

MUTUAL FUNDS



vEcoSys

Understanding Mutual Funds



MUTUAL FUNDS



We buy and sell mutual funds.

We read about mutual funds.

But do we know what is a mutual fund?

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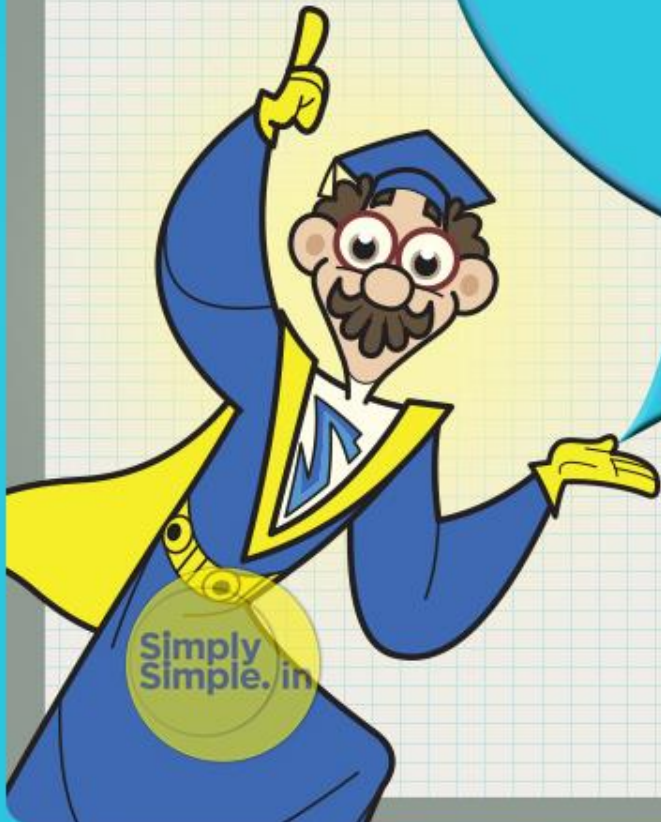
Ravi is a middle class officer. His dream is to build himself a bungalow which has its own swimming pool, squash court, tennis court, gymnasium etc.

He talks to a friend about this dream. His friend tells Ravi that his dream can come true without him getting very rich.



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Ravi is taken aback at his friend's comment and asks him to explain.



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His friend tells him to write a letter to all the residents of his building asking them to contribute towards the construction of a club house in his building.

Ravi quite likes the idea of contributing towards the club house cost and thereby get a chance to enjoy all the club house amenities. So he writes to all the resident members of his building.





Ravi's Dream Clubhouse



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The building members like the idea and agree to contribute towards building the club house.



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Thus, by pooling in money, all the resident members of the building including Ravi get a chance to enjoy amenities which till then they could only dream of.

Just like in the case of Ravi, individuals cannot afford to buy stocks of all the big companies that represent the economy.



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However as citizens of this country we should not be deprived of the opportunity to have a share of the economy (shares of all big companies).



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So like Ravi did, if we as individuals can pool in money and buy shares of the individual large companies that make up the economy, we become part owners of the companies.



A mutual fund is nothing but this pool of money generated by individual investors to buy shares of many companies.



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As an individual it would take a lot of money to buy shares of 50 to 60 companies but for a mutual fund it becomes easy to buy shares collectively and then share it with the investors in the proportion of their investment.



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Moreover the people who manage the mutual fund are qualified people & understand the nuances of this job.



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Hope this story has clarified
the Concept of Mutual Fund



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

