

CRISIL FUND *INSIGHTS*

Monthly funds newsletter from CRISIL Research

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Investment thoughts

Flex your financial muscle with these new funds

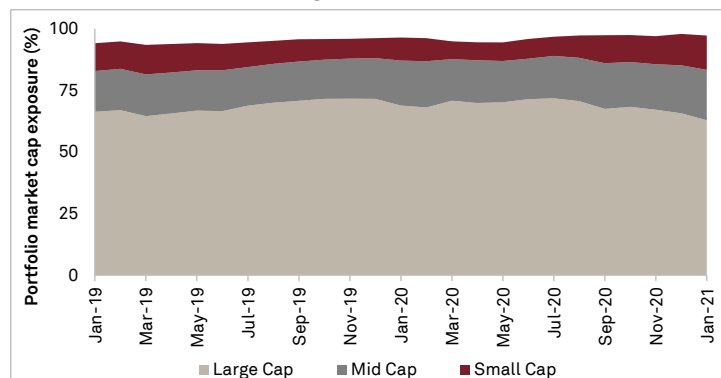
The share of assets under management of multi-cap funds halved to ~10% as of January from ~20% the previous month even as that of flexi-cap funds, a category introduced just two months ago, printed at 8%. Intriguing as it sounds, the fall from grace for multi-cap funds owes itself to changes effected by the market regulator in the past few months to lend stability to investor portfolios. To recall, in September, SEBI had modified the definition of multi-cap funds and mandated market capitalisation requirement to make the schemes more diversified (*see Annexure for details*).

CRISIL's [press release](#) at that time had highlighted that "the regulator's move to make schemes true to their label could set the industry aflutter and result in merger, movement and new scheme launches." It had suggested that most multi-cap funds, one of the largest equity mutual fund categories, would have to sell their large-cap investments to meet the new limits for small and mid-cap stocks. Furthermore, rebalancing of the scheme portfolio would mandate review of existing benchmark indices to reflect the new market cap requirement, considering most broad-market indices were skewed towards large cap stocks.

However later based on adequate representation by the industry body, the Association of Mutual Funds in India (AMFI), SEBI introduced Flexi Cap Fund category, under which, the open ended schemes need to allocate minimum 65% of their total assets in equity and equity related investments with no cap on investment in large-, medium- and small-caps. This is in line with definition of the erstwhile multi-cap category thus giving window for the industry to migrate the old funds in the new category without impacting the portfolio as well as investors.

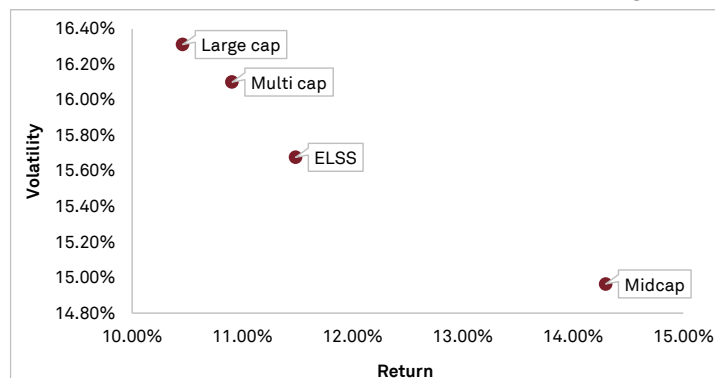
And that is what most of the fund industry has done, using the flexibility to migrate most of the multi-cap funds to flexi-cap category. That said, even the flexi-cap category would likely remain skewed towards large-cap stocks despite the flexibility to move across categories, much like the multi-cap category.

Multi-cap funds have had a large cap bias



Market capitalisation based on segregating underlying portfolios in line with AMFI's six-monthly market capitalisation disclosure of equity securities
Source: AMFI, CRISIL Research

Risk-return profiles of major equity-oriented mutual fund categories



Weighted average index created of CRISIL ranked funds under specific categories used for analysis. Compounded annualised growth rate between January 2011 and January 2021 used to denote return. Standard deviation based on daily returns of respective category between January 2011 and January 2021 used to denote volatility.
Source: CRISIL Research

The close biasness erstwhile multi-cap fund / new flexi-cap funds to large cap funds in terms of exposure to the underlying market capitalisation of equity securities also showcases in the similar risk return profile of the categories. The new category, though, is likely to see new fund launches. Investors, especially those looking for a pure-play diversified portfolio divided equally across the three market capitalisation, can tap these opportunities. In the end, investors should continue to base their investment decisions on goal-based financial planning, risk profiling and investment horizon. Disciplined and long-term investment planning remains the foundation of successful financial planning.

