



Exploring New Horizons

From The Editor's Desk

Dear Reader,

It really feels nice to know from you all that you have liked the new version of our newsletter. Through this newsletter, our efforts will always be to provide investors with latest developments taking place in the Depository system & to impart more knowledge about the various instruments of investment and the different ways of investing in the Capital Market.

Many investors are not aware that they need to submit KYC documents only once while investing in securities market. We would like to inform our investors that they need not submit KYC documents every time they deal with various SEBI registered intermediaries (Broker, Depository Participant, Mutual Fund etc.). When you submit KYC document first time to any SEBI registered intermediary, this intermediary uploads these KYC documents on the system of KYC Registration Agency (KRA). Thereafter, your KYC documents can be accessed by any SEBI registered intermediary through whom you decide to deal/invest/trade with. You have to merely quote your PAN number in the account opening form & the intermediary will download KYC records from the KRA. NSDL subsidiary NSDL Database Management Limited (NDML) offers such SEBI registered KRA services.

NDML is also instrumental in providing NIR services. NSDL group company NSDL e-Governance Infrastructure Limited provides NPS services for investors. We urge investors to get more knowledge about these services & enjoy the benefits.

Further, in order to prevent unauthorized transactions in your demat account and to remain aware of your demat account, you need to update your mobile number with your Depository Participant (DP). On updating your mobile number with your DP, you will receive SMS alerts on your registered mobile number for all debit and other important transactions taking place in your demat account directly from NSDL on the same day. NSDL sends millions of SMS alerts every month (free of cost) to investors which help them in monitoring and safeguarding their investments in demat.

October 2014 will continue to provide insights about Mutual Funds when it tells you more about the closed-end mutual funds & Interval funds. In this issue of Kaleidoscope, Investors can also understand the process of converting their mutual funds into demat and obtain a key to hassle free mutual fund monitoring and administration. We are sure that the contents of this issue will make your Mutual fund unit management and your investment life simple.

Best Regards,
NSDL

"Did You Know"

Rate of tax on long term capital gains increased from 10% to 20% on transfer of units of Mutual Funds, other than equity oriented funds.

"Quote of the month"

" Be fearful when others are greedy. Be greedy when others are fearful." - Warren Buffett

In the previous issue of 'The Financial Kaleidoscope', we have explained the significance of Equity Mutual Fund & the different types of Equity Mutual Fund schemes & Balanced schemes. In this issue of Kaleidoscope, we will explain the meaning of Closed-end fund, the different types of Closed Ended funds & Interval fund in detail.

Closed-end fund

A closed-end fund is a publicly traded investment company that raises a fixed amount of capital through an Initial Public Offering (IPO). The fund is then structured, listed and traded like a stock on a stock exchange.

Closed-ended funds raise a prescribed amount of capital only once through an IPO by issuing a fixed number of shares, which are purchased by investors in the closed-end fund as stock. Unlike regular stocks, closed-end fund stock represents an interest in a specialized portfolio of securities that is actively managed by an investment advisor and which typically concentrates on a specific industry, geographic market, or sector. The stock prices of a closed-end fund fluctuate according to market forces (supply and demand) as well as the changing values of the securities in the fund's holdings. The different types of closed-ended funds are as follows:

Capital Protection fund

A capital protection fund is a closed-ended hybrid fund that invests 75-80% of its corpus in debt and the balance in equities. Over the term of the plan, the debt portion grows to the principal amount, thus ensuring that the capital is 'protected'. Meanwhile, the portion invested in stocks helps boost returns.

Fixed Maturity Plan

A Fixed Maturity Plan (FMP) is a closed-ended debt scheme, wherein the duration of debt papers is aligned with the tenure of the scheme. So a one-year FMP will invest in debt instruments that mature in one year or just before this period. This synchronised maturing completely eliminates the interest rate or reinvestment risk.

The FMPs invest largely in Certificates of Deposits (CDs), Commercial Papers (CPs), money market instruments, corporate bonds, even in bank fixed deposits. Though the yield of these wholesale debt papers is slightly higher than that of the retail FD rates, FMPs charge fund management fees and, therefore, the final return for investors is more or less close to the retail FD rates.

Interval Fund

An Interval fund is a fund that combines the benefits of open end and closed end schemes. These essentially are closed end funds, but become open ended at pre specified intervals by opening for sale and repurchase on a regular basis at intervals on pre-specified dates. Investors can buy or sell the units of these schemes at an interval which is specified in the schemes document. For example, in case of a Monthly Interval Fund, investors can buy or sell the units every month on the specified dates. The units cannot be bought or sold on other dates. This means the scheme is open end only on the specified transaction date and is like a closed end fund on other dates.

