

- \* Sponsor :-
- Promoter of mutual fund
  - person who establishes the MF
  - At least 5 years of experience in financial service sector.
  - Positive Net worth in last 5 year
  - contribute at least 40% in AMC
  - Profit after Tax & Depreciation in 3 years out of 5 years & profit in immediately preceeding year.
  - Influential investor who creates demand for securities

\* Asset management company

1. fund manager
2. Registered under companies act & having certificate from SEBI.
3. At least 40% of networth 'contributed' by sponsor.
4. Responsible for decision making.
5. Removal of AMC → majority of trustee  
or 75% of unit holder
6. It provides more diversification investing option.

\* Trustee

1. owner of trust property
2. who holds the property on behalf unit holder
3. They hold or administer the trust property
- 4.

\* unit holder

Investor who holds unit of mutual fund

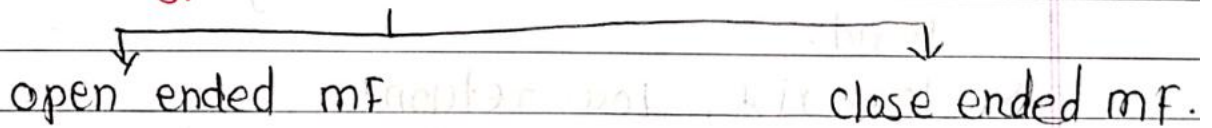
\* Custodian

1. Holds securities & other assets of mutual fund
2. safe keeping of investor's fund & securities
3. It provides other incidental services like maintaining the accounts of clients, collecting the benefits or rights.
4. open separate custody account & deposit in the name of each clients.

\* Transfer agents

1. Deals with issue & redemption or transfer of units of mutual fund
2. maintain updated records of client.
3. registered with SEBI.

\* Two types of scheme (FMP)



- |  |   |
|--|---|
| → variable corpus                      | → fixed corpus [listed                  |
| → Not listed on stock exchange         | → on stock exchange                     |
| → Highly liquid                        | → mostly liquid                         |
| → repurchase option is available       | → no redemption option                  |
| → Free entry & exit                    | → <del>redemption</del> before maturity |
| → only one value i.e. Net assets value | → restricted entry                      |
|  | → Two value NAV & market price          |

→ can redeem before maturity. Redemption only on maturity.

### \* Types of plan

regular plan

Direct plan

→ sold through distributor → Directly purchase from AMC

→ High expenses ratio → Low expense ratio

→ commission to distributor → No commission to distributor

→ low return due to high expense ratio → High return due to low exp. ratio

### \* scheme according to Investment objective.

#### 1. Income oriented mutual fund

→ fixed income to investor

→ Investment in Debt security like debenture bonds.

→ low risk, low return.

→ suitable for passive investor

#### 2) Growth oriented schemes

- Investment in good quality scripts. (Equity share)

- Growth by way of Dividend & capital appreciation.

- No guaranteed return.

- less risk & high return.

### iii] High Growth mutual fund

- Investment in the securities having high volatility
- high risk, high return.
- Income through Rapid capital appreciation.
- suitable for active investor.

### iv] 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

### v] capital protection oriented scheme

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

### vi] Tax saving scheme

- Rebate to investor under tax law
- Government offer tax incentives
- lock in  $\rightarrow$  period 3 years
- Equity linked saving scheme.

### vii] 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.

### VIII] Real estate mutual fund

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

### IX] off shore mutual fund

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

### X] leverage fund

- known as borrowed fund
- fund collected from unit holder as well as borrow money from bank or financial institution.

### XI] Hedge fund

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

### XII] fund of fund.

- Investment in unit of other mutual fund.
- Introduced by SEBI
- Current not operated in india.

### Exchange traded fund.

Investment in index or basket of securities  
 Describe as more tax efficient than traditional equity mutual fund  
 Introduced in 1993

### money market mutual fund

Investment in money market instrument such as T-bill, Govt securities  
 short term investment <sup>(return)</sup> having higher yield  
 safe investment  
 No default risk.

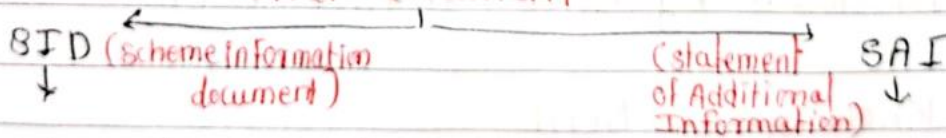
### Exchange traded fund new direction fund.

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

### infrastructure Debt fund

Investment in infrastructure project or infrasector.  
 Investment in the debt securities of Infra co.

### mutual fund terminology. (NFO = new fund offer)



It contains details of scheme updated every year  
 Name of scheme shall be on the cover page  
 It contains highlight of the scheme  
 Risk factor

- contain statutory information
- Updated quarterly
- Information about Sponsor, MF, trustee, custodian, AMC
- Rights of unit holder.

★ Key information memorandum

- summary of SID & SAI
- updated at least once in a year
- Issued along with application form.

