How to **analyze a mutual fund?**

6 parameters
to choose what's
right for you

Groww

Expense ratio

Expense ratio is the percentage of total assets that a mutual fund charges an investor annually for managing their money. Higher the expense ratio, lower the returns available to the investor.

#1

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Fund performance vs. benchmark performance

It is always recommended to compare the returns of a particular fund against its benchmark index. If a fund has consistently outperformed the benchmark index, it’s a tick for this check box.

#2

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Risk level

In the world of mutual funds, risk and returns are two sides of the same coin. The risk should fall within your risk appetite. If you’re an investor with a low or moderately low-risk appetite, avoid high-risk funds.

#3

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Fund’s history

The real test for a mutual fund is its long-term performance. A good fund is one, which has generated consistent and stable returns over a period of 5-10 years. This gives the investors confidence that the fund can deliver returns, not only in the bull cycle but the bear cycle as well.

#4

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Portfolio turnover ratio

Portfolio turnover ratio tells you how frequently the fund manager buys/sells securities from the fund. High turnover leads to high transaction costs, and thus, high expense ratio of the fund. This reduces your net returns from the investment.

#5

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Fund manager

The performance, experience, and history of the fund manager are crucial. This increases the reliability and confidence that your hard-earned money is in safe hands. Moreover, the reputation and history of the fund house, under which the scheme belongs can also be looked upon.

#6

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