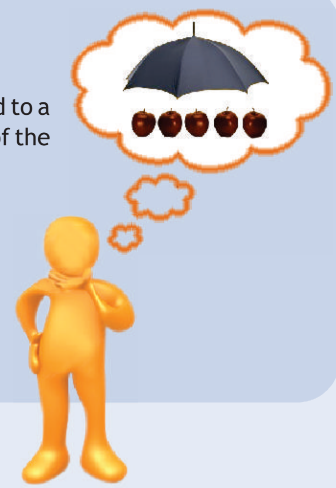
Issued in public interest

10 THINGS TO CHECK BEFORE YOU INVEST IN A MUTUAL FUND SCHEME

Principal® Mutual Funds

Before one finalizes an investment option, it is important to understand the pros and cons and then arrive at a decision after reviewing the factors that may affect one's financial planning. To help you make a decision we have compiled a few points that you should consider before you zero in on any scheme.

1) SELF ASSESSMENT



Before one invests it is extremely important to consider one's age and financial requirements.

Equity investments should be done for a longer horizon, so it is less riskier for a 30 year old compared to a person who is in his fifties. Allocation between Debt and Equity should be done keeping in mind age of the investor.

Financial requirements also dictate the type of schemes that you will invest in: buying a home or finance a wedding or educate your children or a combination of all these.

Once the objective is defined it is now essential to match various schemes with your needs. You may want a scheme which has a monthly withdrawal option - this could be useful post retirement. There are sectoral funds which may be riskier compared to a balanced fund. A capital protection oriented scheme is also a safer option.

2) EXIT LOAD

An Exit load or Back-end load or Repurchase load is a charge that is collected at the time of redeeming or for transfer between schemes (switch). The exit load percentage is deducted from the NAV at the time of redemption or transfer between schemes.

Some schemes do not charge any load and are called "No Load Schemes"

Consider this cost before you invest.

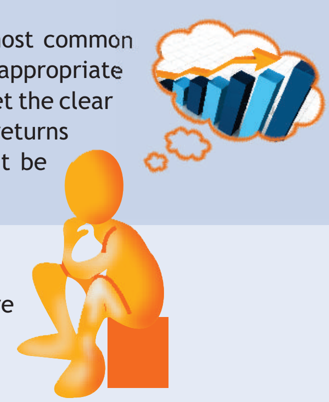
3) RISK

There is a risk inherent to every scheme it is important to measure risk before investing. Today there are a lot of statistical tools like Beta, Sharpe ratio, Alpha and Standard Deviation to measure this risk. A risk adjusted return is the best measure to use while judging a scheme. You can also refer to the ratings assigned by a reputed rating agency.

4) ASSET ALLOCATION

Investing across different schemes like debt, equity, balanced, index funds, Gold ETF's, etc. is a good idea. All of them have their own advantages and disadvantages; debt schemes ensure a certain level of return while they may not be as rewarding as an equity scheme which happen to be comparatively riskier.

5) FUND PERFORMANCE



The track record of the scheme in terms of returns over the last few years is one of the most common parameters for finalizing a scheme. The performance of the scheme is benchmarked against appropriate comparative indices, most funds provide performance against benchmarks, but you would not get the clear picture unless you compare the performance with its peers. The higher and more consistent the returns the better is the fund. Investors must however note that past performance may or may not be sustained in future.

6) CORPUS SIZE

A large corpus is generally considered good because large funds have lower costs, as expenses are spread over large assets but at the same time a large corpus has some inefficiencies too. A large corpus may become unwieldy and thus difficult to manage.

7) THE FUND HOUSE

With over 35 fund houses to choose from it is necessary to look beyond performance. The level of transparency of a fund house is also a very important criterion that you should consider, check for disclosure of portfolios, notice ads, etc.

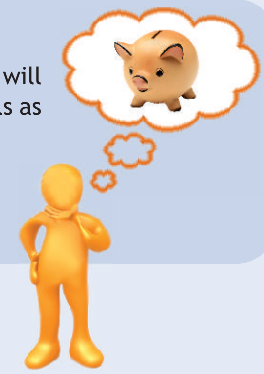
Check the services offered by the mutual fund and how investor friendly it is.

8) READ THE FINE PRINT

"Mutual fund investments are subject to market risks, read all scheme related documents carefully". It is good advice that should be taken seriously.

Statement of Additional Information (SAI) / Scheme Information Document (SID) / Key Information Memorandum (KIM) make important reads before investing in Mutual Funds- they contain every little detail about a scheme, the investment objective and philosophy of the fund house. It lays down the scheme's load structure, minimum investment and other such important features.

9) INVESTMENT OBJECTIVE



Investment objective talks about the scheme's goal and investing rationale. It specifies where the funds will be invested, in equity, debt, or both. It is important to read this section as it helps you match your goals as well as risk profile with that of the scheme. For example, if your fund aims to protect your capital, or give a regular stream of income, this portion will tell you how it plans to achieve its goal. For thematic or sectoral funds, the investment objective and strategy will tell you which sectors it will be investing in. This helps you decide how realistic its goals are.

10) ONE SCHEME MAY NOT SUFFICE

You may have to look at more than one scheme to cater to your different requirements- an ELSS for 80C investments or a FMP to get safer returns. You should consider investing in a combination of schemes to achieve your specific goals.

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

Principal® Mutual Funds

Exchange Plaza, 'B' Wing, Ground Floor,
NSE Building, Bandra Kurla Complex,
Bandra (East), Mumbai 400 051.

www.principalindia.com

customer@principalindia.com

1800 425 5600