

CRISIL FUND *INSIGHTS*

Monthly funds newsletter from CRISIL Research

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Investment thoughts

An enticing InvITation

With investment thresholds reduced, these instruments can now work for retail investors as well

SEBI's recent move to reduce the minimum subscription threshold and trading lot size in infrastructure investment trusts (InvITs) unlocks a new avenue for retail investors who have a long-term investment horizon.

Investments in InvITs propel infrastructure growth through monetisation of assets, and thereby lift the overall economy. Retail investments in InvITs have, however, been limited so far, given the high ticket sizes. This is set to change now as SEBI has, in its June 29 board meeting, reduced the minimum subscription for investment in InvITs to Rs 10,000-15,000 from Rs 1 lakh earlier and the trading lot size to one unit from 100 units, thus enhancing access to retail investors.

The move also paves way to enhanced liquidity of the instruments and better price discovery in the secondary market.

Know InvITs from mutual funds

InvITs are capital market products that own, operate, and invest in completed as well as under-construction infrastructure projects such as roads and highways, power distribution networks, telecom towers, and fiber optic networks.

In structure, these are similar to mutual funds, with a sponsor, trustee and manager. Units are sold to multiple investors, thus pooling their money to invest in the underlying asset. But the two differ in terms of how the money is invested and income distributed.

Whereas mutual funds invest in instruments across asset classes, based on their investment objective and product category, at least 80% of the monies with InvITs have to be invested in infrastructure assets that are completed and revenue-generating.

Further, whereas dividend distribution is usually discretionary in mutual fund schemes, 90% of the net distributable cash flow in InvITs has to be mandatorily distributed to unitholders at least once in six months.

The tax rules for InvITs are a mix of those applicable to equity and debt mutual funds. Interest or dividends received from InvITs is taxed as per the individual's income tax slab, while capital gains are based on the holding period. For a holding period of less than three years, short-term capital gains tax of 15% is applied on the profits, while for over three years, long-term capital gains of 10% is applied on appreciation of more than Rs 1 lakh.

A long-term diversification opportunity

InvITs present investors with an able long-term investment avenue in an alternative asset class such as infrastructure. The requirement of InvITs to allocate 80% of portfolio in revenue-generating assets, along with distribution of minimum 90% of profits to investors, provides comfort of regular income to it investors in addition to capital gains on account of change in price of units traded on the stock exchange.

Three things to watch out for

One, distribution of income from InvITs, which is subject to earnings from the underlying infrastructure assets held in the portfolio and the type/nature of these assets. For example, in case of power transmission lines, the income will depend on the terms and conditions laid down in contracts with power generation companies/ power distribution companies, bill collection structure, etc. Therefore, investors must do their due diligence on the underlying assets held in the portfolio (information available in offer document with SEBI and other disclosures by the InvITs).

Two, liquidity of listed InvITs is subject to their trading on stock exchanges. Until now, restrictions on lot size and minimum threshold resulted in low trading volumes. Besides, private InvITs can only be offloaded to existing or new investors, subjecting price to the demand-supply gap.

Third, investors need to consider the profile and track record of the Sponsor(s) and Investment Managers of the InvITs. The stake of Sponsor(s) and Investment Manager in the InvIT, and their performance based on the financials disclosed by the InvIT on a periodic basis should be tracked.

Summing up

SEBI's move to ease access to InvITs could emerge as a win-win for the infrastructure sector and investors. The product feature to provide regular income, could come in handy for investors planning their retirement portfolio.

That said, better awareness of these products and their depth in the capital market, as well as stable regulations, are essential to the success of InvITs.

Market – Overview

Indices	% Change in June 2021	% Change in May 2021
Nifty 50	1.05	6.50
S&P BSE Sensex	0.89	6.47

Indicators	June 30, 2021	May 31, 2021
10-year Gsec	6.05%	6.02%
Monthly CPI Inflation	6.26%	6.30%

Mutual fund - Overview

Top Stock Exposures – June 2021

- HDFC Bank Ltd.
- ICICI Bank Ltd.
- Infosys Ltd.
- Reliance Industries Ltd.
- State Bank Of India
- Axis Bank Ltd.
- HDFC Ltd.
- Bharti Airtel Ltd.
- Tata Consultancy Services Ltd.
- Larsen & Toubro Ltd.

