MUTUAL FUND INSIGHT

BY WEALTHCON

A compilation of mutual fund related queries solved by mentors

Compiled by: Dr.Shashi Kant Gupta

"'SUCCESS IN MARKET IS A PRODUCT OF THREE THINGS:
(1) COURAGE (2) COGNITION (3) CAPITAL
WEALTHCON Forum shall give you COURAGE & COGNITION''
- Dr Ram

This document is a compilation of **repeatedly asked topics and articles** related to mutual funds, which have been answered by the Wealthcon senior members in “Wealthcon Mutual Funds Group” and “Dr. Ram’s Tuesday meet”. I have taken liberty to present those facts in a comprehensible format with some additions from credible websites like Investopedia.com, cleartax.in, zerodhavarsity.com to make it wholesome and one stop document. It will be helpful for beginners to study as well as for experienced members who want to revisit the basics and fundamentals discussed before. It will save them time.

How to use this document?
The document is bookmarked completely. Click bookmark icon on left side in Adobe reader to access the topics and subtopics list. The table of content also presents clickable topics.

All new members are requested to read this document first prior to asking questions in the group, as many of the queries will be covered in this document.

We, the Wealthcon members sincerely express our gratitude to Dr. Ramnath Ghute (Founder Wealthcon), Dr Arnab Marik, Dr Amar Udare, Dr Rajendra Bhatiya , Dr. Sandeep Agrawal Dr Maulik Shah Dr. Sandeep Kavade Dr.Santosh Jaybhaye Dr. Bipin Serasiya Dr. Rajnikant Gajjar and other mentors.

Due credit is given to the relevant sources of information.
The original messages of experts are edited only for formatting, content is same.
The principles and guidance given here are for financial education purposes only.

Dr. Shashi Kant Gupta
(Compiler)

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ABOUT THE WEALTHCON

What is WEALTHCON? Is it NGO? Is it medical association?

ANS (Dr Ram)

WEALTHCON is neither NGO nor medical association.

WEALTHCON is an IDEOLOGY based on certain principles and values. We know many examples of ideology like Socialism, Capitalism, humanism, Hinduism, etc.

Any Ideology starts with one individual. If it's good concept then it's adopted by thousands of people. It gets propagated automatically.

***Core values of Wealthcon are*-**

1. Financial Education for doctors by doctors- Only Allopathic doctors can join Wealthcon.

2. No involvement of any agents, mutual funds or insurance company: Wealthcon shall never associate with any financial institutions.

***Officially, Wealthcon is a registered brand under Trademark Act*.**

10 COMMANDMENTS OF WEALTHCON

1. You shall *NOT buy Insurance products for Investment.*

2. You shall *NOT buy Regular plans of Mutual funds. Buy only Direct plans.*

3.You shall *NOT buy shares on tips of paid TV or media analyst.*

4. You shall *NOT sell shares at loss in market crash, in fact buy more shares.*

5. You shall *NOT evade taxes, but save taxes legally.*

6.You shall *Invest first then Spend*

7. You shall *study finance regularly and become self-reliant.*

8. You shall *teach children financial education.*

9. You shall *share financial knowledge with friends.*

10.You shall be *financially independent at Retirement.*

EVOLUTION of Share Market investors

If anyone wants become successful in Market, following are steps of Evolution. You can consider this a 3 years Post Graduate learning program (6 Months in Each stage). It is not necessary that everyone should reach to 6th stage. One can stop at any Stage if he is happy.

Important is - GO STEP BY STEP and Spend 6 Months at each level. Don't try to jump to Day trading as first step. It is tempting to do, but, believe me. If you start Day trading without going previous stages, you have **90% Guarantee** of losing money.

In 15 years journey of share market, I tried every possible technique and strategy. I got many shocks also. What I have realised that **DISCIPLINE and PATIENCE are exceedingly important factors in share market** success ...

Following are 6 steps:

Equity Mutual Funds
⬇
Passive Investor
⬇
Active Investor
⬇
COOL TRADING(Shares Only) or TRADEVESTING
⬇
ACTIVE TRADING (Future &Option)
⬇
INTRADAY Trading

Dr Ram
(Founder Wealthcon)

THE SUMMARY

Following summary is an essence of advice regarding mutual funds by all Wealthcon experts.

1. **Keep it simple = KISS**.
2. **Choose any free platform, preferably Mutual Fund Utility (MFU)**
3. **Use direct funds growth plan only**
4. **understand only these categories:**
   A. Large cap funds.
   B. Multicap funds.
   C. Hybrid equity oriented.
   D. Hybrid debt oriented.
   E. Midcap funds
   F. Smallcap Funds
   G. Liquid funds
   H. Short term debt funds
   I. arbitrage funds
   J. ELSS
5. **ELSS FUNDS are large cap tax savings funds with lock in of 3 years- best tax saving instrument compared to PPF/LIC/ULIP**
6. **Two funds from each category are sufficient**
7. **Automate your investment by bank mandate and stop looking at daily NAV**
8. **Stay invested till your goal is reached.**
9. **Goal based choice of mutual funds**
10. **For 3 yrs. or less** = use Liquid and short term debt funds or arbitrage funds
    for 3 to 5 yrs. = Large cap and Hybrid funds can be used for investment.
    For 5 to 7 years large and Multicap Funds.
    More than 7 years use all equity funds.

Happy investing.

(Dr. Rajendra Bhatiya :)

Ch.1 MUTUAL FUND BASICS

What is a mutual fund?

Let’s understand step by step what mutual funds is.

1. A person gets an Idea to start mutual Fund. He establish a TRUST and get approval from SEBI.

2. Mutual Fund Trust hire Asset Management Company (HDFC AMC etc.). AMC takes 1to 1.5% of Total assets as expense.

3. AMC hire fund manager and other staff. AMC hire agents on commission basis (Financial advisors, Planner, Consultant) to sell mutual funds.

4. Mutual Fund manager study market and manage fund (he would get 1 Crore to 10 Crore Salary depending upon fund size)

5. Agents approach investors and start SIPs in Regular plan. He would get 1-1.5% commission EVERY YEAR till investor redeem entire funds.

6. Investors can invest in DIRECT plans of mutual funds via AMC website, MFU Websites, or Private companies like Zerodha, Kuvera, and PaytM.

7. Difference of return between Direct and Regular plan is huge. E.g. If A invest in a Regular plan and get 10 Crores after 15 years. If B invest in SAME mutual fund but direct plan he would get 12 crores. (You can read on google about Direct Vs Regular plan)

--- In nutshell, Mutual fund is just a TRUST and promoters can't get away with investors’ money.
It’s Safe to invest in Reliance Mutual funds despite of Mr Anil Ambani has doomed other companies.

Dr Ram
(Founder Wealthcon)

Types of Mutual Funds

There are many categories and subcategories of mutual funds like below:

Equity	Debt	Hybrid	Solution Oriented	Others
Large-Cap	Money Mkt	Conservative Hybrid	Children's Fund	Index Fund/ETF
Mid-cap	Short Duration	Balanced Hybrid/Aggressive hybrid	Retirement fund	Fund of Fund
Small-cap	Overnight	Dynamic asset allocation/Balnced fund		
Large & Mid cap	Liquid	Multi asset		
Multi-cap	Long duration	Arbitrage		
Focused	Medium Duration	Equity Savings		
Dividend Yeild	Short term			
Value or Contra	Ultra short term			
Sector	Medium to Long duration			
ELSS	Dunamic bond			
	Corporate risk			
	Credit risk			
	Banking & PSU			
	GILT			
	Gilt/10 year duration			
	Floater			

(Source: Zerodha varsity)

There are around 6000 mutual funds schemes but we have to narrow down to a few as most of them are not really needed by a retail investor.

The following are recommended by Wealthcon:

A. Equity -Large cap, Midcap, Small cap,
B. ELSS – Equity Linked Saving Scheme
C. Debt: Liquid and other debt funds
D. Hybrid mf – balanced mutual funds
E. Arbitrage funds

Who should invest in mutual funds?

1. Passive investors who don't have time to track the market – will get better returns than policies/ULIP/FDS in long term.

2. Equity Investors who are beginners can start with mutual funds before jumping to direct stock investment
3. Investors can invest in midcap and small cap stocks via mutual funds as they are more risky.
4. For short term parking of money – invest in liquid funds/ short term debt funds, returns better than bank savings a/c with similar liquidity.

Plans and Options to buy a mutual fund scheme.

1. **Growth Plan**: In a growth plan of a mutual fund, there is no pay out. All profits made on the portfolio are ploughed back into the scheme and therefore the value of a growth plan compounds over the longer term.

2. **Dividend Pay-out Plan**: In this plan, the fund declares dividends out of profits. The NAV of the dividend plan reduces to the extent of the dividends paid and that reduces the NAV of the plan. The NAV of a dividend pay-out plan will be lower than that of a growth plan.

3. **Dividend Reinvestment Plan:** This is similar to the dividend plan with a small difference. In a dividend plan, the dividends are paid out in cash to the unit holders. However, in the dividend reinvestment plan the mutual fund buys units to the extent of the dividend declared by the fund at the post-dividend NAV and credits units to the account.

Wealthcon recommends only growth plan as compounding is most leading to wealth creation in long term.

If one wants regular cash inflow, he/she can choose SWP

How much duration is long term in share market?

Answer (Dr Ram)
Very basic Question!
There is no standard definition of long term. Moreover, there is lot of confusion amongst people about the duration which is fuelled by Taxation rules.
Tax rules says.
Long term means >1 year.
Short term means <1 year.

However, we at WEALTHCON teach 7 years as long term for investment in Shares and Equity Mutual funds.
Why 7 and not 6, 8, 9?? Is 7 number Auspicious?? Not really!

It has been proven in studies that market gives positive return after 7 years, even if bought shares at all-time high and market crash after you buy (It happens with retailers often)
when market crashed in 2008-09, it gave positive return in 2015-16, even if one had bought shares at peak of 2008.

Hence, we recommend.

> 7 years Horizon: Buy Equity and Real estate
< 3 Years Horizon: Buy Debt funds. Don't buy shares
3-7 years' Time horizon: Balanced Funds or Mix of Equity and Debt

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Always remember above rules

Ch.2 TERMINOLOGIES

What is NAV of a mutual fund

A **mutual fund** calculates its **NAV- net asset value** by adding up the current value of all the stocks, bonds, and other securities (including cash) in its portfolio, subtracting the manager's salary and other operating expenses, and then dividing that figure by the **fund's** total number of units.

What is AUM? What is its significance?

AUM is asset under management. It is an important criteria to watch for while selecting a mutual fund scheme. It is a marker for liquidity of the scheme. Higher AUM is better, more liquidity. As per CAARE criteria invest in scheme with > 1000 cr AUM. Discard < 100 cr.

What is Exit Load?

Exit load is a fee or an amount charged by a mutual fund house from an investor for exiting or leaving a scheme.

What is Expense ratio?

This is a ratio that measures the per unit cost of managing a fund. The figure is arrived at by dividing the fund's total expenses by its assets under management.
The daily net asset values (NAVs) of a fund scheme are reported after deducting such expenses.

Open ended vs closed ended mutual fund schemes?

Open-ended funds:
These funds allow investors to enter and exit as per their convenience. The units can be purchased from and sold to mutual fund houses, even after the initial offering period (NFO) is over.
Having said that, Open-ended funds are not obliged to keep selling new units all the time. For instance, if the management thinks that it cannot manage a large-sized fund optimally, it can stop accepting new subscription requests from investors. In volatile market conditions also may fund houses stop accepting lump sum investments. BUT, it has an obligation to repurchase the units from investors at all times.
So, in open ended fund the Capital varies depending on the number of people selling or buying the UNITS, and, People can by and large, enter and exit at will.

