

# NIVESH CHINTAN SAMACHAR



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## NEW YEAR RESOLUTIONS FOR BUILDING A STRONG MUTUAL FUND PORTFOLIO IN 2025

As 2025 begins, it's the perfect time to revisit financial goals and create strategies to achieve them. A robust mutual fund portfolio can be a cornerstone for wealth creation and financial stability. Here are some resolutions to guide you in building a strong mutual fund portfolio this year:

### 1. Define Your Financial Goals

Start by identifying what you want to achieve with your investments. Goals can include:

- Short-term objectives like saving for a vacation or emergency fund (1-3 years).
- Medium-term goals like funding a down payment for a house (3-7 years).
- Long-term aspirations such as retirement or children's education (7+ years).

Match your mutual fund choices to these goals. Equity funds suit long-term growth, while debt funds are better for short-term stability.

### 2. Assess Your Risk Appetite

Understanding your risk tolerance is crucial. Factors to consider include age, income stability, and financial obligations. For instance:

- High-risk tolerance: Allocate more to equity mutual funds like small-cap or sectoral funds.
- Moderate risk tolerance: Prefer balanced funds or flexi-cap funds.
- Low-risk tolerance: Opt for debt funds, liquid funds, or conservative hybrid funds.

This helps maintain a balance between returns and peace of mind.

### 3. Diversify Your Portfolio

Avoid putting all your eggs in one basket. Diversification minimizes risk and ensures steady returns. Spread your investments across:

- Asset classes: Equity, debt, and hybrid funds.
- Sectors: Don't overly concentrate on one sector.
- Geographies: Consider international funds to capture global growth opportunities.

### 4. Monitor Expense Ratios

Expense ratios directly impact your returns, especially over the long term. Regularly check the costs associated with your mutual funds and switch to funds with lower expenses if they offer similar or better performance. This small adjustment can significantly enhance your portfolio's growth over time.

### 5. Stay Disciplined with SIPs

Systematic Investment Plans (SIPs) help build wealth over time through regular investments. Make a resolution to:

- Increase your SIP amount annually in line with income growth.
- Avoid stopping SIPs during market downturns, as this is when units are purchased at lower prices, boosting long-term returns.

### 6. Conduct Regular Portfolio Reviews

Periodic reviews (semi-annually or annually) are essential to ensure your portfolio aligns with your goals and market dynamics. During reviews:

- Exit underperforming funds.
- Reallocate based on changes in financial goals or risk tolerance.
- Adjust asset allocation as needed to maintain the desired balance.

### 7. Keep Tax Efficiency in Mind

Tax planning should be an integral part of your investment strategy. For instance:

- ELSS (Equity-Linked Savings Schemes): Combine tax savings under Section 80C with wealth creation.
- Consider the tax implications of short-term vs. long-term capital gains.
- Utilize indexation benefits for debt funds held over three years.

### 8. Don't Chase Past Performance

Past performance doesn't guarantee future results. Avoid investing in funds solely based on

historical returns. Instead, evaluate:

- Consistency of performance over various market cycles.
- Fund manager expertise.
- Portfolio quality and risk-adjusted returns.

### 9. Stay Updated, But Avoid Overreacting

Financial markets are dynamic, and staying informed is important. However, avoid frequent portfolio churning based on short-term news or market sentiment. Stick to your plan unless there's a substantial change in market conditions or your financial situation.

### 10. Seek Professional Advice When Needed

If you're unsure about fund selection or portfolio strategy, consult a financial advisor. A professional can provide personalized guidance, helping you make informed decisions.

### Conclusion

By adhering to these resolutions, you can build a resilient mutual fund portfolio that withstands market volatility and achieves your financial aspirations. 2025 offers a fresh start; take this opportunity to lay a strong foundation for your wealth-building journey. Remember, consistency and discipline are the keys to success in mutual fund investments.

*From the Editors Desk.*

# 2025

## HAPPY NEW YEAR



**Happy New Year**  
Let your portfolio and happiness grow as the graph above.



**RESOLUTION**

**A. To remain Healthy and Fit**

**B. To have a financially independent future**

**CREATE A HEALTHY PORTFOLIO FOR A FINANCIALLY INDEPENDENT FUTURE**

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISK. PLEASE READ THE OFFER DOCUMENT BEFORE INVESTING.



