

MUTUAL FUND

M.Fund: L1

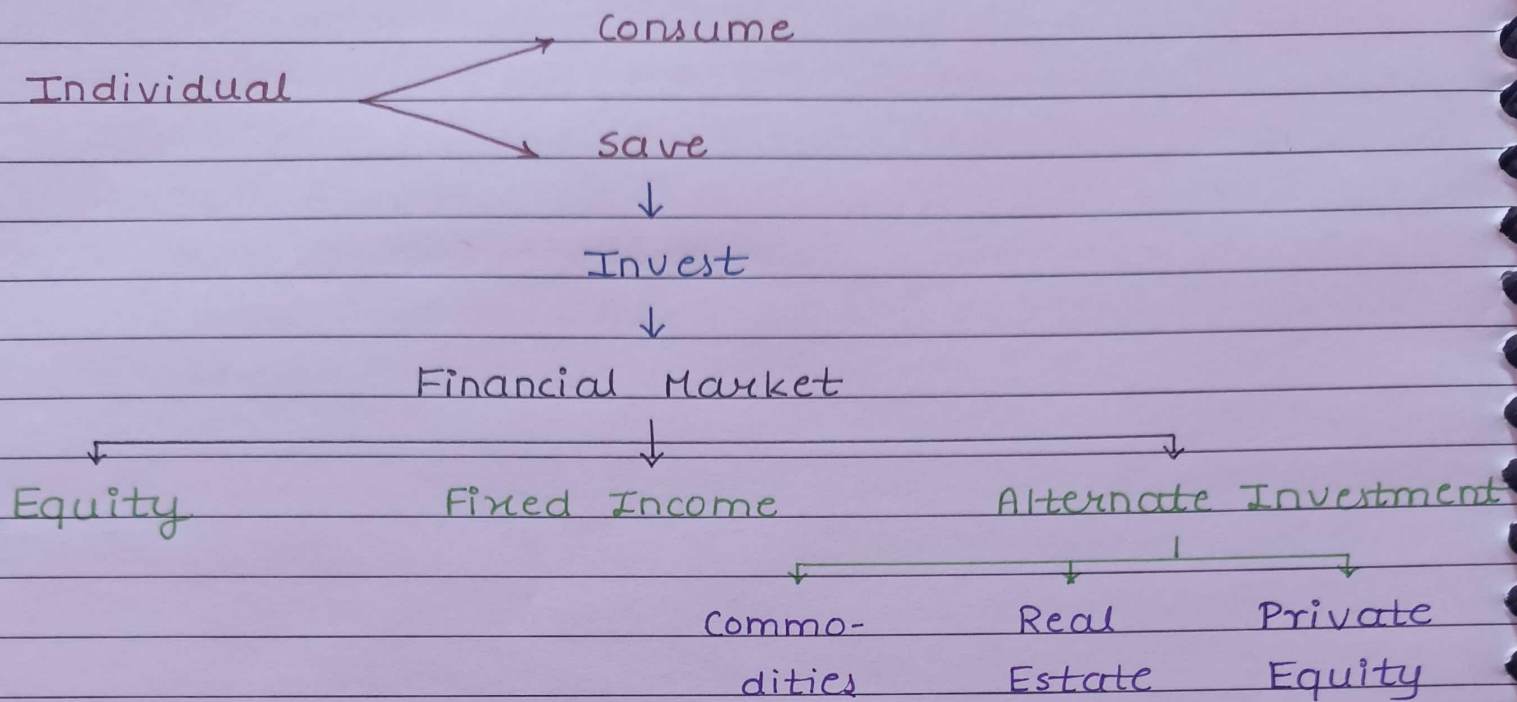
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Page No.: 595

