NFO Insight: WhiteOak Capital Dividend Yield Fund opens for subscription. Can REITs and InvITs boost diversification and income?

By Surbhi Khanna, Published on: August 11, 2026.

The primary objective of the scheme is to generate long-term capital appreciation and regular income by investing predominantly in a well-diversified portfolio of equity and equity related instruments of dividend yielding companies.

Investment process

The scheme will endeavour to achieve the same by investing predominantly (min 80% of total assets) in equity and equity related instruments as stated in the asset allocation.

The stock picking based on expected dividend yield in the future as a filter aims to avail benefits of dividend income as well as potential capital appreciation. While dividend yield will be an important factor, the fund manager may also consider other factors such as business fundamentals, valuations, growth potential, corporate governance etc.

At WhiteOak Capital AMC, the investment strategy is to invest in businesses based on stock selection and to avoid focusing on macro events.

What experts say about the fund

Experts typically ask investors to avoid investing in NFOs unless they offer something unique. The uniqueness could be that the scheme is offering an investment option that is not available in the market or offering something extra to an existing option. Otherwise, the experts believe investors are better off with an existing scheme with a long performance record. This is because you have some historical data to base your investment decision. You don't have any data when it comes to new offerings.

Dividend-yield fund vs flexi-cap and large-cap: How does the risk-reward compare?

Vishal Dhawan, Founder & CEO, Plan Ahead Wealth Advisors told ETMutualFunds that a dividend-yield strategy targets cash-generative, established companies with a history of regular payouts and in flat or declining markets, these cash distributions create a predictable floor, resulting in lower drawdowns and lower portfolio volatility compared to flexi-cap funds.

"Flexi-cap funds operate without market-cap constraints, allowing them to capture growth and momentum during bull runs, but this unconstrained approach exposes them to corrections when valuations compress."

Dhawan further said that unlike large-cap funds, which primarily select stocks based on market capitalisation, dividend-yield strategies focus on companies with strong cash flows and consistent shareholder payouts. This approach can help avoid overvalued stocks and provide a margin of safety through market cycles. "

Amitabh Lara, Executive Director, Anand Rathi Wealth Limited shared with ETMutualFunds that comparing dividend yield funds to other diversified categories, we see that they have a more stable risk profile due to the companies they invest in which are stable and well established providing dividends.

While sharing the beta, standard deviation for large, mid, flexi and large & mid cap funds which indicates that the category has offered better downside protection, but there is a trade-off, Lara further said that dividend-paying companies tend to be more mature businesses, which means the upside may be lower than a flexi-cap fund that can invest freely across higher-growth companies.

Residual 20% allocation

The scheme shall invest residual portion in equity, money market instruments and other liquid instruments, Gold and Silver instruments (including ETCDs, Gold ETFs and Silver ETFs etc.) as permitted by SEBI and in InvITs, subject to the ceilings laid out in MF regulations with respect to the respective asset class.

The AMC believes in investing in good businesses at attractive valuations. These are the two critical pillars of our investment philosophy – business and valuation.

Lara said that the 20% allocation to non-dividend-paying companies gives the fund manager enough flexibility to look beyond the traditional dividend-paying universe. SEBI requires dividend yield funds to keep at least 65% in dividend-paying stocks, while most funds in the category typically maintain around 70% to 80% which leaves some room to invest in companies that may not pay dividends today because they are reinvesting their profits into growth.

He further said that this is important because a restriction could limit the fund to sectors such as FMCG, utilities, banking and IT, where companies tend to have more stable cash flows and regular dividend payouts and the additional allocation allows the fund manager to diversify across sectors and participate in growth opportunities while keeping the majority of the portfolio focused on dividend-paying companies.

To this, Dhawan said that while SEBI mandates for dividend-yield funds gives the manager operational flexibility to capture growth opportunities and generate capital appreciation without compromising the scheme's core dividend mandate.

