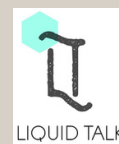


MUTUAL FUNDS RESEARCH REPORT

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INTRODUCTION



Several types of Funds are offered by Fund houses, allowing investors to choose funds that suit their needs and demands. However, this can often be overwhelming for new investors. In this report, we explain the different types of payout options. Funds usually offer and which according to us have better chances to provide more returns.

Types of Payout Options:

- 1. Growth Option:** The growth option of a fund means all the gains from the fund will be reinvested in the funds. An investor can redeem its profits simply by selling units of the mutual fund. This allows investors to enjoy the benefits of compounding, giving better returns over a long investment period. Such plans are preferred by investors looking for long-term capital gains.
- 2. Income Distribution cum Capital Withdrawal Pay-out:** This option is ideal for investors looking for regular returns or a secondary income. Such funds declare dividends annually, semi-annually, quarterly or monthly. However, the funds don't need to declare dividends, and the dividend amount depends on the fund's performance.
- 3. Income Distribution cum Capital Withdrawal Reinvestment:** The reinvestment of capital gains is another option that some fund houses have started to offer. Although an investor might initially think it's similar to the growth option, it has significant differences. Unlike the growth option, Reinvestment funds declare dividends which reduces the NAV. This dividend is not paid out. However, it is used to increase the number of mutual fund units an investor holds.

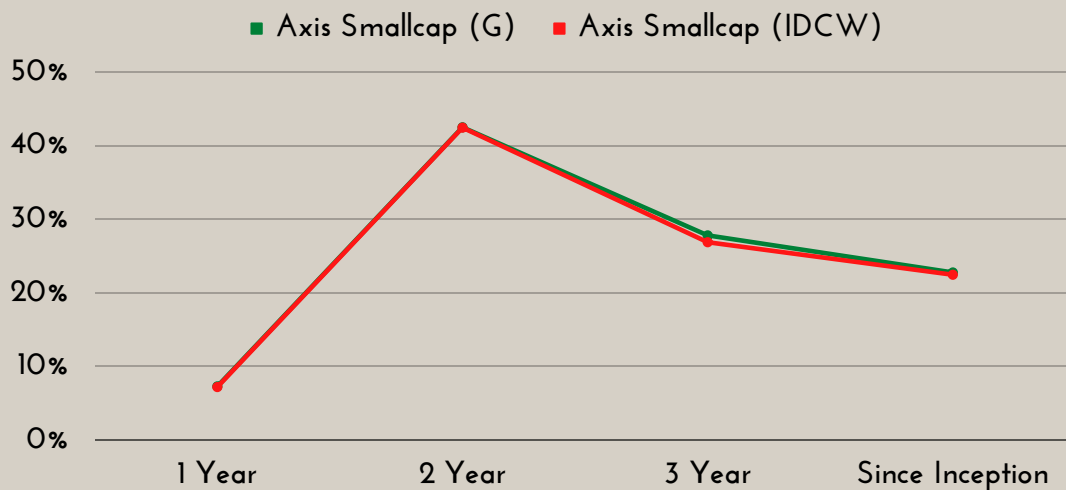


RETURN ANALYSIS

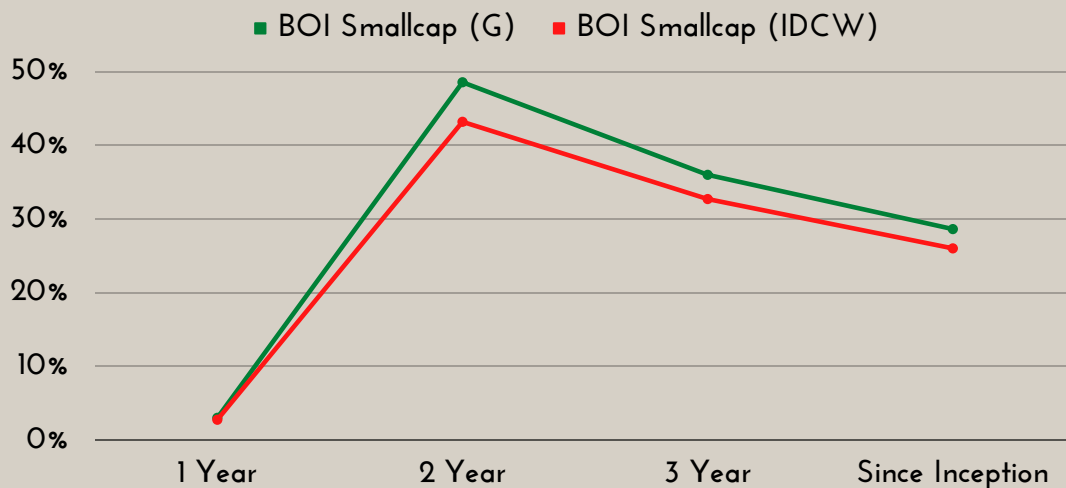


The Following Small Cap Funds will help us better understand the gap in returns between IDCW & Growth funds.

