

How to choose Mid-cap funds in your portfolio

Midcap funds are the apple of the eye for investors. Mid-cap funds are considered as the investment sweet spot by advisors. They have the ability to make money for the investors over the period of time. Mid-cap funds invest in mid-cap companies. Mid cap companies are not as big and stable as large companies. They are also not as vulnerable as small companies.

Secondly, mid-cap companies have the potential to generate the double-digit returns as they have the potential to become large cap. Rather we must say that every large cap company was mid-cap company some point of time.

Midcap funds mostly invest into value based growth companies. So the chances to generate higher return are much higher than the large cap companies. Some investors prefer to invest in Midcap companies directly. But remember that choosing a mid-cap company is not an easy task. An investor has to go through a long research before investing the in the company. Blindly putting money can be dangerous in mid and small cap category.

So it is advisable for the investor to choose a mid-cap fund. There are a lot of mid-cap funds in the market and again they are difficult to choose. To choose a fund, it is important for the investor to look for consistent performer rather than a one-time performer. Best fund in this quarter necessarily does not mean that it is the best fund.

Looking at your midcap fund regularly help investors in the long run. Sometimes the fund manager changes the tactics and starts investing in large cap. This kind of approach is not rewarding at all. Usually, an investor should keep his investment slightly longer than large cap funds. Midcap funds can give a handsome return in the long run rather than short run. In the bull market, midcap funds do better but in the dip, they also face a sharp downturn.

So if you want to allocate some of the portfolio portions into midcap then primarily look into two things. One is fund should be a consistent performer and invest the horizon should be 5-7 years even more.

Disclaimer: Mutual funds are subject to market risks. Please read all scheme related documents carefully before investing. This article is neither encouraging not discouraging you to invest. Please consult your financial advisor before investing. The author takes no burden for any kind of investments, profits, and losses. Past performance does not guarantee any future returns.

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