Closed-ended funds
The unit capital of closed-ended funds is fixed at the time of inception and they sell a specific number of units. Unlike in open-ended funds, investors cannot buy the units of a closed-ended fund after its New Fund Offer period is over. This means that new investors cannot enter, nor can existing investors exit till the term of the scheme ends.
However, some investors may want to exit before the stipulated time period is over.
In order to provide a platform for investors to exit before the term, the fund houses list their closed-ended schemes on a stock exchange.
Trading on a stock exchange enables investors to buy and sell units in the same manner as stocks. The demand and supply of fund units and other market factors affect the price of units but total number of units remain the same. Apart from listing, funds house sometimes offer to buy back the units, thus offering another avenue for liquidity. SEBI regulations ensure that closed-ended funds provide at least one of the two avenues to investors for entering or exiting.

What is NFO? Should we invest in NFO? Should I invest?

NFO means new fund offer. When a mutual fund house launches a new scheme.
We don't recommend NFO at Wealthcon.
We recommend Mutual funds older than 5 years.
Let them prove their track record, why to bet on unknown funds
OLD is GOLD in case of MF

What are sectoral/thematic mutual fund?

ANS :(Dr Ram)
these are Fancy mutual fund products to fulfil quench of novelty of investors.
Sector fund invest in particular industry. E.g. finance, IT, pharma.
Thematic funds invest in themes, e.g. PSU, dividend yield etc.
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Average mutual fund investors should invest in Diversified Mutual funds (large cap, mid cap, small cap) in right proportion based on age and risk capacity.
If any company is good to invest then fund manager of diversified funds will obviously invest in those sectors. Mutual funds investment should be kept as simple as possible.

“Don’t buy fancy products in investment, there are many fancy things in shopper's stop"

What is a direct plan vs Regular plan of a mutual fund?

Regular plans are sold by distributor/agent, in which they will receive commission from the Asset Management Company for selling plans. This commission goes from your pocket as the expense ratio is higher

Direct plans – no mediator is involved as we buy directly from the AMC, so we save commission which results in lesser expense ratio and hence better returns.

What is Alpha and Beta of a mutual fund scheme?

Alpha and beta gauge the performance of mutual fund portfolio managers compared to their peers.

Alpha is the excess return of an investment relative to the return of a benchmark index. An alpha of 1.0 means the fund has outperformed its benchmark index by 1%, an alpha of -1.0 would indicate an underperformance of 1%. The higher the alpha the better.

Beta measures the volatility of mutual fund portfolio compared to the benchmark index. . By definition, the market has a beta of 1.0. A beta of less than 1.0 indicates that the investment will be less volatile than the market and vice versa for beta less than 1.0. If a fund portfolio's beta is 1.2, it is 20% more volatile than the market. Lower beta is better.

A simple way to apply alpha and beta are
- find the fund with the lowest beta.
- Of the funds with low beta choose the fund with highest alpha

What is Sharpe ratio?

Developed by Nobel laureate economist William Sharpe, the Sharpe ratio measures risk-Adjusted performance. It is calculated by subtracting the risk-free rate of return from the rate of return for an investment and dividing the result by the Investment's standard deviation of its return. The Sharpe ratio tells investors whether an Investment's returns are due to wise investment decisions or the result of excess risk.

This measurement is very useful because, while one portfolio or security may generate higher returns than its peers, it is only a good investment if those higher returns do not come with too much additional risk. The greater an investment's Sharpe ratio, the better its risk-adjusted performance.

What is SWP /STP?

1. Systematic Withdrawal Plan (SWP): is a facility which allows you to withdraw a fixed amount from your mutual fund at regular periodic intervals.

2. Systematic Transfer Plan (STP): An STP is a plan that allows investors to give consent to a mutual fund to periodically transfer a certain amount / switch (redeem) certain units from one scheme and invest in another scheme of the same mutual fund house.

Ch.3 MUTUAL FUNDS FAQs

Q. What is the best time to start investing in mutual funds?

Any time is the best time. Start via SIP mode. Keep learning and exploring.

Q. Should I invest lump sum or via SIP

Invest via sip at regular intervals so that you don't have to time the market. Add lump sum when market dips.

Q. My small cap mutual fund return is negative. Should I stop the SIP?

The mutual funds investment should be goal based. Different categories of equity mutual funds can be used for different time Horizon as follows.

Debt funds/ liquid funds - less than 3 years

Large cap / hybrid funds – 3 to 5 years

Multicap – 5 yrs. plus

SMALLCAP/MIDCAP – 7 years plus

One should have a 7 years horizon for a small cap fund. That is when the value will unlock. 1 year is too short a time to assess

Q. How is dividend plan different from growth?

Never choose it.
Sometime I wonder by the fact of intelligence of these mutual fund manager who float Dividend-Reinvest plan. This is most FOOLISH idea. I would explain Dividend Reinvest.

Let's say you buy MF A with NAV 100.
Next year its NAV become 110.
MF give Rs 10 Dividend and pay 2 as Dividend distribution tax and other expenses.
NAV become 98.
Dividend 10 is reinvested and NAV become 108.

Same Fund Growth plan NAV remains Rs 110 and Dividend Reinvest plan NAV become 108....... Isn't this Foolishness.

(Dr. Ram)

Q. Should we invest in children funds?

All specially named products are only fancy combinations to trap you sentimentally.
Names like children plan, elders plan and retirement plan make you feel better emotionally that you are doing something and create false security for you and earnings for sellers.
If you just plan as per your goal, use Wealthcon resources and stick to allocation for long term you can beat any fund manager or expert any time!

Q. Can we invest for minor in MF?

Yes, through joint account with parent. But No added advantage. It will increase the paperwork.

Q. Why Large- Midcap, Multicap & International funds are not considered by experts?

Ans. Paradox of choice.
Too many funds in portfolio reduce return and increase more logistics.

International Funds will not outperform Indian Midcap and Small cap mutual funds in long term, because of certain reasons.
Wealthcon prescribed Simplified portfolio. .

1. Large Cap shares
2. Mid cap and Small cap mutual funds (direct & growth plans)
3. ELSS- for tax saving

This is more than enough for most of the Members

Q Can NRI invest in MF?

Yes, but they are subjected to TDS on capital gains.

Q How many types of mutual funds should I invest?

The following categories are recommended by Wealthcon:

A. Equity -Large cap, Midcap, Small cap,
B. ELSS – Equity Linked Saving Scheme
C. Debt: Liquid and other debt funds
D. Hybrid mf – balanced mutual funds
E. Arbitrage funds

Choose as per your investment horizon and risk tolerance as follows-

For 3 yrs. or less = use Liquid and short term debt funds or arbitrage funds
for 3 to 7 yrs. = mix of equity and debt funds
More than 7 years use all equity funds- large cap, small cap, mid cap.

Wealthcon prescription for a long term passive investor for wealth creation:
Large cap mutual funds (or large cap shares) - 50% capital
Mid cap mutual funds – 30% capital
Small cap funds – 20% capital

Choose 2 funds from each category and start investing via SIP.

Q. If I want to invest for 6-12 months then which is better - liquid fund or Equity Arbitrage fund?

Answer (Dr Ram)
there are 3 options for short term investment:-
Equity arbitrage funds
Liquid fund
FD
Safety wise and return wise all are more or less same. However, Arbitrage fund is number choice for people who are in 30% tax slab rate.

Q. What is CONTRA fund?

Fancy names of Contra, Focused, Value, and Opportunity are misleading.
Keep investment simple.
Diversify portfolio in large cap, mid cap and Small cap mutual funds.

Q. Are mutual funds safer than investing in stocks? What are advantages/disadvantages of mutual funds over direct stock investing?

Mutual funds are NOT SAFE.
Risk is same as Stocks because, MF invest in stocks.
Only advantage of MF is that we don't do own research, instead, fund manager does it.
We share 15-20% profit with fund managers and agents for doing research. We pay it even if we are in losses.

Difference in returns is 15-20%.
If you earn Rs 100 in direct stocks.
You earn Rs 80-85, because Fund managers and agent takes rest of the profit.

If you earn 10Cr in direct stocks.
You earn 8 to 8.5 Cr in mutual funds.
1.5 to 2 crores will be taken by agent and manager.

Whoever has big portfolio in crores, they should learn direct stocks immediately, because they are giving large amount as commission and fund management fees.

Q. So huge Mutual fund investment should not be done even if it is direct??

In bear market of 5-6 years, funds management charges can erode almost 20-25% capital besides reduced value of shares.
That's reason almost 90% Mutual funds are below index even if index is down only 8-9% .

Note: Mutual Funds are necessary for beginner.
At least Policy □□ Plan □□ better □□.

Q. What should Beginners do? Can they invest in stocks also?

Start with Mutual Funds and Large cap shares.
After 2-3 years of experience, reduce mutual fund exposure and go into direct Equity.

Many members who joined Wealthcon in 2017, are investing only in stocks. No mutual funds.

Average return of last 20 -25 years. (Direct MF are available only 5 years, but, we can extrapolate return)

Direct Shares: 12-14%
Direct Mutual funds: 10-11%%
Regular plans of mutual funds: 9-10%
ULIP: 8-9%
PPF: 8%
Gold: 7-8%
POLICIES: 4-5%
Investors can decide their Scope of investment.

One may say 1-2% se Kya Farak padta hai.
Just visit. Www.sipcalculator.in
Calculate return of 20 years and see the difference made by 2% extra return

After reading above message, some members may get swayed that whether to invest in Mutual funds or Not
Let me clear.
Mutual funds are indispensable for Passive investors and Beginners*
You must continue Mutual fund SIP(direct plans)

Direct shares is NEXT stage of investment after 2-3 years of experience, till then Mutual Funds Sahi Hai!

Q. I have received lump sum money, I want to invest into mutual funds. How to do it?

I would suggest lump sum Investment in a liquid fund of the Concerned Fund House and then do a STP (10-12 instalments) into an Equity Fund based on your Goal & Time Horizon.

Remember the rule:
1. EQUITY --> EQUITY: invest LUMSUM
2.Active income / DEBT-->> EQUITY: Invest by SIP or (STP)

Ch.4 NAV – NET ASSET VALUE FAQ

■ NAV of Mutual funds- Myths■

Many investors believe that lower NAV of mutual funds means it's cheaper.
It's not correct.
NAV is nothing but Total Assets of mutual funds divided by number of units.
NAV is calculated daily.
Total number of units of mutual funds are also not fixed. More units are created if investors increase or units get reduced if investors redeem mutual funds.

Return of mutual fund is not dependent upon absolute NAV**. It depends upon the DIFFERENCE BETWEEN BUYING NAV and Selling NAV.**

Let's say
Mr Rahul buys 20 units of Mf A of NAV Rs 30. He sells those 20 units at Rs 50. His profit is (50-30)*20= 400
Mr Naren buys 4 units of Mf B at NAV Rs 150.
He sells those 4 units at Rs 300.
His profit is (300-150)*4= 600
Although Mr Naren gets only 4 units his profit is more.

In nutshell, don't look at NAV of mutual funds. It's never criteria to buy....

CAARE is criteria to buy.

Q. "Why NAV of "Direct mutual fund "is higher than "Regular Fund?

ANS (Dr Ram).

Few year ago Dr Ramakant wanted to buy a house.
He approached to an agent. A house was finalized in a newly constructed building. Builder gave Quotation of house at 1.1 Crore. Agent and doctor left builder office.
After an hour, builder called Dr Ramakant and informed that if customer buys house directly from builder then he would sell house at Rs 1 Cr.
This is what happens. Commission based Regular plan NAV is less because of CUT. (Similar to more price of house if agent is involved)
Direct plan NAV is more (Similar to less price of house if bought from builder directly)

Q: Does NAV value for purchase of Mutual funds affect the returns? If one mf having NAV 156 and other having 560 which we should select?

