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# Smallcap mutual fund schemes to benefit from Sebi's new mandate?

BY SHIVANI BAZAZ, ET ONLINE | UPDATED: MAY 08, 2018, 04.01 PM IST

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Many mutual fund participants attribute SBI Small & Midcap Fund's decision to re-open for subscription to Sebi's clear mandate on the universe of stocks for smallcap schemes. They believe that several smallcap schemes that have stopped fresh inflows between 2015 and 2017 may reopen for subscription in the coming days. SBI Small & Midcap Fund, which had suspended new subscriptions in 2015, will reopen for fresh subscriptions through SIP mode from May 16. Will the re-categorisation make a big difference to smallcap schemes?

"The change is good for the small and midcap schemes. Now, there is a definite universe to choose stocks from. Also, for some fund houses, the universe has expanded, which will give them better stock picking opportunities," says Neelesh Surana, CIO Equity, Mirae Asset Management.



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According to the new Sebi guidelines, smallcap universe starts from the 251st company. The top 100 companies in terms of market capitalisation will come under the largecap segment. The next 101st- 250th companies will be midcap companies. Earlier, different fund houses had different mandates for picking stocks under different market capitalisations.

"After Sebi's new mandate, we can invest in a smallcap up to a market cap of 9,700-9,800 crore, which is very decent. The number of companies in this space is also quite decent, around 500 companies," says Samir Rachh, fund manager, Reliance Small Cap Fund, who rules out re-opening of the scheme for subscription soon.

"The kind of bets that you can take in a smallcap fund also depends upon the size of the fund. The size of the fund is a important criteria as the universe become different. A 700 crore fund can invest 15-16 crores on a stock, but when you are running a 6000 crore fund, the scenario changes," adds Rachh.

DSP BlackRock Micro Cap Fund (now called DSP BlackRock Small Cap Fund), Reliance Small Cap Fund and Mirae Asset Emerging Bluechip Fund had stopped fresh flows into the schemes because of rising AUM and costly valuations in the market. "Currently the scheme is accepting money through SIP, keeping in mind the interest of long term investors," says Samir Rachh.



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"Different AMCs had different universes for their schemes. The SBI Small & Midcap Fund's universe started from 400th company onwards. After Sebi's new mandate, they will definitely have many more options to choose from," Says Vishal Dhawan, CFP, Plan Ahead Wealth Advisors. He believes that the new mandate will definitely be positive for the performance of smallcap schemes. "If you have more companies to bet on, you tend to get better stocks. This will be an advantage for the smallcap schemes. We could see better performance in the future," says Dhawan.

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