



MUTUAL
FUNDS
Sahi Hai

Mutual Funds Made Simple



Your Pocket Guide to
Understanding Mutual Funds



An Investor Education Initiative by AMFI



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Getting to Know Mutual Funds

What is a Mutual Fund?

A mutual fund is a **collective investment option where money from multiple investors like you is pooled together and invested across equity, money market instruments and other liquid instruments, gold and silver instruments and in invITs**. This pooled money is managed by professional fund managers, who invest it according to the scheme's investment objective, and you must make sure it aligns with your own investment goals as well.

Wondering why you should invest in Mutual Funds?

Mutual funds allow you to invest in a wide range of assets such as equity, money market instruments and other liquid instruments, gold and silver instruments and in invITs. They provide an opportunity for retail investors like you to participate in capital markets without having to manage investments on your own.

Over the long term, investing can help your money grow and potentially beat inflation, helping you preserve its purchasing power. It can also help you plan for and work towards your financial goals.

What happens when you invest money in a Mutual Fund?

When you invest money in a mutual fund, the fund issues **"units"** to you against the amount invested at the prevailing NAV. **Speaking of NAV (Net Asset Value), it's the price you pay per unit to invest in a mutual fund scheme.**



Some Key Benefits of Investing in Mutual Funds include



Professional management

Your investments are managed by experienced professionals who research and monitor securities and invest on your behalf.



Risk diversification

Your money is spread across multiple assets, so if any asset performs poorly, others can help balance the impact, reducing overall risk.



Affordability & convenience

Mutual funds are accessible and easy, as you can start investing with small amounts.



Well-regulated and time-tested

Mutual funds in India are regulated by SEBI, ensuring transparency and investor protection.

SEBI: Securities and Exchange Board of India



Liquidity

Open-ended funds can be redeemed on any business day, with proceeds credited within 1–3 working days (depending on the scheme), while close-ended funds can be redeemed only at maturity.



Tax benefits

Investment in ELSS up to ₹1,50,000 qualifies for tax benefit under section 80C of the Income Tax Act, 1961. Additionally, mutual fund investments are tax-efficient when held for the long term.

ELSS: Equity-Linked Savings Scheme

Classification and Types of Mutual Fund Schemes

Mutual Fund Scheme Classification

Mutual funds can be classified in several ways, as they are designed to meet different investment needs and goals. They can be categorized based on **structure, management style, and investment objective**.

Scheme Classification by Structure



Open-ended Funds

allow you to invest in or redeem units on all business days at the current NAV. Thus, offering flexibility and easy access to your money.



Close-ended Funds

have a fixed maturity period and can be redeemed only at maturity. However, units are listed on stock exchanges, allowing you to sell them before maturity if needed.



Interval Funds

allow buying and selling only during specific periods decided by the fund. They combine features of both open-ended and close-ended funds and are listed on stock exchanges.

Scheme Classification by Management Style



Active Funds

are managed by fund managers who actively select and manage securities based on research and market outlook, with the objective of outperforming a benchmark index.



Passive Funds

are an investment option that aims to mirror the performance of a particular market index

Scheme Classification by Investment Objective

Mutual funds are designed to meet different investment goals such as



Capital growth



Capital preservation



Regular income



Liquidity



Tax saving

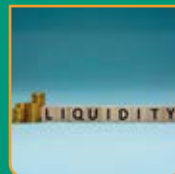
Based on these objectives, Mutual Fund schemes can broadly be grouped as follows:



Growth Funds: These funds aim for long term capital appreciation and may offer higher growth potential, but also involve higher risk by investing primarily in equities. They may be volatile in the short term but have historically delivered better long-term returns.



Income Funds: These funds aim to provide regular income by investing in bonds and other fixed-income securities. Returns depend on interest rates and credit quality, and income is not guaranteed.



Liquid / Overnight / Money Market Funds: These funds invest in very short-term instruments and focus on safety and liquidity. They are considered ideal for parking surplus money for short durations with modest returns.

Mutual fund schemes may also offer options such as **Growth or Dividend/Income Distribution cum Capital Withdrawal (IDCW)** to align with investor preferences.

