

Handbook for the
Financial Wellbeing Journey

Mutual Funds Decision



Introduction

Thank you for your interest in the Financial Wellness program.

Hope the program was insightful with many implementable take-aways.

Here is a Handbook which gives a glance:

- Basics of mutual funds
- Types of funds
- Selecting schemes and reviewing portfolio
- Useful video/ calculator links to help you with further information
- Finsafe Tips



Investment Products – Mutual Funds

What are Mutual Funds?

A mutual fund is a professionally managed trust, which pools the investors' money and invests them into stocks, bonds, commodities, money market instruments and other securities. A mutual fund is like a basket of investments and your investment in the fund is a part of that basket.

Different Types Of Mutual Funds

- Equity Funds
- Debt Funds
- Hybrid or Balanced Funds
- Gold Funds
- International Funds

Finsafe Tips:

- Invest in debt funds for short term period
- Invest in Equity Funds for longer term goals (above 7 years)

Learning Resources:

https://www.youtube.com/watch?v=HlhNhsgWP_E&t=



Advantages of Mutual Funds

01

Professionally
managed

02

No tax implication on exit
calls taken within the fund

03

Funds available
across categories

04

Diversification

05

Expense ratios capped



Net Asset Value (NAV)

Net Asset Value

NAV is the sum total of the current value of all the investments held in the portfolio after deducting expenses

- NAV formula = $(\text{Current value of Assets} - \text{Expenses}) / \text{Number of outstanding units}$
- The market value changes everyday and this is reflected in the NAV.
- Net Asset Values are declared daily
- NAV is used to track fund performance

Finsafe Tips:

Track the growth in NAV and not the absolute NAV while choosing mutual fund schemes to invest into

Learning Resources:

<https://www.youtube.com/watch?v=Fje6FbnaLEA>



Expense Ratios

Expense Ratio

Expense ratio is the amount that asset management companies charge to manage a mutual fund.

- Fund expenses including 12b-1 fees, management fees, administrative fees, operating costs, distribution costs and all other asset-based costs incurred by the fund.
- It is calculated as
$$\text{ER} = \frac{\text{Total Expenses}}{\text{Total Assets Under Management}}$$

Finsafe Tips:

Expenses reduce returns to the investors. Hence it is important to check the expense ratio while choosing a fund to invest in.

Learning Resources:

<https://www.youtube.com/watch?v=Fje6FbnaLEA>



Mutual Fund Options

The various options available in mutual funds are:

- Growth option – NAV keeps increasing, giving compounding effect
- Dividend option – Ability to get dividends
- Dividend re-investment option – Dividend received is re-invested into the fund

Finsafe Tips:

- Dividends from mutual funds are taxable as per the individual's income tax slab.
- Better to opt for growth option.

Learning Resources:

<https://www.youtube.com/watch?v=XpWj38c4PAQ>



Riskometer

Riskometer

The riskometer helps categorise mutual fund schemes according to the risk they carry.

Finsafe Tips:

Riskometer is one of the factors that can help you decide on the mutual fund scheme to invest into based on your risk appetite.

Learning Resources:

