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Starter's Guide to Mutual Funds

By

JAGOINVESTOR™

CHANGING YOUR RELATIONSHIP WITH MONEY

What's In This Starter's Guide?

WHAT ARE MUTUAL FUNDS?

A majority of investors today are thoroughly unclear about the basics of Mutual Funds in India. This is mainly due to the lack of clarity on the subject, lack of knowledge and awareness and more importantly, the complexity of the subject.

Let's first understand the concept from a basic level in a manner that will be helpful to a person who is just starting to learn about personal finance. Direct stock investing is one of the most attractive ways to make money but a majority of investors have no understanding of how to invest in stock markets appropriately to make good returns from them. Also, it is worth noting that stock investing should ideally be done on a long term basis. However, investors today may not have the time or expertise to invest in stocks. Investors today seek an easy way to take exposure to the equity market which is convenient, easy to understand and takes care of their investment needs.

Mutual Funds are financial instruments that allows a group of people to pool their money and build a collective corpus, which is then invested by investment experts (a group of people referred to as Fund Managers) who have a sound understanding of investing in the financial market and are also equipped with the resources and expertise required to handle the investors' money properly. Fund Managers are hence paid a salary and incentives that are based on the performance of the Mutual Funds they manage. This way, a common man can participate in stock market investing in a simplified manner.

Investors

A large number of people pool their money together to build a large combined corpus

Mutual Fund Corpus

Fund Manager

The Fund Manager invests the money according to the set objective of the Mutual Fund product and aims to deliver returns.

WHERE DO MUTUAL FUNDS INVEST?

Mutual Funds mainly invest in the following markets:

Equity Markets

This basically refers to investments in shares/ stocks of different companies.

Debt Markets

Consists of various secured instruments like Company Deposits, Government Bonds, Commercial Papers, etc.

Cash

Maintaining cash helps fund managers balance portfolios so that in case some investors need to withdraw their invested amount, they can be returned the value they invested plus any return generated. This is called redemption.

Based on the investment instruments, the Mutual Fund assumes potential returns that can be earned and aims to manage the risk associated with the investment in the best manner possible.

Common terms associated with Mutual Funds

Asset Management Company (AMC)

An AMC is a company which creates the Mutual Fund products. It is the main parent company which brings the Mutual Fund into existence. An AMC can have different kinds of Mutual Fund products with different names and mandates. For example, one particular AMC can have high-risk Mutual Fund products (those that invest primarily in equity markets) and other low-risk Mutual Fund products (those that invest primarily in the fixed income/ debt markets).

Mutual Fund 'Units'

Mutual Fund 'Units' are nothing but small components or chunks of Mutual Funds which one can buy and sell. These units are just like 'shares' in a company. For example – Suppose a Mutual Fund corpus is Rs 10,000, and then it can be broken down into the 1000 units of Rs 10 each or it can be broken down into 100 units of Rs 100 each. When you invest Rs X in a Mutual Fund product, what you will essentially buy will be a number of units of that product, depending on the relevant market price of the product, or the 'NAV'.

Net Asset Value (NAV)

You just read about Mutual Fund 'Units'. The market value of one unit is called NAV. This NAV hence is the cost price of one unit (so basically, in order to buy one unit of a Mutual Fund product, one has to pay the price equal to NAV). If NAV of a Mutual Fund unit is Rs 20 and you want to invest Rs 20,000, then you will get 1,000 units. The NAV is calculated by taking the total corpus value at any point of time and dividing it by the number of units. So depending on a Mutual Fund product's performance, each day, the NAV will change.

New Fund Offer (NFO)

When a new Mutual Fund is launched for people to invest in, for a particular period of time, this is called the NFO of the product (New Fund Offer is just like an IPO in case of a company's share issued to the public).

Investing in New Fund Offers: Is it for everyone?

When people choose to invest in a newly launched product, they are basically investing in an unknown product that has no proven track record but sometimes, seems interesting since it appears 'cheaper' to invest in due to the lower NAV. Here are some things first time investors should keep in mind while investing in a product's NFO:

a) No proven track record: Every product NFO is introduced with its own investment idea and logic but investing is never easy and its true worth can be assessed only after a few years of existence. So, the wise thing to do is to invest in any existing Mutual Fund product which has already proven its mettle and has given good returns over a long term and has proven fund managers managing the product, as these funds have a higher probability to continue performing well.

b) Mistaken belief of 'Cheap/Low NAV' at Rs 10: Most product NFOs are marketed at an NAV of Rs 10 and one of the common myths of investors is that it's a cheap fund and hence better than a fund with a higher NAV of Rs 20 or Rs 100. Keep in mind that that NAV growth is nothing but the growth of value of your investments and it does not matter what the NAV rate is.

Investing in a 'Rs 10' NAV Mutual Fund product v/s investing in a 'Rs 100' NAV Mutual Fund product will generate similar returns if their investment quality is the same. What should matter to an investor are the returns generated by the investment and not the price at which the investment was made. In fact, we feel there is no real reason to invest in a fund that has low NAV. Consider 'Fund A' with NAV Rs. 100 and 'Fund B' with NAV Rs 5, with both managing a corpus of Rs 10,00,000. Fund A has good fundamentals and is a better Mutual Fund in terms of strategy compared to Fund B but appears expensive as compared to Fund B. After one year, say the NAV of Fund A is now Rs 140 and for Fund B it is Rs 6.5 (their return is 40% and 30% respectively). So even though Fund B was available at a cheaper NAV, investing in Fund A would have delivered better returns.

The point to understand is that it's the strategy and the asset allocation which matters, NAV comparison among products doesn't really help. A low NAV can only get you more units and should have no other meaning for a smart investor.

c) Myth of High Dividend from a Low NAV Fund:
Some people are of the opinion that buying a low NAV Mutual Fund product helps in getting more dividends (if invested in the Dividend option) because the dividends are declared on the number of Units held. However, what's interesting is that when people invest in the dividend option of a product NFO simply because it appears cheap, it may not be the most informed decision. This is because when a dividend is declared, the investors' money itself is basically paid back as the dividend and the NAV value of the 'Dividend' option of that product basically reduces by the amount of dividend declared. So understand the difference between the 'Growth option' and the 'Dividend option' while investing in an NFO.

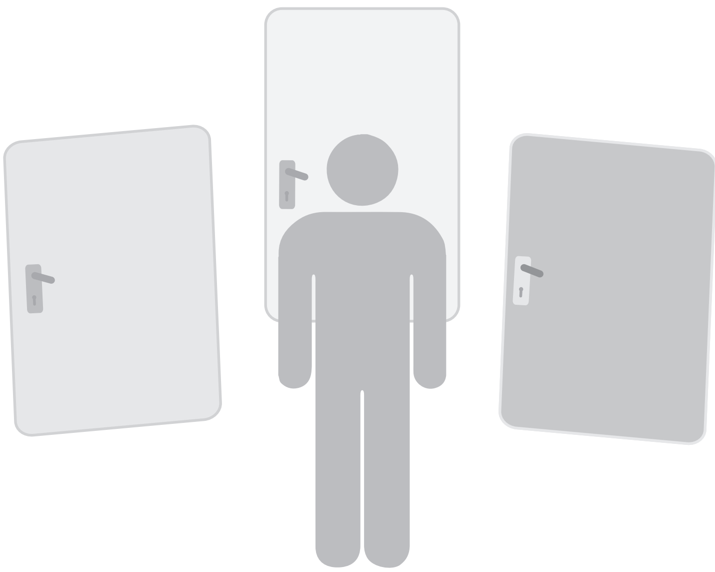
Of course, that does not mean that people should not invest in NFOs. After all, all investors really want is to make money and one should consider investing in any product that is interesting and logical enough for one to invest in. However, like all other investments, understanding the product before you invest in it is critical. It is just that without a proven track record, there is a higher degree of risk involved (even though past performance is not the only consideration for an indication of future performance). We understand that every existing Mutual Fund was an NFO when it would have been launched. But investors should keep in mind that only a handful of all products launched prove to be a success. There is a risk associated when you expect higher returns from a product, so just ensure that your investment advisor explains all the risks involved thoroughly before you make the decision to buy.

Mutual Funds options Growth or Dividend?