Top Sector Exposures – June 2021

- Banks
- Computers - Software
- Pharmaceuticals
- Refineries/Marketing
- NBFC
- Cement
- Engineering, Designing, Construction
- Housing Finance
- Telecom - Services
- Passenger/Utility Vehicles

New Stocks Entries and Exits in Mutual Fund Portfolios – June 2021

Entries

Acrysil Ltd.
Apcotex Industries Ltd.
Borosil Ltd.
Deccan Cements Ltd.
Hindustan Foods Ltd.
Maithon Alloys Ltd.
Majesco Ltd.
Pennar Industries Ltd.
Rico Auto Industries Ltd.
Shree Pushkar Chemicals & Fertilizers Ltd.
Suven Life Sciences Ltd.
Vardhman Special Steels Ltd.
Starlog Enterprises Ltd.

Exits

Dodla Dairy Ltd.
Shyam Metals and Energy Ltd.
Sona BLW Precision Forgings Ltd.
Krishna Institute of Medical Sciences Ltd.
India Pesticides Ltd.
Alicon Castalloy Ltd.
Accelya Solutions India Ltd.
Clean Science and Technology Ltd.
Olectra Greentech Ltd.
Novartis India Ltd.
PG Electroplast Ltd.
Orchid Pharma Ltd.

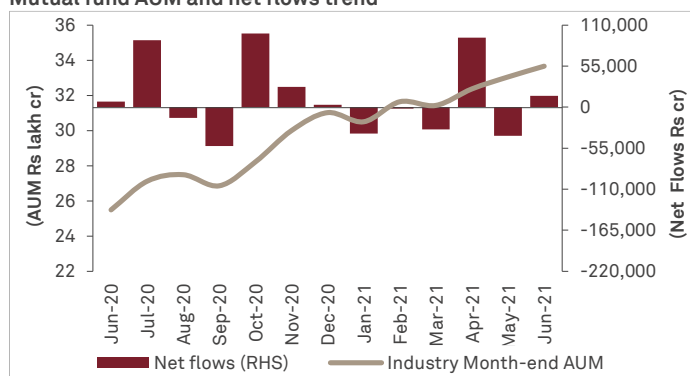
Category returns

Category	Absolute monthly returns %	
	June	May
Large cap funds	1.74	6.50
Large cap and mid-cap funds	3.69	6.41
Multi cap equity funds	3.41	8.07
Flexi cap funds	2.95	6.53
Focused funds	2.23	6.49
Value – Contra funds	2.68	7.27
Mid-cap funds	5.18	5.81
Small cap funds	5.90	8.22
Arbitrage funds	0.40	0.39
ELSS	2.87	6.45
Index funds	1.15	6.63
Aggressive hybrid funds	2.42	5.17
Conservative hybrid funds	0.73	1.83
Gilt funds	0.02	0.41
Dynamic funds	0.31	0.45
Medium-to-long term funds	0.01	0.46
Medium term funds	0.11	0.62
Short-duration funds	0.08	0.42
Corporate funds	0.07	0.48
Banking and PSU debt fund	0.09	0.48
Credit risk funds	0.32	0.69
Low duration funds	0.25	0.31
Money market funds	0.27	0.27
Ultra-short duration funds	0.32	0.26
Liquid funds	0.27	0.26

Category returns represented by average of CRISIL ranked funds – March 2021

- Indian benchmark indices S&P BSE Sensex and Nifty 50 advanced around 1% each in June 2021. The gain was primarily due to falling number of daily Covid-19 cases and a sharp rise in vaccinations.
- Markets rose further on tracking sporadic gains in overseas equities amid hopes of a global economic recovery after major central banks continued with their easy money policy. There was another rally after US President Joe Biden declared the White House had struck an infrastructure deal with a bipartisan group of senators. The deal will include \$579 billion in new spending.
- Buying by foreign institutional investors (FIIs) and domestic institutional investors (DIIs) also supported the market. FIIs bought equities worth 109.31 billion in June compared with net buying of Rs 54 billion in May. DIIs bought equities worth Rs 70.44 billion compared with Rs 20.7 billion.
- However, domestic growth worries curbed further gains. The developments raising concerns included the decline in India's manufacturing Purchasing Managers' Index, international institutions lowering India's growth projection and the Reserve Bank of India (RBI) citing a domino effect due to the second wave.
- Nifty sectoral indices ended on a positive note, with Nifty IT, Nifty PSU Bank and Nifty PSE gaining ~8%, ~4% and ~3%, respectively.

