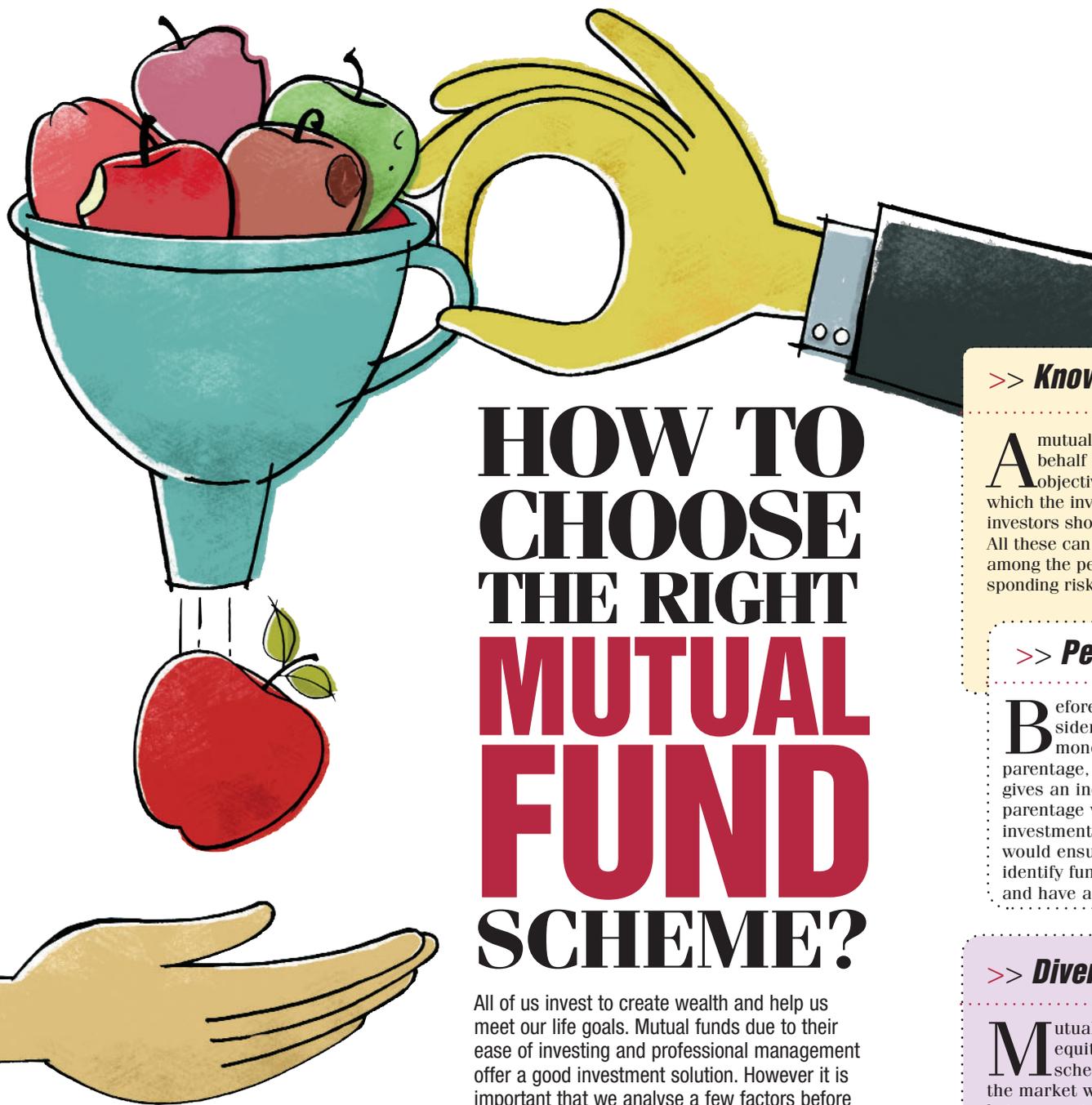


## >> Is the chosen scheme in line with your goals?

Every individual should follow an asset allocation plan. This will tell you how much you should invest across different asset classes such as equity and debt. Based on parameters like time to reach your goals, risk tolerance, risk profile, you can decide on an asset allocation ratio. Once this is done, choose funds that match your tenure. If your goal is less than three years away, investing in debt oriented funds is a good option. For investors looking to meet medium term goals, which are between three and five years, balanced funds which have exposure to both debt and equity are a good option. If your goals are for the long term and are five years away you can opt for equity mutual funds.



## HOW TO CHOOSE THE RIGHT MUTUAL FUND SCHEME?

All of us invest to create wealth and help us meet our life goals. Mutual funds due to their ease of investing and professional management offer a good investment solution. However it is important that we analyse a few factors before we choose the right mutual scheme for our investment

### >> Evaluate past performance, look for consistency

Before choosing a scheme, see how long it has been in existence. Choose schemes that have a long track record of performing well against its benchmark indices. Look at schemes which have given consistent returns by beating its benchmark indices over 3, 5 and 10 year periods and not schemes which have the best 6 month or 1 year returns. What is important is how well a mutual fund scheme performs during volatile market conditions and slumps, not just during bull runs and good times.

### >> Know where your money is being invested

A mutual fund pools the assets of its investors and invests the money on behalf of those investors. Investors should understand the investment objective of the mutual fund scheme and know the kind of securities in which the investment will be made. To compare one scheme with another, investors should also know the stated benchmark of the mutual fund scheme. All these can help them compare the performance of the selected scheme among the peers. It will also provide insights on the expected return and corresponding risk of the investment.

### >> Pedigree of the fund house

Before zeroing in on a scheme of your choice, you must also consider fund houses on which you have enough faith to invest your money. Before investing in a mutual fund scheme, check its parentage, history of existence and track record across schemes. This gives an indication of how robust its investment processes are. A strong parentage would ensure efficient processes, which are a combination of investment processes, risk measures and operational efficiency, which would ensure a sustained performance over a longer period. Try to identify fund houses that have a strong presence in the financial world and have a reasonably long and consistent track record.

### >> Diversify across schemes

Mutual Funds can be used to invest in multiple asset classes such as equities, debt, and gold. For equity schemes, a total of three to four schemes from the large-cap, diversified, and mid-cap segments of the market would be good. The key is to get diversification both across market segments as well as fund management styles in the portfolio. For debt schemes, two-three schemes covering the short and medium-term debt instruments would suffice.

TO KNOW MORE, CONTACT YOUR FINANCIAL ADVISOR TODAY OR WRITE TO US AT [investoreducation@hdfcfund.com](mailto:investoreducation@hdfcfund.com)

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**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**