

## Tutorial Worksheet: Analysis of Rating Symbols and Mutual Fund NAV

This worksheet is designed to test your understanding Analysis of Rating Symbols and Mutual Fund NAV in a structured format. Answer the following questions based on your study materials. The total marks for this tutorial are 20.

Question	Marks	Answer
1. Define NAV (Net Asset Value) and explain its significance in mutual funds.	3	NAV represents the per-unit value of a mutual fund, calculated by dividing the total value of the fund's assets minus liabilities by the number of units outstanding. It is significant as it determines the price at which investors buy or sell fund units and reflects the fund's performance.
2. What is the difference between NAV and the market price of mutual fund units?	3	NAV is the value per unit of the mutual fund based on the underlying assets and liabilities, while the market price is the trading price of the mutual fund's units in the market. In open-ended funds, the market price generally equals the NAV, but in closed-ended funds, market forces can cause discrepancies.
3. Explain the role of credit rating agencies in the mutual fund industry and the importance of rating symbols.	4	Credit rating agencies assess the creditworthiness of securities held by mutual funds and assign rating symbols. These symbols, such as AAA, AA, or BB, help investors gauge the risk associated with the fund's underlying investments, influencing decisions related to risk tolerance and fund selection.
4. How does a change in NAV affect the performance evaluation of a mutual fund?	3	An increase in NAV indicates that the fund's underlying assets have grown in value, reflecting positive performance. Conversely, a decrease suggests asset depreciation. Changes in NAV, therefore, serve as a key measure for evaluating a fund's short-term and long-term performance.
5. Discuss the relationship between mutual fund NAV and dividend payouts.	3	When a mutual fund pays out dividends, the NAV of the fund decreases by the dividend amount. This is because the assets used for dividend distribution are deducted from the fund's total assets, reducing its overall value. Thus, dividend payouts lower the NAV without impacting the actual returns to investors.
6. Compare how credit rating symbols influence investor perception in debt mutual funds versus equity mutual funds.	4	In debt mutual funds, rating symbols directly reflect the risk of default on the underlying securities, making them crucial for assessing safety and stability. In equity mutual funds, while rating symbols are less common, ratings of individual securities within the fund can influence investor perception of overall risk.