

MUTUAL FUND

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- Established in the form of trust to raise money through sale of units.
- Investor get access to professional mgt.
- Mutual Fund invest the Fund in Capital market or other market.
- It plays active role in building wealth & generating income ~~from~~ for investor.
- Started with the introduction of unit trust of India in 1963 [total 45 mutual Fund in India].

Scheme

Open ended
Mutual Fund

close ended
Mutual fund

- | | |
|---|------------------------------------|
| 1) variable corpus (capital) | 1) Fixed corpus. |
| 2) Not listed on RSE | 2) Listed on RSE. |
| 3) Highly liquid. | 3) Mostly liquid. |
| 4) Free entry & exit. | 4) Restricted entry |
| 5) Only one value. (NAV) | 5) Two value. (NAV & market price) |
| 6) Can be redeemed on any transaction Day | 6) can be redeemed on maturity. |

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Types of Plan

Regular Plan

- sold through distributor.
- High expenses ratio because of commission of distributor.
- Lower return because high expenses ratio

Direct Plan

- Directly Purchase
- less expensive ratio because no distributor is involved
- high return

* Parties in Mutual fund.

* Sponser

- Influential investor who creates demand for Security (MF).

- Set up trustee & Amc contribute 40% OF Amc

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04/08/2022

* **AMC** (Asset Mgt Company) → composition of **Amc Audit committee in AMC's Amendment**

- Company reg. under co's Act & having certificate OF Registration From SEBI.

- known OS fund manager.

- Responsible for investment decision i.e invest pooled

- can removed by majority trustee or 75% of unitholder

Fund as per their financial object.

- It provides more diversification ^{& investing} option
- 40% of net worth is contributed by sponsor

* Trustee

- Owner of trust property, who holds the property for the benefit of unit holder
- They hold or administer the trust property.

* Unit holder

- Investor who holds units of mutual funds

* Custodian

- Hold securities & other assets of mutual fund & provides incidental services. Like Maintaining accounts of client, collecting the benefits or right.
- Registered under SEBI
- Open separate custody account & deposit in the name of each client.
- Generally appointed by trustee/ sponsor.

* Transfer Agents

- Deals with issue, redemption & transfer of units
- maintain updated records of client
- Reg. with SEBI.

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2/08/2022

Schemes according to investment objective

1. Income oriented mutual fund.

- Fixed income to investor
- Investment in Debt securities like debentures, bonds, Govt Securities like debentures, bonds, Govt securities.
- low risk, low return
- Suitable for passive income.

2. Growth oriented mutual fund

- Investment in good quality stocks.
- Growth by way of dividend & Capital appreciation
- No guaranteed return
- less risk & High return.

3. High Growth Mutual fund

- Investment in securities having high velocity
- high risk, high return
- Income through rapid capital appreciation

Suitable for active investor.

4 Hybrid Mutual fund

- known as balance fund
- Mixture of debt & equity
- Investment mix depend upon the investor
- feature of income oriented mutual fund & growth oriented mutual fund.

5 Capital protection orientend Scheme

- Intention is protect the original capital invested by investor.
- close ended Mutual fund
- Generally listed on Stock exchange.
- mixture of equity & debt.
- more towards debt investment.

6 Tax Saving Scheme

- Rebate to investor under tax law.
- Government offer tax incentives.
- lock-in \rightarrow period 3 years.
- Equity linked saving Scheme (ELSS)

7 Special Scheme:-

- Investment in specified sector
- Replicate the performance of particular Index, such as Nifty 50 or specific sector
- Return is equivalent to the return generated by such specific sector or Index.
- ideal for the investor who has already decided to invest in specific sector.

8 Real estate mutual fund:

- Investment in real estate sector directly or indirectly
- close ended scheme
- listed on RSE.

9 Off-shore mutual fund:

- Investment in foreign company
- obtain permission from RBI & follow FEMA regulation

10 leverage fund:

- known as ~~to~~ borrowed fund
- fund collected from unit holder as well as borrowed money from bank or financial institution

11 Hedge fund

- Hedge means mitigation of risk.
- fund employed in speculative trading
- fund use to hedge market risk.
- use complex strategy for hedging

12 Fund of Funds.

- Investment in units of other mutual fund
- Introduced by ICICI
- current not operated in India.

