

How Bajaj Finserv Small Cap Fund Builds its Portfolio: From Trends to Stocks

Category: Business

written by News Mall | July 9, 2025



A small cap fund typically invests in companies that operate niche segments. While these might not be market leaders, they may be category leaders of their respective segments.



The Bajaj Finserv Small Cap Fund NFO ends on June 11, 2025

Small cap funds typically invest in companies that rank 251st and beyond in terms of market capitalisation as per SEBI guidelines. Tapping into this opportunity, however, requires more than just picking stocks, it calls for a structured and well-researched investment process.

The [Bajaj Finserv Small Cap Fund](#) follows a detailed approach

to identify opportunities, manage risks, and build a portfolio that may benefit from India's long-term growth story. Here's how the fund puts its investment philosophy into action.

Evaluating businesses from the ground up

The Bajaj Finserv Small Cap Fund follows a 3-in-1 strategy that involves focusing on companies with strong fundamentals, long-term growth potential and are trading below their intrinsic value.

The fund takes a bottom-up approach to find companies that fit its philosophy. Each stock goes through a checklist that covers three key areas:

- **Business:** Is the company's business model scalable and sustainable
- **Management:** Does the leadership have a sound track record and a growth vision
- **Valuation:** Is the stock priced based on fundamentals

This ensures that only businesses with potential for steady growth potential and strong fundamentals are considered for the portfolio.

A disciplined approach to portfolio construction

Investing in small caps requires balancing return potential with risk control. That's why the Bajaj Finserv Small Cap Fund follows a structured allocation framework. Factors such as regulatory norms, internal risk limits, and the fund's investment mandate are all considered.

Each stock position is sized carefully. This helps maintain diversification while avoiding too much exposure to any single company or sector. Every decision is recorded and reviewed as part of an internal compliance and investment process.

From 1,150 to 100: The stock selection funnels

The fund starts with a broad universe of around 1,150 stocks. Of these, about 900 fall within the small cap category. The research team then filters and actively tracks 300-400 companies that meet the fund's criteria.

After this detailed evaluation, only 40-100 stocks make it into the actual portfolio. This disciplined narrowing process helps ensure that only high-conviction ideas backed by in-depth research are included.

Built by a multi-domain research team

The fund's research team brings together specialists from different areas. Each plays a unique role:

- Sector analysts identify companies that lead or could lead in niche areas
- ESG analysts assess how businesses are governed and whether they follow responsible practices
- Forensic analysts dig deep into financials to flag potential risks

Together, this team adds depth to the decision-making process and strengthens the quality of the portfolio.

Extra caution in small cap investing

Small cap companies may offer higher growth potential, but they also tend to have less publicly available data. To manage this, the Bajaj Finserv Small Cap Fund uses a forensic risk model to screen for red flags before a stock is considered.

Some of the key areas evaluated include:

- **Profit and reporting quality:** Are profits backed by cash flows Are there signs of aggressive accounting

- **Balance sheet health:** Is the company over-leveraged Are receivables or inventories rising sharply
- **Promoter practices:** Has there been excessive pledging of shares, or litigation history
- **Disclosure and audit standards:** Has the company changed auditors frequently or delayed reporting

All this data feeds into a forensic scorecard, which supports investment decisions and helps the fund stay cautious in high-risk situations.

Why consider mutual funds for small cap investing

For investors interested in exploring small caps, mutual funds may offer a more structured route than picking stocks on their own. With the support of professional research, ongoing monitoring, and a disciplined process, small cap mutual funds like Bajaj Finserv Small Cap Fund aim to identify businesses that may grow as the economy expands.

If you're looking to begin your journey, you may consider starting with a [mutual fund SIP investment](#). An SIP can help spread your investment over time, reduce the impact of market volatility, and build a habit of regular investing.

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 director regular plans. To learn more about the investment process, visit www.bajajamc.com.

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

Conclusion

The Bajaj Finserv Small Cap Fund uses a thorough and research-driven investment process to build its portfolio-from

identifying long-term trends to filtering companies through business, valuation, and risk lenses. With a combination of macro insights, deep-dive company analysis, and strong governance filters, the fund aims to create a diversified basket of small cap stocks that may benefit from India's evolving growth landscape. While small caps come with higher risks, a fund-backed approach may provide a more balanced and well-researched way to access this dynamic segment.

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

