

Personal Finance Masterclass

Handbook

Alpha

It measures an investment's excess return compared to average.

Asset allocation

It refers to the strategic distribution of investments across different asset classes, such as stocks, bonds, real estate, and cash, to balance risk and return based on an individual's financial goals and risk tolerance.

Bond

A bond is simply a loan taken out by a company. Instead of going to a bank, the company gets the money from investors like us who buy its bonds. In exchange for the capital, the company pays an interest.

Credit Risk Funds

They are mutual funds that primarily invest in not-so-highly rated companies with higher default risk. Due to this risk, the returns they offer are also higher.

Crypto

It refers to digital currencies that use cryptography for security and operate on decentralized networks.

Debt Instruments

These investments focus on fixed-income securities, aiming to generate income through interest payments while providing lower risk than equity investments. Eg: FD, debt funds, bonds

Debt Mutual Fund

It is a collection of different bonds

Direct Stocks

They refer to the purchase of individual company shares by investors, allowing them to own a specific portion of a company's ownership and participate in its potential growth and financial performance.

EMI

It stands for Equated Monthly Installment, which refers to a fixed amount of money paid monthly towards the repayment of a loan or debt.

Equity

It represents ownership in a company or asset. Buying direct stocks or equity mutual funds is an example of equity investment.

Equity Mutual Funds

These funds pool money from multiple investors to invest in a diversified portfolio of stocks, aiming for long-term capital appreciation based on the fund's investment objective.

Equity Savings Fund

They are mutual funds that aim to provide a mix of equity and debt exposure, combining potential growth from equity investments with stability from debt investments. They are a type of hybrid fund.

ETF (Exchange-Traded Fund)

They are investment funds similar to mutual funds, representing a basket of securities. But they are traded on stock exchanges offering the flexibility of trading them like stocks.

Expense Ratio

It represents the annual fees and expenses charged by a mutual fund or ETF, expressed as a percentage of its total assets.

Thematic Funds

These mutual funds invest in specific themes or sectors. For Eg: Technology or Clean Energy.

Focused Funds

These mutual funds limit their investments to specific stocks or sectors. They have a concentrated portfolio and cannot hold more than 30 stocks.

Hybrid Funds

These funds are a combination of Equity and Debt investments. They aim to give better returns using the Equity component while leveraging Debt for safety.

HRA (House Rent Allowance)

It is an allowance employers provide to employees for meeting rental expenses, which are eligible for tax benefits under certain conditions.

Large Cap (Top 100)

It refers to companies with the highest market capitalization, typically the top 100 publicly traded companies

Mid-Cap (100 to 250)

It refers to companies with a market capitalization between the top 100 and 250 publicly traded companies, falling in the middle range.

Post-Tax Income

It is the income earned after the reduction of taxes.

Small-Cap (>250)

It refers to companies with a lower market capitalization, typically outside the top 250 publicly traded companies, indicating smaller-sized companies.

Multi-Cap Funds

They invest across companies of various market capitalizations, including large-cap, mid-cap, and small-cap stocks. They have the flexibility to decide what ratio to invest in these stocks.

NAV (Net Asset Value)

It represents the price per unit of a mutual fund, calculated by dividing the total value of its assets by the number of outstanding units.

Rental Yield

It is the ratio of annual rent to property value multiplied by 100. For example if the property value is 1 Crore and the annual rent is 2.5 L then rental yield is 2.5%

Volatility

It measures the price fluctuation or variability of an investment, indicating its potential for short-term price swings.

Rolling Return

It refers to measuring the performance of an investment or asset over a specified period by continuously calculating the returns over consecutive overlapping periods. This will be explained in more detail during the masterclass

SEBI Risk Categorization

It refers to the risk categorization of mutual funds by SEBI (Securities and Exchange Board of India) based on risk levels, ensuring uniformity and transparency for investors.

5-year Upside Capture Ratio

It measures a fund's performance compared to a benchmark index during periods of positive market returns in the past 5 years.

5-year Downside Capture Ratio

It measures a fund's performance compared to a benchmark index during periods of negative market returns in the past 5 years.