

# Volatility as a pathway: How Bajaj Finserv Small Cap Fund approaches market shifts

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If you are an investor, you may have felt the ups and downs of the market firsthand. One day, your portfolio is climbing; the next, it seems to be dipping. It can feel unsettling, but it's important to remember that volatility is a natural part of the investment journey. For someone looking at small caps, this volatility may also create potential opportunities for long-term growth.



## **How Bajaj Finserv Small Cap Fund uses volatility as a pathway**

### **Understanding volatility in small caps**

[Small cap](#) companies are usually in the early stages of growth and often operate in niche markets. Because of this, their stock prices tend to move more sharply than larger companies.

When you invest in small caps, think of volatility like waves in the ocean. Each wave can feel disruptive, but if you understand the rhythm, you may be able to identify moments where entering the market could be suitable for your long-term goals. Over time, these short-term corrections may offer chances to invest in businesses with strong fundamentals that are positioned for long-term growth.

### **How Bajaj Finserv Small Cap Fund approaches volatility**

The Bajaj Finserv Small Cap Fund seeks to navigate these market shifts with a structured approach. The fund does not react to every movement in the market; instead, it seeks opportunities that align with its investment philosophy.

The fund's investment approach combines three key strategies:

- **Growth:** Targeting businesses with potential to expand and scale over time,
- **Value:** Identifying companies trading below their intrinsic value, and
- **Quality:** Focusing on businesses with strong governance and sustainable operations.

By blending these approaches, the fund aims to maintain a balanced portfolio that may adapt to different market phases.

### **Turning ideas into your portfolio**

The fund follows five guiding pillars to select stocks:

quality, growth, undervalued opportunities, leadership, and governance. Each potential investment is assessed against these principles.

From a large universe of small cap stocks, only a carefully selected number make it into the portfolio. This disciplined approach may help ensure that the fund is diversified across sectors while concentrating on businesses with strong potential.

### **How Bajaj Finserv Small Cap Fund potentially mitigates risks**

Here are some common risks of investing in small caps, and how the fund seeks to mitigate them:

- Information gaps – Small cap companies often have limited analyst coverage, lower disclosures, and poor transparency. To address this, the Bajaj Finserv Small Cap Fund relies on in-depth internal research, direct management interactions, and forensic checks.
- Governance concerns – Risks such as promoter dominance, related-party transactions, and ethical lapses can affect small caps. The fund applies strict governance filters and conducts promoter background checks to mitigate these risks.
- Capital misallocation – Reckless expansion, unrelated diversification, or low-return projects can erode shareholder value. The fund emphasises capital efficiency and looks for businesses with a strong ROCE/ROE track record.
- High leverage – Excessive debt makes companies vulnerable during downturns. The fund prefers businesses with a healthy balance sheet and sound interest coverage ratios.
- Business concentration – Dependence on a single product,

client, or geography increases vulnerability. The fund screens for companies with diversified revenue models and sustainable growth drivers.

### **How SIPs may help navigate ups and downs**

If you are concerned about market volatility, a [Systematic Investment Plan](#) (SIP) in the Bajaj Finserv Small Cap Fund may be a suitable approach. By investing a fixed amount at regular intervals, you spread your exposure across different market conditions. This approach uses rupee cost averaging, where you buy more units when prices are lower and fewer when prices are higher, potentially reducing the impact of short-term swings.

Over time, your consistent contributions may help you experience the potential benefits of compounding. An SIP allows you to start small, stay disciplined, and gradually build exposure to small caps without trying to time every market movement.

The calculator is an aid, not a prediction tool. It may provide only an indicative picture.

### **Why consider small cap funds for your long-term goals**

Small caps may offer access to businesses that are growing alongside India's evolving economy. Investing through a mutual fund provides you with professional research, active monitoring, and portfolio management, which can help you navigate risks while staying aligned with your long-term goals.

Choosing an SIP in a fund like Bajaj Finserv Small Cap Fund allows you to approach volatility thoughtfully, turning market shifts into potential opportunities rather than challenges.

### **Conclusion**

Market volatility may feel uncertain, but it also creates

moments that could align with your investment goals. By combining a structured investment philosophy with careful research, the Bajaj Finserv Small Cap Fund seeks to potentially help you navigate these shifts. Through a consistent SIP, you may gradually build exposure to small cap opportunities while staying focused on long-term wealth creation.

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