<https://www.youtube.com/watch?v=hn3kaugg2ns>



| Types of MF schemes

01 Debt

Invest in Interest bearing securities like bonds and term deposits

02 Equity

Invest in shares of companies of different sectors and sizes

03 Hybrid

Invest in a combination of stocks & Bonds

Can also invest in gold



Recommended Categories Of Debt Funds

01

Liquid
Funds

02

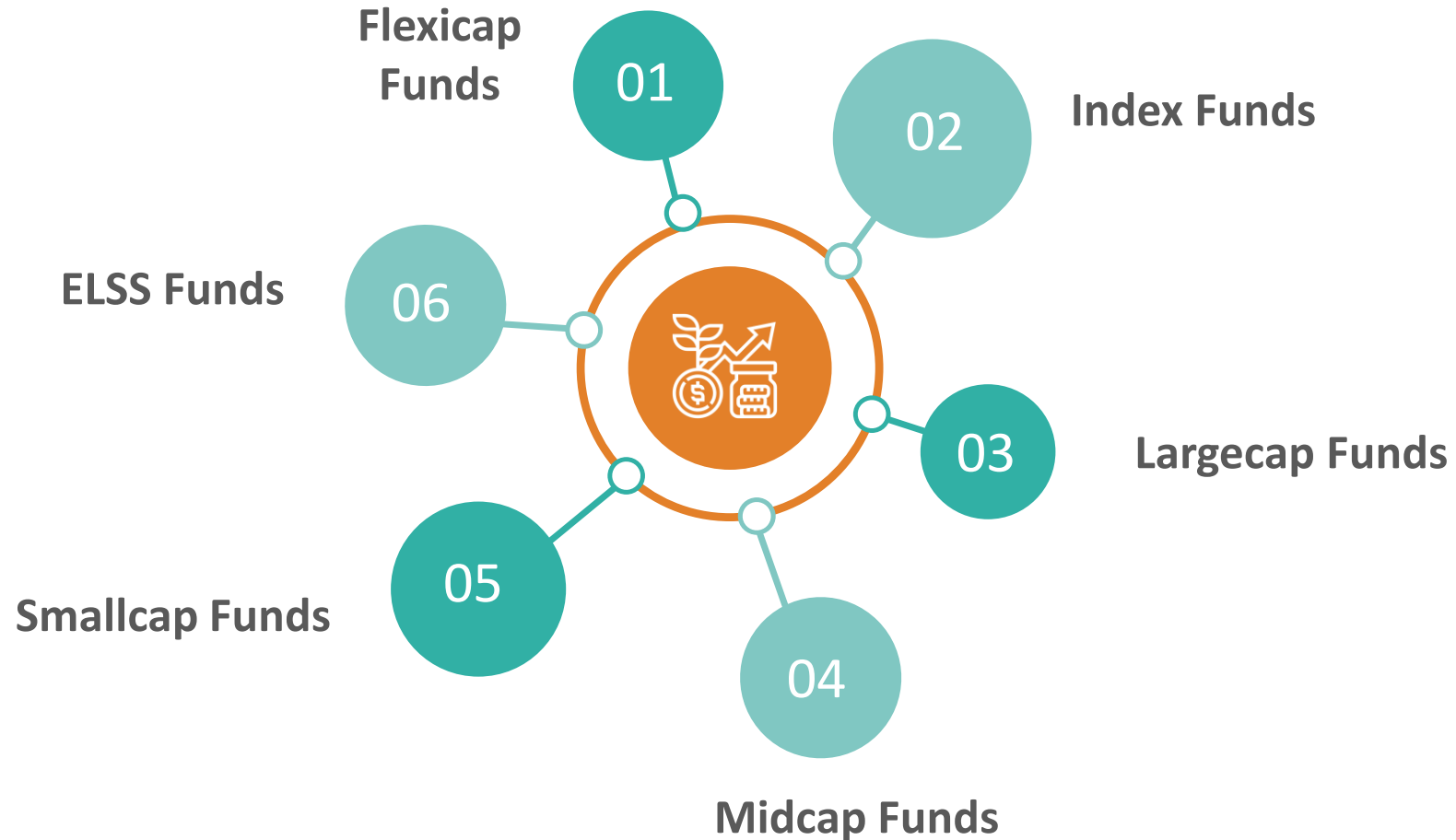
Ultra Short
Duration and
Low Duration
Funds

