

LARGE CAP FUND



Large Cap Mutual Funds

What is Large Cap Mutual Funds?

A large-cap fund is an open-ended equity scheme that invests a minimum of 80% of its assets in the shares of large-cap companies i.e. top 100 companies in terms of market capitalization.

Large Cap Mutual Funds are also referred to as Blue-chip Funds. The term 'blue chip' comes from the game of poker where the blue gambling chips hold the highest value on the table.

Similarly, the Blue Chip companies represent those companies from each industry that are well-established, have stable earnings and have the highest market valuation.

Large-cap mutual funds help investors maintain their portfolio stability as they are less volatile than their mid-cap and small-cap counterparts.

However, these funds generate relatively lower returns than small-cap and mid-cap equity funds.

Large Cap Mutual Funds

Who Should Invest in Large-cap Mutual Funds?

Investments are usually made after a thorough analysis of requirements, risks involved, the purpose of investment, etc. Large Cap Mutual Funds are suitable for:

- Individuals/Organisations who are willing to earn higher profits on their investments.
- Investors wanting to opt for an investment option with the minimal market risk involved. During Market downturns, Small Cap and Mid Cap Funds are more responsive to economic cycles whereas large-cap funds are barely affected. This is because Large Cap companies have a strong presence in the market and soundness in their business plans makes them strong enough to sustain during market fluctuations. Hence, the risk involved is minimal.
- Midcap and Small-cap Mutual Funds are riskier than large-cap funds. Investors willing to take up a less aggressive investment strategy can invest in large-cap funds.
- The large-cap companies have a record of proficient and consistent performance during the market fluctuations. Hence, the funds associated with these companies are suitable for especially for new or first-time investors.

Large Cap Mutual Funds

Advantages of investing in such Mutual Funds

Large-Cap Mutual Funds provide investors with numerous advantages such as sanity & stability of investment, balanced dividends, simplified valuation, etc.

1. Sanity & Stability of Investment

The companies categorized as Large-Cap offer stability and sanity to the portfolio of the fund. Since these companies function as establishments under a proficient business plan and sound financial strength, the chances of any hindrance in the revenue-generation or ending up insolvent are very low. Small-Cap & Mid Cap companies are easily affected by the market fluctuations and thus do not offer this stability of return.

2. Balanced Dividend

Again, having an impressive business structure validates the solid track record of the organizations and thus approves of the steady payment of dividends. Consequently, these steady dividend payments give appealing returns for large-cap investors. This is an unyielding advantage for investors with a conservative investment approach.

3. Simplified Valuation

As these companies are functioning in the market for many years, the formalities of valuing the performance, profits and other financial details becomes easy for the investors. Before making any decision, investors can access the performance history of the companies to construct an accurate portfolio.

Large Cap Mutual Funds

Taxation of Large Cap Funds

The **Short-Term Capital Gains** (STCG) from the investments in this fund are taxed at 15% if the units are sold within 1 year from the date of allotment.

However, the **Long-Term Capital Gains** (LTCG) made on the sale of units priced at over Rs. 1 Lakh, within a year from the date of allotment is taxed at 10% without indexation.

Here is an example: If an investor has made a capital gain of ₹40000 on investment in an equity fund, Short Term Capital Gains Tax of 15% would be levied if s/he withdraws the amount within one year of investment. The payable tax would be ₹6000.

Also, if an investor has made a capital gain of ₹2 Lakh on investment in an equity fund, and withdraws the amount after 1 year of investment, Long Term Capital Gains Tax of 10% would be levied on ₹1 Lakh. ₹1 Lakh is exempted from taxation. The payable tax would be ₹10,000.

Large Cap Mutual Funds

Things to be considered before investing

Every investment requires a sufficient amount of research and valuation of factors such as risks involved, history of returns accrued, business proficiency of the holdings, etc. Here are some of the things which must be considered by an investor before investing into the Mutual Funds:

- **Financial Goal**– Before making any investment decisions, it is very important to evaluate that the fund objective is aligned to your financial goals
- **Fund Performance**– Measuring the performance of the fund in both bullish and bearish market situations is a necessity as it helps the investors in selecting a reliable fund. One should always choose a fund which has been performing with consistency
- **Fund House & Management**– There are numerous Mutual Funds regulated by different AMCs (Asset Management Companies). Fund houses & Fund Managers play a very decisive role in the allocation of assets and the selection of stocks. If the management has enough experience and expertise, the fund will easily sail through promising market conditions and deliver good returns
- **Costs Involved**– There are different costs involved in Mutual Fund investments such as Expense Ratio, Entry Load, and Exit Load. Investors must review these costs before heading up for investments
- **Other Basics from the Portfolio**: There are other different factors such as the fund NAV (Net Asset Value), AUM (Assets under Management), etc. which are to be viewed to make sure of the reliability and investor engagement in the fund.

Large Cap Mutual Funds

| Fund Name | AUM (Cr.) | 1-Year Return | 3-Year Returns | 5-Year Returns |
|---|-----------|---------------|----------------|----------------|
| Mirae Asset Large Cap Fund | 15,897 | 14.49 | 14.94 | 12.65 |
| Axis Bluechip Fund | 8,749 | 24.13 | 19.39 | 12.11 |
| Motilal Oswal Focused 25 Fund | 1,184 | 20.11 | 12.84 | 11.85 |
| SBI Bluechip Fund | 23,585 | 13.33 | 11.41 | 10.83 |
| Canara Robeco Bluechip Equity Fund | 257 | 17.94 | 15.25 | 10.53 |