

What is a Mutual Fund?

- *A mutual fund is a pool of money from numerous investors who wish to save or make money just like you.*

Its a vehicle for investing in stocks and bonds

Mutual funds can be considered baskets of investments. Buying a mutual fund is like buying a small slice of a big pizza.



Why Mutual Fund?

If you are like most people, you probably have most of your money in a bank savings account and your biggest investment may be your home. Apart from that, investing is probably something you simply do not have the time or knowledge to get involved in. You are not the only one. This is why investing through mutual funds has become such a popular way of investing.

Cycle of mutual fund



ADVANTAGES OF MUTUAL FUND



Advantages of mutual fund

✓ Easy to Invest

You can invest in mutual funds with as little as Rs.5000. Salaried individuals also have the option of investing with monthly savings plan.

✓ Professional management.

The investment management skills, along with the needed research into the investment options ,ensures much better returns as compared to investor managing on its own.

✓ Offers Diversification

Diversification reduces risk contained in a portfolio by spreading it. It is about not putting all your eggs in one basket.

✓ Transparency

Fund gives regular information to its investors on the value of investments.

✓ Convenience and flexibility

Investors can easily transfer their holdings from one scheme to other, get updated market information and so on.

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✓ *Liquidity*

With open-end funds, you can sell all or part of your investment any time you wish and receive the current value of the shares.

✓ *Tax benefits*

Investment in mutual funds also enjoys several tax advantages. Dividends from Mutual Funds are tax-free in the hands of the investor . Also Capital Gain accrued from Mutual Fund investment for a period of over one year is treated as long term capital appreciation and is tax free.

✓ *Affordability*

As a small investor, you may find that it is not possible to buy shares of larger corporations. You can invest with a minimum of Rs.500 in a **Systematic Investment Plan** on a regular basis.



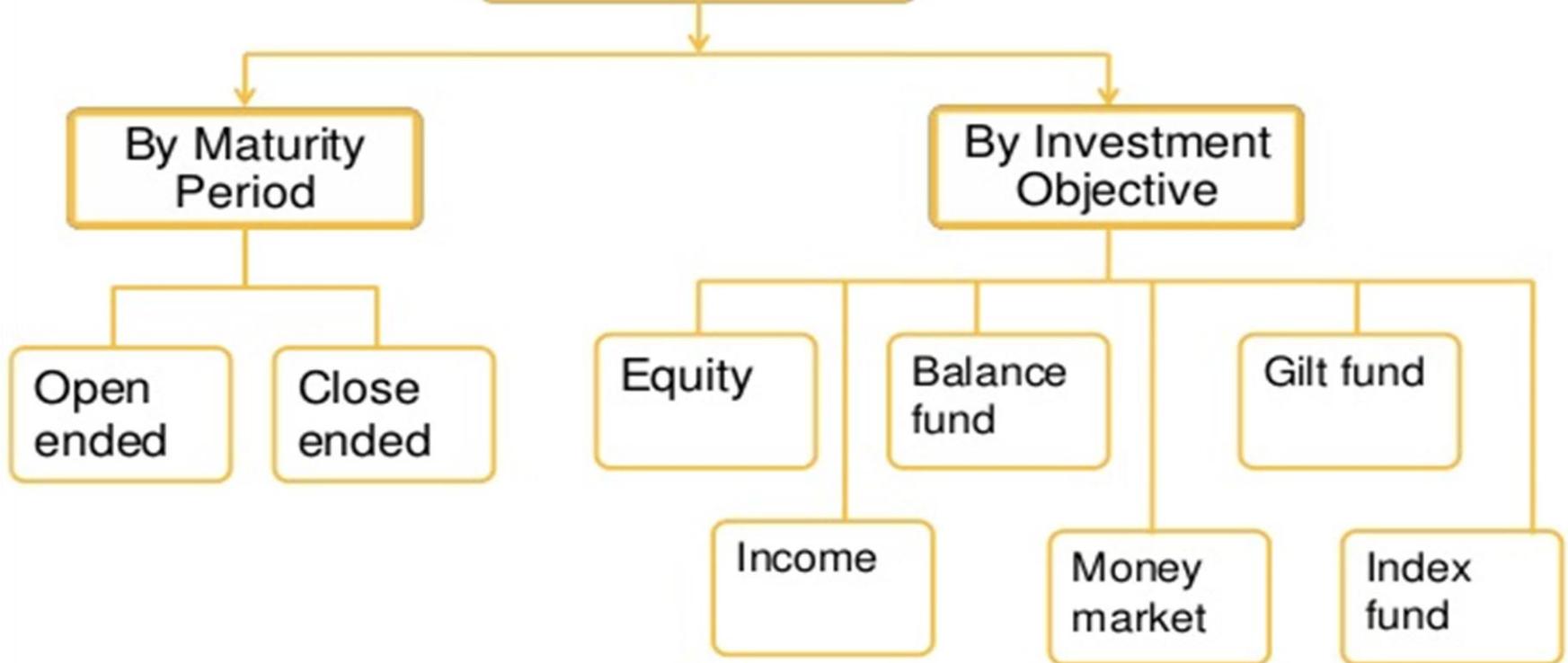


TYPES OF MUTUAL FUNDS



COGNUS
CAPITAL INVEST

Mutual Funds



Maturity period

a) **Open ended**

- Subscriptions and repurchase are on continuous basis.
- Does not have fixed maturity period.

b) **Close ended**

- Stipulated maturity period.



Investment objective

❖ **Equity(Growth)**

- Invests in stocks –long term (3years or more)
- High risk

❖ **Debt(Income)**

- Regular and steady income to investors
- Bonds , Govt securities and money market instruments

❖ **Balanced fund**

- Provides both growth and regular income

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❖ **Liquid/Money market fund**

- Provides easy liquidity ,capital protection and moderate income

❖ **Gilt fund**

- Invests in govt securities
- No default risk

❖ **Index fund**

- Rise or fall on basis on index such as BSE.

❖ **Tax savings fund**

- Investments done for tax benefit under 80C
- Locking period of 3 years



Sum up...

Type of Fund	Typical Investment
Equity or Growth Fund	Equities like stocks
Debt or Income Fund	Fixed income securities like government and corporate bonds
Money Market Fund	Short-term fixed income securities like treasury bills
Balanced Fund	A mix of equities and fixed income securities
Tax Fund(ELSS)	Invest in equities for tax benefit
Index Fund	Equities or Fixed income securities chosen to replicate a specific Index for example S&P CNX Nifty



How to choose a mutual fund



- ▶ **Identify funds whose investment objectives match your asset allocation needs**

Just as you would buy a computer that fits your needs and budget, you should choose a mutual fund that meets your risk tolerance (need) and your risk capacity (budget) levels.

- ▶ **Evaluate past performance, look for consistency**

Although past performance is no guarantee for the future, it is a useful way of assessing how well or badly a fund has performed in comparison to its stated objectives and peer group.

- ▶ **Diversify**

Don't just zero in on one mutual fund (to avoid the risk of being overly dependent on any one fund). Pick two, preferably three mutual funds that would match your investment objective in each asset allocation category and spread your investment.

Summary

- ▶ Mutual Fund Industry is a growth industry
- ▶ Mutual fund offers various investment options as per once investment objective.
- ▶ Start Investing Early & Systematically.
- ▶ We can invest directly or through professionally money manager.



