

Bajaj Finserv Small Cap Fund: Using Quality to Mitigate the Impact of Volatility

Category: Business

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Small Cap Funds are known for their potential to generate higher returns in the long run, but they are often sensitive to market volatility. These market movements are often a result of different factors like limited liquidity, changes in market sentiment or others. In this scenario, selecting the suitable small cap company becomes essential to help mitigate the market swings. However, even a quality portfolio can not be immune to short-term market movements.



Bajaj Finserv Small Cap Fund: Using Quality To Mitigate Volatility

The [Bajaj Finserv Small Cap Fund](#) is built on a quality-focused approach that aims to potentially manage volatility. When you invest in companies with sound fundamentals, they are often potentially better equipped to ride out the market uncertainties. This can help you with an entry point into a sector that's building the long-term growth story of India's small cap sector.

Why quality matters in small cap investing

The small cap segment comprises companies that are in their nascent stages and operate in niche markets. While this offers you investment opportunities, it also comes with its own risks. Many of these businesses can lack scale or financial resilience to withstand economic downturns. Hence, simply chasing short-term growth in the small cap sector may not be suitable.

The Bajaj Finserv Small Cap Fund helps mitigate these market risks through prioritising quality companies that have demonstrated stable earnings, consistent capital allocation and a competitive edge in their niche. While these businesses may not perform in the short-term, they have the potential to grow wealth in the longer run.

With the quality-first approach, the fund avoids companies that can have poor governance, unstable performance or unsustainable business models. This can allow you to balance your portfolio throughout market volatility even in a segment like the small caps.

A framework for navigating volatility

While market swings are a part of an investor's journey, but how a fund is strategized to manage this can make a difference. The Bajaj Finserv Small Cap Fund uses a structured investment approach that combines top-down insights and bottom-up stock selection.

In times of market downturns, businesses with strong

fundamentals can be better placed to manage costs, maintain market share and potentially bounce back faster. With a focus on these companies, the fund seeks to reduce the effect of volatility on your portfolio.

Seeking durable growth, not just momentum

While many companies can build momentum in their initial stages, not all growth is sustainable. Some companies can show growth in the short-term but falter later. This can happen due to high debt accumulation, poor management practices and other factors.

The Bajaj Finserv Small Cap Fund looks for growth which is backed by businesses with strong fundamentals. This means identifying companies that are not only innovative but also resilient.

Having said that, the fund continues to be valuation conscious. This means that while quality and growth are important, value is equally important. Hence, it seeks out companies that are priced below their intrinsic value due to temporary factors and selects them to be a part of your portfolio.

This is how the fund's philosophy takes all three elements, quality, growth and value, into consideration to build a balanced mutual fund portfolio.

Potential long-term advantages

In the long run, quality small cap businesses have the potential to become mid cap or large cap leaders. Hence, if you join these companies' journeys in their early stages, you can potentially benefit from long-term wealth creation, provided you remain invested across market cycles.

However, this requires you to build discipline and patience to stay invested during periods of market uncertainty. The Bajaj Finserv Small Cap Fund is designed with an investment philosophy that helps in long-term compounding through a

disciplined investment process.

It is essential to note that the small cap sector is highly sensitive to market fluctuations. These funds may not be suitable for every investor and hence it is important to check your risk appetite and align your investments to your long-term goals.

SIP can support long-term participation

Another way to mitigate market risks linked to the small cap segment is through a Systematic Investment Plan. When you invest in SIP, it allows you to invest a fixed amount regularly at a pace you are comfortable with. Here, you neither need to time the market nor commit to lump sum.

By spreading your investments over time, SIPs can help average out purchase costs through rupee cost averaging. If you are looking to invest in SIP you can also potentially benefit from the power of compounding that can help you potentially gain wealth in the long run. With a long-term investment plan and a willingness to ride out interim volatility you can invest in SIP and explore the small cap space. You can make use of an [SIP calculator](#) to decide on the investment amount.

How to invest

You can invest in the Bajaj Finserv Small Cap Fund online through the official Bajaj Finserv AMC website or via authorised mutual fund distributors. Investments can be made through direct or regular plans. To learn more about the investment process, visit www.bajajamc.com.

Units will be available at a offer price of Rs. 10 per unit during the NFO period (June 27, 2025 – July 11, 2025).

Conclusion

With a 3-in-1 advantage, the Bajaj Finserv Small Cap Fund aims to build potential wealth in the long-term while effectively managing market movements. While small caps can be more susceptible to market risks, taking a structured and

disciplined approach may offer you a suitable option to get small cap exposure.

As always, it is advisable to consult with a financial advisor before making any investment decisions, especially in categories with higher market sensitivity.

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

