Nippon india Mutual Fund

Wealth sets you free

(Formerly known as Reliance Mutual Fund)

CONSTITUTION OF INVESTING

Constitution of Investing

Preface

India is home to 17.5% of the world's population but nearly 76% of its adult population does not even understand the basic financial concepts. For an average Indian, financial literacy is yet to become a priority.

No wonder then, that:

- 68% of Indians don't have a retirement plan on the day they retire.
- Only about 1.70Cr Indians invest in mutual funds.
- Major reasons why people refrain from investing in Mutual Funds is lack of knowledge.
- Many potential investors don't know where to find the required information.

Financial illiteracy puts a burden on the nation in the form of higher cost of financial security and lesser prosperity. An example of this is the fact that most people resort to investing more in physical assets and short-term instruments, which conflicts with the greater need for long-term investments, both for households to meet their life stage goals and for meeting the country's capital requirements for infrastructure.

The above stats underline the dire and urgent need for a dependable guidebook on Investing that can help millions of potential as well as current investors to chalk-out and evaluate their investment strategies.

We believe that you will find this effort in order. We sincerely thank the following experts and professionals for their inputs towards the same.

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Source: www.livemint.com, Crisil Industry Fact Book - 2018

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1. Need for 'Investing'

Need for Investing

Most of us have financial goals that we plan to achieve. We have goals such as buying a home, children's education and planning for a happy retirement. We dutifully keep saving our hard-earned money to achieve these goals. As advised by our elders, we try best to follow their advice of saving before we spend.

Disciplined People


Income

—


Savings

=


Expenses

However, is saving alone sufficient to meet our life goals? Let us look at what happens to our money when we save.

Money in Traditional Investment Avenues	+	100000
Interest earned in 1 year (@4% per annum)	+	4000
		104000
Tax on Interest (@31.20%)	-	1248
Impact of Inflaction (@6% per annum)	-	6000

Your investment thought to beat the inflaction !!!

The above illustration showcases how the value of ₹ 1,00,000, kept in a savings account@ 4% becomes 96,764 after calculating an inflation of 6%. The rate of every item that you purchase goes up every year.

Note: The above table is for illustration purpose only. It is assumed that this interest earned is over and above of deduction available as per provision of Section 80 TTA. It is assumed that investor income is above INR 10 Lacs but less than 50 Lacs

Which is why, it is better to be smart investor than just being a diciplined investor.

Disciplined People

Income – Invetments = Expenses

Lets understand inflation better

Commodity Price in Rupees	1990	2001	2010	2019
1 Ltr Petrol	12.23	28.7	55.87	76.90
1 Dozen Banana	NA	16	25	75
1 Dozen Eggs	NA	20	44	63
1 Ltr Milk	NA	17	36	53
250g Tea	NA	42	68	108

Take the example of price of petrol. Cost of 1 litre of petrol in 2019 is ₹ 76.90 whereas the same cost in 1990 was ₹ 12.23. So, you can clearly see that how the price of petrol has gone up by 6 times in 29 years.

Source: CIEL Research, www.numbeo.com, www.goodsreturns.in, www.amazon.in

Which is why, it is better to be smart investor than just being a disciplined investor.

Inflation Rate	10 yrs later Age: 70 yrs	20 yrs later Age: 80 yrs	30 yrs later Age: 90 yrs
6%	1.79 Lacs	3.20 Lacs	5.74 Lacs
7%	1.97 Lacs	3.87 Lacs	7.61 Lacs
8%	2.16 Lacs	4.66 Lacs	10.06 Lacs
9%	5.60 Lacs	5.60 Lacs	13.27 Lacs

This is only for illustration purpose to purely explain the concept of impact of inflaction.

Monthly expense of say, ₹ 1 lakh at retirement will ballon year after year.

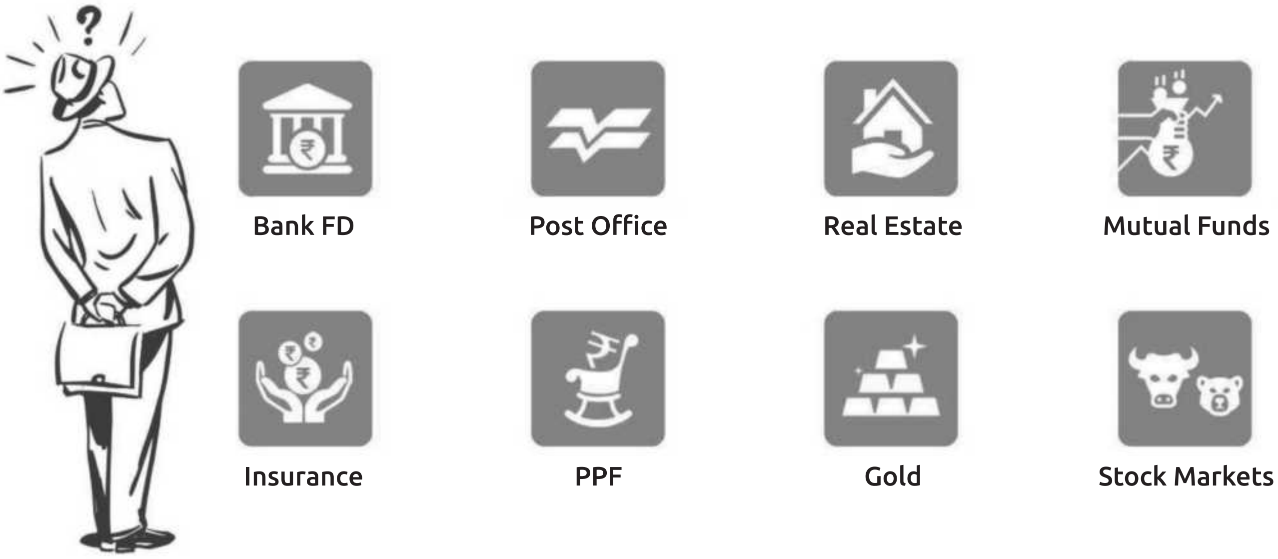
For eg: Let's assume that the age of Retirement is 60 years

Assuming, you retire at the age of 60 and have a monthly expense of ₹ 1 lakh. With 7% inflation, this amount almost doubles every 10 years. Therefore, it is very important to invest wisely and ensure that your investment corpus beats inflation.