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# MUTUAL FUND SIP vs LUMP SUM INVESTMENT: WHICH IS BETTER FOR ACCUMULATING A MULTI-CRORE ASSET?

Based on past data, Systematic Investment Plans (SIPs) tend to perform more favourably during market downturns. Conversely, when the market exhibits stability and reduced volatility over an extended period, lump sum investments have demonstrated superior outcome.

**Mutual Fund SIP:** The Lok Sabha election result, where the Bharatiya Janata Party (BJP) got a slimmer majority, triggered a fresh correction in the market. On Tuesday, June 4, the day the counting took place, Sensex saw the sharpest drop in four years.

During the intraday trading, the Nifty 50 declined sharply by nearly 1,900 points, representing a 9% drop, while the Sensex fell by as much as 6,000 points. The market's trepidation was evident, with widespread concerns regarding the composition and political stability of the forthcoming government.

A day later, the benchmark stock market indices experienced a significant recovery. The NSE Nifty 50 gained 735.87 points or 3.36% to settle at 22,620.35, while the BSE Sensex jumped 2303.19 points or 3.10% to 74,382.24. The broader indices ended in positive territory, with gain led by Large-cap and Midcap stocks.

Following the market's recovery trajectory post-election day volatility, mutual fund investors are evaluating strategies for current market investments. It is to be noted that in the second term of BJP-led NDA government (2019-2024), the monthly SIP contributions rose from Rs 8,183 crore in May 2019 to Rs 20,371 crore by April 2024, as per reports. Additionally, the number of SIP accounts has grown significantly from 2.73 crore in June 2019 to 8.70 crore as of April 2024.

## So how should investors tread this period?

Business Today spoke to Hrishikesh Palve, Director, Anand Rathi Wealth Limited, on whether to continue with SIPs or opt for lump sum investment. Here are the top points:

> SIPs are ideal for navigating market volatility and can be easily executed through mutual funds. Not all investors have a lump sum amount to start with, which makes SIPs a more practical choice. If you have lump sum available, investing it immediately can be advantageous. By investing the entire amount upfront, you start the compounding process right away, which can lead to faster growth over time.



*SIPs allow cost averaging, providing more units in market downturns and fewer in upswings. Lump sum investments may excel in steadily increasing markets.*

> However, if you don't have a lump sum, SIPs are the preferred route. They allow you to start investing smaller amounts at regular intervals. Along with that SIP, if you can complement strategies like step-up or occasional lump sum investment, you can steadily progress towards your goals comfortably.

## Mutual Fund SIP vs Lump Sum Investment: Comparison of performance

Taking an example of a salaried person vs an investor with Rs 60 lakhs and another one who uses a combined mode of investing. Palve gives a breakup of profits earned by each.

Lumpsum	₹ 0	₹ 6,000,000	₹ 25,00,000
SIP	₹ 25,000	₹ 0	₹ 25,000
Time	20	20	20
Rate	12%	12%	12%
Corpus (In Cr)	Rs 2.5	Rs 5.8	Rs 4.88

## Bottom line for SIP investors

During the second term of Prime Minister Modi's administration, the mutual fund sector experienced significant growth. The number of mutual fund folios surged by approximately 118%, increasing from 83.2 million in May 2019 to 181.4 million in April 2024. Concurrently, the industry's assets under management (AUM) rose by 121%, expanding from Rs 25.93 lakh crore in May 2019 to Rs 57.25 lakh crore by April 2024. Moreover, data compiled monthly by AMFI indicates a substantial increase in net inflows within the mutual fund sector, escalating from Rs 76,989.81 crore in May 2019 to Rs 2.39 lakh crore in April 2024.

In light of the uncertainty surrounding the recent election results, financial experts are urging SIP investors to stay focused on the long-term growth potential of the economy. Despite fluctuations in the market, experts believe that the outlook for growth remains positive. They recommend that investors stick to their SIP investment plan and even consider increasing their contributions during times of market correction. Trying to time the market is discouraged, with experts emphasizing the advantages of rupee cost averaging through SIPs.

