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13 New Fund Offerings in the pipeline. Should you invest?

BY SHIVANI BAZAZ, ET ONLINE | MAY 29, 2018, 12.23 PM IST

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Mutual fund houses are busy lining up New Fund Offers (NFOs). Data from Securities and Exchange Board of India (Sebi) shows that fund houses have asked for permission to launch around 13 new schemes in this financial year so far. According to mutual fund advisors, the flurry of new schemes is because of the **re-categorisation of mutual funds** by Sebi.

Various mutual fund houses have filed the draft prospectus for the following open-ended schemes in the last one month: Baroda Pioneer Ultra Short Duration Fund, Essel Equity Hybrid Fund, **LIC MF** Arbitrage Fund, ITI Multi Cap Fund, ITI Aggressive Hybrid Fund, ITI Liquid Fund, **IDFC** Small Cap Fund, IDFC Ultra Short Term Fund, Sundaram Services Fund, Franklin India Equity Savings Fund, UTI Floater Fund, Sundaram Money Market Fund, HDFC Next 50 ETF.

After the Sebi's new categorisation of mutual fund schemes, many fund houses have merged some schemes or changed the fundamental attributes of some others. However, fund houses will have come up with new offers as Sebi has created a host of new mutual fund categories. The current rush to file draft prospectus point to this direction, say mutual fund advisors.

"The fund houses are coming up with NFOs to complete their set of schemes. Investing in them depends on whether your portfolio needs a new scheme or not," says Karthik Swaminathan, a Certified Financial Planner based in Mumbai.

This calls for a new **NFO** strategy, say some mutual fund advisors. Earlier, every advisor asked investors to stay away from NFOs as they do not have an established performance record. Advisors always asked investors to opt for an established scheme with a proven long-term record. However, this advice do not hold true in the current scenario because there would be many NFOs in the new categories.

Swaminathan doesn't agree: "Even after re-categorisation nothing has changed. We would still ask investors to opt for established schemes and go for NFOs only if they offer something that is not present in the market," he says.

Vishal Dhawan, Founder, Plan Ahead Wealth Advisors, says there are hardly any category which already do not have a scheme in it. "The number of schemes might be very less, but it will not be nil," he says. Dhawan says investors can opt for the NFO if they find the few schemes in the category they want to invest do not have a great record.

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