13 New diversion Fund:

- Investment in technology & scientific research company such as birth control, pollution control, oceanography

-14 Exchange traded Fund:

- Investment in index or basket of securities
- Describe as more tax efficient than trading equity mutual fund.
- Introduced in 1933.

15 Money market mutual fund

- Investment in money market instrument such as T-bill, Govt securities.
- short term investment having higher yield
- safe investment.
- No default risk.

16 Infrastructure Debt mutual fund.

- Investment in infrastructure project or India sector
- Investment in the debt securities of Infra Company.

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* offer document

SID



- It contains details of schemes

- Updated every year

- Name of scheme shall be on the cover page

- If contains highlight of the scheme

- Risk Factor

SAI



• Contains statutory info

• Updated quarterly

• S information about sponsor, MF, trustee, custodian, AMC

• Rights of units holder.

* Key information memorandum

- Summary of SID & SAI

- updated at least once in a year.

- Issued along with application form

* Fact sheet

- Provided by AMC to MF on monthly basis
- It contain NAV, expenses ratio, exit load, past performance yield to maturity

* Net Asset value.

- Market value of the unit on the particular given date
- Declared daily on the website of AMC & also published in 2 newspapers.
- $$\text{NAV} = \frac{\text{Market value of investment returns} + \text{accrued income} + \text{others, income} - \text{Outstanding expenses} - \text{liabilities} \& \text{ other}}{\text{NO. of units}}$$

* Asset under MANAGEMENT.

- 1) Total market value of an assets under mangment
- 2) Periodically disclosed
 - monthly
 - quarterly.
- 3) Disclosed by AMC in fact sheet.

- know your client. (KYC)

One time mandatory process to investment in mutual fund.

required pancard, address proof, citizenship status, TIN → Tax identification No.

* FATCA

Imp *dir* *ex* *of* - All financial institution including Mutual fund to report all financial transaction of US resident and entities

- object is to prevent tax evasion.

- For non individual investor obtain information of unlimited beneficial owner.

* Nomination

- upto 3 nominee can be registered.

- in case of death, investment shall be transferred in the favour of the nominee.

- If Nominee is not registered then transfer to legal heir after he produces the document like will.

Expenses Ratio

- Fees charge to manage the fund
- Expenses like fees paid to trustee AMC, custodian AMC's expenses commission to distributors and other selling Expenses.
- known as cost of running and managing a mutual fund.
- It is calculated as a manage the fund.
- Expenses like fees paid to trustee: AMC, custodian AMC's expenses commission to distributors and other selling Expenses.
- * - known as cost of running and managing a mutual fund.
- It is calculated as a percentage of the scheme's avg net assets value. (NAV)
- Decided Expenses ratio.
 - First 100 cr \rightarrow 2.5%
 - Next 300 cr \rightarrow 2.25%
 - Next 300 cr \rightarrow 2%
 - Balance amount \rightarrow 1.75%

Holding period return:

Total return received from holding an asset

Holding period = Income

$\frac{\text{end value} - \text{original invest value}}{\text{Original value}}$

Original value

entry load

Redemption Price = $\frac{\text{NAV}}{(1 + \text{Back end load})}$

(1 + Back end load)

exit load

Public Offer = $\frac{\text{NAV}}{(1 - \text{Front end load})}$

(1 - Front end load)

* Eligibility Criteria for Reg. of Mutual Funds

Sponsor :-

- 5 years of Etp in financial services sector
- Positive net worth in last 5 year
- last year of net worth shall exceed contribution in AMC
- Profit after Tax, Int & Depreciation in 3 years out of last 5 years & Profit in immediately preceding year.
- Fit & proper person
- Contribute in AMC at least 40%
- Sponer, associates, group company

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S O M M T T T T

Amc shall hold 10% or more shareholder * or voting power in Amc or trustee of other other Mutual Fund & cannot represent on the board of Amc & trustee of any other mutual fund.

- Any shareholder holding 10% or more voting power in Amc/trustee cannot hold 10% or more holding in any other Amc or trustee company & cannot represent on board of Amc/trustee.
- trustee must be register with SEBI.

* Qualification of trustee.

