MUTUAL FUND BUSINESS

FREQUENTLY ASKED QUESTIONS (FAQ's)

1. What Is Mutual Fund?

A Mutual Fund is a pool of money from numerous investors who wish to invest their money in stocks, bonds and other securities for creating wealth. Investing in a Mutual Fund is lot easier than buying and selling individual stocks and bonds on one's own as it offers a platform to invest in diversified securities managed by professionals.

Types of Mutual Fund:

Based on investor's goal and investment horizon, Mutual Funds give him/her the option to invest money across various asset classes like equity, debt and gold. This allows to diversify his/ her investments and strive to reduce portfolio risk.

The different types of Mutual Funds are as follows -

i. Equity Funds / Growth Funds

Funds that invest in equity shares are called equity funds. They carry the principal objective of capital appreciation of the investment over a medium to long-term investment horizon. Equity Funds are high risk funds and their returns are linked to the stock markets. They are best suited for investors who are seeking long term growth. There are different types of equity funds such as Diversified funds, Sector specific funds and Index based funds.

ii. Diversified Funds

These funds provide you the benefit of diversification by investing in companies spread across sectors and market capitalization. They are generally meant for investors who seek exposure across the market and do not want to be restricted to any particular sector.

iii. Sector Funds

These funds invest primarily in equity shares of companies in a particular business sector or industry. While these funds may give higher returns, they are riskier as compared to diversified funds. Investors need to keep a watch on the performance of those sectors/industries and must exit at an appropriate time.

iv. Index Funds

These funds invest in the same pattern as popular stock market indices like CNX Nifty Index and S&P BSE Sensex. The value of the index fund varies in proportion to the benchmark index. NAV of such schemes rise and fall in accordance with the rise and fall in the index. This would vary as compared with the benchmark owing to a factor known as “tracking error”.

v. Tax Saving Funds

These funds offer tax benefits to investors under the Income Tax Act, 2961. Opportunities provided under this scheme are in the form of tax rebates under section 80 C of the Income Tax Act, 1961. They are best suited for long investors seeking tax rebate and looking for long term growth.

vi. Debt Fund / Fixed Income Funds

These Funds invest predominantly in rated debt / fixed income securities like corporate bonds, debentures, government securities, commercial papers and other money market instruments. They are best suited for the medium to long-term investors who are averse to risk and seeking regular and steady income. They are less risky when compared with equity funds.

vii. Liquid Funds / Money Market Funds

These funds invest in highly liquid money market instruments and provide easy liquidity. The period of investment in these funds could be as short as a day. They are ideal for Corporate, institutional investors and business houses who invest their funds for very short periods.

viii. Gilt Funds

These funds invest in Central and State Government securities and are best suited for the medium to long-term investors who are averse to risk. Government securities have no default risk.

ix. Balanced Funds

These funds invest both in equity shares and debt (fixed income) instruments and strive to provide both growth and regular income. They are ideal for medium- to long-term investors willing to take moderate risks.

x. Exchange Traded Funds (ETFs)

Exchange Traded Funds (ETFs) track an index, a commodity or a basket of assets as closely as possible, but trade like shares on the stock exchanges. They are backed by physical holdings of the commodity, and invest in stocks of companies, precious metals or currencies. ETFs give you the flexibility to buy and sell units throughout the day, on the stock exchanges.

xi. **Arbitrage Fund**

Funds which seek returns from arbitrage opportunities between equities and derivatives and invest in debt when no arbitrage is possible.

2. What are the benefits of investing in Mutual Fund?

Some of the benefits are-

I. Wealth Creation
II. Tax Benefits
III. Low cost return
IV. Professionally managed
V. Diversification of risk
VI. Investment option based on risk profile.

3. Is Mutual Fund Safe to Invest?

I. Like any other Capital Market securities Mutual funds are also subject to market risk, price fluctuation, liquidity etc. However, investment in Mutual Funds minimizes said risks through diversification and professionally management portfolios.

II. Further, Securities and Exchange Board of India (SEBI) is the regulatory body regulating the Mutual Fund industry. Its primary purpose is to protect the interests of the capital market investors.

III. It has made elaborated investment guidelines and reporting requirements mandatory so as to ensure prudent functioning of mutual funds and safeguarding of investor interests.

IV. Besides, Association of Mutual Funds in India (AMFI), a trade body of mutual funds in India working under the purview of SEBI also involves itself in devising compliance and best practices guidelines in the industry.

