



# CONTENTS

	PAGES
<b>Foreword</b>	<i>I-3</i>
<b>Acknowledgement</b>	<i>I-5</i>
<b>About NISM Certifications</b>	<i>I-7</i>
<b>About the Certification Examination for Mutual Fund Distributors Level 2</b>	<i>I-9</i>

## UNIT 1

### INVESTMENT THEORY AND BUILDING BLOCKS

<b>1.1</b>	Understand Asset allocation and diversification	<i>1</i>
<b>1.2</b>	Equity Management Strategies	<i>26</i>
<b>1.3</b>	Fixed Income Investment Management	<i>29</i>
<b>1.4</b>	Derivatives for mutual funds	<i>35</i>
<b>1.5</b>	Understanding asset allocation	<i>39</i>

## UNIT 2

### INVESTMENT STRATEGIES AND FUND CATEGORIES

<b>2.1</b>	Equity schemes	<i>46</i>
<b>2.2</b>	Debt schemes	<i>48</i>
<b>2.3</b>	Hybrid Schemes	<i>50</i>
<b>2.4</b>	Solution-Oriented Schemes	<i>51</i>
<b>2.5</b>	Other Schemes	<i>51</i>
<b>2.6</b>	Fund of Funds (Overseas/Domestic)	<i>51</i>
<b>2.7</b>	Infrastructure Debt funds	<i>52</i>

	PAGES
2.8 Real Estate Mutual fund	54
2.9 Comparison among fund categories:	56

### **UNIT 3**

#### **COMPETITIVE LANDSCAPE**

3.1 Portfolio Management Services (PMS)	62
3.2 Alternative Investment Funds (AIF)	63
3.3 National Pension Scheme (NPS)	65
3.4 Unit linked Insurance Plan (ULIP)	66
3.5 Real Estate Investment Trust (REIT)	66
3.6 Market-linked debentures	68

### **UNIT 4**

#### **VALUATION OF SECURITIES FOR MUTUAL FUND SCHEMES AND ACCOUNTING**

4.1 Valuation	78
4.2 Computation of Net Assets of Mutual Fund Scheme and NAV	94
4.3 Income Distribution and Capital Withdrawal (ICDW - erstwhile Dividend) & Distributable Reserves	102

### **UNIT 5**

#### **TAXATION**

5.1 Mutual funds and taxation	105
-------------------------------	-----

### **UNIT 6**

#### **INVESTOR SERVICES**

6.1 Mutual fund transaction life cycle	123
6.2 Brief concepts	124

	PAGES
6.3 Technology adoption	<i>131</i>

## UNIT 7

### SCHEME EVALUATION

7.1 Understanding investment risks	<i>137</i>
7.2 Benchmarks	<i>141</i>
7.3 Analysing fund manager performance	<i>145</i>
7.4 Advantages and limitations of using qualitative and quantitative methods for performance evaluation	<i>150</i>
7.5 Reading the scheme documents and the fact sheets for scheme evaluation	<i>151</i>

## UNIT 8

### LEGAL AND REGULATORY ENVIRONMENT OF MUTUAL FUNDS

8.1 Regulations pertaining to investment norms	<i>157</i>
8.2 Regulations pertaining to borrowings by mutual funds	<i>164</i>
8.3 Regulatory framework for Real Estate Mutual Funds (REMF) and Infrastructure Debt Funds (IDF)	<i>165</i>
8.4 Fundamental Attributes and the implications of changes to the fundamental attributes	<i>168</i>

## UNIT 9

### ETHICS AND INVESTOR PROTECTION

9.1 Prevention of mis-selling of mutual fund units	<i>171</i>
9.2 Safeguards provided by the structure of mutual funds	<i>172</i>
9.3 Measures taken by SEBI for investor protection	<i>174</i>
9.4 Investor Grievance Redress Mechanism	<i>180</i>

## **UNIT 10**

### **CASE STUDIES**

<b>10.1</b>	Evaluation/Comparison of mutual fund schemes	<i>183</i>
<b>10.2</b>	Indexation calculation based case	<i>184</i>
<b>10.3</b>	Comparison of schemes on risk-adjusted returns	<i>186</i>
<b>10.4</b>	Comparison of debt funds based on portfolio composition	<i>188</i>
<b>10.5</b>	SIP in ELSS and lock-in provisions	<i>190</i>
<b>10.6</b>	Mutual funds and wealth creation	<i>191</i>
<b>10.7</b>	MFs for an investor seeking regular income	<i>196</i>

### **ANNEXURES**

<b>Annexure A:</b>	Tax Rates for Assessment Year 2021-22	<i>205</i>
<b>Annexure B:</b>	Deductions under Income-tax Act	<i>222</i>
<b>Annexure C:</b>	Exemptions under Income-tax Act	<i>228</i>
<b>Annexure D:</b>	Summarized Tax Table - Product-wise	<i>235</i>