Gilt Funds :- These funds invest exclusively in Government Securities which have no default risk. Invest their corpus in Securities issued by Government, Popularly Known as Government of India debt papers. These Funds carry Zero Default risk but are associated with Interest Rate Risk. These Schemes are safer as they invest in Papers backed by Government.

Income Funds :- The aim of income funds is to provide safety of investments and regular income to investors. Such schemes invest Predominantly in income-bearing instruments like bonds, debentures, government Securities, and commercial Paper. The returns as well as the risk are lower in income funds as compared to growth funds.

MIPs :- Monthly Income Plan is a type of mutual fund strategy that invests primarily in debt and equity Securities. It aims

to provide a steady income in the form of dividend and interest payments. It is typically attractive to retired persons or senior citizens who do not have other sources of monthly income.

Short Term Plans (STPs) :- It is meant for investment horizon for three to six months. These funds invest in short term papers like Certificate of Deposits (CDs) and Commercial Papers (CPs). Some portion of the corpus is also invested in corporate debentures.

Liquid Funds :- It is also known as Money market Schemes. These schemes invest in short - term instruments like Treasury Bills, inter-bank call money market, CPs and CDs. These funds are for short - term cash management of corporate houses and an investment horizon of 1 day to 3 months. These schemes are safest amongst all categories of mutual funds.

Balanced Funds :- They invest in both equities and fixed income securities. Equity provides growth and debt provides stability in returns.

The investor can align his own investment needs with the funds objective and invest accordingly.

By investment objective :-

Growth Schemes :- Also known as equity schemes and the aim is to provide capital appreciation over medium to long term. These schemes invest a major part of their fund in equities and are willing to bear short term decline in value for possible future appreciation.

Income Schemes :- Also known as debt schemes. The aim of these schemes is to provide regular and steady income to investors.

Balanced Schemes :- These schemes invest in both shares and fixed income securities and invest in both equities as well as debt.

It Seek to attain the objective of income and moderate capital appreciation and ideal for investors with a long-term orientation. Balanced fund and Gift fund are examples of hybrid schemes.

Money Market Schemes:- Aim to provide easy liquidity, Preservation of capital and moderate income. These Schemes generally invest in safer, short-term instruments, such as treasury bills, certificates of deposit, Commercial paper and inter-bank call money. These funds are also income funds aim to provide easy liquidity, Preservation of capital and moderate income.

Index Schemes:- It is a mutual fund which invests in securities in the index on which it is based BSE Sensex or S&P CNX Nifty. The fund manager has to buy stocks which are added to the index and sell stocks which are deleted from the index.

Index funds invest in a specific list of securities (such as stock of S&P

500 listed companies only).

NAVs of such schemes would rise or fall in accordance with the rise or fall in the index, though not exactly by the same percentage due to some factors known as "tracking error".

Sector Specific Schemes :- These are the funds/schemes, which invest in the securities of only those sectors or industries specified in the offer documents.

Ex:- Pharmaceuticals, Software, Fast Moving Consumer Goods (FMCG), Petroleum stocks etc.

The returns in these funds are dependent on the performance of these industries. These funds may give higher returns but are more risky compared to diversified funds.

Tax Saving Schemes :- These Schemes offer tax rebates to the investors under specific Provisions of the Income Tax Act, 1961.

Ex:- Equity Linked Savings Schemes (ELSS), Pension Schemes launced by the mutual funds.

These Schemes are growth oriented and invest pre-dominantly in equities.

Arbitrage Fund :- Arbitrage is one of the most effective ways to protect against market volatility. An arbitrage fund buys equities in the cash market and simultaneously sells in the futures market, this ensuring market neutrality for the investment.

Difference between Arbitrage Fund and Income Fund, both in terms of risk and returns

→ In terms of returns, an arbitrage fund is better than an income product. An income product has a fixed yield-to-maturity while in an arbitrage product; the yields are better due to lower cost of carry.

→ The risk parameters are similar or lower than an income product. An arbitrage fund does not carry any credit rating risk and interest rate risk, while the returns can be much higher than an income product.

→ A mutual fund arbitrage product enjoys all the tax benefits enjoyed by mutual fund products.

The other type of mutual funds is Asset Allocation Funds.

Asset Allocation Funds:- The manager will diversify the assets among each category: Cash, bonds, and stocks and weight them according to the portfolio strategy. The manager will redistribute the weightings according to market conditions.