Scheme Classification by Underlying Investment Portfolio

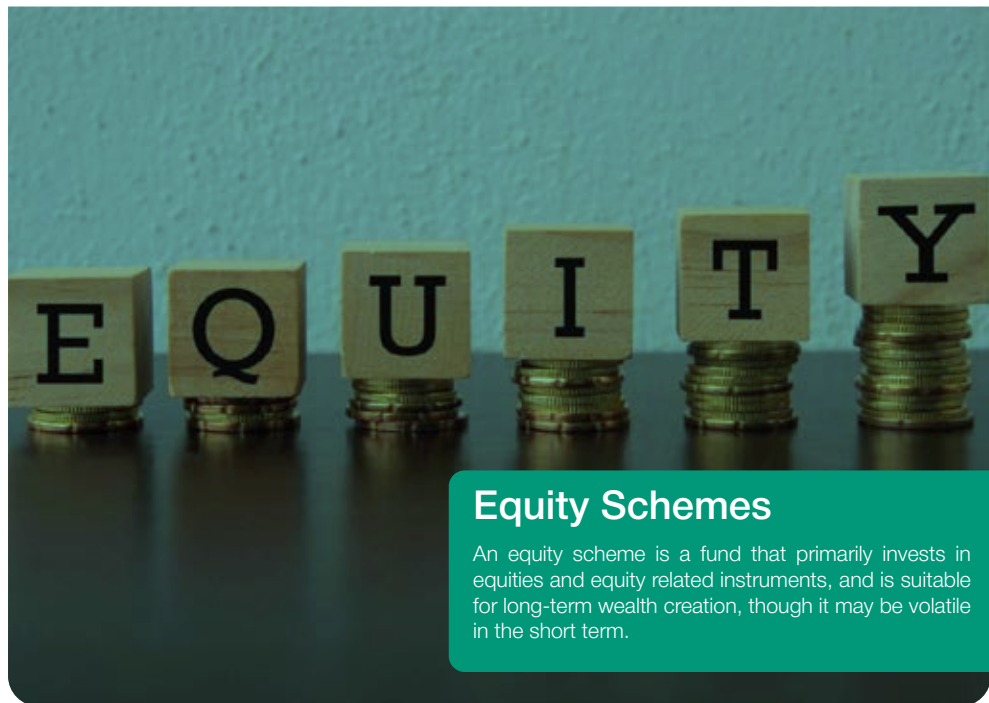


Based on Asset Class: Mutual funds may invest in equity, money market instruments and other liquid instruments, gold and silver instruments, and in InvITs.



Based on Strategy & Style: Funds are further categorized by investment style, such as large-cap, mid-cap, value, income, or sector-based funds. The portfolio structure follows the fund's investment objective.

Types of Mutual Fund Schemes



Equity schemes can further be categorized as



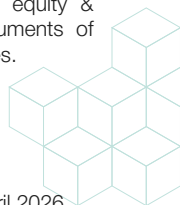
Large Cap Fund: At least 80% investment in equity & equity related instruments of large-cap companies.



Mid Cap Fund: At least 65% investment in equity & equity related instruments of mid-cap companies.



Small Cap Fund: At least 65% investment in equity & equity related instruments of small-cap companies.





Multi Cap Fund: At least 75% investment in equity & equity related instruments, with a minimum of 25% each in large-cap, mid-cap, and small-cap companies.



Large & Mid Cap Fund: At least 35% investment each in equity & equity related instruments of large-cap companies and mid-cap companies.



Flexi Cap Fund: At least 65% investment in equity & equity related instruments.



Dividend Yield Fund: Predominantly invests in equity and equity-related instruments of dividend-yielding companies, with at least 80% allocation.



Value Fund: Invests at least 80% in equity & equity related instruments, seeking opportunities through a value investment strategy.



Contra Fund: Invests at least 80% in equity & equity related instruments, seeking opportunities through a contrarian investment strategy.



Focused Fund: Focuses on a limited number of companies (maximum 30), with at least 80% investment in equity & equity related instruments.



Sectoral Fund: Invests at least 80% in equity & equity related instruments of a particular sector.