★ facts sheets

- provided by Amc to MF on monthly basic
- It contains 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 is also publish in 2 newspaper.
- $$\text{NAV} = \frac{\text{market value of investment} + \text{receivable} + \text{accrued income} + \text{other income} - \text{outstanding exp} - \text{liability} + \text{other expenses}}{\text{No. of. units.}}$$

★ Asset under management

- Total market value of an asset under management
- periodically disclosed
  - ← monthly
  - ← quarterly
- Disclosed by Amc in fact sheet.

★ Know your client

- one time mandatory process to investment in mutual fund.
- required Pan card adres proof, citizenship status T IN.

### \* FATCA (Foreign account tax compliance Act)

- All financial institution including MF to report all financial transaction of us resident fund entities.
- objects is to prevent tax evasion for non-individual investor obtain information of ultimate beneficial owner.

bank  
body comp

### \* Nomination.

- upto 3 nominees can be registered
- In case of death investment shall be transfer in the favour of the nominee.
- If Nominee is not registered than transfer to legal heir after he produces the documents like will.

### \* Expense ratio

- Fees charge to manager the fund
- expenses like fee paid to trustee Amc, custodian,
- Amc's expenses commission to distributions & other selling expenses.
- known as cost of running & managing a mutual fund.
- IF is calculated as a percentage of the scheme avg Net asset value.
- Decide expenses
  - First 100 Cr - 2.05%
  - Next 300 Cr - 2.25%
  - Next 300 Cr - 2%
  - remaining amt - 1.75%

### \* Holding period return

- Total return received from holding an asset
- Holding period return  

$$= \frac{\text{Income (end value - original value)}}{\text{original value}} \times 100$$

### \* Redemption price

$$\frac{\text{NAV}}{\text{CI (Back end load)}}$$

### \* Price offer

$$\frac{\text{NAV}}{\text{CI - Front end load}}$$

### \* Norms for share holding & governance of MF

- sponsor, association, group company is not hold 10% or more shareholding or voting power in AMC or Trustee of other mutual fund & cannot represent on the board of AMC & trustee of any other MF
- 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
- person not found guilty of moral turpitude
- Not convicted of any economic offence or violation of securities law
- AMC & its directors cannot be act as a trustee

Trustee of MF cannot act as a trustee of other MF.

$\frac{2}{3}^{\text{rd}}$  of trustee shall not be associated with sponsor.

If trustee is a company then BOD of trustee company can be trustee of other MF.

### constitution of Amc

Appointed by sponsor or trustee if authorised  
Removal - majority of trustee or 75% of unit holder  
change in Amc - prior approval of SEBI & unit holder

At least 50% of directors shall not be associates with sponsor any of its subsidiaries of the trustee.

### Appointment of custodian

Appointment 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 custody of custodian.

enter into custodian agreement.

### Mutual Fund Regulation

Procedure for launching of scheme  
scheme shall be appointed by trustee & offer document filled with SEBI

sponsor or Amc shall invest 1% or 50 lacs (whichever is lower) in option specified by SEBI & cannot redeemed unless the scheme is wound up

- c) obtain in-principle approval from stock exchange
- d) close ended scheme may be converted with the approval of unit holder.
- e) roller over  $\rightarrow$  consent of unit holder & redeem the unit holder who do not opt for roller over.
- f) subscription period  $\rightarrow$  maximum 15 days except ELSS (equality linked saving scheme)
- g) Application upto 5000 unit holder - Full Allotment.
- h) woundup  $\left\{ \begin{array}{l} 75\% \text{ of approval of unit holder} \\ - \text{ roller over} \\ \rightarrow \text{ approval of trustee} \\ \rightarrow \text{ By SEBI} \end{array} \right.$

### \* code of conduct & advertisement code.

- scheme should not be operated in the interest of sponsor, Amc or in the interest of sponsor Amc or special class of unit holder.
- adequate fair, accurate & timely disclosure.
- scheme wise segregation of Bank Account and securities account.
- Not use any unethical mean to sell unit.
- No celebrities shall from part of advertisement
- No advertisement shall discredit other mutual fund or make unfair companies.
- Standard warning  $\rightarrow$  mutual fund investment are subject to market risk read all scheme related document carefully.
- For 14 words running atleast 5 second considered as clear.

## \* Restriction on investment by mutual

- maximum 10% investment in debt investment of single issue however can invest upto 12% with the approval of Board of trustee & Director of AMC.
- Not invest in unlisted debt instrument except government securities & money market instrument.
- may invest upto 10% non convertible debenture.
- shall not own more than 10% of companies paid up capital carrying voting right.
- Transfer of investment at prevailing market price.
- cannot invest in unlisted securities of associate company, group company of the sponsor.
- cannot invest in listed securities of associate company, group company of the sponsor.
- cannot invest in listed securities of sponsor associate company, group company of the sponsor max 25% of NAV.

## \* Investment in Abroad.

- ADR/GDR [American depository receipt/global depository receipt]
- Equity of overseas company
- foreign debt securities.
- money market instrument.
- Government securities.
- Derivative.
- short term deposit.
- units issued by overseas mutual fund.

Note: MF shall ensure that the repurchase price shall not be lower than 95% of NAV.

Cut off time.

		Before time
Liquid Fund & Overnight Fund	→ subscription → Redemption	1.30pm → same day NAV 3:00pm → same day NAV

		Before time
All other scheme except liquid & overnight Fund	→ subscription → Redemption	3:00pm → same day NAV 3:00pm → same day NAV