

Knowing more about your mutual fund product

When a mutual fund creates an investment product, it offers it for the first time to the investors as a new fund offer (NFO). A new product is first approved by the trustees, and features are described in a detailed offer document that is filed with SEBI. After SEBI approves that the document carries all the necessary disclosures in the interest of investors, the mutual fund makes its new fund offer to investors. Key information about the products is also made available to investors who like to buy units of an open-ended fund on an on-going basis.

SEBI's regulation prescribes that information about the fund and the product be disclosed in two sections - Scheme Information Document (SID) and Statement of Additional Information (SAI). The regulations define specifically all the information that needs to be provided and the format in which this information has to be provided.

The SID contains information that is relevant to a specific mutual fund scheme. Information in the SID includes the type of the scheme, its investment objectives, maximum and minimum allocation to different types of securities, the risks associated with the scheme and the strategies that the fund manager intends to deploy. The fees, expenses and loads that will be charged to the scheme are also given. The document gives details on the operational features such as, such as dividend and growth options and facilities such as switch and systematic investments. The SID also contains information on the price at which the units are being offered, the dates of opening and closing of the NFO, the minimum application amount and the points of acceptance of the application.

For investors in the scheme after the NFO, the SID contains information on the past performance of the scheme, the method for calculating the price for purchases and redemptions, the cut-off time within which the application has to be submitted and the minimum application amount.

The SAI contains information that is common to all schemes of a fund house. This includes information on the constitution of the mutual fund, the details of the constituents such as the trustees and the AMC and their roles and responsibilities. Information on service providers such as the custodian and R&T agent and their contact details are provided. The rights of the unit holders in the mutual fund are mentioned in the document.

Information contained in the SID or the SAI may change. Changes in the fundamental attributes of the scheme, such as the type of the scheme or the investment objective, has to be updated in the SID immediately. In case of other changes, the mutual fund will issue an addendum which will be attached to the existing SID. Material changes in the SAI will be updated and uploaded both on the mutual fund and AMFI's website. The SID and the SAI will be updated once every year and the information in the addendums will be incorporated into the document.

A condensed version of the SID and the SAI called the Key Information Memorandum (KIM) is attached to every application form. It gives brief details about the scheme and its features, loads and expenses that will be charged to the investor and the past performance of the scheme. Investors who require information in greater detail can ask for the SID and SAI.

Correct, relevant and timely information is essential for investors to make the right investment decisions. Mutual funds provide the information in a simple and readily available form for investors to access and use.

SIMPLY INVEST KARO

Toll-Free: 1800 22 1230 | SMS: INVEST to 5676756

An Investor Education Initiative



Mutual fund investments are subject to market risks. Please read the scheme information document carefully before investing.