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Arthveda to mop up Rs 200 cr via index fund

Arthveda Fund, Dewan Housing Finance Corp's private equity investment arm, aims to mop up Rs 200 crore over the next one year through an equity market index fund. The fund, to be called Arthveda Alpha L 50, will be benchmarked against the Nifty 50 index and will be launched later this month.

The scheme will be launched through the portfolio management services (PMS) route and will target high networth individuals (HNIs) with a minimum investment size of R25 lakh. The fund will be open-ended and the portfolios of each client will be managed separately. The firm has recommended that clients stay invested for at least three years.

“For this fund, we will not go by the market-cap weightage system as is the case in other index funds, but invest on the basis of valuation weight or equi-weight. The fund will be overweight on certain undervalued stocks and vice-versa,” said Vikas V Gupta, head of research and product development, Arthveda. The firm believes that index funds globally have a mix of large- and small-cap stocks in the ratio of 65:35, which makes some of their investments illiquid in case the equity market underperforms for a prolonged period. “Large-cap firms in India are well entrenched; so, we consider investing in them to be safe,” he said.

The company plans to launch another index fund and register it under the Alternate Investment Fund segment of Sebi on the basis of the response received for the current one.

“In India, on an average, 53% of the mutual fundshave underperformed over a five-year period,” said Gupta. The Nifty index has given returns of 26.7% for a one-year period and 14.8% return for a three-year period. The index performed negatively since 2008 and fell 4.2% on a five-year period.