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Q. Mutual Fund

How to choose the right Mutual Fund

Chat Transcript :

nikunj_mk : Good afternoon sir,I am 27 years old.My current investment in MF SIP of Rs.1000 monthly with HDFC top 200,HDFC equity,REL Growth,Rel equity oppotunity,DSP BR TIGER,& recently started in IDFC Premier equity of 2000. In PPF 10000 per year,50000 per year in icici pru retirement plan. I have life insurance cover too of 5 lac SA.My goal is to buy a house in next one year.I am confused that my investment are on track or not. Also to note that I am aggrassive investor.

Jayant R. Pai : Nikunj, I do not know your current financial status and hence cannot comment on whether you can afford the house of not. Your fund selection is okay, It is slightly on the aggressive side (DSP TIGER, IDFC premier Equity, Reliance Growth). Your retirement plan money and PPF corpus may not be useful to you if you want to buy a house over the next one year as they may both be in the lock-in period.

sugkamal : when u r bldg portfolio, is it essential to choose 1 fund from large cap when u already have 2 MF in large & mid cap HDFC Top 200 & BSL frontline eq plan A

Jayant R. Pai : Sugkamal : Value Research defines Large and mid cap funds invest 60-80% of their corpus in large-cap stocks while pure large-cap funds invest over 80%. Funds like HDFC Top 200 and Birla Frontline have moved in and out of bothe these categories over the years. The proportion changes based on the fund manager`s perception. I think that if you have these two funds you need not invest in a pure large cap fund.

msmech : sir should I go for a policy with pure life insurance or money return ploicy after the expiry of the policy?

Jayant R. Pai : I always suggest a pure term policy for the purpose of insurance. The other insurance products are high cost and compel a holder to hold on for long periods merely to offset the expenses incurred during the first three years.

pankajbazaari : Sir, I am investing 2000/- in Franklin templeton Build India MF. What is your view on that?

Jayant R. Pai : It is a large-cap oriented infrastructure fund with a one year history. It has outperformed its category peers by a humungous 700 basis points over the past one year. While one year is too short a period to judge a fund, given its current performance you may hold on to it.

sugkamal : sir can u pls suggest 2/3 gud midcap funds

Jayant R. Pai : Birla Mid Cap, Sundaram Mid-Cap and IDFC Premier Equity Fund. Ensure that pure mid-cap funds do not exceed 30% of your portfolio as they are much more volatile than their large cap peers.

kiranbv_83 : My age is 27, can take risk. For retirement, investing in Equity based SIP

Jayant R. Pai : Yes. Equity funds are good retirement planning tools. Your portfolio should consist of one index fund (Eg. Benchmark CNX 500), one large-cap fund (Eg. Franklin Bluechip or DSP Top 100), one mid-cap find (Birla Mid Cap, Sundaram Mid-Cap or IDFC Premier Equity) and one balanced fund (DSP Balanced, HDFC Prudence). Invest equally in these through monthly SIPs and review your portfolio onve every year. Two years prior to retirement, shift around 75% of the corpus in these into short term debt funds through Systemtic Transfer Plans. This will help you preserve your profits.

vjain1234 : Hello Anil, which is the best small cap fund, Micro Cap fund in market

Jayant R. Pai : There are hardly any choices available. DSP offers small cap and micro cap funds which have performed well over a three year period. Reliance has recently launched a small cap fund.

mumbai.com : hello sir, on what basis one can choose a good MF. thanks.

Jayant R. Pai : Good index funds : Low expense ratio, low tracking error. Actively managed equity funds : Process orientation of the fund house, stability of the fund manager, adherence to the stated mandate (i.e. a large cap fund should stick to the buying large caps only and not buy small caps merely because small caps are doing well).

INDOTEXOFAB : Sir i am invested in Mutal Funds SIP route Hdfc Top 200-3000/-, Hdfc Tax Saver-5000/-, hdfc growth - 5000/-, DSP Focus 25 - 3000/-. I am 55 yrs old and have a good appitite for risk. firstly i would like to know are these investments ok and secondly would like 2 invest futher 18000/- pm pls sugest some funds

Jayant R. Pai : Yor selection is good. Out of the Rs. 18000 you could invest Rs. 6000 in HDFC Top 200, Rs. 6000 in DSP Equity Fund and Rs. 6000 in Franklin Bluechip. DO not invest more funds than required (for tax saving u/s 80 C) in HDFC tax Saver.

mumbai.com : sir, in current mkt is it ok to go for mutual fund than equity?

Jayant R. Pai : In any market, investors without adequate time and/or knowledge should go through the mutual fund route only. Also avoid lump sum investments and opt for monthly SIPs.

esspi77 : How good is MIP risk and reward. how much return we can expect per 1 lak.

