

# Mutual Funds

## Index Mutual Funds

### Index Fund

- These schemes invest major part of their portfolio in stocks tracking a index.
- These schemes offer growth or capital appreciation and may gain value over the period.
- have high risk and accordingly can offer high returns over a longer period of time.
- These carry risk of loss of capital also.
- The portfolios consists of stocks included in benchmark sensex. ( for eg: NIFTY index)
- Fund manager expertise is not required as the portfolio must be invested according to its benchmark index.
- These are also known as passive funds.

**Index Funds:** Index Funds replicate the portfolio of a particular index such as the BSE Sensitive index, S&P NSE 50 index (Nifty), etc. These schemes invest in the securities in the same weightage comprising of an index. NAVs of such schemes would rise or fall in accordance with the rise or fall in the index, though not exactly by the same percentage due to some factors known as "tracking error" in technical terms. Necessary disclosures in this regard are made in the offer document of the mutual fund scheme.

The primary investment objective of the scheme is to invest in companies whose securities are included in benchmark index and subject to tracking errors, to endeavor to achieve the returns of the benchmark index as closely as possible.

### Some investment options

<b>Growth Option</b>	Dividend is not paid-out under a growth plan and the investor realizes only the capital appreciation on the investment (by an increase in NAV).
<b>Dividend Payout Option</b>	paid-out to investors under a Dividend Payout Option. However, the NAV of the mutual fund scheme falls to the extent of the dividend payout.
<b>Dividend Re-investment Plan</b>	dividend accrued on mutual funds is automatically re-invested in purchasing additional units at Ex NAV date and price.

### Investment strategies offered

- Systematic Investment Plan
- Systematic Withdrawal Plan
- Systematic Transfer Plan

### Some Index schemes of mutual funds

Birla Sunlife Index Fund	Icici Prudential Index Fund
Principal Index Fund	Reliance Index Fund
Birla Sunlife Short Term Opportunities Fund	Sbi Magnum Index Fund
Franklin India Index Fund (Fiif)	Lic Mf Index Fund
Hdfc Index Fund	Tata Index Fund