Annexure -SEBI definition of multi-cap and flexi cap funds

Category	Old scheme characteristics	Scheme description	Modified scheme description
Multi-cap	Minimum investment in equity and equity-related instruments – 65% of total assets	An open-ended equity scheme investing across large-, mid- and small-cap stocks	Minimum investment in equity and equity-related instruments is 75% of total assets in the following manner: <ul style="list-style-type: none"> • Minimum investment in equity and equity-related instruments of large-cap companies – 25% of total assets • Minimum investment in equity and equity-related instruments of mid-cap companies – 25% of total assets • Minimum investment in equity and equity-related instruments of small cap companies – 25% of total assets
Flexi-cap	-	An open-ended equity scheme investing across large, mid, and small cap stocks	Minimum investment in equity and equity-related instruments – 65% of total assets

Market – Overview

Indices	% Change in January 2021	% Change in December 2020
Nifty 50	-3.07	7.81
S&P BSE Sensex	-2.48	8.16

Indicators	January 29, 2021	December 31, 2020
10-year Gsec	5.95%	5.89%
Monthly CPI Inflation	4.06%	4.59%

- Indian equity indices started 2021 on a weak note. S&P BSE Sensex and Nifty-50 fell 3.1% and 2.5%, respectively, in January, amid challenging domestic and global developments
- The market fell sharply in January's last week, due to profit-booking and caution ahead of the Union Budget 2021-22
- Indo-China border tensions, weaker-than-expected earnings from a market heavyweight and selling by domestic institutional investors (DIIs) for the fourth consecutive month weighed on sentiment. Sell-off in US equities amid disappointing earnings and the US Federal Reserve's (US Fed) gloomy growth forecast also dented sentiment
- New Covid-19 strains, fresh lockdown restrictions in several countries and delays in vaccine distributions added to woes
- Indian equity indices somewhat stabilised after the Indian government gave emergency-use approvals to two Covid-19 vaccines
- Nifty indices ended mixed in January. Auto, PSU banks and information technology (IT) managed to grab buying interests. Nifty Auto, Nifty PSU Bank and Nifty IT Index indices rose 6.74%, 3.50% and 1.63%, respectively.

Mutual fund - Overview

Top Stock Exposures – Jan 2021	Top Sector Exposures – Jan 2021
1. HDFC Bank Ltd.	1. Banks
2. ICICI Bank Ltd.	2. Computers - Software
3. Infosys Ltd.	3. Pharmaceuticals
4. Reliance Industries Ltd.	4. Refineries/Marketing
5. Bharti Airtel Ltd.	5. NBFC
6. HDFC Ltd.	6. Housing Finance
7. Axis Bank Ltd.	7. Engineering, Designing, Construction
8. Tata Consultancy Services Ltd.	8. Telecom - Services
9. State Bank of India	9. Cement
10. Larsen & Toubro Ltd.	10. Passenger/Utility Vehicles

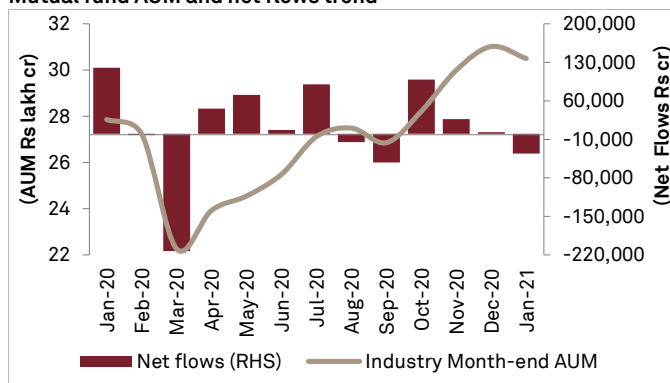
New Stocks Entries and Exits in Mutual Fund Portfolios – Jan 2021

Entries	Exits
Indian Railway Finance Corporation Ltd.	Acrysil Ltd.
Indigo Paints Ltd.	B L Kashyap and Sons Ltd.
Stove Kraft Ltd.	N R Agarwal Industries Ltd.
Wendt (India) Ltd.	Technocraft Industries (India) Ltd.
Sirca Paints India Ltd.	
Balaji Amines Ltd.	
Kanchi Karpooram Ltd.	
Mangalore Chemicals & Fertilisers Ltd.	
Kirloskar Industries Ltd.	