Raamdeo Agrawal, Motilal Oswal Group, on Wednesday told BT TV that after a period of elections and politics, market now will follow the economy patterns and would settle down.

Talking about investment through, SIPs, Agarwal said: "I would like to mention that investing through SIP is best for those who are new to the market or who don't understand the volatility in the market. In the last two days, many investors were confused about what to do in the coming days. Even I was planning my next few steps for a couple of hours. Therefore, new investors and risk-averse investors should go for SIPs. Moreover, in the current volatile market, your SIPs should continue. You should not stop investing through SIPs."

By regularly investing a fixed amount of money, investors can take advantage of buying more units when prices are low and fewer units when prices are high. This approach ultimately leads to a lower average cost per unit over time, making it a wise strategy for long-term wealth accumulation.

Source <https://www.businesstoday.in>

# THE CRITICALITY OF CRITICAL ILLNESS INSURANCE

Ashok Kumar

*Since the advent of the fear instilled by the pandemic, 71% now consider health insurance a necessity.*



In the last column on the eve of the festival of lights, we initiated a discussion on how vital Term Insurance Cover is for anyone with even a single financial dependant. It is worth noting that at the turn of the decade viz. prior to the start of the financial year FY 20-21, barely 10% of those with the means were interested in buying health insurance to cover new age diseases.

But since the advent of the fear instilled by the pandemic, 71% now consider health insurance a necessity. Notably, and almost overnight, 57% of those surveyed, claimed to have understood the importance of comprehensive health insurance plans. That this has not translated into an immediate increase in such coverage is both a reflection of respondent inertia till it is too late and perhaps the lack of an even more aggressive awareness program on the part of insurance companies.

This brings me to a very crucial insurance product, namely CRITICAL ILLNESS Insurance Cover. Most people tend to overlook it believing that since they have Medici

claim they are adequately covered. But the fact is, firstly there has to be hospitalization for Medici

claim to kick in, and further, there are often caps and sub-limits that will easily be exceeded in the event of a Critical Illness. Furthermore, escalation in Premium payable in case of Medici

claim is a given, especially post a year like the last one where huge payouts have been made. In contrast to this, there are Critical Illness insurance policies that offer the optional benefit of covering several (approximately 30 usually) Critical Illnesses such as cancer, heart attack and kidney failure for a maximum of 30 years without any change in premium. What also makes some of these product offerings distinctive is that it gives full claim payout on the first diagnosis of any of these covered Critical Illnesses, even without Hospital Bills. This payout amount is crucial as

it can also safeguard one's family against the loss of income arising out of the illness, which could put one out of action for a prolonged period of time. Critical Illness policies come bundled with an equivalent Term Plan and that usually adds an enhanced financial ring around the family of the one with a Critical Illness in the event of non-survival. That the payment of Premium paid under such a policy can be demarcated and qualifies for deductions under both, Section 80C as well as Section 80D of the Income Tax Act, offers an additional benefit.

Finally, one must remember that if ever diagnosed with a Critical Illness, it can affect one physically, emotionally and financially. By investing in a Critical Illness cover, one can at least take the inevitable financial pain and insecurity out of the equation. This is because, claiming a Critical Illness payout does not prevent one from claiming a Medici

claim reimbursement separately. So, give a fresh thought to Critical Illness Insurance. It could just turn out to be the best decision you make this year.

Ashok Kumar

source <https://www.newindianexpress.com>

The **penetration of critical illness insurance** in India is relatively low. As of recent reports, the market for critical illness insurance in India has penetration rates of approximately **8%**, meaning only about **8% of the population** holds critical illness policies (ResearchGate).

Comparing this to the total population of India, which is over **1.4 billion**, the number of individuals holding critical illness insurance is still quite limited, emphasizing the significant **coverage gap**. The overall **insurance penetration in India**, which includes both life and non-life insurance, remains low, at around 4% of GDP (Statista).

*This indicates a need for greater awareness and outreach to increase the adoption of critical illness insurance, which can offer much-needed financial protection in case of serious health issues.*

INSURANCE IS THE SUBJECT MATTER OF SOLICITATION.

