Bajaj Finserv Multi Cap Fund NFO: Exploring some myths about contrarian investing

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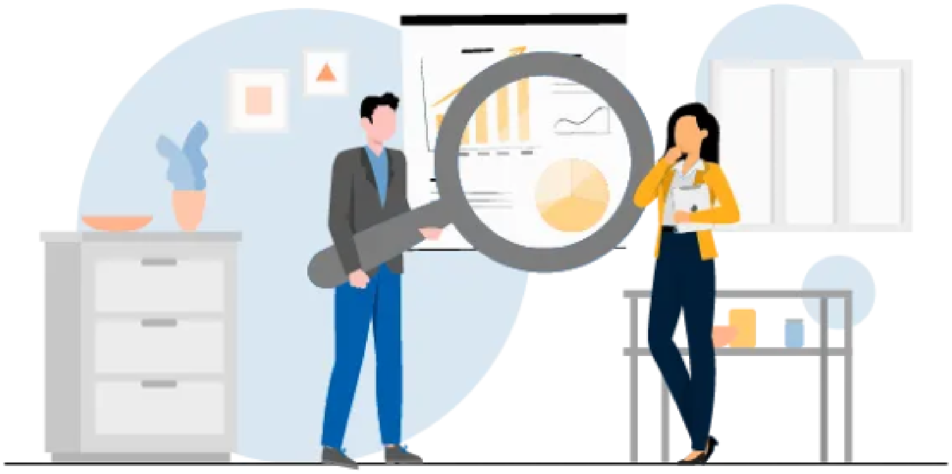
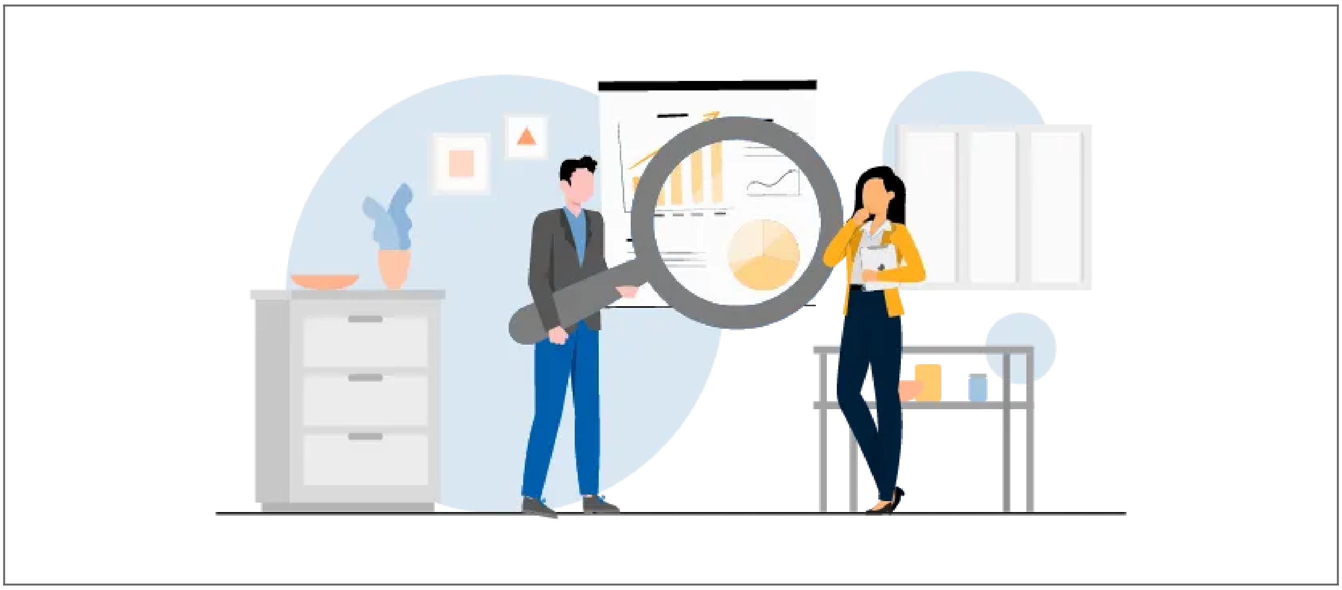


Contrarian investing is often misunderstood because it involves going against the tide. Many perceive it to be riskier and more complex than it may be.

