

# Why Mutual Fund?

AMFI - Investor Awareness Program (IAP)  
(Association of Mutual Funds in India)

## BARODA PIONEER MUTUAL FUND



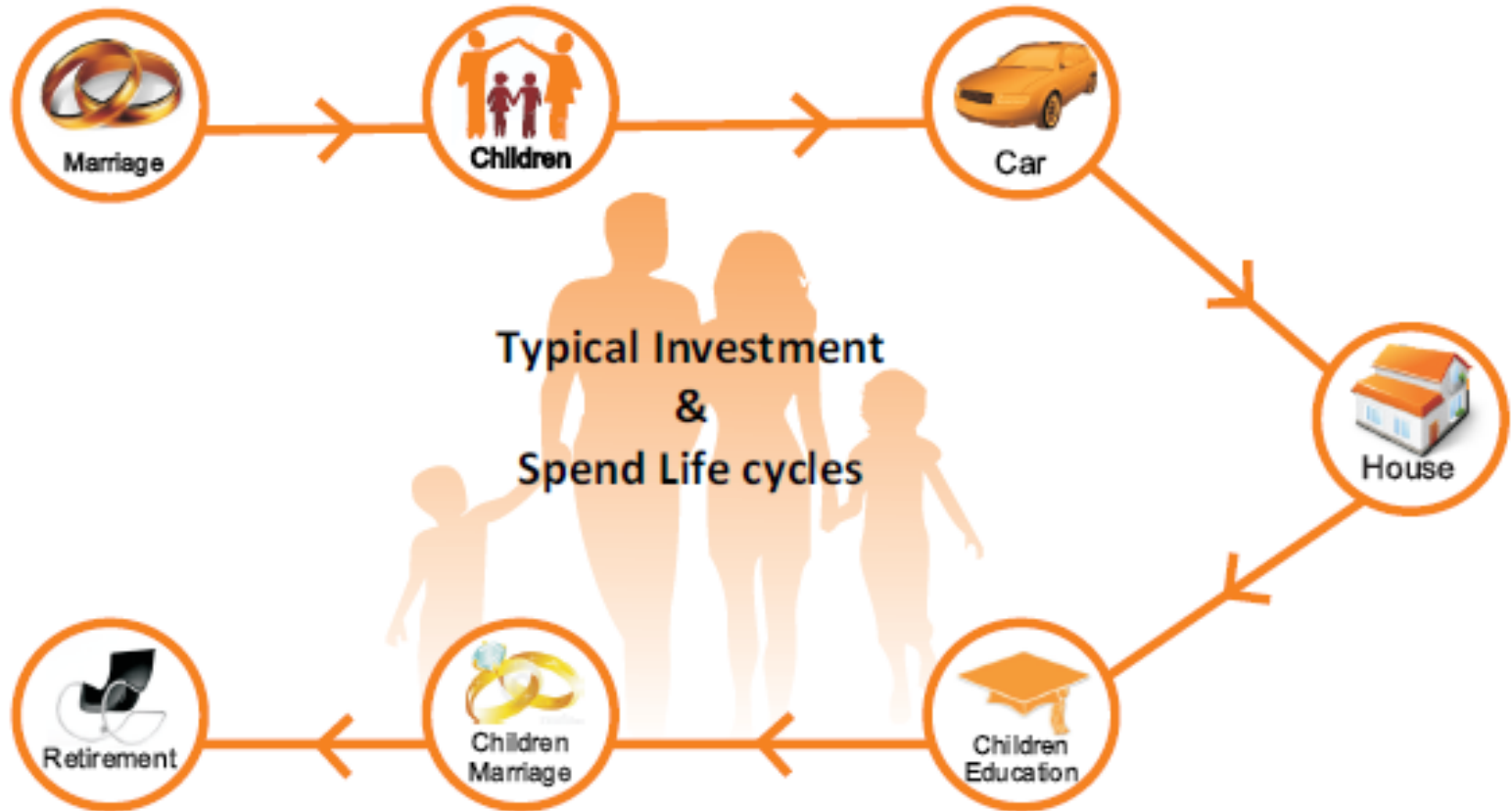
# Our Aspirations



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# Typical Life cycle: Future Dreams



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The only way they can fulfill their  
dreams is by  
“saving” or “investing”

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# Savings

Savings are defined as “Money saved from regular income after accounting for all expenditure”

However, due to the effect of inflation



The value of savings keeps decreasing!