2. What are the different investment options available

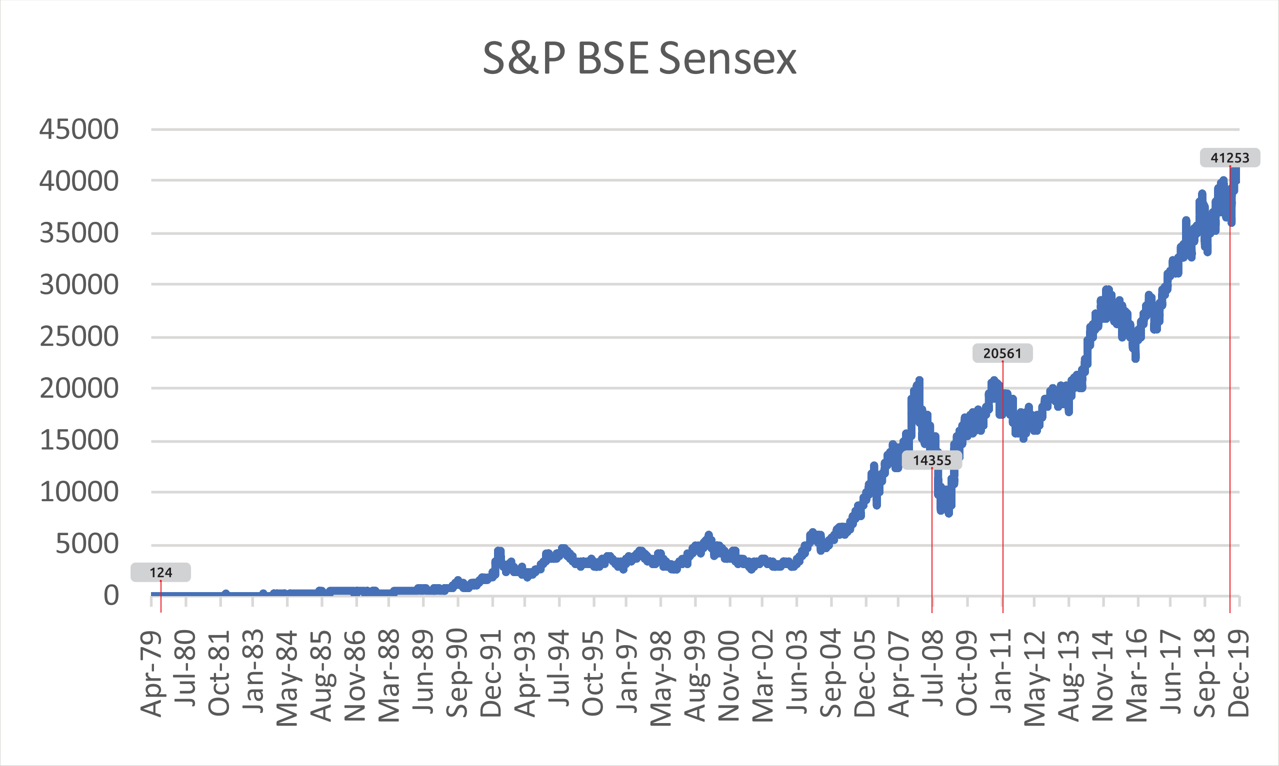
What are the different investment options available

There are multiple investment options available in the market where people invest their money. However, one has to keep in mind that the key to investing your hard earned money is that it should beat inflation and help you in saving tax. People usually choose the conservative and less risky option. However, these options may not be tax - efficient and may not beat inflation.



While all the above are different investment options, some of these options have longer lock-in periods and their returns are taxable. The returns on these investments may not beat inflation as well. Stock markets and mutual funds are investments that can beat inflation and give good returns over a period of time. However, people tend to stay away from stock markets due to the volatility and ups and downs which at times also degrades the value of investment. In such cases, the ideal option is to go for mutual funds. However, investments in mutual funds can be volatile in the short term. But the key to creating wealth through mutual funds is to stay invested for the long term and not to let market ups and downs bother you as explained in the illustration.

