



# **MUTUAL FUNDS**

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**An Avenue for Savings and Investments**

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# Introduction/Benefit

# Introduction to Mutual Fund

## What is a Mutual Fund?

Mutual fund is a pool of money belonging to a group of investors, who entrust it to a Fund Manager for making prudent investments on their behalf, strictly in accordance with the Investment Guidelines as laid down in the Constitutive Documents of the Fund.

## Key Advantages of Investing in Mutual Funds

- Professional Investment Management
- Diversification
- Convenience and Flexibility
- Liquidity and Easy Withdrawal
- Regulatory Protection
- Protection through Trustee
- Taxation Benefits

# Advantages of Money Market Funds (MMFs) Versus Bank Deposits & NSS

- Money Market Funds (MMFs) are like a current account of a bank – withdraw any time without penalty
- MMFs returns are much higher than bank deposits. Average bank deposit rate is 6% p.a., average return on MMFs is 10.5% p.a..
- The return of about 10% p.a. is even better than Term-Deposits
- Unlike NSS, there are no penalties on withdrawals, and much better service
- Tax credits of up to Rs. 100,000 on open end mutual funds and unlimited on pension funds, if investment horizon is longer than one year versus 10% tax on bank deposits and some NSS Schemes

# Tax Benefits

## ➤ **Mutual Funds required to withhold CGT as per below:**

- 10% for less than 6 months holding
- 8% for 6 to 12 months holding
- Zero for more than 12 months holding
- Capital Gains separate block of income with full & final tax liability.

## ➤ **Corporate Entities:**

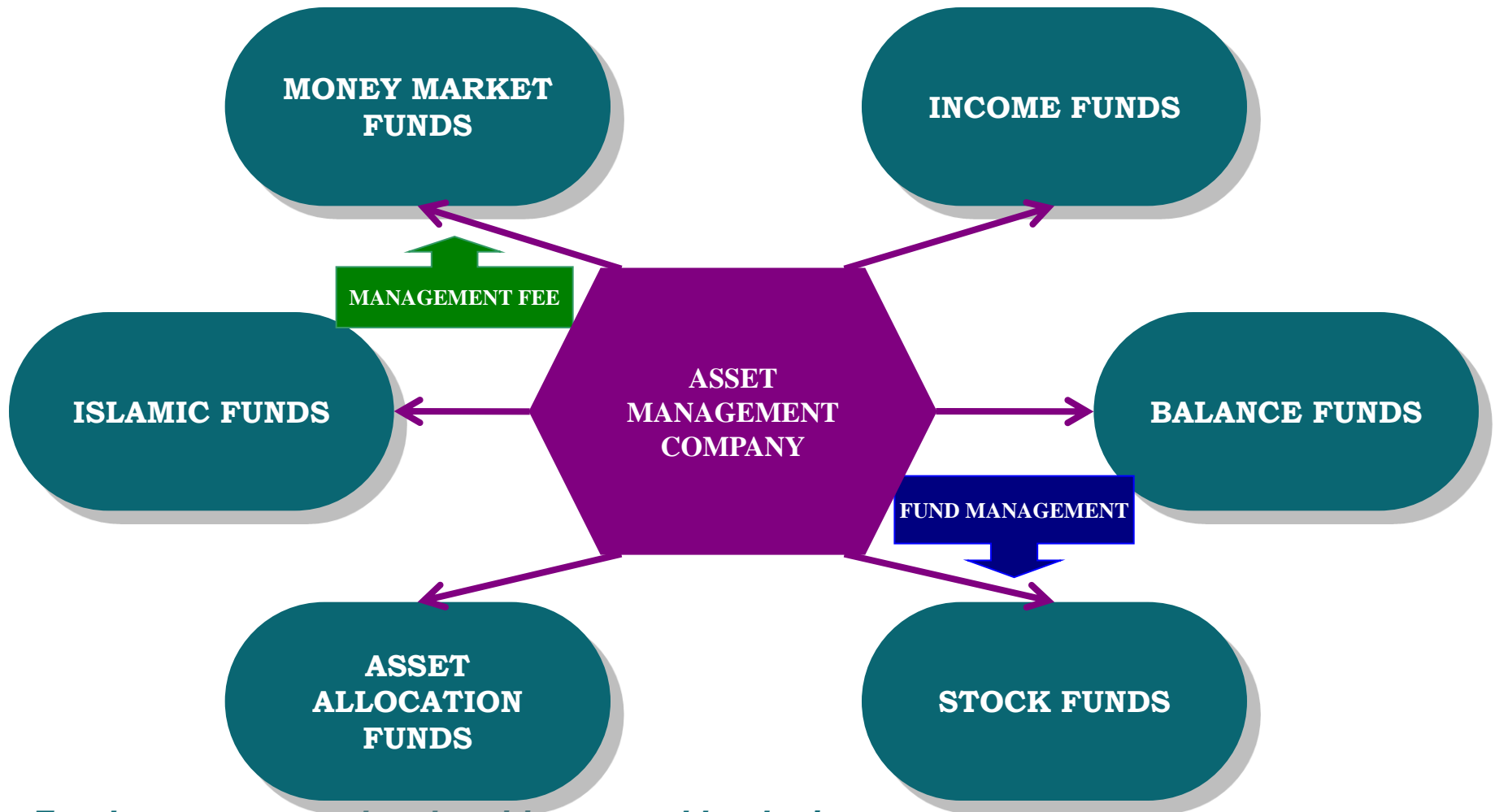
- Tax savings of 25%-35% as compared to bank deposits

## ➤ **Individuals:**

- Tax savings of 0-10% as compared to bank deposits
- Tax Rebates upto Rs.100,000/- on open end funds and unlimited on Pension Funds