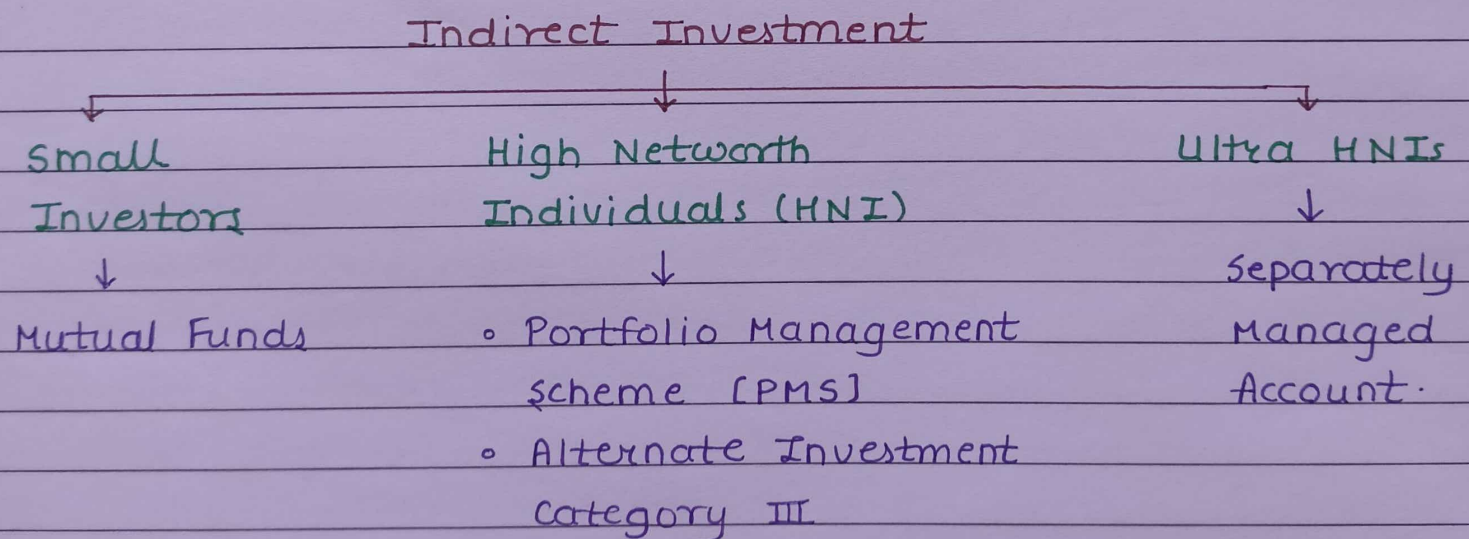
YOUVA

Date:

Part-1



Does the investor have expertise & time to invest?
If Yes, Direct Investment.
If No, Indirect Investment.



-!- Dividend Equalisation :-

→ Open Ended Fund -

You can buy or sell/redeem unit from the fund

Open ended Fund - shares are not listed on stock exchange NSE or BSE.

itself @ NAV + Entry Load or NAV - Exit Load.

Dividend Equalisation is the amount that is charged from new entrants & paid to those redeeming, so to ensure fair treatment to all continuing investors.

Q.36	Pg	Total Income	xx
cw. 90		(+) Dividend Equalisation Received	xx
		(-) Dividend Equalisation Paid	(xx)
		Income available for distribution	xxx

Issue price for fresh units = NAV + Entry Load + Dividend Equalisation p.u.

Repurchase price = NAV - Exit Load + Dividend Equalisation p.u.

$$\text{Ending NAV} = \frac{x}{y}$$

where, y = opening units + units issued - units redeemed
 x = opening net assets + portfolio appreciation + Total income + cash inflow - cash outflow - Dividend distributed.

Solⁿ of Q.36] \downarrow

(ii) Issue price at the end of April.

Opening NAV	19.00
(+) 2% load	0.38
(+) Dividend equalisation p.u. (31.96 / 400)	0.0799
	<u>19.4599</u>

Dividend equalisation received = $0.0799 \times 5 = 0.3995$ lakhs.

Cash Inflow = $19.4599 \times 5 = 97.2995$ lakhs.

(iii) Repurchase Price at the end of May-

Opening NAV		19.00
(-) 2% exit load		(0.38)
(+) Dividend Equalisation p.u.		
April : $31.96/400$	0.0799	
May : $46.125/405$	0.1139	0.1938
		<u>18.8138</u>

