



EQUITY MARKET

What is a mutual fund

How pooled money becomes units, who looks after it, and what a fund does not promise

Industry figures as on 31 August 2026

For training and education only. Not investment advice.

A mutual fund pools money from many investors and invests it as one portfolio. Each investor owns units.

The value of a unit moves with the value of what the portfolio holds. It can rise and it can fall. Nothing in the structure fixes or assures a return.

Three words to know first



Scheme

One pool of money with a stated objective and its own portfolio. A fund house runs many schemes. An investor buys into one scheme.



Unit

One equal share of a scheme. Money invested is converted into units at the NAV. A holding is a number of units, and it can include fractions.



NAV

Net asset value: the value of one unit. It is the scheme's assets minus its liabilities, divided by the number of units outstanding.

NAV = (market value of assets – liabilities) ÷ units outstanding. It is worked out every business day.

Source: SEBI Master Circular for Mutual Funds, 20 March 2026 (NAV computation and disclosure).

From rupees to units

ONE SCHEME, ONE DAY

A scheme holds securities and cash worth ₹505 crore. It owes ₹5 crore. There are 20 crore units outstanding.

An investor puts in ₹50,000 at this NAV.

- 1 $\text{NAV} = (\text{₹}505 \text{ crore} - \text{₹}5 \text{ crore}) \div 20 \text{ crore units} = \text{₹}25.00 \text{ a unit.}$
- 2 Stamp duty of 0.005% is taken from the amount first: $\text{₹}50,000 \times 0.005\% = \text{₹}2.50$. That leaves ₹49,997.50.
- 3 $\text{Units allotted} = \text{₹}49,997.50 \div \text{₹}25.00 = 1,999.900 \text{ units.}$
- 4 If the NAV later reads ₹26.00, the holding is worth ₹51,997.40. If it reads ₹24.00, it is worth ₹47,997.60.

The investor owns units. Their worth on any day is the number of units $\times$ that day's NAV.

Illustration: invented scheme, assumed figures; the ₹1 NAV moves are not a forecast. Source: SEBI Master Circular for Mutual Funds, 20 March 2026 (NAV); Indian Stamp Act, 1899 as amended (stamp duty).

Who does what

Who	What it does
Sponsor	Sets up the mutual fund as a trust. Holds at least 40% of the AMC's net worth.
Trustees	Oversee the AMC for unitholders. Two-thirds of directors must be independent.
Asset management company	The fund house (AMC). Its fund managers decide what to buy, hold and sell.
Custodian	Holds the scheme's securities, apart from the AMC's own assets.
Registrar and transfer agent	Keeps investor records: folios, transactions and account statements.

SEBI sets the rules for all of them. AMFI is the fund houses' association and registers distributors.

Sources: SEBI (Mutual Funds) Regulations, 2026, in force 1 April 2026; AMFI Master Circular for Mutual Fund Distributors.

Open-ended and close-ended schemes

Open-ended

- No fixed maturity date.
- Units can be bought from and sold back to the scheme on a continuing basis, at NAV-based price.
- 1,935 schemes holding 99.8% of industry assets on 31 August 2026.

Close-ended

- Has a fixed maturity period.
- Open for subscription only during the new fund offer.
- After that, units are bought and sold on the stock exchange where they are listed.
- 48 schemes holding ₹15,532 crore on 31 August 2026.

Almost all mutual fund money in India is in open-ended schemes.

Sources: AMFI Monthly Report, Aug 2026 (counts, assets); SEBI (Mutual Funds) Regulations, 2026, regs. 2, 29 (definitions, listing).

Direct plan and regular plan

Most schemes have had both since 1 January 2013; ETFs have one. The portfolio and fund manager are the same.

Regular plan

- Bought through a mutual fund distributor.
- Its expense ratio includes the distributor's commission.
- The AMC pays that commission out of the scheme's expenses.

Direct plan

- Bought from the fund house without a distributor.
- Carries no distribution commission.
- So its expense ratio is lower and it has a separate NAV.

A distributor is paid a trail commission: a yearly percentage of the assets that stay invested.

Source: SEBI Master Circular for Mutual Funds, 20 March 2026; SEBI (Mutual Funds) Regulations, 2026.