Category returns	Absolute monthly returns %	
	January	December
Large cap funds	-1.98	7.55
Large cap and mid-cap funds	-0.76	6.31
Multi cap equity funds	-1.38	7.25
Focused funds	-1.67	7.48
Value – Contra funds	0.10	6.94
Mid-cap funds	-0.20	5.28
Small cap funds	0.07	6.82
Arbitrage funds	0.12	0.38
ELSS	-1.38	7.30
Index funds	-2.71	7.91
Aggressive hybrid funds	-0.94	5.53
Conservative hybrid funds	-0.18	2.05
Gilt funds	-0.18	0.50
Dynamic funds	-0.13	0.41
Medium-to-long term funds	-0.10	0.44
Medium term funds	0.04	0.52
Short-duration funds	-0.15	0.30
Corporate funds	-0.15	0.31
Banking and PSU debt fund	-0.10	0.29
Credit risk funds	0.44	0.63
Low duration funds	0.12	0.29
Money market funds	0.19	0.27
Ultra-short duration funds	0.16	0.27
Liquid funds	0.24	0.24

Category returns represented by average of CRISIL ranked funds – December 2020

Mutual fund AUM and net flows trend



- Surprise net outflows from liquid funds, led by short-term yield pressure due to the RBI's liquidity-normalising measures, coupled with continuing outflows from equity-oriented mutual fund (MF) schemes and mark-to-market (MTM) losses in the underlying market, dragged MF assets in January. Aggregate assets under management (AUM) dwindled ~Rs 52,345 crore or 1.7% - from a record high of above Rs 31.02 lakh crore in December 2020 to Rs 30.50 lakh crore in January
- Liquid funds bled the most, with net outflows at ~Rs 45,316 crore, reversing December's net inflow figure of Rs 5,102 crore. In January, low duration and money market schemes reported net outflows at ~Rs 8,041 crore and ~Rs 1,043 crore, respectively. Corporate bond funds, banking and PSU funds, and short-duration funds received net inflows of Rs 5,429 crore, Rs 1,740 crore, and Rs 6,893 crore, respectively. Credit risk funds recorded net inflows at ~Rs 366 crore in January, marking the first positive growth for the category since April 2019, after the AMFI changed its format of dissemination. The asset base of debt funds fell ~Rs 31,926 crore on-month, or ~2.3%, to settle at Rs 13.74 lakh crore in aggregate compared with a record high of Rs 14.06 lakh crore in December.
- Investors continued to exit open-ended equity funds, with January marking the seventh consecutive month of net outflows. Net outflows totalled Rs 9,253 crore, marginally lower than December's Rs 10,147 crore.
- The AMFI began the dissemination of the newly introduced flexi-cap category data separately in January, which is the rehashed avatar of the erstwhile definition of the multi-cap fund category. The new category witnessed the highest net outflows amongst open-ended equity schemes at ~Rs 5,934 crore. Further, 16 multi-cap funds were re-categorised, as flexi-cap funds in January, according to the AMFI. Amongst other major categories, large cap funds witnessed net outflows for the eighth straight month at Rs 2,853 crore. This, coupled with MTM losses of the equity market dragged the open-ended equity fund asset base down ~1.7%, to settle at Rs 8.91 lakh crore.
- Equity exchange-traded funds continued to attract investor interest with the third straight month of net inflows at Rs 6,133 crore in January. Gold ETFs also recorded net inflows at ~Rs 625 crore, though gold prices declined ~1.6%
- SEBI notified AMCs need to contribute a share capital of Rs 150 crore for setting up a limited purpose clearing corporation

