Mutual fund portfolios for first-time investors

BY PRASHANT MAHESH, ET BUREAU | JAN 02, 2018, 08.25 AM IST

2017 was a fantastic year for mutual fund investors. Those who put money in equity mutual funds reaped the benefits with the S&P BSE Sensex gaining 29.84 per cent, S&P BSE Midcap gaining 51 per cent and the S&P BSE SmallCap gaining 62 per cent. Several new investors entered mutual funds as returns from fixed deposits dwindled, while gold and real estate turned unattractive. Many believe returns will moderate in 2018 amid volatility and concerns over the macro situation. Four wealth managers suggest mutual fund portfolios which first-time investors can look at.

1. VISHAL DHAWAN

DESIGNATION : Chief Financial Planner
ORGANISATION : Plan Ahead Wealth Managers
PORTFOLIO ALLOCATION: 50:50 EQUITY: DEBT.

A combination of a large-cap equity fund through a SIP/STP to the tune of 50 per cent of the portfolio and a short-term debt fund for the balance 50 per cent would be a good option.

Recommended funds

RELIANCE SHORT TERM FUND
Allocation: 50 per cent 1-year return: 5.69 per cent.

The fund invests in a mix of high rated fixed income securities and government securities. As on Nov 30, the modified duration of the fund is 2.28 years and the yield to maturity is 7.49 per cent. The fund has a good long term track record and has consistently generated good returns since its inception in 2002.

ADITYA BIRLA SL FRONTLINE EQUITY
Allocation: 50 per cent 1-year return: 30.58 per cent

This is a large cap oriented fund which currently maintains an 84 per cent allocation to large caps, with sector exposures pegged strictly to the BSE 200 index. While 60-70 per cent of the portfolio is allocated to core long-term holdings, the remaining may take advantage of tactical opportunities. The fund has consistently beaten its benchmark. This fund has been efficient in containing losses in bear phases and delivering good participation in bull phases.

2. VIDYA BALA

DESIGNATION : Head of Research
ORGANISATION : fundsindia.com

PORTFOLIO ALLOCATION : 60:40 EQUITY: DEBT.

For a first-time investor in mutual funds, it is important to hold funds with limited volatility and steady returns so as not to get spooked by market. Given that equity had seen a sharp run-up in 2017, a good dose of debt will help prevent any steep falls in corrective phases.

Recommended Funds

MIRAE ASSET INDIA OPPORTUNITIES
Allocation: 30 per cent 1-year return 38.5 per cent.

It is among the most consistent performers in the equity large-cap space and comes with small dose of mid-caps. It has proven its ability to contain downsides well and capture rallies adequately. It has among the highest risk-adjusted return.

HDFC BALANCED
Allocation: 40 per cent 1-year return: 27.46 per cent.

The fund has an unbeatable track record of consistency. A good dose of debt ensures that the fund manages declines well. Despite debt allocation, the fund often beats pure equity funds and thus makes for a good allocation in a starter's portfolio.

HDFC SHORT TERM OPPORTUNITIES
Allocation: 30 per cent 1-year return: 6.52 per cent.

The fund provides a high credit quality portfolio. Its income accrual strategy is a better one to have at this point compared with a duration strategy, given the uncertainty in interest rate movement.

3. HARSHVARDHAN ROONGTA

DESIGNATION : Certified Financial Planner
ORGANISTATION : Roongta Securities
PORTFOLIO ALLOCATION : 70:30 EQUITY :DEBT

It is imperative that a new investor does not get influenced by the past performance. An SIP investor should keep his focus on large-cap funds with a moderate exposure to mid-small cap companies. Multicap funds would be in focus for the year 2018 as most of them are large cap tilted with selective exposure to quality mid-caps.

Recommended Funds

SBI MAGNUM MULTICAP FUND
Allocation: 20 per cent 1-year return: 36.98 per cent.

It manages allocations prudently across market capitalisation. It has been cautious in picking stocks based upon growth potentials and the company's management.

CANARA ROBECO BALANCE FUND
Allocation: 40 per cent 1-year return: 25.19 per cent.

A consistent performer across different market cycles. The scheme is betting on the themes which are likely to be dominant in 2018.

ICICI PRUDENTIAL BALANCED ADVANTAGE FUND
Allocation: 40 per cent 1-year return: 19.01 per cent.

The dynamic asset allocation strategy based upon market valuations enables it beat the fear of investing at high valuations. Markets are at an all-time high and hence this scheme will help provide the required cushion during stagnant or depressed market cycles.

4. DEEPAK JASANI

DESIGNATION : Head of Research
ORGANISATION : HDFC Securities
STRATEGY : For an investor with financially well-off family and who is earning on his own. Such investors can afford to take more risks as they have a safety cushion to fall back upon. In that case we would recommend a 70 per cent investment in equity mutual funds.

Recommended Funds
KOTAK SELECT FOCUS FUND
Allocation: 30 per cent 1-year return: 38.5 per cent.

This scheme has been a consistent performer since its inception seven years ago and has beaten the benchmark and the peers during all the seven years.

CANARA ROBECO EMERGING EQUITIES
Allocation: 30 per cent 1 year return: 54.08 per cent.

This scheme has been a consistent outperformer for the past 10 years, beating both its category and benchmark over 1,3,5,7 and 10 years returns. Good for high risk taking investors.

BIRLA SUN LIFE MIP II WEALTH 25
Allocation: 30 per cent 1-year return: 15.52 per cent

This scheme invests 30 per cent of the portfolio in equity and the rest 70 per cent in debt. It has outperformed its category over 6 month, 1-, 3- and 5-year periods.