

Open vs closed-ended MFs:

All you need to know

Equity, Debt, Balanced, Hybrid, Liquid—there are so many types of Mutual Funds (MFs).

But there are two mother categories all these Funds fall under.

- **Closed-ended Funds**
- **Open-ended Funds**

Depending on what you choose, your investment experience may differ.

Here's all you need to know about these funds.

All you need to know



What is it?

A scheme open for investors to enter or exit at any time, even after the New Fund Offer (NFO)

A scheme which has a fixed maturity and investor can buy units only during its NFO

Listing

May or may not be listed on a stock exchange

Has to be listed on a stock exchange

Investing in MFs

You can invest at any time, even after the Fund's launch

You can invest only during the initial offer period. After that, you can buy from an exchange

Systematic Investment Plan (SIP) or Lumpsum?

Both options possible

Only lumpsum allowed

Selling these Funds

You can redeem from these Funds any time you want

Ideal to hold until maturity; but can be sold on the exchange where the scheme is listed

Trading possible?

These Funds are not traded on an exchange

Yes, on an exchange through a broker. However, trading volume is low

Where to buy/sell?

From the Fund House, distributor, or independent advisors

From the Fund House during the NFO or on the stock exchange through a broker

Maturity

No fixed maturity period

Has a fixed maturity period

Taxation

Depends on holding period, not Fund structure



Goals

- Every investment decision is about you, not the product
- Your goal, the timeline and investment amount decides which type of Fund you choose



Returns

- Do a trend analysis of the returns generated in the past two to five years
- This may not be possible for Closed-ended Funds, so instead look at its Fund Manager and how other schemes managed by him have performed



Liquidity

- Determine the tenure that you want to or can remain invested for
- Open-ended Funds offer better liquidity; with Closed-ended Funds, you remain invested for a fixed tenure without worrying about market pressures



Haq, ek behtar zindagi ka.

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