# Structure of Mutual Funds

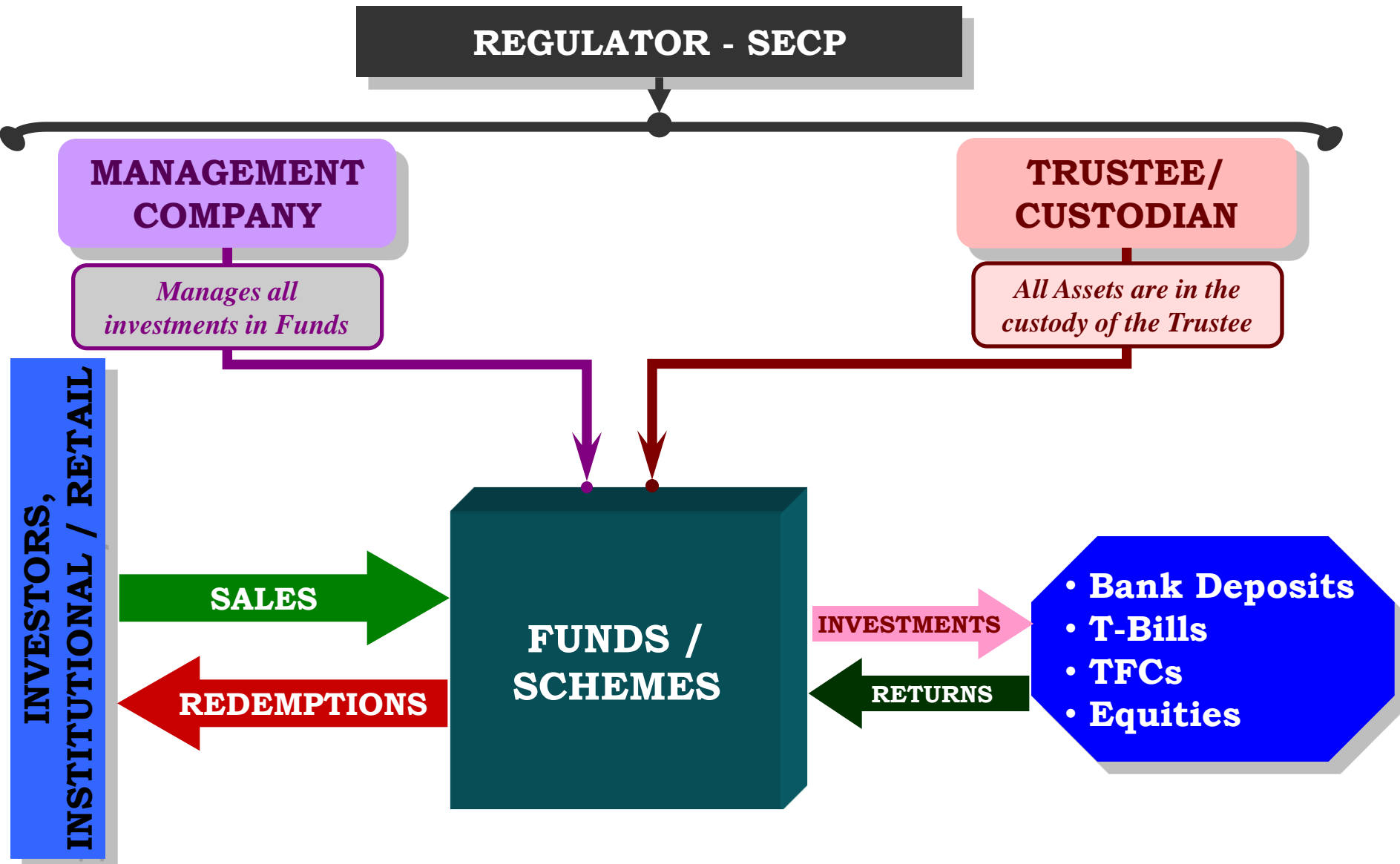
# Structure of Mutual Funds



1. Funds are separate legal entities owned by the investors
2. The AMC simply manages the funds on behalf of investors and charge a fee for that
3. Management fee ranges from 1% p.a. to 3% p.a. of assets under management



# Operations of Funds by Management Company & Trustee



# Types of Mutual Funds

# Types of Mutual Funds

- **Conventional/Shariah Compliant Funds**
- **Open-end / Closed-end**
- **Sub-categories of Mutual Funds**
  - *Money Market Funds*
  - *Income Funds*
  - *Asset Allocation Funds*
  - *Balanced Funds*
  - *Equity Funds*
  - *Sector Specific Funds*

# Basic Characteristics of Mutual Funds

Fund Category	Volatility/ Risk	Investment Time	Investment Avenues			
			Banks	T-Bills	TFCs/ Sukuks	Equities
<b>Money Market</b>	Very Low	Short or Long	Yes	Yes	No	No
<b>Income</b>	Moderate	Medium	Yes	Yes	Yes	No
<b>Balanced / Asset Allocation</b>	Moderate	Medium-Long	Yes	Yes	Yes	Yes
<b>Equity</b>	High	Long	Yes	Yes	No	Yes

# How to choose a Mutual Fund?

- **Rating/Quality of Sponsors**
- **Rating of Asset Management Company (AMC)**
- **Rating of Fund**
- **Highly Qualified & Experienced Management Team**
- **Successful Performance Track Record**
- **Ethical Reputation of the Management**
- **Disciplined Investment Methodology**

# Risk Disclaimer

- All investments in mutual funds are subject to market risks
- The NAV based prices of units and any dividend/returns thereon are dependant on forces affecting the financial markets. These may go up and down on market conditions
- Past performance is not necessarily indicative of future results
- Please read offering document of the fund to understand the investment policies and the risk involved