Sensex progress over the years

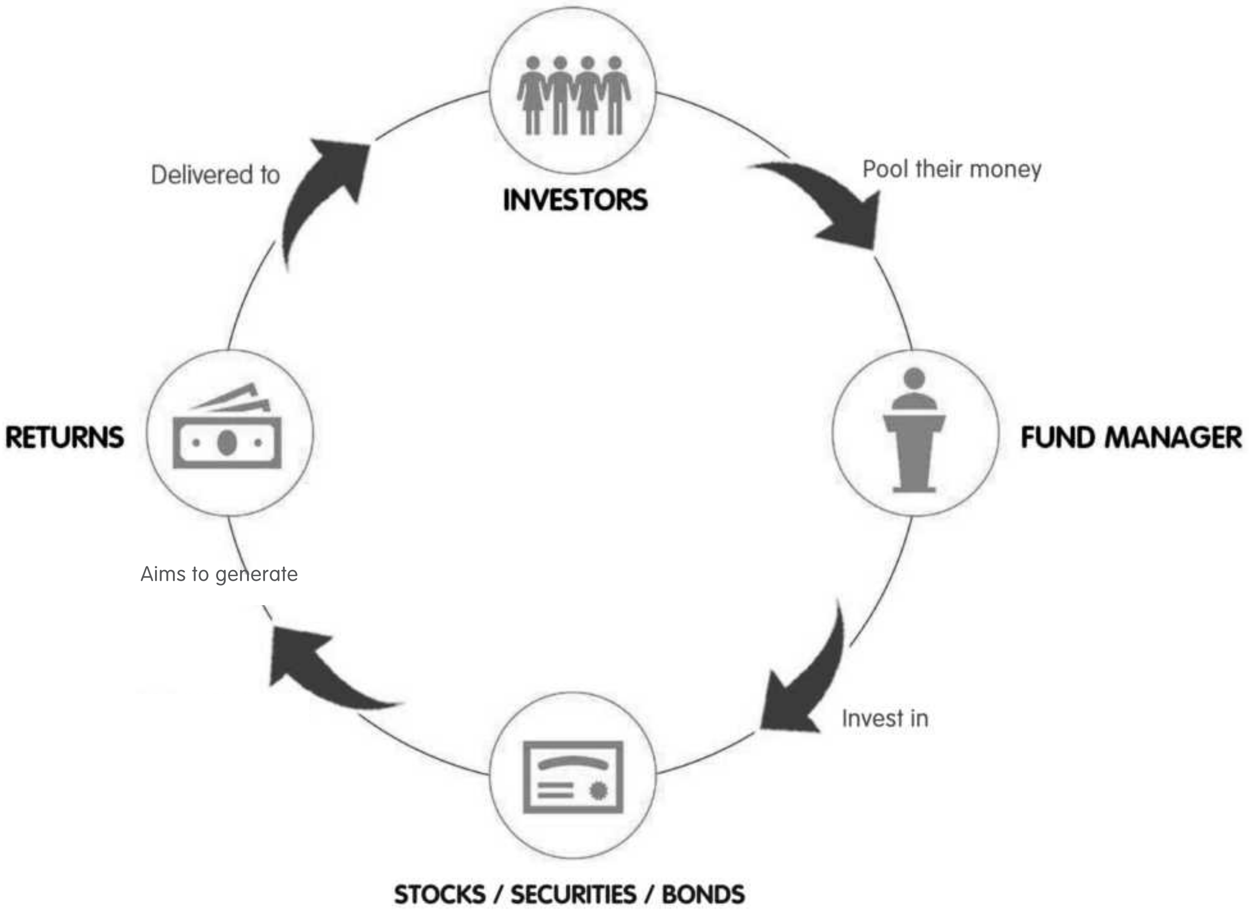


Source: BSE, MFI Explorer

So, it is very clear through the above illustration that inspite of market ups and downs in the short term, staying invested and being patient with your investments has paid off in the long term.

3. What is a mutual fund?

What is a mutual fund?



Now, let us understand what are mutual funds, the benefits and risks associated with mutual funds.

Mutual fund is a pool of money accumulated by several investors who aim at saving and making money through their investment. The corpus of money created is invested in various asset classes like Equity, Debt, Gold etc.

The primary advantage of mutual funds are that they provide a higher level of diversification, liquidity, they are managed by professional experts and are relatively low cost.

Benefits of Investing into Mutual Funds

1. Professional Management: Mutual Fund professionals manage your hard earned money with their skills and experience. They have a qualified research team that assists them by analyzing the performance and potential of various companies. Fund managers are qualified to manage your funds in a manner that they endeavour to yield higher returns on investments.

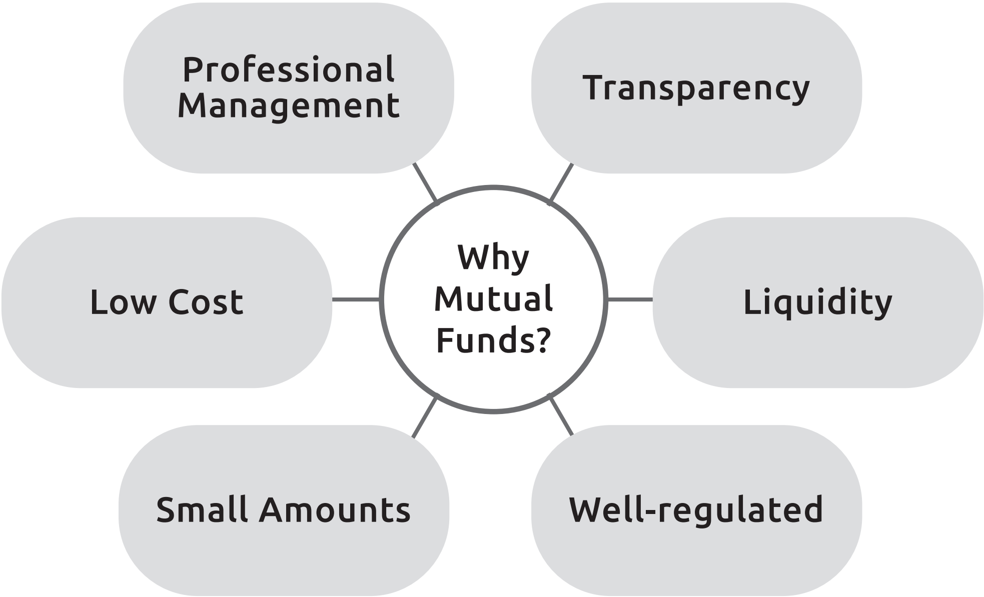
2. Transparency: Mutual fund performance is reviewed by rating agencies which makes it easier for investors to compare one fund with the other. It is beneficial to the investor as it provides latest updates including funds holdings, fund manager strategy etc.

3. Liquidity: Open-ended funds make you eligible to redeem partial or total investment anytime (subject to applicable load) you want to and you can receive the present value of your investments. Mutual funds give you better liquidity as compared to most of the investments in shares, bonds and deposits.

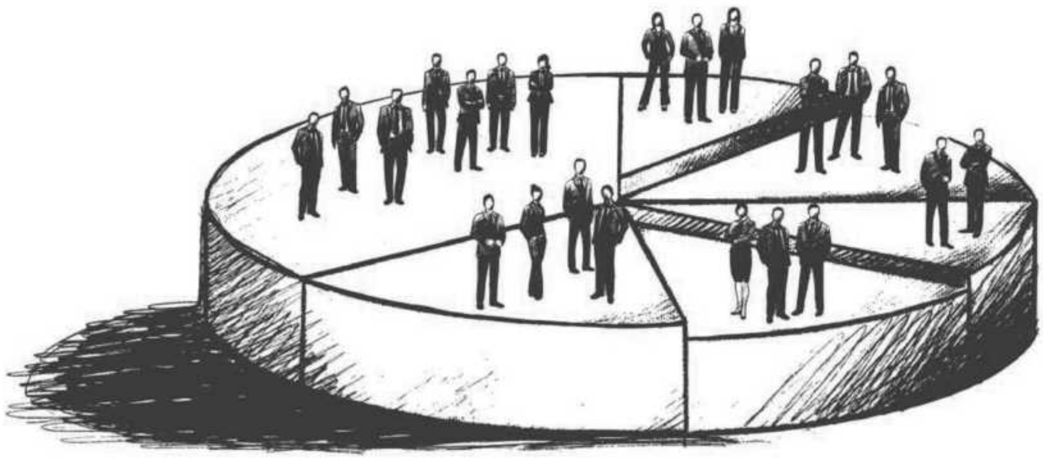
4. Well-regulated: As per the regulations by The Securities and Exchange Board of India (SEBI), all mutual fund companies are required to register with SEBI, as they are obliged to adhere to the strict regulations formulated to safeguard investors. The overall trading operations are monitored by SEBI.

5. Small Amounts: You can invest into mutual funds with small amounts as less as 500 through a Systematic investment plan. This feature is very beneficial for investors who do not have a lumpsum amount but find it convenient to save smaller amounts at regular intervals.

