Value Research

GET STARTED WITH MUTUAL FUNDS

An easy guide for all beginners

Contents

Introduction

The secret of getting ahead is getting started

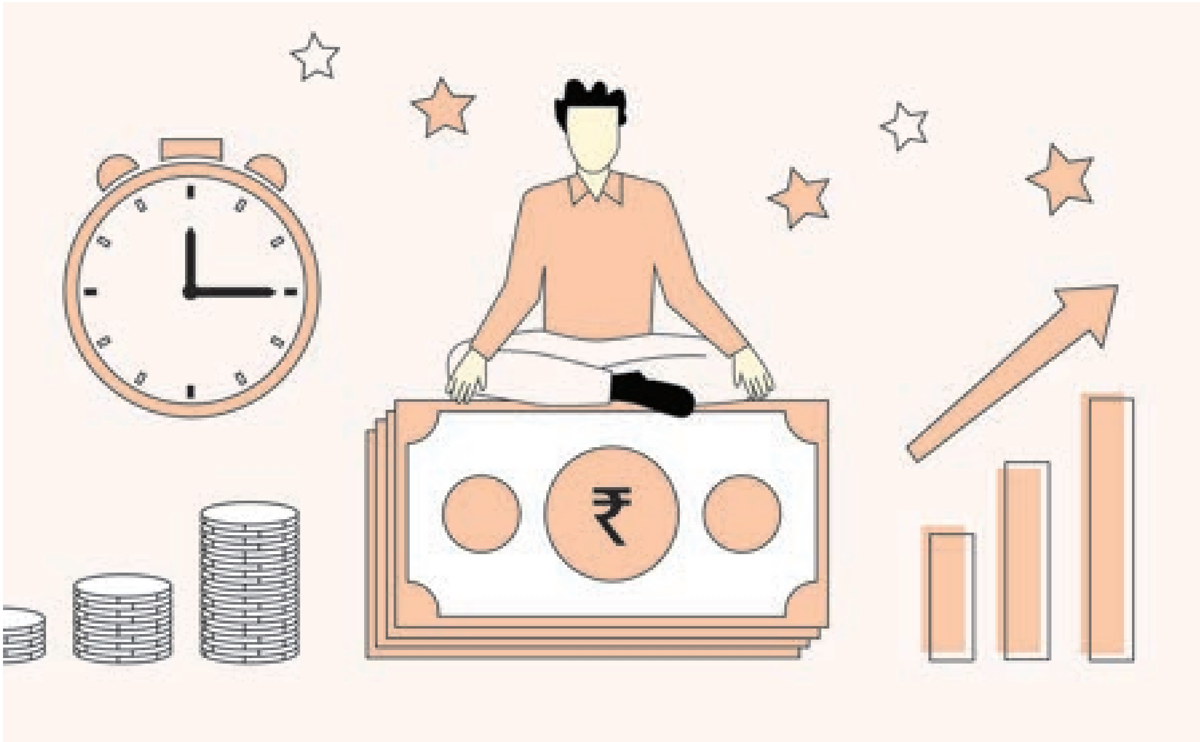
When it comes to acquiring a new skill, it is often the first step that is the hardest. It is undoubtedly true in the case of investing as well.

You have just too many excuses. From ever-increasing avenues of spending money to a complex maze of the investing world, there are a whole lot of reasons stopping you from setting your foot on the path to prosperity.

But the most popular of them all is perhaps 'investor inertia,' i.e., the inclination to do nothing. The fear of making wrong investment decisions or losing money. Worse, not knowing about the various investment avenues leads to your money sitting. Result? Your hard-earned money keeps piling up in the savings bank account or, at best, in a bank fixed deposit/recurring deposit. But little do you realise the wealth you can accumulate but are getting robbed of.

Don't worry though. It's never too late. This report will open your eyes to a new world that will allow you to build your wealth while you sit back and marvel at the long-term powers of equity and mutual funds.

Read the report now and expect bigger and better things to come your way. Here's to a new beginning!



The power of long-term investing

Thinking long-term has several benefits; it helped a janitor on minimum wages to become a millionaire too!

Ronald James Read was born in 1921 and died at the ripe old age of 92 in his small house in Vermont, US.

During his lifetime, Read became his family's first high school graduate, served as a military policeman during World War II and worked as a gas station attendant and mechanic for 25 years.

Following a short 12-month retirement break, he took up a part-time job as a janitor for 17 years.

An interesting life, indeed.

But why am I wasting my time reading about this gentleman, you may think.

This is where Read's life – or afterlife – gets fascinating.

Upon his death, he made headlines across the world.

And for a good reason too. Read, the janitor, left behind $1.2 million to a library, and a further $4.8 million to a hospital!

His philanthropy accounted for 75 per cent of his total wealth.

His total fortune was an eye-popping $8 million.

Let that sink in. A person living on basic wages all his life built a fortune of $8 million – which translated to roughly Rs 50 crore in 2014 when he died!

So, how on earth did he assemble this wealth?

No, it wasn't a too-good-to-be-true lottery he won, nor was he given a generous tip by a rich man.

He actually built this fortune by putting some of his money in various investments, notably in blue-chip stocks. (Blue-chip stocks belong to large, reputed companies with a stable financial record).

That's right. He didn't put his money in get-rich-quickly schemes and instead chose the more boring route to make it big.

But it's only boring when you don't have Rs 50 crore in your bank account, right?

After all, everyone would love to be in Read's shoes right now.

So, how did Read get started? He barely earned high wages?

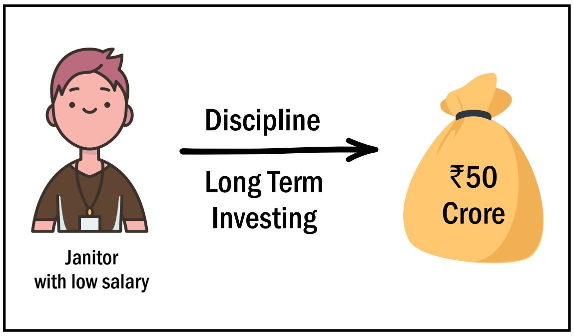
Here, it is easy to get swept up by the 'Great American Dream' stories. But such rags-to-riches stories don't simply occur at a mere flick of a switch.

It takes years of discipline. Not great skill, not great intelligence. But discipline…and patience.

Don't believe what you are reading? This is a quote directly taken from Warren Buffett, who is regarded as one of the most influential investors of the last 100 years:

"The good news I can tell you is that to be a great investor, you don't have to have a terrific IQ. If you've got 160 IQ, sell 30 points to somebody else because you won't need it in investing. What you do need is the right temperament."