Mutual fund AUM and net flows trend



- Assets under management (AUM) of the Indian mutual fund industry grew for a third consecutive month in June to settle at a fresh record high of ~Rs 33.67 lakh crore, excluding domestic fund of funds. Mark-to-market (MTM) gains in equities and net inflows in most scheme categories contributed to the rise in AUM.
- Open-ended equity schemes saw net inflows for the fourth consecutive month at Rs 5,988 crore.
- Within the category, midcap funds attracted the highest net inflows, at ~Rs 1,729 crore, followed by sectoral / thematic funds at ~Rs 1,207 crore.
- Value / contra and equity-linked savings schemes (ELSS) were the only two funds within the open-ended category that saw net outflows.
- Apart from the inflows, the gains in MTM helped the open-ended equity fund asset base rise ~3.9% or Rs 42,126 crore to hit a new lifetime high of Rs 11.10 lakh crore at month-end.
- Hybrid schemes and arbitrage funds recorded net inflows totalling of ~Rs 12,361 crore and ~Rs 9,060 crore in June. However, sentiment for aggressive hybrid schemes on the other hand remained persistently weak, with the category recording net outflows of ~Rs 301 crore.
- Equity ETFs posted net inflows for the eighth consecutive month, at ~Rs 3,013 crore, though the gain was lower than the previous month's net inflows of ~Rs 5,380 crore.
- The open-ended debt category inflows stood at ~Rs 3,566 crore, compared with net outflows of ~Rs 44,512 crore in May. Low duration funds and floater funds recorded net inflows at ~Rs 6,273 crore and ~Rs 6,319 in June.
- Money market and ultra-short duration schemes recorded the highest net outflows within the category at ~Rs 13,988 crore and ~Rs 2,440 crore, respectively.
- In the closed-ended debt category, fixed-term plans saw redemptions totalling ~Rs 10,536 crore in June, compared with the redemption figures of ~Rs 18,802 crore and ~Rs 22,403 crore in May and April, respectively.
- SEBI proposed introducing a swing-pricing mechanism to protect mutual fund investors in an event of market dislocation.

CRISIL Fund Rank 1 Schemes - Debt

Mutual Funds' Performance Report

Scheme Name	Point to Point Returns %						Inception Date	Average AUM (Rs.Crore)	Std. Deviation (%)	Sharpe Ratio
	1 Month	3 Month	6 Month	1 Year	3 Years	Since Inception				
Gilt										
Edelweiss Government Securities Fund	-0.29	2.10	1.66	6.44	10.57	9.34	13-Feb-14	94.49	4.80	2.18
DSP Government Securities Fund	-0.03	1.53	0.74	4.16	10.79	9.66	30-Sep-99	468.44	4.86	2.21
Dynamic Bond										
IDFC Dynamic Bond Fund	-0.06	1.59	-0.16	3.21	9.94	8.32	03-Dec-08	3704.14	4.75	2.02
L&T Flexi Bond Fund	-0.13	1.13	-0.55	2.83	8.17	8.26	27-Sep-10	65.58	3.76	1.88
Medium to Long Duration										
IDFC Bond Fund	-0.15	1.42	-0.42	2.61	9.26	8.33	14-Jul-00	689.80	4.69	1.85
Medium Duration										
IDFC Bond Fund	-0.01	1.41	0.49	3.78	8.30	7.55	08-Jul-03	4531.24	2.97	2.43
Short Duration										
Sundaram Short Term Debt Fund	0.01	0.93	1.29	4.41	2.90	6.49	05-Sep-02	277.37	1.10	2.89
Principal Short Term Debt Fund	-0.11	1.21	0.84	11.11	4.30	7.10	09-May-03	139.02	8.19	1.56
Corporate Bond										
DSP Corporate Bond Fund	0.28	0.97	1.62	4.74	NA	9.30	10-Sep-18	2602.52	0.83	4.39
ICICI Prudential Corporate Bond Fund	0.28	1.30	1.80	5.80	8.67	7.25	11-Aug-09	19844.16	1.34	3.85
Banking & PSU										
DSP Banking & PSU Debt Fund	-0.05	1.02	1.07	4.60	8.75	8.52	14-Sep-13	3626.12	1.67	2.07
ICICI Prudential Banking & PSU Debt Fund	0.23	1.50	1.73	5.79	8.22	8.42	01-Jan-10	14325.85	1.61	3.20
Credit Risk										
Baroda Credit Risk Fund	0.11	1.45	7.26	14.83	5.05	7.28	23-Jan-15	194.85	4.59	3.80
Low Duration										
LIC MF Savings Fund	0.23	0.88	2.09	5.47	5.48	6.57	04-Jun-03	1143.09	1.45	3.24
Canara Robeco Savings Fund	0.24	0.83	1.48	3.71	6.55	7.66	04-Mar-05	1572.85	0.41	5.36
Money Market										
Nippon India Money Market	0.32	0.93	1.90	4.12	6.71	7.57	15-Jun-05	8778.78	0.21	13.12
Ultra Short Duration										
IDFC Ultra Short Term Fund	0.28	0.86	1.59	3.48	NA	6.42	20-Jul-18	5800.91	0.19	9.63
Canara Robeco Ultra Short Term Fund	0.23	0.68	1.29	2.81	5.19	7.22	14-Jul-08	637.15	0.18	4.95
Liquid										
Canara Robeco Liquid	0.27	0.80	1.57	3.13	5.10	7.22	15-Jul-08	2111.23	0.15	9.08
L&T Liquid Fund	0.28	0.80	1.57	3.17	5.36	7.30	03-Oct-06	6942.63	0.15	9.12

