5 Key benefits of investing via Mutual Funds over direct-equity investing

The general assumption of an investor of the equity stock market is that it is an easy platform to make quick money; but what they are not aware of is that it requires sufficient research, knowledge, abundance of time & patience, thorough understanding of the market, etc. to create wealth. The lack of these often results in the investors having a negative experience of investing not just directly in the equity stock market but as a whole may discourage them to invest in any form in the future.
However, equity investing is not an achievable task for those who are well-versed with the nuances of investing in the equity stock market. Read 5 Key benefits of investing via Mutual Funds over direct-equity investing here:

1. **Sirf ek sawaal, kya aapke returns hain index se zyada khush-haal?**
   An investor's basic expectation while investing in the stock market is that his/her equity portfolio should perform better than other investment avenues. This requires the investor to first compare the portfolio returns with the indices. And then, select an appropriate benchmark or index for which the investor needs to assess the market capitalization segment of the stocks in the equity portfolio. For instance, if the portfolio consists of large cap stocks, the ideal benchmark for gauging the portfolio's performance would be Nifty 50 Index or BSE Sensex. One could quite easily beat the benchmark through investing directly in equity, only when you have time to participate in the stock market and research extensively to pick the right stocks and give right weightage for which constant market movement analysis and accurate decision-making is required OR simply leave it to an expert by investing in Mutual Funds. The fund manager identifies the stocks that are needed for a well-rounded portfolio and is backed by a team of research analysts who identify the performing and under-performing stocks through meticulous analysis.

2. **Sirf ek sawaal, kya diversification ka rakha hai aapne khayaal?**
   A cricket team consists of 11 players, which has a perfect mix of batsmen, bowlers, wicket-keepers, fielders and all-rounders. Every player has their own forte to not just give an outstanding performance, but to win the match as well. Similarly, in equity investing; an investor could diversify his/her portfolio across market caps and sectors depending upon the risk appetite. One could arrive at an appropriate diversification as per your investment style only when you have the time and expertise to assess your risk appetite, current financial status and goals for which direct equity investors must have clarity on the business and the underlying business fundamentals to gauge whether or not the stocks they intend to purchase match their financial goals OR simply leave it to an expert by investing in Mutual Funds. An investor who invests in Mutual Funds is offered the advantage of investing in schemes that are according to their risk appetite and financial objectives; could be referred to by reading the Riskometer' which has five levels of risk viz. Low, Moderately Low, Moderate, Moderately High and High. Those who wish to invest aggressively can invest their money in the schemes labelled as 'HIGH' in the product label and investors who have a slightly lower risk appetite can invest in products labelled as 'Moderately High'. These Mutual Fund schemes are backed by experts with layers of rich experience and expertise that help make decisions aligned with the objectives of the particular Mutual Fund scheme and the extent of risks involved in them.

3. **Sirf ek sawaal, kya tips ne kiya aapke investments ko barbaad?**
   A very common practice or phenomena of direct equity investors is to invest in stocks based on the 'TIPS' they receive from friends, family and from the brokerage houses without understanding the intrinsic value of the stocks. As believed by all investment pundits globally, there is nothing wrong

termed as ‘TIP’ in the stock market. Investors should opt to invest only when they understand the business fundamentals of the company and foresee the growth in earnings over the next few quarters. Essentially, one should research well enough before investing in any stock and not just by looking at the face value of the stocks as earnings drive the share price in the long run. One could succeed in exploring the underlying business fundamentals, only if they have enough time and expertise to decode the balance sheet, management, business strategy, etc. OR simply leave it to an expert by investing in Mutual Funds. The benefit a Mutual Fund investor gets is that his/her portfolio is managed by a fund manager who knows when to include a stock in the portfolio. This is because he/she and the team are proficient in nuances of equity investing and the underlying business fundamentals of the businesses. They base their decisions on their proficiency and not on rumours, tips or predictions.

4. **Sirf ek sawaal, kya apne stocks par hai aapka dhyaan?**
   Would you buy a sweater to protect you when it rains or an umbrella to protect you from the biting lashes of the wind in winter? Similarly, in equity investing, you should know when, what and how much to buy or hold or sell. For instance, you’ve spent enough time to research about a company before investing in them. And its products were in demand as the stock price rallied with the earnings of the company. Also, the products were expected to perform at a similar rate or better in the future. But unfortunately; an event like a fault in the manufacturing unit could adversely affect the share price. Therefore, it is essential to not just pick the right stocks, but also keep a 24X7 tab on your stocks to exit at the right time. One could regularly monitor the stocks in the equity portfolio only when he/she has enough time and knowledge to know when to take the right call OR simply leave it to an expert by investing in Mutual Funds. The Mutual Fund investor gets the advantage of having his/her portfolio managed by experts who put in meticulous research on each and every stock they purchase, hold and sell. The fund manager knows the right time to buy a stock and exit the stock when it does not perform as per its potential.

5. **Sirf ek sawaal, kya pata hai aapko Mutual Funds ke baaki laabh?**
   Investors who prefer to invest directly in the equity stock market, technically have to do most of the tasks on their own. It’s a DIY – Do it yourself method. Right from selecting the right stocks that are required in the investment portfolio to constantly keeping a check on the market trends and further monitoring the stocks, they’ve to do it all by themselves. They also need to ensure that the decisions they make are in-sync with their financial objectives. Also, by investing directly in the equity stock market for a shorter time frame, the investors are not advantageous to any tax benefit. Direct equity investors buy and sell shares according to market valuations and available news. One could invest in the equity stock market directly if the investor thoroughly understands the growth potential of the companies and future prospects. This requires experience, expertise, patience and time OR simply leaves it to an expert by investing in Mutual Funds. Investors investing in Mutual Funds are exposed to a plethora of schemes and fund houses to choose from. The investor can select a scheme based upon the track record, the scheme objective and his/her financial goals. He could also take the help of a financial advisor. Those who want to save tax can opt for ELSS with minimum lock-in of 3 years while those wishing to stay invested for a longer period can invest in a variety of equity or dynamic funds. This helps in building a diversified portfolio at a lower cost.