ANS (Dr Ram).
Dr Amit wants to go Nagpur by Bus from Aurangabad. He goes to central bus stand.
There were two buses on platform which would go to Nagpur. One bus Red and other Green.
Red Bus came from Mumbai and travelled 560 km distance. Green bus came from Nashik and travelled 156 Km distance.
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Which bus Dr Amit would like to sit?
Obviously, the Bus which has more speed, so that he would reach to Nagpur Early.
Is he concerned about the distance travelled by bus? - NO.

Distance travelled by BUS means NAV of mutual fund.
Speed of Bus means Return of mutual fund.
Another factor we see is safety of bus.

In nutshell, NAV of mutual fund is not important but Rate of return mutual fund can deliver is important.
Ignore the NAV, just look at Return, Expense ratio.
For safety see Sortino ratio, which should be higher.

Ch.5 HOW TO SELECT BEST MUTUAL FUNDS?

Very simple formula to select mutual funds.

CAARE

1. CATEGORY:
A. Equity -Large cap, Midcap, Small cap
B. ELSS
C. Debt: Liquid and other debt funds
D. Hybrid mf

2. Assets under Management
At least 1000 crores (Never less than 500cr)
3. Age of fund
4. Return
5. Expense ratio.

3. Age of fund.
At least 5 years.

4. Return of the fund
Mutual fund should have delivered above average return *consistently* at 5 years, 3 years and 1 year.

E.g. If there are 100 mutual funds in category, mutual fund has to be always within top 30.

If there are 30 mutual funds in category, then Mf must be in top 10 every time

5.Expense ratio
Minimum is desirable
Kindly note that you must go in sequence of CAARE and filtering out mutual funds.

For applying CAARE criteria, Go to valueresearchonline.com

1.Select Category Funds

2. Select MF more than 1000 cr AUM

3. Select Mf more than 5 years old

5. Look for 10, 5, 3, 1 year return in this sequence

6. Look for minimum Expense ratio.

When you apply this criteria you get top 3-4 funds. Invest in top 2 funds in SIP mode...

Human constantly attracted to Novelty (NEW). This weakness is exploited by Mutual fund industry to lure investors. They launch NFO every other day to create Excitement to investor.
We must understand that Investment is boring process and not exciting. If you want to get excited then go to amusement park or play sports. 'No fun with money'. It's ridiculous that there are 6000 mutual funds and only 500 good companies in stock market. CAARE criteria filters out all useless mutual funds and select only top performing fund.

If you select mutual funds by CAARE, you can NEVER make mistake of choosing wrong fund...

We have made LIFE easy by CAARE criteria.
You just need to select MF and BUY with AUTOMATIC, EFFORTLESS, SYSTEMATIC investment.

How many mutual funds should be in portfolio?

1. ELSS – 2
2. Large cap-2
3. Mid cap-2
4. Small cap-2
5. Balanced 2
6. Liquid fund-2

Take home message
1. Direct plan
2. Growth plan
3. CAARE to select MF
4. Not more than 10-12 Mutual funds in Portfolio
5. Automatic Consistent and regular investment is more important than running behind HOT mutual fund

How much to invest in each category?

Large Cap: 50%
Mid cap: 30%.
Small cap: 20%
ELSS: 1.5 Lac/annum for tax exemption.

Q. Can I invest in Multicap mutual funds instead of selecting large cap mid cap and Smallcap?

A. Multicap funds are very erratic, they can invest in any cap.
They tend to churn portfolio also. Better to diversify portfolio ourselves 50:50

Q. Should we add international funds to our portfolio for diversification?

A. Wealthcon doesn't recommend. Plenty of opportunities to explore in India itself.

Q. Any additional criteria rather than CAARE for inclusion or exclusion of MF's?

Ans:

Beta, Standard deviation, Sharpe ratio, R Square are just primary ratios.

Two Most important ratio are SORTINO ratio and Alpha.

There is no ideal ratio or cut off.

However, Both Should be maximum within category.

However, everything is reflected in CAARE validate mutual funds.

Ch.6 INDEX MUTUAL FUNDS AND ETFS

Index mutual funds

Index funds are passive funds which are designed to match the returns of a market index like Nifty50 or Sensex. They have very less expense ratio as compared to actively managed funds. They are fit for ultra-passive investor with expected return of 12 % in long term (>7 years)

Exchange traded funds (ETF)

ETF= Exchange traded funds are Mutual Funds which are listed and traded on stock exchange. Traditional mutual funds are not listed on exchange.

Types of ETF -

1. Equity ETF e.g. Nifty bees

2. Gold ETF e.g. Gold bees

3. Debt ETF e.g. Liquid bees

There are other ETF also – Gold share, Bank bees

Both index funds and ETF can be used as passive investment strategy, if you are ready to accept the returns parallel to the markets in general.

Advantages of ETF

1. You can buy ETF via demat a/c and very convenient.

2. You can mobilise money form Equity, to debt to gold very quickly. Dynamic Asset allocation is easy.

3. You can buy ETF via SiP

4. ETF are transparent and you know exact price unit. Traditional mutual funds NAV is declared after market.

5. Fund management charges are minimal

Disadvantages of ETF

Slippage Error. If you want to buy large amount of ETF, says 15-20 Lakhs then liquidity become issue.

Your average price changes when you place market order.

Solution: You can place GTT and Limit order.

What are Nifty bees?

Nifty BeES (Benchmark Exchange Traded Scheme) is an ETF that invests in Nifty stocks in the very ratio in which the index is constituted. Thus, it is a passive investment instrument which trades like a share on the stock exchanges.

What's the difference between index fund and nifty bees?

Index Fund is broad category (like Country).

Nifty bees is subset of index Fund (like state within country)

Is it advised to invest in index funds?

Wealthcon suggest to Buy Large Cap shares, hence, index fund is not required.
However, if someone wants to invest in index fund then he can invest in Nifty and Next 50 Nifty index funds. Look for larger AUM (at least above 100 cr) and minimum expense ratio.

How to choose best index funds? Is there any criteria like CAARE?

Look for larger AUM (at least above 100 cr) and minimum expense ratio.

Q. Does same selecting criteria apply to ETFs like mutual funds?

Yes, Same as CAARE criteria. But, Return and Expense ratio is important than Age and AUM.

Q. What will be the taxation on Nifty bees and Gold bees and Liquid bees?

Nifty bees:

<1 year: 15%

>1 year: 10%

Gold bees:

<3years: Personal slab rate. (30% for docs)

> 3 years: 10% without indexation or 20% with indexation

Liquid bees:

The return is in the form of daily dividends (which are compulsorily reinvested) and not price appreciation. No Tax on the dividend earned till 10 lacs. Thereafter 10%

Q. Which funds give more returns? Mutual funds or equity ETF?

ETF gives return same as index. Actively managed funds gives more return in Bull Market and less return in Bear market than index.

Q. Will the brokerage charge for ETF will be same like stocks?

Yes. Brokerage is same as stocks.

Ch.7 DEBT FUNDS

What is DEBT? DEBT from investor point of view.

Financial markets consist of two segments
1. Equity
2. Debt.

If any company wants to raise funds for business, it can do by two methods (1) Selling Shares (2) Taking loan.
Loan is nothing but Debt.
Similarly, Government and Banks takes loan from investors which is also debt. Investors gives loan to Companies, Banks, or Government, and this is called as DEBT.

This Debt is called by various names PPF, FD, SSY, NSC, Post office scheme, Bonds, debenture

All are same concept interest rate is fixed and Duration of investment is fixed

If all are same why different names?? Investors ko banane ke liye….

Now, you understood various debt (loan giving) items. If you go to invest in each product, it will be cumbersome.
You will have to fill hundreds of forms and your investment record can become a Book.

Hence, Mutual fund manager said, you just give money to me, I would invest into various debt scheme. ... This is called as Debt fund.

Q. Tax liability towards debt fund?

If debt fund sold before 3 years: as per slab rate. 30% max.

If debt funds sold after 3 years, indexation is applicable.
10% without indexation
20% with indexation.

That means you would get 6-7% almost Tax free returns after 3 years.

This is Good avenue of investment for senior citizens

Q. What is difference between various debt funds? Which one is better among all debt fund if someone wants to choose?

Ans: Different names as per their investment methods. Choose as per the needs.

Q. Can we get regular income from debt funds (for senior citizens)?

Ans:
Invest 1 Crore in Debt funds. You would get 60-70 K per month which will be almost tax free after 3 years...
Husband and wife. Total 1.2 to 1.4 Lacs ... May be enough for living as senior citizens...

Q. What are Dynamic bond funds? Are they safer in terms of capital protection?

ANS:
Dynamic bonds also invest aggressively in corporate bonds. We cannot say NOT safe, but, relatively more risky than liquid funds.

Q. If Debt funds are similar to PPF, SSY then why do they have lower returns then PPF/ SSY sometimes. Why return is so fluctuating?

Ans: This is good question.
Debt funds invest in mutual avenues. Debt funds invest mostly in secondary market, which has friction cost.
Debt funds have Expense also. Fund manager takes his salary, which may be crores rupees.

What are types of risk in Debt Fund?

Ans:
There are multiple risks, but main risks are two

1. Credit/default risk
2. Interest rate risk.

Credit risk can be minimised by investing in Gilt Funds and Short Duration funds. Interest Risk can be minimised by dynamic debt fund. But this shouldn't be Goal while investment because you are looking for Capital protection.

Hence, Stick to
Liquid Funds
Arbitrage fund
Gilt funds
Ultrashort Term funds

Q What's credit Risk?

Let’s say debt fund buys bond A in Secondary market at 8% coupon rate.
If interest rate increases to 10%. Now investors will buy Bond B with 10% Coupon rate.
As No one will buy bond A, debt fund will have to sell at discount and yield on bond A is reduced.
LONGER THE DURATION OF BOND MORE VOLATILE BONG YIELD.

Q What is interest rate risk?

If Promoter Company of Bond defaults payments then entire capital invested is gone into drain. Recent example of ILFS default.

Thumb Rules for DEBT funds' investments:

1: INVEST IN DEBT FUNDS WHICH INVEST IN SHORT TERM BOND.

2. DEBT funds like GILT which invest in long term bonds are more volatile. If want to take risk of volatility then you can do it in Equity. We are investing in Debt fund to Reduce Volatility. If that purpose is not achieved then what's use of it.

3. If you want to invest in Govt security to earn interest then buy Govt bonds directly and hold till maturity...

Q. How debt funds returns are almost tax free after 3 years, if we apply indexation?

ANS:
Let's say you invest Rs. 100 at rate 7%. You get Rs. 135 after 5 years.
Cost (buy value) after indexation become 130 (usually 6%).
Your taxable income is just Rs 5.
So tax after indexation is 20% of Rs.5 = Rs 1.

That means it's almost Tax free

Q. Regarding gilt funds which is better short term or long-term gilt funds?

ANS:
Gilt Funds: Choose short duration. Longer the Duration, higher the volatility of interest rate risk

Q. Can Debt fund give negative return?
ANS (Dr Ram):-
YES.
Debt funds are subject to INTEREST RATE RISK and CREDIT RISK.

Q. Sir when is the best time to invest in gilt funds?

I had seen sometimes they have given return of 14% also in a year

ANS (Dr Ram).
GILT funds are debt funds. There are quite safe funds because they invest in Govt bonds. Hence, Credit risk is less. However, Interest Risk always remains in GILT funds. If Repo Rate increases then long term Govt Bond return reduces.
Hence, you should select GILT fund which invest in lesser duration of bonds

GILT funds are suitable for more than 2-3 years duration

Ch.8 ARBITRAGE FUNDS

What is an Arbitrage Fund?

Arbitrage Funds work on the mispricing of equity shares in the spot and futures market. Essentially, it exploits 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 you earn.

Salient features are:
Arbitrage funds are better than liquid funds in terms of taxation
6 to 8% returns
Short term capital gains tax 15%
Long term capital gains tax 10% above 1 lac per annum
Exit load is charge if you exit in less than one year. It ranges from 0.5 to 1%.

