



Handbook for the
Financial Wellbeing Journey
Mutual Funds & Equities



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:

- Stocks/ IPO
- Mutual Funds
- National Pension System (NPS)
- Unit Linked Insurance Plans (ULIP)
- Useful video links to help you with further information
- Finsafe Tips



Equity options



Stocks/ Stock Baskets



NPS -Equity



Mutual Funds

- Equity
- Hybrid



Insurance

- ULIP



Direct Equities – Pros & Cons



Pros



- Potential for higher returns
- Freedom to create your own portfolio

Cons



- Figuring out what to buy, when & how long to hold it for
- Risk Management
- Research
- Time & Effort
- Investment size
- Asset allocation
- Concentration risk
- Your emotions
- Taxes
 - Each time you exit
 - International stocks



Stocks or Mutual Funds?

- •
- Do you have a strategy in place to invest?
- Can you keep up with the ever-changing themes in the market?
- Can you regulate your exposure to stocks and sectors and have a rule-based exit plan?
- Do you have the time and resources to manage this portfolio in the long term?
- Is the allocation to stocks large enough to impact your overall portfolio and does it warrant the attention?
- Can you beat index returns consistently, when the best fund managers with large research teams are finding it difficult to do so?
- What is the impact on your emotional health in volatile times?

Learning Resources:

<https://www.youtube.com/watch?v=jssRXk951e8>



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=HlhNhsqWP_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



How to choose an equity fund?

