

Why Mutual Funds?

What kinds of mutual funds are there ?

Great question, [host]. There are thousands of mutual funds available, and each one has a specific focus. For example, there are a large variety of equity mutual funds which invest primarily in equities or stocks. Some equity mutual funds may focus on investing in large-cap companies, whereas others may be focused on aggressive growth or investing in emerging markets, for example. Similarly, there is a wide variety of income, money market, balanced and other types of specialty mutual funds.

Every mutual fund must have a detailed prospectus, which is a document that describes, in detail, how the money manager intends to invest your money, all fee information, management background and experience, past performance, and other important details that you need to know about your mutual fund. It's important to review the prospectus to ensure the mutual fund meets your needs prior to investing your hard-earned money.

I didn't realize there was such a wide variety of mutual funds available. Doesn't it just make it difficult to select a mutual fund then ? Is this wide variety a good thing?

That's a very good question, [host]. I think that the wide variety of mutual funds is a good thing. Not only are you diversifying within each mutual fund that you invest in, because the funds invest in numerous instruments, thus reducing risk, but you can further diversify and reduce risk by investing across a selection of mutual funds with differing investment mandates. This means that you can diversify by type of investment, like stocks or bonds; or geographically, like a domestic versus an international fund, for example; or even by investment approach, like value versus growth equity investing.

If you feel overwhelmed by which mutual fund is best for you, your time horizon, investment goals, etc, then speak to a financial advisor, whose expertise it is to sort through and recommend the best mutual funds for you.

That makes a lot of sense. Could you tell us a few other benefits of mutual funds ?

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Yes, I certainly can, [host]. In addition to diversification, having access to full-time, professional money managers, and the wide variety of mutual funds available to meet a wide variety of investor needs, mutual funds also provide easy access to your money. The price of a mutual fund is called the net asset value (or NAV), which is derived by dividing the total value of the securities in the portfolio by the total amount of outstanding shares. The NAV is determined at the end of each trading day. This means that your mutual funds are priced daily, thus leaving you with fairly quick access to your money if, and when, you need it.

That is definitely an important benefit. Thank you. Do you have any other benefits that you'd like to highlight?

Yes I do, [host]. Mutual fund managers also benefit from economies of scale because they are buying and selling large amounts of securities at one time, thus lowering transaction costs. And, as an investor purchasing mutual funds, you are able to put your money into a wide variety of securities at a much lower cost than if you were to buy them individually because the costs are shared across all of the mutual fund shareholders.

Another key advantage of mutual funds is that there are low minimal investment requirements so almost everyone can afford to start investing with mutual funds.

That's great feedback. Just before we end today's session, what are some of the disadvantages we should be aware of?

There are a few disadvantages that I'd like to mention. Make sure you do your homework when it comes to fees, commissions and other expenses, as some mutual fund fees can be quite high. If the fees are too high, they will reduce your returns. It's also important that you are familiar with the investment strategy and holdings of your mutual funds to ensure that they meet your investment needs. You also want to ensure that the cash holdings are not too high as they, too, can eat into your returns.

[Host]
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Great feedback. Some really interesting insights and tips for us.

I hope this podcast has provided you with some valuable insight into the benefits of mutual funds and how they can be a very important and convenient investment option for almost every investor.

Thanks so much for joining us, and for your invaluable insights.

And thank you to all of our listeners! Keep joining us for our every episode and we will continue to bring more informative episodes!

An Investor education and Awareness initiative of Aditya Birla Sun Life Mutual Fund

All investors have to go through a one-time KYC (Know Your Customer) process. Investors to invest only with SEBI registered Mutual Funds. For further information on KYC, list of SEBI registered Mutual Funds and redressal of complaints including details about SEBI SCORES portal, visit link : <https://mutualfund.adityabirlacapital.com/Investor-Education/education/kyc-and-redressal> for further details.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully

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