6. Low-Cost: Mutual Funds are relatively low-cost as compared to other invetments options available.



Risks associated with Mutual Funds



Market Risk: At times the prices or yields of all the securities in a par icular market rise or fall due to broad outside influences. This change in price is due to 'market risk'.

Inflation Risk: Sometimes referred to as 'loss of purchasing power'. Whenever the rate of inflation exceeds the earnings on your investment, you run the risk that you'll actually be able to buy less, not more.

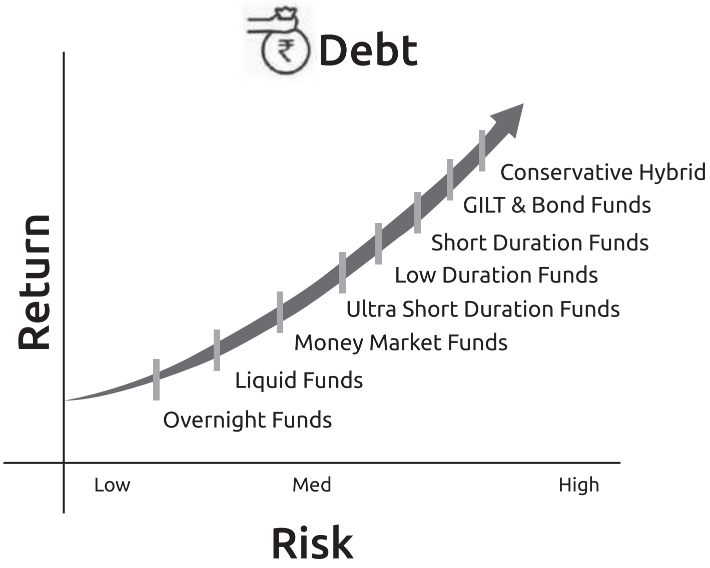
Credit Risk: In short, how stable is the company or entity to which you lend your money when you invest? How certain are you that it will be able to pay the interest you are promised, or repay your principal when the investment matures?

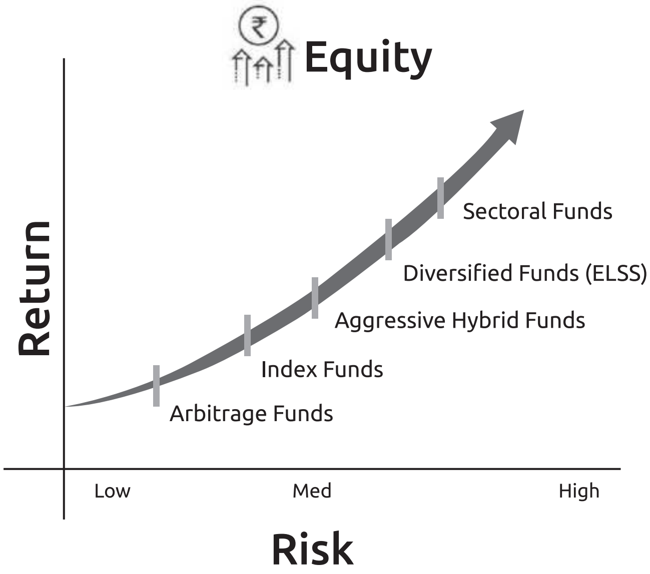
Interest Rate Risk: Interest rate movements in the Indian debt markets can be volatile leading to the possibility of large price movements up or down in debt and money market securities and thereby to possibly large movements in the Net Asset Value (NAV).

4. The mutual fund landscape

The Mutual Fund Landscape

Mutual funds are broadly classified into Equity, Debt, Hybrid/Solution Oriented Schemes etc. Further, there are different categories of funds within debt and equity depending on the investors risk taking ability. Different funds have a different risk-return ratio. Lets look at the below illustration and understand this further.





Debt Funds

Debt funds invest in Government bonds, Company Debentures and Fixed Income Assets. As they invest in fixed income instruments, they are a relatively safe investment option.

Types of Debt Funds:

1. Liquid Funds: Liquid funds are kind of Debt funds that are considered to be a quite safe investment option. Liquid funds invest in securities with very low residual maturity. Liquid funds are ideal for short term goals such as parking idle money, contingency planning etc. Liquid funds, given its investment in low maturity instruments, carry very low duration risk.

2. Ultra Short Duration Funds: Ultra short duration funds invest in fixed-income instruments which are mostly liquid and have short-term maturities but higher than liquid funds. These funds carry low interest rate risks and aim to offer better returns then liquid funds.

3. Short Duration Funds: These mutual funds usually invest in short duration fixed income instruments with an average maturity between 1 to 3 years . These funds are ideally suited for investors with the time horizon of 1 year and above. People who are planning a foreign vacation, planning to park pre-retirement corpus or purchase consumer durables can consider short duration funds.

4. GILT Funds: Gilt Funds are mutual fund schemes which invest in Government Securities (Gilts). Government securities are government bonds issued by RBI on behalf of Government of India. Though Gilt funds invest in government securities(G-Sec) which have no credit risk, they carry an interest rate risk.

5. Conservative Hybrid Funds: The conservative hybrid category of mutual funds invests the majority of the corpus in the debt instruments while a smaller proportion is invested in equities to earn capital gains. In general, conservative hybrid mutual funds allocate 75-90% of the corpus in fixed income securities and the rest in equities. As the allocation in debt is very high, the risk is lower in such schemes. These funds can be chosen by conservative investors for capital appreciation and income distribution.

6. Overnight Funds: Overnight Funds are open-ended debt mutual fund schemes that invest in overnight securities that matures in a day. This means that the fund manager buys securities on a daily basis in these schemes. These securities mature in a day and the entire cash is deployed in buying new securities. Overnight funds are touted as the safest among the debt mutual fund categories. This is because due to their very short investment horizon, these schemes are not impacted by interest rate changes and defaults in securities. Overnight funds carry negligible risk and are meant for investors who want to park a huge sum for a short time.

7. Money Market Funds: A money market mutual fund (MMF) is a type of mutual fund that invests in short-term debt and money market instruments with residual maturity upto 12 months, cash, and cash equivalents. Though not exactly as safe as cash, money market funds are considered extremely low-risk on the investment spectrum. A money market fund generates income, but little capital appreciation.

Money market mutual funds offer a convenient parking place for cash reserves when an investor is not quite ready to make an investment or is anticipating a near-term cash outlay for a non-investment purpose. Money market mutual funds offer ultimate safety and liquidity. This means that investors will have an expected sum of cash at the very moment that they need it.