03

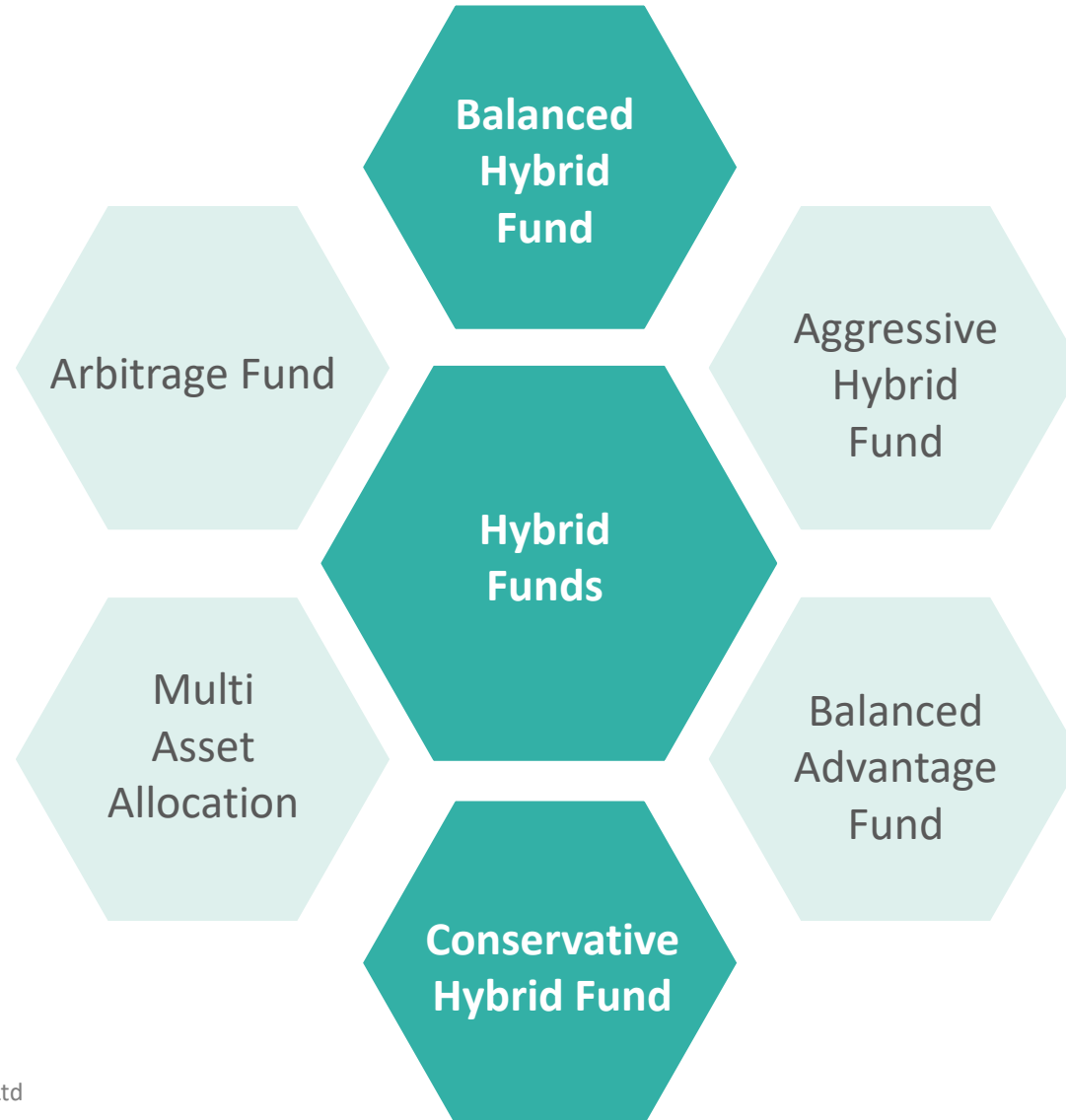
Short
Duration
Funds



Recommended Categories Of Equity Funds



| Types of Balanced Funds



Equity or Balanced Funds?

Based on risk

	Equity	Balanced
Risk	High	Moderately high
Holding period	> 7 years	5-7 years
Financial Goals	Long term	Medium term



Choosing Index Funds

01

Select the type of index

02

Check the expense ratio & tracking error

03

Remember to diversify!



How to choose an Equity Fund

Factors to consider while choosing an Equity Fund:

- Goal Duration
- Risk appetite
- Consistent Risk Adjusted Returns
- Volatility Ratios

Finsafe Tips:

- Choose which equity fund to invest into based on goal duration and risk appetite
- Consider consistent risk adjusted returns and volatility ratios

Learning Resources:

<https://www.youtube.com/watch?v=d-01Evm7Q8g>



Equity Fund Quants

Volatility Ratios:

Risk-adjusted return: Measures how much risk is involved in producing that return.

Standard Deviation: Used to measure risks involved in the instrument. In mutual funds, the standard deviation tells us how much the return on a fund is deviating from the expected returns based on its historical performance.

Beta: Refers to Mutual Fund scheme returns to the Market movement.

For Ex: Beta of < 1 indicates the Mutual Fund scheme is less volatile. Beta of > 1 indicates the Mutual Fund scheme is more volatile.

Sharpe: Indicates if the investment return is due to higher exposure to risk or otherwise. The greater an investment's Sharpe ratio, the better its risk-adjusted performance.