# How to Start Investing?

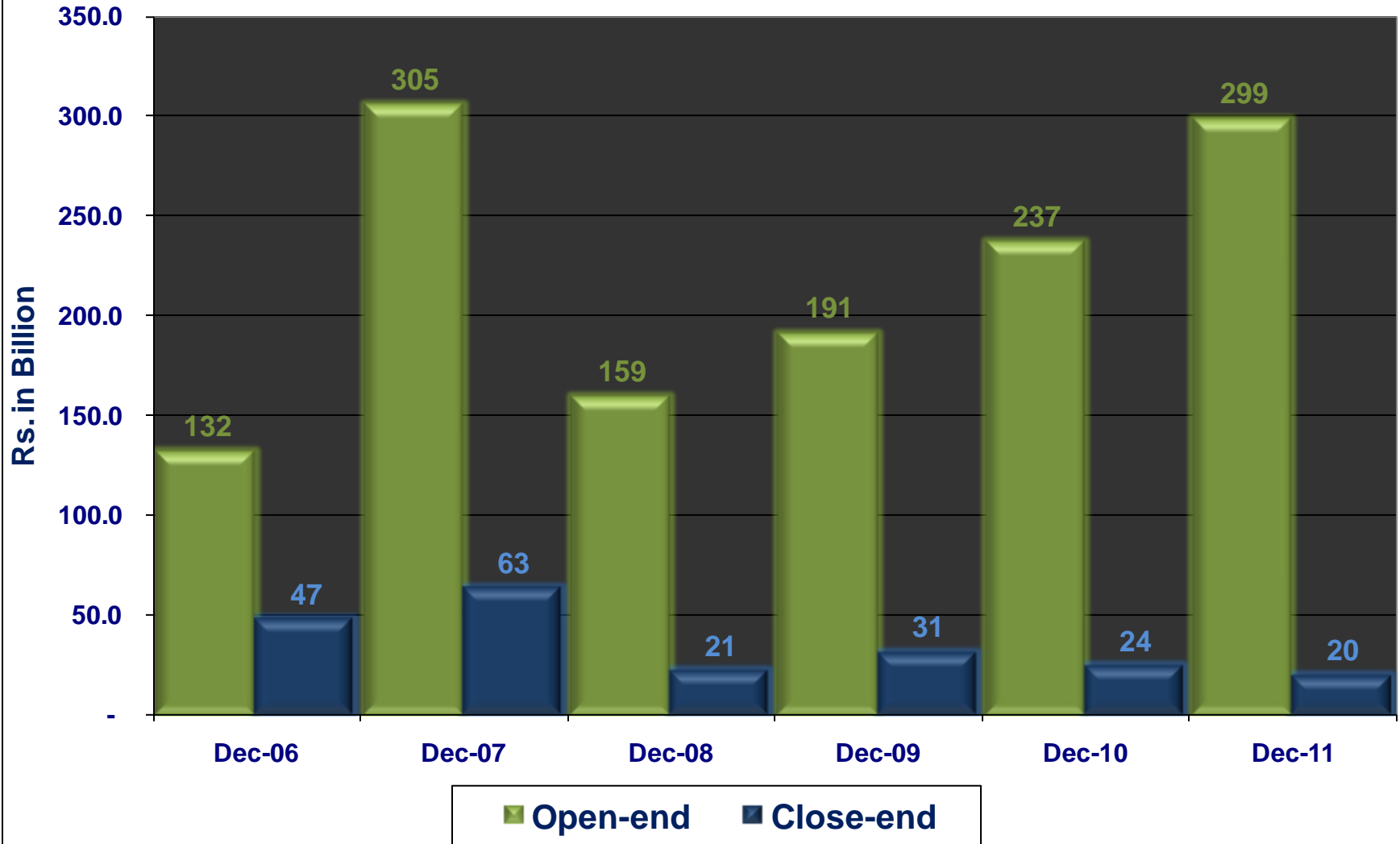
- Determine your objectives of savings/investments which includes
  - Return needs
  - Time horizon
  - Liquidity needs
  - Risk Profiling of Investor
- Ask yourself whether you are an aggressive, moderate or a conservative investor
- Select the mutual fund manager you trust
- Select the fund which you want to invest
- Monitor your investments on periodic basis

