

News monitored for: Kotak Mutual Fund



ONE-MINUTE GUIDE TO UNDERSTANDING

Investment objective

WHO AM I?
I am what a mutual fund (MF) does. In other words, I lay down the road map of the scheme, what the scheme can do and what it can't. I specify the type of the scheme and broadly the kind of sectors or scrips that it can invest in. For instance, if I shout "large-cap", then my scheme will have to invest in large companies. You can find me in your scheme's offer document or your fund factsheet. Most MF schemes that got launched in the past five to seven years prefer me to be as specific as possible, such as defining what a large-cap stock is in terms of, say, market capitalization.

WHAT SHOULD YOU KNOW?
Prima facie, I will tell you what your scheme is all about in just about a line or two. But I define the scheme's boundary in detail if you read further, under asset allocation and investment strategy. To get a clear idea, you need to check me out thoroughly and examine what I have said. For instance, I may say that my scheme is a large-cap one, but I may still allow my scheme to invest marginally in mid-cap companies. In that case, I may use words, such as "large-cap-oriented" instead of just "large-cap". Asset allocation tells you the minimum and maximum portion of the fund's corpus that the fund can invest in all the asset classes that I allow it to invest in. Look out for "investment strategy". This will tell you in detail about how the scheme would invest in stocks or bonds that I have specified.

AM I IMPORTANT?
I am very important. Since I lay down the boundary of the scheme, it's important that the scheme sticks to what I say. If your scheme starts investing where I have not permitted it to venture, it will be a violation of the Securities and Exchange Board of India MF guidelines and you can take the fund house to task. However, it's important to read me carefully before you invest in any MF scheme, lest you invest and then realize later that the scheme is not what you wanted.

MORE SPECIFIC
Over the years, I have undergone a makeover. Older fund houses used to present me in the simplest possible manner. For instance, all equity funds used terms such as "long-term capital appreciation" for all type of equity funds, irrespective of whether they invested in large-, mid- or small-sized companies. Thanks to evolving regulation and the transparency of fund houses, I am now called upon to be as specific as possible. It bodes well for my fund house and for my investors.

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