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# Importance of Investing

In most cases the amount saved is not enough to meet current and future needs of self and family. It is important to make their savings work for them.

**When savings start generating income,  
they become *Investments!***

Savings need to generate the maximum possible returns within the constraint of their risk appetite and time horizon to be able to meet not only their needs, but wants and desires too.

**Hence the need to INVEST!**

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**TAKE SMALL STEPS FOR A GOOD  
FUTURE**

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# Your Investment Menu Card

Instrument	Tax Benefit	Return	Duration
EPF	✓	8.50%	Long Term
PPF	✓	8%	Long Term
NSC	✓	8%	Long Term
FD's – Banks & Post Office	✓	5.70 to 8.50%	Short Term
Senior Citizen Savings Scheme	✓	9%	Long Term
<b>Mutual Funds</b>	✓	<b>Market Linked</b>	<b>Long Term &amp; Short Term</b>
ULIP	✓	Market Linked	Long Term
NPS	✓	Market Linked	Long Term
Direct Equity	✓	Market Linked	Long Term
Gold	NA	Market Linked	Short Term
Real Estate	✓	Market Linked	Long Term



The returns mentioned above are indicative and not assured. **Past Performance is no guarantee of future results**

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## Cost of money lying idle...

Money in savings account	+	100,000
Interest earned in 1 year (@4.5 per annum)	+	4,500
		104,500
Tax on Interest (@33.99%)	-	1,530
Impact of Inflation (@5% per annum)	-	5,000
Value at the end of year 1		97,970



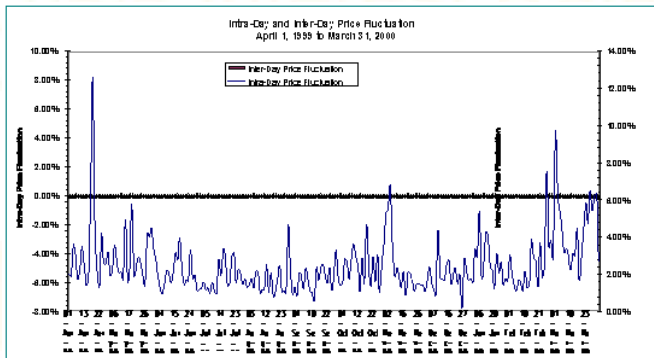
**Your investment ought to beat the inflation !!!**

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# Challenges involved in investing directly in Capital Market

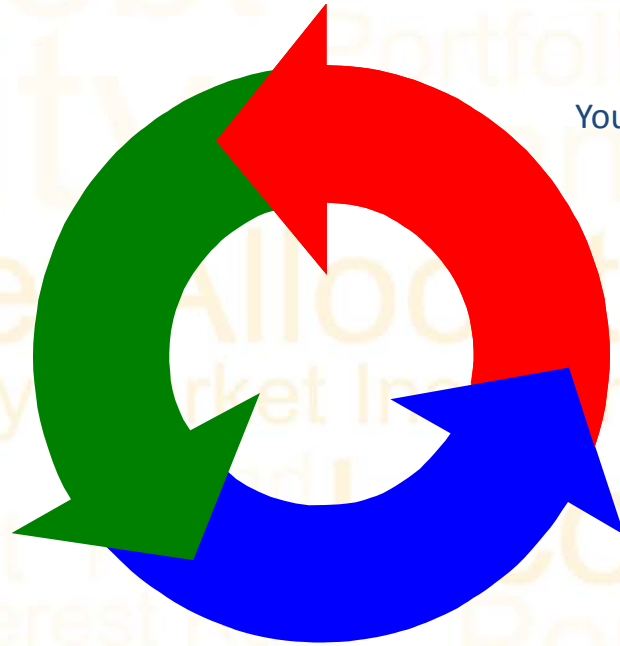
- Requirement of Capital
- Time
- Expertise
- Lack of Information
- Portfolio
- Volatility



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# Key Investment Considerations

**Safety**  
You get your money back



**Liquidity**

You get your money back when you want it

**Plus Convenience**

How easy is it to invest, disinvest and adjust to your needs?

**Post-tax Returns**

How much is really left for you post tax?