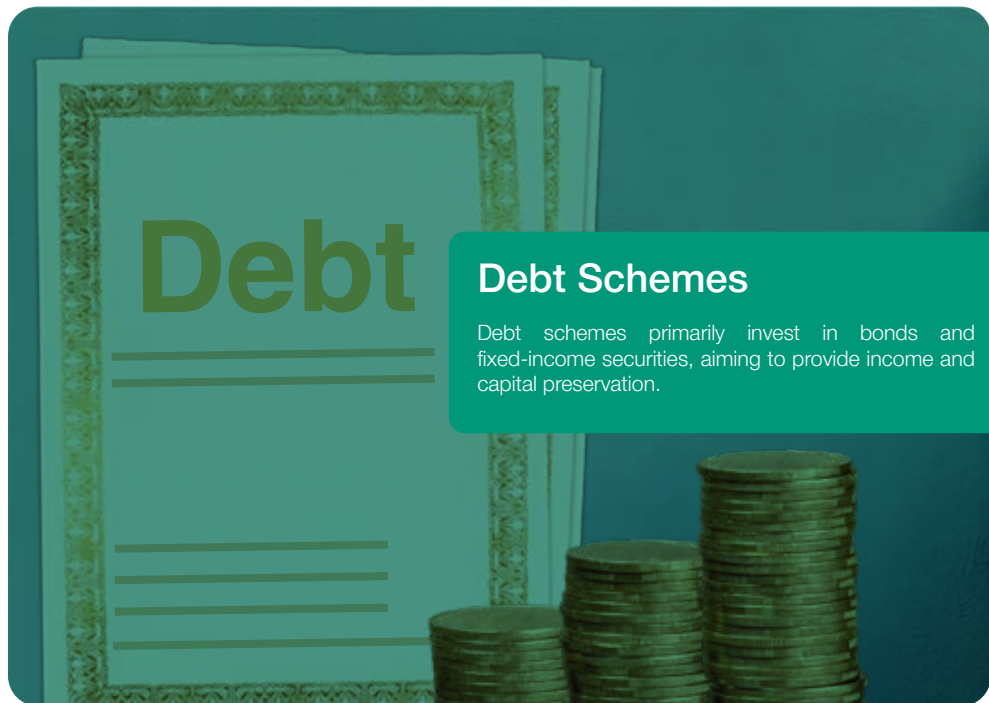
Thematic Fund: Invests at least 80% in equity & equity related instruments of a particular theme. A theme may be a combination of two or more sectors.



ELSS: At least 80% investment in equity and equity related instruments with attributes in accordance with the Equity Linked Saving Scheme, 2005, notified by the Ministry of Finance, has a lock-in period of 3 years and is currently eligible for deduction under Section 80C of the Income Tax Act up to ₹1,50,000 under the old tax regime.



Types of Mutual Fund Schemes



Debt Schemes

Debt schemes primarily invest in bonds and fixed-income securities, aiming to provide income and capital preservation.

Debt funds can be categorized based on the tenure of the securities



Overnight Fund: Investment in overnight securities having a maturity of 1 day.



Liquid Fund: Investment in debt and money market securities with a maturity of up to 91 days only.



Ultra Short Term Fund: Investment in debt and money market instruments with a Macaulay duration of the portfolio between 3 months and 6 months.



Ultra Short to Short Term Fund: Investment in debt and money market instruments with a Macaulay duration of the portfolio between 6 months and 12 months.



Money Market Fund: Investment in money market instruments having a maturity of up to 1 year.



Short Term Fund: Investment in debt and money market instruments with a Macaulay duration of the portfolio between 1 year and 3 years.



Medium Term Fund: Investment in debt and money market instruments with a Macaulay duration of the portfolio between 3 years and 4 years.



Medium to Long Term Fund: Investment in debt and money market instruments with a Macaulay duration of the portfolio between 4 and 7 years.



Long Term Fund: Investment in debt and money market instruments with a Macaulay duration of the portfolio greater than 7 years.



Dynamic Term Fund: Investment across durations.



Corporate Bond Fund: Minimum 80% investment in corporate bonds rated AA+ and above.



Credit Risk Fund: Minimum 65% investment in corporate bonds rated AA and below.



Banking and PSU Fund: Minimum 80% investment in debt instruments of banks, public sector undertakings, public financial institutions, and municipal bonds.



Gilt Fund: Minimum 80% investment in G-secs across maturities.



10-Year Constant Maturity Gilt Fund: Minimum 80% investment in G-secs such that the Macaulay duration of the portfolio is equal to 10 years.



Floating Interest Rates Fund: Minimum 65% investment in floating-rate instruments (including fixed-rate instruments converted to floating-rate exposures using swaps/ derivatives).



Sectoral Fund: Minimum investment in debt and debt related instruments of a particular sector across duration (only in AA+ and above rated corporate bonds)- 80% of total assets.