A Mutual Fund product can come with some options to choose from, at the time you buy them. You have to choose these options depending on your preferences. These options are different from each other and each comes with a specific purpose:

1. Growth Option – Under the 'Growth option', your money keeps growing as per the growth of the Mutual Fund investments. The number of Units in this option will always remain the same and the change in NAV will happen only because of Mutual Fund performance, as delivered by the Fund Manager. ***If you are looking at long term investments with a wealth accumulation goal, then the Growth option is best for you because your investment gets compounded which does not happen in case of the dividend option.***

2. Dividend Payout Option – In the 'Dividend Payout option', the main point is that some of your Mutual Fund corpus will come back to you each year in the form of dividends which you can think of as 'income from your invested amount'. Mutual Fund products declare dividends regularly depending on how well the product has performed.



For example, suppose you bought a product at Rs 10 in the beginning of the year. After one year, the NAV grew from Rs 10 to Rs 20. In the 'Growth option', this NAV will remain at Rs 20, but in dividend option, suppose a dividend of Rs 3 per unit is declared, then out of the NAV of Rs 20, Rs 3 will come back to investors in the form of the declared dividend and the NAV of the 'Dividend option' will now decrease to Rs 17. This means that the revised NAV would now be Rs 17 for all unit holders. So the point is that the NAV reduces commensurately after paying out the dividends proportionately.

If you are a person who needs a regular inflow of money from the investments for some purpose, you can opt for the dividend option. However, note that the fund has to pay dividend distribution tax on the dividend, so an investor gets the dividend after the tax is paid on it. The dividend an investor earns in his hands is not taxable again.

3. 'Dividend Reinvestment option' – This option is like a balance between the 'Growth option' and the 'Dividend Payout option'. In this option, while dividends are regularly declared, they do not come in the hands of investors, but get reinvested in the same product on behalf of the investors, so that while the NAV reduces when the dividend is declared, the number of units in the hands of the investor keeps increasing as more units are bought with the reinvested amount.

What are Closed and Open Ended Funds?

Mutual Fund products can also be classified on the basis of their structure. Let's look at the two broad classifications:

1. Open Ended Products - An open ended Mutual Fund product is open at all times for investors to buy or sell. Subscriptions are allowed throughout the year. There is no fixed or pre-defined time period for which one has to invest, it is up to the investor to choose when he wants to exit from such a product. These products are highly liquid, which means one can buy or sell at the current NAVs quite easily and quickly. Most Mutual Fund products are open ended in nature.

2. Closed Ended Products - For a closed ended Mutual Fund product, there is a specified entry and exit time and such products are available to buy or sell only for a specific duration of time. Investing in such a product is possible only at the time of initial issue. These products have a fixed maturity period. Examples of these kinds of funds are FMPs (Fixed Maturity Plans) which we will talk about a bit later.

Other ways to classify Mutual Funds

There are thousands of Mutual Funds in India and each of them can be categorised in various ways. A product can be categorised depending on what kind of asset class it invests in (equity or debt), what size of companies it invests in (small, big or very big companies) or also depending on which sectors it invests in (a particular sector or mix of all). Based on these parameters, let's see some ways in which a Mutual Fund can be categorized.

1. 'Equity Diversified Products'– These are products which invest a majority of their corpus in equity (shares) in various companies from different sectors. These are diversified products which are not over-invested in just one or two sectors, but have allocation in different kinds of stocks from many sectors. The risk involved in investing in these products can be high as a major component is in equity stock/ shares of companies. At the same time, the risk is diversified since there is no over-exposure to a single stock or sector.

a) **Large Cap Mutual Funds –** These products invest in very large companies, the average market capitalization of whom could be over Rs 10,000 crore. As very large companies are already stable and have usually been in existence for many years, the growth in the NAV of such a mutual fund product would have had a normal/ consistent pace over the long term and the returns and risk involved is hence limited.
b) **Mid Cap Mutual Funds –** These products invest in mid-size companies which may have been around for a lot of years but still have a strong potential to grow and this makes these mid cap funds an ideal investment for those who look at a higher level of risk with the potential of higher returns.
c) **Small Cap Mutual Funds –** These products invest in stocks of companies that are small in size and have huge growth potential. Once can say these small companies have potential of becoming the next large cap company. Having said that, the chances of their failure is also high, which makes a Small Cap mutual fund a fairly high-risk but consequently, a high-return option. One can see either outstanding returns or at the same time, really shoddy performance from these funds. Hence, these products are only recommended to those who can bear very high risk.

2. 'Debt Products' – A Debt Mutual Fund invests primarily in secured instruments while a small portion of the corpus might also be invested in stocks/ shares. These funds invest in bonds, government securities, debentures etc. The main objective of these funds is security of capital with moderate growth. These funds take very limited risk. An investor who is looking for alternatives to Fixed Deposits and PPF (Public Provident Fund) but with slightly better, tax efficient returns can look at debt funds as an option. There are again different sub-categories of debt funds:

a) **Gilt Funds** - These are products that invest specifically in Government Securities i.e. G-Secs issued by the Reserve Bank of India. These funds are exposed to interest rate risk, which means that when interest rates fluctuate, the NAV of these funds can also fluctuate.

b) **Liquid Funds** - Liquid funds are used primarily as an alternative to short-term fixed deposits. These products invest their money in instruments which have a short maturity period, so that the funds can be liquidated as soon as possible. The primary reason to invest in a liquid fund is to make sure that the invested money is readily liquid.

c) **Monthly Income Plans (MIP)** – These products focus on declaring dividends very regularly, preferably every month. This way, they are able to provide a monthly income to investors. While it's not mandatory for an MIP product to declare dividends every month, generally, investors do benefit from regular, monthly dividends. This makes MIPs a favoured Mutual Fund product category. Note that MIPs invest a majority of their invested corpus in secure instruments and a very small amount in equity; hence the returns are more or less stable.

d) **Fixed Maturity Plans (FMPs)** – Fixed Maturity plans are debt products which are close ended in nature. These FMPs are available to investors for various tenures like 60 days, 91 days, 180 days, 2 years etc. They invest in those instruments whose maturity period is a little less than the tenure of these FMPs, so that these products are liquid in a certain manner and can easily return the money back to investors on the maturity date. Note that investing in FMPs is a viable alternative to saving money in fixed deposits since the returns generated can be slightly better and more tax efficient than fixed deposits. However FMPs are also exposed to the risk of default because if those companies where the FMPs invest in fail to repay the money back, the investors can get stuck.

3. Balanced Funds – These products are a combination of equity and debt investments but in these cases the equity component is higher, usually around 60-70% and the remaining 30-40% is in debt instruments. The best part of these funds is that they rebalance the ratio regularly and keep the ratio intact, staying true to their investment objective. The NAV of balanced funds are less volatile compared to equity oriented Mutual Fund products. Investments done under these products are meant for a medium to long term due to the equity aspect involved up to some point. The equity portion in such funds provides growth opportunity and the debt portion provides a stable backbone.

4. Sectoral Mutual Funds –These products invest predominantly in one or two sectors only. The reason for this is the high potential evident in the invested sectors for growth and returns. However, these funds are very risky as they are exposed to one or two sectors only and therefore lack diversification. So, an Infrastructure fund will only invest in those stocks which are from infrastructure companies and related industries, or a Banking fund will invest in banking stocks.

5. Tax Saving Mutual Funds (also known as Equity Linked Savings Schemes, or ELSS): These are diversified equity products that focus on generating wealth while also helping investors save tax- the money invested in these funds is exempt from income tax up to a limit of Rs 1 lakh under Section 80C of the Indian Income Tax Act, 1961. However, once you invest in these funds, you can only redeem your investments after 3 years since there is a pre-defined lock in period of 3 years.

6. Gold oriented Mutual Funds - Gold oriented Funds are sectoral Mutual Funds which invest in stocks of companies engaged in gold mining & production. They do not buy gold directly but invest in stocks of companies engaged in gold mining and production the world over.

7. FoFs (Fund of Funds) – Fund of Funds, also called Feeder Funds, are Mutual Fund products created to give investors the access to invest in sectors or stocks where they may not have the opportunity to invest directly in their home country. These products, once investors invest in them, in turn buy the units of another Mutual Fund product or products that do have the opportunity to invest in sectors otherwise not available to investors through the Feeder Fund.

FoFs could also serve another purpose, by offering investors the opportunity to invest in multiple other Mutual Fund products (from the same parent mutual fund house or from other mutual fund houses as well) while actually investing in only one single Mutual Fund product. The easy way to think about FoFs is that investors actually invest in a feeder fund. The feeder fund gives the money to the 'parent fund' or a bunch of funds, that would help the investor gain access to the desired companies.