Fund Name	1 Year	2 Year	3 Year	Since Inception
Axis Smallcap (G)	7.28%	42.49%	27.80%	22.76%
Axis Smallcap (IDCW)	7.19%	42.44%	26.87%	22.45%



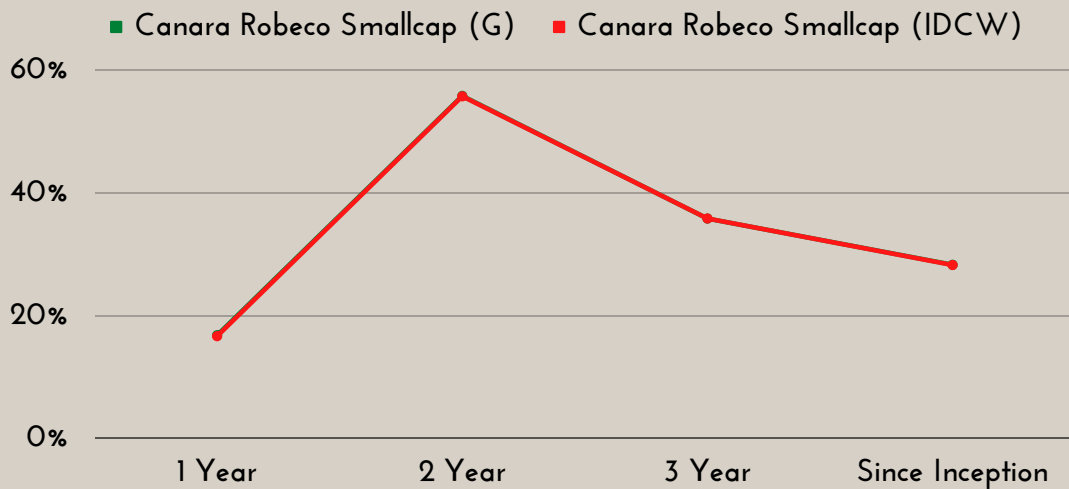
BOI Smallcap (G)	3%	48.57%	36%	28.63%
BOI Smallcap (IDCW)	2.74%	43.20%	32.71%	26.01%



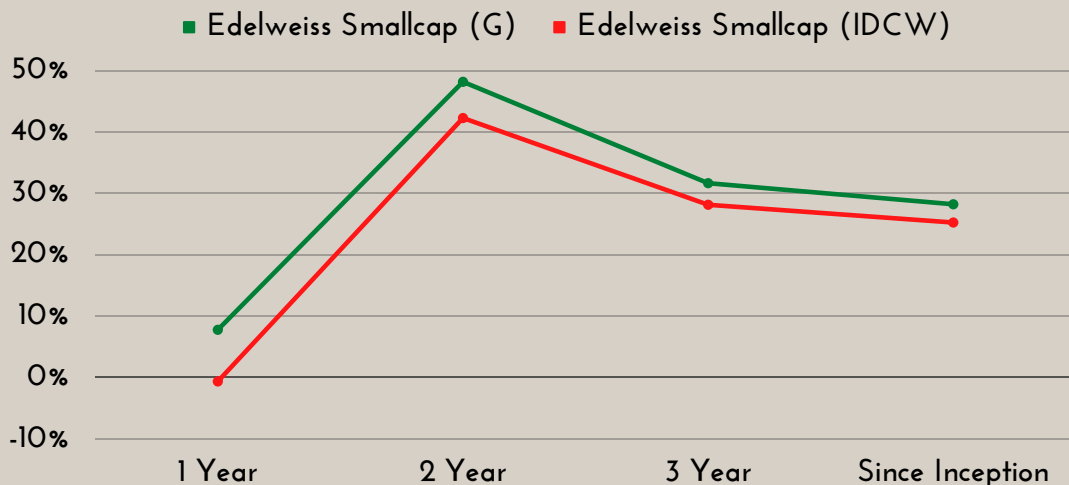
RETURN ANALYSIS



Fund Name	1 Year	2 Year	3 Year	Since Inception
Canara Robeco Smallcap (G)	16.83%	55.83%	35.84%	28.31%
Canara Robeco Smallcap (IDCW)	16.67%	55.76%	35.85%	28.27%



Edelweiss Smallcap (G)	7.83%	48.17%	31.68%	28.25%
Edelweiss Smallcap (IDCW)	-0.57%	42.28%	28.17%	25.28%



RETURN COMPARISON

The historical data shows that the growth option of mutual funds usually delivers better returns than the IDCW option. However, this benefits the investors over a more prolonged period of investments.

Now, to differentiate between Growth & IDCW Reinvestment options. Both the options provide the same returns, where the growth option shows profit by increasing the NAV of the fund, and the IDCW reinvestment option shows profit by increasing the unit holding of the investors deducting the dividend from the NAV Value.

Both the options offer the same returns. However, they have different taxation policies. A dividend is classified as a taxable income under the new tax rules. This is applicable even if the declared dividend is reinvested in the fund. Depending upon the amount of dividend tax slab is applied, which reduces the overall gains of the investors and further reduces the compounding gains by lowering the reinvestment value.

CONCLUSION

From all the historical data and tax laws, the chances of higher returns lie with the growth option if investors are only interested in maximizing their gains. However, an investor should not only focus on the returns of a scheme and choose a fund after doing detailed research and considering their needs and financial capacity.