

Why more funds often mean less profit ?

By AK Rao Personal Finance Advisory

STANDARD PORTFOLIO

STANDARD MUTUAL FUND PORTFOLIO
MULTIPLE FUNDS | COMPLEX | HIGH FEES

STRATEGIC WEALTH PARTNERS
STRATEGIC PORTFOLIO

THE CURATOR'S STRATEGIC PORTFOLIO
5 FOCUSED FUNDS | < 15% OVERLAP | LOW COST | CLARITY | BETTER RETURNS

The 'Bazaar' Portfolio: Is Your Mutual Fund Collection a Costly Myth?
Personal Finance Advisory | India | 2026

www.akroadvisory.com

In the world of high-end design, we know that "less is more." In the world of investing, we are often told the opposite. We are taught to collect, to layer, and to accumulate under the guise of "safety."

But there is a thin, expensive line between a diversified portfolio and a cluttered one. Many investors today are suffering from "Diworsification" — the act of adding so many assets that you inadvertently lower your returns while keeping your risks exactly where they were.

The Architecture of Overlap

Most investors believe that by owning ten different "Blue Chip" or "Growth" funds, they have ten different layers of protection. In reality, they often own the same ten companies, ten different times.

When you look beneath the surface of a crowded portfolio, you find a striking lack of originality. If your portfolio is a collection of the most popular funds, you aren't an investor; you are a closet indexer. You are essentially buying the entire market, but paying premium, active-management fees for the privilege.

The Insight: Diversification is not about the number of line items in your account; it is about the lack of correlation between them.

A Tale of Two Portfolios: The Curator vs. The Collector

To illustrate, let's examine two distinct approaches to wealth management.

Participant A: The Collector

The Strategy: Acquired 22 different funds over a decade based on "Top Rated" lists and bank recommendations.

The Reality: His top 10 stock holdings (Reliance, Infosys, HDFC, etc.) appeared in 18 of those 22 funds.

The Cost: He was paying an average expense ratio of 1.8% across the board.

The Result: His portfolio moved in lockstep with the market, but he underperformed the index by 2% every year due to fees and "drag" from underperforming funds.

Participant B: The Curator

The Strategy: Maintained a lean, high-conviction portfolio of 5 distinct funds.

The Reality: Each fund served a surgical purpose: one for domestic stability, one for aggressive mid-cap growth, one for global tech exposure, and two for uncorrelated debt.

The Cost: By consolidating into fewer, high-quality institutional vehicles, her average cost was 0.7%.

The Result: Because her "winners" actually carried weight in her portfolio (20% allocation vs. the Collector's 2%), her outperformance was meaningful and life-changing.

The Mathematics of Diminishing Returns

There is a scientific "sweet spot" for diversification. Research in portfolio theory suggests that once you move beyond a certain number of holdings, the marginal benefit of adding "one more" fund drops to near zero.

As the number of funds in the portfolio increases, your ability to outperform the market disappears. You become the market.

If you wanted to be the 'market', a single, low-cost Index Fund would have sufficed for a fraction of the cost!

Strategic Allocation of funds

Wealth management should feel like a curated gallery, not a crowded bazaar. If you find yourself scrolling through pages of holdings every month, it's time to audit for The Three Cs:

Concentration: Do your top five holdings across all funds exceed 40% of your total wealth? You might be more exposed than you think.

Correlation: Do your funds all go up and down on the exact same days? If so, you aren't diversified; you're just redundant.

Cost: Are you paying active management fees for a portfolio that is essentially tracking a benchmark?

Summary

Wealth isn't built by how many funds you own, but by how much of the right funds you hold. In the Indian markets of 2026, safety doesn't come from a crowded portfolio—it comes from a clear, high-conviction strategy.

Don't let portfolio overlap eat your returns. Reach out to AK Rao Personal Finance Advisory today for a detailed portfolio review and let's transform your portfolio into a curated wealth engine.