



How to Invest in Index Funds in India

Introduction:

Ready-made snacks are all around us. Ready-to-eat noodles, cutlets, and even paranthas have flooded the market and made our lives so much simpler. Imagine if there was a ready-made package of investments that you could invest in. You would not have to worry about selecting the right securities and you could easily invest in a fund that has it all. Index funds follow a benchmark that offers you broad market exposure without the stress of choosing individual stocks yourself. If you are wondering how to invest in index funds in India, this article is just what you need.

What are index funds?

Index funds are mutual funds that mimic a benchmark index. These funds invest in the same securities as the underlying index by replicating its portfolio. Index funds must have a minimum investment of 95% in securities of a particular index, according to the Securities and Exchange Board of India (SEBI).

How do index funds work?

Index funds are designed to imitate the performance of a specific market index. Index funds follow a passive investment strategy designed to match the returns offered by the underlying benchmark.

Let's take the example of an index fund tracking the Nifty 50 index. Nifty 50 represents the top 50 stocks listed on the National Stock Exchange of India. Since the index fund is replicating the Nifty 50 index, it will also invest in the top 50 stocks in similar proportions to the index. This means that if a particular stock represents 5% of the Nifty Index, the index fund will invest 5% of its assets in that stock.

If you are still unsure about investing in index funds, you may be able to make up your mind after reading about their advantages.

Benefits of investing in index funds

- **Diversification:** Index funds can provide you with a diversified portfolio by allowing you to invest in a basket of securities and companies that replicate a specific market index.
- **Low costs:** Index funds are passively managed funds and generally have lower expense ratios compared to actively managed funds. These funds simply track an index and require less research and management, resulting in reduced fees.
- **Simple and transparent:** The composition of the underlying index is publicly available to investors. When you invest in an

index fund, you enjoy complete transparency and can easily understand the underlying securities of your fund.

Investing in index funds in India is a straightforward process. Check out this step-by-step guide on how to invest in index funds in India.

How to invest in index funds in India?

You can invest in index funds online and offline. The steps more or less remain the same as explained below:

- Explore different index funds available in the market.
- Identify a reputable mutual fund house or investment platform to invest in index funds.
- Submit the necessary Know Your Client (KYC) documents, such as PAN card, proof of identity, etc.
- Determine the amount you wish to invest.
- Set up regular Systematic Investment Plans (SIP) or invest in a lump sum.

In the case of offline investments, you would have to contact the Asset Management Company (AMC) offering the index fund you want to invest in, fill out their application form and submit it back along with necessary documents.

Conclusion

The process of investing in index funds is similar to investing in other mutual funds. However, make sure to select the right fund according to your goals. Researching and evaluating your goals may take time, but it is an important step that must not be ignored.

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.