CRISIL Fund Rank 1 Schemes - Equity

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				
Large Cap Equity										
Axis Bluechip Fund	-4.23	13.37	20.20	12.81	12.07	12.39	5-Jan-10	19832.35	22.41	0.67
Canara Robeco Bluechip Equity Fund	-1.56	15.70	22.32	18.12	11.76	12.01	20-Aug-10	1059.79	23.72	0.61
Kotak Bluechip Fund	-1.13	15.91	22.30	13.17	7.37	16.45	29-Dec-98	1878.33	25.44	0.36
Large & Mid Cap										
Canara Robeco Emerging Equities	-1.21	16.45	26.54	16.68	6.68	16.82	11-Mar-05	6615.53	24.85	0.33
Mirae Asset Emerging Bluechip Fund	1.06	19.20	29.23	20.41	10.18	20.39	9-Jul-10	12921.43	25.86	0.53
Multi Cap										
PGIM India Flexi Cap Fund	-0.58	19.02	27.02	29.84	10.14	11.18	4-Mar-15	373.04	25.02	0.52
Quant Active Fund	-0.94	17.83	32.48	37.67	13.34	17.92	18-Apr-01	94.26	25.42	0.68
UTI Flexi Cap Fund	-1.35	19.31	33.25	23.26	13.01	15.24	1-Aug-05	12993.21	23.30	0.72
Focused										
Axis Focused 25 Fund	-4.66	15.14	23.33	11.96	9.43	15.78	29-Jun-12	12840.81	24.61	0.48
IIFL Focused Equity Fund	0.72	19.76	29.17	20.17	14.04	13.86	24-Oct-14	1142.58	25.51	0.72
Value / Contra										
SBI Contra Fund	3.11	29.91	41.41	29.52	3.69	14.54	6-May-05	1461.39	24.41	0.14
Mid Cap										
Axis Midcap Fund	-1.15	14.90	26.04	18.05	13.45	17.31	18-Feb-11	7495.24	20.40	0.79
PGIM India Midcap Opportunities Fund	3.29	22.89	38.25	40.78	10.26	15.25	2-Dec-13	440.88	25.22	0.54
Small Cap										
Kotak Small Cap Fund	3.31	25.12	49.68	26.14	7.01	15.52	24-Feb-05	2035.74	22.26	0.36
ELSS										
BOI AXA Tax Advantage Fund	-2.13	13.98	27.18	22.94	6.78	17.83	25-Feb-09	339.75	23.43	0.36
Canara Robeco Equity Tax Saver	0.23	17.15	26.95	23.73	12.29	19.31	2-Feb-09	1309.14	23.82	0.64
JM Tax Gain Fund	-1.83	17.69	27.56	12.23	7.94	5.72	23-Apr-08	43.35	26.67	0.38
Quant Tax Plan	0.58	19.86	38.72	43.27	13.10	13.45	31-Mar-00	22.68	25.83	0.67
Index										
Kotak Sensex ETF Fund	-2.79	16.39	21.82	13.34	9.44	10.06	6-Jun-08	14.87	27.11	0.46
SBI - ETF SENSEX	-2.77	16.45	21.94	13.61	9.66	13.08	15-Mar-13	34077.23	27.12	0.47
UTI SENSEX Exchange Traded Fund	-2.77	16.46	21.95	13.61	9.67	12.75	1-Sep-15	10051.83	27.13	0.47

CRISIL Mutual Fund Ranks are as of December 2020

Point to Point Returns are as on January 29, 2021

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

Risk Ratios are annualised

Period for Risk Ratios is three years

For Sharpe Ratio the risk free rate is 5.3% - the average 91-day T-Bill auction cut-off rate for three years

Average AUM is 3-months average number as disclosed by AMFI for the period October-December 2020

Average Assets under Management - A Bird's Eye View

Mutual Fund Name	Oct-Dec 2020	Jul-Sep 2020	Change (Rs.Cr)	% Change	Mutual Fund Name	Oct-Dec 2020	Jul-Sep 2020	Change (Rs.Cr)	% Change
	(Rs.Cr)	(Rs.Cr)				(Rs.Cr)	(Rs.Cr)		
SBI Mutual Fund	457355	422123	35232	8.35%	BNP Paribas Mutual Fund	7331	6786	544	8.02%
HDFC Mutual Fund	390489	376379	14109	3.75%	Principal Mutual Fund	6855	6283	572	9.11%
ICICI Prudential Mutual Fund	389321	368698	20623	5.59%	PPFAS Mutual Fund	6632	5065	1567	30.94%
Aditya Birla Sun Life Mutual Fund	255851	239029	16822	7.04%	Mahindra Manulife Mutual Fund	5058	5036	22	0.44%
Kotak Mahindra Mutual Fund	217077	192311	24766	12.88%	PGIM India Mutual Fund	4847	4103	744	18.14%
Nippon India Mutual Fund	214416	201302	13114	6.51%	Union Mutual Fund	4613	4019	594	14.79%
Axis Mutual Fund	177752	156494	21259	13.58%	IDBI Mutual Fund	4370	4724	-354	-7.49%
UTI Mutual Fund	165359	155190	10169	6.55%	JM Financial Mutual Fund	3700	4182	-482	-11.53%
IDFC Mutual Fund	121293	114519	6774	5.92%	BOI AXA Mutual Fund	2351	2071	280	13.51%
DSP Mutual Fund	89487	82286	7201	8.75%	IIFL Mutual Fund	1885	1669	216	12.97%
Franklin Templeton Mutual Fund	82109	80007	2103	2.63%	Quantum Mutual Fund	1735	1586	149	9.42%
L&T Mutual Fund	68976	63104	5872	9.30%	IL&FS Mutual Fund (IDF)	1730	1768	-38	-2.16%
Tata Mutual Fund	59263	56458	2805	4.97%	Indiabulls Mutual Fund	921	906	16	1.72%
Mirae Asset Mutual Fund	58154	50317	7838	15.58%	ITI Mutual Fund	845	708	137	19.32%
Edelweiss Mutual Fund	45909	37432	8478	22.65%	Essel Mutual Fund	670	687	-16	-2.40%
Invesco Mutual Fund	32790	27147	5643	20.79%	IIFCL Mutual Fund (IDF)	603	612	-9	-1.47%
Sundaram Mutual Fund	30467	28070	2397	8.54%	Quant Mutual Fund	454	281	173	61.44%
Motilal Oswal Mutual Fund	24185	21659	2526	11.66%	Taurus Mutual Fund	435	409	27	6.55%
Canara Robeco Mutual Fund	23209	19856	3353	16.88%	Shriram Mutual Fund	189	182	7	3.93%
LIC Mutual Fund	15744	18080	-2336	-12.92%	YES Mutual Fund	129	84	45	52.78%
HSBC Mutual Fund	10131	9479	652	6.87%					
Baroda Mutual Fund	8286	7646	639	8.36%					
Grand Total	2992976	2778746	214230	7.71%					