CRISIL Mutual Fund Ranks as of March 2021

Point to Point Returns are as on June 30, 2021

Returns are annualised for periods above 1-year, otherwise actualised

Risk Ratios are annualised

Risk ratios for Short Duration, Corporate Bond, Banking & PSU, Credit Risk, Low Duration, Money Market, Ultra Short Term and Liquid categories are for a period of 1 year; risk free rate: 3.25% (average T-bill auction cut off rate during the period)

Risk ratios for Gilt, Dynamic Bond, Medium to Long Duration & Medium Duration categories are for a period of 3 years; risk free rate: 4.9% (average T-bill auction cut off rate during the period)

Average AUM is 3-months average number as disclosed by AMFI for the period April-June 2021

Average Assets under Management - A Bird's Eye View

Mutual Fund Name	Apr-Jun 2021		Jan-Mar 2021		Change (Rs. Cr)	% Change	Mutual Fund Name	Apr-Jun 2021		Jan-Mar 2020		Change (Rs. Cr)	% Change
	(Rs. Cr)	(Rs. Cr)	(Rs. Cr)	(Rs. Cr)				(Rs. Cr)	(Rs. Cr)	(Rs. Cr)	(Rs. Cr)		
SBI Mutual Fund	524316	505373	18943	3.75%	Baroda Mutual Fund	10645	9641	1004	10.41%				
ICICI Prudential Mutual Fund	429229	416198	13030	3.13%	BNP Paribas Mutual Fund	8122	7837	285	3.63%				
HDFC Mutual Fund	418947	416670	2277	0.55%	PGIM India Mutual Fund	8110	6527	1583	24.26%				
Aditya Birla Sun Life Mutual Fund	275904	269700	6204	2.30%	Principal Mutual Fund	8038	7768	269	3.47%				
Kotak Mahindra Mutual Fund	247750	234743	13007	5.54%	Union Mutual Fund	5916	5240	676	12.90%				
Nippon India Mutual Fund	242102	230222	11880	5.16%	Mahindra Manulife Mutual Fund	5664	5271	393	7.45%				
Axis Mutual Fund	208505	196862	11643	5.91%	IDBI Mutual Fund	4295	4162	133	3.21%				
UTI Mutual Fund	187210	182853	4358	2.38%	IIFL Mutual Fund	2591	2370	221	9.33%				
IDFC Mutual Fund	126268	122328	3940	3.22%	BOI AXA Mutual Fund	2211	2289	-78	-3.43%				
DSP Mutual Fund	104026	97386	6640	6.82%	JM Financial Mutual Fund	2135	2389	-254	-10.65%				
Mirae Asset Mutual Fund	78139	69773	8366	11.99%	Quantum Mutual Fund	1945	1942	3	0.16%				
L&T Mutual Fund	75531	72728	2803	3.85%	IL&FS Mutual Fund (IDF)	1686	1679	7	0.40%				
Tata Mutual Fund	66999	62078	4921	7.93%	Quant Mutual Fund	1642	722	920	127.42%				
Franklin Templeton Mutual Fund	61636	83525	-21888	26.21%	ITI Mutual Fund	1562	1179	384	32.56%				
Edelweiss Mutual Fund	61256	52415	8842	16.87%	Trust Mutual Fund	858	625	233	37.29%				
Invesco Mutual Fund	39016	36841	2175	5.90%	Navi Mutual Fund	728	698	31	4.39%				
Canara Robeco Mutual Fund	32541	28273	4268	15.10%	Indiabulls Mutual Fund	632	664	-32	-4.78%				
Sundaram Mutual Fund	32151	32052	99	0.31%	IIFCL Mutual Fund (IDF)	596	588	8	1.44%				
Motilal Oswal Mutual Fund	29428	27993	1435	5.13%	Taurus Mutual Fund	496	475	21	4.35%				
LIC Mutual Fund	17642	16927	715	4.22%	Shriram Mutual Fund	208	203	5	2.47%				
PPFAS Mutual Fund	11343	8720	2622	30.07%	YES Mutual Fund	81	110	-28	-25.73%				
HSBC Mutual Fund	10815	10552	263	2.49%	Grand Total	3348915	3236590	112325	3.47%				