Types of Mutual Fund Schemes



Hybrid Schemes

Hybrid funds invest in a mix of equities and debt securities, and SEBI has classified them into seven sub-categories.



Conservative Hybrid Fund: 10% to 25% investment in equity & equity related instruments and 75% to 90% in debt instruments.



Balanced Hybrid Fund: 40% to 60% investment in equity & equity related instruments and 40% to 60% in debt instruments.



Aggressive Hybrid Fund: 65% to 80% investment in equity & equity related instruments and 20% to 35% in debt instruments.





Dynamic Asset Allocation or Balanced Advantage Fund: Investment in equity/debt that is managed dynamically (0% to 100% in equity & equity related instruments and 0% to 100% in debt instruments).



Multi Asset Allocation Fund: Investment in at least three asset classes with a minimum allocation of at least 10% in each asset class.



Arbitrage Fund: Scheme following an arbitrage strategy, with a minimum of 65% investment in equity & equity related instruments.



Equity Savings Fund: Investment in equity & equity-related instruments (minimum 65%), debt instruments (minimum 10%), and derivatives (minimum for hedging to be specified in the SID).

SID: Scheme Information Document



Types of Mutual Fund Schemes



Life Cycle Funds

Goal-based funds available across different maturity periods.
Their investments change over time as they move closer to maturity.

Life Cycle Funds: Open-ended mutual fund schemes designed for goal-based investing, with a pre-decided maturity. These funds invest across different asset classes such as Equity, Debt, InvTs, ETCs (Exchange Traded Commodity Derivatives), and Gold & Silver ETFs. These funds may have a tenure ranging from 5 years to 30 years, in multiples of 5 years.



Solution Oriented Schemes

Retirement Fund and Children's Fund

Solution Oriented Categories

Retirement Fund: Retirement Funds are solution-oriented schemes designed for long-term retirement planning, with a lock-in of at least 5 years or until retirement age, whichever is earlier.

Children's Fund: Children's Funds are solution-oriented schemes designed to help plan for children's future financial needs, with a lock-in of at least 5 years or until the child attains the age of majority, whichever is earlier.

Source: SEBI Master Circular for Mutual Funds, dated March 20, 2026 effective as on 1st April 2026.

Note: AMCs that continue their existing Solution Oriented Schemes may also offer Life Cycle Funds, subject to the maturity restrictions prescribed by SEBI.

Understanding Passive Funds

Passive Funds hold a portfolio that replicates a stated index or benchmark. The fund manager has a passive role, with stock selection and Buy, Hold or Sell decisions driven by the benchmark index.

Why Passive Funds?



Simple & transparent

You know which index the fund aims to track.



Rule-based investing

Investment decisions follow the index methodology rather than market calls.



Cost-efficient

Lower portfolio management activity can mean lower costs.

How You Can Invest?



Index Funds



ETFs (Exchange Traded Funds)



Types of Mutual Fund Schemes

Passive Schemes

Passive schemes offer investors different ways to participate in markets through indices, other mutual fund schemes or gold.

They can further be categorized as



Index Fund: Investment in securities of a market index in the same weights as the index, with passive management and minor periodic adjustments. These funds may charge a maximum base expense ratio of 0.90% of daily net assets.



Exchange Traded Funds (ETFs): ETF is a marketable security that tracks an index, a commodity, bonds, or a basket of assets like an index fund. ETFs are listed and traded on stock exchanges, with units compulsorily held in Demat mode.



Fund of Funds (FoF): Investment in units of other mutual fund schemes based on the FoF's investment objective. Expenses are incurred at both the FoF and underlying scheme levels, subject to regulatory limits.



Gold Traded Exchange Funds: Investment in gold as the underlying asset, with each unit representing a specified quantity/value of gold as defined by the scheme. The scheme can invest up to 20% of net assets in the Gold Deposit Scheme of banks.

Overseas FOF: As per SEBI Circular No. HO/24/13/11(1)2026-IMD-POD-1/I/7602/2026, an Overseas Fund of Fund (FoF) provides investors an avenue to participate in international markets by investing in an underlying overseas fund, which in turn invests in securities of companies or markets outside India.

Plans & Options

A mutual fund scheme offers two plans - Regular and Direct Plans.

Both are part of the same mutual fund scheme, have the same/common portfolio and are managed by the same fund manager.