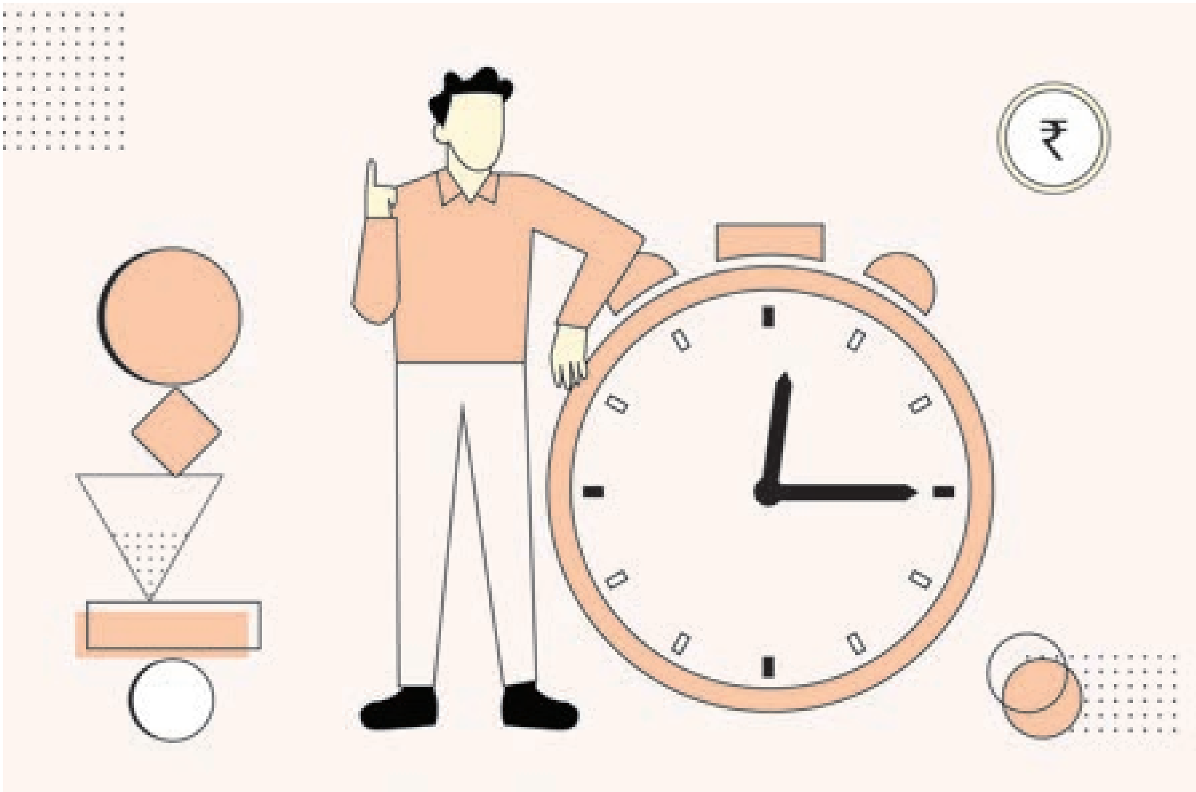
This is why the story of Read, the janitor, is very



much possible in every corner of the world.

Yes, why can't it happen to you – even if, like Read, your income may not be a lot right now? Or if you feel you are too young to invest. Or there's too much happening in your life.

The best time to invest is now. The next chapter uses hard numbers to prove there actually is no better time to invest than now.



The time to start is now

The earlier you start, the better it is – all thanks to compounding.

Even if you can save Rs 500-1,000 every month from today, you'd be astonished at how your wealth can grow over the years.

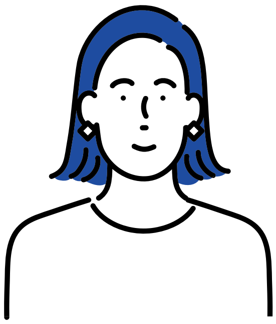
That's because of the power of compounding.

Compounding helps your money grow faster because it also invests the gain you make on your investment. In other words, compounding means the interest you earn on your interest.

Say your initial investment of Rs 100 increases by 10 per cent every year. At the end of the first year, your money would grow to Rs 110. The next year, it would go up to Rs 121. That's because you earn on your original investment of Rs 100 and also on the interest you received in the first year (Rs 10 x 10 per cent = Re 1).

A Rs 100 example may not show the true worth of compounding, as it's too small a number. Let's give you a better example to show its magic.

When Pooja started working at 25, she invested Rs 10,000 each month for the next 25 years. That means she invested a total of Rs 30 lakh during that period. If you assume her investment grew 12 per cent every year, she managed to accumulate around Rs 1.8 crore by the age of 50!



By contrast, if Pooja's money grew at simple interest (where only the money invested grows, and not the additional gains), her money would grow to Rs 75 lakh only. That's a difference of more than Rs 1 crore!

That is the magic of compounding.

Compounding allows you to start small – and start early

The earlier example shows the power of starting small. Now, let's look at how compounding works wonders if you start early.

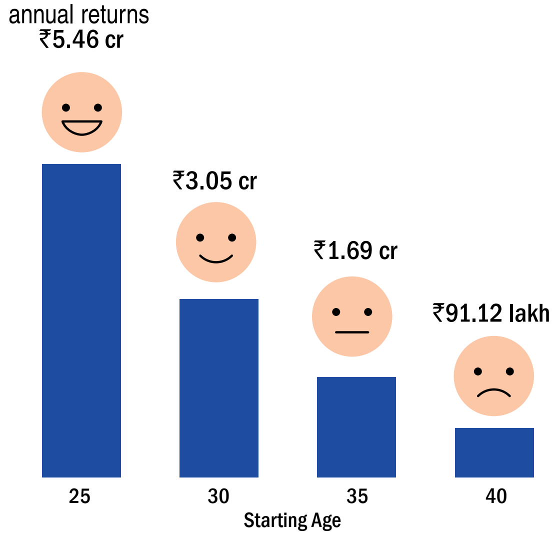
Let's assume Pooja spent too much time enjoying her life and started investing ten years later, at age 35.

To make up for lost time, she invested Rs 17,000 per month for 15 years. However, despite making the same investment of Rs 30 lakh and earning the same 12 per cent rate of return, her investment reached Rs 85 lakh at the age of 50. That's almost Rs 95 lakh less than if she had started early!

Yes, Rs 95 lakh. That's how much you lose if you start late.

Can you afford to start late?