Mutual Funds can also be held in demat form. NSDL has enabled holding of mutual fund units in dematerialized form. You can use your existing demat accounts for converting your mutual fund units in dematerialized form.

For more details, you can log on to <https://nsdl.co.in/mutualfunds.php>

To
Convert your
Mutual Fund Units
into Demat,
give us a Missed Call at
022 - 39386829

Get Started: Hidden Costs in Mutual Funds

The costs involved in any investment determine the returns it can generate. In the case of mutual funds, the daily volatility of NAVs hogs the news, but the costs are never adequately addressed nor fully understood. These costs vary from fund to fund, just like NAVs and their impact on different categories of funds is different.

The costs involved in mutual funds can be broadly classified into two categories:

- ✓ **Entry/exit loads** : These are one-time costs incurred when you enter or exit a fund, and are charged as a percentage of your investment/encashment amount.
- ✓ **Expense ratio**: It comprises some of the major expenses that a fund incurs:
 - a) Investment management and advisory fees
 - b) Transfer agent fee and expenses
 - c) Custodian fees
 - d) Various operating expenses

Why does cost matter for an investor investing in Mutual Fund?

The answer is obvious-each rupee that a mutual fund incurs as cost, reduces your returns by an equal amount. This is not to say that the mutual fund which has the lowest costs, is always better. It just indicates how important it is for an investor to clearly understand mutual fund costs. On the face of it, a mere 1% difference in costs may not seem significant, as long as the returns look attractive. However, even a seemingly minor 1 per cent difference in cost is significant in the long run.

Let us now see how can we determine fund costs

Entry/exit loads and expense ratios of all mutual funds are regularly reported in the financial press and on Websites. The information is also easily available from the funds.

There are certain other costs which mutual funds incur that are more difficult to determine. These include the commission and brokerage fee paid when shares, bonds and other securities are bought and sold. The extent of these costs varies directly with how much, and how often, a fund reshuffles its portfolio. Thus, the higher the portfolio churn (reshuffle), the higher the costs.

For funds with higher turnovers, transaction costs can have a major impact on the cost of doing business. While this invisible cost is automatically reflected in the fund's performance results, that is no reason to ignore it. A look at the investment style and policies listed in a fund's prospectus should give you an idea of its portfolio reshuffle policy.

Benchmarking your Mutual Fund

You can't tell how well a mutual fund has performed by studying its historical returns alone. Instead, you should compare those returns with the returns-over the same period-of an appropriate benchmark, or measuring stick. You can generally find benchmark performance figures in the fund's prospectus and annual report, as well as in newspapers and financial publications. Two types of benchmarks are used to gauge fund performance:

- i. **Market Index**: Market Index tracks the total returns of all the securities in the market or a segment of the market. For example, the BSE SENSEX tracks 30 stocks whereas CNX Nifty tracks 50 stocks representing important sectors of Indian economy.
- ii. **Peer Group Average**: Peer Group Average measures the average returns of a group of funds with similar investment goals and policies.

When trying to determine a measure of performance, mutual fund investors usually look around for an appropriate benchmark to get some idea about how well their funds are doing. Many investors make the mistake of comparing all of their mutual funds to the most widely known of benchmarks, the S&P 500 Index. But this comparison can be a downright mistake which can lead to inaccurate conclusions about a fund's performance. How many times have we heard the saying "compare apples to apples and not to bananas", the idea of establishing correct or rather relevant benchmarks against which you can compare your funds performance is similar.

1. **Initial Public Offering (IPO)** : An initial public offering, or IPO, is the first sale of stock by a company to the public. A company can raise money by issuing either debt or equity. If the company has never issued equity to the public, it's known as an IPO.
2. **Flexible fund** : A mutual fund or other pooled investment that may change its investment strategy as it sees fit, as opposed to sticking to one particular investment vehicle, company size, or asset allocation. If a fund is flexible in its strategy, this will usually be stated in the prospectus and/or other marketing material.
3. **Folio Number** : In mutual funds, folio number is a unique number identifying your account with the fund. Like a bank account number, the folio number can be used as a way to uniquely identify fund investors and keep records of items such as how much money each investor has placed with the fund, their transaction history and contact details.
4. **Load** : Load is a sales charge or commission charged to an investor when buying or redeeming shares in a mutual fund. The fee may be a one-time charge at the time the investor buys into the mutual fund (front-end load), when the investor redeems the mutual fund shares (back-end load), or on an annual basis as a 12b-1 fee.
5. **Assets Under Management (AUM)** : Assets Under Management is the total value of all the investments currently being managed by the fund. Let's say the corpus is ₹ 12,000 but, due to a rise in the price of the shares it has invested in, the value of the units has increased. So the ₹ 12,000 invested is now worth ₹ 15,000. This figure is referred to as AUM.
6. **New Fund Offer (NFO)** : A security offering in which investors may purchase units of a closed-end mutual fund. A new fund offer occurs when a mutual fund is launched, allowing the firm to raise capital for purchasing securities.