8. Index Funds - These are Mutual Funds that mirror a particular index like Nifty, Sensex of Nifty 500. They invest their money in the companies which are part of that underlying index and in the same proportion as per the weightage of the company in that index.

9. ETFs (Exchange Traded Funds) - ETFs can be thought of as a combination of a stock and a Mutual Fund product, in the sense that like 'Mutual Funds' they comprise of a set of specified stocks. For instance, an index ETF would basically invest in all the stocks that an index like the Nifty/Sensex covers in a similar proportion, a Gold ETF would invest in the physical commodity and maintain a 'gold reserve' on behalf of all investors (thereby allowing investors to own actual gold without the physical hassle of keeping it safe, etc.).

At the same time, like equity shares, these ETFs are 'traded' on the stock exchange on real-time basis. ETFs are passively managed and have low distribution costs and minimal administrative charges. Hence most ETFs have lower expense ratios than conventional Mutual Fund products. ETFs are convenient to trade in as they can be bought/sold on the stock exchange (one requires a demat account to trade in ETFs) at any time of the day when the market is open.

Entry & Exit loads on MF investments

Entry load (which doesn't exist anymore) was the additional cost that investors had to pay at the time of investing in the Mutual Fund. This was charged against the 'administrative and other costs' that an AMC has to pay to keep the Mutual Fund product active. AMCs were allowed to charge up to a 2.5% fee as Entry Load to investors. This charge is no longer applicable after it was abolished by SEBI in August 2009.

Exit load is a similar cost that investors have to bear while withdrawing investments from Mutual Fund products or switching investments from one product to the other before a pre-defined period of time.

Understanding taxation in Mutual Fund products

Tax implications on profits earned from investments made in Equity Mutual Funds and those made in Debt Mutual Funds are very different. For the purpose of taxation, Equity Mutual Funds are those products whose equity component is more than 65%. So even if it's a balanced fund whose equity component is more than 65%, it will be treated similar to Equity Mutual Funds for taxation purpose.

Tax Implications on Equity Mutual Funds

The taxation on Equity Mutual Funds is very simple to understand. When one sells his Equity Mutual Funds, he earns some gains and those gains can be categorised as either 'Short Term Capital Gains' or 'Long term Capital Gains'.

- Short term Capital Gains occur when investments in an Equity Mutual Fund are held for less than 12 months. This means that the gap between buying and selling the product was less than 12 months. In this case, the profit (capital gains) earned is taxable at 15%.

  So if a person invests Rs 1,00,000 in an Equity Mutual Fund and sells it for Rs 1,20,000 in the next 6 months, then the gains are 20,000 and since the holding period was just 6 months (less than 12 months) the profits would be taxable at a 15% rate (which is 15% of 20,000 = Rs 3,000).

- Long Term Capital Gains occur when investments in an Equity Mutual Fund are held for more than 12 months. This means that the gap between buying and selling the product was more than 12 months. In this case the capital gains are fully tax exempt and hence, there is no tax to be paid on the profits earned. (Note that there is the assumption that STT, or Securities Transactions Tax is paid which is always the case with Mutual Fund products). So suppose that in the example above, the investment was sold at Rs 2,00,000 after 2 yrs, then, since the holding period was more than 12 months, the whole profit of Rs. 1,00,000 (2,00,000 – 1,00,000) would be considered as long term capital gains and hence no tax will need to be paid on the profits earned.

Tax implications on Debt Mutual Funds

In the case of Debt Mutual Funds, the taxation on profits works differently. While the short term capital gains as well as long term capital gains concept still exists, the time limit for it is 3 yrs, unlike one year for Equity Mutual Funds.

- **Short term capital gains** occur when investments in a Debt Mutual Fund are held for less than 3 years and some profits are earned, in which case, the profits are added to the investor's income and taxed at the rate which is applicable as per the overall applicable tax slab.

- **Long term capital gains** occur when investments in a Debt Mutual Fund are held for more than 3 years and some profits are earned. In this case, the investor can either pay 20% tax on the profits earned or one can pay 10% tax on the profits after what is known as 'Indexation'.

Indexation basically means taking into consideration the inflation rate as well. Hence, the cost price will not be the exact cost price you paid at the time of purchase, but it will be inflated as per the govt released data. The best way to understand Indexation would be to **read this article on the Jagoinvestor blog**.

WHAT IS SIP
(SYSTEMATIC INVESTMENT PLAN)

When it comes to Mutual Funds, SIP is one of the most common words one comes across. Still, a lot of investors think that it is a complex term, which in fact isn't true.

SIP is a really simple concept; it is very similar to the 'recurring deposits' concept in banks where you can invest a fixed sum in your account per month. In the same way, SIP essentially refers to investing a small sum of money in a Mutual Fund product each month or week (depending on the investor's choice). So if you have Rs 60,000 to invest in Equity Mutual Fund Product 'A', while you could choose to invest the entire amount at one time, you could instead start an SIP of Rs 5,000 in 'A' for the next 12 months, which means that every month, Rs 5,000 will get invested into the product automatically. It's as simple as that.

However, the concept of investing via a Systematic Investment Plan is something which really works for the common man because most salaried people are in a position to invest smaller sums of money every month and investing through an SIP makes it easy and convenient for them to invest regularly and in a disciplined manner, without the inconvenience of having to fill out fresh application forms every month for small amounts of investments. SIPs are flexible since even if you invest via SIPs over long periods of time such as 5 years or 10 years, you can choose to stop your SIP at any time. Also, investing via SIPs instills the good habit of being consistent in your investment style and avoiding knee jerk reactions to market movements.

When you choose to invest via an SIP, your investments basically get transferred from your bank account automatically through ECS (although you can opt for physical post dated cheques as well) and then invested in your chosen Mutual Fund product at regular intervals of time as chosen by you in your application form.

Mathematically, SIPs make a lot of sense since the average cost price for each unit actually turns out to be lower over the long term. Let's try to understand how this happens.

Date	Investment Amount (Rs)	NAV(Rs)	Units Bought
2nd Jan	1000	10	100
2nd Feb	1000	13	76.92
2nd Mar	1000	10.5	95.24
2nd Apr	1000	9.5	105.26
2nd May	1000	8	125
TOTAL	**5000**	**51**	**502.42**

Consider the table above. You can see that in this case of investing Rs 1,000 every month via a SIP for 5 months, the total number of units bought over the 5 months is 502.42 and total money spent is Rs 5,000.

Now, average NAV over the period should be = (10+13+10.5+9.5+8)/5, or 51/5 = **Rs 10.2 per unit.** However, if you actually consider the amount spent and units bought, you can calculate the actual average NAV earned as = (1000+1000+1000+1000+1000)/502.42, or 5000/502.42 = **Rs 9.95 per unit**

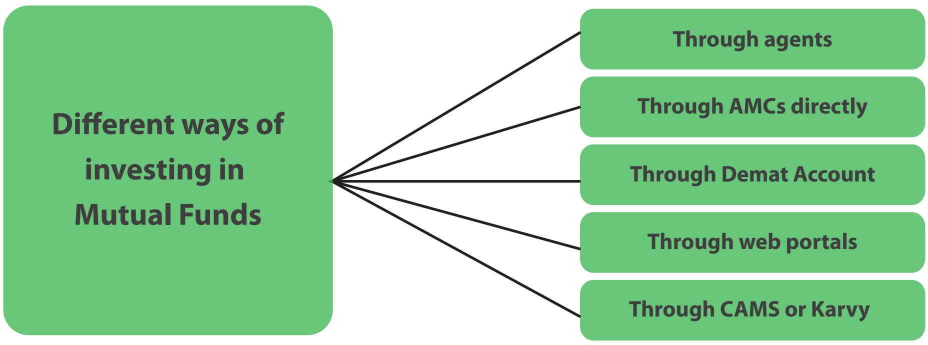
What we understand from this example is that the average NAV for the buyer will be less than actual average NAV because of the choice of investing via SIPs. This is what is called 'Rupee Cost Averaging', which is an important real benefit of SIPs. How this concept works is that you end up buying lesser units at a higher price and more units at a lesser price, which, over a long period of time makes your average price per unit lesser.

Of course, this is not always the case, especially if the market is always rising constantly. But over a majority of cases, especially when markets seem to be volatile, this will hold true and will give investors the edge.