# **Status of Mutual Funds Industry in Pakistan**



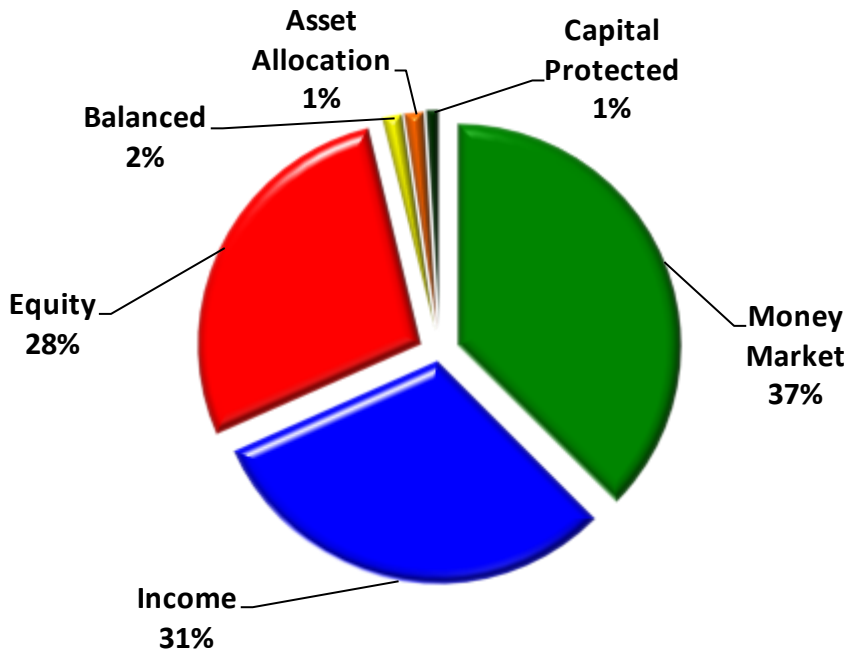
# Mutual Fund Industry in Pakistan

## GROWTH OF MUTUAL FUNDS IN PAKISTAN

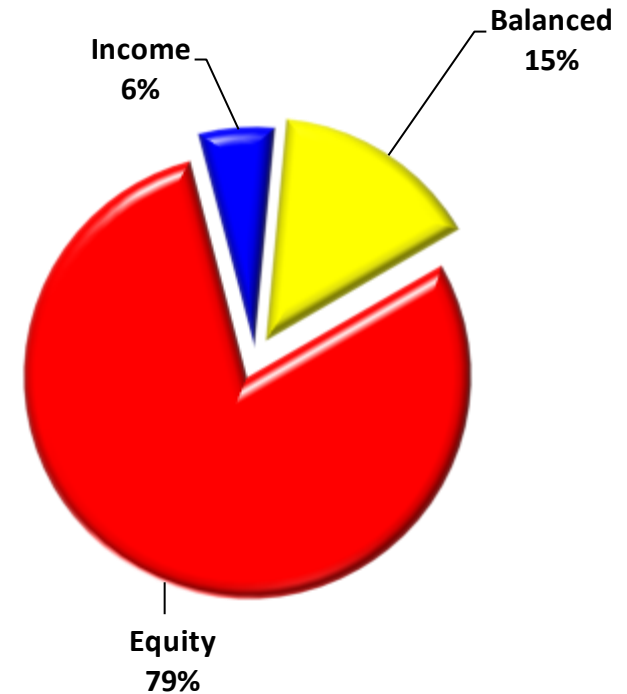


# Mutual Fund Industry in Pakistan

**OPEN END FUNDS - CATEGORYWISE SIZE -  
Rs. 299 Billion as on 31/12/2011**

