Summary of the Article:

The article discusses the benefits of actively managed mutual funds during volatile market conditions. Despite the recent stock market correction, where India's benchmark indices have dropped over 10% since September 2024, select actively managed funds have outperformed their benchmarks. These funds not only minimized losses during the downturn but also provided solid returns during market rallies.

Key Salient Points:

1. **Market Volatility:**
   - The stock market has faced significant turbulence due to global factors such as tariff issues from the US, a stronger dollar, persistent inflation, and geopolitical tensions.
   - Benchmark indices in India have declined by over 10%, and mid-cap/small-cap stocks have suffered losses of up to 50% from their peaks.
2. **Impact on Investors:**
   - Many new investors have faced losses in their Systematic Investment Plans (SIPs).
   - Momentum-based investing strategies have taken a severe hit, with the Nifty 200 Momentum 30 index down by over 20%.
3. **Performance of Select Funds:**
   - Funds like **Parag Parikh Flexicap Fund** limited their decline to 2.9% compared to an 11.6% drop in the Nifty 500 TRI.
   - These funds have consistently outperformed both the markets and their categories over the past year.
4. **Investment Strategy:**
   - Disciplined, long-term approaches and a focus on large-cap stocks protected funds during the downturn.
   - Examples include:
     - **SBI Focused Equity Fund**: 75% allocation to large-cap stocks.
     - **HDFC Focused 30 Fund**: 80% large-cap allocation.
     - **Motilal Oswal Midcap Fund**: Maintained a focused portfolio of high-quality mid-cap stocks.
5. **Active vs. Passive Funds:**
   - Passive funds mirror an index without flexibility, even if certain stocks are overvalued or have poor prospects.
   - Active funds, on the other hand, can selectively invest, offering the flexibility to outperform benchmarks.
   - Funds like Parag Parikh Flexicap even invest in foreign equities, providing diversification benefits.

Facts and Figures:

- **Parag Parikh Flexicap Fund**: Declined only 2.9% during the market correction.
- **Nifty 500 TRI Benchmark**: Declined 11.6% during the same period.
- **Nifty Smallcap 100 Index (2023 Performance)**: Rose by 53.5%.
- **Nifty Midcap 100 Index (2023 Performance)**: Rose by 44.6%.
- **SBI Focused Equity Fund**: 75% allocation to large-cap stocks.
- **HDFC Focused 30 Fund**: 80% allocation to large-cap stocks.

Takeaways:

- Actively managed funds can cushion investors during market downturns while delivering strong returns during rallies.
- Selecting funds with disciplined managers and a focus on quality stocks is crucial.
- Active funds remain a compelling choice for investors seeking flexibility and long-term gains despite the rise of passive investing strategies.