Equity Funds

These funds invest into equity stocks or shares of a company. They aim to provide higher returns, therefore they are considered to be high-risk funds

Types of Equity Funds:

1. Aggressive Hybrid Funds: These mutual funds fall into the aggressive hybrid category and invest in both equity and debt. However, focus on stocks is higher with 65-80% of total investments rest in bonds. Because of this, the equity hybrid funds offer equity taxation.These funds are ideal for investors who want a moderate risk looking for returns of equity along with stability of debt. Equity hybrid funds are comparatively less risker than pure equity funds.

2. Diversified Equity Funds: A diversified equity fund invests in companies regardless of size and sector. It diversifies investments across the stock market in a bid to maximize gains for investors. Diversified equity funds are ideal for investors looking at achieving their long term goals such as child's education, child's marriage or buying a dream home.

3. Equity Linked Savings Scheme (ELSS): Traditional tax saving products are fixed income products which offer regular income with typically a large lock-in period. You could consider ELSS (Equity Linked Savings Scheme}. It is a tax saving mutual fund scheme that predominantly invests in equity, hence, providing scope for capital appreciation. ELSS provides tax benefits under Section BOC for investments up to 1.5 lakhs each financial year. Individuals/HUF are entitled to an aggregate deduction of 1.5 lakhs from the gross total income for investments in an ELSS scheme during the relevant financial year. Investment in ELSS schemes has one of the lowest lock-in period of 3 years amongst amongst other tax saving options.

4. Sectoral Funds: A sectoral fund is a fund that invests solely in businesses that operate in a particular industry or sector of the economy. Sectoral funds offer the advantage of diversification through multiple holdings in a portfolio. However, overall sector funds carry risks that affect the entire portfolio due to their targeted sector exposure. Sectoral funds and themes are usually recommended to highly informed investors who have a long term view of the particular sector.

5. Index Funds: An index is a group of securities defining a market segment. Examples – Sensex or Nifty50. An index fund endeavours to imitate the portfolio of an index at all times. For example, when an index fund tracks a benchmark like the Nifty, its portfolio will have the 50 stocks that comprise Nifty, in the exact same proportions. NAV of an index fund moves virtually in line with the index it tracks. If the Nifty rises 10 per cent in a month, the NAV of a Nifty-linked index fund may also roughly appreciate 10 per cent over the same period. If the Nifty drops 10 per cent, so will the NAV of the index fund. There can be minor deviation in returns from the benchmark which is termed as tracking error. Since index funds replicate the composition of the underlying benchmark, these are said to be passively managed and hence typically charge much lesser fees compared to the 'active funds' where the fund managers constantly fine-tune the portfolios as per changing market scenario; basis lots of research and analysis. Index funds are therefore considered suitable for investors who are risk averse, are comfortable being at par with index returns, prefer low volatility portfolios and are cost conscious.

6. Arbitrage Funds: Arbitrage funds are type of mutual fund that buy in one market and sell in another simultaneously to take advantage of a temporary price differential which is called arbitrage. More specifically, Arbitrage funds exploit the price differences between current and future securities to generate returns. The fund manager simultaneously buys shares in the cash market and sells it in futures or derivatives market. The difference in the cost price and selling price is the return the fund earns. Suppose the equity share of a company ABC trades in the cash market at Rs. 1220 and in the future market at Rs.1235. The fund manager buys ABC share from cash market at Rs 1220 and sorts a futures contract to sell the shares at Rs 1235. Towards the end of the month when the prices coincide, the fund manager will sell the shares in the futures market and generate a risk-free profit of Rs.15/- per share less transaction costs. (This example is for illustration purposes only) These funds are tailor-made for investors who seeks equity exposure, but are wary of risks associated with them. Arbitrage funds tend to be a safe option for the risk-averse individuals to park their surplus money, when there is a persistent fluctuation in the market.

5. How do I benefit the most from Mutual Funds

How do I benefit the most from Mutual Funds

Now that, we are clear about the difference between savings and investments, let us look at the right way to invest our money.
Every investment should be made with a goal in mind. We all have different kinds of goals and mutual funds may help us achieve these goals. Goals can broadly be classified into short, medium and long term goals.

Objective	Horizon	MF Category	Possible goals
Very Short Term	<1 Year	Liquid Mutual Funds/ Money Market Funds	Contingency funding, park your bonuses & windfalls
Short Term	1-3 Years	Debt Mutual Funds	Vacations, durables purchase, park retirement corpus for fixed income
Medium Term	3-6 Years	Equity Hybrid Mutual Funds	House purchase, car purchase, start up funding
Long Term	6-10 Years	Diversified Equity Mutual Funds	Children's education, children's marraige, dream house
Very Long Term	10 + Years	Diversified, Mid Cap, Small Cap & Sector MFs	Retirement, children's future, wealth creation for next generations

The above illustration clearly showcases how different life goals that need to be achieved at specific periods of time can be smoothly done through different types of mutual funds.

Very Short Term Goals:

These are goals that one plans to achieve in less than l year time span. These goals include things like buying a new mobile phone, emergency money for any contingency, money to be parked before deciding the next investment. Liquid Mutual funds are ideal for very short term goals as they are quite safe and offer a moderate rate of return.

Short
Term Goals:

These goals range from a period of l year to 3 years. Purchase of durables, planning for a vacation, parking of pre-retirement corpus are few examples of short term goals. Debt mutual funds are an ideal investment for achieving short term goals. Debt mutual funds are less risky and offer a stable return on investments.

Medium
Term Goals:

Goals that an individual plans to achieve in 3-6 years are classified as medium term goals. These include goals such as buying a new car, a new house or funding a startup. Equity hybrid funds can be considered to acheive such type of goals. These funds invest into a mix of equity and debt. Equity provides the returns whereas Debt provides stability.

Long
Term Goals:

Goals such as buying a second home, child's education, child's marriage are long term goals. Diversified equity mutual funds are ideal investment for such kind of goals. Though there is a possibility of volatility in the short term, these funds aim to offer positive returns over a period of time.

Very Long
Term Goals:

Goals which one would like achieve over a 10 year period are classified as very long term goals. Small caps, mid caps, and sectoral funds can be considred to achieve these goals. Creating wealth for the next generation, planning for a childs future, planning for retirement are some of the goals that one can achieve through prudent planning.

