What is Equity Mutual Funds?

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About Equity Mutual Funds:

- It is a type of investment fund that **pools money** from investors **to trade primarily a portfolio of stocks**, also known as **equity securities.**
- They are also known as **Growth Funds.**
- Equity Funds are **either Active or Passive**.
  - In an **Active Fund**, a **fund manager scans the market, conducts research on** companies, examines **performance,** and **looks for the best stocks** to invest.
  - In a **Passive Fund**, the fund manager builds a **portfolio** that **mirrors a popular market index**, say Sensex or Nifty Fifty.
- The **fund manager** has a **passive role in stock selection**.
- Buy, hold, or sell **decisionsaredriven by the benchmark index,** and the fund manager merely needs to replicate the same with minimal tracking error.
- Equity Funds can also be **divided as per Market Capitalisation**, i.e., how much the capital market values an entire company’s equity.
  - There can be **Large Cap, Mid Cap, Small or Micro Cap Funds.**
- There can be a further classification as **Diversified or Sectoral / Thematic.**
  - **In the former**, the scheme invests in **stocks across the entire market spectrum**, while in the **latter,** it is **restricted to only a particular sector** or theme, say, Infotech or Infrastructure.

Q1: What are Mutual funds?

Mutual funds are investment vehicles that pool money from multiple investors to invest in a diversified portfolio of stocks, bonds, or other securities. They're managed by professional fund managers or management teams who make investment decisions based on the fund's objectives.

Source: Inflows to equity MFs hit record high in June
