

04:05 PM 08 SEP EOD MARKET STATS ▼	सेन्सेक्स 31,687 ▲ 24.78	निफ्टी 50 9,934 ▲ 4.90	सोने (एमसीएक्स) (□/१०... 30,297.0 ▲ 15.0	यू एस डी/भारती... 63.78 ▼ -0.27	पोर्टफोलियो निर्माण करा	ई-टी मार्केट्स आप उतरवून घ्या	CHOOSE LANGUAGE MAR
---	-----------------------------	---------------------------	--	------------------------------------	----------------------------	----------------------------------	---------------------------

Should an average investor look beyond multicap mutual funds?

BY ECONOMICTIMES.COM | UPDATED: SEP 08, 2017, 10.59 AM IST

Post a Comment

By Vishal Dhawan

Equity markets continue to move higher, driven by domestic flows from investors who believe that there is no alternative to equity. Since returns from real estate, gold and **fixed deposits** have fallen, there is a large inflow into equity **mutual funds**. A significant number of investors are using diversified equity funds, or **multicap funds** for either investing in **lumpsum** or through strategies like SIPs (Systematic **Investment Plans**) or STPs (Systematic Transfer Plans).

While this is a positive change from earlier bull markets like the tech boom of 1999-2000, when there were significant inflows into technology funds, or in 2007-08 when a large amount of inflows came in through thematic funds like infrastructure funds. However, the moot question is whether average investors look beyond diversified or multicap equity funds to take an exposure to equity markets, or should they look beyond them?

We believe multicap funds are an excellent choice for a certain profile of investors which include:

1. Investors who are willing to delegate the decision on how to allocate the monies within equities to a fund manager. The fund manager in these funds would decide the mix of large-, mid-, and small capitalization stocks and the sectors they would like to go overweight or underweight on, and the weightage to individual stocks.
2. Investors who believe that active managers will continue to outperform the indices like they have in the past, even though these funds could be more expensive. The point to note here is that India is very different from developed markets where a majority of active fund managers underperform the indices.



Big Change:
The end of Five-Year Plans: All you need to know



Recommended By Colombia

3. Investors who are managing their own **asset allocation** strategies and investing in different asset classes like equities, bonds, gold, etc, which are rebalanced on a regular basis.

Thus, when equity markets get overvalued, for example, they would move out of the equity funds that they hold and move to a cheaper asset class at that point.

However, we continue to believe that a large number of investors need to look beyond multicap equity funds for different reasons:

1. Asset allocation is a very critical determinant of overall returns, and for investors who are unable to manage their monies across asset classes, and unlikely to rebalance on an ongoing basis, asset allocation funds that have a combination of equity, bonds and/or gold, and rebalance on an ongoing basis could be a good option to consider in order to reduce the overall **volatility** of returns.

2. As India becomes a more mature and researched market, active managers may struggle to generate alpha. That is, higher returns than the indices that they track their portfolios against. Thus, it may be prudent to look at the option of using index funds, index ETFs and smart beta products for investors, especially for those investors who are looking for lower cost solutions and returns that do not deviate significantly due to inappropriate stock and/or sector selection by the fund manager.

3. Investors who believe that there is tactically an opportunity to go overweight or underweight on a particular sector/theme or **market capitalization** of stocks. For example, there could be investors who may view enhanced capital spending by the government as an opportunity to enhance exposure to infrastructure funds. Investors taking these exposures may need to track these funds closely as any change in the environment, could mean that they would have to take the decision of exit themselves, rather than depend on a fund manager to decide for them.

Overall, the power of choice that the **mutual fund** industry provides is excellent news, with different schemes for different types of investors, and therefore what is good for your neighbour or your colleague may not be the best choice for you as well. Be prudent with what you invest in and understand what is good for you. If you can't decide yourself, seek professional help.

(Vishal Dhawan is a certified financial planner and founder of Plan Ahead Wealth Advisors, a SEBI Registered Investment advisory firm.)

Stay on top of business news with The Economic Times App. [Download it Now!](#)

Powered by	Live Market	Industry	About Us
	News	Newsletters	Create Your Own Ad
	Portfolio	Commodities	Advertise with Us
	Mobile	Speed	Terms of Use & Grievance Redressal
	Live TV	Blogs	Privacy policy
	Biz Listings	RSS	

FOLLOW US

Download it from
APP STORE

Download it from
GOOGLE PLAY

Download it from
Windows Store

Other Times Group news sites

इकॉनॉमिक टाइम्स | ईकोनॉमिक टाइम्स | Pune Mirror | Bangalore Mirror | Ahmedabad Mirror | ItsMyAscent | Education Times | Brand Capital | Mumbai Mirror | Times Now | Indiatimes | नवभारत टाइम्स | महाराष्ट्र टाइम्स | ವಿಜಯ ಕರ್ನಾಟಕ | Go Green | AdAge India | Eisamay | IGN India | NavGujarat Samay | Times of India | Lifehacker | Gizmodo | Samayam Tamil | Samayam Telugu | Miss Kyras | Bombay Times | Filmipop

Living and Entertainment

Timescity | iDiva | Entertainment | Zoom | Healthmeup | Luxpresso | Gadget Reviews | Titanium & Platinum Credit Card | Online Songs | MensXP | Hotels | Travel Destinations | Cricbuzz | Recipes | Gaana | Happytrips | Getsmartapp

Interest Network
itimes

Hot on the Web

Upcoming IPO | Apex Frozen Foods Share Price | Breaking News | Bank Fixed Deposits Rates | NPS | Sensex Today | Gold Rate | Sensex Live | Nifty Live | Top Gainers Today | Share Market | Gadgets News

Services

Book print ads | Online shopping | Matrimonial | Astrology | Jobs | Tech Community | Property | Buy car | Bikes in India | Free Classifieds | Send money to India | Used Cars | Restaurants in Delhi | Remit to India | Buy Mobiles | Listen Songs | News | TimesMobile | Real Estate Developers | Restaurant Deals in Delhi | Car Insurance | Gadgets Now | Free Business Listings | CouponDunia | Remit2India | Techradar | AliveAR | Getsmartapp App | ETMoney Finance App | FeedbackManage Notifications

In Case You Missed It

[Multicap mutual funds](#)

[Mutual Fund Investment](#)

[Why the bets on Nifty hitting 12,000 by next year are on](#)

[Should I consult an advisor or invest directly?](#)

[Quantum Long Term Equity Fund goes high on cash; should you invest?](#)

[Reliance Mutual Fund](#)

[Is it easy to invest directly in stocks and beat mutual funds?](#)

[Best mutual funds to invest in 2017](#)

[Nifty50 @10,000; should mutual fund investors still wait for correction?](#)

[57.21 per cent retail investors prefer to invest in stocks via mutual funds](#)

[Best Mutual Funds](#)

[UTI Mutual Fund](#)

