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**EMERGING EQUITIES FUND** Will make 65-100% equity allocation to only mid-cap stocks from March 16 as valuations rise

# Canara Robeco Plan Prefers Midcaps Over Smallcaps

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**Mumbai:** The sharp surge in mid and small-cap valuations has made Canara Robeco Mutual Fund change the fundamental attribute of its mid and small-cap scheme.

In a notice sent out to unitholders, the fund house said the trustees have approved a change in the fundamental attribute to Canara Robeco Emerging Equities Fund, which has assets of ₹1,423 crore. The scheme, which has 65-100% equity allocation to mid and small-cap stocks, will have this allocation to only mid-cap stocks from March 16. Existing unitholders have the option to redeem or switch out from the scheme without paying any exit load, till then.

“Many companies in the mid and small-cap space, have seen their stock prices move up over the last three years. To continue picking stocks in the same space, and to align it with benchmark midcap index, this change was necessary,” says Ravi Gopalakrishnan, head (equities), Canara Robeco Mutual Fund.

Valuations in the small and mid-

**Time for Rejig**  
**Canara Robeco Emerging Equities Scheme**

<b>Fund Manager</b>	<b>Kartik Mehta and Ravi Gopalakrishnan</b>
<b>1 Year Return (%)</b>	<b>39.51</b>

**Top 5 Stocks**

- Atul
- Engineers India
- Care
- Minda Industries
- CCL Products

**FUND MANAGERS NERVOUS**  
**BSE's small-cap index is trading at 53 times earnings against 36 times a year ago**

cap space have surged sharply in the last three years. But, fund managers are more nervous about the valuations in smallcaps. The BSE's small-cap index is trading at 53 times earnings against 36 times a year ago. As

per data from Value Research, the Small Cap Fund category has given a return of 40.43% in the last one year. As a result, one of the best performing small-cap mutual fund, DSP Blackrock Microcap, recently decided to stop fresh inflows after February 17. Last year, Mirae Asset Emerging Bluechip too, stopped accepting lump sum subscriptions and Motilal Oswal PMS had stopped fresh inflows in one of its products. Because of surging valuations, fund managers are unable to spot stocks in the mid and small-cap space.

The Midcap 50 index, which traded at a PE of 15.82 times a couple of years back now trades at PE of 34.28.

“Valuations in the small-cap space are extremely exorbitant and are in bubble territory. Investors should cut exposure to this space and realign their equity portfolios,” says Manoj Nagpal, chief executive, Outlook Asia Capital.

Retail investors continue to pour money into equity mutual funds through the SIP route, a large part of which goes into mid and small-cap funds. Fund houses have been taking various steps to caution investors about these surging valuations.

