



**SUBSHANTI  
WEALTH**  
Bringing sense to your world of investments



# INFORMED INVESTOR GUIDE

THE ONLY GUIDE YOU NEED  
TO AFFORD YOUR DREAMS

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# MESSAGE FROM OUR CEO

Very often investors have been sold products which have given suboptimal results. In my professional career I closely observed that an investor while buying a financial product only has a 'monologue' with the seller, which allows the seller to sell whatever he wants. Thus, in our attempt to convert this "monologue" into a "dialogue", SubhShanti Wealth (previously SubhShanti Advisory) was founded in March 2011, to empower the investors with requisite skills to not only ask the relevant questions – before buying a financial product but also to educate them to focus on financial well-being rather than only on Financial Products.

**Happy Investing**

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# What is Investing?



## What is Investing?

Investing is when you buy something in hopes that it'll appreciate (aka increase in value) or generate income. People invest in many ways, from buying gold or real estate to investing in their education or starting a business.

In the financial world, investing most often refers to buying an asset, like individual stocks and bonds, mutual funds, or exchange-traded funds (ETFs), that you expect will help you grow your money over time. Most people invest for big financial goals, like paying for child's college, buying a house, or saving for retirement.

## Why is investing important?

Investing is essential for building wealth over time. While money sits idle, its buying power weakens due to inflation. By investing, your money has the potential to grow, outpacing inflation and securing your future financial goals. Think of it as growing your seed money into a fruitful tree – it allows you to achieve your long-term plans and maintain your desired lifestyle.

# Importance of Investing

## How does investing work?

Investors aim to generate a return on their investments, most commonly through appreciation and income.

- **Appreciation** is when something grows in value. Think: Buy low and sell high.
- **Income** is when an investment puts money in your pocket without you having to sell it.

This could be through a dividend, an interest payment, or even rent from real estate & profits from business.

## Why starting early is important?



# Saving **VS** Investing



- **Saving** – putting money aside gradually, typically into a bank account. People generally save for a particular goal, like paying for a car, a down payment on a house, or any emergencies that might come up. Saving can also mean putting your money into products such as a Bank Fixed Deposits (FD).
- **Investing** – using some of your money with the aim of growing it by buying assets that might increase in value, such as stocks, properties, units of mutual funds or other physical or financial assets.

## Saving vs Investing

Saving ₹20,000 each month for a year and then at the end of the year making a 5 year FD giving average returns of 7% p.a  
Total investment duration is (1+5)= 6 yrs.

Investing ₹4000 monthly into flexicap fund which may give returns of about 12% for 5 years and keep it invested for 1 more year.  
Total investment duration is (5+1) = 6 yrs.

### Tax Implication:

1. Savings account returns after taxes: 2.5% annually
2. FDs post tax returns for someone in 30% tax bracket: 4.9% p.a.

### Tax Implication:

Since investment is done in equity for period >1 year, Long-Term Capital Gain (LTCG) Tax of 10% is applicable on gains exceeding Rs.1.25 Lakhs.

Amount invested: ₹2.4 lakhs

Amount invested: ₹2.4 Lakhs

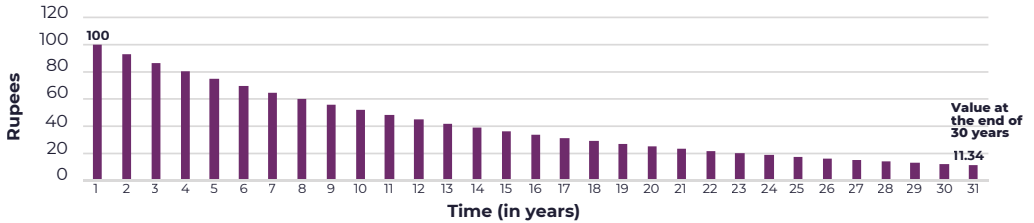
Final corpus post tax is ₹3,11,119.

Final corpus post LTCG is ₹3,68,741.

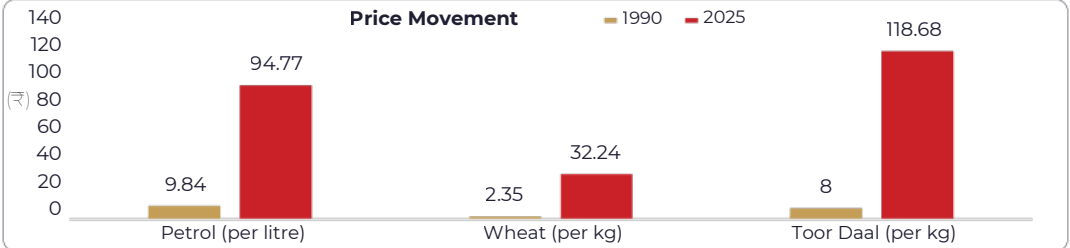
# UNDERSTANDING INFLATION



## Inflation erodes purchasing power of money



**Purchasing value of ₹ 100 will become ₹ 11.34 in 30 years at inflation of 7% p.a.**



Source: Petrol costs are as on March 20, 1990 in Delhi (Source: [www.in.reuters.com](http://www.in.reuters.com)), and on July 31, 2025 in Delhi (Source: Ministry of Petroleum and Natural Gas). The price of wheat grains is as sold as wholesale in Maharashtra in April, 1990 (Source: Ministry of Agriculture) and on July 31, 2025 (Source: Ministry of Consumer Affairs, Food & Public Distribution). The prices of toor daal are as sold as retail in Maharashtra in April 1990 (Source: Ministry of Agriculture), and on July 31, 2025 (Source: Ministry of Consumer Affairs, Food & Public Distribution).



### Inflation reduces your purchasing power.

Hence, today's money will not buy you the same things tomorrow.

E.g. 1 Litre of petrol which used to cost ₹9.84 in 1990, costs ₹94.77 (2025)

Over the last 4 decades CPI Inflation in India has averaged at ~7% per year.\*

A few specific examples above show how small increases over time end up increasing costs dramatically.

**Investing in equities can help you beat inflation better than other asset classes and provides positive real returns over the long term\*.**

CPI - Consumer Price Index | \*Source: RBI

#Investments must be tailored to investor's individual situation and objectives and therefore, investors should consult their financial advisors to ascertain whether the products are suitable for them.

# How big an impact can the power of compounding have ?

If you want to walk towards the moon, and start with 1 step on the first day and double the steps every day, How long do you think it will take to reach the moon? 2 years? 20 years? Let's find out!

Within 31 days, you will cover over 3.8 lakh km and cross the moon.  
Yes, it will just take 31 days.

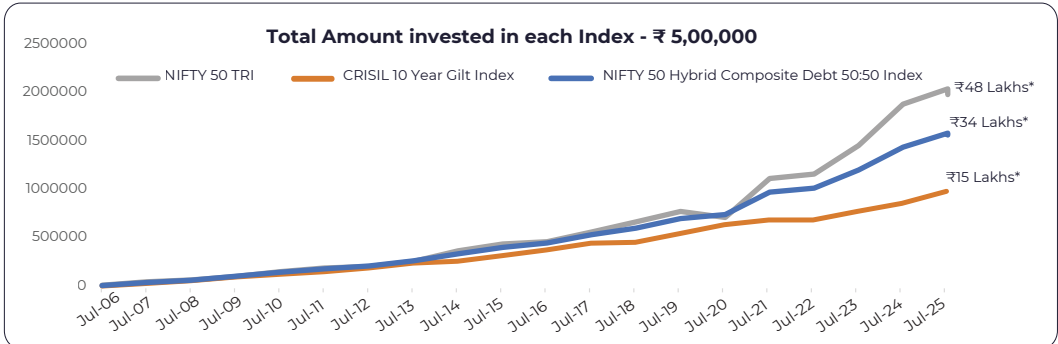
But what if you delay by 15 days? You will cover only 10 km.

That's the Power of Compounding.