Other ratios: Downside capture/ others



Sources for unbiased Mutual Fund recommendations

<https://www.finsafe.in/schemes/>

EQUITY FUNDS

Index & Large Cap	Multi Cap	Mid & Small Cap	ELSS	Balanced Fund
UTI Nifty Index Fund	Quantum LT Equity Fund	Mirae Asset Emerging BlueChip	Franklin India Tax Shield	L&T India Prudence Fund
SBI BlueChip Fund	BSL Equity Fund	SBI Magnum Mid Cap Fund	DSPBR Tax Saver Fund	Tata Balanced Fund
BSL Advantage Fund	Kotak Select Focus	DSP Small & Midcap Fund	Reliance Tax Saver Fund	ICICI Pru Balanced Advantage Fund
ICICI Pru Top 100	Most Focused Multi Cap 35 Fund			HDFC Balanced Fund

FIXED INCOME FUNDS FOR SPECIFIC INVESTMENT HORIZON

0 - 3 Months	3 Months- 1.5 Years	1.5 - 3 Years	> 3 Years
BSL Cash Plus	ICICI Pru Flexible Income Plan	Birla SL Short Term Fund	ICICI Pru Short Term Plan
HDFC Liquid	IDFC Ultra Short Term Fund	HDFC Medium Term Opportunities Fund	L&T Resurgent India Corp Bond Fund
	L&T Ultra Short Term Fund(G)	SBI Short Term	Birla SL Treasury Optimizer Plan
		TATA Short Term	

<http://www.morningstar.in/featured-reports.aspx>

MORNINGSTAR						
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Page 1 of 6 Previous Next Total Funds: 113						
Fund Name	Category	Analyst Rating	Equity Stylebox	Fixed Income Stylebox	Star Rating	Report Date
Reliance Focused Large Cap Fund - Growth	Large-Cap	Under Review			★★★	05 Apr 2017
Reliance Regular Savings Fund - Equity Option - Growth	Flexicap	Under Review			★★★	05 Apr 2017
SBI Magnum Multiplier Fund Regular Dividend Payout	Flexicap	Under Review			★★★	20 Sep 2016
SBI Magnum Taxgain Scheme Regular Dividend Payout	ELSS (Tax Savings)	Under Review			★★★	18 Sep 2016
HDFC Mid-Cap Opportunities Fund Growth	Small/Mid-Cap	Gold			★★★★	17 May 2017
HDFC Equity Fund Growth	Large-Cap	Gold			★★★★	30 Jan 2017
HDFC Top 200 Fund Growth	Large-Cap	Gold			★★★★	30 Jan 2017
Franklin India Bluechip Fund Growth	Large-Cap	Gold			★★★★	23 Dec 2016
Franklin India Prima Fund Growth	Small/Mid-Cap	Gold			★★★★	23 Dec 2016
Franklin India Prima Plus Fund Growth	Flexicap	Gold			★★★★	23 Dec 2016
Franklin India Ultra Short Bond Fund Super Institutional Growth	Ultrashort Bond	Gold			★★★★★	30 Nov 2016
Reliance Top 200 Fund - Growth	Large-Cap	Silver			★★★★	23 Aug 2017
Reliance Equity Opportunities Fund - Growth	Flexicap	Silver			★★★★	14 Aug 2017
Mirae Asset Emerging Bluechip Growth	Small/Mid-Cap	Silver			★★★★★	24 Jul 2017
Mirae Asset India Opportunities Fund Regular Growth	Large-Cap	Silver			★★★★★	20 Jul 2017
IDFC Sterling Equity Fund - Regular Plan - Growth	Small/Mid-Cap	Silver			★★★	14 Jul 2017
Axis Long Term Equity Growth	ELSS (Tax Savings)	Silver			★★★★	06 Jun 2017
IDFC Government Securities Fund - Investment Plan - Regular Plan - Growth	Intermediate Government Bond	Silver			★★★★	05 Jun 2017