SIP in Tax Saving Mutual Funds

As a special case, it is important to understand that just like one-time investments in ELSS, funds are locked-in for 3 years, even SIP investments in these products will be locked-in for the next 3 years from the investment dates. Hence, each and every SIP instalment will have its own lock-in period of 3 years.

What are the different ways of investing in Mutual Funds?



1. Investing through an Agent

This is the oldest tale in the book and still stands as one of the most convenient ways of investing in Mutual Funds. An individual can get in touch with an agent who will provide the forms and documents needed to be filled and signed. Since entry loads in the industry have been abolished, the agent is compensated by the investor, through a pre defined commission structure based on the amount invested (agents can charge anywhere from 1-2% of the amount to be invested). An agent also earns commissions from the AMCs as 'upfront' and 'trail commissions' which we will cover soon.

One can choose to invest via an agent if convenience and comfort during the application process is important to you. These agents have the requisite expertise to be able to guide you effectively.

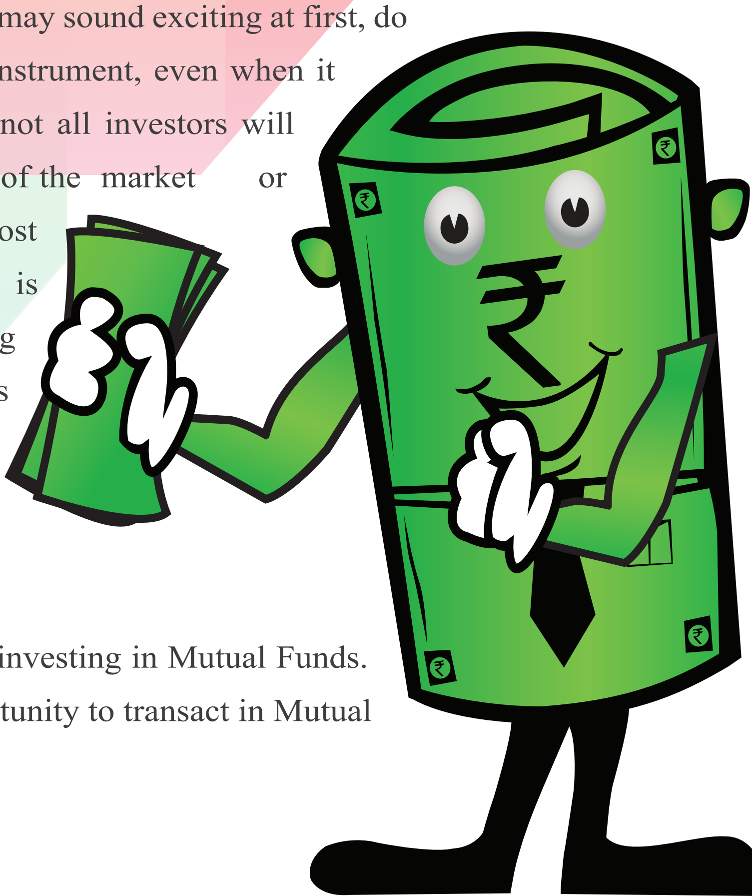
A list of authorised agents in your city can be found on **AMFI Agent Search Link** or you can also look for agents online or offline. Agents can be independent, or sometime they can be linked to larger advisory companies who have strong resources available since more people are involved, including an online account access facility, through which you can see your Mutual Funds investments' performance at any time.

2. Investing directly with an AMC

Investments can also be done directly through an AMC (simply put, the Mutual Fund companies themselves). While you can choose to visit an AMC and fill out physical application forms and submit the required documents along with the form and cheque directly at their client response desks, you can also simply post/ courier the form, documents and cheque to an AMC's office closest to your location.

Today, the process of investing directly is becoming convenient with many Mutual Fund companies also providing online facilities for investing. You can visit the website of your chosen AMC to find out more about this. What online investing does is reducing the troubles of investors and giving them options and convenience at the click of a button! You don't have to personally go to the AMC office and then fill out forms. Also, if you have chosen to invest in products of different AMCs, then you'll have to visit offices of each AMC separately, which will be time-consuming and inconvenient.

Investing directly with AMCs enables you to save money as well since there is no agent/ advisor involved. It makes sense to use this method if the amount of your investment is going to be large and the tenure of investment is long-term. Example: If Rs. 10,000 per month is to be invested in Mutual Funds then with a 1% commission structure, Rs 100 per month can be saved, which totals up Rs. 3,600/- for a 3 year period. So an additional sum of Rs. 3,600/- is at stake if investments are done through an agent who charges a 1% commission on the invested amount. While this may sound exciting at first, do keep in mind that like investing in any other instrument, even when it comes to investing in Mutual Fund products, not all investors will have the requisite knowledge or understanding of the market or even of mutual funds in general to take the most informed decisions. Hence, investing directly is recommended for smart investors after having understood the product and underlying risks well. Please note that to invest online with an AMC, you do not require a demat account.



3. Investing through a Demat Account

This is one of the most convenient methods of investing in Mutual Funds. If you have a demat account and have the opportunity to transact in Mutual

Funds through the institution with which you hold your demat account, then you can browse through all products on the site easily and similar to the above method of investing directly with an AMC, just with a few clicks of a mouse, you can invest in a product of your choice. But keep in mind that unlike investing directly with an AMC, you will have to pay commission here, since banks that offer demat accounts are also agents themselves. Some may charge a flat fee and some may charge on a percentage basis. The biggest advantage of buying and selling through a demat account, is that you control all your investments from one place and do not even have to visit multiple websites of multiple AMCs for investing. Again, investing via this method involves a certain level of understanding and knowledge.

4. Investing Through Web Portals

There are various companies which have entered in the business of providing Mutual Funds transactions online. Though they are used by small number of people today, the response to such portals has been very good and they are one of the best ways of investing in Mutual Funds online without incurring any extra charges. This option is really recommended given the technological advances these days and the convenience provided. These portals support everything from lump-sum investments, SIPs, STPs etc, along with many other innovative options. Overall they can be very helpful if your requirement is convenience and value added services.

Please note that these web-portals are only a way of investing and you should look at them as a complete support system. Many websites are now available but you should look at each of them and decide which one suits your needs well. See your financial planner or advisor for proper advice before investing in Mutual Funds via these portals.

5. Investing through registrar agents CAMS or Karvy

CAMS/ Karvy are like transaction processing companies that service almost all the Mutual Fund companies in India. They process all the buying and selling and work as the backbone of the industry, maintaining all the investment information for investors across India and also help sending reports to investors and advisors across India.

You can also invest directly through CAMS or Karvy. All you have to do is download the Mutual Fund form from the AMC website. Take a print out and fill the form. Then submit to your nearest **CAMS** or Karvy Investor Centre along with copy of your PAN card, SIP form (if needed) and the cheque.

WHAT ARE STP AND SWP?

STP (Systematic Transfer Plan)

A lot of people may not want to invest large sums of money in Mutual Funds. So one of the option they have is to keep their money in their bank account and then start a SIP. However the interest they earn from their savings bank account may be less. STPs fill this gap as a one time large investment is first made in a 'more stable' Mutual Fund product - for instance, a Debt Mutual Fund, and then a fixed amount can be transferred from this product to another 'more risky' product over a period of time. STPs hence make most sense from DEBT to EQUITY when markets are very volatile and risk is to be avoided. This can be better than keeping money in the bank account and running a SIP because the invested money in the Debt product will be earning some returns, generally better than the savings bank account interest earned.

Investment via STPs can be sold anytime. Hence it can also work like an **emergency fund**. In case one requires money urgently, this investment can be liquidated easily. STP is a facility for convenience. It is important to note that when the transfer happens from one Mutual Fund product to another under a STP, it's still considered as selling of a product and then buying another one, so tax rules will apply in the same way.

Most of the funds allow only Monthly and Quarterly STP, some allow weekly and fortnightly also. Some other rules and regulations may apply, for example a 'minimum amount requirement' for starting an STP from a Debt product to an Equity product, additional 'Switching Charges' etc; so please understand your options fully before starting a STP.