## POWER OF COMPOUNDING - can grow your wealth multifold

The graph depicts how much an amount of **₹5,00,000** would have grown to if **invested for 20 years in various indices\* across time.**

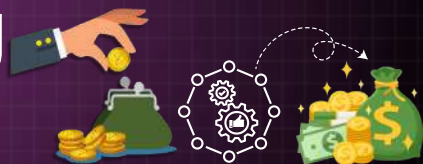


\*Return of Nifty 50 TRI (2006 - 2025) - 12% CAGR | Return of CRISIL 10 Year Gilt Index (2006 - 2025) - 5.50% CAGR | NIFTY 50 Hybrid Composite Debt 50:50 Index - 10%

**Disclaimer: Past performance may or may not be sustained in future and is not a guarantee of any future returns.**

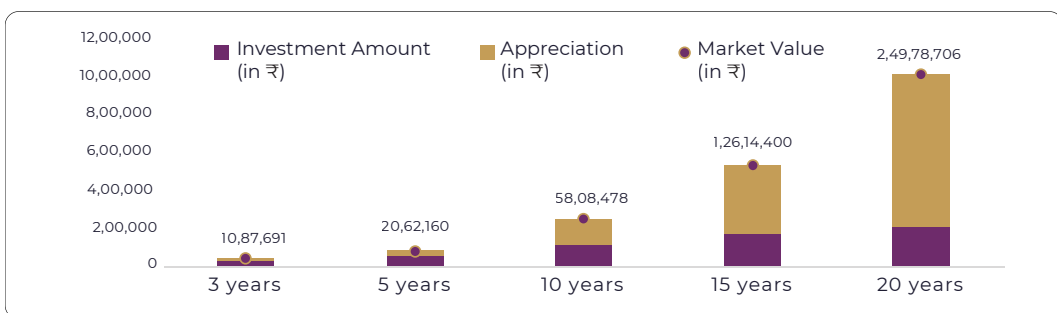
\*Actual 20 years Returns of NIFTY 50 TRI (representing equities), CRISIL 10 Year Gilt Index (representing debt), NIFTY 50 Hybrid Composite Debt 50:50 Index (Total Returns Index) (representing equity and debt equally) as on 31st July, 2025.

# The Power of Compounding



Let's see how much money could have been accumulated through an SIP investment of ₹25,000/ month in Nifty 50 TRI.

Tenure	Investment Amount (in ₹)	Appreciation (in ₹)	Market Value (in ₹)
3 years	9,00,000	1,87,691	10,87,691
5 years	15,00,000	5,62,160	20,62,160
10 years	30,00,000	28,08,478	58,08,478
15 years	45,00,000	81,14,400	1,26,14,400
20 years	60,00,000	1,89,78,706	2,49,78,706



Rate of return is calculated at 12% XIRR which is the average return of NIFTY 50 TRI over 3 Years, 5 Years, 10 Years, 15 Years, 20 Years

It is evident from the graph that as the number of years increase, the money compounds at a much higher rate.

Even though the original investment remains constant at ₹25,000 per month, the capital appreciation is much higher.

This is the **Power of Compounding**.

**Past performance may or may not be sustained in future and is not a guarantee of any future returns.**

SIP - Systematic Investment Plan

# Decoding Returns



## Absolute Returns

The absolute return refers to the investment growth achieved in terms of percentage irrespective of the investment tenure. The growth is expressed in absolute terms and not in relative or comparative terms.

**For Example**, You invested a sum of ₹2 lakhs in a mutual fund that grew to ₹2.5 lakhs in 4 years. The absolute return here will be 25%  $((50000/200000)*100)$ . Even if the mutual fund delivers this return of ₹50000 in 3 years or 5 years, the absolute return will remain 25%

## Annualized /CAGR Returns

Annualized return refers to the return received by the investor annually. Annualized return or CAGR(Compounded Annual Growth Rate) also considers the effect of the compounded interest rate.

The annualized return can be calculated using the formula:

$$\text{CAGR} = \left( \frac{\text{Current value}}{\text{Purchase value}} \right)^{\frac{1}{\text{number of years}}} - 1 \times 100$$

For Example, If the purchase NAV value of your mutual fund was Rs 10 and the current NAV value after 2 years is 15, the CAGR value will be computed as below:

$$\text{CAGR} = \left[ \left( \frac{15}{10} \right)^{\frac{1}{2}} - 1 \right] * 100 = 22.4\%$$

# XIRR

XIRR stands for Extended Internal Rate of Return is a method used to calculate returns on investments where there are multiple transactions happening at different times.

**Suppose you start an SIP of ₹10,000 and receive ₹10.96 Lakhs at the end of 5 years, then your return on investment is 22% XIRR**

## Rolling Returns

Rolling returns (also known as "rolling period returns") measure an investment's performance across consecutive, overlapping time blocks over a historical timeline.

Instead of looking at a single snapshot in time (like the last 5 years fixed), rolling returns look at every possible 5-year window available in the fund's history—shifting forward month by month or day by day.

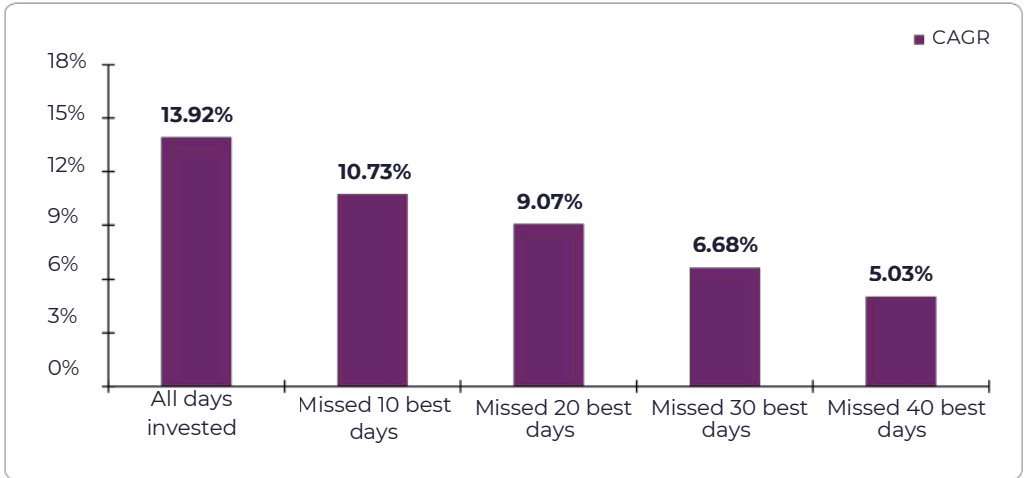
## Why Do Rolling Returns Matter to Investors?

Standard "trailing returns" (e.g., 1-year, 3-year, or 5-year returns found on most financial websites) are highly susceptible to point-to-point bias. If the stock market happened to crash right before the snapshot was taken, a great fund will look terrible. If the market was in a massive bubble, a mediocre fund will look spectacular.

Rolling returns eliminate this "luck of the calendar" by showing you the big picture.

- **Accurate Expectations:** They show you the average of what an investor actually experienced, regardless of when they bought into the fund.
- **Consistency Check:** They highlight how often a fund delivered positive returns versus how often it lost money over a specific holding period.
- **True Risk Assessment:** They reveal the worst-case and best-case scenarios an investor could have faced in any historical window.

# Challenges In Timing The Market



Daily returns from January 1, 1990 to July 31, 2025.

Source: Source: Internal calculations based on data procured from [www.bseindia.com](http://www.bseindia.com)

The above chart shows that if you had remained invested in stocks (as measured by the BSE Sensex) from **January 1, 1990 to July 31, 2025**, you would have earned compounded annual returns of **13.92%**.

However, if you had tried to time the ups and downs of the market, you could have risked missing out on days that registered some of the bigger gains, and the CAGR would have dropped drastically: **10.73% if you missed 10 best days, 9.07% if you missed 20 best days, 6.68% if you missed 30 best days and 5.03% if you missed 40 best days during this period.**

Best days means the days on which the markets have given highest returns. Daily returns are considered for determining best days.

**"It's time, not timing, that makes money in the market."**

# Riding Through volatility

## What is Market Volatility

Market volatility refers to the rapid and unpredictable changes in the prices of financial assets, driven by factors like economic data, geopolitical events, and investor sentiment. To ride market volatility, investors should focus on diversifying their portfolios across different asset classes, maintaining a long-term perspective, and avoiding knee-jerk reactions to short-term fluctuations. Regularly reviewing and rebalancing investments can help manage risks and capture opportunities during volatile periods.

### 5 things to do during market volatility



Establish or revisit your financial plan



Bolster your emergency fund



Reassess your risk tolerance level



Make sure your portfolio is properly diversified



Seek advice from financial professional

# Bear vs Bull Market



- **Bull Market:** A period during which stock prices are rising or are expected to rise, typically characterized by investor optimism, confidence, and strong economic indicators.
- **Bear Market:** A period during which stock prices are falling or are expected to fall, usually marked by investor pessimism, declining economic indicators, and overall market uncertainty.

