

Investor EduBytes

Empowering Investors Through Knowledge

Key Takeaways from NISM's Investor Education Webinars¹

Week: June 15-30, 2025

1. Why Invest in Index Funds?

Speaker: Avinash Luthria, Investment Adviser, Fiduciaries.in

Context: SEBI now requires mutual funds to report their **risk-adjusted performance** using the *Information Ratio*. In simplified terms: a) 0.5% per annum higher returns for every 1% extra risk and b) a **low or negative ratio** implies the fund either took on too much risk or underperformed the index.

◇ **Session Insights:**

- For the 5 years ending **May 5, 2025**, only:
 - **3 of 25** Direct Plan Largecap MFs, and
 - **2 of 25** Regular Plan Largecap MFs showed strong risk-adjusted performance.
- Midcap and Smallcap Active MFs performed similarly poorly.
- This raises doubts about paying **0.5%–2.25% fees** for active funds that don't consistently outperform.

☑ **Key Takeaway:**

Low-cost **passive index funds**—like the **Nifty 50 Index Fund – Direct Plan** (~0.2% fee)—are more cost-effective, especially when adjusted for risk.

🔗 **2. Looking Beyond Returns: What Really Drives Mutual Fund Performance?**

Speaker: Ravi Saraogi, Samasthithi Advisors

Context: Most investors chase returns or rely on star ratings. But these don't explain why a fund performs well—or if that performance is likely to continue. That's where **Factor-Based Analysis (FBA)** adds value. FBA statistically breaks down a fund's returns using only NAV data into

¹ The views expressed are personal to the speaker(s). This initiative is part of investor education and should not be construed as financial or investment advice.

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exposures to: market risk, size (large/small caps), value vs. growth, quality, investment intensity and momentum.

◇ *Session Insights:*

- Case studies showed how popular funds had hidden style tilts (e.g., toward small-caps or value stocks).
- These tilts often go unreported in marketing materials.
- FBA also exposed style drift **and** closet indexing—when a fund deviates from its stated objective.

☑ *Key Takeaway:*

FBA enables better fund selection, smarter peer comparisons, monitoring whether a fund is staying true to its strategy and distinguishing **genuine skill** from **risk factor exposure**. *It's not just about returns — it's about understanding the underlying style.*

🔗 **3. Securing Their Tomorrow: Financial Planning with Purpose**

Speaker: Kiran Telang, CFP

Context: Families with special needs dependents often walk a uniquely challenging financial path—one that extends beyond their own lifetime.

◇ *Session Insights:*

- Financial planning must **balance short-term care needs with long-term security**.
- **Early planning** is critical for effective outcomes.
- Instruments like **mutual funds, insurance-linked products, and trusts** are essential tools when aligned to the family's needs.

☑ *Key Takeaway:*

- Financial planning here is not just technical—it's a meaningful act of love and responsibility, ensuring continued care, dignity, and peace of mind for the most vulnerable, even beyond the caregivers' lifetime. Thoughtful financial and investment advisory strategies can bring clarity, confidence and continuity to such families.

📌 4. Allocation through Hybrid Funds

Speaker: Joydeep Sen, Corporate Trainer, Author, Columnist

Context: Hybrid funds offer a balanced investment approach by combining equity and debt components within a single portfolio. This strategy is particularly suited for investors seeking moderate risk with steady returns. In simplified terms: Equity allocation provides growth potential, while debt allocation ensures stability and income.

💡 *Session Insights:*

- Pure-play funds follow strict allocation rules (e.g., Large Cap funds = 80% large-cap exposure).
- Hybrid funds allocate between equity and debt, but specific components like market cap or bond ratings are flexible.
- After April 1, 2023, hybrid funds gained popularity due to the withdrawal of indexation benefits from debt funds.

✅ *Key Takeaway:*

Hybrid funds can help maintain disciplined asset allocation without frequent rebalancing, making them a preferred choice post-taxation changes.

📌 5. The Role of Big Data and Analytics in Investing

Speaker: Kirti Arekar, Professor NISM

Context: In today's fast-paced financial world, big Data and Advanced Analytics are revolutionizing how investment decisions are made. The scope is vast and ever-evolving:

💡 *Session Insights:*

- Investors and fund managers now use real-time data from diverse sources—social media, satellite images, market sentiment—to gain sharper insights.
- Analytics helps identify hidden patterns, forecast trends, and manage risks with higher precision.
- With machine learning models and data-driven algorithms, decision-making is becoming faster, more informed, and less reliant on speculation.

✅ *Key Takeaway:*

Big Data empowers investors with smarter, faster, and more customized decisions—but must always be used ethically and within regulatory frameworks.