4. List of Mutual Fund Companies Punjab National Bank has tie-up with:

I. Principal Asset Management PvtLtd.
II. UTI asset management company Ltd
III. Birla Sun Life Mutual Fund
IV. LIC Mutual Fund Asset Management Ltd.
V. Reliance Nippon Life Asset Management Limited
VI. TATA Asset Management Ltd.

5. How Customer can invest in Mutual Funds of different companies with whom PNB has tie-up?

Customers can invest through:

I. Offline Mode: Please Visit nearest Punjab national Bank branch.

II. Online Mode: https://www.pnbindia.in/mutual-fund.htmlClick **INVEST ONLINE** of the respective Mutual Fund company customer will be redirected to Mutual Fund company website. Follow the process and fill the mandatory details.

Customer can invest online only if they are KYC complied
KYC can be complied by the customer through PAN card (in case of customer is already KYC complied).

In case customer invests inSIP (Systematic Investment plan), a unique reference number will be generated which customer have to fill under biller section through PNB mobile Banking app to complete the process of auto debit mandate from the next month cycle.

Note: If customer is not e-KYC complied then customer have to visit the nearest Punjab National Bank Branch.

6. What strategies are available for Investment in a Mutual Fund Scheme?

The strategies for investment are:-

I. **Lump sum:** One time Investment.

II. **Systematic Investment Plan:** An SIP is a regular investment in a fund for a fixed sum at a fixed frequency.SIP is a good way to invest at an average price over a period.

Besides above, the facilities for transfer/withdrawal are as under:

i. **Systematic Transfer Plan (STP):** An STP is a regular redemption from a fund. It is like an SIP but source of investment money is different fund.

ii. **Systematic Withdrawal Plan (SWP):** SWP means a regular redemption from a fund. Investors can redeem a fixed amount, a fixed number of units or all returns above certain base level.

7. What is a Systematic Investment Plan (SIP)?

A SIP allows an investor to invest regularly. One puts in a small amount every month that is invested in a mutual fund. A SIP allows one to take part in the stock market without trying to second-guess its movements.

For example
X decides to invest INR 1,000 per month for a year.When the market price of shares fall, X benefits by purchasing more units; and is protected by purchasing less when the price rises as explained below.

Date	NAV	Approx number of units you will get at 1000
1-Jan	10	100
1-Feb	10.5	95.24
1-Mar	11	90.91
1-Apr	9.5	105.26
1-May	9	111.11
1-Jun	11.5	86.96

1-Jul	11	90.91
1-Aug	10.5	95.24
1-Sep	10	100
1-Oct	9.5	105.26
1-Nov	10	100
1-Dec	9.5	105.26
		1186.15

Within one year, X has 1,186 units by investing just INR 1,000 every month at an average cost of 12000/1186.15 = 10.1170. This is as against 12,000/10 = 1,000 units or 12000/11.5 = 1043.5 units or 12000/9 = 1,333.3 units if X had invested lump sum on 1 Jan, 1 Jun or 1 May, respectively.

8. What are the documents which need to be collected from the new investor in case of offline investment?

Following documents are required for investment in mutual fund.

i. Application form
ii. KYC form
iii. Color Photograph
iv. PAN Card of the applicant/ (Guardian/ Parent in case of minor) is mandatory
v. Proof of Identity is necessary for PAN Card exempt cases.

For Proof of Identity any of the below documents can be used:

Driving License / Passport / Voters ID / UID / Aadhar

For Address Proof any of the below documents can be used:

i. Driving License / Passport / Voters ID
ii. Registered Lease/Sale agreement of residence
iii. Latest Bank Account statement/ passbook / Latest Electricity/Gas Bill

Besides above, the following documents are required in case of SIP/Minors.

iv. **For SIP only**: Cancelled cheque in case of a Systematic Investment Plan (SIP) with an ECS mandate.
v. **For minors only**: Third party declaration (Parents/ Guardian form and proof of parent/ child or guardian relationship).

For other entities, the following documents are required.

Document	Companies	Trusts	Societies	Partnership Firms	FIIs	Investments through Constituted Atorney
1. Resolution/Authorisation to invest	✓	✓	✓	✓	✓	
2. List of Authorised Signatories with Speci men Signatures(S)	✓	✓	✓	✓	✓	✓
3. Memorandum & Articles of Association	✓					
4. Trust Deed		✓				
5. Bye-Laws			✓			
6. Partnership Deed				✓		
7. Overseas Auditor's Certificate					✓	
8. Notarised Power of Attorney						✓
9. Proof of PAN	✓	✓	✓	✓	✓	✓
10. KYC	✓	✓	✓	✓	✓	✓

All documents above should be originals / true copies certified by the Director / trustee / Company Secretary / Authorised Signatory / Notary Public.