In reality, contrarian investing is not about blindly opposing the market but about identifying undervalued opportunities where the crowd has overreacted.



Invest in Bajaj Finserv Multi Cap Fund NFO

This is what the Bajaj Finserv Multi Cap Fund seeks to do. With a contrarian approach, the fund seeks to leverage overlooked opportunities before the market recognises their potential.

The New Fund Offer period began on Thursday, February 6th, 2025, and will end on Thursday, February 20th, 2025. To help you understand this fund and its investment approach, let's explore and debunk some myths about contrarian investing.

1. Contrarian investing is just about buying what's falling

A common misconception is that contrarian investors simply buy stocks that are declining in price. However, contrarian investors don't buy a stock just because it has fallen; they look for assets that are undervalued but have potentially strong fundamentals. A falling stock might indicate deeper problems within a company or industry, and not every underperforming stock is a potentially good investment.

2. Contrarian investors always go against the market

There is a belief that contrarian investors oppose the market no matter what. In reality, they do not take positions just for the sake of being different. They only go against the market when they believe there is an inefficiency or overreaction in pricing. If the market seems to be fairly valuing an asset, there is no reason for a contrarian investor to take the opposite stance.

3. Contrarian investing is significantly riskier

Many assume that contrarian investing involves higher risk because it often requires investing in assets that others are avoiding. However, risk depends on how well-researched the investment is. Buying stocks at a prevailing market price that is lower to their intrinsic value can at times reduce downside risk compared to chasing overpriced stocks in a bull market. Contrarian investing, when done optimally, is based on research, patience, and discipline. More risk can sometimes come from blindly following the crowd, which can lead to buying overhyped stocks at unsustainable valuations.

4. Contrarian investors never follow trends

Contrarian investing is not about rejecting every trend. If a stock or sector is gaining momentum but remains undervalued, a contrarian investor might still invest. The key is to focus on value, not popularity. Just because a stock is widely followed doesn't mean it is overvalued, and just because a stock is ignored doesn't mean it's not a good investment. The focus should always be on fundamentals and intrinsic value rather than the trend itself.

5. Contrarian investing guarantees better returns

No investment strategy guarantees returns, and contrarian investing is no exception. While it can lead to potential gains, success depends on proper research, patience, timing and market reactions. Sometimes, markets take longer to recognise the true value of an asset, and investors may have to wait before their contrarian strategies work. Additionally, not every contrarian move works.

6. If everyone knows about a contrarian opportunity, it's no longer valid

Some believe that once a contrarian opportunity is widely discussed, it loses its value. However, markets do not always correct inefficiencies immediately. Even when an undervaluation is well-known, investors might still hesitate due to uncertainty or negative sentiment. The key is to act based on conviction and analysis rather than waiting for market validation. Sometimes, even well-recognised contrarian opportunities take time to potentially be realised.

7. Contrarian investing means ignoring fundamentals

Some think that contrarian investors focus only on market sentiment. In reality, contrarian moves need to be backed by strong fundamentals of the stock. Investors must look at revenue growth, profitability, balance sheets, and competitive positioning to understand if a stock is undervalued due to market overreaction or financial weakness.

8. Contrarian and value investing are the same

Contrarian investing and value investing share significant similarities. Both strategies focus on buying undervalued assets, though their approaches may differ slightly. Contrarian investors look for opportunities where market sentiment has led to mispricing, while value investors seek assets trading below their intrinsic value based on fundamentals.

Bajaj Finserv Multi Cap Fund with contrarian investing

The Bajaj Finserv Multi Cap Fund seeks to leverage contrarian investing to identify undervalued opportunities across the broad market. The fund will allocate at least 25% of its portfolio each to large, mid and small cap stocks. Additionally, unlike traditional contrarian strategies, which start selling off the stocks once their intrinsic value is recognised, the fund will allow for sustained exposure, enabling the portfolio to potentially fully ride the growth wave.

Investors can purchase units at the face value of Rs. 10 each during the NFO period and at the prevailing Net Asset Value once the fund reopens for subscription. Both lumpsum and Systematic Investment Plan (SIP) options start at Rs. 500.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.