

## Mutual Fund: All you need to know about (Bilingual)



### Introduction of Mutual Fund

- **A mutual fund is a professionally managed investment fund that pools money from many investors to purchase securities.** These investors may be retail or institutional in nature.
- Mutual funds have advantages and disadvantages compared to direct investing in individual securities. The primary advantages of mutual funds are that they provide economies of scale, a higher level of diversification, they provide liquidity, and they are managed by professional investors. On the negative side, investors in a mutual fund must pay various fees and expenses.

म्यूचुअल फंड एक पेशेवर रूप से प्रबंधित निवेश फंड है जो प्रतिभूतियों की खरीद के लिए कई निवेशकों से धन प्राप्त करता है। ये निवेशक प्रकृति में खुदरा या संस्थागत हो सकते हैं।

म्यूचुअल फंड में व्यक्तिगत प्रतिभूतियों में प्रत्यक्ष निवेश की तुलना में फायदे और नुकसान हैं। म्यूचुअल फंड का प्राथमिक लाभ यह है कि वे पैमाने की अर्थव्यवस्थाएं प्रदान करते हैं, उच्च स्तर के विविधीकरण, वे तरलता प्रदान करते हैं, और उन्हें पेशेवर निवेशकों द्वारा प्रबंधित किया जाता है। नकारात्मक पक्ष पर, म्यूचुअल फंड में निवेशकों को विभिन्न शुल्क और खर्चों का भुगतान करना होगा।

### Advantages of Mutual Fund

- **Increased diversification:** A fund diversifies holding many securities. This diversification decreases risk.
- **Daily liquidity:** Shareholders of open-end funds and unit investment trusts may sell their holdings back to the fund at regular intervals at a price equal to the net asset value of the fund's holdings. Most funds allow investors to redeem in this way at the close of every trading day.
- **Professional investment management:** Open-and closed-end funds hire portfolio managers to supervise the fund's investments.
- Ability to participate in investments that may be available only to larger investors. For example, individual investors often find it difficult to invest directly in foreign markets.
- **Service and convenience:** Funds often provide services such as check writing.
- **Government oversight:** Mutual funds are regulated by a governmental body.

i) बढ़ी हुई विविधीकरण: एक फंड कई प्रतिभूतियों को धारण करने में विविधता लाता है। यह विविधीकरण जोखिम को कम करता है।

ii) दैनिक तरलता: ओपन-एंड फंड्स और यूनिट इन्वेस्टमेंट ट्रस्टों के शेयरधारक फंड की होल्डिंग्स के शुद्ध परिसंपत्ति मूल्य के बराबर मूल्य पर नियमित अंतराल पर फंड में अपनी होल्डिंग वापस बेच सकते हैं। अधिकांश फंड निवेशकों को हर ट्रेडिंग डे के करीब इस तरह से रिडीम करने की अनुमति देते हैं।

iii) पेशेवर निवेश प्रबंधन: फंड के निवेश की निगरानी के लिए Open and Close end फंड पोर्टफोलियो प्रबंधकों को नियुक्त करते हैं।

iv) निवेश में भाग लेने की क्षमता जो केवल बड़े निवेशकों के लिए उपलब्ध हो सकती है। उदाहरण के लिए, व्यक्तिगत निवेशकों को अक्सर विदेशी बाजारों में सीधे निवेश करना मुश्किल लगता है।

v) सेवा और सुविधा: फंड अक्सर चेक लेखन जैसी सेवाएं प्रदान करते हैं।

vi) सरकारी निरीक्षण: म्यूचुअल फंड एक सरकारी संस्था द्वारा विनियमित होते हैं।

## Disadvantages of Mutual Fund

- Fees
- Less control over timing of recognition of gains
- Less predictable income
- No opportunity to customize

i) शुल्क

- ii) लाभ की मान्यता के समय पर कम नियंत्रण
- iii) कम अनुमानित आय
- iv) अनुकूलित करने का कोई अवसर नहीं

## Types of Mutual Funds

**Mutual funds in India are broadly classified into equity funds, debt funds, and balanced mutual funds, depending on their asset allocation and equity exposure.** Therefore, the risk assumed and returns provided by a mutual fund plan would depend on its type. **We have broken down the types of mutual funds in detail below:**

Equity funds, as the name suggests, invest mostly in equity shares of companies across all market capitalisations. A mutual fund is categorised under equity fund if it invests at least 65% of its portfolio in equity instruments. Equity funds have the potential to offer the highest returns among all classes of mutual funds. The returns provided by equity funds depend on the market movements, which are influenced by several geopolitical and economic factors. The equity funds are further classified as below:

- **Small-Cap Funds:** Small-cap funds are those equity funds that predominantly invest in equity and equity-linked instruments of companies with small market capitalisation. SEBI defines small-cap companies as those that are ranked after 251 in market capitalisation.
- **Mid-Cap Funds:** Mid-cap funds are those equity funds that invest primarily in equity and equity-linked instruments of companies with medium market capitalisation. SEBI defines mid-cap companies as those that are ranked between 101 and 250 in market capitalisation.
- **Large-Cap Funds:** Large-cap funds are those equity funds that invest mostly in equity and equity-linked instruments of companies with large market capitalisation. SEBI defines large-cap companies as those that are ranked between 1 and 100 in market capitalisation.
- **Multi-Cap Funds:** Multi-Cap Funds invest substantially in equity and equity-linked instruments of companies across all market capitalisations. The fund manager would change the asset allocation depending on the market condition to reap the maximum returns for investors and reduce the risk levels.

- **Sector or Thematic Funds:** Sectoral funds invest principally in equity and equity-linked instruments of companies in a particular sector like FMCG and IT. Thematic funds invest in equities of companies that operate with a similar theme like travel.
- **Index Funds:** Index Funds are a type of equity funds having the intention of tracking and emulating the performance of a popular stock market index such as the S&P BSE Sensex and NSE Nifty50. The asset allocation of an index fund would be the same as that of its underlying index. Therefore, the returns offered by index mutual funds would be similar to that of its underlying index.
- **ELSS:** Equity-linked savings scheme (ELSS) is the only kind of mutual funds covered under Section 80C of the Income Tax Act, 1961. Investors can claim tax deductions of up to Rs 1,50,000 a year by investing in ELSS.

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