Blog

By Roshni Sharma
K.P.B Hinduja College

‘Learn to save’, they say and what then? Money doesn’t grow just with saving. You don’t need to just ‘earn money’, you need to let ‘money earn’ too. And how do you do that? You do that by investing. By investing you give your money the power to work for you. With so much to invest in, we should not let our money sit but we should allow it to grow.

Investing isn’t rocket science. With just a little research you will be ready to invest. All you need to do is choose and it doesn’t matter what you choose — Mutual funds, stocks, bonds, gold or whatever. The aim is to let your money gain its full potential. Better investment means earning more money and you can yourself imagine what more money means.

So be wise buy more to earn more. Keep investing wisely!



Option to receive annual report, AGM notice and other communications from issuer in physical form

As per the Companies (Accounts) Rules, 2014, in case of all listed companies and such public companies which have a net worth of more than one crore rupees and turnover of more than ten crore rupees, the financial statements may be sent by electronic mode to such members whose shareholding is in dematerialised format and whose email IDs are registered with Depository for communication purpose. Further, as per Companies (Incorporation) Rules, 2014, a document may be served on any member through electronic transmission.

Therefore, if a Client desires to receive the financial statements (i.e. annual report), AGM notice and other communications from Issuer in physical form, the Client must submit a written request as per attached illustrative format to its Participant.

(Ref: Circular No. NSDL/POLICY/2014/0095 dated September 1, 2014)

Subscription to **SPEED-e**

During September 2014, 11 more Participants have subscribed to the **SPEED-e** facility viz.,

Sr.No.	Participant Name	DP ID
1	Anand Rathi Share and Stock Brokers Limited	IN301803
2	Sumedha Fiscal Services Limited	IN303583
3	Findoc Investmart Private Limited	IN304088
4	MLB Capital Pvt. Ltd.	IN302566
5	Shah Investor's Home Limited	IN300343
6	Orbis Financial Corporation Limited	IN303622

Sr.No.	Participant Name	DP ID
7	Quant Broking Private Limited	IN303614
8	GRD Securities Limited	IN303526
9	Computer Age Management Services Private Limited	IN303149
10	Vertex Securities Limited	IN301811
11	Arihant Capital Markets Limited	IN301983

Clients of the above mentioned Participants can now avail the facility of submitting various instructions through **SPEED-e** facility.

This takes the total number of Participants who have subscribed to **SPEED-e** to 161.

Investor Education initiatives undertaken by NSDL

➤ Joint Awareness Programmes with Securities and Exchange Board of India (SEBI):

In order to reach out to masses spread across the country and to apprise them about the facilities available in NSDL depository system, NSDL conducted a Joint Awareness Programme with SEBI in September 2014 at Kurnool in Andhra Pradesh which was attended by around 200 investors.

➤ Joint Awareness Programme with ICICI Securities Limited & Peerless Securities Limited:

In order to reach out to investors that are spread across the country and to apprise them about the facilities available in NSDL depository system and the awareness on stock markets, NSDL conducted eight Joint Awareness Programmes with ICICI Securities Limited at Katihar & Lehriasarai in Bihar, Bolangir & Nayagarh in Odisha, Kariyapatti in Tamil Nadu, Bagdogra, Karimpur & Mogra in West Bengal & also a Joint Awareness Programme with Peerless Securities Limited at Baguiati, Kolkata in West Bengal during September 2014 which were attended by more than 500 investors.



Joint Awareness Programme organized by NSDL in association with Peerless Securities Limited at Baguiati, Kolkata in September 2014.

➤ Sponsorship in events conducted by Institutions:

In September 2014, NSDL participated as one of the sponsors at Banking Frontiers' Financial Fitness event. Financial Fitness event, a series of seminars conducted across India, brings top management from various co-operative banks across India under one roof to discuss strategies and strengthen co-operative banks' financial fitness. This event was conducted at Nagpur in Maharashtra which was attended by more than 80 participants.