REGULAR PLAN

If you are new and inexperienced investor or unsure in which scheme to invest and need assistance in investing, you may be better off seeking help of an intermediary. When you invest in Mutual Funds through an intermediary, you you're investing through a Regular Plan.

Regular Plans involve distribution expenses/commission reflected in the applicable expense structure, while Direct Plans do not involve distributor commission and generally have a lower expense ratio.



Plans & Options



DIRECT PLAN

Direct Plan is suited for those who understand what kind of mutual funds are needed for different kinds of investment needs, are capable of researching these independently and able to identify/shortlist the funds to invest in, and then go through the process of actually investing without the help of an intermediary.

Direct Plan makes sense for knowledgeable, Do-it-Yourself (DIY) investors.



Risks in Mutual Funds



Mutual funds are market-linked investments and involve certain risks. Returns are not guaranteed, and the value of investments can fluctuate due to market movements, interest rate changes, credit events, or economic factors.

Three risks you must be aware of before investing in mutual funds are



1 Market risk, meaning the value of the fund moves up and down with changes in stock and bond markets.



2 Loss of capital, where there's the possible risk of getting back less than what you invested.



3 Liquidity risk, where some investments may be less liquid, making them harder to sell quickly when needed.

Other risks of investing in Mutual Fund include interest-rate risk, credit/default risk and concentration risk.

For more information, visit amfiindia.com/investor.

Common Terms related to Mutual Fund Investing

What is NAV?

NAV (Net Asset Value) is the price of one unit of a mutual fund.

It is calculated at the end of each trading day after market closes by subtracting total liabilities from total assets and dividing by outstanding units; it is the price you pay to buy or redeem units, subject to applicable cut-off times and regulatory conditions.

What is Base expense ratio?

Base Expense Ratio (BER) refers to the core recurring expenses associated with managing and operating a mutual fund scheme. It is the sum of investment and advisory fees, marketing and selling expenses including fees, commission and charges towards distribution of mutual fund schemes if any, administrative and operating expenses and scheme servicing and recurring management costs.

What is Total expense ratio?

Total Expense Ratio (TER) represents the complete cost of investing, which adds external costs like brokerage, transaction fees, and statutory levies to the base fee.

$$\text{TER} = \text{Base Expense Ratio (BER)} + \text{Brokerage Cost} + \text{Transaction Cost}$$

incurred for the purpose of execution of trade + Statutory levies (including GST)

What is an Exit Load?

Exit load is a fee charged when you redeem mutual fund units and is deducted from the NAV at the time of redemption.

For instance, if the NAV is ₹100 and the exit load is 1%, the redemption price would be ₹99 per unit.

applicable NAV for purchase/redemption is subject to applicable cut-off times and regulatory conditions.

Modes of Investing in Mutual Funds

How can you invest in Mutual Funds?

Lump-sum investment



A lump-sum investment involves investing a large amount of money in one go. Your money gets invested immediately, and returns depend on market conditions at the time of investment. Over the long term, this can help you benefit from the power of compounding.

If you have surplus funds, a long-term investment horizon, and are comfortable with higher risk or have a willingness to stay invested during market downturns, then lump-sum investments would be suitable for you.

Systematic modes of investing



SIP (Systematic Investment Plan)

Systematic Investment Plan (SIP) is an investment option offered by mutual funds where you invest a fixed amount in a mutual fund scheme at regular intervals — for example, daily, weekly, monthly, etc. The SIP instalment amount can be as low as ₹250-₹500 per month. It is also a convenient way to invest in mutual funds, as you can set up auto-debit from your bank account for the instalments.



STP (Systematic Transfer Plan)

Systematic Transfer Plan (STP) is an option that allows you to systematically transfer a fixed amount from one mutual fund scheme to another, usually from a debt fund to an equity fund, at regular intervals. It helps you systematically transfer money into the market, aiming to reduce the risk of market timing while ensuring disciplined investing.

Decoding SIPs

What is SIP, and why is it popular?

SIP stands for Systematic Investment Plan, and it allows you to invest small amounts regularly in a mutual fund scheme instead of investing a large sum at once. By investing consistently, you benefit from the power of compounding and rupee cost averaging, too.

SIPs have become popular as they enable you to build wealth step by step, making investing simple, disciplined, and easy on the pocket.