Who should invest in arbitrage funds?

To park money for short term while awaiting investments in equities. After sell AF money will be deposited in bank within 2 days.

Arbitrage funds vs liquid funds vs bank FD

Taxation

Arbitrage: has better post tax returns

If you sell in less than one year - 15% Short term capital gain.
If you sell after 12 months - long term capital gain. 10% (above 1 Lac gain)

Bank FD:
Personal slab rate ...up to 30%

Liquid fund:
If sold before 36 months-- Personal slab rate...up to 30%
if sold after 36 months - 10% without indexation / 20% with indexation.

Parking money for short term;

Safety wise: arbitrage > liquid

Post tax returns: arbitrage > liquid

Taxation on Arbitrage funds:

These funds are treated as equity funds for the purpose of taxation.

If you stay invested in them for a period of up to 1 year, you make short-term capital gains (STCG) which are taxable. STCG are taxed at the rate of 15%.

If you stay invested in them for a period of more than 1 year, the gains will be treated as long term capital Gain. LTCG in excess of Rs.1lac is taxed at the rate of 10% without the benefit of indexation.

Arbitrage schemes were earlier treated as equity schemes for the purpose of taxation. This means, they used to enjoy zero tax on long-term capital gains earlier. This tax advantage made them the favourite of mutual funds investors, especially those with huge amounts to park for a short period. After the re-introduction ofLTCG tax, long term capital gains of above Rs 1 lakh in a financial year are taxed at 10 per cent.

Arbitrage Fund: Investment horizon:

Arbitrage funds may be suitable for investors having a short to medium term horizon of 3 to 5 years. As these funds charge exit loads, you may consider them only when you are ready to stay invested for a period of at least 3-6 months.
Please understand that fund returns are highly dependent on the existence of high volatility
In absence of volatility, liquid funds may give better returns than arbitrage funds over the same investment horizon.
Hence, you need to keep the overall market scenario in mind while choosing arbitrage funds.

Ch.9 DIRECT VS REGULAR PLANS

Regular plans - are sold by distributor/agent, in which they will receive commission from the Asset Management Company for selling plans. This commission goes from your pocket as the expense ratio is higher

Direct plans – no mediator is involved as we buy directly from the AMC, so we save commission which results in lesser expense ratio and hence better returns.

Returns of direct plans are always better if we know how to choose mutual funds. The difference in the returns of direct and regular plans is 1- 1.5 %
When your portfolio of funds crosses 1 CR, your loss will be 1- 1.5 Lakhs each year.

EXPENSE RATIO OF DIRECT VS REGULAR
Whatever TER of direct plan may be it will be ALWAYS & ALWAYS less than Regular plan"....
always a difference of 40 to 50 percentage in total expense ratio.

Q. Why NAV of direct mutual fund is higher than regular Fund?

Ans:
Few year ago Dr Ramakant wanted to buy a house.
He approached to an agent. A house was finalized in a newly constructed building. Builder gave Quotation of house at 1.1 Crore. Agent and doctor left builder office. After an hour, builder called Dr Ramakant and informed that if customer buys house directly from builder then he would sell house at Rs 1 Cr.
This is what happens. Commission based Regular plan NAV is less because of CUT. (Similar to more price of house if agent is involved)
Direct plan NAV is more (Similar to less price of house if bought from builder directly)

Q. Does the advisor continue to receive commission even after stopping the SIP of regular mutual fund?

Yes. Advisor will be continuously getting commission till you completely redeem all investment even if you stop fresh SIP and keep your previous investment amount without redeeming.

Q. Should I switch over from already invested money in regular fund, to direct fund?

KISS principle (Dr Amar Udare)
Do not think too much. Even if you don't understand the technicalities of the NAV it's a simple concept. Agent commissions are not involved in direct plan so you get more money.

Now **detailed technical answer** which is not needed:
Most direct funds started after their regular counterpart. So you cannot compare the NAV of regular and

direct plan. All mutual funds start with base NAV of 10. Then as per growth of portfolio it moves in either direction.

Compare the GROWTH or DIFFERENCE between direct plan and regular plan to understand the absolute difference in returns. NAV value should mean nothing to investors. So ignore the actual value. The difference is the growth of the fund.

Don't **lose sight of the forest** for the **trees.** Samaj mein aya to thik otherwise simply continue direct plans.

Why should we pay more per unit of Direct MF?

Q: When we invest in a mutual fund by direct route, we get it at a higher NAV as compared to regular? But we pay more per unit?
Answer (Dr Ram). This is exceedingly important question.

Before we discuss further, let's understand concept of Investment and Expenses.
A bought mobile at Rs 30000.
B bought 10 grams of Gold Coin at Rs 30000

what's difference here?

A has bought Expenses. He paid Rs 30K which is End value. His entire 30 K would be consumed over few years and become Zero. Hence, Difference between Zero and End value (Buy) is spending.

B has bought investment which is Starting Value (30K). When B sells gold coin at higher value (50K) which will be End Value. The difference between End Value and Start Value is profit in the investment. (50-30=20)

In nutshell, we must consider buy value as Starting value in case of investment.

Let's go to Regular plan and direct plan.
NAV of regular plan is less because agent has eaten some portion of NAV.
Less NAV doesn't mean regular plan is cheaper than direct.

Profit is the difference between selling price and buying price.
Difference can be widened by Speed (rate of return).

Profit is distance
Rate of return is Velocity (Distance/time)

CAGR= Profit/Time

If rearrange equation.

Profit = CAGR × Time.

Hence, it proves that if you want to get more profit you should have more CAGR and More TIME... (I hope, I am not bombarding Maths 😁)

Example
Mr D bought Direct plan at NAV 120
Mr R bought regular plan at NAV 100
Same day and Same MF.

After 7 years NAV of direct fund will be 260 while NAV of Regular plan will be 200
if you calculate profit

Direct, 260-120= 140
Regular 200-100= 100

Q. what is the difference in commission between direct and regular funds?

Commissions we pay...

Invested total amount
(assume 10 lakhs)

In Regular MF investment -
Expense ratio 2%
You are paying 20000 per year (10000 to fund house and 10000 to agent)

In Direct MF investment -
Expense ratio 1%
You are paying 10000 per year to fund house only

You are saving 10000 every year in direct MF..
As investment grows the amount commission per year also grows...

Plan investment in direct share once experienced and MF portfolio growing bigger.

Ch.10 ASSET ALLOCATION

What is asset allocation?

You eat Protein, Carbohydrate, Fat and Vitamins in diet.
Balanced diet would have all components in specific proportion.

Similarly, there are four type of assets GOLD, REAL ESTATE, EQUITY & DEBT. We call it GRED formula.

GOLD: Coins, jewellery, gold bonds
Real Estate: All property
EQUITY: Shares
DEBT: Bank FD, PPF, NCD, Seniors Citizens Scheme, BONDS

(Please note that Mutual funds are packaged products which has above components. It's not separate asset class.)

Recommended GRED ratio:
For young person (< 45 years age).
GRED 10:40:40:10
For Senior Citizens (>65 Years)
10:40:10:40
Debt proportion is more than Equity.
Middle age (45-65): Middle of above formula.

Above proportion is arbitrary.

■Principles of asset allocation■

1.Young person should have more investment in Equity.
2. Old person should have more investment in Debt
3. None of single asset should have more than 50%. Most of the people have 90% assets in Real Estate, it's incorrect.

It is not compulsion. Do not mix multiple Mutual fund products.
If one wants simple investment for long term in equities (more than 7 years), invest 50 percent in Nifty index and 50 percent Nifty next 50 fund.
Otherwise use large cap (60pc) and small/midcap funds (40pc).

How much to invest in debt and equity oriented funds?

Depends on age and risk appetite, general rules are as above

Q. If investment horizon is 10 years and plus, Should we rebalance portfolio annually for maximum return

Passive investors: Sit tight till Time based goal is achieved.

Active investors: Dynamic assets allocation amongst GRED. Active investors can capture cycles of various asset.

Q What are the indicators to switch funds?

A fund constantly underperforming as compared to peers for 1 to 2 years is indicator to switch to better funds, otherwise stay put.

Q How frequently should we monitor mf portfolio?

Once in a year is enough for passive investor.

Q How to protect capital in equity mf once we are nearing our goal?

Shift gradually from equity to debt/savings account as the goal gets closer to avoid short term volatility.

Ch. 11 MUTUAL FUNDS TAXATION

What are Tax implications on MF redemption/exit?

On redemption of mutual funds we have to pay capital gains tax (if there is capital gains)

What is capital gain?

Capital gain is a rise in the value of a capital asset (investment or real estate) that gives it a higher worth than the purchase price. The gain is not realized until the asset is sold. A capital gain may be short-term or long-term and must be claimed on income taxes.

Capital gains are defined as short term and long term as follows:

Funds	Short-term gain	Long-term gain
Equity funds/ arbitrage funds	Less than 12 months	12 months and more
Balanced funds (equity-oriented)	Less than 12 months	12 months and more
Balanced funds (debt-oriented)	Less than 36 months	36 months and more
Debt funds	Less than 36 months	36 months and more

Calculation of Capital gain tax

(Source: cleartax.in)

1. Equity funds, arbitrage funds and balanced funds (equity-oriented):

STCG tax = @15% on short term capital gains
LTCG tax = @10%. If the capital gains exceed Rs 1 lakh a year

(For instance, if the long term capital gains are Rs 2.1 lakh. only Rs 1.1 lakh will be taxable and Rs 1 lakh will be exempt. Hence the total tax payable on the gain will be Rs 11,000 (10% of the gain of 1.1 lakh).)

2. Debt funds and balanced funds (debt-oriented):

STCG tax = short-term gains added to overall income and is taxable as per the income tax slab you fall under

LTCG tax = 10% without indexation / 20% with indexation. (*Indexation is a method of factoring inflation from the time of purchase to sale of units.)*

3. SIP:

The taxation of SIP investment is done on a pro-rata basis. Each SIP, treated as a new investment, attracts taxes on its gains separately.

***Gains made before 1st February, 2018 are also exempt from tax.**

Securities Transaction Tax (STT)
Apart from these, there is another type of tax called the Securities Transaction Tax (STT). An STT of 0.001% is levied by the government (Ministry of Finance) when you decide to sell your units of an equity fund or a hybrid equity-oriented fund. There is no STT on the sale of debt fund units.

Tax Harvesting? Is it worth?

Q. In mutual funds to reduce LTCG load, heard about harvesting the gains once in a year and to reinvest. But when we sell a MF investment expense ratio will come into action? So is this effective to maximize returns of mutual fund? Or to just keep doing sip for 5 or more years and later do SWP?
Opinions please.
Ans:
Churning is advised by agents to keep doing something.
Only 1 Lac LTCG tax is exempted, that means only Rs 10000 tax saved by churning portfolio.

Following are technical difficulties:
To get 1 Lac capital gain tax you will have to sell funds of much more value may be 5 Lac or 10 Lacs.
It takes 2-3 days to get money in your account.

Let's say you sell 10 Lacs fund , If you invest that proceed after 3 days and during that period market moves higher (let's say 2%) then you lost 2% gain (Rs 20000) to save Rs 10K.
Exit load and other charges are extra in addition to above loss.

We wouldn't recommend to do such gymnastics of HARVESTING GAIN to save long term capital gain tax.
Stay invested till your goal is reached.

However, booking loss to save tax is different concept, which is done with proper calculations.

