

# In defence of mutual funds

*Speaking at Hubbis' Indian Wealth Management Forum 2017 in August – Kailash Kulkarni of L&T Mutual Fund says alpha isn't going away anytime soon for Indian investors.*

Mutual funds, which used to account for as much as 85% of a wealth manager's portion, is now at around 20% to 25%.

But Kailash Kulkarni, chief executive officer of L&T Mutual Fund, says there is still a case for mutual funds to be the core of investment advice.

Alpha is the strongest reason why he believes mutual funds should remain in a wealth manager's portfolio.

Also, there's hardly any research on new companies in India, while small-cap and mid-caps are under-researched – offering strong potential to generate alpha.

India isn't like developed markets, says Kulkarni, where it is difficult to beat benchmark indices.

On the other hand, funds and ETFs are still some time away from forming a bigger portion of the market.

Yet post-demonetisation, he sees positive cash flows into more formal savings.

Even over the last five years, there's been a significant evolution of mutual funds.

Earlier, it was plain vanilla funds. But today, over the ultra-short, short and medium term, there are a lot of credit plays, leading to AUM in credit funds of around INR1.5 trillion today – from nearly zero four years ago.

The challenge for wealth managers, however, is to pick the right asset manager, says Kulkarni.

The ability to understand the issuers and getting the right issues into the space is becoming important, he adds. This requires more individuals with the specialisation to manage that part of the portfolio. This is where the mutual funds industry, with its current crop of talent, can play an important role, he adds. ■



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