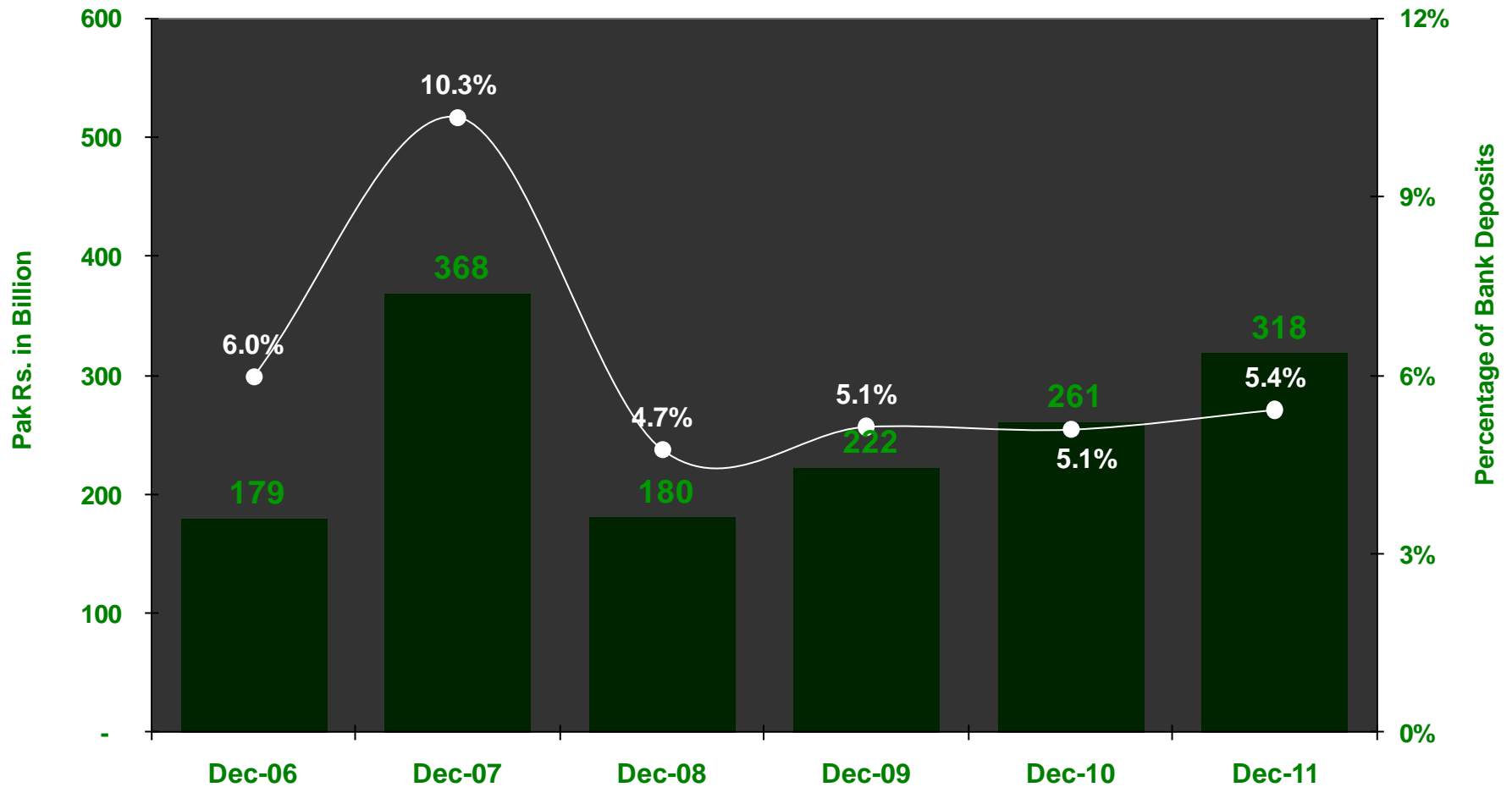


**CLOSE END FUNDS - CATEGORYWISE SIZE -  
Rs.20 Billion as on 31/12/2011**



# Mutual Fund Industry in Pakistan

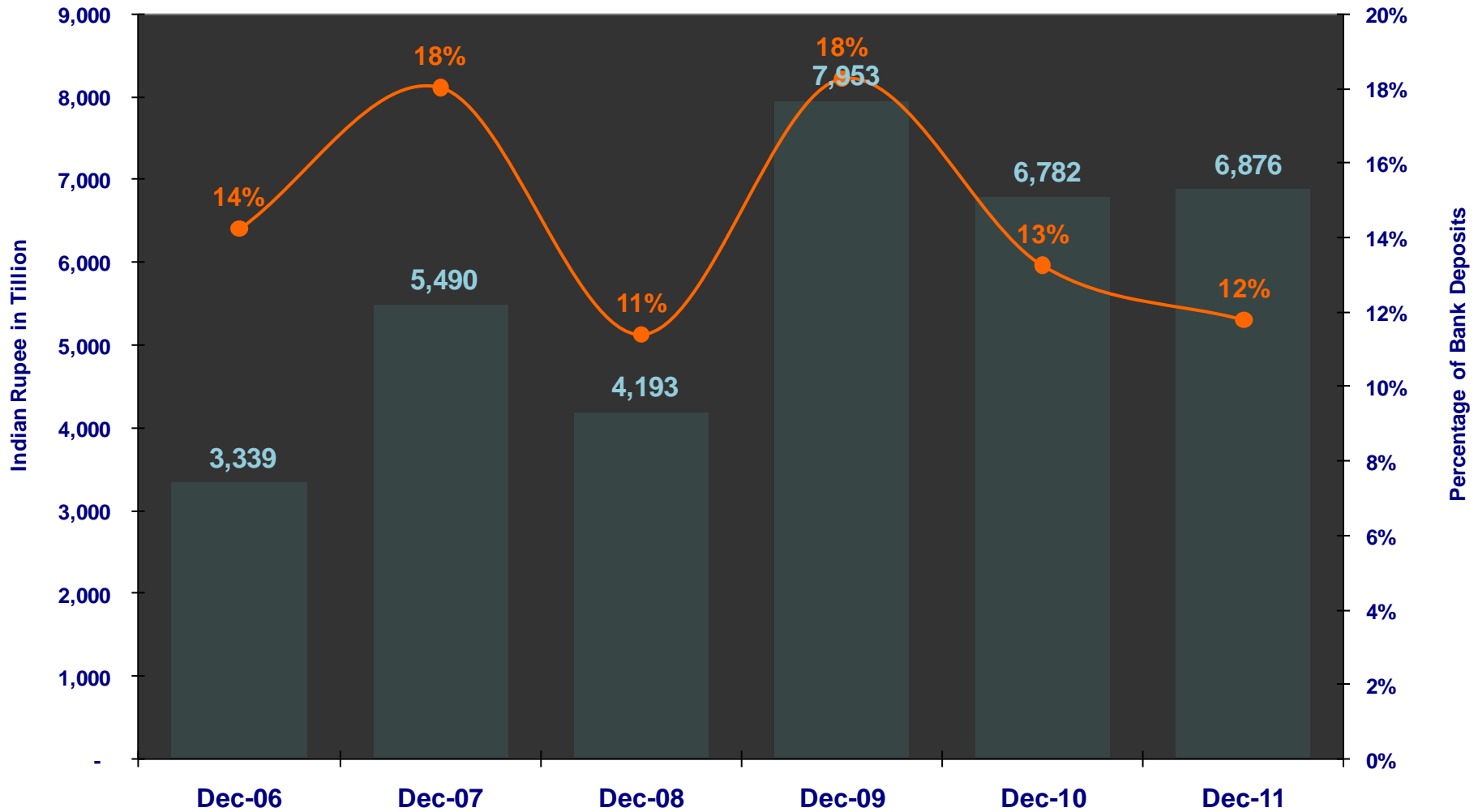
## MUTUAL FUNDS VS BANK DEPOSITS - PAKISTAN