Ch.12 ONLINE PLATFORMS TO BUY DIRECT MUTUAL FUNDS

List of **free DIRECT** mutual funds platforms and there (dis)advantages:

1. I**ndividual mutual fund houses** - Cumbersome if you hold multiple funds.
2. **KARVY, CAMS** – they are registrars serving mutual funds houses, Not all fund houses are available. You can avail services at their offices for direct investment (if you are not comfortable with online) redemption, Stopping SIP, altering bank mandate etc.
3. **MFU** - **The best platform** as it is associated with most mutual fund houses and will most probably continue to be free in future, **recommended by Wealthcon currently.**
4. **Kuvera** - Good UI and reporting, easy to switch from regular to direct through it as it tells you the units which are out of STCG tax and exit load.
5. **Clear funds**
6. **Groww**. - Good UI
7. **Coin by Zerodha** – mutual funds units will be in demat form like shares. Convenient if you are already investing in direct shares.
8. **PaytM money** - New kid on the block so not a lot of people are aware.
9. **ET Money** - Have not used this

MFU will probably remain free as all MF companies contribute. Private companies other than MFU have to make money somehow so they might change their fee structure.

Wealthcon 1st Choice is respective AMC and MFU
Second choice is Zerodha, PaytM, Kuvera....ALL Are more or less SAME

Q.Is Zerodha and Zerodha coin are one and the same?

Zerodha is discount broker. Kite is their platform for equity and commodity. Coin is their platform for mutual funds.

Q. Any specific advantage in the format of holding of mutual fund? (Demat/ Non demat)

No

Q. MFU is complicated to use, what to do?

If People find MFU is very complicated and user unfriendly, then they can use Zerodha. It's also free but very convenient. Although it's not the BEST platform, but, easy.

Only issue with Zerodha is that you need to keep funds available for SIP. It's not that difficult step also just 2 min procedure in a month. One can definitely spare 2 minutes...

Q. Which platform is recommended?

First choice: MFU and websites of respective AMC

Second choice: Zerodha, PaytM, Kuvera, ET money. Many more

Don't waste too much energy in finding BEST of the Best platform. Otherwise, you would miss Jungle for

tree.
Use more time to find good mutual funds and shares

Q. Why MFU is the preferred platform as of now by Wealthcon?

Remember you are going to create wealth over your lifetime which will be lakhs and lakh of rupees (crores for most of us)
I would prefer to cross the initial hurdle of opening an MFU account for long term peace of mind
PS- I and no other Wealthcon members are affiliated to MFU. The model of MFU is such that it will probably remain free.
We don't know if they will start charging at some point. But chances are low.
The other advantage is that you do not get fancy newsletter, ads and pushy messages from them

One important thing to remember is that ALL SEBI approved platforms are SAFE. Your money is never with the platforms. It goes to the mutual fund house directly like ICICI HDFC. It is a matter of fees and convenience

MFU in its current form is not as convenient as others but it has almost all mutual fund houses. The user platform will improve gradually.

Q. Which App provides Auto debit facility for SIP in mutual funds?

As of Now Zerodha doesn't have direct bank to MF buy facility.
MFU and other Platforms has that facilities

Ch.13 MUTUAL FUND UTILITY (MFU)

Q. what is the procedure for making account in MFU?

The sequence of account opening is-

1. Login to mfuindia.com
2. Generate CAN number using the complete ECAN option.
3. Wait for confirmation email.
4. Login to https://www.mfuonline.com/onlineLoginCreation
   Use this link to create username and password for your CAN.
5. Transact via mfuonline.com or goMFU app using the created username and password.

- To convert regular to direct plan wait 12 months from the DATE of last SIP and then switch via the app or website.

IMPORTANT LINKS:

Q. What is MFU?

https://www.mfuindia.com/SystemFAQ

Q. What is ECAN?

https://www.mfuindia.com/eCAN-FAQ

Q. What is EPAYEZZE?

https://www.mfuindia.com/ePayEezz-FAQ

Q. What is EPAYEEZE limit of 1 lakh?

This means total max ECS amount is Rs 1 lakh/day including all auto debits through epayezze on that day

Suppose you want to lump sum purchase of more than one lakh in a single day, then it won't be possible through epayezz mandate as its limit is upto 1 lakh

Though it will always be possible through net banking through MF U site.

Q. How to contact MFU to help opening account?

You may call us at our Customer Care at +91 22 6134 4316

Q.I have few queries n filling payeez form.

1. In debate mandate section which date should I mention??Actual date when I will submit the form??
2. in amount column: what figure need to be mentioned??
3. in period column: what date need to be mentioned?? From to??

Ans. (Pradeep S)
Date is date of submission of form

Amount in words – Please specify the Maximum Amount limit (in words) you want to set in the PayEezz. You can set up the PayEezz for any amount. This is the per day limit for all the cumulative debits made to the account

Period from – Please mention the from date from which the mandate has to be registered.

Period to – Please mention the to date till which the mandate has to be registered. Else, tick 'Until Cancelled' check box.

Q. How to track portfolio gain/ loss for MFU? MFU doesn't show that how to track each fund.

You can import your portfolio to valueresearch.com
it will show everything- Profit, loss, LTCG, Etc.
You can go to the valueresearch.com
There is an option to import the folio in PDF or Excel.
Below that there is a page that will lead you to KARVY/CAMS platforms and by entering your email ID, you will receive your portfolio on email ID
just download it and then upload on valueresearch.com

Q. in MFU online, SBI small cap fund and Reliance small cap fund are not available?

Because they are only available for SIP and not for lump sum

Q. Can I increase the ongoing sip amount in MFU?

No you have to stop and create a new one

Ch.14 SWITCH FROM REGULAR TO DIRECT PLANS FAQS

Rules for switching mutual funds:

1. EQUITY --> EQUITY: invest LUMSUM
2.Active income / DEBT-->> EQUITY: Invest by SIP.

1. When someone sell mutual funds or shares and want to invest in Mutual fund or shares - IT HAS TO BE LUMSUM, otherwise you would lose opportunities.

2. When one earn money from work or get money from Debt instruments and he wants to invest money in Mutual funds or shares, then investment has to be via SIP.

But, please make sure that when you are switching from EQUITY to EQUITY, it has to be LUMSUM and immediate as soon as you get redemption money in your bank account

Q. How to switch the regular funds to direct, which I have already bought?

Stepwise easy guide to switch from regular plan to direct plan of a mutual fund:

Step 1.Stop regular SIP stat

Step 2. Start direct SIP in same mutual fund scheme simultaneously

Step 3. After 1 year of last SIP instalment, redeem all regular units and invest lump sum in direct plan of same mutual fund or different one if you choose.
Redeeming after 1 year means you will save exit load and STCG tax on equity mutual funds.

For debt and ELSS, it's 3yrs instead of 1 year.

Q. How to stop SIP? What is the process of redemption?

If the sip was started online you may login to the website of MF and choose cancel SIP option
OR
You can download the SIP cancellation form also called the appointment form, fill and send to the MF Company. Form can also be collected from city office of the AMC or RT agent of the AMC.
Time taken to stop is 30days approx.
OR
you can intimate you bank to stop SIP payment
2 successive non-payments of SIP leads to automatic cancellation of SIP. AMC doesn't penalise BUT the bank may if you stop ECS or auto debit without informing them

after stopping the SIP exit only after 1yr from date of last SIP. Simultaneously Start Direct Growth option MF

Redemption process:

Redemption takes 4 working days.
1. Stop regular sip takes 3 weeks
2. So sip which falls within 3 weeks of cancel request will be deducted
3. Once cancellation is confirmed, if sip is beyond 3 weeks start online direct sip either first instalment stat (Kuvera compulsory first instalment stat), Mf individual sites have option of stat or date of start of sip. Use it.
If sip within 3 weeks then let it pass and then give request of direct from next month.
4. Then redeem after last sip and whenever you get it put lump sum in your selected funds.
5. Switch option in KUVERA can be used, but need that many points on Kuvera or buy it, if possible, use it stat. We will lose some minimal NAV due to time lag at each point. But switching to direct, long term sonchenge toh losses are absolute minimum.

Q. Can I switch to direct plan of same mutual fund without redeeming so as to escape exit load and STCG tax before 1 year?

Please understand for all practical purpose **SWITCH = REDEEM** (even if its same mutual fund scheme) When u shift it is always sell and buy, so capital gain tax and exit load applies accordingly to each unit of MF.

Q. what are the charges/ load/ taxes applied while switching to direct plan?

For this **First in First Out method** is considered, which means:
All units purchased within last 1 year will attract Exit load and STCG.
All units which are more than 1 year old shall attract 0 exit load and 10% LTCG tax

Q, Is there any option to convert regular plan sip to direct plan sip without redemption?

Ans (Dr Ram) is their option to marry second wife without divorcing first? NO.
As per Hindu Marriage Act, one cannot remarry (legally) without divorce of first.
Same is applicable to Regular plans also!! ..
Redemption is inevitable

Q. How to transfer ELSS from regular to direct plan? Do we need to wait for 3yrs?

In SIP, each instalment is considered a separate investment. And duration for redemption or conversion to direct plans is calculated for each SIP separately.
So if you want to redeem the first sip after 3 years in an ELSS you can do so. But redemption of rest of SIP instalment will not be possible.
Finally, to avail benefit of power of compounding, these investments should be held as long as possible.

Ch. 15 RETURNS OF MUTUAL FUNDS

We invest to earn returns so understanding investment returns is quite crucial to becoming a better investor. Investment returns can be calculated in different ways.

1. Absolute returns:

Absolute Returns % = (Current Value - Invested Value)/Invested Value * 100

Example: If you invested Rs 10,000 and now its value is Rs 11,000 then your absolute returns % is (11,000- 10,000)/10,000 * 100 % = 10 %

Note that in calculating absolute returns, there is no relevance of the time it took to get those returns. In the above example, the investment of Rs 10,000 could have become Rs 11,000 in 1 year or in 10 years, the absolute returns % remains the same i.e. 10%.
However, earning a total of 10% in 1 year is very different and much more preferable than earning the same amount in 10 years.

2. CAGR (Compounded Annual Growth Rate):

Hence, in order to distinguish the two, we need to measure 'returns per year' or annualised returns. This return calculation is known as CAGR (Compounded Annual Growth Rate).

If absolute returns are like the distance travelled by your investment, then CAGR is the speed with which your investment has travelled or grown.
The CAGR accounts for the tenure of the investment period and thus gives a more accurate and comparable earnings percentage. CAGR is calculated as below:

CAGR (%) = Absolute Returns / Investment tenure (years)

For instance, we have two investment options, one wherein you earn absolute returns of 10% over 20 months and the other wherein you earn 5% absolute returns over 10 months. Now, in order to decide which option is the best, you will calculate the CAGR for both and then you can decide which one is better of the two.

For option one: CAGR = 10%/1.67 (20 months/12 months equals to1.67 years) = 5.98%
For option two: 5%/0.83 (10 months/12 months equals to 0.83 years) = 6.02%

For evaluating how your investments are doing, look at the CAGR, not absolute returns, especially if you have been investing for more than a year.

3. Internal Rate of Return (IRR/XIRR):

For a Systematic Investment Plan (SIP) investment in mutual funds we need a generalized CAGR wherein each instalment is considered as a separate investment to derive at an overall annualized return percent. The generalized CAGR is also known as the Internal Rate of Return (IRR).

Q. What is difference between IRR and XIRR? How to calculate?

Calculation of XIRR (Extended Internal rate of return) in case of IRREGULAR (different time periods) cash flows

Calculation of IRR (Internal rate of return) in case of regular cash flows.

Excel has both formulas for calculation. For XIRR, You feed all your investments as negative values with dates in Excel sheet and then last day total asset as positive, then use XIRR formula.

Q. Which return of mutual fund we should look into- XIRR or CAGR?

XIRR is actual return you are getting. XIRR is prospective calculation. Say after 5 years of SIP, what returns your mutual fund is giving you? XIRR is decided by Entry and frequency of individual investment.

CAGR is one which mutual funds sites provide which can be checked retrospectively. Site will give you CAGR. XIRR is prospective calculation; you will get after starting your MF investment.