Jayant R. Pai : Do not get swayed by the words MIP. They are under no obligation to declare any monthly dividend. Treat them like any ordinary debt oriented balanced fund. Most MIPs invest around 75-80% in debt instruments. Based on today`s rates, an investment of Rs. 1 lakh could give a return of Rs. 7000-8000 pre-tax.

idrishvahora : I m 26 years old. I can invest 2000/- monthly. I want to invest in SIP.. Please suggest me good fund. Thanks, Idrish

Jayant R. Pai : Benchmark CNX 500 Fund is good for beginners.

shambhu55599 : hI i am investing in reliance rsf equity growth and sbi tax gain and reliance tax saver of rs 1000 each.. does i had good protofolio

Jayant R. Pai : Move out of SBI Tax Gain once the lock in period is over. This fund has lost its lustre.

srikumar1976 : Hi, I am investing in Reliance RSF Eqty, HDFC Eqty,HDFC Top 200, DSP BR Small & Midcap, ICICI Pru Discovery, ICICI Pru Tax Plan,Birla SL Dividend Yield funds. Can you please review my Portfolio and let me know your suggestions ?

Jayant R. Pai : Good selection but too many funds. My suggestion is to stop in Birla Dividend Yield Plus and DSP Small & Midcap. Invest in ICICI Tax Plan to the extent of your tax saving requirement only.

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anjuajci : I invested Rs 10000 per month as SIP to HDFC 200 , Birla Sunlife Frontline,icici discovery, DSP100,Sunderm BNP elect midcap,reliance regular saving , pl suggest to swich over or cont in this scheme

Jayant R. Pai : All of them are good funds. Don`t invest in any more. Review your portfolio once a year.

vera : Hi Jayant, I am not very well versed with mutual funds and investments. Can you suggest a few funds where I could invest my money? also, as someone new to this segment, any advice on how to recognize a good fund?

Jayant R. Pai : I suggest you read up on funds on the Learning Section on www.valueresearchonline.com. Your portfolio should consist of one index fund (Eg. Benchmark CNX 500), one large-cap fund (Eg. Franklin Bluechip or DSP Top 100), one mid-cap find (Birla Mid Cap, Sundaram Mid-Cap or IDFC Premier Equity) and one balanced fund (DSP Balanced, HDFC Prudence). Invest equally in these through monthly SIPs and review your portfolio onve every year.

shambhu55599 : good afternoon sir, i had 15000 salary in a month.. i had 3000 in equity..i.e sbi tax gain ..reliance rsf growth..and reliance tax saver and 500 in ppf and 1000 in insurance per month..plz help of having good protofolio

Jayant R. Pai : Move out of SBI Tax Gain once the lock in period is over. This fund has lost its lustre. Replace it with Franklin Tax Shield or Fidelity Tax Advantage. Also, I am not in favour of "investing" in insurance.

rahulsnaik : Hi Jayant. This is Rahul Naik from working in IT sector. Could you plz guide @ present scenario which Mutual fund is best to invest.

Jayant R. Pai : The choice of funds will usually remain the same irrespective of short-term market movements. This choice will be based upon the long-term performance of the funds across market cycles. I prefer funds who are diversified in the true sense (not more than 45% held in their respective top ten holdings and not more than 50% in the top three sectors). I also personally prefer funds which have a standard deviation lower than the category average and those which stringently adhere to their stated mandate. Your portfolio should consist of one index fund (Eg. Benchmark CNX 500), one large-cap fund (Eg. Franklin Bluechip or DSP Top 100), one mid-cap find (Birla Mid Cap, Sundaram Mid-Cap or IDFC Premier Equity) and one balanced fund (DSP Balanced, HDFC Prudence). Invest equally in these through monthly SIPs and review your portfolio onve every year.

deshpande_mp : Good noon. What are the parameters one needs to consider while buying a MF and these parameters holds good for all type of MF?

Jayant R. Pai : Here are some general parameters for index funds and actively managerd rquity funds : Index funds : Low expense ratio, Low tracking error. Actively managed equity funds : Process orientation of the fund house, stability of the fund manager, adherence to the stated mandate (i.e. a large cap fund should stick to the buying large caps only and not buy small caps merely because small caps are doing well). For debt funds they are : Investments made as per the mandate specified. Low Expense ratio (This point is much more important for debt funds as compared to equity funds).

istiyakms : How much time frame one investor should give to ripe good return from MF based on equity. Which MF can give 15% Compounded annual return.

Jayant R. Pai : For index funds, longer the time frame the better (Minimum five-six years) as volatility reduces with time. For actively managed equity funds, too the time frame is similar. However, monitor such funds more closely as they are prone to fund manager risk, concentration risk etc. Always invest through monthly SIPs. No equity fund professes to give you a guaranteed return. However, funds such as Franklin Bluechip, ICICI Growth Fund, Kotak 30 as well as a few index funds have given a return in excess of 15% p.a. over a ten year period. However, the future performance need not always correspond to past performance.