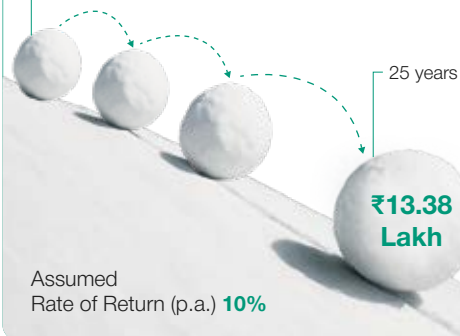


Power of Compounding

Every month
₹1,000

Total invested amount
₹3 Lakhs

Regular Investment



Assumed
Rate of Return (p.a.) **10%**

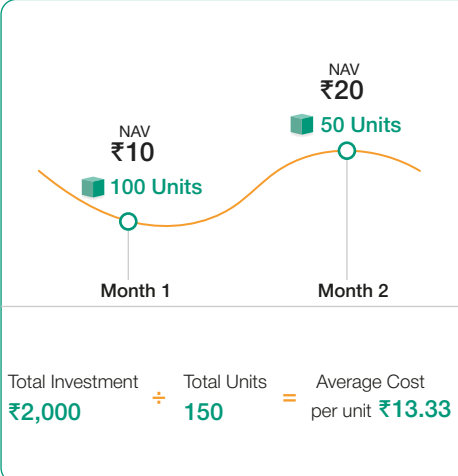
Compounding is when your money earns returns, and those returns start earning returns too. Over time, this creates a snowball effect, where even small, regular investments can grow significantly.

For example, investing ₹1,000 every month at an average return of 10% over 25 years can grow into around ₹13.38 Lakh, even though you invested only ₹3 lakh.

With the power of compounding, time does the heavy lifting; **you just need to be patient.**

Disclaimer: The calculations shown are for informational and illustrative purposes only.

Rupee Cost Averaging



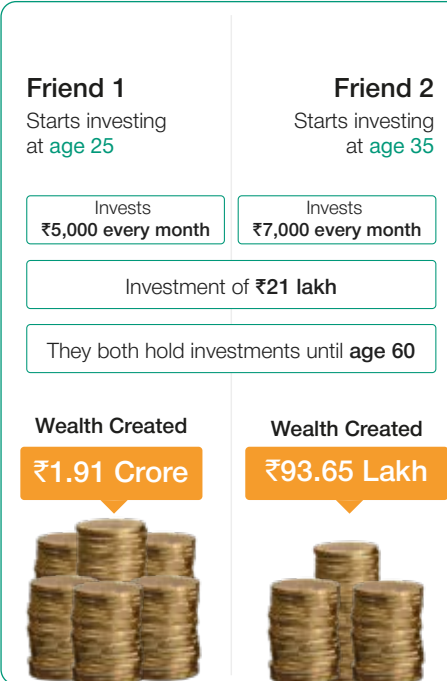
With SIPs, you invest the same amount regularly, no matter how the market moves. This means **you buy more units when prices are low and fewer units when prices are high**. Over time, this helps average out your purchase cost.

For example, a SIP of ₹1,000 gets you 50 units when the NAV is ₹20, but 100 units when the NAV is ₹10. The average cost for buying those 150 units would be ₹2,000 ÷ 150 units, i.e., ₹13.33.

While it doesn't guarantee profits or prevent losses, it encourages regular investing and helps you avoid emotional decisions during market ups and downs.

Disclaimer: The calculations shown are for informational and illustrative purposes only. To plan your investments try the SIP Calculator on the Mutual Fund Sahi Hai website: <https://www.mutualfundssahihai.com/en/calculators/sip-calculator>

Cost of Delay: Why Starting Early is Important



When it comes to investing, time matters more than the amount. Starting early gives your money more time to grow through compounding, while delaying investments can significantly reduce your wealth.

For example, consider two friends who both invest a total of ₹21 lakh.

The first friend starts early at the age of 25 and invests ₹5,000 per month for 35 years. The second delays investing and starts later, at the age of 35, investing ₹7,000 per month for 25 years. Assuming a 10% annual return with monthly compounding, both end up investing the same total amount of ₹21 lakh and remain invested until they turn 60.

Despite investing the same total amount, the outcomes are strikingly different. The early investor builds a corpus of approximately ₹1.91 crore, while the investor who starts later accumulates only about ₹93.65 Lakh.

