

**SENSEX**  
59031.30

**NIFTY**  
17577.50

**USD**  
80.14

**GOLD**  
51396.00

**CRUDEOIL**  
7515.00

## Avoiding portfolio overlap while investing in Mutual Funds

‘Portfolio diversification’, as a concept, is much like SoanPapdi for the investing community. It is transferred from one person to another but is hardly consumed by anyone. The reason is not that people do not understand its importance; rather, they don’t know the exact math behind it.

**Diversification** means spreading your investments across instruments to minimise the risk. But what combination of instruments will achieve the result, is sometimes hard to figure out.

For instance, buying shares of 10 different companies will help you minimise company-specific risks. But if these 10 shares belong to the same sector, you’ll expose your portfolio to sector-specific risks. And that’s precisely why this is not called optimal diversification.

This mostly happens when investors try to create a mutual fund portfolio. We believe that schemes with different names or different categories have disparate strategies, but this is not always the case. Take, for example, **Axis Bluechip fund** and **Axis Flexi-cap fund**. Both funds belong to different fund categories, but have 92 percent overlapping. If you compare the portfolio holdings, you will realise that the two schemes have 28 common stocks. This means, adding both schemes to your portfolio will not diversify your risk.

If you have too many mutual fund schemes in your portfolio and want to optimise it to avoid overlapping, here’s how you can do it:

### **Avoid buying too many schemes of the same category**

It makes no sense to buy multiple schemes from the same category, especially in the case of large-cap funds. As per SEBI’s regulations, a large-cap fund has to invest at least 80 percent of its assets in large-cap companies, which are ranked 1st to 100th on Indian stock exchanges in terms of market capitalisation. On the other hand, if you see the indices like Nifty 50 and BSE 100, the composition is mostly similar, which makes it difficult for a large scheme to beat the index. Additionally, as the investible pool in the case of a large-cap scheme is very small, there is hardly any scope for a fund manager to adopt a different strategy.

### **Check sectoral allocation**

Compare your mutual fund schemes and determine their exposure towards different sectors. In case you find that two or more funds in your portfolio have similar sectoral allocation or the net allocation towards a sector is very high, you should reconsider your investment weightage.

### **Avoid adding multiple funds managed by the same fund manager**

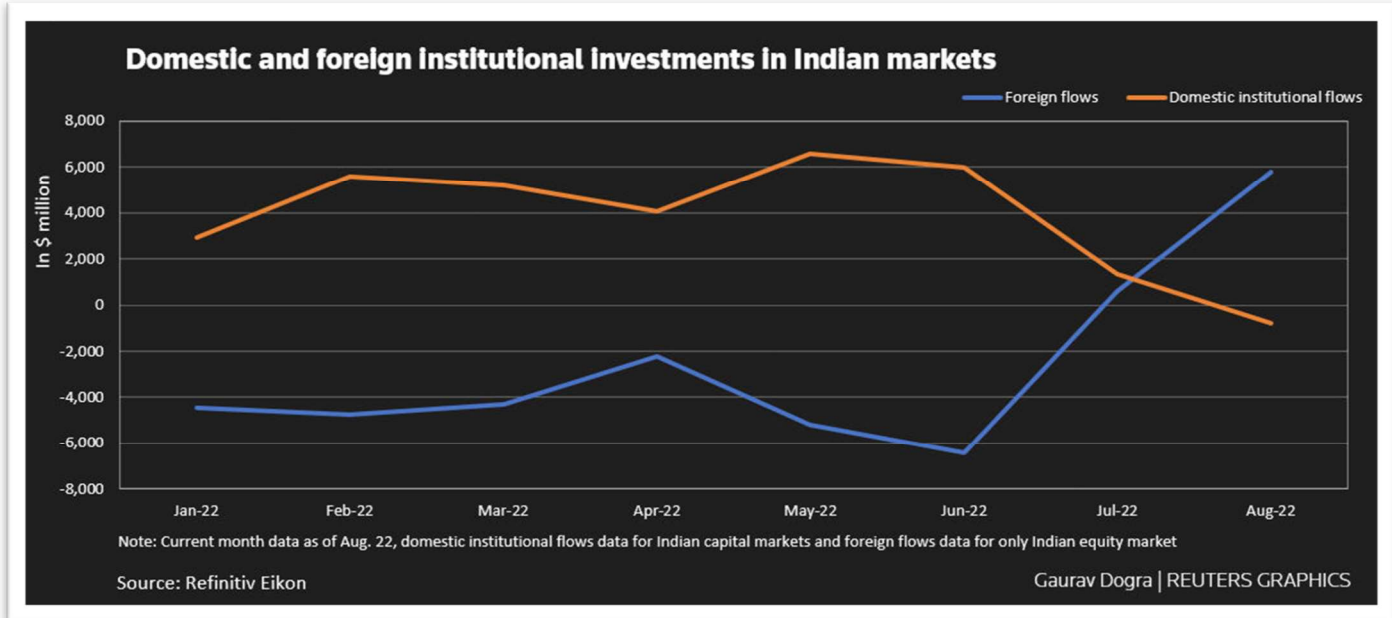
Though it’s compulsory, it’s ideal for diversifying your portfolio at the **fund manager** as well as AMC level. The reason is that funds managed by a single manager are likely to have a common investment strategy as his views towards sectors and stocks would be similar irrespective of the type of fund he manages. Similarly, you will also find certain resemblance at the AMC level, due to a common research team. So, ideally, you should limit your exposure to 30-40 percent towards a fund manager or an AMC.