Conclusion:
To check the returns of your current portfolio= see XIRR
To compare different mutual funds or investments= see CAGR

XIRR is different for different investors, but CAGR of fund is same for all investors

Q. How to calculate Absolute return and CAGR of my mf investments?

You calculate the following as per the requirements:

XIRR. = for investments via SIP
Absolute returns = for investment less than 1 year
CAGR =for one time lump sum investment more than a year.

Now pertaining to your question
Absolute return- [final amount (-) initial investment/initial investment]*100

CAGR: all mutual funds returns mentioned on websites are CAGR for that particular timeframe

Q: How much should be IRR / XIRR to consider investment is good?

Answer (Dr Ram):
Important question.
Whenever we invest in any asset we should expect certain return.
Expected return can be decided by a formula called Capital Asset Pricing Model (CAPM)

Expected return= Risk Free returns + Risk Premium
Risk free return: 8% in FD, PPF or Bonds.
Risk premium has to be at least 4%.
That means when you are investing in any Equity Mutual fund or Shares, you must get at least 12% CAGR. IRR/XIRR are calculations of CAGR hence, one should expect IRR /XIRR at least 12% in long term

If you are not getting at least 12% XIRR after 7-10 years then your portfolio is not giving expected return.

Note: Short term IRR/XIRR may be less, or negative also.

Ch. 16 SIP FAQs

Q. Which is better? Monthly, weekly or daily SIP?

Studies show that in long run we do not get added advantage by weekly or daily SIP. If period of investment is long like 10 years monthly sip captures nearly all long term movements in market. So monthly SIP is sufficient for risk management we are trying to do. Also monthly sip easy to track as compared to weekly.

Q. How to distribute the total amount you want to invest through SIPs in different type of mutual funds?

Ans.

50%in MPTDS Large cap stocks or else in Large cap Mutual Funds
and 30/20%in mid and small caps sorted by CAARE criteria

2 ELSS
2 Midcap
2 Small cap

This is a simple yet effective start to equity investment with adequate diversification and chance of wealth creation. As you go along financial knowledge spectrum you will find your own perfect balance

My question is. Should I withdraw the amount and put in other direct growth option. Or let it remain in mf, and start new direct growth...
What happens to our money in mutual fund if we stop it but don't withdraw the amount for say 10 to 15 years?

There is a trail commission and upfront commission. Approx. 0.5%to 1% divided between both. So trail means as long as you stay invested.
So better switch ASAP.

Q How to stop SIP started before?

To stop sip...

It depends upon whether it has been started online or offline.

If offline, then u have to submit form for stopping sip, available on cams/karvy website physically.
Or just register online with respective mutual fund with folio no and follow steps. Then go to the cancellation of SIP

If started online, then u can stop it online.

Q. Any idea about SIP + Term insurance combination? Shall we opt for it?

AMC houses offering insurance is pure industry gimmick
Motive is to keep investor glued to the same MF because insurance cover is valid only if you stay with same house. Cover offered doesn't serve any defined goal.
Free lunch may later on prove cost ineffective...If company introduces charges later...WHO KNOWS
Soon every AMC will come out with insurance.
Investment and Insurance are two different subject matters. They should not be mixed.

KISS principle: More complex an Investment Scheme looks or sounds, farther you should run away from it

Q. Why MFU not accepting my SIP date?

SIP needs to be registered with a gap of at least 15 days prior to sip date.
E.g. for sip starting on 20th of a month I need to register it before 4th of that month on MFU.

Ch.17 RISK MANAGEMENT

Q. What are 3Ds of risk management?

Diversify (Diversified portfolio) = diversification across market cap,
Wealthcon prescription is 50% large cap funds/shares + 30% midcap + 20% small cap

Dip buying (SIP) = keep buying via sip irrespective of market conditions

Duration = should be long at least 7 years for equity investment

Q. Timing the market?

Although, it's difficult to Time the market, we can use some Thumb rules.
NIFTY PE above 28 is Alert to Sell
Nifty PE Above 29 is To Sell high beta stocks and Mutual funds.
Nifty PE above 30, is to get rid of maximum stocks.
Nifty PE above 31 Dump all.

When you sell shares/mutual funds - Sit on Arbitrage /Liquid funds.

Market tends to be in the normal range of PE between 20-25. That's Buying Zone.
Nifty PE above 28 is Abnormal

A simple way is to switch a portion of the corpus when Nifty PE rises
Every 1 point rise above 25, you transfer 20 percent to liquid funds and switch back
So at 26 you transfer 20 % to liquid funds
27 - 40
28 - 60
29 - 80
30 - 100 (Has not reached this level yet I think)
And vice versa when it drops
Mind you these are levels for long term investing.
If your goal is near you should transfer gradually to fixed income irrespective of the PE.

How to protect large mutual fund portfolio from market fluctuation?

(Dr. Rajendra Bhatiya)
1. Anyone with long term goals: stay put and continue with asset allocation
I had a portfolio of about 8 lakhs in mutual funds in 2008, which went down by 50 per cent but recovered well and I had good returns by 2012 when I withdrew for my goal.

2. If your asset allocation is good I.e. Debt and Equity are balanced according to your age, time and risk appetite. You are already protecting your portfolio! The impact of equity fall will already be limited.

(Please note I avoid terms like beta of portfolio and that of nifty etc.)
3 if you are having a portfolio equity oriented then try to buy more on dips and balance it with Debt.

4. If goal is near say 6 months to 1 year then try options of nifty to protect downside like buying puts, selling calls provided you know about.

Q. What % drop in NAV should be significant enough to invest lump sum?

Ans:

(Pradeep S)

Let us start with a caveat, "It is impossible to time the markets". Irrespective of your judgement, finding market bottoms to invest and finding market tops to sell are next to impossible.

But you can use the P/E ratio (price to earning) as a benchmark. While calculating P/E, consider the earnings of the last four quarters. Projected earnings can be at times misleading. Over the last 20 years, the Nifty has created a long term bottom around 10-12 times P/E and long term tops at around 25-28 times P/E.

Your decision to invest your lump-sum money can be driven by whether the Nifty P/E is closer to the lower end or the upper end. If you buy equity mutual funds when the P/E is around 14, then you stand a better chance of ending up profitable rather than if you invest when the P/E is closer to 22. Either ways, you need to invest for the long term (minimum of 3 years).

Ch.18 INVESTMENT PSYCHOLOGY

Stages of market downtrend.

Stage 1. FII start selling: They have their own agendas. DII try to balance selling force.
Stage 2: Traders and Active investors start selling, DII continues to buy.
Stage 3: Retailer investor start pulling out shares.
Stage 4: Mutual fund redemption starts and panic become full force. Everyone is selling.

Retailers are last to join sellers. Thereafter, there are No sellers.
FII start buying again...

What should Wealthcon Informed Investors (WII) do?
1. Accept the fact that market is overweight and its correct weight is 9000(Nifty). Bear phase means Opportunity to buy at discount. We are waiting correction since 2 years. And, if comes it's time to rejoice.
2. Start buying shares of blue chips. Buy Mutual funds via SIP.
3. Chant a mantra Buy from Panic and Sell to Manic, 101 times a day.
4. Block TV channels and stop reading message in market hours.
5. Uninstall application of broker from mobile.

FEAR & GREED

(Dr. Vivek shah)

Choose your poison:
Fear and greed are most important drivers of market. It's important to figure out which is bigger issue for you.
Dictum. Pain of loss outweigh the pleasure u get from gains.

So for fear: you can manage your portfolio to reduce the pain that you can manage during market downturn. U will be more Conservative with your investments. You may miss out some gains when markets rises but u know your risk is reasonable.

So for greed: what if u can't stand by side-lines when having one's and two when your neighbour is hitting fours and sixes. So if u pursue aggressive investment strategy you will always be positioned for bull Market. But u will suffer the brunt of next downturn.

Conclusion: you will never have it both ways.
Building a strategy that leans towards managing fear is fine.
Building a strategy that leans towards managing greed is also fine.
Each has its benefits and penalties.
Aim for balance between that truly reflects your own emotional strengths and weakness. So that u won't feel compelled to jump in and out of markets shifting back and forth between more aggressive and more conservative approach.

You can't have it both ways. And yet most of investors try to do all the times. It's an impossible strategy.

DEBT Means DEATH

(Dr Ram)

When I read the news of Mr VG Siddhartha's (owner or Cafe Coffee day) unfortunate incident, it was downhearted feeling. We have sympathy with his family. Having said that, it's prudent to learn the dragon of debt. Debt killed Siddhartha.

We study D/E ratio of companies, similarly we should also study our OWN Debt/Equity ratio.
It's prudent to find the type of assets in asset column.

Type of assets:

1. True assets: Shares, Mutual Funds, land, Real Estate, Gold Coin

2. Pseudo-assets: House, Jewellery, ignorance policies

3. Depreciating assets: Car, Computers, Mobile, Gadgets

If you have D/E ratio >0.3 and your assets are Pseudo asset or Depreciating assets then you are in DEBT trap.
If you are paying >50% of active income as EMI, then you are in DEBT trap. You are indentured labour or Slave of banks.

What to do?

(Dr. Ram)

Q. I have just made my portfolio in MFU by Wealthcon guideline. It has gone down. What to do?

Equity investment is long term investment (>7 years), one cannot evaluate it within few months
Market can't go unidirectional and only upside. It has to go zigzag curve. It has to correct 20-30% from peak.

When market goes down it's time to Buy and when market goes up, it's time to Sell.
But for strange reasons retail investors do exactly opposite.
They sell when market goes down and buy when market is at peak....... Hamesha No entry road se drive karte hai

First thing in investment is KNOW THYSELF
Second thing is KNOW MARKET
Third thing is ACTIONS
Only Actions gets result. Rest everything is Entertainment

If there is market correction, it's time to Rejoice and Buy more Shares for long term. Such opportunities come very rarely.
Chant these 2 Wealthcon mantra 108 times daily.

1. **Buy from Paniac and Sell to Maniac**

2. **Shares means Seven Years investment**. (It applies to Mutual funds also)

True Wealthcon members don’t get panic in market correction.

Dr Ram
Wealthcon Founder

Q: Have invested lump sum amount is some balanced funds which were in negative after market crash, Now showing some positive returns, My query: Is this is the right time to withdraw now considering future uncertainty And reinvest in liquid fund. Experts please opine
Answer:

This is a great question and almost each member must be facing this dilemma. Let me clear doubt once in for all. This a paradox of human. Actually, it's the Monkey mind which causes real trouble.
Investors (monkey mind) are patient in holding losing positions while impatient in gaining position.
They wouldn't tolerate Gain. Green position dikhega to mann □□□□□ □□.

Answer to above question is to ask questions yourself.
Is your target /goal of investment achieved?
If answer is YES then Book profit.
If answer is NO, then keep Quiet and enjoy bull ride.

Above is Easier to say but difficult to implement. Hence, I recommend practical solutions-

If you got irresistible impulse to book profit, then sell a part of position (may be 20-25%). □□ □□ □□□□□□ □□□□□□□) 😁. 🐒 Monkey mind shall keep quiet.
If market goes down, you would say “□□□□□ □□, I am came out of market (at least partly)"
If market goes up, you would say “□□□□□ □□, I am in the market (at least partly)"...

In both cases, HOWDY MARKET?
--- □□□□□□ □□

I always say, ***Investment /trading means 80% psychology and 20% knowledge**.-- Dr Ram

Ch. 19 Senior Citizens Investment

Q. My parents are 68 year old. They have large corpus in FD and pay 30% tax. Where should they invest?
ANS (Dr Ram):
Around 65 years, most of the liabilities are met.
Thereafter, Wealth creation shouldn't be the goal of investment.
Wealth protection should be goal. TAX & INFLATION are two holes of wealth erosion.

WEALTH PROTECTION Products are DEBT MUTUAL FUNDS, ARBITRAGE Funds, and Conservative Hybrid funds.

