

# FAQ- Mutual Fund

## Why Mutual funds are needed?

*Mutual funds not only offers various features and benefits specially designed for investors but also are managed by an expert team of professionals who are well versed with the market.*

*Some of the features are as under:-*

- *Professionally Managed*
- *Diversification of Risk*
- *Systematic Investment Planning*
- *Safe, Secure and Transparent*
- *Low Cost with Higher Returns*
- *Tax Benefits*
- *Wealth Creation*

# What are the different objectives of **Mutual Funds**

## **Growth Funds**

The most common objective of investment is growth. The primary objective of any growth fund is capital appreciation over the medium to long term. Growth mutual funds are generally invested primarily in small to large cap stocks.

## **Fixed income funds**

Fixed income funds are mutual funds which give you returns at fixed intervals – monthly, quarterly or half yearly. It depends on the performance of the fund as well. The objective here is higher return with minimum risk. Therefore, the funds are invested in debt funds for money market instruments which ensure regular income with minimal risk. These funds are ideal for senior citizens or investors who are risk averse.

## **Balance Funds**

A balanced fund is a mutual fund that contains a stock component, a bond component and may be money market component. These funds try to generate better returns than income funds but still because of exposure to equity there are some inherent risks.

## How to Buy **Mutual Funds**?

You can buy Mutual funds through Farsight under the existing Client Account. No separate DP Account is required. From time to time Farsight uploads in its website the NAV of different schemes. It provides a peer comparison amongst various types of Mutual Funds like Equity, Debt, Money Market, Hybrid etc. Farsight provides an online platform to subscribe or redeem mutual funds units. The back office is also online where investor can go through it at his own convenience.

For any query relating to Mutual Fund, please contact at [mutualfund@farsightshares.com](mailto:mutualfund@farsightshares.com)

## How can one invest in **Mutual Funds**?

There are two preferred way of Investments:

**Lump sum investment:** This type of investment means investing in mutual fund all at once. This could be bonus, savings or returns received from any other type of investment.

**Systematic investment plan:** This type of investment means investment in mutual funds can be made on a regular basis, i.e. every quarter, every month or every week.

## How can an investor share the growth of **Mutual Funds**?

- **Dividend payments:** Mutual Funds particularly the Income Funds declared dividends on regular basis. This is tax free like company dividend.
- **Capital gains via increase in Net asset value:** Mutual Fund particularly Growth Fund concentrate on rewarding the investors through capital appreciation which is reflected in their increased Net Asset Value. An income generated from the sale or redemption of the mutual fund units at a higher NAV than the cost is termed as capital gain. This again is tax free / low taxed subject to various conditions.
- **What is Net Asset Value (NAV):** The net asset value is the value of a unit of a mutual fund. NAV is calculated on the basis of the total market value of the funds assets minus the total value of its liabilities divided by number of units. It is the price at which you buy, sell or redeem the unit of a scheme.

# What are the types of Mutual Fund **based on Asset Class**

## **EQUITY FUNDS**

Primarily investing in stocks, they also go by the name Equity funds.

## **DEBT FUNDS**

Mainly invest in a mix of debt or fixed income securities such as Treasury Bills, Government Securities, Corporate Bonds, Money Market instruments and other debt securities of different time horizons.

### **Money Market Fund**

A money market fund (also called a money market mutual fund) is an open-ended mutual fund that invests in short-term debt securities such as Treasury bills and commercial paper.

### **Hybrid Fund**

A hybrid fund is an investment fund that is characterized by diversification among two or more asset classes. These funds typically invest in a mix of stocks and bonds. They may also be known as asset allocation funds.

### **Income Funds**

Income funds are mutual funds, ETFs or any other type of fund that seek to generate an income stream for shareholders by investing in securities that offer dividends or interest payments.

### **Liquid funds**

Liquid funds are simply debt mutual funds that invest your money in very short-term market instruments such as treasury bills, government securities and call money that hold least amount of risk. These funds can invest in instruments up to a maturity of 91 days.

### **Aggressive Growth Fund**

Aggressive Growth Fund is a type of mutual fund which is not risk-averse in its selection of investments and aims to achieve the highest capital gains. As an investor, an aggressive growth fund is best suited for those who are prepared to take on high-risk.

## Is it a good time to invest in **Mutual funds**?

Investments may be started as early as possible. Waiting for the right time and delaying investing, may cost you those precious returns. Any day is the best time to invest in mutual funds. Remember to invest as per your financial goals and risk tolerance.

## Are **Mutual funds** safe?

Though mutual fund is considered as a safe way of investing for return, the underlying fact is that none of the mutual funds are safe though degree of risk vary with the nature and objective of mutual funds and its mode of investment.

## Choice between **Mutual funds** or Stock Market?

Stocks are riskier than mutual funds. By pooling a lot of stocks in a stock fund or bonds in a bond fund, mutual funds reduce the risk of investing. The trade off is that most mutual funds won't increase as much as the best stock performers.

## What are the risks of a **Mutual funds** ?

The level of risk in a mutual fund depends on what it invests in. Stocks are generally riskier than bonds, so an equity fund tends to be riskier than a fixed income fund. Plus some specialty mutual funds focus on certain kinds of investments, such as emerging markets, to try to earn a higher return.

## Whether some SIP eligible for 80C documents?

Yes, SIP investments in the ELSS qualify for a tax deduction under section 80C of the Income Tax Act, 1961.

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## How can I redeem my **Mutual funds**?

The proceeds from the redemption will be credited to the registered bank account. Such units can be redeemed online through a trading account or the AMCs website. You simply have to log in, select the fund and the number of units you wish to redeem and confirm your order.

## How do I stop SIP ?

You can log into your mutual fund account online and choose 'cancel SIP'. Your SIP will cancel within 30 days of the cancellation request. If you have invested through any online agent, you can cancel SIP through their portal.

## Is SIP safe?

SIP is generally marketed as a safe and sure route for investments in equities to create wealth over the long term. SIP is certainly safe for mutual funds and distributors because they get committed continuous money for the long term on which they can earn a fixed percentage of fees and commissions.