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Thematic Funds: Top Schemes, Types, Benefits and More

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By Subhodip Das / October 8, 2025 Share on: Mutual funds that invest in stocks or companies following a particular sector or idea are referred to as thematic funds.

These funds must consist of at least 80% of the total capital invested under a specific sector or theme.

As there are many sectors, such as financial services, automobiles, FMCG, etc., you can invest in various consumption-oriented thematic mutual funds online.

Continue reading to learn about the benefits of thematic mutual fund-oriented investing and things to consider before you explore this investment idea.

Quick Synopsis

Thematic funds invest 80% or more in a specific sector or theme.

They offer high growth potential but also involve concentrated risks.

Long-term horizon and regular monitoring are essential for successful investing in thematic mutual funds.

10 Top Thematic Mutual Funds to Choose in 2025 (As of 05.09.2025)

Fund Name

5-Year Return

Expense Ratio

AUM (in Crore)

ICICI Prudential Manufacturing Fund Direct - Growth

₹6602.43

UTI Transportation and Logistics Fund Direct-Growth

₹3565.22

ICICI Prudential Commodities Fund Direct - Growth

₹2934.02

Sundaram Services Fund Direct - Growth

₹4366.51

ICICI Prudential Exports and Services Fund Direct-Growth

₹1396.94

HDFC Housing Opportunities Fund Direct - Growth

₹1326.14

Aditya Birla Sun Life Manufacturing Equity Fund Direct-Growth

₹1062.5

Edelweiss Recently Listed IPO Fund Direct-Growth

₹916.49

SBI COMMA Fund

₹707.81

Tata Ethical Fund

₹3571.7

Types of Thematic Funds

There are mainly 8 types of thematic funds including dividend yield funds, PSU equity funds, Energy funds, consumption funds and a few others. Check out details below:

Dividend Yield Funds

: These mutual funds consist of dividend-paying stocks. The dividends offered by individual company stocks contribute to the fund's overall return and, consequently, affect the NAV.

PSU Equity Funds:

PSU funds include stocks within the public sector that are listed on the stock exchange

. Some typical sectors featured in these funds include banking, metals, telecom, hospitality, oil and gas, among others.

Energy Funds:

Companies dealing with energy and natural resources are normally included in this type of thematic fund. Most of these organisations are PSUs or large corporations.

MNC Funds:

MNC thematic funds include stocks of multinational companies that are traded on stock exchanges. These equity funds are open-ended and primarily invest in international companies.

The ICICI Prudential MNC Fund, ABSL MNC Fund Direct Plan Growth, and Edelweiss Mid Cap Fund are some examples of the best thematic mutual funds within this sector.

Consumption Funds:

These funds mainly invest in consumption-related sectors. Some common industries include FMCG, automobile, financial services, telecom, etc. Fund managers use the capital to invest in businesses that serve consumers (both products and services).

ESG Funds:

ESG funds aim to maintain a diversified portfolio of stocks that can achieve long-term capital appreciation. The underlying companies demonstrate sustainable practices across governance, environmental and social parameters.

Manufacturing Funds:

This is a straightforward thematic fund that concentrates investments in Indian companies within the manufacturing space.

Quant Funds:

This fund focuses on delivering sustained capital appreciation by investing mainly in equity and equity-linked securities, which are selected using a data-driven quantitative model.

Other Thematic Funds:

Besides the ones discussed above, there are a few smaller themes like exports, transportation, commodities, etc., which represent other forms of thematic funds.

For instance, the ICICI Pru Thematic Advantage Fund is an Equity Fund of Funds. It invests primarily in different thematic equity funds managed by the ICICI Prudential Fund House . The idea is to produce long-term capital gains.

Benefit of Investing in a Thematic Fund

By putting your money into a thematic fund, you increase the possibility of higher returns, considering that the particular sector performs well. Some advantages include:

High Growth Potential

: If the companies in your preferred sector perform well, then your investments grow significantly.

Professional Management

: Like most other

types of mutual funds

, thematic funds also have fund managers who consistently update the portfolio. Their expertise allows you to earn superior risk-adjusted returns.

Long-term Investment

: When you are determined to invest for a timeframe of 5-7 years, sectoral funds can actually help you earn substantial returns.

Points to Consider Before You Invest in Thematic Funds

If you are thinking about making an investment, simply understanding the thematic funds' meaning is not sufficient. Since these funds concentrate on particular industries or trends, you must have a thorough understanding of the sector.

Determine your level of risk tolerance because thematic funds are riskier as they focus on specific industries.

Make sure your investing horizon is long-term (usually more than 5 years).

Research a fund's past performance, but remember it does not guarantee future returns.

To balance risk and reward, compare thematic funds with diverse stock funds.

Regular monitoring is essential as themes may lose relevance over time. Hence, investors require timely entry and exit decisions.

Taxation on Thematic Funds

Profits from thematic funds are subject to taxation, just like any other equity mutual fund. For holding periods of less than 12 months (short-term capital gains), investors have to bear a 20% tax rate.

Otherwise, if your gains in a fiscal year are above ₹1.25 lakh, you would be liable to pay 12.5% tax on your profits for longer periods (more than a year).

Final Words

Thematic funds offer investors an opportunity to tap into specific sectors or emerging trends with strong growth potential. While they carry higher risks due to concentrated exposure, proper research, long-term perspective, and timely portfolio reviews can maximise returns. Balanced with diversification, thematic funds can complement a wealth-building strategy effectively.

Want more secure investment avenues? With Stable Money , you can explore fixed-income instruments earning up to 8.40% returns with safety and stability.