AAUM is the quarterly average number and includes domestic fund of funds

Fund Focus

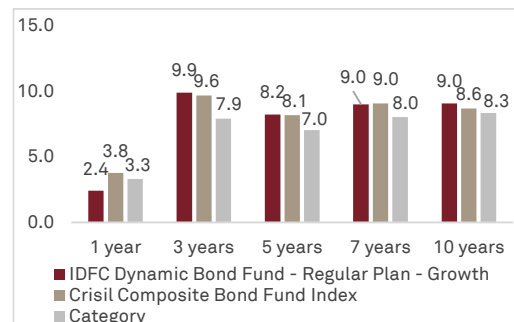
IDFC Dynamic Bond Fund (CRISIL FUND RANK 1)

Launched in December 2008, IDFC Dynamic Bond Fund has received CRISIL Fund Rank 1 and 2 (top 30 percentile of its peer group) in the dynamic bond fund category. This ranking is for the past ten consecutive quarters ended March 2021. Its average assets under management were Rs 3,704 crore in the quarter ended June 2021.

Performance

The fund has outperformed its peers and the benchmark (CRISIL Composite Bond Fund Index) as of July 16, 2021 in most periods analysed. It has given 8.3% returns since its inception.

Performance as on July 16, 2021



Note: Returns above 1 year are annualized, else absolute

Duration management

The fund has managed the interest rate risk well by altering its modified duration. For instance, when the 10-year government security (G-sec) benchmark yield increased to 6.01% in May 2021 from 5.89% in December 2020, the fund reduced its modified duration to 4.3 years in May from 5.3 years in December.

Portfolio analysis

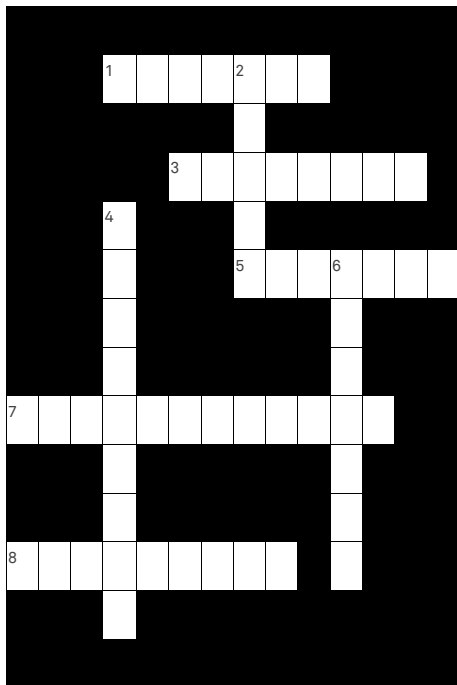
In the three years ended June 2021, the fund has invested a predominant share, 81%, in G-secs. Average exposure to non-convertible debentures and bonds was 43.4% in the period.

On the asset quality front, exposure to top-rated papers (AAA and A1+) has averaged ~45%.

Fund manager

The fund is managed by Suyash Choudhary, a BA - Economics Honours and PGDBM, having over 20 years of experience in fixed income investments.

Crossword Corner – boost your financial knowledge



Horizontal

- 1 This determines the minimum number of units of a financial instrument that must be purchased at the time of investment (3, 4)
- 3 A sum of money disbursed periodically to unitholders by the asset management company (8)
- 5 They ensure that the fund house is compliant with regulations and safeguard the interests of unitholders (7)
- 7 This refers to the increase in value of an asset over a holding period (7, 5)
- 8 This entity holds the securities of various schemes of the fund (9)

Vertical

- 2 These financial instruments enable investment in infrastructure projects (2,1,1,1)
- 4 This characteristic can be used to assess how quickly an asset can be bought or sold (9)
- 6 They are the promoters and capital providers of a mutual fund (7)

Answers

Vertical: 2) InvIT (Infrastructure Investment Trust) 4) Liquidity 6) Sponsor
Horizontal: 1) Lot size 3) Dividend 5) Trustee 7) Custodian

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