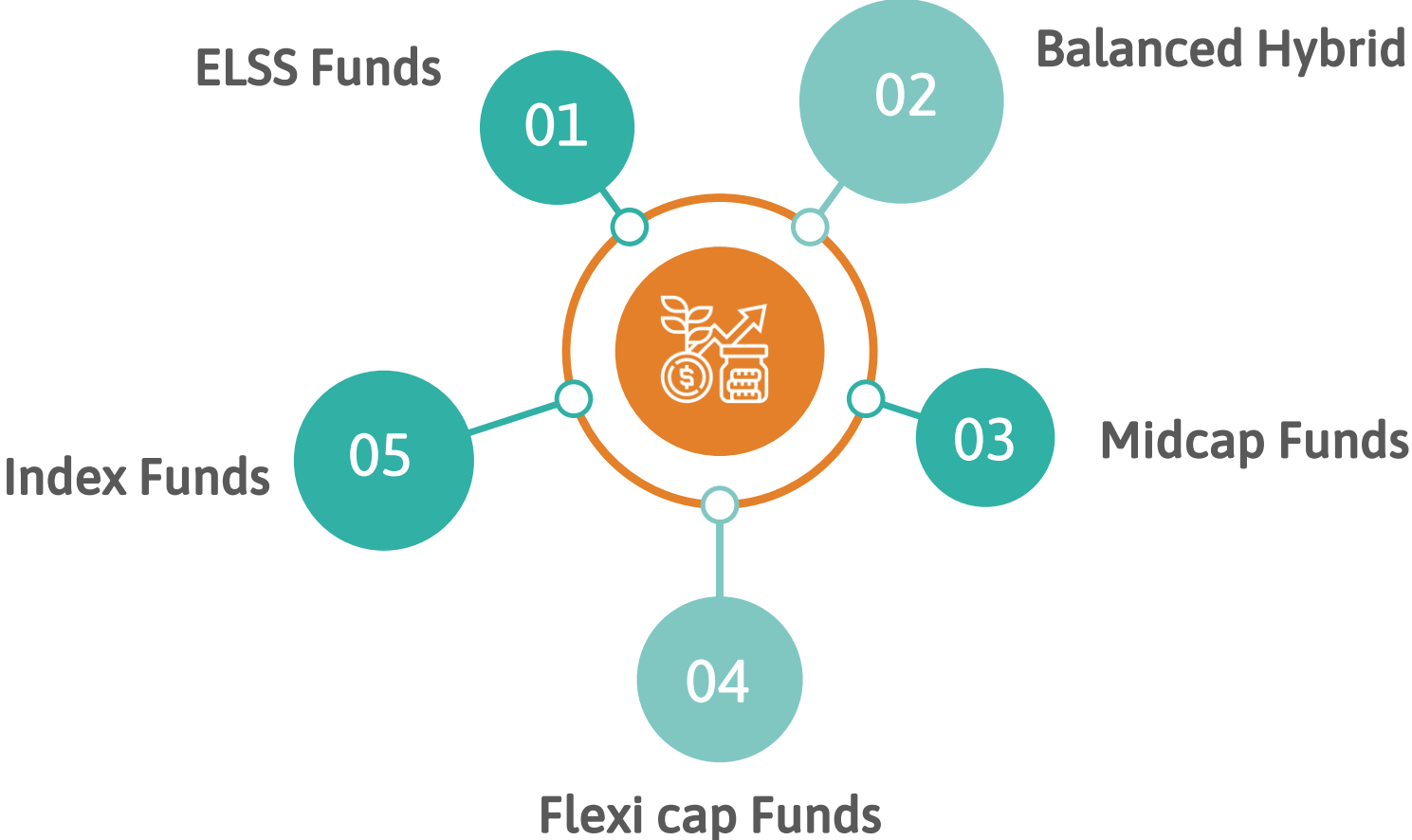


Goal & Risk appetite

- Choose category based on goal duration & risk appetite
- For eg : Midcap to be chosen if goal is above 10 years and for investors who can take volatility
- Scheme selection based on consistent risk adjusted returns as well as volatility ratios



Recommended Categories Of Equity Funds



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>

The screenshot shows the Morningstar website interface. At the top, there's a navigation bar with the Morningstar logo, a search bar, and links for 'Company Site' and 'Login'. Below the navigation bar, there's a summary of 'Total Funds: 113'. The main content area displays a table of mutual funds with the following columns: Fund Name, Category, Analyst Rating (e.g., Under Review, Gold, Silver), Equity Stylebox, Fixed Income Stylebox, Star Rating (e.g., 5 stars, 4 stars), and Report Date. The table lists various funds like Reliance Focused Large Cap Fund, SBI Magnum Multiplier Fund, and HDFC Mid-Cap Opportunities Fund.

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	1-year return** (%)	3-years return (%)	Corpus (₹ cr)
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)	6-month return** (%)	1-year return** (%)	Corpus (₹ cr)
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	Returns since launch	Date of launch	Corpus (₹ cr)
BHARAT Bond ETF - April 2031	4.95	23 Jul 2020	10,484
Motilal Oswal 56P 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)	
IDFC Banking & PSU Debt Fund - Regular Plan - Growth	Fund manager's track record in avoiding credit risks, inspires confidence
Kotak Banking and 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 FUNDS/ETFs	
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 Nasdaq 100 ETF (MOSI) Shares NASDAQ 100	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



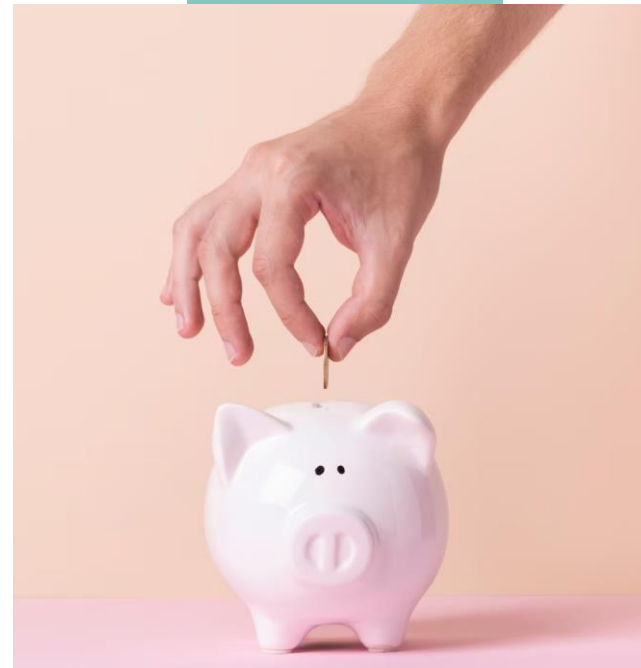
- Invest Early
- Invest Regularly
- Remain Invested
- Diversify
- Do not invest based on tips/ internet

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=



Evaluating Fund Performance



- Relative to Category Average
- Relative to Benchmark
- Goal & holding period
- Qualitative Factors



NPS Options-Active & Auto Choice



- Equity & related instruments
- Corporate Debt and related instruments
- Government Bonds & related instruments
- Alternative Investment Funds