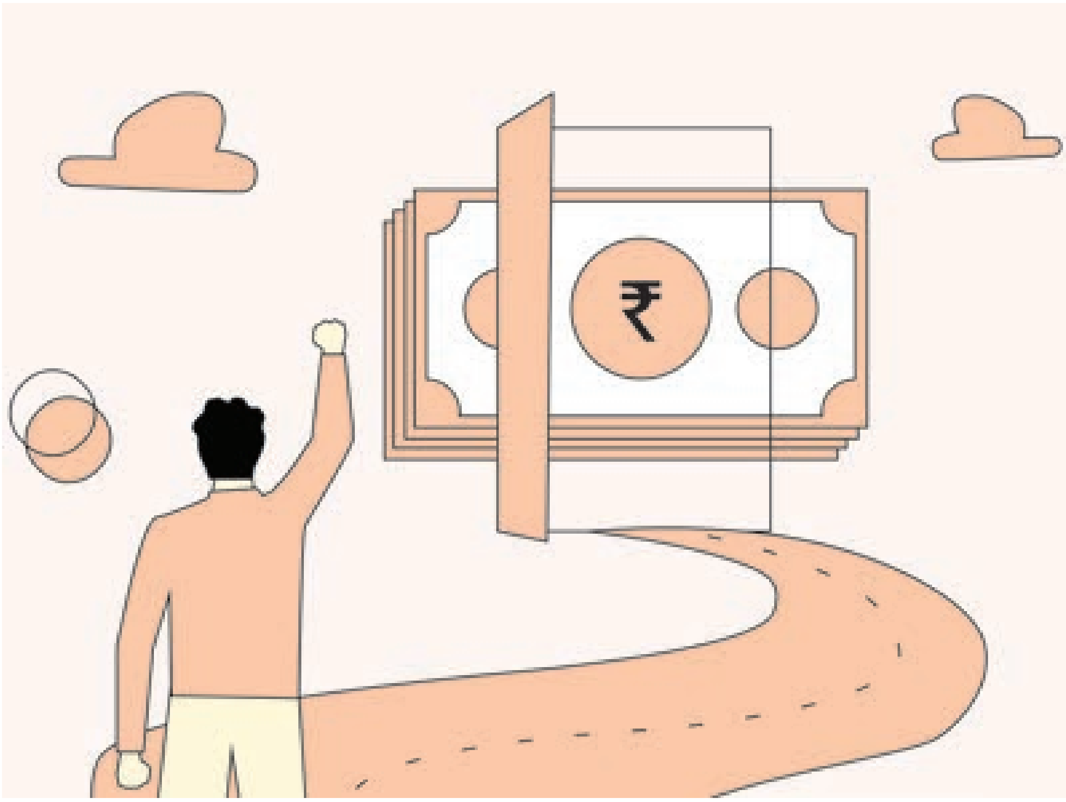
Worth of Rs 10,000 invested montly at 12 per cent annual returns



Instinctively, the human mind seems capable only of arithmetic (simple) growth and not geometric (compounded) growth.

The fact that investment growing at 10 per cent a year would grow more than double in the first ten years, about six times in the next ten and nearly 16 times in further ten years, isn't evident to most people.

Now that you know today is the best time to invest, the next question is: where to invest and how to maximise the power of compounding. The next chapter answers these questions for you.



The best path to prosperity

Look at an investment option that can help you beat inflation in the long run.

We, as Indians, have been traditionally good at saving money.

However, saving money in a bank account or a locker is only half the job.

To meaningfully benefit from the power of compounding, you need to invest that saved money in the right place.

At this point, you may feel proud to have invested in a fixed deposit (FD). But hold on. Let's take a quick detour.

The return illusion

Say you get the chance to work in your dream company.

But to join the place, you need to take a pay cut.

That doesn't sound like a great deal, right?

But what if it is happening to you in some form without you being aware of it?

Let's introduce you to the dark side of bank fixed deposits (FDs).

Around 15 years back – FD return rates looked quite good, considering they were safe too.

Cut to the present, the return rates have sunk; in fact, the rates have fallen steadily over the last few years.

The only constant is that FD rates have barely managed to beat inflation!

As a result, your wealth is actually eroding over time because inflation is killing your gains.

Let's explain how.

The perils of inflation

Inflation is a general increase in the prices of goods and services.

Let's take the example of a one-litre packet of Amul milk. It cost Rs 30 in 2010, and now, it costs more than double (Rs 63). That's inflation for you.

Put simply, inflation reduces the purchasing value of money.

Let's give you another example: India has almost always had a high-inflation economy. If you had Rs 1 lakh saved in your cash drawer in 2001, it would not be worth more than Rs 24,000 in 2023!

And the future is certainly no better. Inflation will keep reducing the value of Rs 1 lakh.

Let's come back to fixed deposits (FDs) now. Since FD return rates have barely matched India's average inflation rate of 6-7 per cent in the last 20 years, nobody has made it big by investing in them.

If you compare, investing in FD is similar to taking a pay cut to join your dream company.

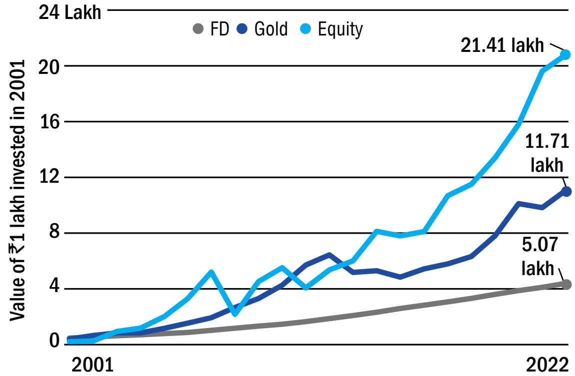
So, what's the best solution for an intelligent investor?

Say yes to equity

We must move beyond the comfort of assured returns provided by fixed-income investments and embrace equity, i.e., stocks.

FD vs. Gold vs. Equity

Over the long term, equity has proved to be the most rewarding asset class for wealth creation



FD returns are based on interest rates of 5-year FD. Equity returns are based on Sensex.; Data source: Handbook of Statistics on the Indian Economy 2021-22, World Gold Council, Value Research analysis

Before you shut this page for thinking we have gone barking mad, consider this: equity has actually delivered higher returns than inflation over longer periods.

Yes, equity has outperformed gold too!

Remember how inflation destroyed the purchasing power of Rs 1 lakh in a cash drawer in 2001?

Investing in equity has the opposite effect on your money. If you had invested the same amount in Sensex (a basket of the 30-largest stocks in India), it would have grown to more than Rs 21 lakh by the end of 2022!

Think long-term

Sounds great, but what about the risk? Equity can even lose the money you invest.

True, equity can be very volatile over short periods.

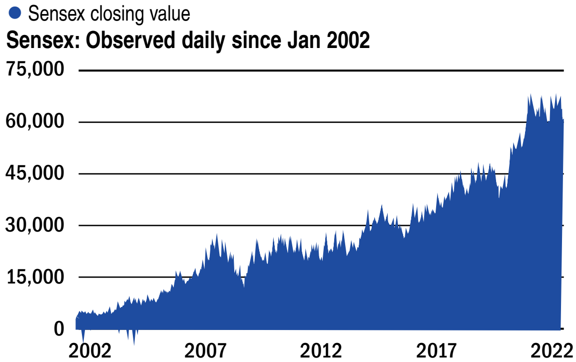
However, the risk diminishes substantially over a longer time frame of five years or more.