# Status of Mutual Funds Industry Globally

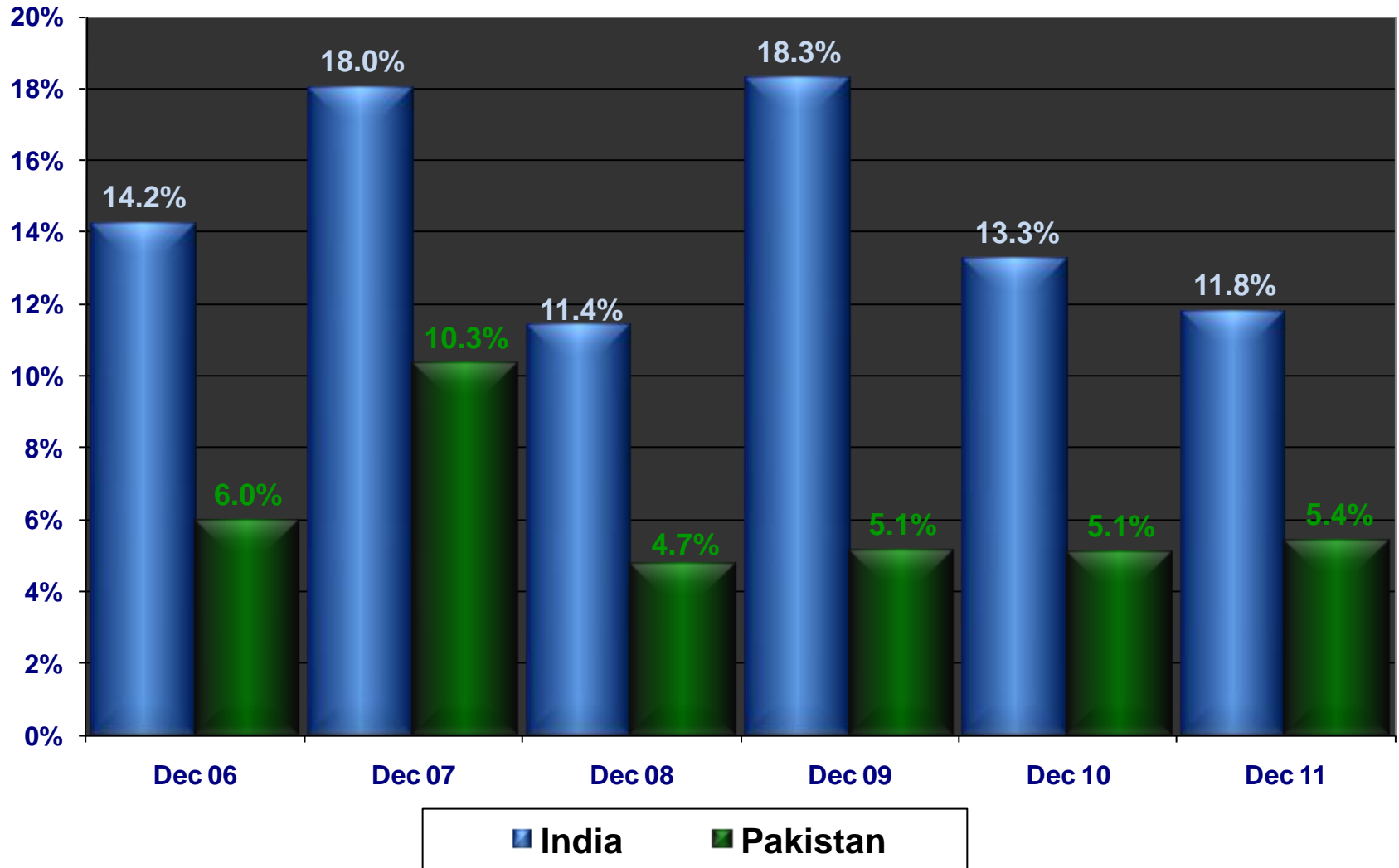
# Mutual Fund Industry in India

## MUTUAL FUND INDUSTRY VS BANK DEPOSITS - INDIA



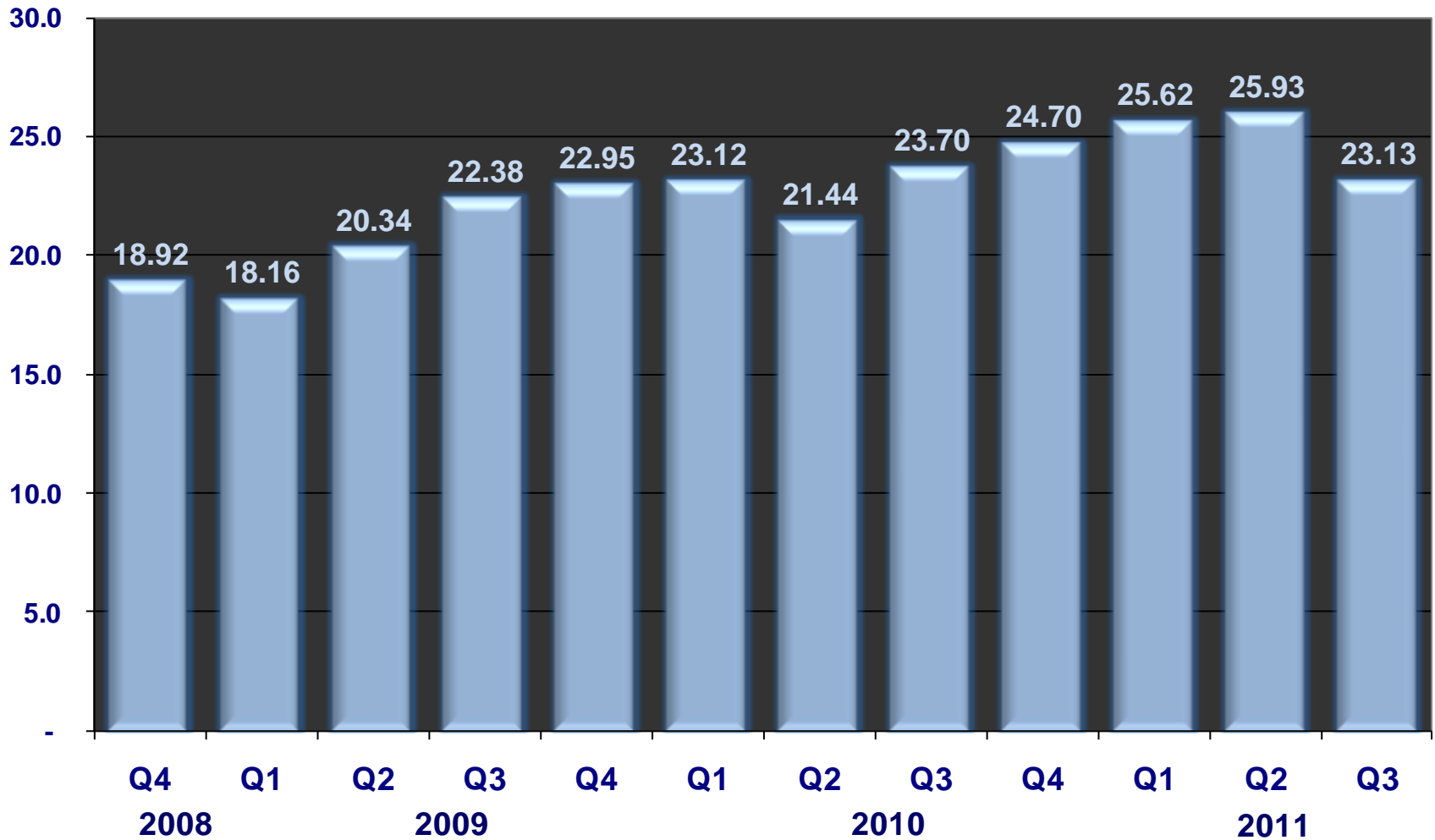
# Mutual Fund Industry – India vs Pakistan