Mint 20 Mutual Fund Schemes

EQUITY	3-years return (%)	5-years return (%)	Corpus (₹ cr)
LARGE-CAP			
UTI Nifty Index	17.81	16.73	5,380
HDFC Index	17.51	16.53	4,085
Category average	17.52	16.37	
EQUITY FLEXICAP			
Canara Robeco Flexi Cap	21.67	19.23	6,143
Parag Parikh Flexi Cap	28.80	22.38	17,220
Category average	20.31	17.47	
EQUITY SMALL AND MIDCAP			
Axis Midcap	26.43	22.68	15,988
SBI Small Cap	28.57	23.56	10,626
Category average Midcap	23.67	17.47	
Category average Smallcap	27.28	19.12	
EQUITY (TAXSAVER)			
Canara Robeco Equity Tax Saver	23.78	19.96	2,893
Mirae Asset Tax Saver	23.56	21.30	10,146
Category average	18.83	16.07	
HYBRID			
BALANCED ADVANTAGE			
Edelweiss Balanced Advantage	16.23	14.12	6,331
ICICI Prudential Balanced Advantage	12.97	11.35	36,816
Category average	11.54	9.67	
ARBITRAGE			
Kotak Equity Arbitrage	4.80	5.35	24,430
Tata Arbitrage*	5.10	-	11,980
Category average	4.41	4.91	
DEBT			
SHORT TERM			
HDFC Corporate Bond	4.41	8.85	28,807
IDFC Corporate Bond	3.87	8.05	20,613
Category average	4.23	6.30	
CREDIT RISK			
HDFC Credit Risk Debt	7.44	8.94	8,757
ICICI Prudential Credit Risk	6.61	8.62	8,304
Category average	2.51	3.53	
DEBT (LESS THAN 1 YEAR)			
HDFC Money Market	1.88	3.77	15,828
Kotak Money Market	1.86	3.68	11,454
Category average money market	5.85	6.19	
OUT OF THE BOX			
BHARAT Bond ETF - April 2031	4.95	23 Jul 2020	10,484
Motilal Oswal S&P 500 Index Fund	30.52	28 Apr 2020	2,398

MC 30 Funds

EQUITY	
LARGE CAP (CORE)	
Canara Robeco Bluechip Equity Fund - Regular Plan - Growth	Despite being large-cap, has managed to beat benchmark consistently
Mirae Asset Large Cap Fund - Regular - Growth	Among the largest in its category, size not an issue for performance
FLEXI CAP (CORE)	
UTI Flexi Cap Fund - Growth	Follows a growth-styled approach and managed conservatively. Stable long-term performance
Parag Parikh Flexi Cap Fund - Growth	Investments in international equities and timely deploying cash, helped
Kotak Flexi Cap Fund - Growth	Large-size has pushed the fund towards large-caps, but remains adequately diversified
MID CAP (CORE)	
Kotak Emerging Equity - Growth	Size is bit large for a mid-cap fund, but so far fund has managed well
Invesco India Mid Cap Fund - Growth	Small corpus bodes well for a midcap fund. Takes lesser risks
DSP Midcap Fund - Regular Plan - Growth	Despite a conservative portfolio, performance is good. Well-diversified.
Axis Midcap Fund - Growth	Consistent performer and manages risks well. Takes active cash calls
SMALL CAP (SATELLITE)	
Axis Small Cap Fund - Growth	Strong pedigree. Did well in 2018 and 2019, despite tough markets.
SBI Small Cap Fund - Regular Plan - Growth	Good stock picking skills. Did well in rising and falling markets.
ELSS (CORE/SATELLITE)	
Kotak Tax Saver Scheme - Growth	Same manager for over seven years now. 3-year lock-in helps in stock picking
Canara Robeco Equity Tax Saver - Regular Plan - Growth	Despite a high churn, the scheme has done well across market cycles
FOCUSED (SATELLITE)	
SBI Focused Equity Fund - Regular Plan - Growth	Invests across large, mid and small sized companies and up to 30 stocks
Axis Focused 25 Fund - Growth	Invests in up to 25 stocks. Tilted towards large-caps last year
HYBRID	
AGGRESSIVE HYBRID (CORE)	
DSP Equity & Bond Fund - Regular Plan - Growth	Ideal for first-time equity investors. Invests atleast 65% in equities. Well-diversified.
Canara Robeco Equity Hybrid Fund - Regular Plan - Growth	Atleast 65% in equities. Well-diversified, tilt towards large-caps
DEBT	
SHORT TERM (CORE)	
ICICI Prudential Short Term Fund - Growth	Actively managed. Small portion in perpetual bonds, though monitors risks closely
HDFC Short Term Debt Fund - Growth	Despite investing 8-10% in AA-rated securities, fund has managed credit risks well
Axis Short Term Fund - Growth	Consistent performer. Actively managed. Does not take credit risks
CORPORATE BOND (CORE)	
Sundaram Corporate Bond Fund - Growth	Invests significantly in high-rated securities. Despite small-size, the fund is well-diversified
HDFC Corporate Bond Fund - Growth	Largest fund in this category. Invests almost entirely in AAA-rated assets
BANKING AND PSU DEBT (CORE)	
BPCL Banking & PSU Debt Fund - Regular Plan - Growth	Fund manager's track record in avoiding credit risks, inspires confidence
Kotak Banking & PSU Debt Fund - Growth	True to label, avoids private sector firms. Uses Government securities opportunistically
Nippon India Banking & PSU Debt Fund - Regular Plan - Growth	Ideal for investment around 3 years. Avoids AT1 bonds. Well-diversified.
OTHERS	
INDEX FUND/NETES	
Nippon India ETF Nifty BeES	Oldest ETF in India. One of the most liquid
Nippon India ETF Gold BeES	An ideal way to invest in gold, without bothering about storage
Motilal Oswal Nifty Next 50 Index Fund (MOSE) Shares	Invests in the US companies. Passively managed. No fund manager risk
ICICI Prudential Nifty Next 50 Index Fund - Growth	A good way to invest in the next lot of emerging large-cap companies
UTI Nifty Index Fund - Growth	Oldest index fund in India. Low tracking error.