FD can be used for short term (few months), but, it's not good for long term.

Senior citizens should not invest heavy corpus in stock market. Small portion (10-15%) can be invested in Giant cap companies.

What senior citizens shouldn't do?

Senior citizens shouldn't invest in
- Trading
- Future and Option
-Ponzi schemes
- Small and mid-cap stocks
- Insurance policies for investment

(Dr. Amar Udare)
I did the research for the same for my parents who are retired. Divide the corpus into following investments
1. Use savings account with high interest rate. For e.g. Kotak, Yes bank. 6%
2. Keep significant corpus in a savings account/ FD in a bank which is easily accessible, even on Sundays. This is for any medical emergency.
3. Invest in Senior citizen savings scheme. It gives good assured returns of more than 8.5%. Money is transferred quarterly to bank account
4. Invest some amount in a conservative balanced fund. This depends on comfort and knowledge of mutual funds and can be avoided. The above three options are good enough
There are other options like Post office schemes PPF etc. But after research I have found that these are the best avenues. Preservation of capital is more important at that life stage

APPENDIX ARTICLES

■WEALTHCON GUIDELINES ■

- Ignorance Policy(insurance policy) ✕
- Regular plan mutual funds ✕
- New Fund offer ✕
- Sectoral Funds ✕
- Direct plans of Diversified Mutual Funds ✓
- Direct shares✓
- Future n Options (Only after one year of experience in share market and adequate training)✓

***Direct Share** investment is ultimate goal of Wealthcon*
However, Mutual funds are recommended for beginners, just to get entry in the equity market, till they get experience. It is easy to study Shares than Mutual funds hence members can give more time to discuss shares. There are only 100 good companies in India but 6000 plans of mutual funds.

Insurance policy
Insurance Policies for investment shall not be discussed in groups*. Reasons, (1) they are not worthy to discuss also. (2) Novice members may buy policies just because it is being discussed in groups. Such cases have happened in past.
Insurance policies are useful only for risk cover. Nothing else

New Fund offer
New Fund Offer is a player who has not played any game on cricket ground. But, he played some cricket video games on mobile. Would BCCI select such player in cricket team??
Obviously, NO.
Then why you want to invest in NFO. Let NFO play some matches at state level then we can invest

Sectoral funds
If any Sector is good to invest then Fund manager of Diversified Mutual fund would invest in that sector. If you are expert to study Sectors then why do you want to invest in MF, you can buy Shares of top companies in that Sector.

Its trend to Make Finance complicated. However, we want to make it Simple and Easy. Eliminate clutter to see clear picture.

PRIMARY MARKET VS SECONDARY MARKET- Dr Ram

If you want to be successful investors and earn passive income you must understand the concepts of primary and secondary market clearly.

Let's begin with a story.

Mr Rahul is a farmer. He planted mango trees and raised with due care. After harvesting, he sold a ton of mangos to a trader Mr Naren. THIS IS PRIMARY MARKET (where Producer is seller)

Mr Naren sold mangos to Many other people like Mr. Arvind, Mr Arun, Mr Amit etc. Some of them bought mangos for consumptions, while some of them bought for Reselling and make profit. This is SECONDARY MARKET in Which Seller is NOT producer but Trader, Investor or Contractor.

PRIMARY and SECONDARY market Exists for every Asset or Things.
e.g.
Builder sells flat to investor A (Primary) who Resell to Consumer or investor B(Secondary)
Car Manufacture company sells car to person A(primary) who Resell to Person B (Secondary)
Govt sells Sovereign Gold Bond to investor A (primary) who Resell to investor (B). If investor A himself hold SGB and redeem at maturity he become consumer.
Company HDFCAMC brings IPO sells shares to investors at Rs 1200(Primary market). When stock was listed in market some of investors sold shares at Rs 1600 (Secondary Market).

Gist:
In PRIMARY market, the Seller is PRODUCER or PROMOTER.
E.g. Company IPO of shares, Company NCD (bonds), Govt Bonds

In SECONDARY Market, the Seller is Middleman (Trader, Investors, contractors).
E.g.
Shares market- Other investors are sellers.
Bond market- Other investors are seller.

BSE and NSE are main share markets in India, where investors sell shares amongst each other's. Hence, those are secondary markets.
PLEASE NOTE: Companies don't sell shares in Share market.

Dr Ram
WEALTHCON Founder

Portfolio Management Services (PMS)

Q. What's the Wealthcon opinion about PMS?
ANS (Dr Ram):
Interesting question!

WEALTHCON's main goal is to make doctor's SELF RELIANT in finance because only self-reliant people can create wealth for themselves.

PMS & Mutual fund's main priority is to make money for themselves. Investors are in 2nd priority for them.

PMS are loaded with huge charges and if someone invest for 15-20 years, those charges will significantly reduce return of investor. In bull market, PMS may show lucrative return, but, in bear market they suck money from investors as expenses.
If you see the return of Mutual funds and PMS of last years, you would find than > 95% of fund manager couldn't beat index (NIFTY).

If so called experts can't beat the market then should we call them expert? Someone may blame that market is bad so return is less. If you give discredit to market for bad return then you must give Credit to market for good return. In that case what's role of fund managers????

In nutshell, YOU ARE ONLY PERSON ON EARTH, WHO IS INTERESTED IN YOUR RETURN? Be self-reliant.

Note: WEALTHCON recommend Few Mutual funds investment to Passive investors. It's just to get into Equity**. ULTIMATE Aim is DIRECT INVESTMENT IN SHARES.**

We should understand that Research and Study is more complicated in Mutual funds than stocks.

There are 6000 plans of mutual funds, but, only 200 good companies...
Which would be easy to study? 200 or 6000.

I am not saying mutual funds investment is not good. But, that makes you dependent and you waste time and money both.

Mutual funds are definitely better than Insurance plans for investment, but, Shares are much ahead of mutual funds.

Dr Ram
(Founder Wealthcon)

NATIONAL PENSION SCHEME- current understanding

NPS has two stages.

Stage ONE (Investment **Phase**): Up to 60 years. Investment phase. NPS has inherent debt component and hence it cannot beat Equity Mutual funds or direct shares.

Stage TWO (Annuity **phase**): Annuity after 60 years age. Investors need to buy 40% corpus as annuity. Pension is Taxable and it's likely that Wealthcon members will be taxed at 30%. Annuity plans give 6 to 7% Pre-tax Return, that means Post Tax Post Inflation Return is Negative.

Advantages:
1.Forced Investment till 60 years and Forced Annuity of 40% Corpus. People who don't have control own behaviour may get benefitted.
2. Expense Ratio are less compared to MF
3.Additional Tax Benefits

Disadvantages:
1. totally illiquid investment
2. Pension of annuity is Taxable. Post Tax Post Return (Annuity) may be Negative also.
3. Government is changing NPS rules frequently.

What's take of Wealthcon on NPS:
We don't recommend NPS at WEALTHCON, rather we advise to wait for few years and let Government make it Flexible.
Few reasons.

1. NPS can't be Beat Equity investment because it has inherent Debt component and NPS is not effective Wealth Creation Product
2 If Annuity is intended to control behaviour after 60 years then, one can buy Annuity plans ANY time by liquidation of other assets. No need to put money in illiquid assets like NPS.
3. Wealthcon members are mostly 30 to 50 age, and they are at Wealth Creation stage. NPS is not suitable product for them.
4. **However, Annuity plans are necessary to Senior Citizens, if their children are drug addicts or out of control. What if children force parents to sell all assets and snatch it? In this Scenario Annuity plans are handy because those plans can't be stopped by anyone including investor himself. I had advised few senior Citizens to by Annuity plans because their children were really nasty**

NPS is suitable to investors who can't take own decisions and Dependent investors.
Wealthcon members are /will be SELF RELIANT and Hence, NPS is on Standby mode as of Now

Dr Ram
(Founder Wealthcon)

NON-CONVERTIBLE DEBENTURES (NCD) - Wealthcon opinion.

Debentures are long-term financial instruments issued by a company for specified tenure with a promise to pay fixed interest to the investor. Debentures are of two types, namely convertible debentures and non-convertible debentures (NCD).Non-convertible debentures (NCD) are those which cannot be converted into shares or equities. NCD interest rates depend on the company issuing the NCD.

NCD is SAME as Bank FD in terms of taxation.

Pros:
Interest Rate is little higher than Bank

Drawbacks:
-Default by Companies can lose entire capital.
- Cumbersome for record keeping if one buys too many NCD

Suitable investors for NCD:
1. Senior Citizens with Tax Slab 10% or less
2. Person who wants regular income

Alternative to NCD:
Debt Funds are better than NCD for convenience and return also

DEBT FUNDS EXPLAINED. (Dr. Amar Udare)

TL;DR (Too long;Didnt read): For Wealthcon members there are only two debt funds Liquid funds and ultrashort term bond fund. No other debt mutual fund... No point in wasting time understanding them as it is not worth it.

Detailed write up:
Virat and Anushka have been saving a small amount every month for a Euro trip since 5 years using Equity Mutual funds. They plan to book the tickets on the coming weekend after searching for prices all month. Mr. King Kong, the Supreme leader of West Korea decides to wage a nuclear war. Global markets crash. Virushka's portfolio goes down by 60%. (You may say that it is a hypothetical situation but The National Stock Exchange's Nifty ended down 13.11 % in ONE single day in 2008.)

Their Euro Trip plans are doomed. Instead of having Pizza in Italy they will have to have Pani Puri at Chowpati. They call up and curse their friend, Sallu who had told them to invest in equity mutual funds and shares for long term.

Sallu explained to them that he forgot to tell them one important thing. Equity Mutual fund investments are subject to market risk and one needs to safeguard capital as you approach your goal.

So Viruskha start planning for the next 5 years. Now as they approach their goal they start moving their money in the last year from Equity Mutual funds to Debt instruments. They saw an ad in the newspaper for Sunil Ambani's companies companies bonds and NCDs (Nonconvertible Debentures) giving 12 percent interest, which was tempting as he is such a big name so the interest is assured. So they chose to invest ALL the amount at the end of 4 years. Then one fine day a huge scam comes to light and Sunil Ambani's company is bankrupt. All the money invested by Viruskha goes down the drain and their dream is shattered again. They call up Sallu again and curse him.

Sallu explains them that this is CREDIT risk in debt instruments. When companies are not able to repay borrowed money their bonds are degraded and money is LOST in debt funds. (You may say that it is a hypothetical situation but prices of debt funds went down by as much as 11 percent in a DAY when Ballarpur industries defaulted. Same is true for the ILFS crisis). Higher the risk of company defaulting, higher is the interest risk.

Now wiser with experience Viruskha start from scratch. This time they decide to minimize credit risk by investing in government securities which have zero credit risk. The government will pay back their risk. They went to valueresearch and selected Frankly Long term gilt fund as it had given 14% returns in the last year. They were happy this time. But one fine Thursday RBI decides to hike interest rates. Viruskha's portfolio goes down by 2%. So they have to skip one location from their world tour. Not too bad but still a loss. They again blame Sallu.

Sallu explains that this is interest rate risk in debt instruments. When interest rates rise, the value of previously issued bonds with lower rates decreases and vice versa. Thoda SAR ke upar se jayega, he says. But remember one things, longer the duration of the fund higher the risk.

So Viruskha now instead of using their own brains ask Sallu, “Tu hi bata kya karein bhai”. So now Virushka decided to move their money from Equity to liquid mutual funds with AAA bond portfolio in the last year. Liquid funds have short duration so interest rate risk is taken care of and the AAA bond portfolio takes care of the credit risk.

Their capital was safe. And they enjoyed 7 percent interest rate, which is better than most banks. They could enjoy another Pizza and a gelato while roaming the streets of Rome than what they could have if they moved the money to their bank account.