MUTUAL FUND AS % OF BANK DEPOSIT - INDIA VS PAKISTAN



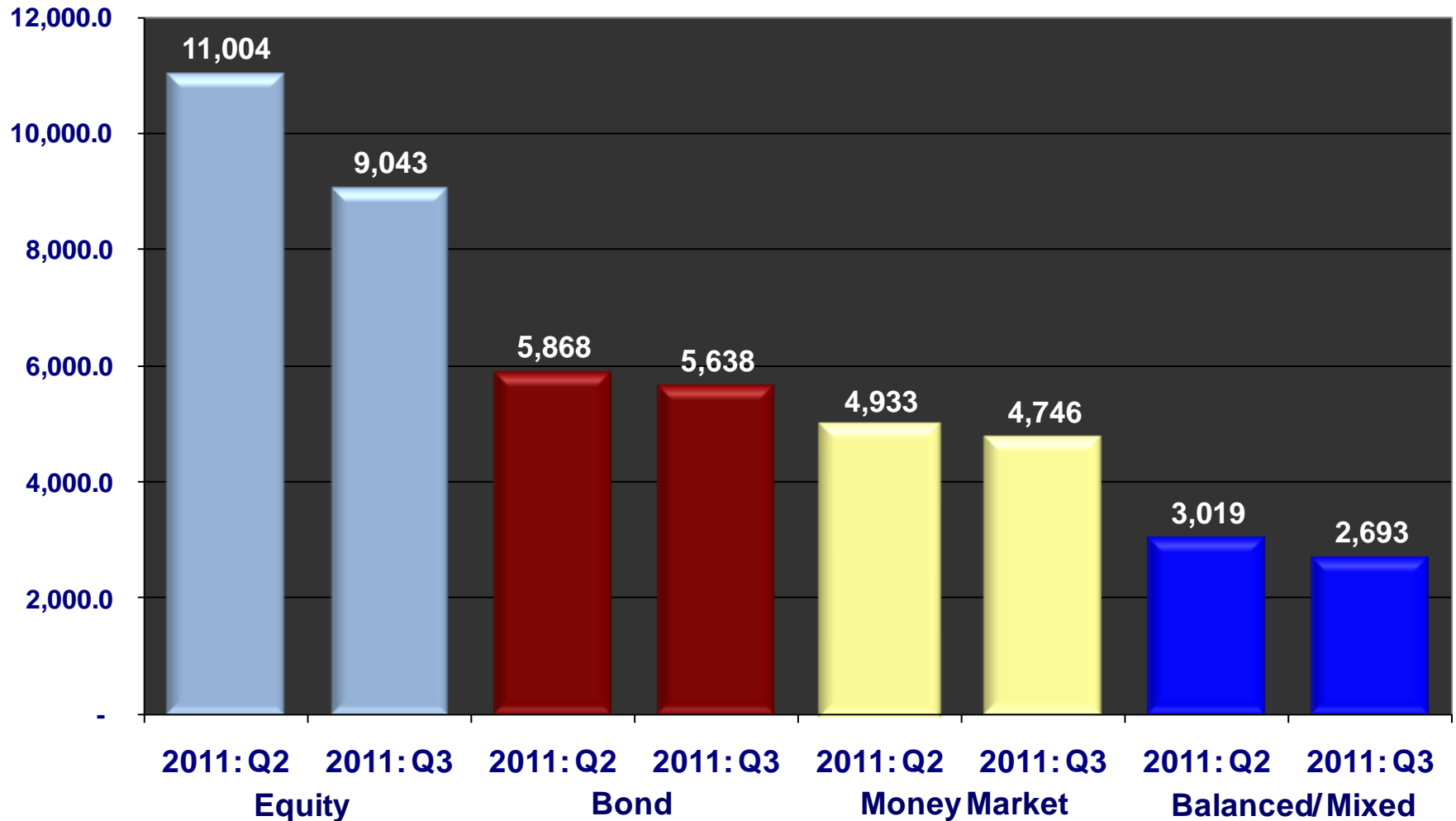
# Worldwide Mutual Fund Assets

**WORLDWIDE MUTUAL FUND ASSETS**  
Trillions of U.S. dollars, end of quarter



# Worldwide Mutual Fund Assets

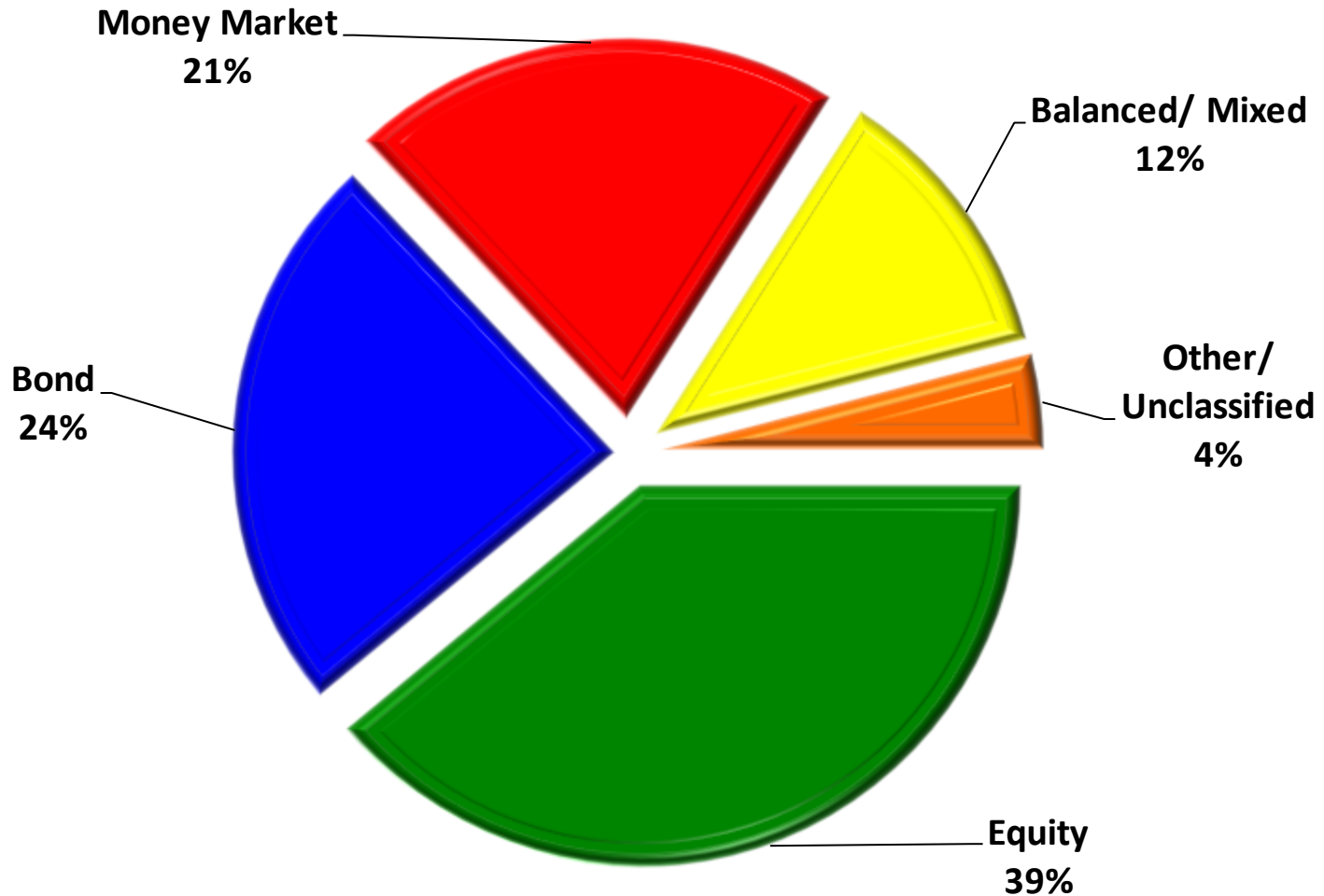
**WORLDWIDE MUTUAL FUND ASSETS**  
Billions of U.S. dollars, end of quarter