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# What is Mutual Fund and Why Mutual Fund

- A mutual fund is the trust that pools the savings of a number of investors who share a common financial goal.
- Anybody with an investible surplus of as little as a few hundred rupees can invest in Mutual Funds.
- The money thus collected is then invested by the fund manager in different types of securities. These could range from shares to debentures, from Government Bonds to money market instruments, depending upon the scheme's stated objective.
- It gives the market returns and not assured returns.
- In the long term market returns have the potential to perform better than other assured return products.
- Investment in Mutual Fund is the most cost efficient as it offers the lowest charge to the investor



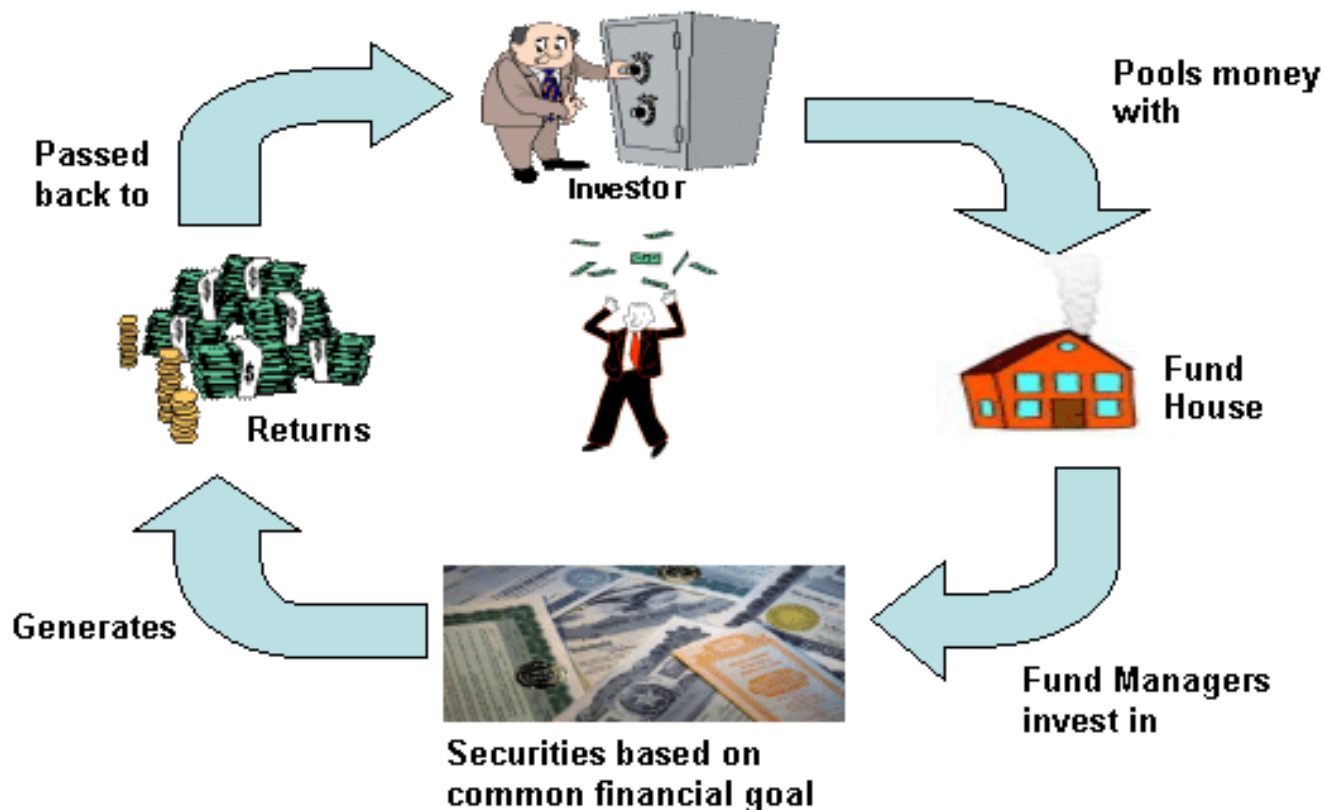
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# How Mutual Fund works?