Two main types of STP: There are two types of STP plans, 'Fixed' and 'Capital Appreciation'. In a 'Fixed Plan' a fixed, pre-determined sum will be transferred to the target Mutual Fund product. On the other hand in the 'Capital Appreciation Plan' only the amount of appreciation earned (profits/ gains) gets transferred. Hence, the original lump sum amount invested in the beginning is protected. Capital Appreciation choice is available only with a Growth Plan and not Dividend Plan.

SWP (Systematic Withdrawal Plan)

You can think of SWPs as just the opposite of SIPs. In a SWP, every month, Mutual Fund investment units are redeemed and the proceeds are deposited in your pre-determined bank account. Investing via a SWP is a good strategy to protect investments and the profits earned.

A STP can also be treated like a smart SWP, because you can choose to have a STP from an Equity product to a Debt product so that even the amount of money transferred to the target Debt Mutual Fund product will help generating better earns (mostly) than your bank savings account.

Understanding your Agent's Commission

It is important for an investor to know and understand how Mutual Fund agents earn their commissions. There are 3 components of commissions earned by Mutual Funds Agents:

1) Direct Commission earned from the Client

This is the commission which an investor pays to the agents for the service they receive from them. It generally ranges from 0.5% – 2% of the total amount invested. It should depend on the quality of advice your agent provides. This is the commission that is paid to the agent every time an investment is made. So if you invest Rs 10,000 per month and your agent charges commission @1%, he gets 1% of 10,000 = Rs 100 every month. This is the amount you have to pay your agent in addition to the actual investment cheque of Rs 10,000. Some agents charge their clients but some may choose not to.

2) Upfront Commission earned from the AMC

Upfront commission is the commission which is paid by the AMC to the agent in the first year of the investment. The commission percentage varies from one AMC to another and varies across different categories of Mutual Funds. Equity products generally give higher upfront commissions, whereas debt products give lower commissions. So, even if your agent is not charging you any commission, he will still be earning upfront commission from the AMC. For example if an AMC pays 1% upfront commission on investments in its Equity Mutual Funds then when you invest Rs 10,000 in a product from that AMC, then your agent will earn an upfront commission of Rs 100.

3) Trail Commission earned from the AMC

The trail commission serves as the main earning of agents in the long run. It is the commission paid to agents by AMC in subsequent years after the first year. The trail commission is actually paid out of the expense ratio which is deducted from the Mutual Fund (so in a way this commission comes out of your own money), but there is no way you can escape this because a Mutual Fund can charge an expense ratio from any of the schemes as per SEBI rules.

If you don't invest through an agent, the trail commission will still be part of the expense ratio even though the AMC won't have to pay this out to an agent. A Mutual Fund can choose to not pay trail commission to agents, but it's very rare. The trail commission is calculated as a percentage of total AUM (total worth of customer's Mutual Fund value). This means that if your Mutual Fund corpus is Rs 1cr after having invested this more than an year ago, then an agent will be paid a percentage of this amount by the AMC. If the trail commission is 0.4% for the second year of investment, then the agent will earn Rs 40,000 in the second year.

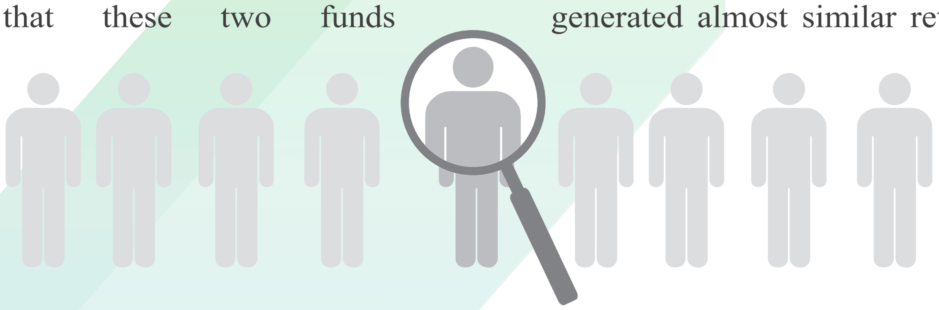
It is important to know how the commission is structured so that investors can truly assess the value of the service and advice that is given by their agent. Also, investors should remain alert that agents don't advise them to invest in Mutual Funds that pays a higher Trail Commission simply to earn more commission. Of course, if it's for the benefit of the investor and both the investor and the agent hence earn mutually, this makes sense.

What is the 'Expense Ratio' in Mutual Funds?

As an investor, the only transactions that visibly happen are buying or selling. However, in the background, to enable such buying or selling, there are many expenses which an AMC has to incur. Some of these expenses are fund management fees, agent commissions (trail commissions), registrar fees and selling and promoting expenses. As per SEBI regulations, the maximum expense ratio that can be charged to investors in Equity Funds can be 2.5% and in Debt Funds it should not cross 2.25%

The burden of this expense ratio is to be borne by investors. Expense ratio is cut from the investments on daily basis from Mutual Funds and only after that, a product's NAV is published. For example, let's assume that you invest Rs 1,00,000 in a product whose NAV is Rs 10, and whose expense ratio is at 2%. If in a day the fund grows by 0.5% (which turns out to be Rs 500), the NAV will not simply rise, to become Rs 10.05. This is because an amount to the tune of 2%/365 (which is a 365th of 2%- as it is the charge for one day from the year) will be deducted as charges.

Remember that when the returns of two products are compared over the long run, the calculations are shown after-expenses; hence, it may happen that a product seems to be doing better today due to the lower expenses ratio compared to another product. It could have been that these two funds generated almost similar returns before expenses. Naturally, the fund that has a lower expense ratio will prove more efficient and will indicate greater returns as compared to the other product. Higher expense ratios can hurt investors in the longer run. The concept of Expense Ratios is not exclusive to Mutual Funds and other financial products such as ULIPs etc have such charges as well.



Direct Plan of Mutual Funds

What is the 'Direct Plan'?

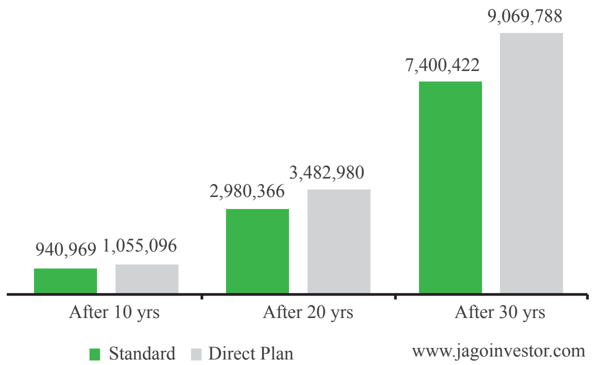
In 2013, SEBI introduced a new rule that each and every Mutual Fund product will need to have a 'Direct Plan' for each fund, where the expense ratio will be lower because there will be no commission to be paid to agents. Investors can buy the Direct Plan of any product directly from the Fund House, either offline or online. Simply put, the advantage for investors is that over time, the lower expense ratio will mean a higher value and hence better returns over the long term.

Impact on Wealth

Now, let's understand the impact of expense ratios on your wealth over the long term. Let's say there is a product whose expense ratio is 1.72% (Regular Plan) and 1.29% (Direct Plan). What will happen to your wealth after 10/ 20/ 30 yrs if you consider these two options? Will the difference in the corpus you will accumulate at the end of the time period in these two options be huge?

Even if we assume conservative returns of 10% on **equity over the long term**, the difference in corpus at the end is huge because of a sizable difference in the expense ratio. Consider the chart where we've mentioned the corpus of both the options and the difference between them over 10 yrs, 20 yrs and 30 yrs.

Difference between corpus of Direct Plan vs Standard Plan incase of a monthly SIP of Rs. 5000 assuming 10% return



Who should invest in Direct Options?

At first glance, it seems that the Direct Plan makes sense for all investors as it's more cost efficient. However, **we feel that's not the right way of looking at it** . Only those investors should opt for Direct Plans, who are:

• Capable of choosing the right products for themselves
• Ready to review their portfolios regularly by themselves without any additional help
• Able to point out and eliminate badly performing products from their portfolio
• Ready to take the pain of investing with different AMCs separately

A lot of people may still fall into this category and would be ready to go the direct route, for the kind of benefit they get out of it. However let's also see who should not choose Direct Plans.

Who should not Choose Direct Plan?

You must be wondering who won't or why one wouldn't invest in direct plans!