Make SIP's work for you

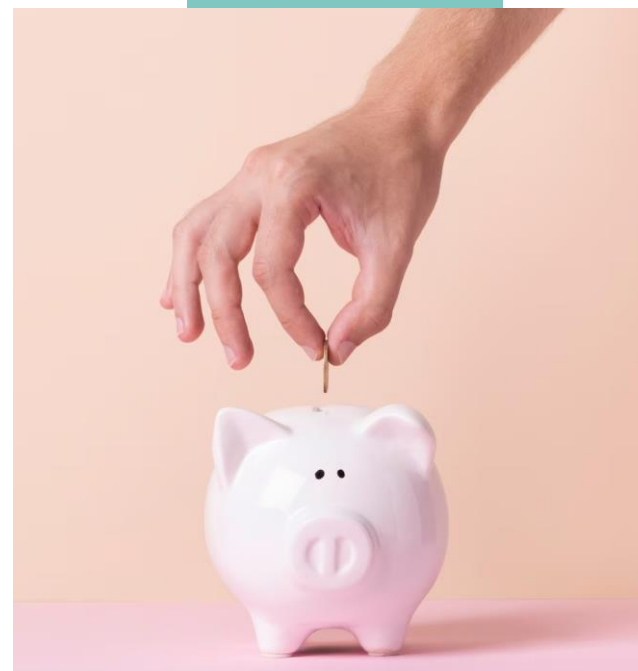
- Invest Early
- Invest Regularly
- Remain Invested
- Diversify
- Do not invest based on tips/ internet

Finsafe Tips:

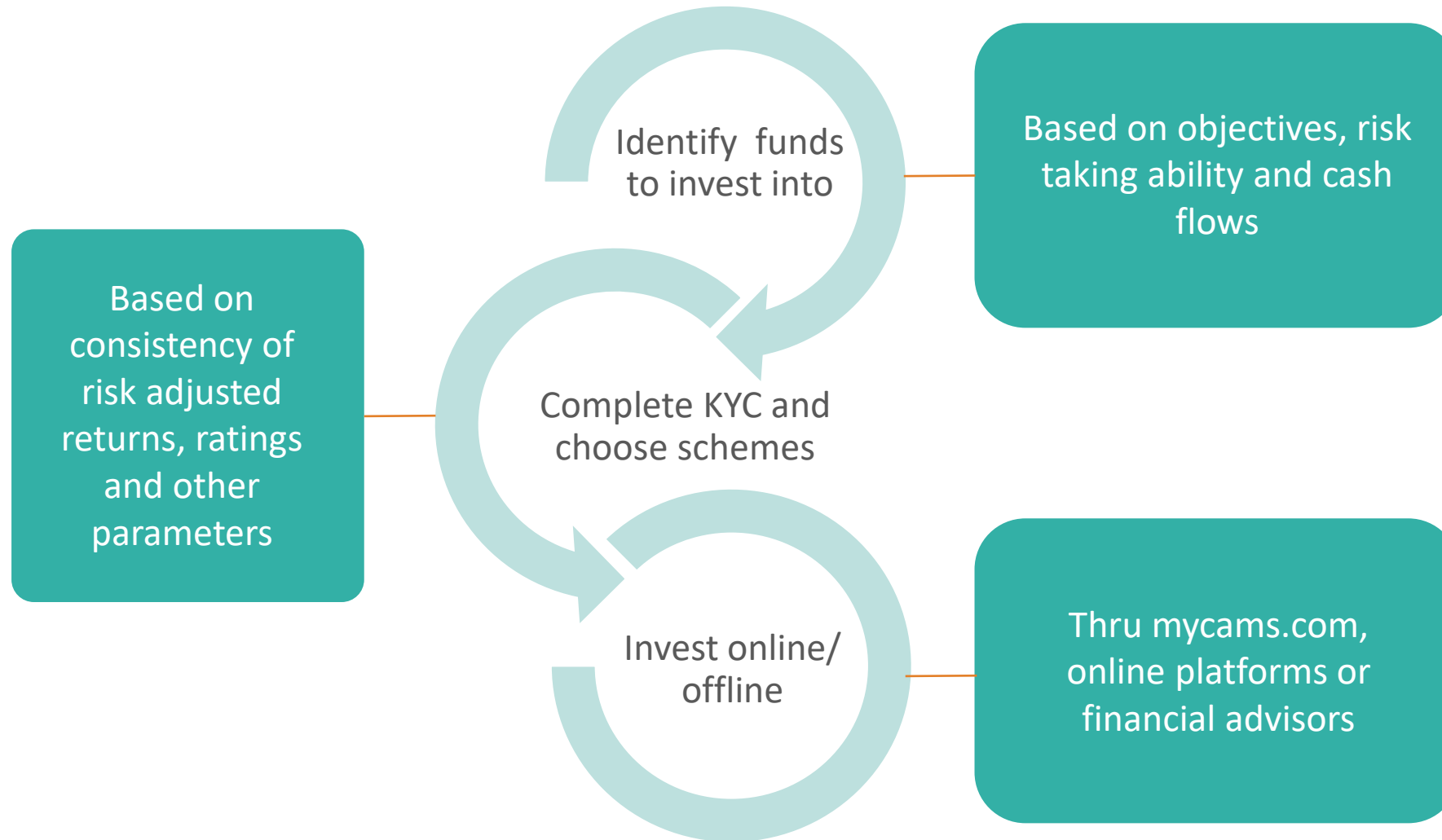
- Start early and invest regularly in SIP
- Do not try to time the market

Learning Resources:

https://www.youtube.com/watch?v=hDdjmTdq_U&t=



How to start Investing in Mutual Funds



Mutual Fund Taxation

Equity / Hybrid Mutual Funds

Less than 1 year

15%

For more than 1 year

10%, if gains are more than 1 lakh

Debt Mutual Funds

Any period

Taxed as per Income tax slab



Reviewing Portfolios

Yearly

- **Use a tracking tool** to track performance
- Relative to benchmark & category Average
- Is there any **underperformance** in any of the investments relative to benchmark?



Exiting Funds



Near to a goal



Rebalancing



Fund underperformance



Structuring a MF portfolio

How far away is the goal	< 3 yrs	3 -4yrs	5 -7yrs	8-15yrs	>15yrs
Products which you can consider	FD/UST/LD fund	ST Fund	Eq hyd/BAF/Debt	Eq hyd/BAF/Debt/Equity	Eq Hyd/BAF/Debt/ Equity
Conservative risk investment	Liquid	UST	ST debt Fund	ST Debt Funds	ST Debt Funds
Moderate risk investment	UST	ST Debt Fund	Balanced Fund with lesser alloc to equity	Eq Hyd/BAF	Eq Hyd/BAF
Aggressive Risk investment	Low Duration	Corporate Bond Debt Fund	Eq hyd/BAF	Equity Funds(flexicap/midcap/smallcap)	Equity Funds(midcap/smallcap)



Summary

- Stay away from NFO's and closed ended funds
- Track growth in NAV and not absolute NAV
- Not more than 5-7 funds in portfolio
- Diversify Mutual Fund portfolio
 - Active and passive funds
 - Non-diversification/ over diversification in fund house and schemes
- Do not churn



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Women and Money 5:



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