* **Myth: Mutual Funds invest only in shares**
* **Fact:** Mutual funds invest in Equity instruments as well as in debt securities which are relatively much safer.
* **Myth: Mutual Funds are prone to very high risks**
* **Fact:** Mutual Funds diversify the risk.
* **Myth: Mutual Funds are very new in the financial market.**
* **Fact:** Mutual Funds are in India since 1963.
* **Myth: Mutual Funds are not reliable.**
* **Fact:** Mutual Fund is the most cost efficient distributors of financial products.
* **Myth: The good thing about Mutual Funds is that you don’t have to pay attention to them.**
* **Fact:** As an investor you should always pay attention to your mutual funds and continuously monitor them.
* **Myth: It gives assured returns.**
* **Fact:** It gives market returns.
* **Myth: A balanced fund is always equally balanced in 50:50 ratios.**
* **Fact:** Balanced funds aim at attaining a balance between equities and debt. But this can incline depending on the nature of the fund. Equity oriented balanced funds typically invest at least 65% in equities and the rest in debt; others do this in a 40:60 ratio.
* **Myth: A fund with a NAV of Rs 10 is cheaper and so, more attractive than a fund whose NAV is Rs 50.**
* **Fact:** NAV represents the market value of all its investments. Any capital appreciation will depend on the price movement of its underlying securities.   
  For Example:

|  |  |  |
| --- | --- | --- |
| **Fund House** | **Case 1** | **Case 2** |
| Purchase NAV (Rs.) | 10 | 50 |
| Amount Invested (Rs.) | 1000 | 1000 |
| No. of Units Allotted | 100 | 20 |
| If you get profit @ | 10% | 10% |
| Then the Current NAV would be | 11 | 55 |
| Your Returns (No of Unit \* Current NAV) | 1100 | 1100 |

Here the NAV appreciates by 10% though the returns will be same in both the cases. Thus, the amount of returns you get is more important than the NAV at which you are buying the Mutual Fund Units.

* **Myth: Children's mutual fund schemes are ideal to assure a child's future.**
* **Fact:** Mutual Funds’ children schemes work like any other MUTUAL FUND scheme and their returns depend on the performance of the markets. The portfolio will be heavy on equity as most of these schemes are long term. Short term schemes will be more into debt. None of these schemes assures returns. Treat these funds like any other-compare their returns, risk and performance before investing.
* **Myth: Funds with a large corpus can generate higher returns.**
* **Fact:** Funds with a very large corpus are prone to inefficiencies as rising assets become unmanageable after a point. Also, most fund managers are comfortable managing a mid-sized fund and an increase in the AUM can adversely affect their performance. This is because large assets force fund managers to broaden their stock universe, which sometimes results in less researched or low potential stocks in the portfolio.
* **Myth: Funds that regularly declare dividends are good buys.**
* **Fact:** Fund houses declare dividends when they have distributable surplus. However, there are times when a fund manager declares dividends if he does not have adequate investment opportunities. Under worse conditions, a fund manager may sell some good stocks to generate surplus for dividend distribution. The motive is to attract investors.
* **Myth: SIPs score over lump sum investing.**
* **Fact:** A SIP is the best way to invest in volatile markets. It benefits by lowering the average per unit cost. However, SIPs result in lower returns in consistently rising markets. They fail to lower the average per unit cost and thereby result in lower return as compared to lump sum investments.