9. Do customer needs to be KRA (KYC Registration Agency) compliant for Transact Online?

Yes, with effect from 1st Jan 2011, KRA is mandatory for all class of investors irrespective of the amount proposed to be invested.

10. Whom Customers shall approach for redemption/ request for switching to other Funds/ Updation of the details in their folio or any other request/ Grievances.

i. Customer can approach to the nodal officer of the Mutual Fund Company mapped with the respective branch / Circle.

ii. Alternatively the request can be mailed to the respective company's customer care email ID/ or customer can also request through customer care number of the Mutual Fund companies.

iii. Any grievance if unresolved for more than 7 working days must be reported by the respective branch to msd@pnb.co.inunder intimation to Circle office.

11. What is Net Asset Value (NAV) of a scheme?

The performance of a particular scheme of a mutual fund is denoted by Net Asset Value (NAV).

Mutual funds invest the money collected from investors in securities markets. In simple words, NAV is the market value of the securities held by the scheme. Since market value of securities changes every day, NAV of a scheme also varies on day to day basis. The NAV per unit is the market value of securities of a scheme divided by the total number of units of the scheme on any particular date. For example, if the market value of securities of a mutual fund scheme is INR 200 lakh and the mutual fund has issued 10 lakh units of INR 10 each to the investors, then the NAV per unit of the fund is INR 20 (i.e.200 lakh/10 lakh). NAV is required to be disclosed by the mutual funds on a daily basis.

The NAV per unit of all mutual fund schemes have to be updated on AMFI‟s website and the Mutual Funds‟ website by 9 p.m. of the same day. Fund of Funds are allowed time till 10 a.m. the following business day to update the information.

12. What is sale and repurchase/redemption price?

The price or NAV a unit holder is charged while investing in an open-ended scheme is called sales price. Repurchase or redemption price is the price or NAV at which an open-ended scheme purchases or redeems its units from the unitholders. It may include exit load, if applicable.

13. What is the Cut-off time for Calculation of Net Asset Value (NAV)?

The sale and re-purchase prices are a function of the applicable NAV. In order to ensure fairness to investors, SEBI has prescribed cut-off timing to determine the applicable NAV.

The applicable NAV for switch-in transactions to liquid funds is the NAV of the day preceding the day of application provided

i. The application is received before cut-off time
ii. Funds credited to the scheme's account before cut-off time
iii. Funds available for utilization without using any credit facilities
iv. The above cut-off timing is not applicable for NFOs and International Schemes.

The provisions, which are uniformly applicable for all mutual funds, are as follows:

Type of Scheme	Transaction	Cut off time	Applicable NAV
Equity oriented funds and debt funds (except liquid funds) in respect of purchases less than Rs. 2 lakhs	Purchases and Switch ins	3.00 pm	Same day NAV if received before cut off time.
Next business day NAV for applications received after cut off time.			
Liquid fund	Purchases and Switch ins	2.00 pm	Previous day NAV if received before cut off time and funds are realized.
If received after cut off time, NAV of the day previous to funds realization.			
Equity Oriented Funds, Debt funds (Other than Liquid funds)	Redemptions and Switch outs	3.00pm	Same day NAV if received before cut off time.
Next business day NAV for applications received after cut off time.			
Liquid funds	Redemptions and Switch outs	3.00pm	NAV of day immediately preceding the next business day, if received before cut off time.
Next business day NAV for applications received after cut off time.			
Equity oriented funds and debt funds (except liquid funds) in respect	Purchases and	3.00 pm	Irrespective of the time of receipt of application, NAV of the business day on which the

of transaction equal to or more than Rs. 2 lakhs	Switch ins		funds are available for utilization before the cut-off time of that day is applicable

14. How to invest in a scheme of a mutual fund?

Investors should refer to the product labeling of the scheme. All the mutual funds are required to label their schemes on the following parameters:

i. Nature of scheme such as to create wealth or provide regular income in an indicative time horizon (short/ medium/ long term).

ii. A brief about the investment objective (in a single line sentence) followed by kind of product in which investor is investing (Equity/Debt).

iii. Level of risk depicted by a pictorial meter (known as a risk-o-meter) as under:

Low - principal at low risk
Moderately Low - principal at moderately low risk
Moderate - principal at moderate risk
Moderately High - principal at moderately high risk
High - principal at high risk

It can be understood as per following example. Suppose XYZ AMC is selling a Mutual Fund product under liquid plan, the pictogram about the said product will show as under :-

XYZ's (AMC) Liquid Plan is suitable for investors who are seeking	
• Short Term saving solution • A liquid fund that aims to provide reasonable returns commensurate with **LOW** risk and providing a high level of liquidity.	