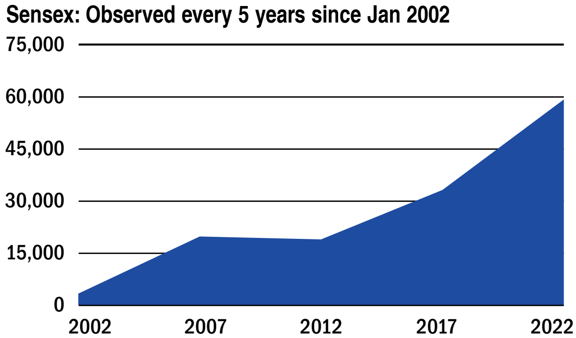
Look at the Equity: Short-term vs long-term graph, which depicts the nature of equity markets.

The data clearly suggests that you can be

Equity: Short-term vs. long-term

An investor observing equity on a daily basis will see many ups and downs causing him anxiety! An investor who believes in the long-term performance of equity and observes it once in 5 years will find a much smoother curve safeguarding his mental peace.





confident of getting far better returns over a longer horizon than any fixed-income alternative.

Your confidence should increase further if you believe in India's growth story in the next 10 to 20 years. The faster India grows, the better it is for Indian stock markets.

How to invest in equity

There are two options at your disposal:

- Direct stock investing
- Mutual funds

While the end goal is the same, the approach is entirely different.

Direct stock investing is suitable for seasoned investors who track markets, understand businesses and find worthy stocks by themselves.

Mutual funds, on the other hand, are way more straightforward. Straightforward because you don't have the responsibility and pressure to choose your stocks; you allow a professional fund manager to do this for you.

This is primarily why mutual funds are suitable for both new and seasoned investors, who don't have the time to track markets and read lengthy business reports.

In the next chapter, we will address what mutual funds are in detail and the most common questions you may have.

All you need to know about mutual funds

An easy-to-understand explainer

To re-emphasise what we mentioned in the previous chapter, if you don't have time or expertise to research direct stocks, the best way to invest in them is through equity mutual funds.

The charm of mutual funds is that you have a professional fund manager who decides what stocks to buy, and when to buy and sell.

The responsibility of growing your money lies with them – just like you hire a lawyer to look after your legal matters and a chartered accountant to pay your tax.

There is one difference, though.

Unlike other professionals, a mutual fund manager offers their blanket service to a large group of investors.

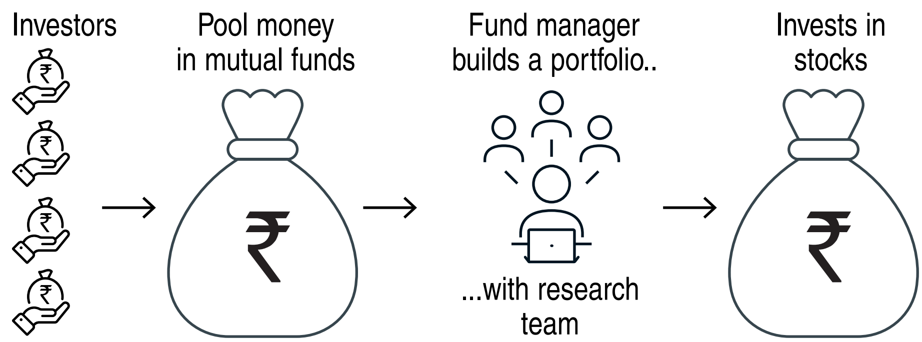
Let's explain it to you in more detail.

How does a mutual fund work?

Since many people want to put their money in equity, the fund manager collects their money and invests it on their behalf.

Say there are 1,000 such people, and all are willing to invest ₹10,000. The fund manager

People want to invest in equity, but they need an experienced person to do that on their behalf

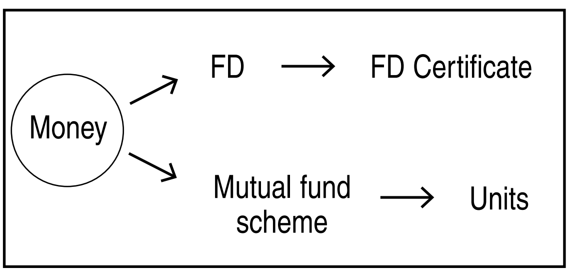


would now invest this pooled money of ₹1 crore (10,000 x 1,000) and buy stocks based on their expertise.

That's the macro part.

From your point of view, you get a few units of a mutual fund upon investing.

These units represent your share of ownership of the fund. But how do you know how much they are worth at any point in time? That is where NAV comes in.



What is an NAV?

The worth of each mutual fund unit is called Net Asset Value (NAV).

If the NAV grows, so does the value of your mutual fund investment.

An example can better explain this question.

Assume you invested ₹10,000 in a mutual fund scheme when its NAV was ₹25.

That means you received 400 units at the time of investing.

Five years later, when you decide to take out your money, you see the NAV has grown to ₹50 – meaning you will receive ₹20,000 (400 units x ₹50) within three business days in your bank account.

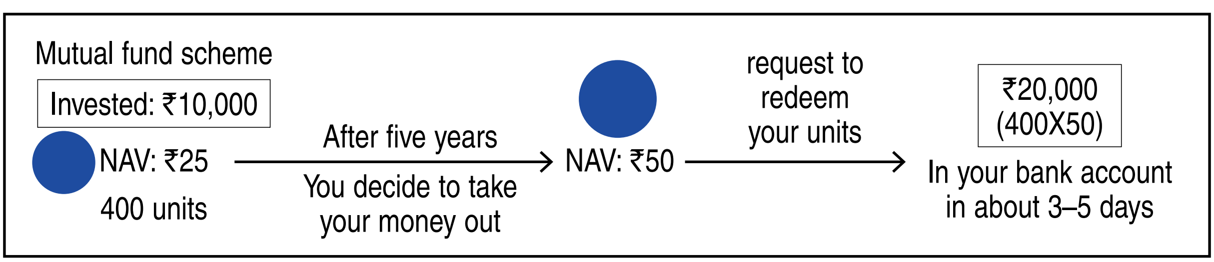
Therefore, from your perspective, you only need to look at the difference between NAV at the time of buying and selling.

In essence, this is how a mutual fund helps you make money. It's simple, straightforward and easy to understand.

Are mutual funds safe?

Yes, they are structurally safe and regulated by SEBI (Securities and Exchange Board of India), just like the Reserve Bank of India regulates banks.

The companies running these mutual funds (known as Asset Management Companies) must



Advantages of mutual funds

meet many legal requirements.

For instance, they are legally obligated to release detailed data about how they operate and where they invest.

Everything is transparent, giving you and I and every one the power to monitor them.

Moreover, to ensure our money is safe, SEBI has directed that AMCs also have a portion of their own money invested in their mutual funds.

Having said that, don't mistake safety for a guarantee of returns.

A mutual fund can inflict losses by making poor investment decisions on your behalf.