So how does one select debt mutual funds: Check AUM. Check bond portfolio to have AAA bonds only. Restrict to ultrashort and liquid funds.

KISS (Keep it Simple Silly) Recommendations:

1. Less than 6m: Bank account only. Saves you the hassle of transferring funds. Plus up to 10k interest is tax free. You can choose banks like Bandhan Yes and Kotak who give 6 percent interest on savings account.
2. 6m to 3 years: Arbitrage funds >liquid funds.
3. More than 3 years: Ultrashort bond fund and liquid fund ONLY.

Remember:
The main goal of debt funds is to PROTECT capital so chose them wisely and do not try to get that extra one percent.

Dr. Amar Udare.
Wealthcon Faculty.

COMPOUNDING? Do Stocks and Equity mutual funds have compound effect?

When you invest in any asset there are FOUR variables.

P: Principal
N: Number of years
R: Rate of return
A: Final amount.

1. Bank FD: We know all 4 variables beforehand and we can calculate final amount PROSPECTIVELY. The rate of return is Compound Growth rate (CGR)

2. Gold, Equity & Real Estate: We know only 2 variables (Principal and Number of years). When we sell asset then we get Final Amount. Thereafter we calculate Rate of return RETROSPECTIVELY. It is called as Compound Annualised Growth Rate (CAGR).

What's compound effect?
- Its Exponential effects due to previous events (actions).

Examples:
1.Members of Wealthcon increasing exponentially because previous members invite new members and it goes increasing.
2. Compound effect is seen in Health also. Saying goes that' an apple keeps a doctor away". That means 1 apple per day, its effects is seen after many years. What if someone says I would eat 365 apples in 1 day and complete quota of a year. It's not possible to have compound effect.

Stock prices also have compound effect and moves exponentially.

In nutshell; Stocks and Equity mutual funds do have compound effect...
Don't get carried away by articles of half educated people.

Q: Whether Shares or Equity mutual gives compounding return?
Answer (Dr Ram):

In order to understand Compounding return, we need to discuss a concept of mathematics, called **Progression.**

Progression means growth. There are two types of progression

1. Arithmetic progression: Growth happen by arithmetic numbers. E.g. 10, 20, 30,40,50,60. If you see difference between two numbers is same.

2. Logarithmic progression (geometric progression). Growth happens geometrically by ratios, and %.
E.g. 10,20,40,80,160. If you see the difference between two numbers, it's widening.
In case of geometrical progression previous numbers have effects on subsequent numbers.

Population is also geometric progression. Population is best example of Power of Compounding.
--
Let's come to Finance.
Gold, Equity, Real Estate don't have fixed return. Then how to compare return?
CAGR: Compound Annual Growth Rate.

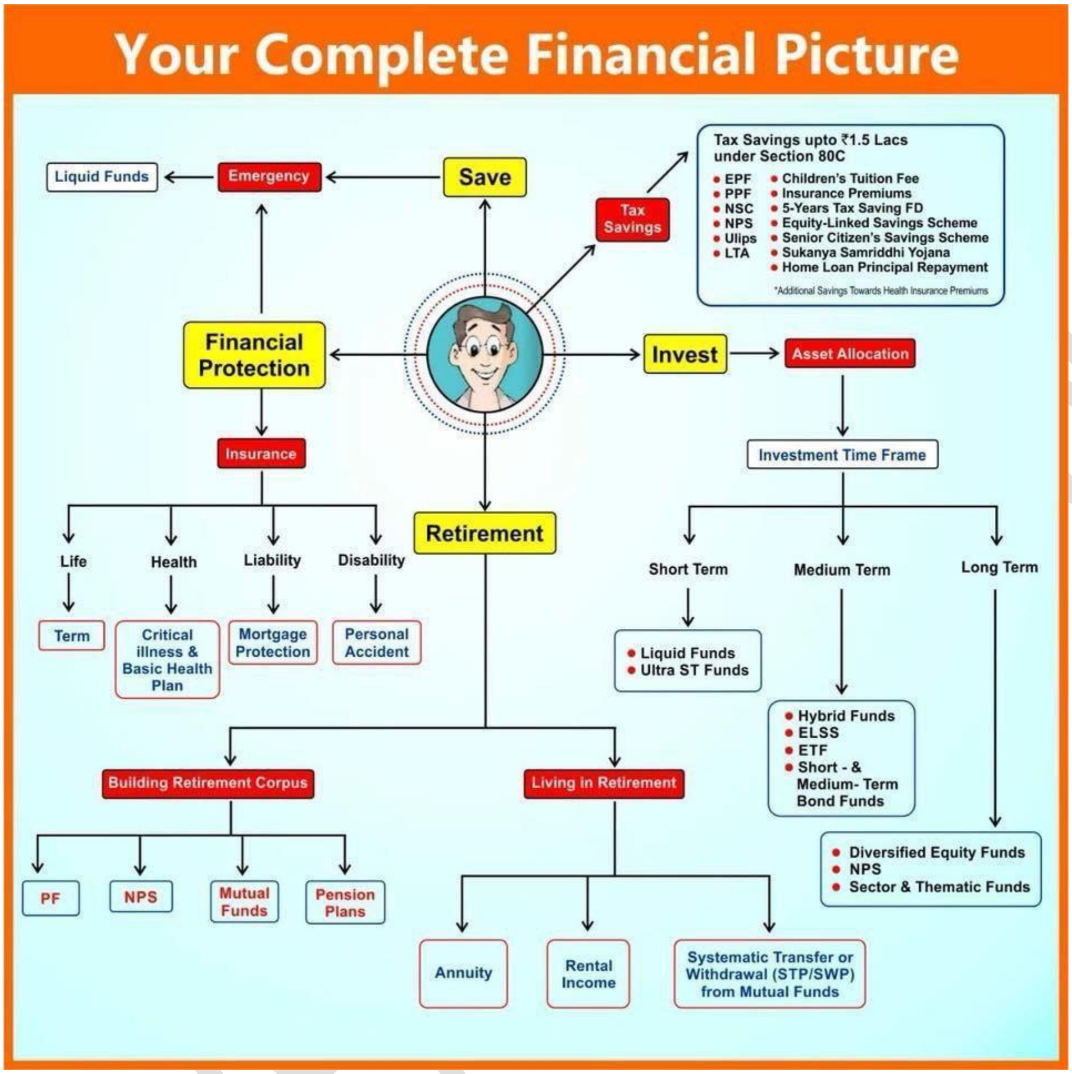
In nutshell, Compound effects is seen Equity, Gold, Real estate, Population....

Last example.
Compound Effect is seen in Love also. Give 1 rose to spouse (🌹) every day.
You would see compound effect after a month 😁😁

Gold, Equity, Real Estate, FD with compound interest ......All of them have Compounding effect.

FD with simple interest has no compounding effect.

GOAL BASED INVESTING



(Dr Manjusri Nair)

1. WEALTH CREATION - Choose Category: ELSS, EQUITY (Large, Mid & Small cap) separately

2.WEALTH PROTECTION – Debt funds and Arbitrage Fund

Just remember these categories
1. Equity
2. Hybrid Equity +Debt
3. Debt.

Equity based on market capitalisation,
1. Large cap
2. Multicap

3.mid cap
4. Small cap.

Hybrid with equity more: aggressive.
Hybrid with Debt more: conservative.

Debt
Ultrashort liquid,
Midterm bond funds, Gold funds,
Long term bond funds

Arbitrage funds are funds are a separate category which takes advantage of different yields and have tax implications like equity.

As Dr. Amar advises, Kiss : keep it simple silly
Up to 3 years
Invest in liquid, short term bond

3 to 5 years :
Invest in liquid, arbitrage funds , hybrid funds

5years and beyond:
Equity large cap,
Multicap funds.

Beyond 7 years:
Equity, small and mid-cap funds.

Goal based investing
(Dr Ram)

Equity: Long term goal of capital appreciation
Debt: Short term goal of capital protection.

We don't have much options for short term .Either Bank FD or Debt Funds or Arbitrage fund. All are more or less same...Subtle differences

Shares (Equity) and Debt are generic medicines. Mutual funds are Branded medicines.
There are many brands which have only one molecule (Either Equity or Debt)
there are some brands which are like Fixed Drug combination (hybrid MF).
Although, branded medicines provides some convenience, the cost is very high as compared to generic medicine.
Wealthcon Recommend Mutual funds for beginners, however, ultimate goal is Direct Stock investment.
Eventually, most of the Wealthcon members stop Mutual funds after few years and invest in direct stocks.

To surprise, Generic medicines (Stocks) are hardly 100-200 in number. It is easy to study and remember rather than 6000 branded medicines (Mutual funds plans).....
Message is clear.
Be Self Reliant in Finance.
You don't need agents, adviser and fund managers.

Goal based investing

(Dr. Rajnikant Gajjar)

Goal Based Investing is like Anatomy Physiology for us.
If your understanding about Anatomy Physiology is poor ,Future in Medical profession is doomed,
Similarly every investment that is done MUST be assigned to life Goals
Goal based investment fixes your exit strategy well in advance, relieves of you, of burden ,to time the market,(which never succeed).
Goal decides everything, vehicle, course, duration about journey so well that if Goal is not clear, journey is bound to go astray. Journey of Wealth Creation:

Life Goals are not complex, like: Emergency Funds, Insurance, Kids Education, and Marriage, Retirement Assets Acquisition, Repairs, Replacement.

Lastly Luxury Funds if all of above Goals duly taken care of.

TAX SAVING OPTIONS UNDER SECTION 80 C- Analysis

There are 4 types of products under 80C

1. **Wealth creation**: - ELSS & Home loan principal
2. **Wealth protection**: PPF & SSY, NPS
3. **Wealth destruction**: Ignorance policies and other EET products like Bank FD.
4. **Expenses**: School fees, Term insurance premiums.

WEALTHCON recommend Wealth Creation product that is ELSS.

WEALTHCON recommend only 3 investment products under 80C.

Young people must use 80C for INVESTMENT and WEALTH CREATION.

1. ELSS
2. PPF/SSY
3. NPS.

Rest all products are too complicated and commission loaded. ANALYSIS PARALYSIS happens when person start analysis of all 80 C products and most of them are USELESS for doctors.

1. Young person (less than 50): ONLY ELSS is enough for Tax saving and Retirement.

2. Middle age (50-65 years).   Last 5 years of PPF and ELSS

3.Seniors citizens (>65 years) - 80C should be used for EXPENSES like Insurance premium, etc.

NPS is complicated product without flexibility of now. If Govt bring some changes then we can think of it. Annuity pension income is fully taxable (drawback of NPS)

Are mutual funds returns satisfactory?

Sir, somehow I feel mutual funds are the new generation LIC, they too give mediocre returns visa vis someone who designs his own portfolio after diligent study as is the motto of Wealthcon.

Answer: (Dr. Ram)
you are right.
Wealthcon ultimate objectives are Direct Shares Investment. However, beginners are not aware of risk hence we recommend Mf for few years. Once they learn market, they would stop MF investment.

I invest only in ELSS and Debt Mutual funds. I stopped Investment in Equity mutual funds long ago.

Our Simple Portfolio of Wensex Junior is beating all Mutual Funds in India since its inception. ..😁.. And It’s FREE to Wealthcon members, zero Expenses ratio.

Market cap classification

Question. Wealthcon member: I come across different classification for market caps.... which one to follow??
Answer:
There are two classifications.

A. SEBI classification
1. Large cap: Top 100 companies
2. Mid cap: Next 150 companies (101 to 250)
3. Small Cap: Remaining companies (>250)

B. Wealthcon Classification.
1. Large cap: > 30,000 Cr market cap
2. Mid Cap: 10,000-30,000 Cr Market Cap
3. Small cap: 1000- 10,000 cr Market cap

Tiny companies (less than 1000 Cr market cap) -- DO NOT TOUCH companies.