



MUTUAL FUNDS

Everything you must know about a direct mutual funds

Every individual has certain goals in life and these goals can range from purchasing a car or a house to travelling or providing support to your parents. Whatever form your goal may take, there is one aspect which is imperative to achieving your ambition, and that is money. Unless you have financial freedom, you will find it difficult to stay true to your dreams and, to achieve financial freedom, you need to have an optimal investment plan in place. This is where mutual funds come into the picture – while there are many ways in which you can invest, mutual fund schemes enable you to participate in the growth of the economy and potentially attain inflation-beating returns, without needing to know about or track the market personally. If you are keen on starting a mutual fund investment, you need to know about direct mutual fund schemes.

What are direct mutual funds?

In India, you have the opportunity to choose from different types of mutual funds, including passive equity funds, passive debt funds, hybrid funds, etc. Each scheme will offer you something unique and can potentially help you achieve your multiple goals. While the schemes remain the same, the way you invest can differ. Simply put, you can either invest directly by engaging with the Asset Management Company (AMC) offering the scheme or you can invest via distributors and investment platforms. Given that in the case of direct mutual funds, there is no involvement of third party distributors or agents, you do not have to pay any commission or brokerage in these transactions, ensuring a lower expense ratio when compared with regular funds.

Features of direct mutual funds

Since you have the option of purchasing direct mutual fund schemes from the AMC itself, the key feature of such schemes revolves around the fact that you do not have to depend on third party agents or brokers to start making investments. Direct funds can be invested in through both the online and offline modes, making direct mutual fund investments incredibly convenient. The absence of third party distributors ensures a lower expense ratio as there is no fund outflow in the form of commission. This means that almost all of your money will be utilised to purchase units in the scheme. Direct funds do not levy any transaction charges.

Characteristics of best direct mutual funds

If you think direct mutual funds is a good option for you, then look for these characteristics of the best schemes, when zeroing in on the plan most suited to your requirements.

1. Look for a direct mutual fund which has offered stable returns over a long period, while indicating low volatility. Such a fund will enable you to reap stable returns even during market fluctuations.
2. Compare direct mutual funds of different AMCs and, based on your investor profile, pick a scheme which has a lower expense ratio than its peers.
3. Finally, opt for a direct mutual fund helmed by a fund manager who depicts a superlative track record, as the performance of your investment depends upon the expertise of the manager.

Advantages of investing in direct funds

Investing via direct mutual funds has a few distinct advantages. These include:

1. Lower expense ratio when compared to regular funds. The exemption of commission has a compounding effect on your corpus and, over the years of your investment, you may witness a significant difference in the corpus accumulated via the direct and regular routes.
2. The exclusion of commission also ensures higher Net Asset Value (NAV) for the scheme because the entire quantum of invested money is being parked directly in the scheme.
3. Further, since you are able to invest all your money in the scheme, via the direct route, your returns will also be higher than the one being offered by regular funds.
4. In addition, when you choose to invest via the direct route, you will not be swayed by the bias or personal interest of the agent or brokerage, ensuring that your investment is absolutely in line with your requirements.

That is everything you need to know about direct mutual funds. If you are interested in starting your investment journey or rebalancing your portfolio, remember to opt for direct funds over regular schemes.

An investor education initiative by Edelweiss Mutual Fund

All Mutual Fund Investors have to go through a onetime KYC process. Investor should deal only with Registered Mutual Fund (RMF).

For more info on KYC, RMF and procedure to lodge/redress any complaints, visit - <https://www.edelweissmf.com/kyc-norms>

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.