But you shouldn't really lose sleep.

While it is true that equity doesn't guarantee returns and can subject you to sharp ups and downs on a day-to-day basis, the risk diminishes substantially over a longer time frame of five years or more.

For example, in the last seven years (as on December 31, 2022), even the worst diversified equity fund delivered returns at the rate of 9-10 per cent per annum!

So you see, even after making a poor choice, you would have been better off than any investment alternative such as Public Provident Fund (PPF), fixed deposits (FDs), and gold.

What is the minimum amount you can invest in a mutual fund?

For most funds, it is possible to start investing with as little as ₹500–1,000.

To give you perspective, you would be unable to buy even a single share of many companies for that low an amount!

A single Reliance share costs upwards of ₹2,000; even smaller companies' stocks can cost more than that. For instance, the stock price of Honeywell Automation is worth of ₹35,000 as we speak!

Yes, a single stock can cost that much money!

However, with mutual funds, even with a minimum investment of ₹500-1,000, you can benefit from a diversified portfolio of 25–30 stocks or more.

Is it possible to withdraw money anytime?

Unlike many other investments, most mutual fund investments are highly 'liquid'.

'Liquid' means an investment that can be withdrawn without any delay.

If you wish to exit your mutual fund, you can expect your investment to land in your bank account within three business days.

While you must refrain from withdrawing prematurely if you are keen to build long-term wealth, you at least have an exit route.

What are the costs?

You need to pay a percentage of your investment amount every year. This is called the 'expense ratio'.

Mutual fund companies charge an expense ratio to manage your money.

The expense ratio is used to pay the salaries of fund managers and employees and commissions to agents, among others.

Please note that no company can charge you more than 2.25 per cent of expense ratio.

What's the best mutual fund investing strategy?

There's a mutual fund for every need.

The funds are suitable based on:

- how much risk you are comfortable taking
- how much time you are willing to invest
- your objective (to save tax, earn income on your investment, etc.)

No matter what type of investment you want, there will be a variety of funds that suit you.

The universe of mutual funds is vast. At the broadest level, there are three types of funds - equity, debt and hybrid.

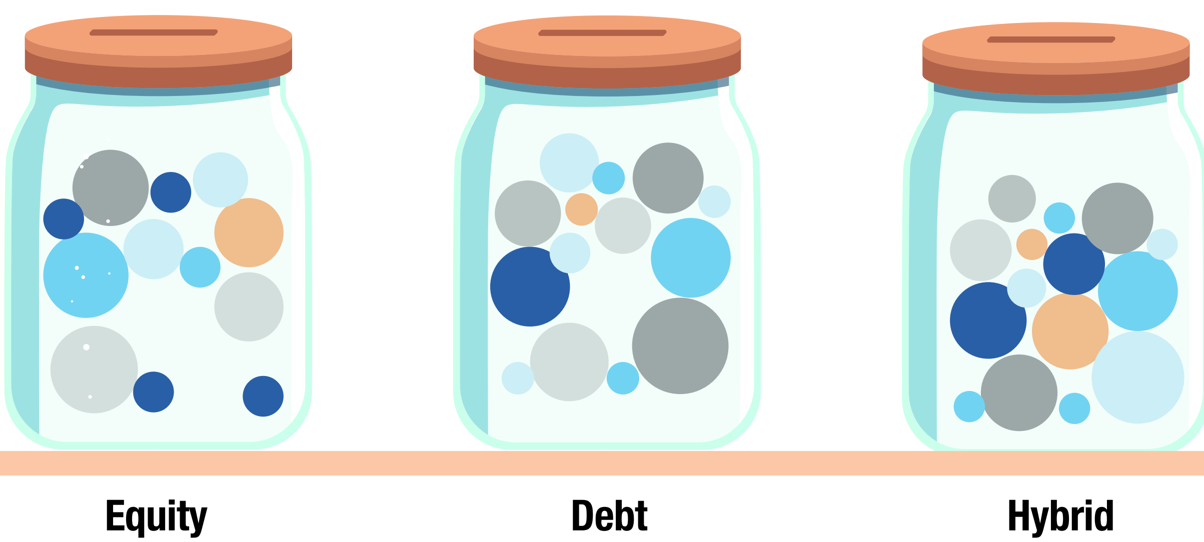
As the name suggests, equity funds invest in equity shares or stocks. Debt funds invest in fixed income securities like bonds. And hybrid funds invest in a mix of both equity and debt instruments.

There are sub-branches too, but let us not overwhelm you.

Let us not look at each type of mutual fund. That'll only confuse you.

Instead, we'll keep it simple and focused and show you how to choose your first mutual fund in the next chapter.

Various Funds



How to choose the right mutual fund: A two-step guide

Here, we tell you which type of mutual funds suit you the best

Even though mutual funds greatly simplify the task of equity (stock) investing – as you read in the previous chapter – choosing the right mutual fund can be pretty tricky.

And especially if it is your first mutual fund.

Choosing the first fund can make or break your investment journey because one bad choice may discourage you from investing in the future.

But worry not. We are here to help you pick the right mutual fund.

The plan

Step 1: Select the fund category

Don't get stressed by looking at the length of this chapter. We are simply laying down different scenarios for you.

All you need to do is see which case study is similar to your situation.

Case 1 If you are new to equity and tax-saving is not a goal

What we recommend: Aggressive hybrid fund (for long-term wealth creation).

What they do: These funds invest majorly in equity and some portion in debt.

Why we recommend them: They are suitable for first-time investors, as the debt portion helps cushion the fall a pure equity fund usually witnesses when a market becomes negative.

This plays an important psychological role in helping you stay the course and not exit the fund in a panic, which is the most crucial aspect at the beginning of an investment journey.

Here is the list of top-rated aggressive hybrid funds

Case 2 If you are new to equity and want to save tax

What we recommend: Tax-saving mutual funds.

Also known as equity-linked savings scheme (ELSS)

What they do: An all-equity mutual fund, they build wealth in the long run and provide tax deduction of up to ₹1.5 lakh under Section 80C of the Income Tax Act.

Why we recommend them: What's not to like about them? They grow your money and save tax, both at the same time.

These funds come with a three-year lock-in period, though. In other words, you can only withdraw your money after three years.

But this is actually suitable for you to stay invested. And as we know by now, the longer you stay invested, the greater is the chance for your money to grow.

Here is the list of top-rated ELSS funds

Case 3 If you have experience of equity investing and wealth creation is the primary goal

What we recommend: Flexi-cap funds

What they do: An all-equity mutual fund, they have complete flexibility in choosing stocks, unlike most other equity funds.

Why we recommend them: Since these funds can invest in large/mid/small-cap companies, you get exposure to what your fund manager believes are the best stocks in the market.

Here is the list of top-rated flexi-cap funds

That's all! There is no need to get lost in the maze of various mutual fund options.