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# WHY INVEST IN EQUITY MUTUAL FUNDS DURING MARKET CORRECTIONS?

The Indian stock market has shown resilience in the face of recent volatility. As of December 30, 2024, Indian equity benchmarks like the Nifty 50 and BSE Sensex are poised for a positive start, buoyed by optimism after a period of correction. This optimism comes despite a 5% drop in the previous week, largely driven by concerns over the US Federal Reserve's decision to implement fewer rate cuts in 2025. Amid such corrections, equity mutual funds emerge as a favorable investment option for investors looking to ride out the market's ups and downs.

## Current Market Overview

The Indian stock market witnessed significant fluctuations over the past few weeks. After a sharp decline, market sentiment improved, with benchmarks rallying by about 1% in the last week. This uptick came after heavy losses caused by global macroeconomic factors. Foreign institutional investors (FIIs) have been net sellers for several consecutive sessions, while domestic institutional investors (DIIs) have been net buyers, showcasing the market's mixed sentiment (Reuters) <https://www.reuters.com/world/india/indian-equity-benchmarks-seen-opening-higher-2024-12-30/>.

Market corrections can often create anxiety, especially for those heavily invested in individual stocks. However, these corrections also present an opportunity for long-term investors to deploy capital in a disciplined manner through instruments like equity mutual funds.

## Why Should You Invest in Equity Mutual Funds During Market Corrections?

1. **Dollar-Cost Averaging (DCA)** One of the key benefits of investing in equity mutual funds,

particularly through Systematic Investment Plans (SIPs), is the concept of dollar-cost averaging. By regularly investing a fixed amount, you are able to buy more units when prices are lower, which can increase your potential for higher returns when the market rebounds. This strategy helps mitigate the risks associated with timing the market and can lead to better outcomes over time. As market prices fluctuate, SIP investors continue to buy at different levels, smoothing out the effects of market volatility (Economic Times)

<https://economictimes.indiatimes.com/mf/analysis/mutual-fund-navs-fall-after-market-crash-should-you-top-up-your-sip/articleshow>.

2. **Diversification** Equity mutual funds invest in a wide array of stocks across different sectors and industries. This diversification reduces the risk of individual stock volatility impacting the overall portfolio. During a market correction, some sectors may fare better than others. Mutual funds, with their diversified approach, reduce the concentration risk associated with putting all your money into a single stock or sector, thus minimizing losses in case of a downturn (Angel One) <https://www.angelone.in/knowledge-center/mutual-funds/stock-market-corrections-through-mutual-funds-investment>.

3. **Professional Management** Fund managers of equity mutual funds are experienced professionals who monitor the markets daily and make informed decisions based on their research. During market corrections, these managers have the expertise to navigate volatility and adjust the portfolio accordingly. Their active management can help minimize losses and seize opportunities during market fluctuations. For investors who may lack

the time or expertise to manage their own stock portfolios, equity mutual funds provide a valuable alternative.

4. **Long-Term Growth Potential** Despite short-term market fluctuations, equities have historically provided higher long-term returns compared to other asset classes like bonds or gold. If you can stay invested for a prolonged period, equity mutual funds offer substantial growth potential. Over time, market corrections tend to be temporary, and the overall upward trajectory of the market continues to deliver strong returns. For those with a long-term investment horizon, market dips can be seen as an opportunity to buy high-quality stocks at lower prices (Barrons) <https://www.barrons.com/articles/invest-india-stock-market>.

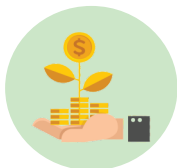
## Conclusion

Investing in equity mutual funds during a market correction may seem counterintuitive to some, but it is often a **smart and strategic move**. Through **dollar-cost averaging, diversification, and professional management, equity mutual funds** can help investors weather market volatility. Moreover, the **long-term growth potential** of equities ensures that those who stay invested through market corrections can benefit from **market recoveries and enjoy superior returns in the future**.

As the Indian stock market continues to show positive signs of recovery, now may be an opportune time for investors to continue or increase their **investments in equity mutual funds**. The market is **bound to experience both ups and downs**, but with a long-term outlook and the right investment vehicle, investors can maximize their chances of **achieving their financial goals**.

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