## Comparative Analysis Between Bull and Bear Market

Aspect	Bull Market	Bear Market
Market sentiment	Optimistic and positive	Pessimistic and negative
Investor behavior	Investors are confident and eager to buy	Investors are cautious and may sell or hold positions
Price trend	Rising or stable prices	Falling prices
Economic conditions	Strong economic growth	Economic slowdown or recession
Earnings	Corporate earnings typically grow	Earnings may decline or stagnate
Investor attitude	Greed and FOMO (Fear Of Missing Out)	Fear and risk aversion
Market participation	Broader participation from retail and institutional investors	Reduced participation, cautious approach by investor
Government response	Monetary Policy may be tightening	Monetary policy may be easing or accommodative
Investment strategies	Buy-and-hold may work well	Active management and hedging strategies may work
Popular assets	Stocks, growth sectors	Bonds, defensive sectors, safe haven assets

# Setting Financial Goals



Setting financial goals is like making a roadmap for your money. It helps you figure out what you want to achieve with your finances, like saving for a vacation or paying off debt. This way, you can track your progress and make sure your spending is on track for your dreams.

## SMART Framework

A critical first step in managing your finances is to be able to set-up SMART financial objectives. Your goals have to be S (specific), M (measurable), A (attainable) R (realistic, resource based), and T (time-bound, can be monitored). Many people make the mistake of setting generic goals which, more often than not, may not materialize.

Objectives	Goals	Incorrect Approach	Right Approach
Specific	You need to know exactly what you want and when	I need money to pay my college fees in a year's time	I will save ₹50,000 to pay my college fees
Measurable	Your goals should be measurable so that you know how long will you take to achieve it	I will pay off my debts to my friends	In six months, I will return ₹30,000 to the two friends from whom I borrowed money for my start-up
Attainable	Your goals should be attainable i.e. within your reach	I will save money	I will save ₹2,000 each month by cutting down on eating out and partying
Realistic	Your goals need to be based on resources and tasks that you can reasonably accomplish.	If I save money I will be rich.	If I save regularly, need not borrow more money, I can pay off my debts by next year and will have enough savings till I begin to earn.
Time bound	Goals with timelines allow you to track your progress and encourage you to keep going until you reach your goals	I will save money for my vehicle	I will save ₹30,000 a year for the next 2 years for my new vehicle

# Building a Financial Plan



A financial plan is a detailed roadmap that outlines an individual's or organization's financial goals and the strategies to achieve them. It encompasses budgeting, saving, investing, and risk management, addressing both short-term and long-term objectives. By providing a clear path, it ensures financial stability and growth. Regular reviews and adjustments are essential to adapt to changing circumstances and goals.

## 8 Segments of a Financial Plan



Define the Goals



Set Budget



Save for Retirement



Make an Estate Plan



Manage Debts



Prepare for Emergencies



Plan for Taxes



Invest for the long term

Think of financial planning as a GPS for your wealth. It connects all your money decisions together, showing you how a turn you take today affects the rest of your journey. With a clear plan, you can make smart short-term moves without losing sight of your ultimate life goals.

# Preparing Investment Policy Statement



An Investment Policy Statement (IPS) outlines an investor's goals and strategies for their portfolio, detailing objectives, risk tolerance, time horizon, and asset allocation. It guides investment decisions to ensure they align with financial goals. Regular reviews and updates are essential to adapt to changing circumstances and market conditions.

## Investment Policy Statement



## Components of an Investment Policy Statement



# Understanding Risk Suitability



**Low** (level 1)

Willing to accept a **minimal** level of risk

You are looking to preserve capital as main priority. You are fine with **minimal or low returns**



**Low** (level 2)

Willing to accept a **low** level of risk

You are looking to achieve **some potential returns** over the medium to long term under normal market conditions.



**Medium** (level 3)

Willing to accept a **moderate** level of risk

You are looking to achieve **high potential returns** over the medium to long term under normal market conditions



**Medium** (level 4)

Willing to accept a **high** level of risk

You are looking to achieve **much higher potential returns** over the medium to long term under normal market conditions



**High** (level 5)

Willing to accept a **significant** level of risk

You are looking to achieve **maximum potential returns**.

However, you are prepared to lose a significant portion or all of your capital, and you are able to offset any losses that exceed your initial investment amount (e.g., from investment loans).

"Risk comes from not knowing what you're doing." – Warren Buffett

# What are Asset Classes?

**Asset classes are different categories of investments:**

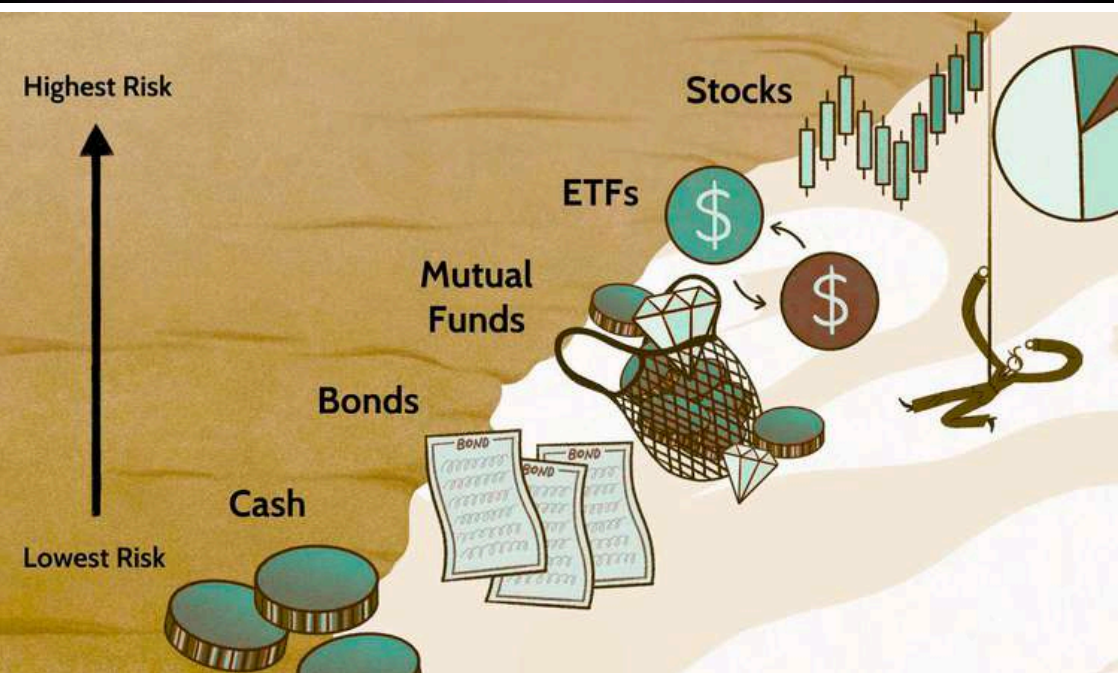
- **Equities (Stocks):** Ownership shares in companies.
- **Fixed Income (Bonds):** Debt securities that pay interest.
- **Cash Equivalents:** Short-term, low-risk investments.
- **Real Estate:** Property and land investments.
- **Commodities:** Physical goods like gold and oil.

Each class varies in risk and return, making diversification important for balanced portfolios.

## What is Asset Class Risk?

Asset class risk refers to the potential volatility or fluctuations in the value of investments within a specific category, such as stocks, bonds, or real estate. Each asset class carries its own level of risk based on market conditions, economic factors, and investor sentiment. Diversifying across different asset classes can help manage overall portfolio risk by balancing potential returns with varying levels of volatility.

## Investment Risk Ladder



# Asset Allocation



## Don't put all your eggs in one basket.

It's an age old saying and applies to investments as well.

Asset Allocation is one of the important steps in one's investment strategy. It means to diversify investment portfolio among different asset categories such as:

### Equity



Equity represents shares of ownership in a company. They have potential for capital growth with high volatility.

### Debt



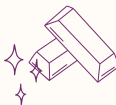
Debt represents fixed Income/bonds which means loan given to a borrower for a specified time period in return of regular interest payments. They have a potential for stable growth with low volatility.