You can pick a fund from either of the three categories mentioned above (depending on your objective) from our list of top-rated mutual funds, further simplifying your fund selection job.

Purely a quantitative exercise, these ratings

Wealth creators

Returns from a monthly SIP of ₹10,000 over the last 20 years

Amount Invested: 24 lakh

	Flexi-cap	ELSS	Aggressive Hybrid
Corpus value	1.31 Cr	1.30 Cr	1.01 Cr
20-year CAGR (%)	14.97%	14.94%	12.83%

Based on category average returns

are based on funds' long-term risk-adjusted returns relative to other funds and, therefore, reward those with a proven track record of performance.

Step 2: Select the right mutual fund from the category

The funds we have mentioned on our list are the top-rated ones.

You don't have to torture yourself by going all over the internet to find the best fund.

In any case, most platforms that sell mutual funds use our star-rating system.However, it would be best if you also did your homework. Make sure you avoid funds that:

- Have recently seen a change in their fund manager (as this makes their past performance irrelevant).
- Have a very high expense ratio compared to other funds in the category. (High expense ratio eats into your overall return).

Over time, you will learn many other things to up-skill your fund selection approach, but you don't have to know everything now.

It's okay to be slow; it's more important to be consistent. Because it is consistency that makes you successful in life.

In the next chapter, we show how to make your first mutual fund transaction.

Ready to invest in a mutual fund? Here's a step-by-step guide

'Regular' and 'direct', IDCW and Growth can confuse you when starting your investment. But worry not, we make this process easy for you.

Now that you have adequate knowledge of mutual funds, it's time you get started.

Don't worry, it's a reasonably straightforward process.

Step 1: KYC process

Mutual Fund KYC is a one-time activity.

The KYC process is free and requires your passport-sized photograph, PAN and Aadhaar

Card. There are two ways you can complete your KYC process.

Offline Download the KYC form from the website of one of the following options:

- Fund houses (AMCs)
- Association of Mutual Funds in India (this is the mutual fund industry's trade body)
- Registrar and transfer agents (firms that help AMCs with record maintenance) such as CAMS and KFintech.

Please fill out the form and submit it to your fund house's office or any RTA.

This process generally takes three to four working days.

Once approved, you can start investing in mutual funds.

Online You can get your KYC done by filling out an online form on the website of one of the options mentioned above.

For instance, here is the link to the online KYC of ICICI Prudential Mutual Fund.

You need to provide your registered mobile number and Aadhaar number for verification via OTP. The details are matched with your PAN Card for further confirmation.

Your in-person verification is done via video call, where you have to show your original identity and address proof. Once the verification is done, you are all set to invest in mutual funds.

Step 2: Choose between 'direct' & 'regular' mutual funds

When you go through the list of mutual funds, you'd see two types of the same fund.

One's a regular fund, and the other is a direct fund.

So, which one should you invest in?

Regular plan: If you are unsure which mutual fund to invest in, you should take the help of a broker or a distributor. They take care of all the formalities and do the transactions on your behalf.

This route of investing in mutual funds is taken via 'regular' plans.

Direct plan: If you know which mutual fund to invest in, opt for the 'direct' route. You can buy the mutual fund directly from the fund house's website or via various online platforms. Payments can be made online to complete the transaction.

You want to invest in a fund. Let's say it has an expense ratio of 0.5% for the direct plan

But you'll have to do everything yourself, from buying to keeping track and deciding the future course of action

You find this a bit intimidating as a beginner and decide to use the services of a broker

The broker helps you with investing. But he would buy you a regular plan. Let's assume its expense ratio is 1.5%

The fund house charges you 1% extra because it has to give this as fee to the distributor, i.e., to the seller of the mutual fund as sales commission

Both plans are exactly similar, except that a direct fund charges a lower expense ratio (lower by around 0.75%-1% per annum in the case of equity funds).

Since you are not taking the help of a broker or a distributor, you are saving some money on commissions.

However, don't invest in a direct fund just for the sake of it.

Go through the 'regular' route if you are not confident about which mutual fund to invest in. It's better to pay a little more than to invest in a poor mutual fund.

Eventually, as you gain knowledge, you can start taking a 'direct' route.

Step 3 Choose between 'IDCW' and 'Growth' option

'IDCW' option: If you opt for an IDCW (Income Distribution-cum-Capital Withdrawal) plan, you will keep getting some portion of the profits your investment makes from time to time.

However, the quantum of payout and timing is as per the choice of the AMC.

Also, the amount paid out is subject to income tax because on a financial level, it is treated as if you have withdrawn that money from the fund.

'Growth' option: Here, there are no periodic payouts.

Your money remains fully invested until you decide to exit, in part or in full.

Which is the better option?

Keep it simple and always opt for a 'Growth' plan.

It is tax-efficient and gives you more control over when and how much you redeem.

What is your ownership claim?

After investing in the right mutual fund/s, you will receive a unique folio number. It's just like a bank account number.

You'll also receive a confirmation email and/or SMS specifying the units allotted within five business days of the initial investment transaction.

Here are a few best practices

- **Always add a nominee**

It will hardly take two minutes but would enable a smooth transfer of assets in the case of an unfortunate event.

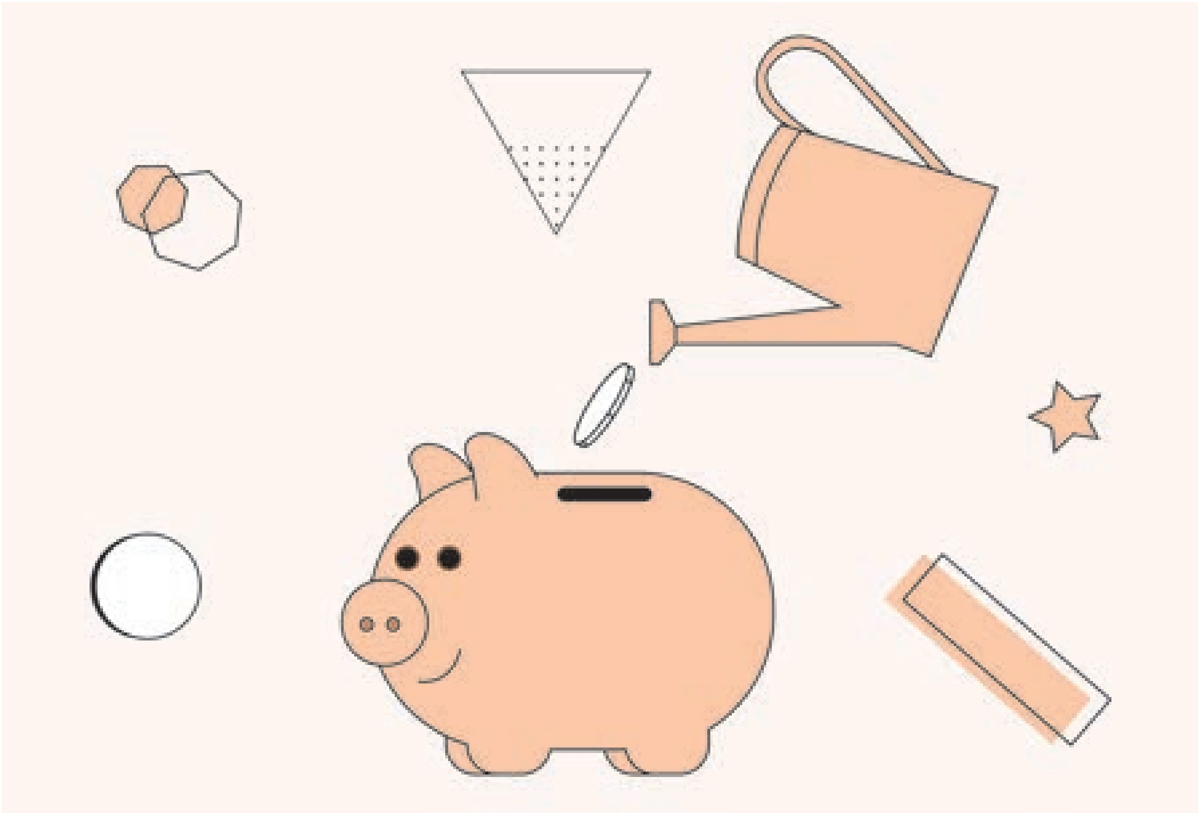
Without nomination, only the investor's legal heir(s) can make a claim. That, too, after proving their legal heirship, which can be a tedious process.