- Person of ability, integrity & standing
- Not found guilty of ~~moed~~ moral turpitude.
- Not convicted of any economic offence or violation of securities laws
- * - Amc & its director cannot be act as trustee.
- Trustee of mf cannot acts as a trustee of other mf.
- 2/3rd of trustee shall not be associated with Sponser
- If trustee is a company then BOD OF trustee Company~~es~~ can be trustee of other mf.

Madhura Abhay Dnyanesh

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* Constitution of AMC.

- Appointed by sponsor or trustee if authorised
- Removal → Majority of trustees or 75% of unit holders.

- charge in AMC → Prior approval of SEBI & unit holders.

- At least 50% of director shall not be associated with sponsor any of its subsidiaries or the trustee.

* Appointment of custodian

- Appointed by trustee if authorised.
- Intimate to SEBI within 15 days from appointment.
- In gold exchange fund the gold must be in custody of custodian.
- In real estate mutual fund the title deed must be in must be in custody of custodian.
- enter into custodian agreement.

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* Mutual fund regulation.

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Procedure for launching of scheme.

- a) Scheme shall be approved by trustee & offer document filled with SEBI.
- b) Sponer or AMC shall invest 1% or SOL (whichever is less) in option specified by SEBI & cannot redeemed unless the scheme is wound up.
- c) Obtain in-principle approval from STX & enter into agreement.
- d) close ended scheme may be converted with the approval of unit holder
- e) Rolled over → consent of unit holder & redeem the unit holder who do not opt for roll over
- f) Subscription period → max 15 days except ELSS.
(equity link may be max 90 days) ←
- g) Application upto 5006 unit holder → Full Allotment.
- h) Wound up → 75% of approved of unit holder
→ rolled over
→ approval of trustee
→ By SEBI.

* code of conduct.

- Scheme should not be operated in the interest of sponsor, AMC or special class of unit holder.
- adequate, fair, accurate & timely disclosure.
- Scheme wise Segregation of Bank A/c of Securities Account.
- Not use any unethical means to sell the units.
- No celebrities shall form part of advertisement.
- No advertisement shall discount other mutual fund or make unfair compo.
- standard warnings = PFI investment are subject to market risk read all schemes related documents carefully.
- for 14 words running atleast 5 seconds considered as ~~as etout~~

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* Restriction on investment by mutual fund.

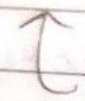
- max 10% investment in Debt instrument of single issue however can invest upto 12% with the approval of Board of trustee & Director of AMC.
- Not invest in unlisted debt instrument exceed Govt securities money market instrument.
- May invest upto 10% non-convertible debenture.
- shall not own >10% of co's paid up Capital carrying voting rights.
- Transfer of investment at Prevailing market price.
- Investment in other mutual fund = Max 5%.
- Cannot invest in unlisted securities of Associate Co, Group Company, of the Sponsor.
- Can invest in listed securities of sponsor, associate Company Group Company, Max 25% of NAV.

* Investment in Abroad.

- ADR/GDR
- Equity of overseas Company.
- Foreign debt securities
- money market investment.
- Govt Securities.

- Derivative
- short term Deposit
- Units issued by overseas mutual Fund.

Note: MF shall ensure that re-purchase price shall not be lower than 95% of NAV



Type of transaction	Before/ After	Cut-off Time	Applicable NAV.
<u>Equity-oriented & Debt Fund (except liquid fund)</u>			
Purchase & Switch in (value < ₹ 200000)	3 Pm	Before After	Same day NPV Next bussine day NPV.
Purchase & Switch in (value > ₹ 200000)	3 Pm	Before Afer	NAV of the buss day on which funds are available for utilization.
Redemption & Swith off	3 Pm	Before Afer	Same day NAV Next ^{bussiness} day NAV
<u>Liquid funds</u>			
Purchase & Switch-in	2m	Before Affer	periovis day NAV IF fund realised NAV of the day previous to fund realised.

Timeline

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- CJS

C → C

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C →

D →

D →

D →

F →

F →

F →

Redemption &
switch out

3 pm

Before

NAV of the day immediately
preceeding the next day
business day

After

NAV of the day preceeding
the second business day
from submission

D	D	M	M	Y	Y