### Cash



Cash is suitable for very short term needs such as parking money for emergency needs or for surplus fund where investment is undecided

### Gold



Gold is a hedge against inflation and currency risk

## Asset Allocation Strategies

### There are two types of Asset Allocation strategies:

#### Strategic Asset Allocation

- **Risk profiling** - to identify whether you are a conservative or an aggressive investor
- **Time frame** - to identify how much time is there for each of your goals.
- **Returns required** - Return requirement is expected returns, based on which calculations are made for desired corpus

One of the simple examples of Strategic Asset Allocation is **Age based asset allocation**. 100 minus your age is your equity allocation, as you grow old your equity allocation will decrease and debt allocation will increase.

#### Tactical Asset Allocation

Tactical asset allocation is view based and decision is made based on the behaviour of the market.

If you believe that the market will move up, you will increase your allocation towards equity or if you believe the interest rate are going to fall, you will increase your asset allocation towards GILT funds (which is part of Debt).

# Why Asset Allocation Winners Rotate?



No single asset classes has consistently delivered highest returns year after year. Different asset classes perform differently under different market cycles. Winner of one year may become loser in the following year and vice-a-versa. The table below shows importance of diversifying within the asset classes while creating the portfolio. Schemes should be selected in a way that all schemes should not fall together thereby reducing overall risk of portfolio. The table shows how various indices have performed year-on-year basis:

FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Gold 24.2%	NIFTY Smallcap 250 TRI 141.4%	Gold 28.1%	Gold 32.0%	NIFTY 10 yr Benchmark G-Sec 11.4%	NIFTY Smallcap 250 TRI 21.7%	NIFTY Smallcap 250 TRI 64.4%	Gold 10.3%	NIFTY Smallcap 250 TRI 40.6%	NIFTY Midcap 150 TRI 16.7%	NIFTY 100 TRI 14.0%	Gold 35.6%	NIFTY Smallcap 250 TRI 118.7%	NIFTY Smallcap 250 TRI 57.0%	Gold 10.6%	NIFTY Smallcap 250 TRI 64.1%	Gold 43.1%
NIFTY Corporate Bond Index B-III 13.0%	NIFTY Midcap 150 TRI 135.8%	NIFTY Smallcap 250 TRI 11.4%	NIFTY Corporate Bond Index B-III 8.3%	NIFTY Corporate Bond Index B-III 11.2%	NIFTY 100 TRI 19.6%	NIFTY Midcap 150 TRI 61.6%	NIFTY Corporate Bond Index B-III 8.5%	NIFTY Midcap 150 TRI 37.2%	NIFTY Large Midcap 250 TRI 14.6%	NIFTY Corporate Bond Index B-III 6.8%	NIFTY 10 yr Benchmark G-Sec 14.3%	NIFTY Midcap 150 TRI 101.6%	NIFTY Midcap 150 TRI 25.0%	NIFTY Corporate Bond Index B-III 4.4%	NIFTY Midcap 150 TRI 57.5%	NIFTY 10 yr Benchmark G-Sec 9.9%
NIFTY 10 yr Benchmark G-Sec 10.5%	NIFTY Large Midcap 250 TRI 107.6%	NIFTY Midcap 150 TRI 7.1%	NIFTY 10 yr Benchmark G-Sec 3.4%	NIFTY 100 TRI 8.8%	NIFTY Large Midcap 250 TRI 18.6%	NIFTY Large Midcap 250 TRI 45.9%	NIFTY 10 yr Benchmark G-Sec 7.8%	NIFTY Large Midcap 250 TRI 29.9%	NIFTY Smallcap 250 TRI 12.9%	NIFTY Large Midcap 250 TRI 6.5%	NIFTY Corporate Bond Index B-III 9.0%	NIFTY Large Midcap 250 TRI 85.9%	NIFTY Large Midcap 250 TRI 22.9%	NIFTY 10 yr Benchmark G-Sec 3.3%	NIFTY Large Midcap 250 TRI 46.0%	NIFTY Large Midcap 150 TRI 8.2%
NIFTY 100 TRI -36.6%	NIFTY 100 TRI 84.9%	NIFTY Corporate Bond Index B-III 6.3%	NIFTY Midcap 150 TRI -4.6%	NIFTY Large Midcap 250 TRI 6.5%	NIFTY Midcap 150 TRI 18.7%	NIFTY 100 TRI 31.1%	NIFTY Midcap 150 TRI -1.7%	NIFTY 100 TRI 22.6%	NIFTY 100 TRI 12.2%	NIFTY 10 yr Benchmark G-Sec 6.1%	NIFTY 100 TRI -24.9%	NIFTY 100 TRI 71.2%	NIFTY 100 TRI 20.6%	NIFTY Midcap 150 TRI 2.8%	NIFTY 100 TRI 34.8%	NIFTY Large Midcap 250 TRI 7.3%
NIFTY Large Midcap 250 TRI -42.9%	Gold 7.7%	NIFTY 10 yr Benchmark G-Sec 4.9%	NIFTY Large Midcap 250 TRI -6.3%	NIFTY Midcap 150 TRI 4.5%	NIFTY Corporate Bond Index B-III 8.1%	G-Sec 15.1%	NIFTY Large Midcap 250 Benchmark TRI -4.3%	G-Sec 11.9%	Gold 7.5%	Gold 3.3%	NIFTY Large Midcap 250 TRI -27.5%	NIFTY Corporate Bond Index B-III 9.9%	Gold 19.0%	NIFTY Large Midcap 250 TRI 0.6%	Gold 13.5%	NIFTY Corporate Bond Index A-III 16.3%
NIFTY Midcap 150 TRI -48.5%	NIFTY Corporate Bond Index B-III 6.1%	NIFTY Large Midcap 250 TRI 4.7%	NIFTY 100 TRI -7.8%	Gold 2.6%	NIFTY 10 yr Benchmark G-Sec -1.1%	NIFTY Corporate Bond Index B-III 10.8%	NIFTY Smallcap 250 TRI -5.9%	NIFTY Corporate Bond Index B-III 9.2%	NIFTY Corporate Bond Index B-III 7.1%	NIFTY Midcap 150 TRI -0.6%	NIFTY Midcap 150 TRI -30.1%	NIFTY 10 yr Benchmark G-Sec 3.3%	NIFTY Corporate Bond Index B-III 6.2%	NIFTY 100 TRI -1.6%	NIFTY 10 yr Benchmark G-Sec 8.9%	NIFTY 100 TRI 6.1%
NIFTY Smallcap 250 TRI -51.3%	NIFTY 10 yr Benchmark G-Sec 0.3%	NIFTY 100 TRI 0.9%	NIFTY Smallcap 250 TRI -6.6%	NIFTY Smallcap 250 TRI -5.3%	Gold -11.0%	Gold -3.9%	NIFTY 100 TRI -6.9%	Gold -1.3%	NIFTY 10 yr Benchmark G-Sec 0.0%	NIFTY Smallcap 250 TRI -12.4%	NIFTY Smallcap 250 TRI -40.2%	Gold 1.6%	NIFTY 10 yr Benchmark G-Sec 1.0%	NIFTY Smallcap 250 TRI -6.0%	NIFTY Corporate Bond Index B-III 7.8%	NIFTY Smallcap 250 TRI 6.0%
<b>Legend</b>																
<b>Asset Class</b>	Equity				Debt				Gold							
	NIFTY 100 TRI				NIFTY Large Midcap 250 TRI				NIFTY Midcap 150 TRI				NIFTY Smallcap 250 TRI			
	NIFTY Corporate Bond Index B-III				NIFTY 10 yr Benchmark G-Sec				NIFTY Corporate Bond Index B-III				Gold			

**Disclaimer: Past performance may or may not be sustained in future and is not a guarantee of any future returns.**

Source: www.amfiindia.com and Bloomberg.

# Common Investment Mistakes



Investment mistakes are common errors that investors make, such as failing to diversify their portfolio, reacting emotionally to market fluctuations, or not conducting proper research before investing. These missteps can lead to significant financial losses and missed opportunities for growth. Avoiding these mistakes is crucial for achieving long-term investment success.

## Types of Investing Errors

### • **Not having clear investment goals:**

If you don't have a clear investment goal, you might end up getting off track. Many people chase trendy investments or short-term gains, but it's better to build a portfolio that aligns with your long-term objectives. Focus on a plan that helps you achieve your life's goals.

### • **Buying high and selling low:**

Investors should buy low and sell high, but fear and greed often make them do the opposite. Chasing short-term gains or fearing immediate loss leads to financial loss. This results in missing out on long-term investment success.