Dividend equalisation paid = $0.1938 \times 4 = 0.7752$ lakhs

Cash Outflow = $18.8138 \times 4 = 75.2552$ lakhs

(i) Income available for distribution-

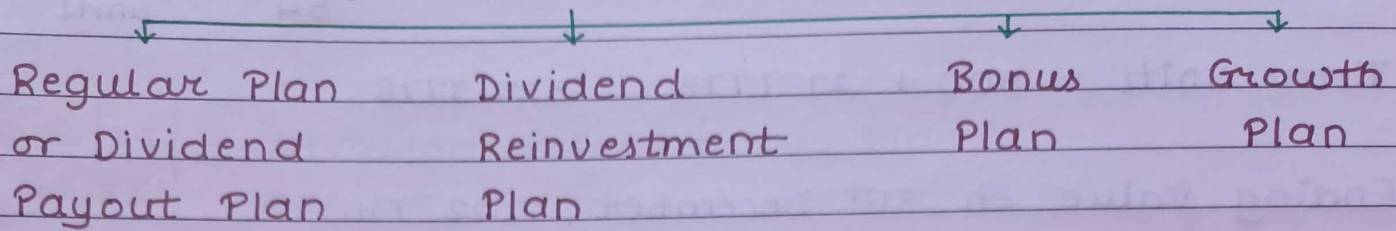
Income of April	31.960
Income of May	46.125
Income of June	<u>58.470</u>
Total Income	136.5550
(+) Div. Eq ⁿ . received	0.3995
(-) Div. Eq ⁿ . paid	<u>(0.7752)</u>
	<u>136.1793 lakhs</u>

(iv) NAV on 30th June - (₹ in lakhs)

Opening Net Assets (400 x 19)	7600.0000
(+) Portfolio Value Appreciation	515.6700
(+) Total Income	136.5550
(+) Cash Inflow	97.2995
(-) Cash Outflow	(75.2552)
(-) Dividend Distributed (60% of 136.1793)	(81.7076)
Net Assets on 30 th June	8192.5617
No. of units [400 + 5 - 4]	401 units
∴ NAV on 30 th June [8192.5617 / 401]	20.4303

Part-2

-:- Various Types of Plans :-



Eg: NAV on 1st April, 2022 = 50

NAV on 31st Dec, 2022 = 58

Dividend Distribution = 2 per unit

Capital Gain Distributⁿ = 1 per unit

Calculate Holding Period Return (HPR)

$$HPR = \frac{\text{Distributions p.u.} + (NAV_1 - NAV_0)}{NAV_0} \times 100$$

$$HPR = \frac{(2+1) + (58-50)}{50} \times 100 = 22\%$$

$$\text{Effective Annual Yield} = HPR \times \frac{12}{n} = 22 \times \frac{12}{9} = 29.33\%$$

(Yeh h to SAR but ↓

maante EAR h q k mutual funds bhole bhale investors k liye h ... factor nhi lagate fir bhi EAR kehte h ...)

Note : What if 58 was NAV on 31st Dec, 2023

i.e. holding period = 21 months (Apr 2022 - Dec 2023)

$$EAR = 22 \times \frac{12}{21} = 12.5714\%$$

Suppose it is a dividend reinvestment plan.

So, both dividend distribution & capital gain distribution are invested at an NAV of 54.

If No. of units purchased on 1st April, 2022 = 500

Calculate HPR & EAR.

Solⁿ:- Initial Investment (V_0) = $500 \times 50 = 25000$

Distribution amount reinvested

$$= (2+1) \times 500 = 1500$$

Reinvestment price = 54

$$\therefore \text{No. of units received on reinvestment} = \frac{1500}{54} - 27.7778 \text{ units}$$

$$\therefore \text{Total Units} = 500 + 27.7778 = 527.7778$$

$$\therefore \text{Ending value on 31st December, 2022 (V}_1\text{)} \\ = 527.7778 \times 58 = 30611$$

$$\text{HPR} = \frac{V_1 - V_0}{V_0} \times 100 = \frac{30611 - 25000}{25000} \times 100 = 22.44\%$$

$$\text{EAR} = 22.44\% \times \frac{12}{9} = 29.92\%$$

Note: In the entire eg., agar entry load & exit load hota toh... kya krte?

Purchase price = 50 + Entry Load.

Redemptⁿ price = 58 - Exit Load.

The above discussion relates to open ended fund where investor purchases additional units or redeems existing units @ NAV subject to load feature from the fund itself. In case of close ended fund, you should think of it like a share traded on NSE or BSE... no concept of load.

Self Practice: CW. Q. 20] pg. 84

CW. Q. 23] pg. 85

CW. Q. 24] pg. 85

HW. Q. 12] pg. 52

HW. Q. 13] pg. 53

HW. Q. 15] pg. 54

The whole Mutual Funds chapter is for small (naive) investors... they don't understand compounding/factoring, so we just use unitary method. Whenever sum asks effective Annual Yield we have to calculate simply as SAR... always unitary method.