However, investors should consult their financial advisers if they are not clear about the +suitability of the product.

15. How much should one invest in debt or equity oriented schemes?

An investor should take into account his risk taking capacity, age factor, financial position, etc. The schemes invest in different type of securities as disclosed in the offer documents and offer different returns and risks .Investors may also consult financial experts before taking decisions.

16. What should an investor look into an offer document?

An abridged offer document [known as Key Information Memorandum (KIM)], which contains very useful information, is required to be given to the prospective investor by the mutual fund.

The application form for subscription to a scheme is an integral part of the offer document. SEBI has prescribed minimum disclosures in the offer document. Mutual fund investments are subject to market risks. An investor should carefully read all the scheme related documents. Due care must be given to portions relating to main features of the scheme, risk factors and recurring expenses to be charged to the scheme, loads, sponsor's track record, educational qualification and work experience of key personnel including fund managers, performance of other schemes launched by the mutual fund in the past, pending litigations and penalties imposed, etc.

17. If schemes in the same category of different mutual funds are available, should one choose a scheme with lower NAV?

Some of the investors have the tendency to prefer a scheme that is available at lower NAV compared to the one available at higher NAV. Sometimes, they prefer a new scheme which is issuing units at INR 10 whereas the existing schemes in the same category are available at much higher NAVs. Investors may please note that in case of mutual fund schemes, lower or higher NAVs of similar type of schemes of different mutual funds have no relevance. On the other hand, investors should choose a scheme based on its merit considering performance track record of the mutual fund, service standards, professional management, etc. This is explained in an example given below.

Suppose scheme A is available at a NAV of INR 15 and another scheme B at INR 90. Both schemes are diversified equity oriented schemes. Investor has put INR 9,000 in each of the two schemes. He would get 600 units (9000/15) in scheme A and 100 units (9000/90) in scheme B. Assuming that the markets go up by 10% and both the schemes perform equally good and it is reflected in their NAVs. NAV of scheme A would go up to INR 16.50 and that of scheme B to INR 99.
Thus, the market value of investments would be INR 9,900 (600* 16.50) in scheme A and it would be the same amount of INR 9900 in scheme B (100*99). The investor would get the same return of 10% on his investment in each of the schemes. Thus, lower or higher NAV of the schemes and allotment of higher or lower number of units within the amount an investor is willing to invest, should not be the factors for making investment decision. Likewise, if a new equity oriented scheme is being offered at INR 10 and an existing scheme is available for INR 90, NAV should not be a factor for decision making by the investor. Similar is the case with income or debt-oriented schemes.

On the other hand, it is likely that the better managed scheme with higher NAV may give higher returns compared to a scheme which is available at lower NAV but is not managed efficiently. Similar is the case of fall in NAVs. Efficiently managed scheme at higher NAV may not fall as much as inefficiently managed scheme with lower NAV. Therefore, the investor should give more weightage to the professional management of a scheme instead of lower NAV of any scheme. He may get much higher number of units at lower NAV, but the scheme may not give higher returns if it is not managed efficiently.

18. How to choose a scheme for investment from a number of schemes

available?

As already mentioned, the investors must read the offer document of the mutual fund scheme very carefully. They may also look into the past track record of performance of the scheme or other schemes of the same mutual fund. They may also compare the performance with other schemes having similar investment objectives. Though past performance of a scheme is not an indicator of its future performance and good performance in the past may or may not be sustained in the future, this is one of the important factors for making investment decision. In case of debt oriented schemes, apart from looking into past returns, the investors should also see the quality of debt instruments which is reflected in their rating. Similarly, in equities schemes also, investors may look for quality of portfolio. They may also seek advice of experts.

For more information on Mutual Funds please refer SEBI's Frequently Asked Questions (FAQ's) on Mutual Funds.