➤ Participation in events conducted by Institutions:

In August 2014, NSDL had organized a training programme for students of M.D. College of Arts, Science & Commerce, Mumbai to educate & popularize them about the demat products and related concepts. This programme was attended by around 120 students.

➤ Training Programme conducted for college students:

In September 2014, NSDL had organized three training programmes for students of Mithibai College, Mumbai & Alkesh Dinesh Mody Institute, Mumbai to educate & popularize them about the demat products and related concepts. NSDL Brand Ambassadors Ms. Rajshree Kapur, from Mithibai College & Ms. Mansee Dave from Alkesh Dinesh Mody Institute addressed on these topics to the students from their respective colleges.

➤ Training Programme conducted for community:

In September 2014, NSDL conducted a training programme for around 25 people at Vijaynagar Society, in Andheri, Mumbai. Various aspects on Depository related services were addressed to these participants attending this programme.



1. What are the different plans that mutual funds offer?

Mutual Funds in order to cater to a range of investors have various investment plans. Some of the important investment plans include:

- ♦ **Growth Plan:** Under the Growth Plan, the investor realises only the capital appreciation on the investment (by an increase in NAV) and does not get any income in the form of dividend.
- ♦ **Income Plan:** Under the Income Plan, the investor realises income in the form of dividend. However his NAV will fall to the extent of the dividend.
- ♦ **Dividend Re-investment Plan:** Here the dividend accrued on mutual funds is automatically re-invested in purchasing additional units in open-ended funds. In most cases mutual funds offer the investor an option of collecting dividends or re-investing the same.
- ♦ **Systematic Investment Plan (SIP):** Here the investor is given the option of preparing a pre-determined number of post-dated cheques in favour of the fund. He will get units on the date of the cheque at the existing NAV. For instance, if on 25th March, he has given a post-dated cheque for June 25th, he will get units on 25th June at existing NAV.
- ♦ **Systematic Withdrawal Plan (SWP):** As opposed to the Systematic Investment Plan, the Systematic Withdrawal Plan allows the investor the facility to withdraw pre-determined amount/units from his fund at a pre-determined interval. The investor's units will be redeemed at the existing NAV as on that day.
- ♦ **Systematic Transfer Plan (STP):** STP refers to Systematic Transfer Plan where an investor invests a lump sum amount in one scheme and regularly transfers (i.e. switches) a pre-defined amount into another scheme. Every month on a specified date an amount you choose is transferred from one mutual fund scheme to another of your choice.
- ♦ **Retirement Pension Plan:** Some schemes are linked with retirement pension. Individuals participate in these plans for themselves and corporates for their employees.
- ♦ **Insurance Plan:** Some schemes launched by UTI and LIC offer insurance cover to investors.

2. What is load?

It is a charge collected by a mutual fund when it sells units. It can be either front-end load (i.e., the charge is collected when an investor buys the units) or back-end load (i.e, the charge collected when the investor sells back the units). Some schemes do not charge any load and are called No Load Schemes.

3. What is an ex-dividend date?

Normally, ex-dividend date is one business day after the record date. Investors purchasing unit on or after the ex-dividend date are not entitled to collect dividends or bonus units. The NAV falls by the amount of the dividend distributed and/or bonus issued. The terms ex-bonus and ex-dividend often are used synonymously.

For instance, if the record date for dividend is October 15th, then investors who don't have their names in the list of unit holders as on that day, will not receive dividend. This works very similar to dividend and bonus declarations in the case of stocks.

4. What are the tax benefits I can get while investing through mutual funds? Are there any special funds where I can invest to avail tax benefits?

Tax benefits on Mutual Funds keep changing time to time. According to current laws few of the tax benefits are: No long term gain tax on sell of equity mutual fund (long term here means 1 year plus), Tax free dividend, No dividend distribution tax in case of equity mutual fund, Benefit of indexation in case of debt mutual fund & Lower long term gain tax in comparison to any other interest bearing product. You can also invest in Equity Linked Tax Saving Schemes of mutual fund to take benefit under section 80 C. ELSS schemes have lockin period of 3 years & as the name suggest it invest in equity shares.

Send in your queries by mentioning your contact details (contact name, address & contact number) with the subject "Questions for YQOA" to info@nsdl.co.in & selected questions along with answers would be published in our forth coming issue.

NSDL Insurance Repository

What good is money if your family can't get it when they need it the most.