A lot of investors have very good advisors, who have a strong capability and knowledge to advise and also to help in proper record keeping for their clients. The value of their timely advice can be so much that it may out-weigh the advantage of direct plans. So if you feel confident that you have an advisor who helps you develop a sound investment strategy, helps you pick good funds and also helps you in maintaining a good portfolio by removing bad funds over time, and also helps you generate additional 2-3% returns on your portfolio, its definitely worth paying the commissions you're already paying. Also, it might happen that you are a busy person who wants a third party to handle your portfolio appropriately, to inform you on a timely basis about your portfolio and to keep you updated with what's going on. In such a case, you will again be well advised to consider not moving to direct plans.

So at the end, its all about the following questions:

"Is there any value in sticking with my advisor, platform or financial planner?"
"Am I confident they are adding enough value to my financial life?"
"Do they deserve what they earn from me, investing my hard earned money with them?"

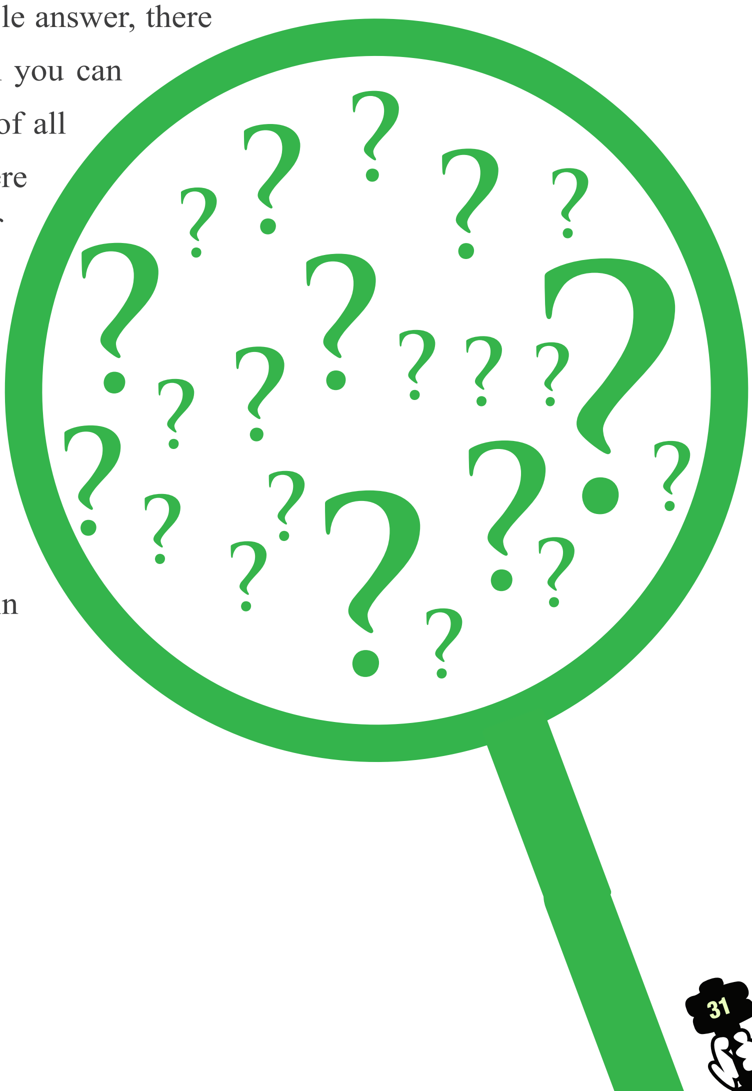
These are questions you need to ask yourself. Do not rush to transfer your Mutual Fund investments into Direct plans just because it seems cheap. Take some time to think over it and look at the long term effects of it.

What to look for before choosing a Mutual Fund

Most investors have this big question in mind: "How can I choose the best Mutual Fund?" However, no one really tries to understand the concept fully and the underlying mechanism of how Mutual Funds work. Some rational and logical thinking needs to be done before choosing to invest in any Mutual Fund products. Mutual Funds invest in stocks of different companies and individual performances of these stocks finally make or break the returns of a product. On top of that fund managers make decisions of buying and selling the stocks based on their research, knowledge and gut feeling at times and many things can go right or wrong in the whole process. Besides, every investor has a different background and a different objective so how can one fund suit everyone's needs?

So the gist of the matter is that there is no simple answer, there really cannot be a Mutual Fund product which you can pick today and assume that it would be ahead of all the other products in the short or long run. There are thousands of products available, most of whom look alike and work in similar ways. The difference between their performance/ returns can also be due to merely the "luck" factor at times.

So while there's no straight answer, there are certain factors that investors can generally keep in mind to make the most well informed decisions.



Here are some of the things to look at before you invest:

1) **Investment Objective of the product:** Each product has its own mandate to invest and based on the mandate, the product's risk factors and the avenues to generate the return potential are decided. It is important for investors to understand the investment objective of a product they're considering to invest in, with their own requirement before they invest. For instance, if a fund is going to invest in mid cap stocks or small cap stocks, then you should not buy the fund expecting to generate a regular income in the short term. In that case, there would be a mismatch in what you want and the fund you are choosing to invest in. So, always choose the fund based on your needs.

2) **Past performance:** Past returns of a product shows the performance over a particular period. You can look at the 1 year, 3 year and 5 year performance of a product, but note that past performance is never a guarantee of future performance. However, it can definitely give an idea of how well and how consistently the product performed in the past, and can be one of the indicators of future performance. We would suggest using this as filtering criteria rather than choosing criteria. You could say that you will generally pick 2-3 products from the top 10 funds based on performance.

3) **Comparison against Benchmark:** For all Mutual Fund products, there is a pre-defined benchmark whose performance is used to compare the fund's performance against. You can say that the product performed good or bad over a time frame only if the returns generated from the investment made in that product are better, than had the money been invested in its benchmark over that particular period.

However, it is important to note that the benchmark performance is as valid during times when the market is falling as it is when markets are rising. After all, the performance of a product is dependent on the performance of the stocks that the product in turn invests in, which is dependent on how well the markets are performing. Whether in a good market or a bad market, a Mutual Fund product's fund manager's role is to ensure that the product's performance is better than the benchmark performance.

If a fund has beaten its benchmark handsomely in the last one year but over all other periods of time, it hasn't, you may want to be careful in selecting that fund against another fund that may have delivered lesser returns in the last one year but has consistently performed better than the benchmark.

So now you have a simple rule to judge a Mutual Fund product's performance

- If Fund Performance > Benchmark consistently - The fund performance was good
- If Fund Performance < Benchmark consistently - The fund performance was bad

4) Ratings of products by various experts: People generally think that highly rated funds are always better than low rated funds but that's not always true. Ratings of the funds should not be the only factor before choosing funds to invest in, but they can be a good indicator to filter out funds. For example, on a 5 star rating scale, if experts generally offer similar ratings for a particular product, you can remove 1 star and 2 star rated funds from your choice set to make your list more refined.

Once you have done research in the above main areas, you can evaluate the Mutual Fund product further on:

- For evaluating long term performance, the product should be in top 10 category for 1 year, 3 year and 5 year returns.
- The management of the MF product should be good. Don't just focus on returns as the fund manager who is managing the money and the company/ brand that the fund manager is working with is more important
- Portfolio allocation should also be considered as per your risk-taking capacity. For example, if a product's concentration is high on mid and small cap funds, it means that it has more than average risk but potential for very great returns so choose it if it fits your risk appetite.

Mutual Funds are long term investments, not short term instruments!

One of the biggest mistakes investors commit is to look at Mutual Funds as "get rich quick" investment options. It is important to understand that while some Mutual Funds (for example, Debt products) can be invested in keeping a short time frame in mind, for most common people, Mutual Funds are not at all for the short term.

For common investors who invest generally in Equity Mutual Funds, it is important to understand that these are actually long term investment products because their underlying assets are stocks of different companies and it takes years and years for them to perform and be consistent. There is no doubt that there can be very high returns in the short term, but that does not mean that every product will deliver such returns in any market condition. This is the same reason why Mutual Funds can also give negative returns in the short to medium term, but over a very long term Mutual Funds generally deliver very good double digit return, at least in line with market performance if not more.

So make sure when you start your SIPs in Mutual Funds, you are looking to invest in them for longer term goals like children's education, retirement etc. Slowly and steadily, you can expect to see handsome returns over the long term.