### • **Trading too much and too often :**

Patience is key in investing, as it often takes time to see benefits. Constantly changing your strategy can increase fees and risks. Instead of frequently trading, use that impulse to learn more about your current investments.

- **Failing to diversify enough :**

Diversification is crucial for managing risk and returns across different market conditions. Avoid putting all investments into one security or sector to prevent significant losses during market shifts. Finding a balanced portfolio with professional advice is key for long-term success.

- **Reacting to the media :**

Don't get caught up in 24-hour news updates aimed at creating impulsive decisions; focus on extracting valuable insights from the noise. Successful investors gather data from diverse sources and conduct thorough research independently or through investment experts. Relying solely on news for investment decisions is risky because market prices typically incorporate public information by the time it's widely reported.

- **Chasing yield :**

A high-yielding asset is a very seductive thing. Why wouldn't you try to maximize the amount of money you get back? Simple: Past returns are no indication of future performance and the highest yields carry the highest risks! Focus on the whole picture; don't get distracted while disregarding risk management.

- **Forgetting about inflation:**

Most investors focus on nominal returns instead of real returns. This focus means looking at and comparing performance after fees and inflation. Even if the economy is not in a massive inflationary period, some costs will still rise! It is important to remember that what you can buy with the assets you have is in many ways more important than their value in dollar terms. Develop a discipline of focusing on what is really important: your returns after adjusting for rising costs.

- **Working with the wrong advisor:**

An investment advisor should be your partner in achieving your investment goals. The ideal financial professional and financial service provider not only has the ability to solve your problems but shares a similar philosophy about investing and even life in general. The benefits of taking extra time to find the right advisor far outweigh the comfort of making a quick decision.

# Investing Biases



Investing biases are subconscious tendencies that affect how investors perceive and act on information, potentially leading to distorted decision-making. These biases can stem from emotions, cognitive shortcuts, or social influences, influencing choices away from rationality and objective analysis. Recognizing and mitigating these biases is essential for making sound investment decisions.

## Types of Investing Biases

### Cognitive Bias:

Cognitive bias refers to systematic patterns of deviation from rationality in judgment, influencing decision-making based on subjective factors rather than objective analysis

- i) **Conservatism bias:** Investors fail to update their analysis with new information promptly, sticking to old beliefs. This can lead to underestimating the impact of new data and maintaining outdated strategies.
- ii) **Confirmation bias:** An investor only reads news articles that praise a particular option they've invested in, dismissing any articles that warn about its volatility or regulatory risks.
- iii) **Hindsight bias:** After a stock market crash, an investor claims they "knew it would happen," even though they didn't make any changes to their investments before the crash or were certain of the market crash.
- iv) **Availability bias:** An investor chooses to invest in a company they've seen frequently advertised, assuming it's a safer bet than less promoted alternatives without conducting thorough research.

v) **Anchoring bias:** An investor buys a stock at ₹500 per share. Despite new information suggesting the stock's value has decreased, they refuse to sell it below ₹500 because they are anchored to their original purchase price, hoping it will bounce back someday, ignoring current market conditions.

## Emotional Biases

Emotional bias refers to making investment decisions based on feelings such as fear or greed rather than objective analysis, potentially leading to irrational choices and missed opportunities.

i) **Loss Aversion:** Investors strongly avoid losses more than they seek equivalent gains, often holding onto losing investments hoping they will recover, which can lead to missed opportunities and reduced returns.

ii) **Endowment Effect:** Investors place higher value on assets they already own simply because they own them, which can lead to overpricing when selling and reluctance to sell even when it's financially prudent.

iii) **Self-control Bias:** This bias leads to overspending and under-saving, neglecting to build wealth and prepare adequately for the future due to immediate gratification.

iv) **Status Quo Bias:** Investors resist making necessary changes to their portfolio or asset allocation, even when conditions warrant adjustments, potentially missing out on better opportunities or holding onto underperforming investments.

v) **Overconfidence Bias:** Investors believe they possess superior abilities to analyze and predict market movements, leading to excessive trading, lack of diversification, and unrealistic expectations of returns.

vi) **Regret Aversion:** Investors make decisions based on avoiding potential regret rather than maximizing returns, often choosing overly conservative investments or following the crowd, which can result in suboptimal performance.

# Investing VS Trading



## Investing

Investing involves purchasing assets with the goal of long-term growth and income generation. By holding onto a diversified portfolio that includes stocks, bonds, and mutual funds, investors aim to build wealth over time based on strong fundamental growth potential in their chosen investments.

## Types of Investing

i) **Active Investment:** This approach involves individuals who actively buy and sell assets in an attempt to outperform the market indices. They conduct extensive research and analysis, aiming to capitalize on short-term opportunities. Active investing typically incurs higher fees due to frequent transactions.

ii) **Passive Investment:** Passive investors build portfolios designed to replicate the performance of a specific market index or asset class. They minimize trading activity, opting instead to hold investments over the long term. Passive strategies often have lower costs since they do not involve frequent buying and selling.

iii) **Value Investing:** Investors seek undervalued stocks of stable companies with strong fundamentals and historical performance, aiming for long-term stability and steady returns.

iv) **Growth Investing:** Investors target stocks of companies with high growth potential, focusing on rapid expansion and increasing earnings rather than immediate profitability, accepting higher risk for potential higher returns.

# Types of Trading

Trading involves buying and selling financial assets like stocks, commodities, or currencies with the goal of profiting from short-term price fluctuations. Traders often use technical analysis, market trends, and news events to make quick buying and selling decisions, aiming to capitalize on market volatility and generate immediate gains. Unlike investing, trading typically involves higher frequency of transactions and shorter holding periods, ranging from minutes to days.

## Trading vs Investing

### Day Trading



- Short - term holding
- More volatile
- Frequent transactions

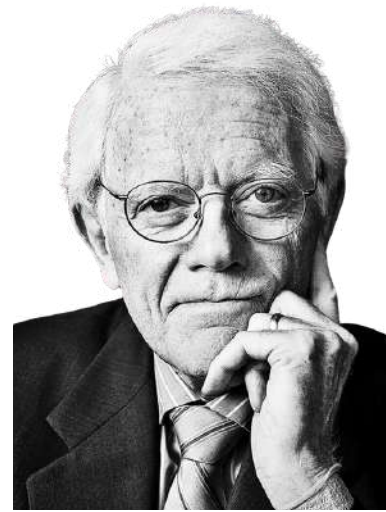
### Investing



- Long - term holding
- More stable
- Infrequent transactions

“Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves.”

- Peter Lynch



# Relationship With Money



Our relationship with money is complex and deeply personal, influencing our attitudes, behaviors, and decisions. It reflects our values, priorities, and aspirations, impacting not only our financial well-being but also our emotional and mental health. Understanding and managing this relationship involves recognizing its psychological aspects, setting clear financial goals, practicing discipline in spending and saving, and seeking balance between enjoying today and planning for tomorrow. It's about fostering a healthy mindset towards money that aligns with our overall life objectives and values.

## The Seven Money Personality Types

**THE  
COMPUSIVE  
SAVER**

**THE  
COMPULSIVE  
SPENDER**

**THE  
COMPULSIVE  
MONEYMAKER**

**THE  
INDIFFERENT-  
TO-MONEY**

**THE SAVER  
SPLUNGER**

**THE  
GAMBLER**

**THE WORRIER**

# FINANCIAL MYTHS



**BUYING A HOME IS  
BETTER THAN RENTING**



**YOU HAVE TO BE RICH  
TO INVEST**



**CARRY A SMALL CREDIT  
CARD BALANCE**



**I DON'T EARN ENOUGH  
TO SAVE**



**INVEST ONLY IN GOLD**



**MY PARTNER MANAGES  
OUR MONEY SO I DON'T  
NEED TO WORRY ABOUT IT**



**CASH IS KING**



**I DON'T NEED AN  
EMERGENCY FUND**

“ You only have to do a very few things right in your life so long as you don't do too many things wrong.

- Warren Buffet ”





# Mutual Funds



A mutual fund is a financial product that enables you to invest in various asset classes such as equity, debt, and gold. By offering diversification and professional management, it helps to reduce your risk and enhance your returns.