Disciplined Investing

One of the key benefits of investing into Mutual funds is that it instills a sense of discipline. It helps you form a good habit through systematic investing. Mutual Funds offer an amazing feature whereby you can invest small amounts through a Systematic Investment Plan (SIP) Through a SIP, you can regularly invest a fixed amount at periodical intervals of time in a Mutual fund scheme. You can invest monthly, quarterly or daily through a SIP. There are multiple benefits of investing through a SIP.

Lets look at the illustration below:

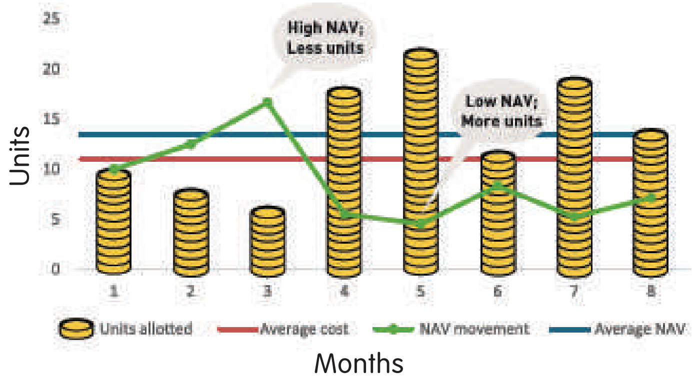
Benefits of Starting Early

Starting Age	Total Amt. Saved	Value at the Age of 60
25	4,20,000	23,09,175
30	3,60,000	15,00,295
35	3,00,000	9,57,367
40	2,40,000	5,92,947

So, you can see that the illustration clearly shows that an amount of 1000 invested at the age of 25 assuming a return of 8% p.a. can give you a return of almost 5 times as compared to the the same amount invested at the year of 40. The sooner you start, the faster your money grows.

The above table is for illustration purpose only and RNAM does not recommend any action based on this illustration.

Rupee Cost Averaging



One of the key benefits of investing in Mutual funds is that you don't need to time the market. Any time is a good time to start investing through SIP. The illustration clearly shows that units are accumulated every month inspite of the fall or rise in NAV. When the NAV is low, you accumulate more units and when the NAV is high, you accumulate fewer units. This averages out your cost and you aim to benefit in the long term.

Power of Compounding

							128
256	512	1024	2048	4096	8192	16384	32788
62K	131K	262K	524K	1M	2M	4M	8M
16M	33M	67M	134M	268M	536M	1G	2G
4G	8G	17G	34G	68G	137G	274G	549G

There can be no better way to explain the power of compounding other than the above example. The king of an empire was very impressed by a poetry of a poor farmer who was barely making ends meet. The king was so happy that he asked the farmer to choose his own reward. The farmer humbly asked for a grain of rice to be placed on the block of the chess board and the same to be doubled in every subsequent block. The king found the farmer's ask very funny, yet ordered his people to start the process. When they reached the 16th block, there were 32,788 grains of rice on the chess board and by the 24th block, there were 8 million grains of rice. It is said that the king had to surrender his entire kingdom to the farmer to pay his reward. This is the benefit that Power of compounding offers.

6. Financial planning for women

Financial planning for women

The woman of today plays many roles and looks to live life to the fullest. However, the same may not be true when it comes to managing her investments and finances.

While on the one hand there are mindset issues that make women shy away from numbers, finances and investing, on the other hand there is a rise in independence, nuclear families and marital issues; that, in a way, push women to take charge of their financial destinies.

Another noteworthy fact is that many financial advisors actually think that women are inherently better investors since they are focussed on their goals, disciplined about their investing, patient with the time taken to accumulate wealth and have strong faith in their advisors. Women, according to these experts, should come forward and take active interest in the financial decisions.

So, go ahead and dive in! And as you do, you will find these pointers helpful:

1. Align your investment to a goal: This is an important aspect while planning your mutual fund investments. Usually people invest randomly when they have a corpus at hand or they simply invest to beat market returns and make more money than traditional instruments. However, one key aspect to be kept in mind is to have an investment for every goal. Every goal that must be achieved should have a time horizon and the value attached so that you can plan your investments accordingly. Once you start approaching your goal (like retirement), the money can be moved to little safer investments like debt funds so that market volatility does not affect your investments much at the time of realising your goals. It should also be noted that while the regular inflation is around 5 %, the education inflation is growing at a much higher rate Therefore, investments for children's education need to be planned as comprehensively and early as possible.

2. Have a Contingency Fund: Since all investments are supposed to be aligned to goals and therefore should not be redeemed till the goals are achieved, it is very important to have a contingency fund for emergencies. The corpus in this fund can be withdrawn in case of an emergency.

3. Your money always has to beat inflation: This is a very important aspect that women need to keep in mind while planning their investments. It applies to not just the money that is invested but also the cash and idle balances that we hold. It is therefore better to move your idle money from traditional investments and park the same in liquid funds and aim for better returns till the time the funds are actually used.

4. Save tax systematically: Tax saving is one of the important aspects that need to be considered by women. It is neither advisable nor smart to run around at the last minute for tax saving. Tax planning can be done intelligently through Systematic Investment Plans (SIP) of small amounts in Equity linked saving funds throughout the year; starting at the begining of the financial year. This reduces the pressure to arrange for a lump sum amount for tax saving in following March. The best part of saving taxes systematically is that while your tax gets saved, you can continue your SIP in the long run which in-turn may lead to parallelly building a retirement corpus. You could also look at a SIP with a combination of free insurance clubbed with it.

5. Get involved in financial discussions happening in the family: It is critical for women to participate in the financial planning discussions happening in the family right from the beginning along with their husbands/ elders. Quite a few times, women have no choice but to look at their investments in case of any untoward incident. It then becomes very difficult to consolidate and understand the investments made by the husband.

6. A woman goes through many life stages: As soon as women start working, it is important to start planning for their investments. Women should approach a financial advisor and put a financial plan together.

a. Once a financial plan is in place, all a woman needs to do is to keep investing and just keep adding goals to it and just keep assigning money to each of the goals.

b. Women should start saving small to meet their short-term goals like buying a mobile phone or any other gadget. Quick wins like these will strengthen the faith and commitment to invest in other. Longer-term goals.

c. Post marriage, the important thing to be kept in mind is that the investments pre and post marriage should be consolidated, and it should be an either-or survivor arrangement post marriage.

d. Also, post marriage couples usually get into taking up a home and car loan and then for a long period of time they keep servicing these loans. It is always better to start saving first, build up a decent corpus and then go for a loan.

e. Since marriage brings in a whole lot of responsibilities, it is important to start planning for different goals that need to be achieved and accordingly investments need to be made for each of the goals. For e.g. A systematic investment plan for a holiday, for children's education. It is very important to build in some rewards like a holiday or a foreign travel in your goals to add some spice. You save to enjoy as well and fulfil your aspirations from time to time.

f. As salaries of both the husband and wife increases, it's better to continue keeping the expenses in check and invest the additional salary through SIPs which help you become financially independent faster. From time to time, the SIPs should be topped up. This helps to beat inflation and takes you closer to your goals.

g. It is also good if women would like to have a separate corpus to be managed by herself that could be used in case of an unforeseen development. That is more of a security for women.

