

Annexure II – Test Objectives (w.e.f April 4, 2022)

NISM-Series-V-C Mutual Fund Distributors (Level 2) Certification Examination

Unit 1: Investment Theory and Building Blocks

- 1.1. Understand Asset allocation and diversification
 - 1.1.1. Discuss the nature of different asset categories
 - 1.1.2. Understand historical perspective on Returns and Risk in Equity, Debt and Gold
 - 1.1.3. Discuss Understand CAPM
 - 1.1.4. Discuss Markowitz portfolio diversification
 - 1.1.4.1. Security level
 - 1.1.4.2. Asset class level
 - 1.1.4.3. International diversification
- 1.2. Know Equity Investment Management Strategies
 - 1.2.1. Fundamental Analysis
 - 1.2.2. Technical Analysis
 - 1.2.3. Quantitative Analysis
 - 1.2.4. Smart Beta Strategies
 - 1.2.5. Leveraged Beta
 - 1.2.6. Fundamental Indexing / Quality Indexing
- 1.3. Know Debt Investment Management Strategies
 - 1.3.1. Differentiate between money market instruments and debt funds
 - 1.3.2. Understand yield curve
 - 1.3.3. Discuss the Inverse relation between interest rate and bond prices
 - 1.3.4. Understand Duration management
 - 1.3.4.1. Know about modified duration and Macaulay's duration
 - 1.3.4.2. Know maturity spread, dynamic duration management, Running down the yield curve
 - 1.3.5. Understand Credit risk management
 - 1.3.5.1. Understand credit spread
 - 1.3.5.2. Understand credit rating
 - 1.3.5.3. Know credit rating nomenclature
 - 1.3.6. Understand Liquidity Management
- 1.4. Derivatives for Mutual Funds
 - 1.4.1. Introduction to basic derivative products and markets
 - 1.4.2. Understand various applications of derivatives
 - 1.4.2.1. Hedging (*covers: long put option, selling futures*)
 - 1.4.2.2. Arbitrage
 - 1.4.2.3. Alpha hedging
 - 1.4.2.4. Paired arbitrage
 - 1.4.2.5. Covered call writing

- 1.4.2.6. Securities lending
- 1.4.2.7. Interest rate futures
- 1.4.2.8. Credit risk derivatives (CDS, CDO)
- 1.4.2.9. Portfolio rebalancing and replicating an index
- 1.4.3. Understand Risks involved in derivatives
- 1.5. Discuss Multi asset portfolios
 - 1.5.1. Discuss in detail various asset allocation strategies
 - 1.5.2. Understand Risks in asset allocation strategies

Unit 2: Investment strategies and fund categories

(Discuss the various categories in the context of SEBI circular on categorization of mutual fund schemes)

- 2.1. Equity Funds
 - 2.1.1 Growth style
 - 2.1.2 Value style
 - 2.1.3 Dividend yield
 - 2.1.4 Contrarian
 - 2.1.5 Momentum
 - 2.1.6 Focused
 - 2.1.7 Sectoral / Thematic
 - 2.1.8 Close-ended funds
- 2.2 Debt Funds
 - 2.2.1 Accrual and duration funds (refer to SEBI categorization)
 - 2.2.2 FMPs
- 2.3 Hybrid Funds
 - 2.3.1 Asset allocation funds
 - Aggressive
 - Moderate
 - Conservative
 - Multi asset
 - Balanced advantage fund / Dynamic asset allocation fund
 - 2.3.2 Arbitrage
 - 2.3.3 Equity savings
 - 2.3.4 Capital guaranteed and Capital protection oriented
- 2.4 Solution Oriented Funds
 - 2.4.1 Retirement Funds
 - 2.4.2 Children Funds
- 2.5 Index Funds and ETFs
 - 2.5.1 Index Funds
 - 2.5.2 Exchange Traded Funds
- 2.6 Fund of funds / Feeder funds

- 2.7 International funds
- 2.8 Infrastructure debt funds (NBFC IDF & MF IDF)
- 2.9 REMF
- 2.10 Comparison among fund categories