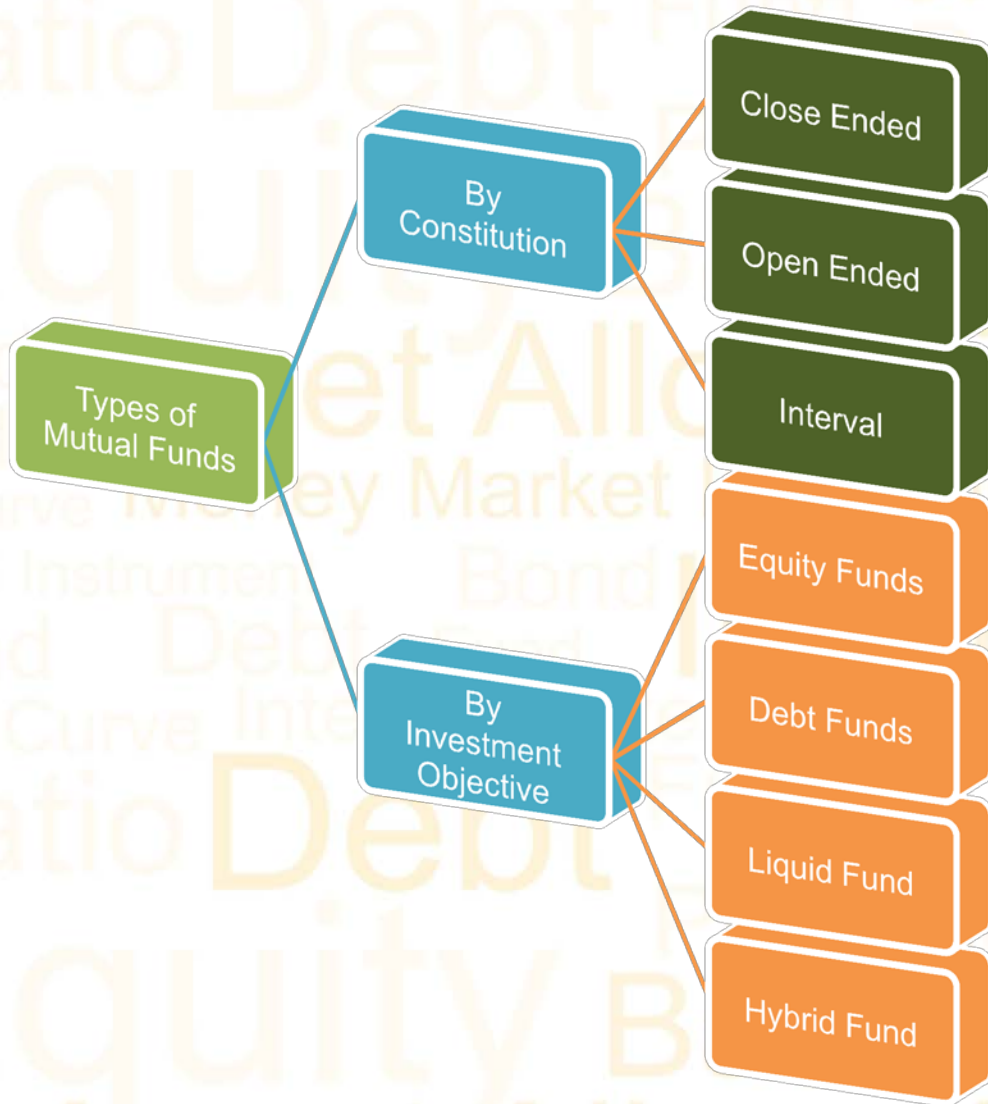
A vehicle for investing in portfolio of stocks and bonds



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# Types of Mutual Funds



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# Advantages of Mutual Funds

1. Professional Management
2. Diversification
3. Convenient Administration
4. Return potential
5. Low cost
6. Liquidity
7. Transparency
8. Flexibility
9. Choice of schemes
10. Well regulated
11. Tax benefits



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# How do I make money from a mutual fund?

## 1. Capital appreciation:

As the value of securities in the fund increases, the fund's unit price will also increase. You can make a profit by selling the units at a price higher than at which you bought .

## 2. Income Distribution:

The fund distributes part of the appreciation to the investors as dividend.

### Disclaimer

As the value of securities in which the fund invests fluctuates, the value of your investment in the fund may also go up or down. There is no assurance that the fund will declare dividends

**(Past Performance is no guarantee of future returns)**

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# Mutual Fund- How to invest in Mutual Funds

## Selection Process- 3 step process



### Step 1 Identify your investment needs

1. What are my investment objectives and needs?
2. How much risk am I willing to take?
3. What are my cash flow requirements?

