InCred Premier

Rise. With Confidence.

EXPLORING THE SPECTRUM:

UNDERSTANDING DIFFERENT TYPES OF MUTUAL FUNDS

SWIPE

Types of mutual funds

1 Equity Funds:

These funds invest primarily in stocks or equities, aiming for capital apprecition over the long term. They can focus on specific sectors, market caps (large-cap, mid-cap, small-cap), or investment styles (value, growth). The following are some popular types of equity mutual funds.

i. Large-Cap Funds:

These funds primarily invest in stocks of large-cap companies, which are top 100 companies ranked according to their market capitalization by the stock exchange. Large-cap companies are often leaders in their respective industries and are considered relatively stable compared to smaller companies. These companies have a market cap of more than Rs. 20,000 Cr.

ii. Mid-Cap Funds:

Mid-cap funds invest in stocks of companies with rankings from 101 to 250 according to their market capitalization by the stock exchange. The market capitalization of these companies tends to be between Rs. 5,000 cr and Rs. 20,000 cr. These companies are generally considered to have higher growth potential than large-cap companies but may also carry more risk.

iii. Small-Cap Funds:

Small-cap funds invest in stocks of companies that are ranked 251 and below according to their market capitalization by the stock exchange. The market capitalization of small cap stocks tends to be less than Rs. 5,000 crores.

These companies may have higher growth potential than large-cap and mid-cap companies but also tend to be more volatile and riskier.

iV. Flexi-cap funds:

Flexi Cap funds are mutual funds that invest in a diversified portfolio of stocks across different market capitalizations, including large-cap, mid-cap, and small-cap companies.

This flexibility allows them to adapt to changing market conditions and potentially deliver higher returns over the long term.

V. ELSS funds

ELSS (Equity Linked Savings Schemes) funds are mutual funds that primarily invest in equity markets and offer tax benefits under Section 80C of the Indian Income Tax Act.

They have a lock-in period of three years, making them a popular choice for investors seeking tax-saving avenues with the potential for higher returns.

Vi. Index Funds:

These funds aim to replicate the performance of a specific market index, such as the S&P 500.

They invest in the same securities in the same proportion as the index they track, offering low-cost exposure to broad market returns.

2 Debt Funds:

Also known as fixed-income funds, they primarily invest in fixed-income securities like bonds, government securities, and money market instruments. Debt funds aim to provide regular income and preserve capital. The following are some popular types of debt mutual funds.

i. Liquid funds:

Liquid funds are mutual funds that invest in short-term, low-risk securities like treasury bills and commercial paper. They offer high liquidity and are suitable for investors looking for stability and easy access to funds.

ii. Short-duration funds:

Short-duration funds invest in fixed-income securities with maturities typically ranging from one to three years. They invest in a mix of government and corporate bonds of different varieties.

3 Hybrid Funds:

Also called balanced funds, these invest in a mix of stocks and bonds, offering a balance between growth and income. They vary in their asset allocation, ranging from conservative to aggressive.

4 Thematic funds:

Thematic funds are mutual funds that focus on specific investment themes or trends, such as sectors (e.g., technology, healthcare), geographical regions (e.g., emerging markets), or global trends (e.g., sustainability, artificial intelligence). These funds aim to capitalize on opportunities within a particular theme or trend, allowing investors to gain exposure to specific areas of interest.

5 Funds of funds (FoFs):

They are mutual funds that invest in other mutual funds rather than individual securities. In other words, instead of directly buying stocks, bonds, or other assets, FoFs pool investor's money to invest in a diversified portfolio of mutual funds managed by different asset managers. FoFs offer investors the benefit of diversification across various asset classes and investment strategies within a single fund, making them a convenient option for those seeking broader exposure to different markets and investment styles.

6 Commodity funds:

Commodity funds are investment vehicles that primarily invest in commodities such as gold, silver, oil, or agricultural products. They allow investors to gain exposure to the performance of commodity markets without directly owning physical assets.

To Bring It to a Close

At InCred Premier, we acknowledge that your hard-earned wealth deserves nothing less than the utmost care and attention.

Rest assured, we are committed to providing you with unparalleled investment services.

If you need help or have any questions as you progress, our dedicated team is here for you. You may reach out to us at care@incredpremier.com.

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