7. Plan for retirement as early as possible: For a woman who has just started working, while retirement is a far-off goal, it is important to note that retirement has as many non-working years in our life as compared to working years. One needs to stat planning for retirement and build a corpus through Systematic investment plan through investment in various equity schemes as she has a long way to go. Investments can be divided depending on the goal and time frame required to achieve that goal. Planning for retirement also helps in pursuing our hobbies later.

8. Make sure you have adequate term & health insurance: This is a golden rule to be followed while planning investments. Insurance and investments need to be completely kept separate as both are meant to achieve different goals. Insurance helps the family in case of any eventuality or death of the policy holder. Investments are to grow your wealth while you are alive to meet your long-term goals. Quite a few investors fail to understand this and end up making wrong investment decisions. To conclude, key things to be kept in mind are to start early, have a grip on your goals, plan for retirement, stay invested and don't break your investments before achieving your goals, top up your SIPs, have separate money assigned to your short-term goals and enjoyment as well.

7. Common mistakes Mutual Fund investors make

Common mistakes Mutual Fund investors make

1. Withdrawing investments before goal is achieved: Investors start with their investments for the long term and many times keeping a goal in mind. However, one often sees them withdraw their investments before achieving the goal that they had planned for. Impulse purchases, a foreign holiday and other such untimely expenses lead to breaking their investments partially or fully. This mistake should be avoided, and investments should not be redeemed before the goal is achieved. One should not look at mutual fund as an open investment that can be withdrawn anytime but something that should not be redeemed till your goal is achieved. Investing without a goal is like travelling without a destination.

2. Being impatient when markets are choppy: Investors usually do not like to see their principal amount go down. Which is why, when markets are volatile and they experience some erosion of their capital, investors panic and tend to exit. This is another common mistake investors should avoid. The right approach is to stay invested and be patient across market cycles. The capacity to withstand capital erosion could eventually help investors make money in the long term.

3. Not understanding the difference between savings and Investments: People do not understand the difference between savings and investments. One common mistake people make is that they park their money in traditional investments and feel that their money is invested. If the interest rate and inflation are taken into account, the value of the money in these instruments tend to depreciate over a period of time. People need to understand the difference between savings and investments and consider mutual funds with an aim for wealth creation. Investments in Mutual funds could help beat inflation and help in saving tax over a period of time.

4. Using insurance as investments: Investors consider that they have sufficient amount of insurance policies that can help them meet their investment goals. They feel that by buying insurance policies, their investment goals are complete. This is one big mistakes investors commit. They need to very clearly understand the difference between insurance and investment and the fact that Insurance is for protection one can consider mutual funds for wealth creation.

5. Timing the market: Another common mistake mutual fund investors tend to make is that they tend to time their investments to maximise their returns. Some even prefer to sell their investments when the markets appear overpriced. However, this does not work for all investors. Some keep waiting for the markets to correct while others repent as to why they sold their investments at a previous high. Instead, it makes sense to keep investing at regular intervals and let your money grow over a long period of time. It is not the timing but the time in the market that may help you generate returns over the long term.

6. Investing in too many schemes: This is one of the most common mistakes investors commit, thinking that they are diversifying. They tend to forget that each MF scheme has a diversified portfolio of securities. More schemes you buy, more difficult it becomes to keep a track of them. Instead you should build a portfolio of 5 to 7 well managed schemes and keep adding to your investments.

7. Ignoring risk profiles and asset allocation: Another common mistake investor's make is that they get carried away and suffer from a fear of missing out. If markets are doing well and are at their peak, investors ignore their risk profile and asset allocation and invest in risky instruments like equity funds. IF the investor is conservative or a moderate risk taker, he could consider debt funds which invests in fixed income instruments and aim to offer stable returns.

8. Not reviewing your portfolio regularly: This is another mistake investors commonly make. Ideally, investors should track the performance of their investments at regular intervals. But, most of us fail to do so. However, to avoid obstacles in your wealth creation, in the long run, it is advisable to conduct a periodical review of all your mutual fund schemes. This will help you know the funds in your portfolio that are underperfor -ming and hence you can revise your asset allocation accordingly.

8. How do I start investing in Mutual Fund schemes

How do I start investing in Mutual Fund schemes

It is very simple to start investing in Mutual Funds. All you need is a bank account and a PAN.

1. Once the documents are in place, the first step is to complete the KYC (Know your customer) process. PAN and duly filled KYC form is required to complete the KYC process.

2. Upon completion of the KYC process, you can open a Mutual Fund folio in the desired Mutual fund scheme/schemes.

3. You can invest in a mutual fund scheme off-line or online. For investing offline, all you need to do is to fill up the application form and submit a cheque or a DD in the name of the mutual fund scheme.

4. The documents can be submitted either to the Mutual fund branch or to your Financial Advisor.

5. You can also purchase Mutual funds online through the Mutual fund website or through the website of the distributors.

6. Similarly, mutual fund investments can be withdrawn by filling up a redemption slip and submitting the same to the mutual fund branch or distributor. The same can also be redeemed online.

9. What are the Mutual Fund terminologies that I must know

What are the mutual fund terminologies that I must know

Direct and Regular Plans

All Mutual fund schemes offer a Direct Plan and Regular plan. You can invest in a Direct Plan without routing the investment through any distributor or agent. Investments through a distributor or a mutual fund agent are Regular Plans. Direct Plans have a separate NAV which is higher than the normal Regular Plans NAV. Direct Plans have a lower expense ratio as there is no distributor/agent involved.

