Sensex up nearly 900 points in March so far. How should mutual fund investors tweak their portfolios?

By Surbhi Khanna, Published on 11th March 2025

With the Sensex up by nearly 900 points in March and reaching at the level of 74,115, the market expert recommends that markets are attractive in the large-cap and banking and financial services segment for lumpsum investment, but investors can take the SIP/STP mode as well if they don't have the risk tolerance for lump sum investments.

"One can enter the large-cap segment of the market. Be cautious on the mid and small-cap segments as valuations are still commanding a premium there, with earnings expected to slow down across the economy," recommended Vishal Dhawan, CEO of Plan Ahead Wealth Advisors, a wealth management firm in Mumbai.

On a percentage basis, the index has gone up 1.25% in the current month. The expert attributes this surge to three factors which includes easing of dollar Index and US 10-Year Gsec, inflation at 4.31% for the month of January which was below estimates of 4.60% and below 5.22% of the previous month, and lastly the valuation correction.

"The rally was broad-led by metals, Oil and gas, and PSU Banks – The cooling down of the dollar index provided the support for metals and oil index, while the announcement of various liquidity measures by RBI provided banks some relief in the current liquidity crunch environment," Dhawan mentioned.

He further adds that, "The recent rally was a broad-based recovery, with public sector banking being one of the top performers after the announcement of various liquidity-infusing measures by RBI. The future momentum for the market will come from having certainty in the global trade environment and recovery in urban consumption leading to overall GDP growth."

The benchmark index - BSE Sensex - reached at a level of 74,115 on Monday against a level of 73,198 on February 28, 2025. In the last three and six months, BSE Sensex has gone down by around 9% each.

The index has gone down by 3.07% in the last nine months and by 4.50% in the last one month. After seeing the negative performance by the index and now the index witnessing a minimal surge, the expert recommends that one can look at booking profits or reducing exposure in mid and small-caps as valuations continue to trade above the historical averages.

"Investors can continue to remain invested in large caps as valuations have become more reasonable compared to the historical average. As far as FIIs are concerned, they are still continuing their selling. According to the provisional data, FIIs have sold more than Rs 15,000 crore in the cash market, as they see some valuation comfort in other emerging markets such as China and Brazil," Dhawan said.

Foreign portfolio investors have sold Indian shares worth Rs 1.10 lakh crore on a net basis in 2025 so far, and in March so far, FIIs have sold Indian shares worth Rs 9,479 crore, according to NSDL data.

In the first two months of the current calendar year, all domestic mutual funds were in red and only international funds were in the green territory. In March so far, the picture changed and all domestic mutual funds are in green whereas international funds are marginally down by 0.77%.

According to Dhawan, markets have seen a moderate correction, so it would be prudent to allocate into a category that allows the fund manager high flexibility and one can look at the flexi cap funds.

"Additionally one can look at passive funds in Nifty 50 as the index is trading at attractive valuations. For thematic/sectoral suggestions, banking and financial services can be considered - the stimulus provided by the recent budget could benefit the credit demand there by benefiting the banking and financial services segment. However, sectoral / thematic allocations need to be controlled in a portfolio and capped at 10%," the expert further recommends.