Delaying investments means losing out on those extra years of growth, which can never be recovered later. **The lesson is simple: start early, stay invested, and let time do the work for you.**

Disclaimer: The calculations shown are for informational and illustrative purposes only.

To calculate your investment amount and expected returns as per your investment needs, there are SIP calculators available on [mutualfundssahihai.com](https://www.mutualfundssahihai.com)

Goal-based Investing

Goal-based investing is an approach to wealth management where you invest money with a specific purpose in mind, such as:



Buying a
home



Funding your
child's education



Planning a
wedding



Building a
retirement corpus

Instead of investing randomly, you first define your goal, time horizon, and risk comfort, and then choose investments that align with that goal. This helps you stay focused, invest in a disciplined manner, and track progress more clearly, making it easier to achieve your financial goals on time.

In short, you don't just invest money; you invest for a reason.

To calculate your investment amount and expected returns as per your investment goals, there are goal calculators available on mutualfundssahihai.com

Scan QR code for calculators



How Can Mutual Funds Help You Achieve Your Financial Goals?

Mutual Funds can be aligned with specific life goals by choosing schemes based on your time horizon and risk profile. These goals may include:



Retirement Planning

Retirement planning is about building a financial cushion for your golden years. It helps ensure you can maintain your lifestyle, manage healthcare expenses, and meet everyday needs without depending on others. By investing regularly and starting early, you give your money enough time to grow and support you during your non-earning years.



Planning for Child's Education

Child education planning focuses on saving and investing for your child's future education, such as higher studies or professional courses. Since education costs increase over time, planning early helps you manage these expenses comfortably and reduces the need for loans or financial stress later.



Financial Independence

Financial independence as a goal means building enough savings and investments so that your regular expenses can be met without depending on any active income. The aim is to reach a stage where money provides stability, freedom, and choices, allowing you to work because you want to, not because you have to.

What is Redemption?

Redemption

Redemption means withdrawing or selling your mutual fund units. When you redeem, your units are sold at the applicable NAV, and the proceeds are credited to your bank account. Depending on the scheme, an exit load or tax may apply, especially if you redeem before the specified period.

You can redeem your entire investment at once, or in parts, whenever and however much you need.



SWP is simply a structured way to redeem, instead of withdrawing the full amount in one shot, it lets you set up regular, automatic partial redemptions.

What is an SWP?

A Systematic Withdrawal Plan (SWP) allows you to **withdraw a fixed amount at regular intervals**, such as monthly or quarterly from your mutual fund investment. Instead of redeeming the entire amount at once, SWP provides a steady income, making it useful for goals like retirement or regular expenses.



For example:

You invest ₹10 lakh in a mutual fund scheme and set up an SWP of ₹20,000 per month. Every month, this amount is credited to your bank account while the remaining corpus continues to remain invested and may generate returns; the corpus may increase or decrease depending on investment performance and withdrawals.

Disclaimer: The amounts are for illustrative purposes only.

SCORES (SEBI COmplaint REdressal System)

SCORES is an online grievance redressal facilitation platform provided by SEBI that allows you to file, track, and resolve complaints against stock brokers, listed companies, mutual funds, or other SEBI-registered intermediaries.

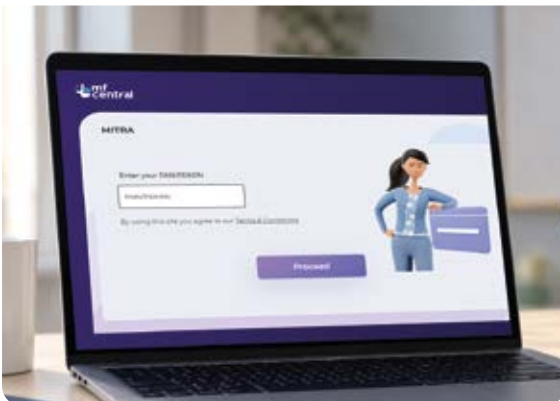


What Should You Do If You Have a Complaint?

You should first raise your grievance with the concerned entity, through its designated officials who handle compliance and investor grievance matters.

If the issue remains unresolved, you can use the SCORES web portal (scores.sebi.gov.in) or the mobile app to lodge your complaint and monitor its status online.

MITRA (Mutual Fund Investment Tracing and Receiving Assitant)



Mitra is a Service platform for investors to trace inactive and unclaimed Mutual Fund folios- MITRA.

