

How Bajaj Finserv Multi Cap Fund finds opportunity in market reactions

Category: Business

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Investing in the stock market can be challenging, especially when emotions and market trends often drive decisions rather than solid research. Investor behaviour plays a big role in shaping market movements, and sometimes these emotions lead to price changes that don't reflect the intrinsic value of companies. These emotional reactions can cause mispricing in the market, creating opportunities for informed investors to buy undervalued stocks or sell overvalued ones. One fund that aims to take advantage of these market inefficiencies is the [Bajaj Finserv Multi Cap Fund](#), which uses a contrarian investing strategy. The New Fund Offer period for this scheme began on Thursday, February 6, 2025, and will end on Thursday, February 20, 2025.



[Bajaj Finserv Multi Cap Fund](#) NFO is on till February 20, 2025

Understanding investor biases in the [market](#)

Investor biases are mental shortcuts that can lead people to make poor decisions based on emotions rather than facts. Here are some common biases that can affect the market:

Herd mentality: This happens when investors follow what everyone else is doing. People might buy or sell stocks simply because others are doing the same, even if there's no solid reason for it. This can lead to stocks being overbought or oversold, creating an opportunity for investors who are paying attention.

Recency bias: Investors sometimes focus too much on recent events and ignore long-term trends. For example, if a stock has done well recently, people may assume it will continue to rise, ignoring any risks.

Overreaction: During times of fear or panic, investors often sell off stocks too quickly, pushing prices down. On the other hand, when the market is overly optimistic, stocks may become overvalued. Both of these situations can create opportunities for investors who are not swayed by short-term emotions.

The Contrarian Approach

The Bajaj [Finserv Multi Cap Fund](#) is an equity fund that aims to take advantage of these market biases through its contrarian investing approach. Contrarian investing means going against the trend – buying stocks when others are selling and selling when others are buying. While this approach may seem unusual, it can help find opportunities in situations where the market has overreacted.

Buying undervalued stocks during market dips: When the market falls due to negative news, even good companies may see their stock prices drop unfairly. Fear and panic often drive prices down, but the Bajaj [Finserv Multi Cap Fund](#) aims to buy these stocks at then prevailing market prices. The [fund focuses on long-term growth](#), so it seeks to hold on to these stocks until the market stabilizes and their intrinsic value is realized.

Selling during market euphoria: In times of optimism, stocks can become overpriced as people get too excited about the market. When the market gets too bullish, the fund might choose to reduce its holdings in these overvalued stocks, locking in profits or reallocating funds to areas that are undervalued.

Taking advantage of recency bias: Investors sometimes overestimate recent trends and fail to look at the bigger picture. For example, a stock may have dropped in price recently due to short-term issues, but its long-term growth potential may still be strong. The [Bajaj Finserv Multi Cap Fund](#) looks for these opportunities to buy stocks that are undervalued but overlooked by the majority of investors.

Diversification to [reduce risk](#): The Bajaj Finserv Multi Cap Fund invests in a mix of large, mid, and small cap stocks with minimum 25% investment across each of large cap, mid cap and small cap companies, which helps spread risk across different segments of the market. This allows the fund to manage [market ups and downs and capture opportunities](#) in a variety of sectors.

Contrarian [investing and market](#) efficiency

Many people believe in the theory of market efficiency, which says that stock prices always reflect all available information. But in reality, prices are often influenced by emotions and investor behaviour, which can cause temporary mispricing. [Contrarian investors like Bajaj Finserv Multi Cap Fund](#) believe that these mispricings can create opportunities.

When the market overreacts to good or bad news, stock prices can go too high or too low. This creates opportunity for contrarian investors to buy stocks at a undervalued price during a market panic or sell when prices are too high. By focusing on the fundamentals of a company, the Bajaj [Finserv Multi Cap Fund](#) aims to take advantage of these market reactions and find value where others might not.

The importance of patience and discipline

Contrarian investing requires patience and discipline. It can be difficult to go against the crowd, especially when market sentiment is extremely bullish or bearish. However, [Bajaj Finserv Multi Cap Fund follows a long-term investment strategy](#), which means it stays focused on the underlying value of companies and doesn't get swayed by short-term market movements. This disciplined approach could allow the fund to capture opportunities that others might miss.

Conclusion

The [Bajaj Finserv Multi Cap Fund uses a contrarian investing strategy](#) to find opportunities in market reactions driven by emotional biases. By looking past short-term [market trends and focusing on the long-term fundamentals of companies](#), the fund aims to buy undervalued stocks when others are selling and sell overvalued stocks when others are buying. In a market where herd mentality, recency bias, and overreaction are common, the fund's strategy could help investors find value in places where others may only see risk. Through careful

analysis and a patient, disciplined approach, the Bajaj [Finserv Multi Cap Fund](#) strives to capture long-term growth in an ever-changing market. You can invest in the Bajaj Finserv Multi Cap Fund via [SIP](#) as well as lumpsum. The minimum investment amount is Rs. 500.

Units will be available at a face value of Rs. 10 during the NFO period (February 6, 2025 to February 20, 2026). Once the fund reopens for subscription after a few [business](#) days, units will be available at the applicable Net Asset Value.

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