Remember that there is no "Best" Mutual Fund

As we mentioned earlier, there is nothing like the "best" Mutual Fund product. Performance keeps going up and down and a highly rated product can be out of favour within the next 1 year and then even more so in the next 5 years. All you need to do is choose a consistent, long-term performing product which has a good track record and is expected to do well in the future. You should also be actively reviewing your investments regularly, at least once every 2 years and make changes as required.

How much return to expect from Mutual Funds?

Mutual Funds are not like fixed deposits or PPF where you know the returns you will get before investing itself. This is because Mutual Funds invest in stocks of companies and the price movements in those stocks will decide how much return you will get from a Mutual Fund, which can never be determined or forecasted perfectly by anybody. This is one reason why you can see very volatile returns from Mutual Funds. It can be 50 % one year and then fall by the same amount the next year! This is one reason why a lot of people label Mutual Funds as risky. But it's only true for short periods of time.

Over a long term one can expect good returns because over a time frame of 5-10 years, stocks have the ability to perform well while recovering from any untoward/ unexpected short term market movements and hence, a Mutual Fund product should also be able to deliver good returns. Check any product's return over 5, 10 or 15 years and you can see 15%, 20% or at times 25% returns year on year. But if you look at the same fund's 1 year or 6 month returns, the return would vary significantly and might range from 100% to -50% depending on how the overall stock market performed short term, in the last few months.

One critical factor for investors to keep in mind is that keep your return expectations in line with the level of risk you are willing to take. Remember that higher risk products have the potential to deliver high returns and low risk products generally deliver lesser returns. Products that consistently deliver superior risk-adjusted performance should form part of your choice set in general.

So coming to the main point, while no one can accurately predict with any authority, we feel that one should expect 12-15% return over very long term from Equity Mutual Funds. The actual return might be much more than this, but it's better to keep your expectations within limits.

How can you redeem investments from Mutual Funds?

A majority of investors either invest via agents or through online platforms. For redeeming Mutual Funds it might depend from where you bought the Mutual Fund.

If the product had been bought through the agent or from the AMC directly, then the Mutual Fund redemption form is to be filled and submitted. This form is available from the AMC's office (office addresses are available on each AMC's website). While you can download this form from the AMC website, it has to be submitted in person at the respective AMC office. This formality can also be done at the nearest CAMS/ Karvy office also. Note that if you are redeeming from multiple funds from different AMCs at once, it may be much more convenient to visit the CAMS/ Karvy office as they can accept redemption forms for multiple AMCs. The redemption form is very easy to fill and all you need to put is your name, folio number and the number of units or value (exact number or ALL) you want to redeem.

The following are some additional important points to be noted while redeeming your investments:

- **NAV Applicable:** Make sure you do the redemption well before 3:00 pm if you want same day NAV or else next day NAV will be applicable.
- **Bank accounts:** The redeemed proceeds will be credited in the same account which was initially registered (which you used to pay at the time of buying). If that account is not active, then there are few other formalities that need to be fulfilled before you redeem.
- **How much time does it take to get the money in your bank account?** It generally takes 3-4 working days to get the money credited in your bank account. So if you redeem from your invested funds on Monday or Tuesday, you can generally assume that you will get the money by the weekend. But if you have a weekend falling in between, then it can take some time.
- **Can you redeem online?** If you invested from your demat account or online brokers or if you invested directly through your online account with an AMC, then you can redeem online, just by following the procedure as mentioned on your online account.

How many Mutual Fund products should you invest in?

We see investors with 10, 20 and sometimes even 40 different products in their portfolio, thinking that they are spreading the risk and "diversifying" their investments. But this is hardly true. Let us show you why?

Each Mutual Fund product on an average invests in at least 50-60 companies. If money is invested in 3-4 different Mutual Fund products, then automatically this money will be further invested in close to 100 companies overall (considering there will be some overlaps). So once you invest in 3-5 products belonging to the same category, you probably will end up investing in all the companies from that category you can get invested into. If this is the case, all that matters is how the stocks in that category are performing, it does not matter if you are exposed to 10 products or 2 products. What matters is how much you are exposed to underlying stocks and in what ratio, nothing else. This is why fund managers play an important role in defining an appropriate weightage of the selected stocks from within a category. If they had to invest in all stocks possible, what was the point?

By investing in too many products, it also adds to unnecessary confusion and headache of tracking each of these products without giving you any benefit. So, the important thing to understand here is that after a certain point, investing in more products from the same category doesn't add much value to the overall portfolio. We recommend that ideally, one should not invest in more than 3-5 products from the same category and even here, the only reason is to diversify your invested money by giving it to different funds managers and different AMCs.

Is your Mutual Funds portfolio too big?

The two basic questions that need to be answered to find out if the portfolio size is too big are:

1. Can you name all the products in your portfolio with a 2-3 line explanation about what each fund does, and why you chose each of them?
2. Can you guess roughly how the movement in stock market will affect your corpus in general?

By the time you answer these two questions, you will know if you are exposed to one too many products.

Can NRIs invest in Mutual Funds?

Yes, NRIs can invest in all Indian Mutual Fund products (except U.S. NRIs may not be able to invest in funds promoted by Asset Management Companies based in the U.S. due to SEC rules. Investments can be made in Rupee cheques only from any of the NRE/NRO/FCNR accounts. If they make payments from NRE/FCNR account, then it can be on repatriable basis (They can take the profit and principal out of country). But if NRIs make the payment from an NRO account then it will be on non-repatriable basis. However, the dividends can be repatriated. No prior or specific permission needs to be taken from RBI for this. This is allowed by default. There is no tax on dividend income, and as we explained earlier, long-term capital gains tax is zero in India, when investing in Indian equity Mutual Funds.

KYC in Mutual Funds

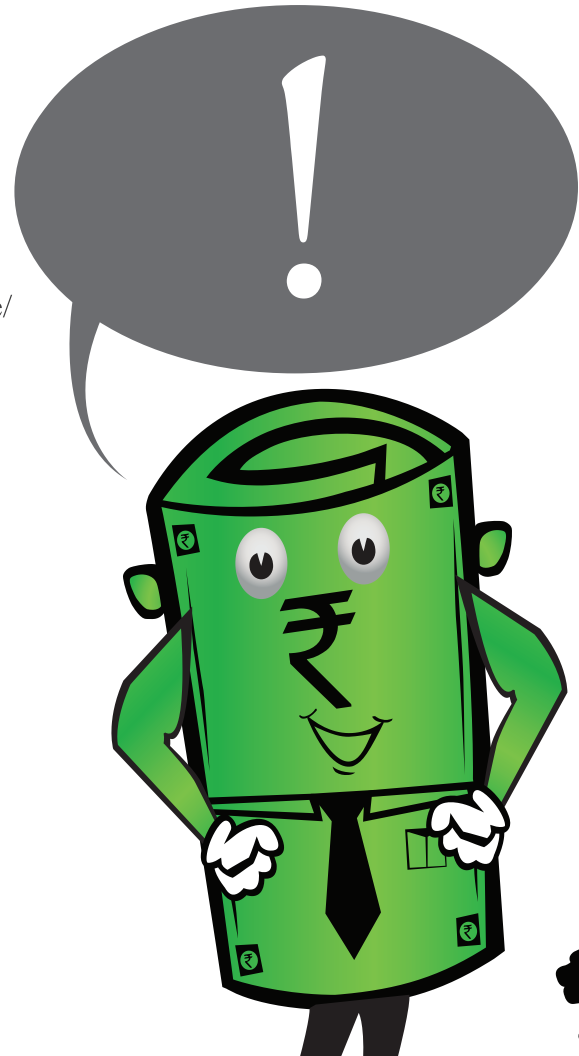
KYC is the acronym for the 'Know Your Client' process used for Client Identification. The main purpose of this process is to confirm and verify an investor's identity, address, occupation, financial status and similar personal information that is crucial. There are specific guidelines set by SEBI to get assessment under this process and it is mandatory for all Financial Institutions and Investment Institutions that are registered with SEBI to follow these guidelines. There is a separate form designed for Investors and Non- Investors that needs to be filled as per your status. Non-investor forms are to be filled for individuals who are planning to just open bank accounts etc, without wanting to invest anywhere.

Application forms can be downloaded from AMFI and CDSL websites. For Mutual Funds investors it has become mandatory to obtain KYC from 1st January 2011 onwards. KYC compliance is a one time activity as the initial application gets registered with the investor's folio number and is quoted in all the future transactions.

