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# How to build an ideal mutual fund portfolio?

BY SHIVANI BAZAZ, ET ONLINE | NOV 13, 2018, 10.40 AM IST

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Many mutual fund investors are confused about the concept of a [mutual fund portfolio](#). Many blame the lack of unanimity among [investment](#) experts for their confusion. They point out that some mutual fund advisors talk about a core and satellite approach, while some others vouch for the efficacy of goal-based investing for retail investors.

No wonder, many mutual fund investors are unclear about how to sew up a mutual fund portfolio. Some investors believe that they should buy every mutual fund category available in the market to build an ideal portfolio. For some investors, half a dozen schemes from a few prominent mutual fund categories would do the trick.

We reached out to some prominent mutual fund advisors and planners to find out how they help their clients to build an ideal portfolio. Here is what we found out:

## Babu Krishnamurthy, Chief Sherpa, Finsherpa Investment Services

I personally prefer the goal-based portfolio building over the core and satellite method. One should know their goals to build a portfolio. Secondly, you have to know the time horizon that you are eyeing to achieve that goal which will in turn also tell us about your risk appetite. So, if you have to travel from your house to the airport, the time that you have to reach there will decide your vehicle. This is what goal-based portfolio building simplifies.

Having a core and satellite portfolios basically lets you have a permanent solid portfolio and another subset of it to take tactical calls on. But those tactical calls become important in that portfolio because the solid portfolio will generally have schemes that will give you mostly flat returns. But tactical calls are not for all investors. They are for mature and aware investors. So, for retail investors it is better to chase a goal and keep investing.

## Deepali Sen, Founder, Srujan Financial Advisors



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I feel that the goal-based approach is better for retail investors. Firstly, the point of having a [satellite portfolio](#) is to tactically allocate schemes in your portfolio for higher returns, so it is a constant juggling which many investors don't understand. There are chances of your tactical calls going wrong also, which can be harmful for the portfolio. It is good to align your goals in line with your risk appetite and tenure and then keep investing to achieve your goal. But if you don't have goals and you just want to invest for a long term and earn extra by taking tactical calls, you can opt for the satellite and [core portfolio](#). Otherwise, for a regular investor, a general goal-based portfolio is free of hassle and convenient.

## Ankur Maheshwari, CEO at Equirus Wealth

The portfolio building is strictly based on [asset allocation](#) and that comes from your risk appetite and investment horizon. To know all of this, you should be clear about what you want to achieve and when you want it. Goal-based portfolios based on continuous asset allocation is the best way to invest over a long term. You can definitely marry the two ways but not entirely. You can have a goal in your mind and have a core and satellite portfolio to achieve that, but the former one is a convenient and easy way of investing.

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