

Fund distributors earned ₹21,000 crore in one year. Few investors saw the bill

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Maxim: *Performance comes, performance goes. Fees never falter.* — Warren Buffett

A fund can have a good year or a bad one. Its costs are taken out every day either way. That is why the fee deserves more of your attention than last year's return.

The only part of a fund's future you can know in advance is what it will cost you.

In May 2013, PPFAS Mutual Fund launched the scheme now called Parag Parikh Flexi Cap. Under rules Sebi had brought in at the start of that year, it opened with two doors: a regular plan, bought through a distributor, and a direct plan, bought from the fund house itself. Behind both doors sat one portfolio, one fund manager and the same shares bought on the same days. The only difference was the expense ratio, because the regular plan also pays the person who sold it.

Thirteen years later, the two doors lead to different places. In mid-October 2026, [Value Research](#) showed a unit of the direct plan at about ₹91 and a unit of the [regular plan](#) at about ₹82. Same starting price, same investments, roughly a tenth more money for the investor who paid less. The current gap in annual charges is about half a percentage point: a base expense ratio of 0.53% for direct against 1.05% for regular.

Nothing here is a criticism of that fund. It is simply the cleanest picture of Warren Buffett's line. Performance came and went for both plans in exactly the same way. The fee did not.

A bill that never arrives in the post

Buffett wrote the line in his [2017 letter](#) to Berkshire Hathaway shareholders, after watching professional fund-pickers charging fees of about 2.5% a year lose a ten-year bet to a plain index fund. Indian fees are far lower. The scale is not.

According to AMFI's disclosures, about 3,150 of the country's largest mutual fund distributors earned ₹21,107 crore in commission in 2024-25, [Business Standard](#) reported. A year earlier, AMFI's estimate for roughly 2,500 large distributors was ₹14,850 crore. Counting the two lakh smaller distributors below the disclosure threshold, 1 Finance estimated the full pool at about ₹27,335 crore, according to [Business Today](#).

None of it arrives as an invoice. The expense ratio is deducted from the fund's assets before the NAV is published, so the cost shows up only as a slightly smaller number every day. And since October 2018, when Sebi told fund houses to move to a [full trail model](#) without upfront commission, barring a small carve-out for SIPs, the distributor's share has been paid as an annual trail for as long as the money stays invested. That was a sensible reform: it removed the reward for moving investors from scheme to scheme to earn a fresh upfront fee. It also means the cost of a regular plan is not paid once. It is paid every year, on a balance that grows.

The price is now easier to read

This year Sebi made the fee easier to see. Under the revamped mutual fund regulations that took effect on 1 April 2026, a scheme's headline cost is its base expense ratio, which reflects the fund house's charge for managing your money. Brokerage, securities transaction tax, stamp duty and exchange fees are now disclosed separately rather than folded into one number, [Business Standard](#) reported in January. The same rules cut the brokerage a fund can pay on cash-market trades to 6 basis points, from an effective 8.59.

Factsheets now print this base expense ratio. It is cleaner, but not the whole bill: a fund that trades a lot still pays trading costs, and they still come out of your returns.

Your own statement has been more candid than most investors realise. Since October 2016, Sebi has required the half-yearly consolidated account statement to show, for each scheme you hold, the [commission paid to your distributor](#) in absolute terms, along with the plan's expense ratio. Few people read that page. It is the closest thing to the bill that never arrives.

What the fee buys, when it buys anything

It would be easy to end here with "go direct". The evidence is less tidy. The [Amfi-Crisil Factbook 2026](#), reported by Outlook Money, found regular plans still held about 55% of industry assets in March 2026. It also found that 23.5% of regular-plan money had been held for more than five years, against 14% in direct plans. For SIP money the gap was wider: 34.4% against 19.9%.

Those are industry-wide figures and they do not prove that advice causes patience; the people who choose each route may simply differ. But they fit a familiar pattern. An investor who stops a SIP in a crash, or chases last year's winner, can lose far more than half a percentage point a year. A good adviser who prevents that is worth paying.

So the maxim is not an argument against advice. It is an argument against paying for advice you do not receive. A trail commission that buys a yearly review, a steady hand in a falling market and a sensible plan is a fee for a service. A trail that buys nothing but a login is simply a leak.

Know the price before you judge the product

The same test applies well beyond mutual funds. A portfolio management service, a market-linked insurance plan or a wealth platform's model portfolio all carry a yearly cost, and someone receives it. Ask two questions of each: what do I pay every year, all-in, and what do I get in return that I would not get otherwise? If nobody can answer the first in one sentence, that is an answer too.

Then judge returns after costs, never before. A fund that beat its benchmark by one percentage point in a good year has told you little. A fund that costs one percentage point more than its alternative will tell you that every year.

If you do one thing: Open your latest consolidated account statement and, for each scheme, note whether you hold the regular or direct plan and how much commission was paid on your behalf. If you hold regular plans, ask what that trail buys you. If the honest answer is "nothing I use", consider moving, remembering that a switch counts as a sale for tax and may attract an exit load.

Go back to those two plans of one fund, launched on the same day. Neither investor could have known in 2013 how the fund would perform. Both could have known one thing: which of them would pay more each year to own it. That gap, about a tenth of the money after thirteen years, was the most predictable outcome in the whole story.

Returns are a forecast. Fees are a contract. Read the contract first.

Sources

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