	Asset Classes		
	Gold & Silver	Debt	Equity
<b>Routes of investment</b>	Physical Gold/Silver and Gold Bonds	Fixed Deposits/ Corporate Bonds	Direct Equity
<b>Drawbacks</b>	Physical Gold/Silver - Safety and purity  Gold Bonds - Buying limits, lock in of 5 years, low liquidity	Medium to Low liquidity  Penalty for premature withdrawal	Requires time and expertise  Relatively riskier

**Here's how mutual fund route can help overcome the above drawbacks**

Mutual Fund Route	Gold Exchange Traded Fund (ETF) & Gold Fund, Silver Exchange Traded Fund (ETF) & Silver Fund	Debt Mutual Fund	Equity Mutual Fund
<b>Benefits of investing in mutual funds</b>	Buying limits - Min. 1 unit through stock exchange and no upper limit  High liquidity  No lock-in	Different schemes for different investment horizon  High Liquidity  Professional Management	Professional management  Diversification/robust risk management  High liquidity

**Typically, entrepreneurs generate wealth for themselves and their shareholders by operating successful, expanding businesses.**

How can an individual learn and benefit from these business stalwarts?

- **Either by starting a business (which may not be as easy to scale up)**
- **Or, by investing in an established business**

## **Why Invest in EQUITIES?**



### **Long Term Wealth Creation**

Investing in stock markets could help you create wealth over the long term



### **Become a Part-Owner**

When you buy a stock of a company, you become a part owner and could make money as the company's profit increases



### **Real Returns**

Investing in equities could help you beat inflation as it generates positive real returns over the long term

E.g. Let us assume the rate of return on an investment is 12% and the inflation is 4%. Real return in this case is 8% (12% - 4%)

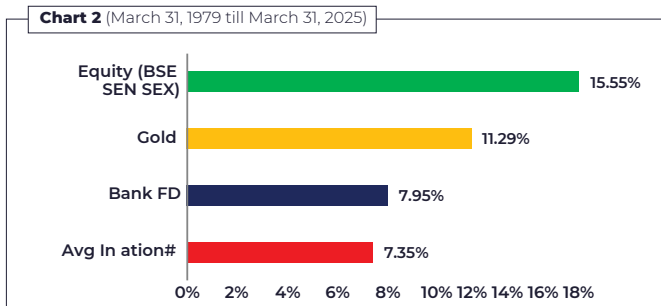
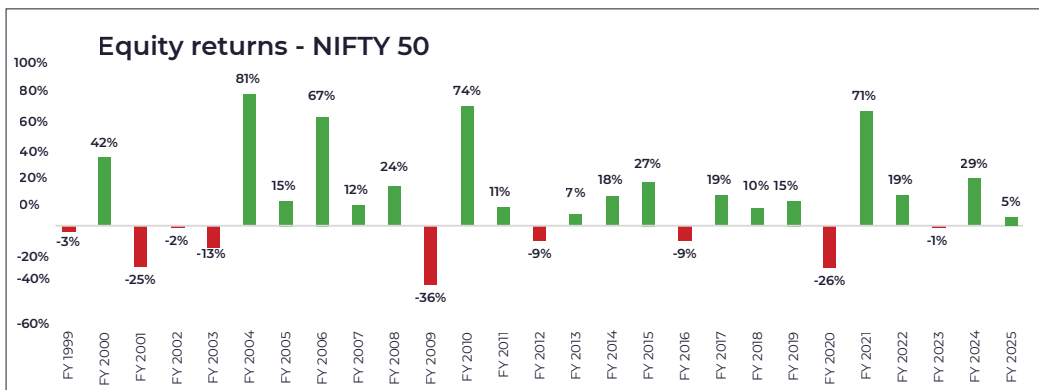
# EQUITIES

A long term asset which aimed at wealth creation



Equity markets do not move up in a linear fashion. Various news and events, both domestic and global, drive the market in the short run, However, in the long term, returns could be in line with the growth of the underlying economy.

As shown in Chart 1 below, markets have given positive returns in some years and negative in others. However, if you observe Chart 2, in the long term, BSE Sensex has delivered 15.5% CAGR between Mar 79 and Mar 25; which is approximately 8% higher than the average inflation rate during the period.



Despite the risk and volatility in the short term, over the long term, equity asset class has **outperformed** others, it has beaten inflation by the highest margin

Source: Bloomberg, RBI Handbook of statistics on Indian Economy, World Gold Council, SBI  
 #Average Inflation is shown for comparison with returns from various asset classes. \*Data is of CAGR returns of various asset classes (Equity, Gold, Bank FD) for the period March 31, 1979 till March 31, 2025, Average Inflation - Data as on March 31, 2025. Equities are a volatile asset class. However, volatility in returns reduces as holding period increases. Above asset classes are not strictly comparable. Above chart is for illustration purposes only. Past performance may or may not be sustained in future and is not a guarantee of any future returns.

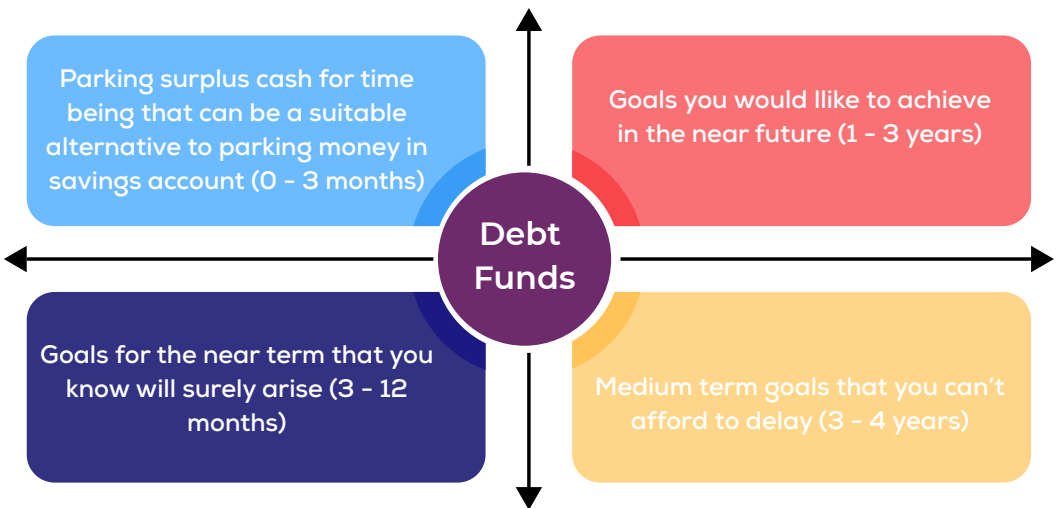


# Understanding Debt



Debt investing involves lending money to an entity, such as government or corporation, in exchange for regular interest payments and the return of the principal amount at maturity. Common forms of debt investments include bonds, treasury bills, and certificates of deposit. Debt investing typically offers lower risk compared to equity investing, with more predictable returns. However, the potential for returns is generally lower compared to investing in stocks.

Debt Funds can be used for a variety of short and medium term financial goals that you want to achieve or must achieve without fail.



"Investing in debt mutual funds can provide a steady income stream and lower volatility compared to equities, but always remember to match your investment with your risk tolerance and time horizon."

– Warren Buffett

# Types of Debt Mutual Funds

Liquid

1

Overnight

2

Ultra Short

3

Short Duration

4

Medium Duration

5

Long Duration

6

Corporate Bonds

7

Banking and PSU

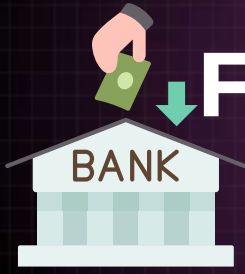
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Gilt

