

# Business Standard

## FoF expense structure not consistent across schemes, says DSP MF

*DSP Mutual Fund warns that expense ratios of some fund of funds schemes may not reflect the total cost due to hidden charges in underlying funds, urging transparent disclosure*

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The expense ratio of fund of funds (FoFs), a mutual fund category witnessing renewed interest following Budget 2024 tax changes, may be masking the real cost in several schemes, DSP Mutual Fund said in a report on Monday.

FoF investors pay costs on two fronts — the expenses charged by the fund house for managing the FoF and the total expense ratio (TER) of the underlying schemes.

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"Investors often focus only on the expense ratio of the FoF wrapper (the fund that they directly invest in), without realising that there is also an additional hidden cost: the expense ratio of the underlying fund(s)," the fund house said.

In the note, DSP MF said it has opted to disclose the total expenses of all its FoFs.

"At DSP, in the spirit of full transparency, we disclose the Total Expense Ratio (TER) of our Fund of Funds (FoFs), which includes both the cost of the FoF itself and that of the underlying funds. We believe this comprehensive disclosure is essential for investors to make well-informed decisions that accurately reflect the true cost of their investments," it said.

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