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How to play Nifty at 10K? MF investors should look at balanced funds

BY [PRASHANT MAHESH](#), ET BUREAU | UPDATED: JUL 26, 2017, 10.04 AM IST

MUMBAI: [Nifty](#)'s going past the five figure-mark is likely to attract many new investors to the markets, while the existing ones would look at reviewing their portfolios. In a scenario where large-cap funds have returned 19 per cent and midcaps 24 per cent, compared with 7-8 per cent returns from traditional products such as [fixed deposits](#) and small savings, many new investors would consider routing their money into equities for the first time.

"Though valuations are rich, we are nowhere near the peak of the earnings cycle and there's no cause for worry. Steps like GST, [demonetisation](#) have only strengthened the economy, which augur well for long-term equity investors," said Ashish Shankar, head (investment advisory), Motilal Oswal Wealth Management.

At this juncture, wealth managers believe the challenge lies in managing the behaviour and expectations of first-time investors who are moving from fixed return products to variable return instruments. **"First-time investors with a lump sum to invest in could look at a combination of asset allocation fund and a balanced fund,"** said Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors. **Asset allocation funds alter their debt to equity ratios depending on the equity valuations in the market.**

As valuations rise, they cut exposure to equity and vice versa, while balanced funds have 65-75 per cent of their portfolio in equities with the balance in fixed income instruments. Since these funds do not have a 100 per cent equity exposure, any correction, if it were to

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happen, would see their **net asset value** (NAV) drop to a lower extent compared to a pure equity fund. **Vishal Dhawan recommends Franklin Templeton Dynamic P/E Ratio Fund of Funds and HDFC Balanced Fund for first time investors.**

Some wealth managers believe the rally is just the beginning of a long bull run. To play it out and make the most of it, investors should choose the right fund manager and leave the task to him. "We recommend investors go with fund managers, who have multi-cycle experience," said Roopali Prabhu, director, Sanctum Wealth Management. This means going with fund managers who have been around for more than 10 years. Amongst her top fund picks are Franklin India Prima Fund, L&T Special Situations Fund and IDFC Classic Equity.

Wealth managers believe that existing investors can continue to invest in equities and there's no need to change their asset allocation. "Investors need to moderate their return expectations to 12-15 per cent a year instead of the 20-25 per cent that they have earned from equity **mutual funds** over the past three years," said Shankar.



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Given the sharp run-up in midcaps, he recommends investors make fresh allocation in large-cap and multi-cap funds only. He prefers Kotak Select Focus, Motilal Oswal Multicap 35 Fund and Birla Sunlife Equity Fund. Many mid-cap and micro-cap funds have doubled investor wealth over the past three years.

Some wealth managers believe that this part of the market is overheated and **risk averse** investors can book some profits there. "Book gains in mid-cap funds and allocate them to large-cap or balanced funds to lower risk," said Anup Bhaiya, MD, Money Honey Financial Services.

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