### Step 2 Choose the right mutual fund.

1. The track record of performance over the last few years in relation to the appropriate Benchmark and similar funds in the same category
2. How well the mutual fund is organized to provide efficient, prompt and personalized service.
3. Degree of transparency as reflected in frequency and quality of their communications.

### Step 3 Select the ideal mix of schemes

Investing in just 1 scheme may not meet all your investment needs. You may consider investing in a combination of schemes to achieve your specific goals.

Please ask your financial advisor for details & advise

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# Mutual Fund- Which one to buy?



Savings Bank Account	Fixed Deposits	Real Estate
PPF	Post office monthly Income Scheme	Gold
Liquid Funds	Debt Funds	Equity Funds



## Disclaimer

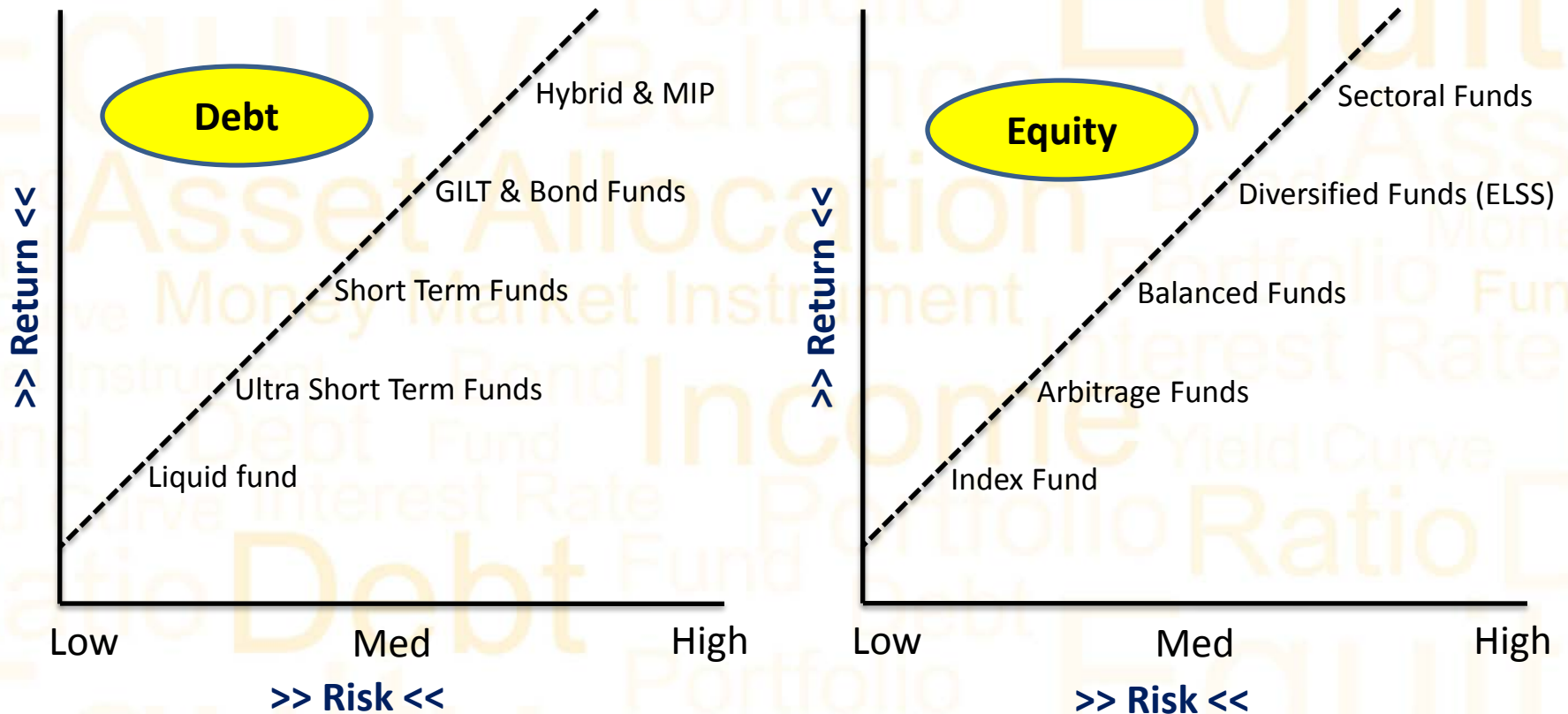
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# Mutual Fund Products – Risk / Return Graph