REITs and InvITs

According to the scheme information document (SID), the fund will invest 80-100% in Equity and Equity related instruments of dividend yielding companies (including units issued by REITs), 0-20% in Equity and Equity related instruments of other than dividend yielding companies (including units issued by REITs), 0-20% in Debt Securities and Money Market Instruments and 0-10% in Units issued by InVITs.

Recently, Edelweiss Mutual Fund has launched India's first REITs-oriented index fund NFO - Edelweiss Nifty REITs & Realty Index Fund. This passive fund invests 95-100% in securities covered by Nifty REITs & Realty Index and 0-5% in debt and money market instruments.

REITs and InvITs: Can they improve portfolio diversification?

With the fund investing in REITs and InvITs both, Dhawan said that combining REITs and InvITs provides diversification beyond standalone REIT exposure and within an equity mutual fund, both instruments function as yield-generating real assets under a regulatory framework: SEBI rules require REITs and InvITs to distribute at least 90% of their Net Distributable Cash Flows (NDCF) to unitholders.

He further said that since their income comes from long-term contracts that automatically raise rents or fees with inflation, they give the fund a reliable cash stream that doesn't depend on the stock market momentum.

Lara said that REITs and InvITs can give investors exposure to income-generating assets without having to buy or manage physical properties and holding both can provide broader exposure than investing only in REITs, but it does not remove the risks linked to these assets.

Lara further said that if we look at the Nifty Realty Index, we can see that shows high cyclicality across the years, where it saw deep negative returns of around -11% in 2022, and around -16% in 2025, with positive returns of 81% in 2023 and 34% in 2024. “Hence long term investors should focus on building a diversified equity portfolio across market caps for balanced exposure, with participation across market cycles and reduces the concentration risk that comes with relying too much on any one sector or segment.

REITs and InvITs - Explained

REITs allow investors to participate in the real estate market without owning physical property directly. In traditional real estate investing, an investor typically purchases a property such as an office space or apartment using a large amount of capital and then manages the property independently to earn rental income and potential appreciation.

InvITs, in contrast, hold hard infrastructure assets like power transmission lines, toll highways, and gas pipelines, which operate under long-term agreements or regulated tariffs that remain independent of commercial real estate cycles.

Dividend-yield funds: How to avoid duplication with REITs and InvITs?

A key consideration for investors who already hold REITs or InvITs directly is the potential for overlap. Adding a dividend-yield fund that can also invest in these instruments could increase exposure to the same underlying assets or themes.

At present there are 10 dividend yield funds who have completed one year, of which Tata Dividend Yield Fund delivered the highest return of around 13.80% in the same time period, followed by LIC MF Dividend Yield Fund which gave 9.25% return.

Lara said that investors who already hold REITs or InvITs directly should assess their overall portfolio before adding a dividend-yield fund with exposure to the same assets as this can lead to concentration risk and there is another risk that REITs and InvITs already depend on factors such as rental income, occupancy, interest rates and the broader real estate or infrastructure cycle.

He further said that investors should assess the combined exposure rather than looking at each investment separately and for long-term wealth creation, a diversified active equity portfolio across market caps can provide broader exposure and reduce dependence on any one sector or investment theme.

Commenting on how to avoid overlapping in the portfolio, Dhawan said that holding REITs or InvITs directly creates concentration or duplication risk when investing in a dividend-yield fund and SEBI limits mutual fund exposure to InvITs at 10%, meaning the bulk of the portfolio that is 80% to 100% in WhiteOak Capital is allocated to traditional, high-payout equities across various sectors; the real-asset allocation in the fund is tactical, offering broad equity diversification that direct unitholders do not get from standalone trusts.

The dividend-yield strategy remains positive, especially amid elevated market valuations. Strong cash flows, healthy balance sheets and consistent payouts can provide a margin of safety, while REITs and InvITs can add regular income and long-term growth potential, Dhawan further said.

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