For now there are no charges applicable for getting KYC compliance but this may change in the future.

What do you need for KYC?

- Proof of Identity (Photo copy of Driving Licence/ PAN Card/ Passport)
- Proof of Address (Photo copy of any utility bill)



SEBI & AMFI: WHO ARE THEY?

Who is SEBI (Securities Exchange Board of India)?

SEBI is the regulatory authority for the trading of all securities in India. All AMCs whether promoted by public sector or private sector entities including those promoted by foreign entities are governed by the same set of regulations. The main objective and purpose of this regulatory board is:

- To protect the interest of investors in securities
- To promote the development of the securities market
- To regulate the securities market

What does SEBI govern?

- New Issues (IPO offers)
- Listing agreement of companies with Stock Exchanges
- Trade Mechanisms
- Investor Protection
- Corporate disclosure of listed companies

Who is AMFI (Association of Mutual Funds of India)?

AMFI defines the guidelines that all the AMCs should follow and it also supervises the conduct of all such AMCs. AMFI is registered with SEBI and all the AMCs that are currently operating in India are members of AMFI.

What are the objectives of AMFI?

- To define, promote and maintain high professional and ethical standards for Mutual Fund industry
- To recommend and promote best business practices and code of conduct to be followed by members
- To interact with the Securities and Exchange Board of India (SEBI) and to represent to SEBI on all matters concerning the Mutual Fund industry
- To represent to the Government, Reserve Bank of India and other bodies on all matters relating to the Mutual Fund Industry
- To develop a cadre of well trained Agent distributors and to implement a programme of training and certification for all intermediaries and other engaged in the industry
- To undertake nationwide investor awareness programme so as to promote proper understanding of the concept and working of Mutual Funds
- To disseminate information on Mutual Fund Industry and to undertake studies and research directly and/or in association with other bodies

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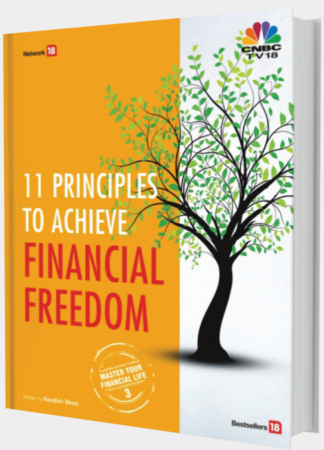
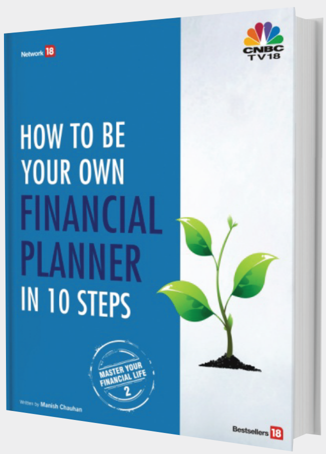
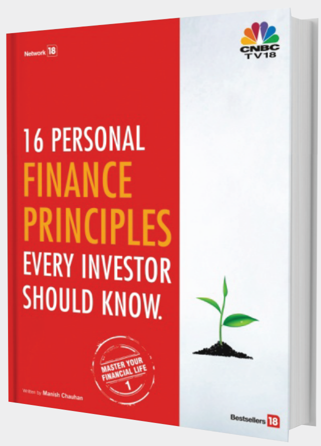
Jagoinvestor Books

There are 3 personal finance books written from our side. Those who seek to master their financial life should read these 3 books. These books are based on our years of experience and working with hundreds and thousands of real investors and their financial lives. The books cover principles of personal finance which will help investors plan their financial life and also mentor them to live an extraordinary financial life.







About DSP BlackRock Mutual Fund

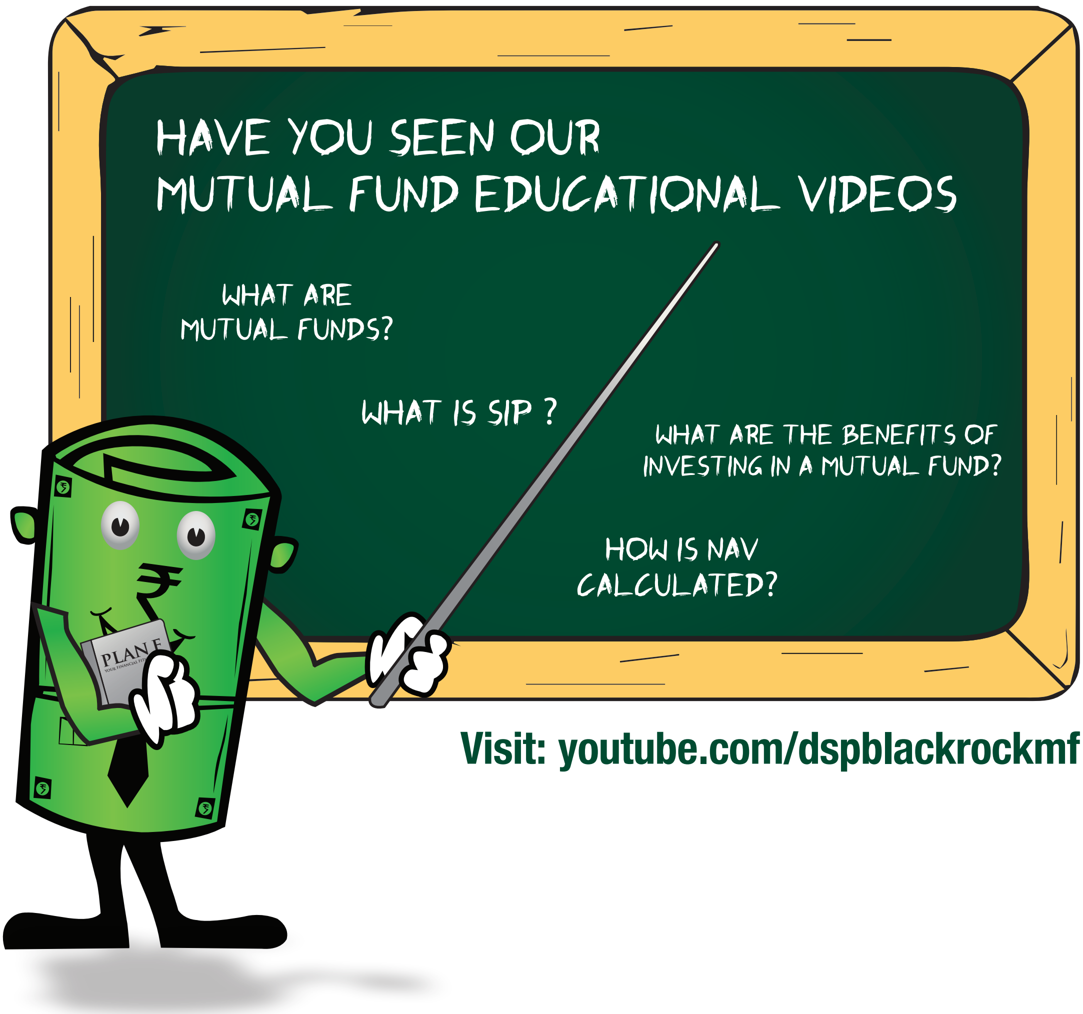
DSP BlackRock Investment Managers is one of the premier asset management companies in India. It is a joint venture between the DSP Group and BlackRock.

The DSP Group, headed by Mr. Hemendra Kothari, is one of the oldest financial services firms in India. It has a track record of over 147 years and was one of the founding members of the Bombay Stock Exchange.

BlackRock is the largest listed asset management company in the world. It is a premier provider of investment solutions through a variety of product structures, including individual and institutional separate accounts, mutual funds and other pooled investment vehicles, and the industry-leading iShares® ETFs to investors around the world.

BlackRock is a truly global firm that combines the benefits of worldwide reach with local service and relationships. It has a deep presence in every major capital market in the world, which results in greater insights into increasingly interconnected financial markets. Managing assets for investors in North and South America, Europe, Asia, Australia, the Middle East and Africa, the firm today employs more than 10,000 talented professionals and maintains over 60 offices in more than 30 countries around the world. BlackRock's clients come from nearly every corner of the globe. They are governments; companies - including 86 of the Fortune 100 companies and 19 of the top 25 insurers globally; foundations; and millions of individuals saving for retirement, their childrens' educations and a better life.

To know more visit **dspblackrock.com**



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