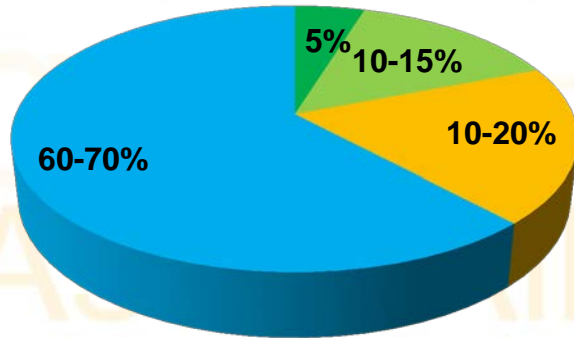
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# Suggested Portfolio based on Risk tolerance

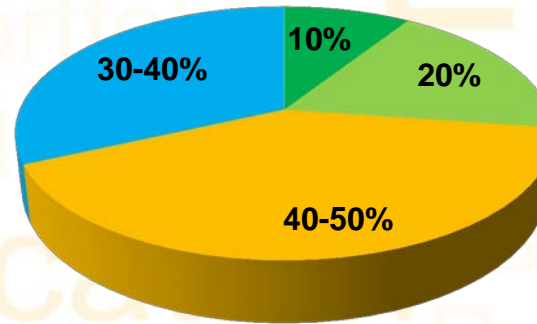
## Aggressive Plan



### This plan may suit:

- Investors in their prime earning years and willing to take more risk
- Investors seeking growth over a long term

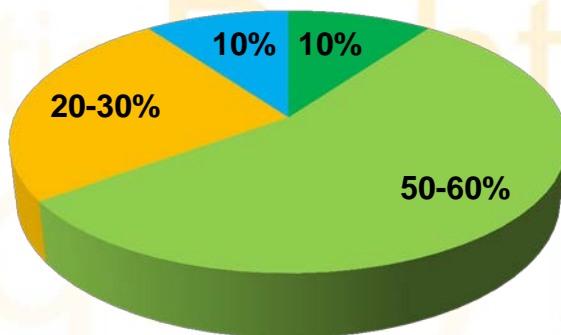
## Moderate Plan



### This plan may suit:

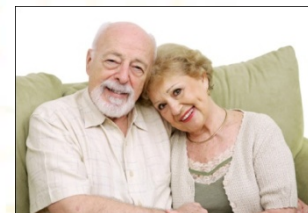
- Investors seeking income and moderate growth
- Investors looking for growth and stability with moderate risk

## Conservative Plan



### This plan may suit:

- Retired and other investors who need to preserve capital and earn regular income



- Growth Schemes
- Income Schemes
- Money Market Schemes
- Balanced Schemes

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# Select a mutual fund

1. Evaluate past performance
2. Look for consistency

Sample Mutual Fund Comparison Chart. Category: Diversified Equity Funds

Fund Name	1 Year Return in %	1 Year Rank	3 Year Return in %	3 Year Rank	5 Year Return in %	5 Year Rank
A	119.59	42/219	27.7	1/162	10.30	87/96
B	12.093	40/219	24.6	2/162	13.45	43/96
C	165.72	1/219	21.71	3/162	28.20	3/96
D	89.02	130/219	21.48	4/162	23.25	26/96
E	113.90	58/219	21.26	5/162	26.26	17/96

**Fund C is more consistent in the above chart**

The above table is only for the purpose of illustration. The returns mentioned above are indicative and not assured. **Past Performance is no guarantee of future results**



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# Equity Linked Saving Schemes (ELSS)

**advantage: all about 80C investments**

Instrument	Returns	Lock In Period (in Years)
EPF	8.50%	Until Retirement
PPF	8%	15
NSC	8%	6
FD's – Banks & Post office	5.70 to 8.50%	5
Senior Citizen Savings Scheme	9%	5
Life Insurance Policies	5 to 6%	3
<b>ELSS</b>	<b>Market Linked</b>	<b>3</b>
ULIP	Market Linked	3 - 5
NPS	Market Linked	till age 60

## ELSS Advantage over other tax saving instruments

1. Low Lock in period
2. Earn market linked return
3. Tax free returns

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# Investment in Mutual Fund through SIP

## SIP – Systematic Investment Planning

...it is a method of investing a fixed sum, at a regular interval, in a mutual fund.