(Cont.)

It's true that diversification helps you in risk mitigation, but only up to a certain number of additions. When you invest in too many schemes, there are high chances that he could invest in the same stocks. Also, if in case the underlying holdings are different, you may end up owning the entire market, which makes it tough to generate alpha. The right approach to diversifying is to have 3 to 4 funds with different investment strategies in the correct proportion.

## Foreigners return to Indian equities on hopes of stronger earnings

Foreigners are returning to Indian stocks after dumping them in the first half as they look for higher returns amid expectations that major central banks will slow their hiking cycles as price pressures ease. Fears of an economic recession have lifted hopes that central banks will dial back or even halt the rate hikes to avert a slowdown. U.S. Fed officials indicated in the minutes of their July meeting released last week that they would adopt a less aggressive stance if inflation starts to recede. According to stock exchange data, foreigners have invested \$6.4 billion in Indian equities since the start of July, after dumping over \$27 billion-worth over the previous six months. Domestic investors bought over \$30 billion worth of stocks in the first half, helping to prop up the market. But this month, overseas investors have taken the baton, pouring in over \$5 billion on hopes that Indian companies will deliver stronger earnings and that a fall in crude oil prices will help narrow the country's current account deficit.



Analysts also expect the return of foreign money into Indian equity and bond markets to help the rupee find some reprieve, after slumping over 6.7% against the dollar this year.

Foreigners clearly underestimated how India would tackle the pandemic and the economic recovery post-pandemic has been robust in an uncertain global environment.

At the same time, domestic investors in India trimmed their positions in August, lured by a rise in bank deposit rates which provide them with risk-free money. The data showed domestic investors have sold \$773 million in Indian equities so far this month.

## **Bull or bear rally: what does it mean for your mutual funds?**

You might have heard a lot of talk around the recent market rally. The market pundits are still debating whether it is a real rally or bear rally. However, the point is that the market has gained in the last one month. S&P BSE Sensex, one of the widely followed indexes in the country, was once again above 60,000 recently. It then lost around 1,000 points. The index has gained by around 5,000 points in the last one month. Does that make you wonder what is happening to your equity mutual funds? And whether it is time to make extra allocation to them?

Well, your mutual funds may also reflect the buoyancy in the market. The large cap category gained over 4.64% in the last one month. Flexi cap funds returned over 3.97% in the last month. Mid cap category gained over 3.72% in the last month.

Most equity mutual fund categories have gained over the last three months. Some sector schemes like Banking sector funds have gained over 12% in three months. Thematic funds investing in consumption stocks have also offered 12% returns in three months. Thematic funds investing in MNC stocks are at the third spot with 11% returns in the same time frame.

So, what is happening? Optimists believe that the market is likely to do better because the rate hikes are not likely to be steeper as feared earlier and the economy is likely to be in a better shape. However, the pessimists are still not convinced. They still believe that the central banks are likely to raise rates to tame the inflation and the economy is likely to face a recession.

What do these factors mean to your equity mutual fund investments? Most mutual fund advisors are asking their clients to keep their expectations low for a year or so. They believe that this is the time to be extremely cautious as there are still many uncertainties in the horizon.

In the meantime, stick to your asset allocation. Always choose mutual fund schemes based on your goals, investment horizon and risk profile. Avoid high-risk investments if you are unsure about them. This is especially true for new investors getting into the market. Don't get swayed by the past returns, especially in sector and thematic funds. You will be disappointed. The market is unlikely to perform like previous years in a year. Lower your expectations and start investing based on your goals and risk appetite. Don't chase returns and get into risky investments. As said earlier, this is time to be extremely cautious.

## **MFs can share data with account aggregators: SEBI**

AMCs are now a part of RBI's Account Aggregator system, which is a financial data-sharing framework built for investors and regulated financial entities.

SEBI gave its go-ahead to AMCs and depositories on Friday through a circular which includes a detailed guideline on how and what information they can share with account aggregators (AA).