Hold your all life insurance policies in a single
e-Insurance Account
with NSDL Insurance Repository (NIR)
so that its easy to locate when
most needed.

For more details visit us at <https://nir.ndml.in/>
or contact us at
022 49142631 / helpdesk.nir@nsdl.co.in



Visit nearest Approved Person(AP) to open e-Insurance Account

Sr. No.	Approved Person of NSDL Insurance Repository
1	Action Commodities Limited
2	Alankit Assignments Limited
3	Allied Financial Services Private Limited
4	Ashlar Securities Private Limited
5	BgSE Financials Limited
6	Bharat Bhushan Equity Traders Limited
7	Coimbatore Capital Limited
8	Dayco Securities Private Limited
9	Elite Wealth Advisors Limited
10	Eureka Stock and Share Broking Services Ltd
11	Geojit BNP Paribas Financial Services Limited
12	Globe Capital Market Limited
13	Goldmine Stocks Private Limited
14	Integrated Registry Services Limited
15	JK Securities Private Limited
16	JKB Financial Services Limited
17	KIFS Securities Limited
18	Kripa Securities Private Limited
19	Master Capital Services Limited
20	Navia Markets Limited

Sr. No.	Approved Person of NSDL Insurance Repository
21	Networth Wealth Solutions Limited
22	Nikunj Stock Brokers Limited
23	O J Financial Services Limited
24	Ortem Securities Limited
25	PELF Finstock Limited
26	Phillip Capital India Private limited
27	Pravin Ratilal Share and Stock Brokers Limited
28	Ratnakar Securities Private Limited
29	Sanjeevani Insurance Brokers Private Limited
30	Shah Investors Home Limited
31	SKI Capital Services Limited
32	South Gujarat Shares & Sharebrokers Limited
33	Steel City Securities Limited
34	Stewart and Mackertich Wealth Management Limited
35	The Kalupur Commercial Co-Operative Bank Limited
36	The Kapol Cooperative Bank Limited
37	The Surat Peoples Co-operative Bank Limited
38	Tracom Stock Brokers Private Limited
39	Vertex Customer Solutions India Private Limited
40	Vivek Financial Focus Limited

Detailed list of Approved Persons (AP) with contact details is available on <https://nir.ndml.in/>

Read and Win!

What are the pros & cons of holding Mutual Fund Units in demat?

Send your replies providing your contact details (Name, address and contact no.) with the subject 'Knowledge Wins Contest - October 2014' to info@nsdl.co.in

Terms and Conditions

- NSDL shall be solely responsible for the execution and administration of this Contest.
- This Contest is only open to Indian Citizens. (NSDL employees are not allowed to participate in this contest.)
- All personal details submitted must be accurate and complete and are subject to proof upon request by NSDL.
- NSDL reserves the right, at any time, to verify the validity of entries and entrants and to disqualify any entry not submitted in accordance with these Terms or which tampers with the entry process.
- NSDL reserves the right to discontinue the contest at any given point of time without prior intimation.
- All prize drawings will be made on a strictly random basis and the decision made by NSDL will be final.

KNOWLEDGE WINS Contest

Lucky 25
Winners will
Win Free
Goodies



Your suggestions for newsletter are valuable to us.
Send in your suggestions mentioning your contact details (contact name, address & contact number) with the subject "Suggestions for the newsletter" to info@nsdl.co.in

NSDL Offices

Head Office	Branch Offices	
Mumbai Trade World, A wing, 4th & 5th Floors, Kamala Mills Compound, Lower Parel, Mumbai - 400 013. Tel.:(022) 2499 4200 Fax:(022) 2497 6351	Ahmedabad Unit No. 407, 4th floor, 3rd Eye One Commercial Complex Co-op. Soc. Ltd., C. G. Road, Near Panchvati Circle, Ahmedabad - 380006 Tel.:(079) - 26461376 Fax:(079) - 26461375	Chennai 6A, 6th Floor, Kences Towers, #1 Ramkrishna Street, North Usman Road, T. Nagar, Chennai - 600 017. Tel.:(044) 2814 3917 / 18 Fax:(044) 2814 4593
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Investor Relationship Cell	NSDL Certification Program
Officer-In-Charge National Securities Depository Ltd. Trade World, A Wing, 4th floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013. Tel.:(022) 2499 4200 Fax:(022) 2497 6351 Email: relations@nsdl.co.in	Officer-In-Charge National Securities Depository Ltd. Trade World, 4th floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013. Tel.:(022) 2499 4200 Fax:(022) 2497 6351 Email: trainingdept@nsdl.co.in

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