- **Provide your email address while making an investment**

This will help your fund company correspond with you and digitally send updates, periodic account statements, fund fact sheets, etc.

Also, fund houses may send you an OTP on your registered mobile number and/or email address for certain kinds of online transactions.

Last but not least, resources like CAS aggregate your fund investments across all AMCs based on the provided email address (read more about CAS in the next chapter). So make sure you fill up your email address while investing in mutual funds.



Consistency is the secret sauce to building wealth

And it's not too difficult to follow in the investing world

You need time; you need consistency to create wealth.

Just like Sachin Tendulkar didn't decide to wake up one fine day to score zillions of runs in his career, we'd need to give our investments time and space to breathe to make it big.

So, let's take a quick look at what you'd need to do to build wealth.

Start investing every month

Now that you know which mutual fund/s to invest in (Chapter 5), we highly recommend you start investing ASAP.

Even if you want to invest ₹500-₹1,000, start investing that amount monthly, because time and consistency can turbocharge your wealth, as explained in Chapter 2.

You can do this through the systematic investment plan, popularly known as SIP.

SIPs allow you to invest a fixed amount in a mutual fund regularly.

Once you agree to an SIP, that amount is directly debited from your bank account every month and invested in the mutual fund of your choice on a specified date.

You can think of it as an EMI, but a good one!

SIP vs Lump sum

Lump sum allows you to invest all your money in a mutual fund in one go.

However, SIP gives you consistency, and other benefits.

Let's say you invest in one go, and the market stumbles. You may get scared by market volatility and run away from equities for life. This would ultimately harm your wealth creation goal.

On the other hand, SIP will help you buy fewer mutual fund units when the markets are expensive (as the fund's NAV would be high) and likewise more units when the markets are down, so your cost gets averaged out and available at a lower price.

In short, SIPs help reduce market risks and provide options to invest small amounts of money each month.

Continue for at least two to three years

Give your investments time.

This is the last and the most critical step in your 'get started' plan.

Since markets are volatile over shorter periods, you should ignore the wild swings and stay invested.

Do you know why Warren Buffett is considered among the greatest investors of our time?

He has stayed invested in the markets for close to eight decades. Yes, eight decades.

If you think that's crazy, consider this: Buffett saw his wealth rocket more than 20 times in the last three decades alone, thanks to the power of compounding!

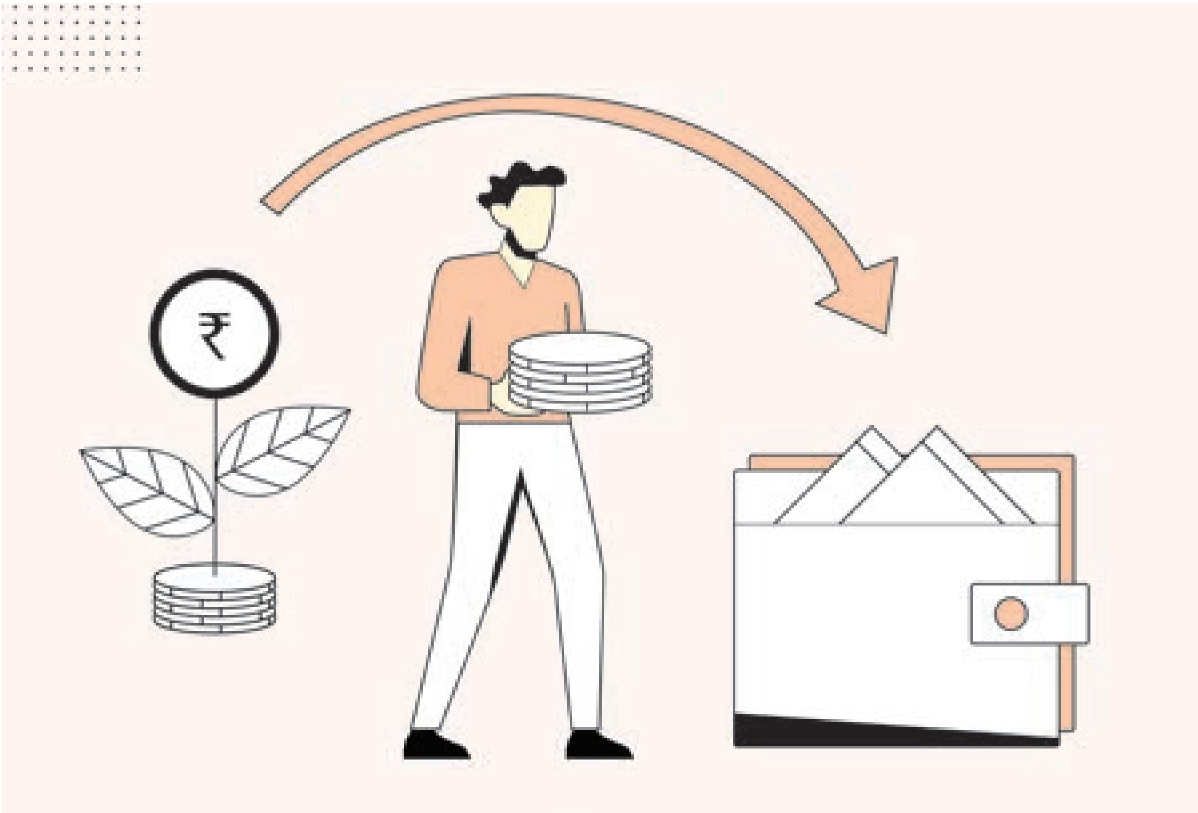
Now, we aren't saying you invest for eight decades right away. But three years is very much doable, right?