9

Dynamic

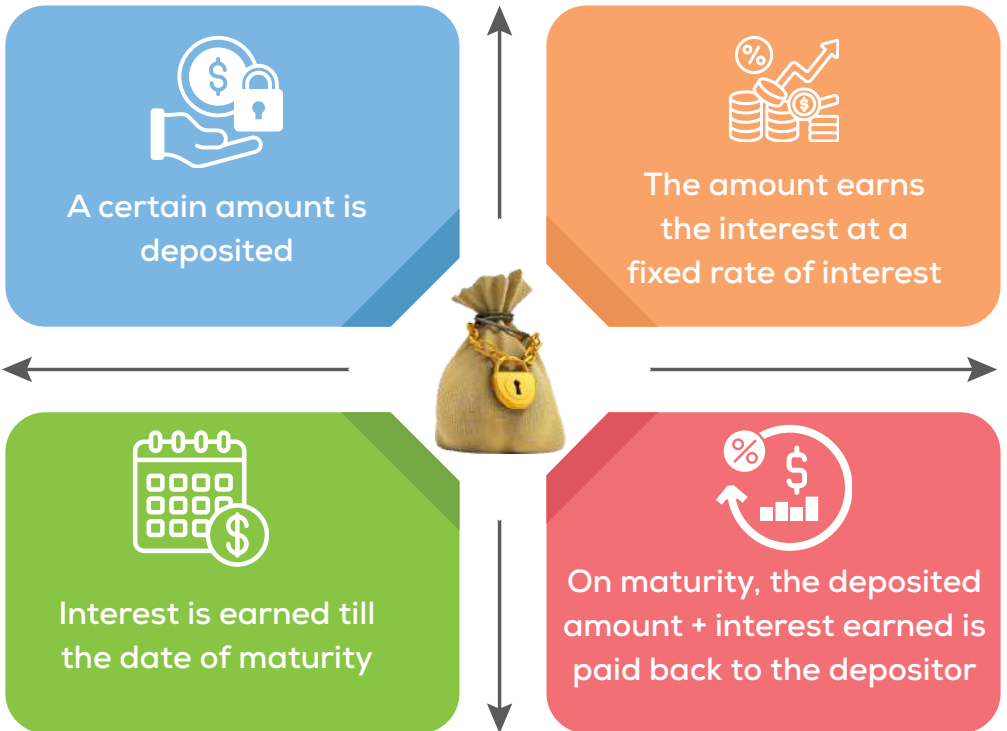
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# Fixed Deposits (FD)



Fixed Deposit Investment involves depositing a specific amount of money with a bank or financial institution for a predetermined period, ranging from a few months to several years. During this period, the investment earns a fixed interest rate, providing predictable and stable returns. It is a low-risk investment option, as the principal amount is secure and is returned at maturity along with the accrued interest. Fixed deposits are popular for their safety and guaranteed returns, making them suitable for conservative investors.



# Gold Investments



Gold investing involves purchasing physical gold or gold ETFs to diversify a portfolio and protect against inflation and economic instability. It is considered a safe-haven asset that retains value over time. Investors choose gold for its stability and potential for long-term growth.

## How to Invest in Gold in India



# Alternative Investment Fund (AIF)



Alternative Investment Funds (AIFs) are investment vehicles that pool money from investors to invest in assets beyond traditional stocks, bonds, and cash. These assets can include private equity, hedge funds, real estate, commodities, and derivatives. AIFs offer diversification and potential for higher returns but typically involve higher risks and are less regulated compared to traditional investments.

## Types of AIFs

### CATEGORY 1

Investment in Startups, SMEs and projects which are socially and economically viable



- Venture Capital Fund
- Infrastructure Fund
- Angel Fund
- Social Venture Fund

### CATEGORY 2

Investment in Equity and Debt Securities



- Private Equity (PE) Fund
- Debt Fund
- Fund of Funds

### CATEGORY 3

Investment aimed at short-term returns achieved by employing complex trading strategies



- Hedge Fund
- Private Investment in Public Equity Fund (PIPE)



# Portfolio Management Services (PMS)

Portfolio Management Services (PMS) involve professional management of an individual's or institution's investment portfolio by a financial expert. These services offer personalized investment strategies based on the client's financial goals, risk tolerance, and time horizon. PMS aims to optimize returns while managing risks through active management and diversification.

## KEY BENEFITS OF PORTFOLIO MANAGEMENT SERVICES



Portfolio diversification for non-systematic risks in equity market.



Active portfolio risk management.



Experienced and robust portfolio management team.



Event-based interaction with fund management team.



Servicing from large network of branches/ associates across India.

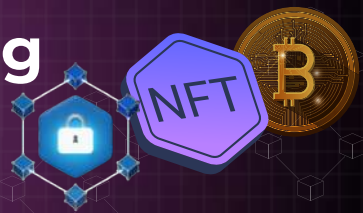


Efficient and personalized client servicing.

## Types of PMS



# A look at the emerging Investment Fads



In the past few months following the pandemic, investors have been introduced to a wide range of popular new-age investment instruments, often categorised under the umbrella of Virtual Digital Assets (VDAs). Allured by the stories of life-changing gains, the uninformed investor has jumped right into this hype-driven bandwagon. With minimum barrier to entry and having little to no regulation (or regulatory recourse in the event of a major loss) - these VDAs have time and again proven to be an investment where majority of investors may lose their hard-earned money. While some investors find it hard to contend with the hyper volatile nature of VDAs, others due to lack of awareness may become vulnerable to elaborate scams or sham ICOs (initial coin offerings).

## Breaking down these Investment Fads

Investment Fad	What It Is	Volatility	Regulation	Valuation Basis
<b>Cryptocurrency</b>	Digital assets traded on blockchain networks.	Very High	Taxed (30%) but largely unregulated.	Driven by demand, scarcity, and market sentiment.
<b>NFTs</b>	Unique digital ownership certificates for art, music, collectibles, etc.	Very High	Limited regulation.	Based on rarity, collectibility, and buyer demand.
<b>Digital Gold</b>	Online gold backed by physical gold held in secure vaults.	Moderate	Regulatory ambiguity.	Tracks prevailing gold prices.

## Conclusion

Even though blockchain technology at large does have scope of utility in the future, it is important to understand that we are still at a very nascent stage of this innovation. Without any regulatory clarity or oversight-the future of these VDAs remain uncertain and it may be advisable for investors to steer clear of such erratic investments.

# Different Modes of Investments



## What is SIP, STP and SWP

**Systematic Investment Plan (SIP):** A disciplined way of investing in mutual funds, where a fixed amount is invested at regular intervals to build wealth over time and benefit from rupee cost averaging.

**Systematic Transfer Plan (STP):** Involves transferring a fixed amount periodically from one mutual fund scheme to another, allowing investors to manage risk and optimize returns based on market conditions.

**Systematic Withdrawal Plan (SWP):** Allows investors to withdraw a fixed amount regularly from their mutual fund investments, providing a steady income stream while potentially benefiting from the capital's growth.

## Comparison between SIP, STP and SWP

Parameters	Systematic Investment Plan (SIP)	Systematic Transfer Plan (STP)	Systematic Withdrawal Plan (SWP)
<b>Investment / withdrawal plan</b>	Money invested is at regular intervals in a mutual fund scheme	Money is transferred from one mutual fund to another mutual fund scheme	Money is withdrawn at regular intervals from a mutual fund scheme
<b>Appropriate investors</b>	Suitable for investors who want to build wealth gradually through disciplined investing in mutual funds.	STP is chosen by investors who have lump sum money and wish to invest in mutual funds but are cautious of timing the market	Chosen by individuals who want a regular source of passive income especially retirees
<b>Taxes</b>	Tax is not applicable as the money is invested in a scheme	Tax is applicable as the money transferred is considered as redemption	Triggers taxes as each withdrawal is considered to be redemption
<b>Benefits</b>	Rupee cost averaging, the power of compounding, and disciplined investment approach	Consistent returns, balancing risk and returns, averaging cost	There is a regular flow of income that avoids market fluctuations

# Taxation of Financial Products



Think of your investments as buckets - stocks, bonds, real estate, each with its own tax label. Riskier buckets, like stocks, often come with tax breaks on profits (capital gains). Safer buckets, like bonds, might have less exciting tax perks. Taxes can get tricky, so consulting a financial advisor for your situation is always smart.

## Asset classes and tax structure

Asset	Holding period for LTCG	Tax rate
<b>Listed shares in India/Equity funds</b>	>12 months	LTCG rate of 12.5% over ₹1.25 lakh of capital gain; STCG rate of 20%
<b>Debt mutual funds</b>	NA	Taxed at slab rate
<b>FD</b>	NA	Taxed at slab rate
<b>REIT/Invit units subject to STT</b>	>12 months for listed units >24 months for unlisted units	Treated as LTCG/STCG for listed units Taxed at Slab Rate for Unlisted Units (less than 24 months)
<b>Zero coupon bonds</b>	>12 months	LTCG taxation is 12.5% without indexation benefit; STCG at slab rate
<b>Other listed securities (other than units)</b>	>36 months	Taxed at slab rate
<b>SGB</b>	Until maturity	Exempt if subscribed in primary market and held till maturity

\*Note: Tax laws are subject to change. Investors should refer to the latest applicable provisions or consult a qualified tax professional before making investment decisions.

# PPF vs ELSS



**PPF (Public Provident Fund):** A long-term savings scheme by the Indian government offering tax benefits, fixed interest rates, and capital protection, suitable for conservative investors aiming for retirement planning.