Growth and Dividend Options

Growth Option:

• Capital appreciation in the scheme is ploughed back into the scheme

• Investors do not receive any periodic payments

• This option is suitable for investors who do not require a regular income

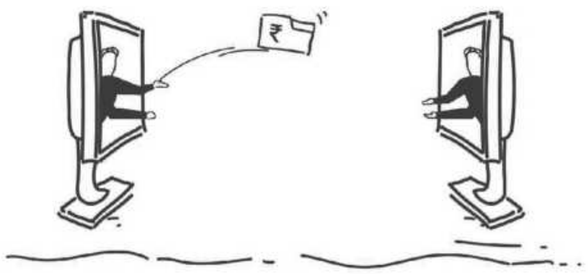
Dividend Option:

• Capital appreciation in the investment is paid to the investor in the form of dividend

• Dividend payment is subject to the availability of surplus in the scheme

• Dividends in the hands of the investor are tax free but subject to levy of Dividend Distribution Tax (DDT)

• This option is suitable for investors who require regular income



Systematic Transfer Plan (STP)

Systematic Transfer Plan allows you to transfer a fixed or a variable amount from one scheme to the other at regular intervals. While SIP is the investment of funds from your savings to a mutual fund scheme, STP means transferring funds from one mutual fund scheme to another. For instance, if you invest 'systematically' in equities, you aim to earn risk-free returns even during volatile market scenarios. Here, you can invest a lumpsum amount into one scheme(e.g. Liquid scheme), and transfer a fixed amount to another scheme regular-ly(e.g. Equity scheme). Through STP, you aim to generate higher returns, because the amount in the source fund also generates returns along with the returns in which funds are being systematically transferred.
STP is a great choice for investors who seek to invest lumpsum but don't want to invest it together.

Systematic Withdrawal Plan (SWP)

SWP is a feature that allows you to withdraw a fixed or a variable amount from your mutual fund scheme every month on a fixed date.
SWP is suitable for investors who need a fixed income every month.
The key benefit of SWP is that withdrawals are not subject to tax deductions at source.

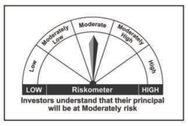
Fund Fact Sheet and Product Labelling

Fact Sheet

Fund Fact Sheet

- Current Investment Philosophy
- Benchmark
- Load Structure
- Total Expense Ratio
- Portfolio Composition
- Industry Allocation
- Dividend History

- Mutual funds are required to 'Label' their schemes on the following parameters:
- Nature of scheme in an indicative time horizon (short/medium/long term)
- A brief about the investment objective (in a single line sentence) followed by kind of product in which investor is investing (Equity/Debt).
- Level of risk, depicted by 'Riskometer' as under:
  -Low - principal at low risk
  -Moderately Low - principal at moderately low risk
  -Moderate - principal at moderate risk
  -Moderately High -- principal at moderately high risk
  -High - principal at high risk
- A disclaimer saying: "Investors should consult their financial advisers if they are not clear about the suitability of the product."



Product Label

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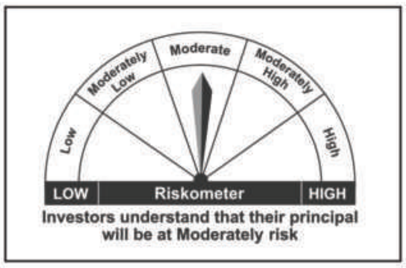
- Level of risk, depicted by 'Riskometer' as under:
  -Low - principal at low risk
  -Moderately Low - principal at moderately low risk
  -Moderate - principal at moderate risk
  -Moderately High -- principal at moderately high risk
  -High - principal at high risk
- A disclaimer saying: "Investors should consult their financial advisers if they are not clear about the suitability of the product."



A fund fact sheet helps you to assess the scheme and keep a track of its performance.
The fund fact sheet is easy to understand and provides a snapshot of various schemes.
The fund fact sheet showcases the NAV, returns, fund manager managing the portfolio, riskometer that gives an indication whether the scheme carries a low, moderate or high risk and other statistics that help you compare mutual funds and decide which ones to invest in.

NAV & Taxation Benefits of investing in Mutual Funds

NAV

NAV (Net Asset Value) is the market value of all the scheme investments, less the liabilities and expenses divided by the outstanding number of units. NAV of a mutual fund scheme is like a share price of a particular stock. NAV is important as it is the basis for valuing an investors holding in a mutual fund scheme. Mutual Fund NAVs are published daily on Mutual Fund websites, AMFI website.

Mutual Fund Taxation

Mutual Funds are ta-efficient as compared to other forms of investments
Amount invested in Equity Linked Savings Schemes (ELSS) schemes is eligible for deduction u/s BOC upto ₹ 1.5 lakhs#
Long term capital gains from Equity Oriented Mutual Funds are exempt upto ₹ 1 lakhs p.a. Gains and above over ₹ 1 lakh are taxable at 10% (+Applicable surcharge and cess)
Capital Gains from other than Equity - Oriented Schemes are as follows
Short Term Capital Gain (STCG) @ 30%
Long Term Capital Gain (LTCG) @ 20% with indexation
Dividend taxation on Equity schemes is applicable at 10% (on grossed up basis) +Applicable surcharge and cess
Dividend taxation on Debt schemes is applicable at 25% (on grossed up basis) +Applicable surcharge and cess
Note: (A) Investor is individual/HUF (B) Investor is a Tax resident

#To save tax up to ₹46,800: Individual and HUF having taxable income of less than ₹50 Lakhs can invest up to ₹1.5 Lakhs under the ELSS scheme during the FY2019-20 as per provision of Section 80C of the Income Tax Act 1961 (includes applicable cess). Tax saving will be proportionately reduced subject to the taxable income and investments. Further, investment in ELSS schemes is subject to a lock-in period of 3 years from the date of allotment of units. Long Term capital gain, if any on ELSS scheme investment is subject to applicable tax at the time of redemption. The tax benefits are as per the current income tax laws and rules. Investors are advised to consult their tax advisor before investing in such schemes.

Nippon india Mutual Fund
Wealth sets you free
(Formerly known as Reliance Mutual Fund)

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<u>Helpful Information for Mutual Fund Investors:</u>

All Mutual Fund investors have to go through a one-time KYC (know your Customer) process. Investors should deal only with registered mutual funds, to be verified on SEBI website under 'Intermediaries/ Market Infrastructure Institutions'. For redressal of your complaints, you may please visit www.scores.gov.in. For more info on KYC, change in various details & redressal of complaints,

visit https://www.nipponindiamf.com/InvestorEducation/what-to-know-when-investing.htm.

This is an investor education and awareness initiative by Nippon India Mutual Fund.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Nippon india Mutual Fund
Wealth sets you free
(Formerly known as Reliance Mutual Fund)

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