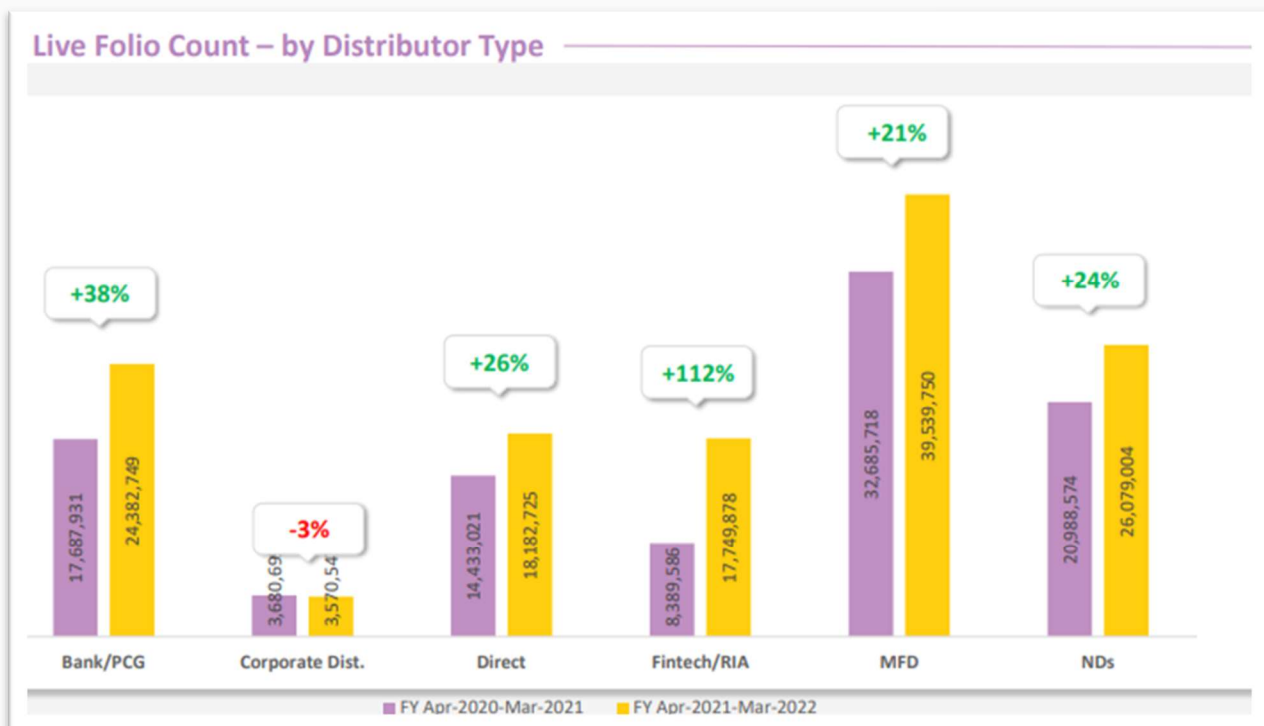
The circular states that AMCs can share information with AAs only after taking the consent of investors. "The FIPs (AMCs and depositories) in the securities markets shall share the 'Financial Information' pertaining to securities markets, through the AA only on receipt of a valid consent artefact from the customer through the Account Aggregator," the circular stated.

## **‘Individual MFDs account for 22% of net folio additions in FY 2022’**

The live folio count of individual MFDs jumped 21% in FY 2022 to almost 4 crores as a record number of new investors joined the mutual fund bandwagon in the last financial year, shows a report by IDFC MF.

With 69 lakh net folio addition, individual MFDs accounted for 22% of the overall net folio additions in FY 2022. Overall, the industry added a net of 3.20 crore folios in FY 2022. The total live folio count stood at 13 crores at the end of March 2022 as against 9.80 crore a year ago.

The growth was highest in the case of fintechs and RIAs. Their total live folio count more than doubled to 1.80 crore from 84 lakh a year ago. Banks registered the second highest growth at 38%.



Source: IDFC MF report based on AMFI data

Further, individual MFDs from the west made the highest net addition in live folio count. Their live folio count went up by 19 lakhs from 1.20 crore to 1.40 crore. MFDs from the east made the second highest net addition at 12 lakhs. Their live folio count rose to 64 lakhs from 52 lakh. The live folio count of MFDs from north and south went up by 7 lakh and 11 lakhs, respectively.

### **Region-wise growth in live folio count of MFDs (in lakhs):**












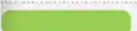

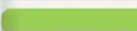























F.Y	East	West	North	South
2022	64	140	83	56
2021	52	121	72	49
Growth (%)	23	16	15	14



# MINT 20 MUTUAL FUND SCHEMES TO INVEST IN



We have hand-picked 20 mutual funds for your portfolio that have jumped through hoops of good returns, low risk, good portfolio hygiene and our own qualitative research. We have restricted the choice universe to 10 categories out of the total 37 and given you at least two options to pick from each.