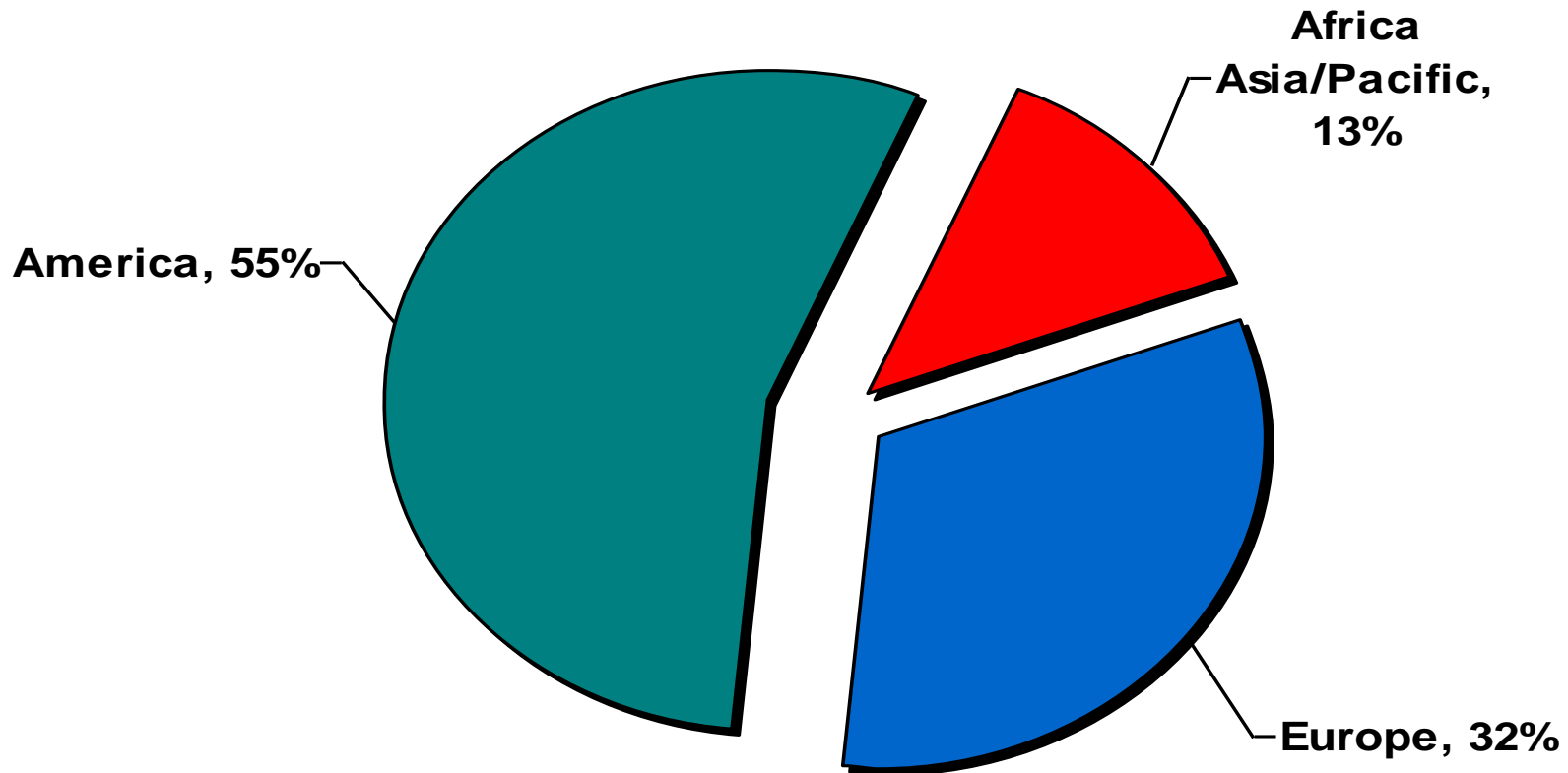
# Worldwide Mutual Fund Assets

**PERCENT OF WORLDWIDE MUTUAL FUND ASSETS BY TYPE OF FUND, 2011:Q3**



# Worldwide Mutual Fund Assets

## PERCENT OF WORLDWIDE MUTUAL FUND ASSET BY REGION, 2011:Q3





**Thank You**