It is very similar to monthly saving schemes like a recurring monthly deposit / post office deposit

## Advantages of Systematic Investment Planning

- Encourages Regular Investments (just like recurring deposit schemes)
- A Convenient way to invest regularly
  - Lower initial investment without cutting into regular expense
- Long term perspective
- **Rupee Cost Averaging Benefit** to counter volatility - it brings down the average cost of your Investments
- No timing the market!!!
- Meet investment objective with investment needs
- Helps to match the risk / return profile



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## SIP: The Power Of Compounding

SIP of Rs. 1000 invested per month @ 8% pa till the age of 60.

Sample Mutual Fund Comparison Chart. Category: Diversified Equity Funds

Illustration:

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

***...the sooner you start, makes a difference!***

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## SIP - How Rupee Cost Averaging helps

Month	Amount	Rising Market		Falling Market		Volatile Market	
		NAV (Rs)	Units Allotted	NAV (Rs)	Units Allotted	NAV (Rs)	Units Allotted
1	10000	10	1000.00	10	1000.00	10	1000.00
2	10000	10.5	952.38	9.75	1025.64	10.5	952.38
3	10000	12	833.33	9	1111.11	9	1111.11
4	10000	14	714.29	7	1428.57	11	909.09
5	10000	17	588.24	6.5	1538.46	13	769.23
6	10000	18	555.56	6	1666.67	11.5	869.57
<b>Total</b>	<b>60000</b>	<b>81.50</b>	<b>4643.79</b>	<b>48.25</b>	<b>7770.45</b>	<b>65.00</b>	<b>5611.38</b>
Avg. Purchase NAV (Total of NAVs/No. of investments)		13.58		8.04		10.83	
<b>Avg. cost per unit (Total Investment /No of units held)</b>		<b>12.92</b>		<b>7.72</b>		<b>10.69</b>	