EQUITY	3-years return (%)	5-years return (%)	Corpus (₹ cr)
<b>LARGE-CAP</b>			
UTI Nifty Index Fund - Growth	 17.92	 12.56	7,068
HDFC Index Fund - Nifty 50 Plan	 17.63	 12.36	5,941
<b>Category average</b>	 <b>17.35</b>	 <b>12.03</b>	
<b>EQUITY FLEXICAP</b>			
Canara Robeco Flexi Cap	 20.39	 13.49	7,103
Parag Parikh Flexi Cap	 25.43	 17.84	22,324
<b>Category average</b>	 <b>19.00</b>	 <b>11.43</b>	
<b>EQUITY SMALL AND MIDCAP</b>			
Axis Midcap	 25.11	 17.20	16,567
SBI Small Cap	 31.67	 18.56	11,646
<b>Category average Midcap</b>	 <b>25.89</b>	 <b>12.99</b>	
<b>Category average Smallcap</b>	 <b>29.59</b>	 <b>14.25</b>	
<b>EQUITY (TAXSAVER)</b>			
Canara Robeco Equity Tax Saver	 23.27	 15.29	3,518
Mirae Asset Tax Saver	 22.19	 14.69	11,495
<b>Category average</b>	 <b>18.87</b>	 <b>10.86</b>	
<b>HYBRID</b>			
<b>BALANCED ADVANTAGE</b>			
Edelweiss Balanced Advantage	 16.12	 10.52	7,964
ICICI Prudential Balanced Advantage	 13.52	 9.82	40,064
<b>Category average</b>	 <b>11.90</b>	 <b>8.27</b>	
<b>ARBITRAGE</b>			
Kotak Equity Arbitrage	 4.21	 5.06	25,789
Tata Arbitrage	 4.26	NA	8,386
<b>Category average</b>	 <b>3.95</b>	 <b>4.82</b>	



## BE PART OF THE

**PUBLIC SECTOR UNDERTAKINGS**

## GROWTH POTENTIAL.

Presenting  
ICICI Prudential  
**PSU Equity Fund**

**NFO DATE** August 23, 2022  
September 6, 2022

The information contained herein is solely for private circulation for reading / understanding of registered Mutual Fund Distributors and should not be circulated to investors/prospective investors.

**TATA HOUSING OPPORTUNITIES FUND**  
(An open-ended equity scheme following housing theme)

### WHERE DREAMS COME HOME

**NFO opens: 16th August, 2022 | NFO closes: 29th August, 2022**

This product is suitable for investors who are seeking\*:

- Long Term Capital Appreciation.
- An Open-ended equity scheme following housing theme

\* Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

**RISK - O - METER**  
Investors understand that their principal will be at Very High Risk



**MUTUAL FUNDS**  
Sakthi Hai

One stop solution

Rely on expertise

Benefit from India's Growth

Navigate through volatility

Introducing  
**SUNDARAM**  
**Flexi Cap Fund**

An open-ended dynamic equity scheme investing across large cap, mid cap, small cap stocks

**OPTIMIZING OPPORTUNITIES**

Relax! Set aside your worries on what percent of Large, Mid & Small Caps to own.

**NFO Period**  
Aug 16, 2022 - Aug 30, 2022

**INVEST NOW**

**RISKOMETER**  
Investors understand that their principal will be at Very High Risk

This product is suitable for investors who are seeking\*

- Capital appreciation over long term
- Investments in a dynamic mix of equity and equity related instruments across large cap, mid cap and small cap stocks

\*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Mutual fund investments are subject to market risks, read all scheme related documents carefully.

**FRANKLIN TEMPLETON**

**THE MOOD IS ALWAYS GOOD WITH FRANKLIN INDIA BALANCED ADVANTAGE FUND.**

**NFO OPENS - 16TH AUG 2022**  
**NFO CLOSSES - 30TH AUG 2022**

**26**  
YEARS OF INVESTMENT  
WE REMAIN INVESTED IN YOU

**MIRAE ASSET**  
Mutual Fund

**Mirae Asset Global Electric & Autonomous Vehicles ETFs Fund of Fund**

(An open-ended fund of fund scheme investing in overseas equity Exchange Traded Funds which are based on companies involved in development of Electric & Autonomous Vehicles and related technology, components and materials)

New Fund Offer (NFO) starts on: 16<sup>th</sup> August 2022 | New Fund Offer (NFO) closes on: 30<sup>th</sup> August 2022 Allotment Date: 07<sup>th</sup> September 2022  
Scheme re-opens for continuous Sale and Repurchase : 08<sup>th</sup> September 2022

(Source:- Economicstimes, Moneycontrol, Livemint, Cafemutual, IBJARates, AMFI Etc.)

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