Login to MITRA portal on MF Central to trace your inactive folios or unclaimed investments:
<https://app.mfcentral.com/links/mitra>



SEBI Saarthi App



The SEBI Saarthi App is a free personal finance and investment education app developed by SEBI to help you understand financial concepts in a simple and easy way. It offers tools such as financial calculators, educational videos, KYC guides, and information on mutual funds, trading, and grievance redressal, enabling you to make informed financial decisions.

Key Features Include

A user-friendly interface with tools that simplify complex financial concepts.



An unbiased, objective, and trusted source of investment information.

Educational resources and videos to enhance your investment awareness.



Reliable insights into the securities market.

The app is especially useful for young and first-time investors, as it provides access to financial tools, calculators, and financial health check-ups, helping you begin your investment journey with confidence.

Protect Yourself with SEBI Check Tool



Do's



Verify credentials and registration details before investing.



Understand the investment and its associated risks.



Invest only through authorised channels and use SEBI Check to verify intermediary payment details before making payments.



Look for SEBI-validated UPI IDs (@valid) when making investment-related payments.



Ask questions and seek clarification when in doubt.



Don'ts



Don't trust promises of guaranteed high returns.



Don't rush into investments due to pressure or urgency.



Don't transfer money to personal accounts or through unofficial payment links.

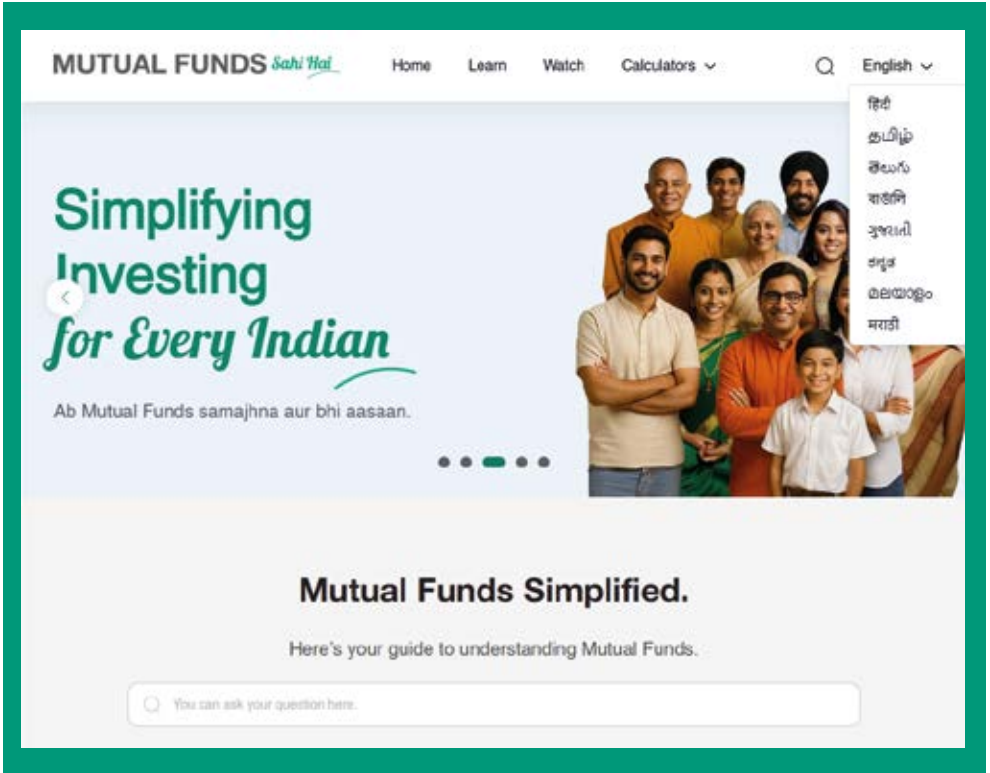


Don't rely solely on testimonials or success stories.

Remember, fraudsters often use unrealistic promises, urgency, and misleading claims to attract investors.
Always verify before you invest.

Stay alert. Stay informed. Invest wisely.

Access the Website in Your Preferred Language:



Follow us to stay up to date on everything about mutual funds.



@mutualfundssahihai



@MFSahiHai

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



An Investor Education Initiative by AMFI



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know more
<https://www.amfiindia.com/>



Scan to
know more
<https://www.mutualfundssahihai.com/en>