

TOO MUCH OF SOMETHING CAN BE GOOD TOO!

Have you ever said no to extra cheese on pizza?
More the cheese, tastier the pizza.

Too much of something works just as well even in the case of Mutual Funds (MFs) like Equity-only Schemes.

BUT, WHAT ABOUT DIVERSIFICATION?

MFs offer diversification, we all know. In fact, it is one of their prime advantages.

But, who said diversification only means investing in more than one asset class?

You don't always need a mix of Equity and Debt in your portfolio.

You can invest only in Equity yet diversify your investments. Take a look.



DIVERSIFY ACROSS COMPANIES OF DIFFERENT SIZES

Equity MFs invest in companies across market capitalisations - Large-cap, Mid-cap, and Small-cap Stocks. In fact, there are Equity Funds that invest in Stocks of one type alone like Large-cap Funds.

BENEFITS: Large-cap Stocks, belonging to well-established big companies, are considered less risky than the other two. Small- and Mid-caps are riskier, but they have the potential to offer higher returns. By diversifying across market caps, you can lower risks.



DIVERSIFY ACROSS COUNTRIES

An International Fund is an Equity MF through which you can invest in Stocks across different countries and continents.

BENEFITS: When you invest across boundaries you are less likely to be affected by negative factors in a particular market. Markets that do well help earn returns.



DIVERSIFY ACROSS FUND STRUCTURES

MFs can be classified based on their structure - Open-ended Funds and Close-ended Funds. Open-ended Funds have varying number of investors. The latter has a fixed number of investors throughout its term period.

BENEFITS: Open-ended Funds tend to have longer shelf lives. As a result, they can benefit by holding Stocks for longer periods of time. Close-ended Funds, meanwhile, tend to have fresh investment strategies that reflect the current market condition.

A CLOSER LOOK AT CLOSE-ENDED FUNDS

- Such Funds are listed on the Stock Exchange
- You invest in them through a New Fund Offer (NFO)
- Or, you can buy and sell through intermediaries on the Exchange
- You can trade at a price higher or lower than the Net Asset Value (NAV)
- Close-ended Funds are usually floated with a very specific investment theme based on the current macro-economic conditions
- The fixed maturity period encourages you to stay invested for the entire duration. You need not panic due to market volatility. Thus, such Funds help develop an investment discipline in you.