

# Cover story

The Do-It-Yourself (DIY) portfolio stands out as a potent option for hands-on investors who enjoy being actively involved in their financial decisions. With its superior mean (37.21 per cent) and median (41.17 per cent) returns, highest Sharpe (1.62) and Calmar (1.71) ratios, and exceptional upside capture (128.09 per cent), the DIY strategy rewards those who are disciplined, market-savvy, and committed to periodic rebalancing. It effectively limited downside risks—its worst 1-year return was just -0.19 per cent—while capitalising aggressively during rallies, particularly in bullish periods like late 2023 and early 2024.

Crucially, the frequency distribution of 1-year rolling returns between January 2023 and June 2025 further cements its appeal. The DIY approach recorded the highest concentration of outcomes in the 40–50 per cent (156 observations) and 50–60 per cent (85 observations) return bands, far surpassing Multi-Cap Funds and the benchmark. This indicates not just strong average performance but frequent high-return outcomes—an edge that stems from active allocation across large, mid, and small-cap funds. However, this high reward comes with a complexity cost. Unlike Multi-Cap Funds that rebalance internally, DIY portfolios require investors to periodically sell and buy units, triggering capital gains tax.

With the updated Finance Bill 2025, long-term capital gains over ₹1.25 lakh are taxed at 12.5 per cent, while short-term gains are taxed at 15 per cent. This tax leakage, though manageable, can gradually erode net returns. Additionally, investors must maintain accurate records of transactions for tax filing, increasing administrative effort. Thus, DIY suits those who are not only proactive with market movements but also meticulous with tax planning—a strategy for the well-informed, not the passive.

## The Multi-Cap Fund Investor - Balanced, Passive, Yet Growth-Oriented

For investors who value simplicity but still want exposure across market caps, actively managed Multi-Cap Funds offer the ideal middle ground. These funds delivered impressive mean (35.29 per cent) and median (38.93 per cent) returns, with strong Sharpe (1.45), Sortino (1.63), and Calmar (1.32) ratios—underscoring their ability to navigate volatile periods like the 2023 banking scare or the small-cap correction with minimal drawdowns (max loss: -1.19 per cent). Their volatility (19.46 per cent) remained well-contained, thanks to dynamic allocation by fund managers based on macro and sectoral trends.

The frequency distribution analysis highlights their appeal for passive investors seeking smoother compounding. Multi-Cap Funds showed high consistency in the 30–44 per cent return range, with peak frequency (130 observations) in the 43–44 per cent band—demonstrating a well-balanced risk-return profile. While they didn't match DIY's peak returns, their internal rebalancing avoids tax events, enhancing post-tax efficiency. This makes them highly suitable for investors with moderate

risk tolerance, limited time or expertise, and a preference for long-term capital appreciation without the need for continuous monitoring. Their dependable performance, smart diversification, and stress-free execution offer an emotionally stable journey for wealth builders.

## The Benchmark Follower - Simple Exposure, But Lower Efficiency

The Nifty 500 Multi-Cap 50:25:25 index, while offering broad-based exposure to large, mid, and small caps in fixed proportions, falls short when evaluated through risk-adjusted lenses. With the lowest mean return (28.60 per cent), weakest Sharpe (1.18), Sortino (0.86), and Calmar (1.09) ratios, and the steepest maximum drawdown (-10.13 per cent), it struggled to adapt during corrections and capitalise during rallies. Even though it had the lowest volatility (18.3 per cent), the lack of dynamic allocation limited its effectiveness.

The frequency distribution of 1-year rolling returns further confirms this inefficiency. With an average return of just 29.02 per cent, the index most frequently clustered in the 30–40 per cent return band (152 observations), while also appearing in the <0 per cent zone—evidence of poor downside protection and muted upside participation. As a passive construct, it lacks the flexibility to adjust to macro shifts, making it less suitable as a standalone strategy for long-term investors. However, for those seeking minimal involvement and broad market exposure at low cost, it serves as a reasonable benchmarking tool. New investors may consider combining such index funds with SIPs or pairing them with active strategies to mitigate volatility and improve risk-adjusted outcomes. On its own, though, it lacks both the defence of Multi-Cap Funds and the aggression of DIY portfolios—making it the least optimal path for most wealth-seeking investors.

## Conclusion

In the end, it's not just about how much you earn—but how consistently and comfortably you earn it. The DIY portfolio demonstrated how informed effort and disciplined rebalancing can unlock market-beating potential, especially in small- and mid-cap heavy environments. Multi-Cap Funds, though slightly behind in returns, offered a compelling trade-off: professional asset allocation, emotional ease, and tax efficiency—all critical for long-term wealth creation. The Nifty 500 Multi-Cap Index, while simple and cost-efficient, highlighted the limitations of a static approach in a dynamic market.

Ultimately, the data tells us this: the best strategy isn't the one with the highest return on paper—it's the one you can stick with through cycles. Aligning your investment method with your mindset is the real alpha.

## Call to Action:

Before choosing your next equity fund, ask yourself—not just what will grow my money, but what will help me stay the course? In investing, clarity, not complexity, compounds best. 