What a fund shows and does not promise

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Riskometer levels

Low, Low to Moderate, Moderate, Moderately High, High and Very High. A scheme's level is reviewed every month, so it can change.

NO



Assured returns

A scheme does not assure a return or protect the capital invested. A distributor may not promise or indicate a return.



What it describes

The riskometer describes risk. It says nothing about returns. A debt scheme also shows a Potential Risk Class for interest-rate and credit risk.

Mutual fund investments are subject to market risks. Returns are not assured.

Source: SEBI Master Circular for Mutual Funds, 20 March 2026; AMFI code of conduct for distributors.

Where the industry stands

As on 31 August 2026, the latest month AMFI has published. These change every month; quote the date.

NET ASSETS, ₹ LAKH
CRORE

87.08

₹87,07,888 crore
managed across all
schemes.

FOLIOS

28.35 cr

28,35,19,085 investor
accounts. One investor
can hold many folios.

SCHEMES

1,985

1,935 open-ended, 48
close-ended and 2
interval schemes.

FOLIOS: OPEN-ENDED
EQUITY

18.92 cr

About two-thirds of all
folios are in open-
ended equity
schemes.

Source: AMFI Monthly Report for August 2026 (net assets under management, folios and scheme counts as on 31 August 2026).

If you learnt this from older material

What older decks say

- The rule book is the SEBI (Mutual Funds) Regulations, 1996.
- An entry load is charged when you buy.
- Distributors earn upfront commission and a transaction charge.
- There are 36 scheme categories.

What holds now

- The 2026 Regulations, in force from 1 April 2026.
- No entry load since 2009. Stamp duty of 0.005% applies.
- Trail only, bar two small exceptions. Charge ended 8 Aug 2025.
- 40 categories, set by SEBI on 26 February 2026.

The idea of pooling has not changed. Most of the rules around it have.

Sources: SEBI (Mutual Funds) Regulations, 2026; SEBI Master Circular, 20 Mar 2026; SEBI circulars of 30 Jun 2009, 8 Aug 2025 and 26 Feb 2026.

Four things people get wrong



'A ₹10 NAV is cheaper than a ₹100 NAV.'

₹10,000 buys 1,000 units at ₹10 or 100 units at ₹100. If both portfolios rise 10%, both holdings are worth ₹11,000.



'A mutual fund means the share market.'

Schemes also hold bonds, money market paper, gold and more. Open-ended debt schemes alone held ₹19.33 lakh crore on 31 August 2026.



'The fund house holds my money.'

The AMC manages it. A custodian holds the securities and the pool is held in trust, overseen by trustees.



'Debt funds cannot lose value.'

Bond prices fall when interest rates rise, and an issuer can default. A debt scheme's NAV can fall.

Source: AMFI Monthly Report, August 2026 (open-ended debt schemes, net assets ₹19,33,476 crore).

Check yourself

Q1

A scheme has assets of ₹1,212 crore, liabilities of ₹12 crore and 30 crore units outstanding. What is its NAV?

Q2

An investor puts ₹1,00,000 into that scheme at a NAV of ₹40.00. Stamp duty is 0.005%. How many units are allotted?

Q3

A client asks: 'What is the difference between the regular and direct plan of the same scheme, and how are you paid?'

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- Net assets ₹87,07,887.74 crore, 28,35,19,085 folios, 1,985 schemes, break-up by type: AMFI Monthly Report, August 2026.
- Sponsor, trustees, AMC, custodian, expenses: SEBI (Mutual Funds) Regulations, 2026 (in force 1 Apr 2026). Direct plans: Master Circular.
- NAV, loads, commission, riskometer, Potential Risk Class, categories: SEBI Master Circular, 20 Mar 2026. Stamp duty: Indian Stamp Act, 1899.
- Mutual fund: AMFI investor knowledge centre. Open/close-ended: SEBI (Mutual Funds) Regulations, 2026, reg. 2. Interval: AMFI report.
- Distributor conduct: AMFI Master Circular for Mutual Fund Distributors. Rules as verified in Trustner Academy's fact sheet, 7 Oct 2026.
- The scheme, the investor and all figures in the worked example and quiz are invented for illustration.

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