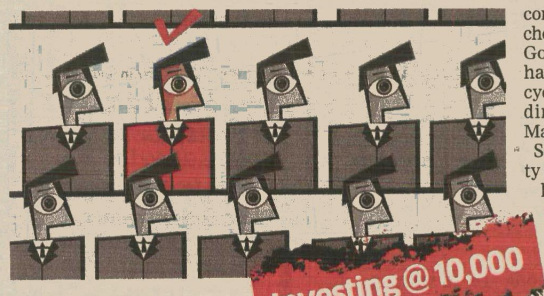
THE ECONOMIC TIMES

Mon, 18 Sep-17; Economic Times - Delhi; Size : 164 sq.cm.;
Circulation:134320; Page : 9

HOW TO CREATE A MUTUAL FUND PORTFOLIO

Choose Fund Managers Who have Gone Through Multiple Cycles

Prashant.Mahesh
@timesgroup.com



Mumbai: As stock indices hit all-time highs, retail investors are flocking to wealth managers to make the most of the bull run.

But the question on investors' mind is 'should I invest now, or wait for a correction?'

In a scenario where corporate earnings estimates are being revised downward every year and valuations are expensive with the Nifty PE at 26.4, a near 30% premium to its 10-year average of 20.45, wealth managers are recommending a strategy to stick with the best fund managers. They suggest going with fund managers who have a long track record, have been through multiple bull and bear markets, and come out as winners.

"When investing at such levels, it becomes even more important to choose the right fund manager. Go with fund managers who have seen multiple business cycles," said Roopali Prabhu, director at Sanctum Wealth Management.

Some of the diversified equity funds that find favour with her currently are Franklin India Prima Fund, L&T Special Situations Fund and IDFC Classic Equity.

Fund managers play an important role in determining what returns an investor can get.

Continued on ▶▶
SMART INVESTING

Fund Managers and Biz Cycles

▶▶ From ET Markets Page 1

They study the macro economic environment, research companies using various methodologies, select stocks and run the portfolio to yield optimum returns for investors. Wealth managers give a higher weightage to schemes run by fund managers with a demonstrated track record.

"Good Indian fund managers have managed to generate alpha in both up and down markets," said Kaustubh Belapurkar, director (research) at Morningstar India. He believes that one way of identifying a good fund is to look at its performance over a long period of time and its upside capture and downside capture ratio. These ratios, looked at in tandem, show you whether a fund has gained more or lost less than its benchmark and by how much.

For a 10 year period, an upside ratio of above 100 implies that the fund has outperformed the benchmark during periods of positive benchmark returns, while a downside ratio of below 100 implies that the fund has lost less than its benchmark in negative benchmark return periods. Typically funds with an upside ratio of close to 100 and above and downside ratio below 100 are desirable.

Birla SL Frontline Equity, HDFC Top 200, ICICI Prudential Value Discovery Fund, Reliance Growth and SBI Bluechip are among some large cap funds that have an upside ratio of close to 100 and a downside ratio of less than 100.