

HOW TO PICK THE RIGHT MUTUAL FUND?



How to pick the right mutual fund?

“*Mutual fund sahi hai*” all of us know this, but do you know “*konsa mutual fund sahi hai*”? In India, there are approximately 45 Asset Management Companies offering over 2,500 mutual fund schemes. With so many options, it’s natural to feel confused.

Which mutual fund to invest in, which suits your needs, and which will provide the best returns. Read on to find answers to all these questions. You may consider following factors while picking up a mutual fund for your investments.



1

Goals

Always invest with a goal in mind. Without one, It's like driving a car without a destination. Goals can be short-term, like buying a house, or purchasing a car, or long-term, like saving for retirement or children's education. Some investors use mutual funds for capital appreciation or tax savings.

2

Risk

All investments carry market risks. It's crucial to understand these risks in mutual funds. Equity mutual funds, which invest in stocks, offer higher returns but come with high risk. Debt mutual funds, bonds and treasury bills, provide lower returns but are more stable.

3

Liquidity

Another crucial factor to consider when choosing a mutual fund is liquidity. An investor should know when they may need to access their investment. Avoid investing in equity funds since returns are low in the short term. However, an investor can choose liquid funds for short-term investments.



4 Expense Ratio

The expense ratio is a measure of the total costs associated with managing and operating a mutual fund, expressed as a percentage of the fund's average assets under management (AUM) over a specific period, typically a year.

It includes various expenses such as management fees, administrative costs, marketing expenses, and other operational costs. Always choose mutual funds with a lower expense ratio to save on costs.

5 Exit Load

An exit load is a fee that Asset Management Companies (AMCs) charge investors when they exit or redeem their fund units. This fee primarily discourages investors from withdrawing their investments before the lock-in period ends.

Additionally, exit loads can help reduce the number of withdrawals from mutual fund schemes. However, not all funds impose this fee. Therefore, it's important to consider the exit load when choosing a mutual fund to invest in.

6

Performance Against Category

Different types of mutual funds (such as large cap, mid cap, small cap, debt funds, etc.) have varying risk profiles, investment strategies, and objectives. Comparing a fund against its peers within the same category ensures that you are comparing similar investment strategies and risk levels.

By comparing a fund to its peers, you can gauge how well it has performed relative to others with similar investment mandates and market conditions. This gives you a clearer picture of whether the fund has outperformed or underperformed its competitors.

7

Evaluating Managers and Past Results

When evaluating a fund's historical performance, prospective investors should consider several key questions:

- ✓ How was the fund's performance in the past? Which factors have impacted the performance?
- ✓ Was the fund's volatility higher than that of major indexes?
- ✓ Who is the fund manager?

These insights into the portfolio manager's performance under various conditions and the fund's historical turnover and returns can help inform investment decisions.



To Bring It to a Close

At InCred Premier, we acknowledge that your hard-earned wealth deserves nothing less than the utmost care and attention.

Rest assured, we are committed to providing you with unparalleled investment services.

If you need help or have any questions as you progress, our dedicated team is here for you. You may reach out to us at care@incredpremier.com.



WAS THIS HELPFUL?

**Dont forget to share
and save this post.**



The above content is for knowledge and education purpose only.

The user is required to undergo risk profiling before investing. Guided view is indicative in nature and is based on the information provided by the user voluntarily. Each user of this information should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred here (including the merits and risks involved) and should consult his own advisors to determine the merits and risks of such investment. Past performance is not necessarily a guide to future performance.