of batsmen and bowler from the lot for benefit of team. Likewise, the hybrid fund. It invests in equity and debt to avail the benefit of both.



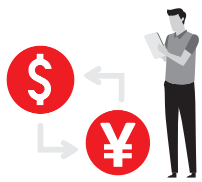

**While equity funds are promising and risky, debt funds are comparatively safe and low on returns. For investors who don't want to be at either extreme ends, hybrid is the answer!**

**Hybrid fund invest in various market instruments like**



**Equity (Unhedged)**
**For** Wealth Creation

**Fixed Income**
**For** Regular Income



**Arbitrage**
**For** Lower Volatility

**Hybrid funds could be ideal for budding investors who are eager to take exposure in equity markets.**

INVESTMENTOR

*I hate weekends because there is no stock market.*

*- Rene Rivkin*

# Let's Know About Inflation.
# It Lies Ahead Of You.

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Inflation is the rise in prices over time, relative to the money available. This table will help you understand better.

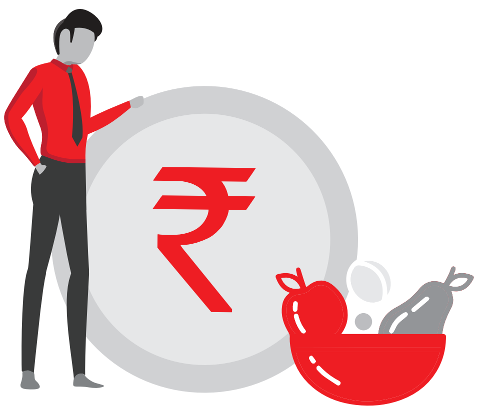
| Item | For example Price in 1998 | For example Prices in 2018 |
|---|---|---|
| 1 litre of Petrol | 23 | 78 |
| 1 litre of Milk | 15 | 60 |

Source: Kotak Internal Research

**Inflation is inevitable. Are you prepared for it?**

The value of rupee will keep decreasing. A  100 earned may be just  92 after a year if it is not invested and the inflation rate is 8%. That is why it is important to be on the lookout for investments which have a potential to generate returns by beating inflation rate.

| If today's purchasing power is | Inflation | Purchasing power after 1 year |
|---|---|---|
| ₹100 | 8% | ₹92 |



**Our financial aim must not be just to save, but make inflation-beating investments.**

*Wealth is not his that has it, but his that enjoys it.*

*- Benjamin Franklin*

# Plan Your Regular Income With Mutual Fund

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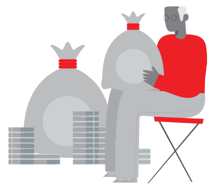
As long as you work, your salary gets deposited into your account regularly. But in case you take a break from work or retire, your income stops. For these situations, financial planning through an SWP (Systematic Withdrawal Plan) is a facility to get regular income from your investment corpus.

## For regular income, SWP is the way!

Systematic Withdrawal Plan, or SWP, is a method of withdrawing a fixed amount of money from your investment corpus on a regular basis. The withdrawal can be on a monthly, quarterly or annual basis.

## SWP is suitable for those looking to generate regular cash flows:

A person who has received windfall gain such as



The retired

## How are SWP taxed?

| | Short Term Capital Gain | Long Term Capital Gain |
|---|---|---|
| **SWP in Equity Mutual Fund** | In first year of investment: 15% tax on gains | 10% tax on the gains (subject to ₹1 lakh exemption for the financial year) |
| **SWP in Debt Mutual Fund** | In the first 3 years of investment: tax as per applicable tax slab | 20% tax on the gains with indexation benefit |

## Example of SWP Scheme

| 2018 Month | Cashflows (₹) | NAV^ | No. of units redeemed | Fund Units | Investment Value (₹) |
|---|---|---|---|---|---|
| **January** | 2,00,000 | 10.00 | | 20000 | 2,00,000 |
| **February** | -10,000 | 11.00 | 909 | 19091 | 2,10,000 |
| **March** | -10,000 | 10.50 | 952 | 18139 | 1,90,455 |
| **April** | -10,000 | 11.50 | 870 | 17269 | 1,98,593 |
| **May** | -10,000 | 12.00 | 833 | 16436 | 1,97,228 |

In this example if Capital Gain, arises after each systematic withdrawal will be subject to Short Term Capital Gain Tax. SWP acts as a tax efficient option while handling regular payments. ^The figures in the above table are for illustration purposes

**Systematic Withdrawal Plan is an excellent option to have for regularity of cash flows to investors.**

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To know more about Mutual Funds, contact your financial advisor.

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