

**ARTICLE No. 03**

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**WHAT IS A FOCUSED MUTUAL FUND SCHEME?**

An equity mutual fund scheme that invests in a limited number of stocks, subject to a maximum of 30, is called a focused equity mutual fund scheme as per the guidelines of the Securities and Exchange Board of India (SEBI).

**WHAT IS THE ADVANTAGE OF A FOCUSED EQUITY FUND?**

The biggest advantage of a focused equity fund is that it gives the fund manager the flexibility to invest in any company across market capitalization. This helps the fund manager to change the portfolio quickly as per market conditions. An investor can get all high conviction bets of the fund house through a focused fund. Since the scheme has 20-30 stocks, the research team spends higher time and effort in picking these stocks. This gives a higher probability to earn better returns than the broader market.

At times when markets are polarized, returns can be low in diversified equity funds where only a few stocks outperform. In focused funds, the capital is deployed only in select stocks; so the probability is higher that the fund manager will perform well.

**WHO SHOULD INVEST IN FOCUSED EQUITY FUND?**

Focus funds come with a relatively higher risk owing to the limited number of stocks in their portfolio. However, this concentration means even one wrong bet can lead to substantial losses. Hence, investors willing to take risks higher than diversified mutual funds should invest in them. So, an investor with a few years of investment experience, and a time frame of at least five years should opt for these funds.

**WHAT IS THE DIFFERENCE BETWEEN A FOCUSED EQUITY SCHEME AND A DIVERSIFIED EQUITY MUTUAL FUND SCHEME?**

The major difference between a focused fund and any other scheme is the number of stocks held in the portfolio. A diversified equity mutual fund scheme can hold any number of stocks in the portfolio, while a focused scheme restricts the exposure to 30 stocks. Equity mutual fund categories like large, large and mid, multi cap, small and midcap funds have restrictions on the universe of stocks that they can select from, while focused funds give the fund manager the flexibility to invest in large, mid or small caps without any restriction.