

# Large-cap funds best option for investors with long-term goals

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The year 2014 has been great for the equity markets. There has been a significant increase of investments in mutual funds — a superior vehicle for long-term investing. However, before making any investment, it is critical to understand one's own risk tolerance, the goals for which one is investing and the time horizon for such investments. Once these details are known, investors are better positioned to know whether the product is suitable for them or not, with reference to their financial plan.

Once an investor has considered these factors, the next thing that follows is how one can start investing. It is also essential to understand if you should invest a lump sum, or regularly through investing options like SIP (systematic investment plan) or STP (systematic transfer plan).

For most investors, it is advisable to go for the SIP route which helps them average out the cost of purchase and inculcates a habit of investing regularly. Within the SIP route, there are options like weekly, monthly, quarterly, etc. Considering their cash-flow situation, investors can select the most suitable option.

## TOP OF THE CHARTS

Fund Group/ Index	No. Of Years For Returns (%)				
	1	2	3	5	10
Value Research Equity Large-Cap	35.5	28.7	20.5	11.4	15.7
NSE nifty	30.4	26.4	19.3	10.7	15.9
BSE sensx	28.4	26.2	19.3	10.3	16.2

\*As on April 15, 2015; 1-yr returns absolute, 2-, 3-, 5- & 10-yr returns CAGR



## SWATANTRA INITIATIVE ON ETNOW

UTI MF Swatantra initiative is on ETNow as well. In the next few weeks, the following topics will be covered over several episodes: young working professionals, single working professionals (female), married professionals without children and doctors. If you belong to any of these groups and have queries related to financial planning, you could post them on [www.indiainvestkaro.com](http://www.indiainvestkaro.com) and some of the most relevant ones would be answered by experts and professionals from the field.

### Different Funds Have Different M-Caps

Equity mutual funds could be classified by their market capitalization, that is small-cap, mid-cap and large-cap. Such classification indicates the size of the companies in which the scheme invests. It is important to know the characteristics of the type of fund one is investing in, risks associated with it and if that particular scheme can fit into one's financial plan and investment portfolio.

Large-cap funds are schemes that invest a major

proportion of their corpus in companies with a large market capitalization. These funds are known to offer stable and sustainable returns over a period of time, but may underperform small- and mid-cap funds, which have higher risk exposure. Large-cap funds can be great for investors with long-term financial goals who have a conservative or moderately aggressive risk profile.

The table *Top Of The Charts* shows that, as a fund category, large-cap has outperformed the market in most time horizons.

## NEXT EDITION

Starting today, Swatantra will be published every alternate Tuesday. In our next edition, we will deal with the advantages of long-term investing, the related risks that one should be aware of and why emotional attachment to assets should be avoided.

### Check All Parameters

Fund returns are one of the parameters, but it is also important to look at other parameters like risk ratios, consistency of performance, expense ratios, fund managers' history and track record, before you decide which large-cap fund you want to invest in.

It is also important to monitor performance of the funds you are invested in every quarter against their benchmarks and take appropriate action in case of sustained underperformance.

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