Learning Resources:

https://www.youtube.com/watch?v=V_oRpfVDt4s

Under Active choice in NPS, investor gets to choose how their contribution to NPS can be invested into the various asset classes

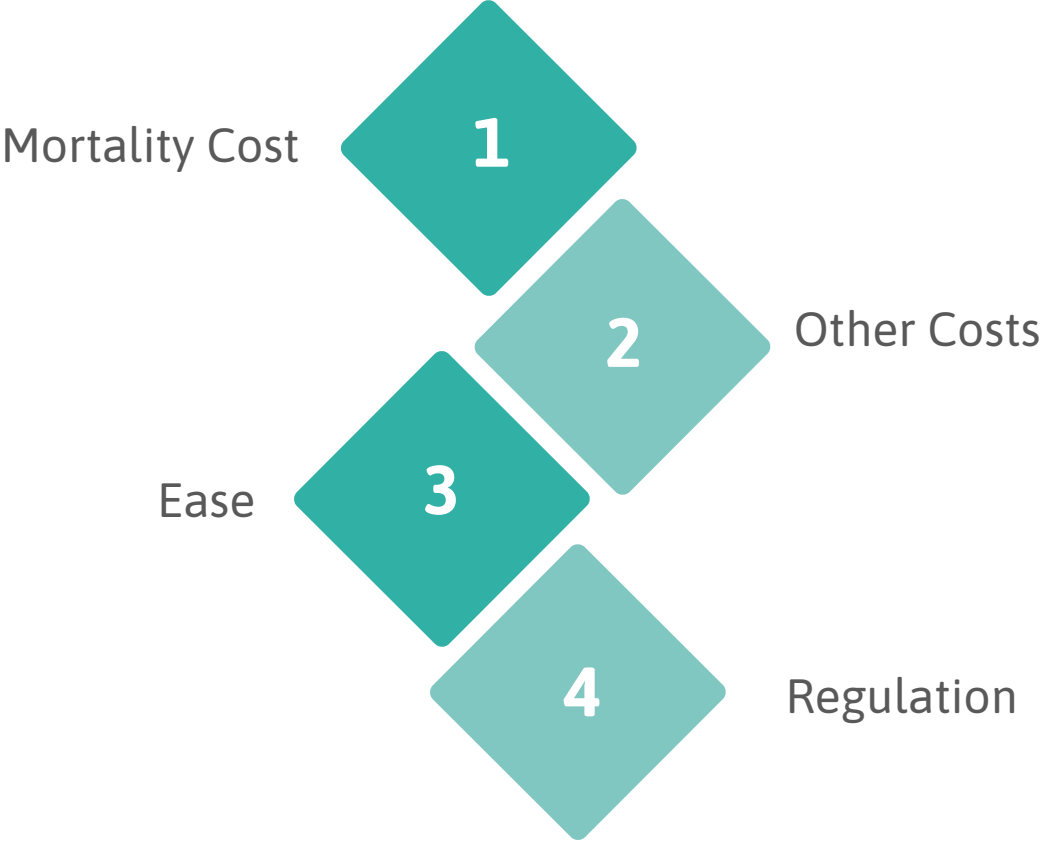
The maximum permitted equity investment is 75% of the total asset allocation

In Auto Choice option, funds are invested across the asset classes in a predetermined manner

- Aggressive Life Cycle Fund
- Moderate Life Cycle Fund
- Conservative Life Cycle Fund



Unit Linked Insurance Plan (ULIP)



Taxation of Equities



Category	Lockin	STCG	LTCG
Stocks	Nil	< 1 yr : 15%	> 1 yr 10%, if gains above 1 lakh
Intra day trading	Nil	At slab (Treated as business income)	At slab (Treated as business income)
International Stocks	Nil	< 2 yrs : slab	> 2 yrs : 20% with indexation
Derivatives	Nil	At slab	At slab
Mutual Funds	Nil	< 1 yr : 15%	> 1 yr 10%, if gains above 1 lakh
ULIP	5 / 10 years	Tax Free	New rule
NPS	60 years	NA	60% tax free, 40% into annuity which is taxed as per slab



Exiting Funds



Near to a goal



Rebalancing



Fund underperformance



Summary



- Exposure to equities is a must
- Index and NPS Active Equity are a good starting point
- Managing losses and family concerns:
 - Be an informed investor
 - Volatility is an opportunity
 - Keep investing



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