Please remember: **DO NOT stop your SIPs or withdraw your money because of market highs and lows.**

Three years is a good start, and this length of time can help you taste the highs and lows of the markets.

Once you taste blood (see the advantages of long-term investing), you will not need a second invitation to invest for even more extended periods.

For now, though, stay put and stay consistent. Don't get caught up with news articles, complicated jargon and other distractions. Just make a start!



How to make the most of your mutual fund investments by tracking its progress

By monitoring your funds, you ensure your investments are working for you

In this Beginner's guide to mutual funds, we have covered the following topics:

- Why you should invest for the long-term
- When is the best time to invest
- What's the best investment option that can grow your wealth
- Introduction to the world of mutual funds
- What to look out for when investing in them

- And how to invest in them

The final piece in the jigsaw is tracking your mutual fund investments.

While it doesn't make sense to track its daily or monthly performance, you should monitor their progress once or twice a year.

While a few periods of underperformance are justifiable, you may need to switch if your fund cannot beat the majority of its peers or its benchmark consistently.

In other words, your duty as an investor doesn't end with investing. You must ensure your investment is working for you.

How to track your mutual fund investments

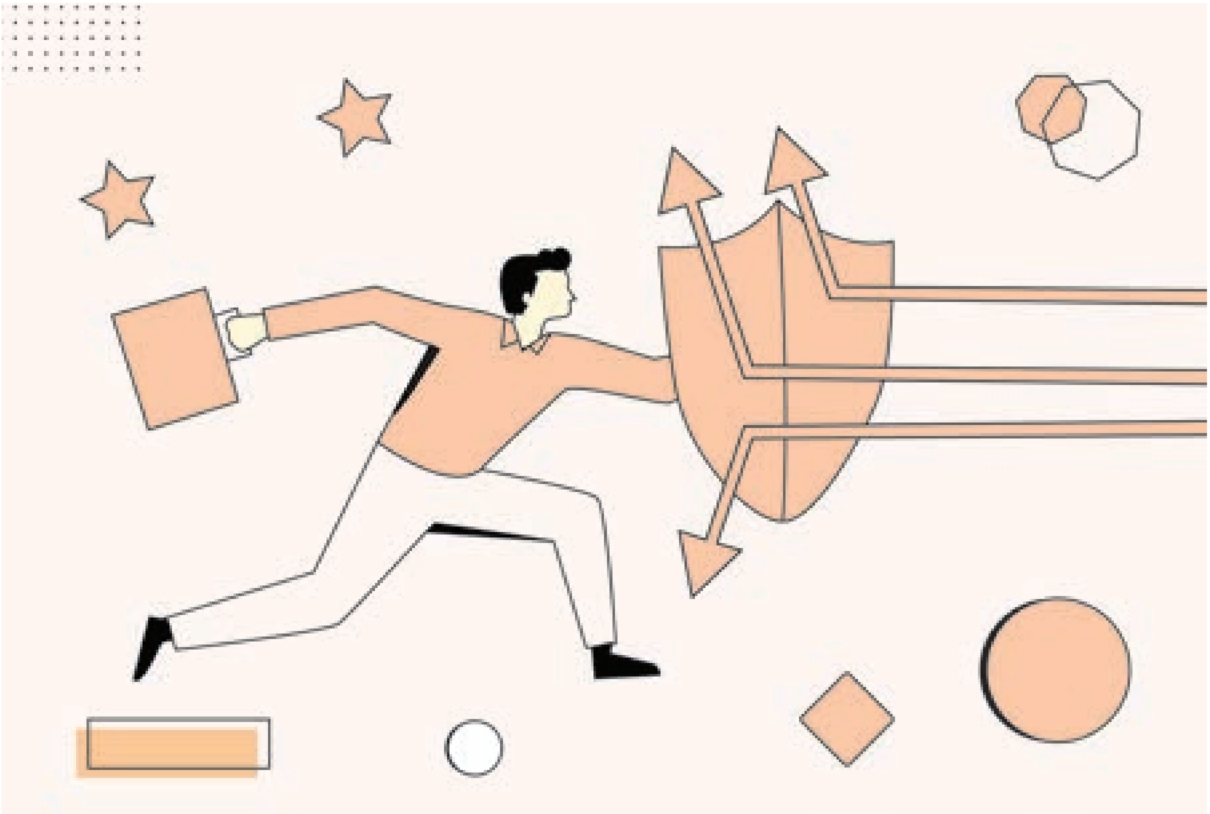
- All fund houses are mandated by law to disclose various details, such as NAV, expense ratio and scheme portfolio on their websites.
- In addition, the monthly performance and portfolio of these funds is e-mailed to you by fund houses for your easy reference.
- For a concise overview of your scheme, fund fact sheets can come in handy. It is a single-page document disclosed monthly, revealing lots of information about the fund. This can be downloaded from either the fund house's website or AMFI.
- You can also find all such vital details on respective fund pages on our website valueresearchonline.com. Our website can also help you compare your funds' performances with its peers.

If you eventually start investing in multiple funds and feel tracking all these funds is a headache, you can log in to Consolidated Account Statement (CAS). It is a one-stop information portal for all your mutual fund and equity investments.

You can request your CAS from the website of the RTAs, such as CAMS and KFintech.

To further build your knowledge about mutual funds, you can check our articles on the website. While finance can seem intimidating, they are written in simple, engaging and jargon-free language. And most importantly, they are investor-centric!

We have a dedicated 'Get Started' section, too, so you can start investing with confidence.



The last word

Before everything else, protect yourself from unexpected financial troubles to keep your investment plan on track.

Just like driving a two-wheeler without a helmet is risky, it is similarly dangerous to invest without certain safety nets.

So, here are a few safety rules before you put your money in the fast lane of investing:

Rule 1: Get health insurance for yourself and your family to cover rocketing medical expenses.

Rule 2: If you have dependents, it is a must to have a term life insurance cover. Your family will be financially stable in case of any unfortunate event.

Rule 3: Create an emergency fund. It should cover your expenses for at least six months.

Rule 4: Lastly, clear off your credit card overdue. Earning 12 per cent returns on your investments and simultaneously paying 40 per cent interest on a credit card loan doesn't make any sense. So, pay off that expensive debt, and then start investing.

All these steps will ensure no unforeseen events compel you to distort your investments and derail your wealth-creation journey.

Now that you have finished reading this course, pamper yourself with your favourite dessert! After all, you have done the hardest thing in the entire investing journey, i.e., making a small start by educating yourself. The way forward is only brighter.

Happy investing!

New to investing?

To get started with confidence, visit

https://www.valueresearchonline.com/knowledge-center/get-started/