**ELSS (Equity Linked Savings Scheme):** A type of mutual fund that invests primarily in equity markets, offering tax benefits under Section 80C of the Income Tax Act, ideal for investors seeking potential capital appreciation over the long term with some risk.

## Comparison between PPF and ELSS

Parameters for Comparison	ELSS	PPF
<b>What Are These?</b>	Diversified Equity Mutual Funds	Long-term Saving Instrument availing the old-age security to the self-employed and workers of unorganized sector
<b>Eligibility</b>	Resident Individuals, HUFs & NRIs	Only Resident Individuals & HUFs
<b>Max Investment</b>	No Limit	Rs.1,50,000 (Max 12 installments yearly)
<b>Rate of Return</b>	11% to 14% p.a.*	7.1% p.a.
<b>Lock in Period</b>	3 years	15 Years (partial withdrawal after 7 years)
<b>Taxability of Income</b>	LTCG is taxable @ 12.5% without indexation benefit	It comes under Exempt-Exempt-Exempt category. Interest and maturity amount is exempt from tax.
<b>Other Benefits</b>	One can avail loan against ELSS Units (loan against mutual funds)	One can avail loan from PPF account starting from the 3rd financial year up to the end of the 6th financial year from the account opening.
<b>Risk Associated</b>	ELSS is riskier due to associated market risk	Less risky than ELSS, guaranteed returns

\*market linked returns



# Active Funds VS Passive Funds



## Active Funds

Actively managed by a fund manager who researches, analyzes and selects securities with the objective of outperforming a benchmark index.

### Examples:

- Large Cap Funds
- Flexi Cap Funds
- Mid Cap Funds
- Value / Contra Funds

## Passive Funds

Designed to track the performance of a market index by investing in securities that mirror the index as closely as possible. The objective is to match the benchmark's performance, not outperform it.

### Examples:

- Index Funds
- Exchange Traded Funds (ETFs)

## Pros & Cons of Active Funds & Passive Funds

### Pros



Research-based fund management by a professional fund manager.

Potential to outperform the benchmark through active fund management.

Typically have lower expense ratios.

Offer simple, low-cost exposure to a chosen index.



### Cons



Typically have higher expense ratios.

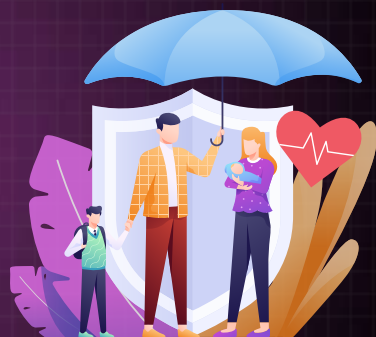
No assurance of outperforming the benchmark.

Designed to match, not outperform, the benchmark.

Limited flexibility, as the fund must mirror the index.



# Insurance



## Need for an Insurance...

### Insurance Benefits

Protection for you & your family

Financial Security

Reduces stress during difficult times

A legacy to leave behind

Income Tax benefit

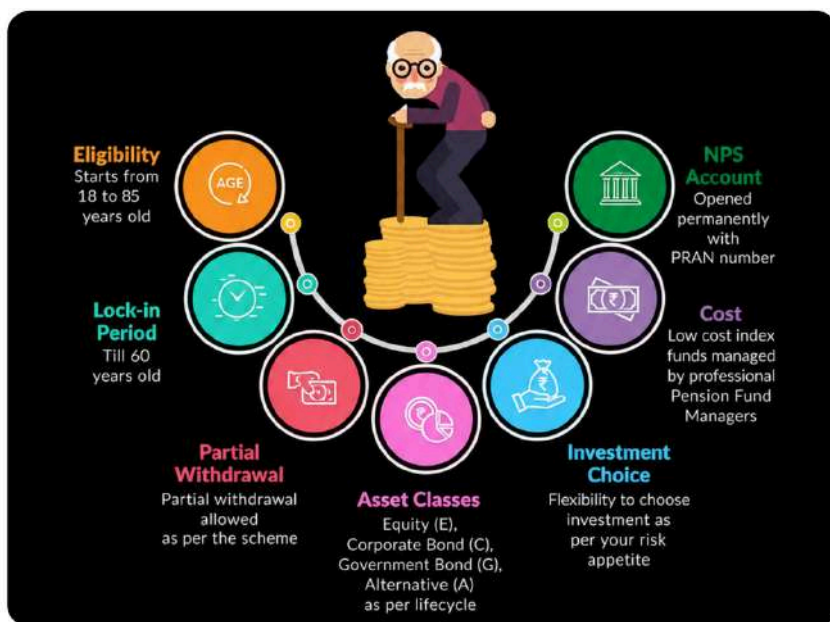
## Different Types of Insurance Policy

General Insurance	Life Insurance
Health Insurance	Term Insurance
Motor Insurance	Whole Life Insurance
Home Insurance	Endowment Plans
Fire Insurance	Unit Linked Insurance Plans (ULIP)
Travel Insurance	Child Plans
	Pension Plans

# National Pension Scheme (NPS)



Investing involves purchasing assets with the goal of long-term growth and income generation. By holding onto a diversified portfolio that includes stocks, bonds, and mutual funds, investors aim to build wealth over time based on strong fundamental growth potential in their chosen investments.



## Types of NPS Accounts

**Tier 1-** Premature withdrawal not allowed. Tax deduction benefits upto Rs. 2 lakh per annum.

**Tier 2-** Unlike Tier 1 accounts, you can withdraw your funds completely or partially at any time, without any exit loads or penalties.



# Glossary Terms



- **Fund Manager:** An employee of an asset management company (AMC) who manages the investment scheme's portfolio and research.
- **AUM (Assets Under Management):** The total cumulative market value of all investments managed by a mutual fund or firm.
- **NAV (Net Asset Value):** The per-unit market value of a mutual fund after deducting expenses. It is the price at which investors enter or exit a scheme.
- **Holdings:** The specific securities or investments currently in a fund's portfolio, often shown as a percentage of total assets.
- **Inception Date:** The official allotment date of a specific investment scheme.
- **Application Amount for Fresh Subscription:** The minimum initial investment required for a new investor to enter a mutual fund.
- **Minimum Additional Amount:** The smallest amount an existing investor can subsequently add to their investment.
- **SIP (Systematic Investment Plan):** A disciplined approach to investing fixed amounts at regular intervals (daily, weekly, monthly, or quarterly).
- **Exit Load:** A fee charged to an investor when they redeem or exit mutual fund units before a specified period.
- **Benchmark:** A standard market index (e.g., Nifty 50, Sensex) used to compare and assess a mutual fund's performance.
- **Standard Deviation:** A statistical measure of the range of an investment's performance; a higher deviation indicates greater volatility.
- **Sharpe Ratio:** A measure of risk-adjusted returns, determining the reward received per unit of risk taken.
- **Beta:** A measure of a fund's volatility relative to the market. A beta greater than 1 implies higher volatility than the market; less than 1 implies lower volatility.
- **R Squared:** A statistical measure showing how closely a portfolio's returns correlate with its benchmark index.
- **Potential Risk Class (PRC) Matrix:** A SEBI-mandated classification for debt schemes based on maximum interest rate risk and credit risk.
- **Macaulay Duration:** A measure of how long it takes for a bond's price to be repaid by its internal cash flows.
- **Modified Duration:** The price sensitivity of a bond to changes in interest rates.
- **Average Maturity:** The weighted average of the time until all debt securities in a fund reach their maturity date.
- **Yield to Maturity (YTM):** The anticipated annual rate of return on a bond if held until it matures.
- **P/E Ratio (Price-to-Earnings):** The relationship between a company's share price and its earnings per share (EPS).
- **P/BV (Price-to-Book Value):** A comparison of a company's market value to its book value.
- **Dividend Yield:** A ratio showing how much a company pays out in dividends relative to its current stock price.
- **IDCW (Income Distribution cum Capital Withdrawal):** A mutual fund option where income can be distributed to investors from their own capital or realized gains.
- **IRS (Interest Rate Swap):** A contract to exchange one stream of future interest payments for another (e.g., fixed rate for floating rate).



Investing is not about chasing the highest return or predicting every market movement. It is about making informed decisions, staying aligned to your goals, managing risk thoughtfully, and giving your money the time it needs to grow.

We hope this guide has helped simplify key investment concepts and given you greater clarity on how to approach your financial decisions with confidence and discipline.



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