Unit 3: Competitive Landscape

- 3.1 PMS
- 3.2 Alternate Investment Funds
 - 3.2.1 Venture Capital Funds
 - 3.2.2 Angel Funds
 - 3.2.3 Private Equity Funds
 - 3.2.4 Hedge Funds
- 3.3 REIT & INVITs
- 3.4 Index linked debenture
- 3.5 NPS
- 3.6 ULIP/ULPP

Unit 4: (A) Valuation of Securities for Mutual Fund Schemes

- 4.1 Understand and analyse how investments are valued in schemes
 - 4.1.1 Valuation of Equities
 - 4.1.2 Valuation of Debt
 - ☑ Role of CRA as Valuation Service Providers
 - 4.1.3 Valuation of Gold
 - 4.1.4 Valuation of Real Estate
 - 4.1.5 Valuation of Derivatives
 - 4.1.6 NPA Provisioning in case of debt instruments
 - 4.1.7 Segregated portfolio in case of debt funds

Unit 4: (B) Accounting

- 4.2 Unit capital accounting
- 4.3 Investment accounting
- 4.4 Income accounting
- 4.5 Expense accounting
- 4.6 Dividend accounting
- 4.7 NAV computation

Unit 5: Taxation

- 5.1 Analyse the impact of various tax provisions on mutual funds and investors in mutual fund schemes
 - 5.1.1 Dividend Distribution Tax
 - 5.1.2 Taxability of dividends and capital gains
 - LTCG & STCG
 - Indexation
 - Setting off gains and losses and carry forward of losses under Income Tax Act

5.1.3 Securities Transactions Tax

Unit 6: Investor Services

- 6.1 Transaction Life Cycle
- 6.2 Briefly outline the concepts of nomination and pledge, transmission, change of status (RI-to-NRI, NRI-to-RI, minor-to-major, change of Karta of HUF, changes in PoA, change of Guardian)
- 6.3 Discuss adoption of technology (online transactions, etc.) for enhancing customer experience
- 6.4 Awareness against Cyber Security attacks - Do's & Don't

Unit 7: Scheme Evaluation

- 7.1 Understand risks in fund Investing: Standard Deviation and Beta (Systematic & unsystematic risks in detail)
- 7.2 Understand Benchmarks and their role in scheme evaluation
- 7.3 Analyse the fund managers' performance using Sharpe Ratio, Sortino Ratio, Treynor Ratio, Jensen's Alpha, Appraisal Ratio, Information Ratio, Eugene Fama and M2
- 7.4 Understand the advantages and limitations of the quantitative and qualitative methods of evaluation of mutual fund schemes
- 7.5 Reading the scheme documents and the factsheets for the purpose of scheme evaluation

Unit 8: Legal and Regulatory Environment of Mutual Funds

- 8.1 Understand the investment norms for mutual funds
- 8.2 Discuss the regulations pertaining to borrowings by mutual funds
- 8.3 Know the regulatory framework for REMF and Infrastructure Debt Funds
- 8.4 Discuss mutual fund's fundamental attributes and the implications of changes to these fundamental attributes

Unit 9: Ethics and Investor Protection

- 9.1 Discuss prevention of mis-selling of mutual funds
- 9.2 Know the safeguards provided by the structure of mutual funds
- 9.3 Discuss the SEBI Measures for investor protection
- 9.4 Discuss the Investor grievance redressal mechanism

Unit 10: Case Studies

- 10.1 Evaluation/Comparison of mutual fund schemes
- 10.2 Interpretation of risk measures from extract of factsheet data
- 10.3 Indexation calculation based case
- 10.4 Comparison of schemes on risk adjusted returns
- 10.5 Comparison of debt funds on the basis of portfolio composition
- 10.6 SIP in ELSS and lock-in provisions
- 10.7 Dividend Reinvestment in ELSS and lock-in provisions
- 10.8 Mutual funds and wealth creation
- 10.9 MFs for an investor seeking regular income (dividend option vs SWP)