Put aside an amount regularly  
Discipline is the key

Rupee cost averaging  
Control volatility

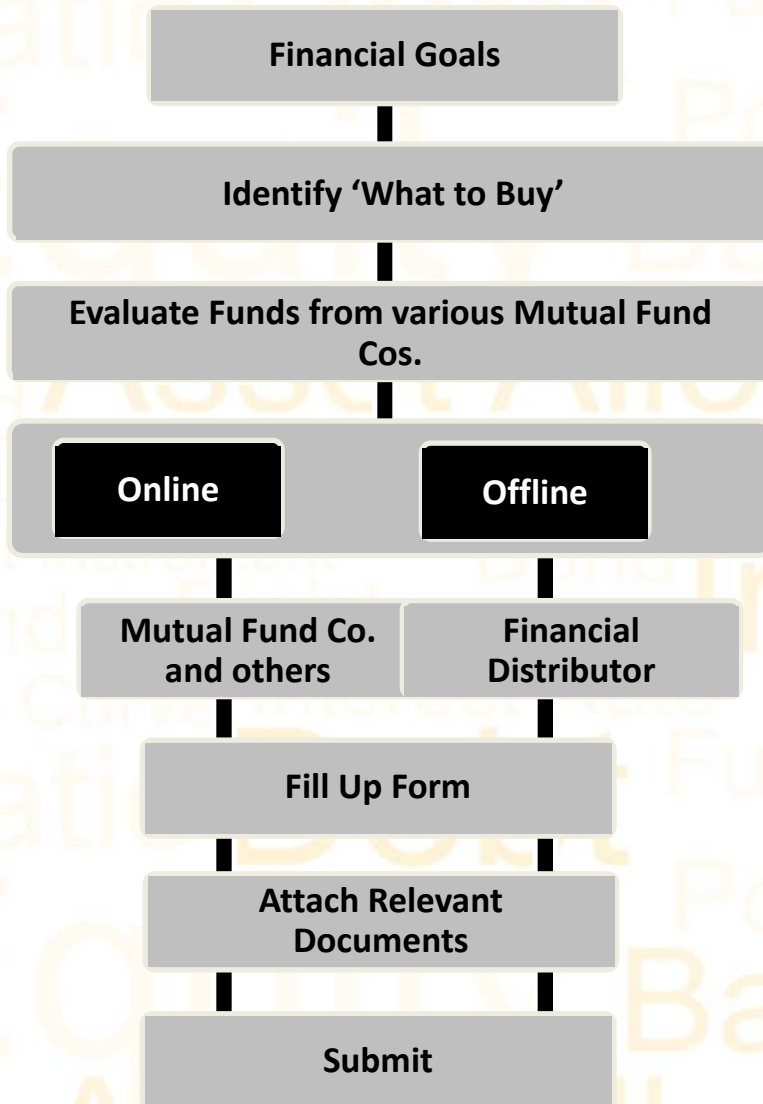
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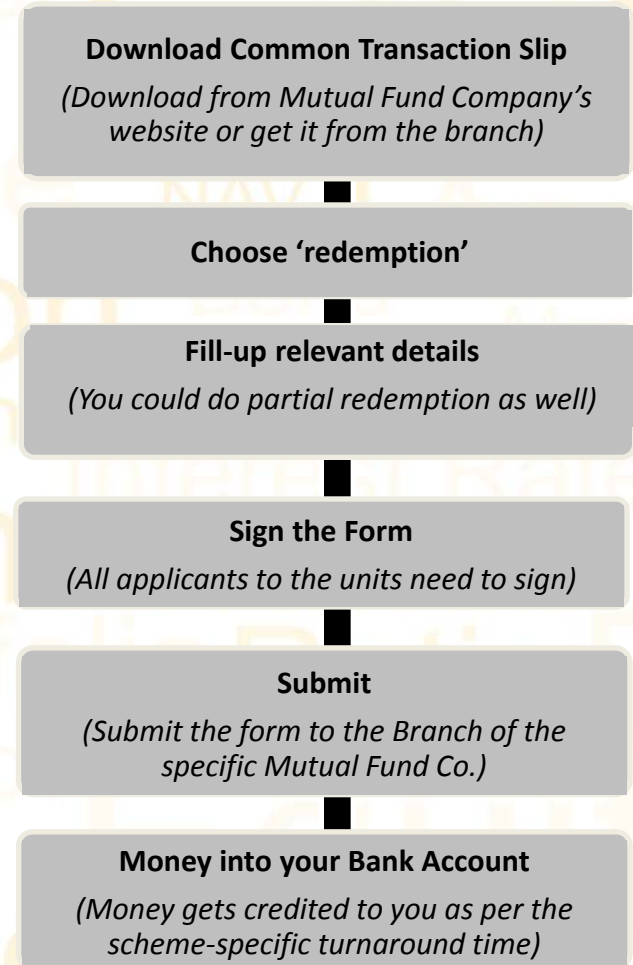


# Mutual Fund:

## How to buy?



## How to redeem?



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## Demystifying NAV – Net Asset Value

While selecting a fund, the NAV shouldn't be the criteria, A low NAV need not mean that it's a good buy ...

Mutual Fund Scheme Name	NAV's on		Growth
	Jan 1 <sup>st</sup> 2013	Oct 1 <sup>st</sup> 2013	
A	23.55	38.97	65.5%
B	7.44	12.04	61.8%
C	19.86	30.23	52.2%
D	21.70	31.57	45.5%
E	12.10	16.56	36.9%

In the above example during the period under consideration the best growths have been recorded by the funds with the "lowest" (Scheme B Rs 7.44) and the "highest" (Scheme A- Rs 23.55) NAVs respectively.

On the other hand the least growth has been recorded by (Scheme E), a fund with a low NAV.

Clearly the data suggests that there is no correlation between the NAV size and the returns.

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## Important Information

The market information, wherever stated has been sourced from the entities referred in the document. This information is purely for informational purposes and should not be construed as reflecting or indicating the views of Baroda Pioneer Mutual Fund. The value of investments and income from them may go down as well as up and an investor may not get back the amount invested. Please consult your tax advisor before investing. Risk Factors: ▪ Mutual funds, like securities investments, are subject to market risks and there is no guarantee against loss in the schemes or that the schemes objectives will be achieved. ▪ As with any investment in securities, the NAV of the units issued under the schemes can go up or down depending on various factors and forces affecting capital markets.

Past performance of the Sponsor /the AMC/the Mutual Fund does not indicate the future performance of the schemes.

**Mutual fund investments are subject to market risks, read all scheme related documents carefully**

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Thank You

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