Fund Focus

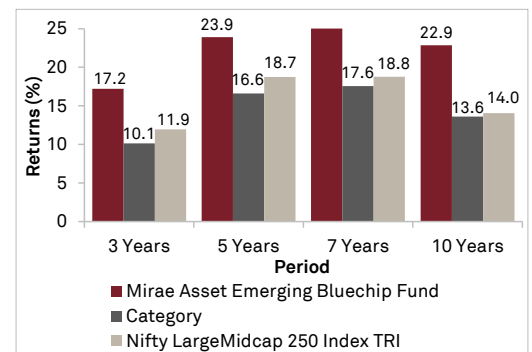
Mirae Asset Emerging Bluechip Fund (CRISIL Fund Rank 1)

Launched in July 2010, Mirae Asset Emerging Bluechip Fund has been ranked in the top-10 percentile (Rank 1) of large- and mid-cap funds of CRISIL Mutual Fund Ranking (CMFR), for nine consecutive quarters ended December 2020. The fund's AUM was Rs 12,921 crore in the quarter ended December 2020.

Performance

The fund outperformed its benchmark (Nifty LargeMidcap 250 TRI) and peers (represented by the large- and mid-cap fund category as per CMFR - December 2020) across all periods analysed. Since its inception, the fund has given unitholders an annualised return of ~22%.

Performance as on February 16, 2021



Note: Returns above one year are annualised

Better risk-adjusted returns

The fund outperformed its category and the benchmark on a risk-adjusted basis, as measured by the Sharpe ratio, over three years ended February 16, 2021. The fund's Sharpe ratio was 0.9, compared with 0.8 and 0.6 for its category and benchmark, respectively.

SIP returns performance

If an investor had set aside Rs 1,000 every month under the fund's systematic investment plan (SIP) for five years ended February 16, 2021, his/her investment of Rs 60,000 would have grown to Rs 1.03 lakh, i.e., at 22% CAGR. A similar investment in the benchmark would have grown to Rs 92,216, or at 17.5%.

Portfolio analysis

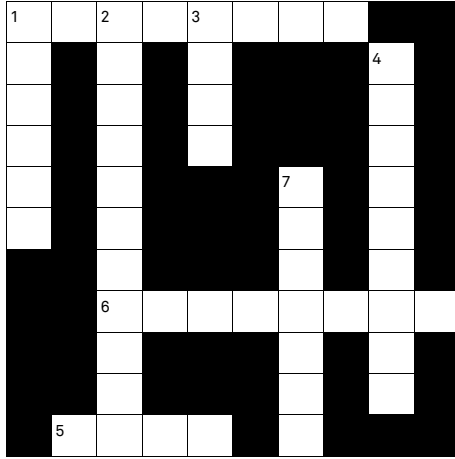
The fund held 19 stocks in the past three years ended January 2021, of which four consistently outperformed the benchmark.

Top sectoral picks were banking (22.3%), followed by pharmaceuticals (8.2%) and software (6.7%).

Fund manager

The fund is managed by Neelesh Surana and Ankit Jain. Surana, who holds BE and MBA degrees, is chief investment officer and has 27 years of experience in equity research and portfolio management.

Crossword Corner – boost your financial knowledge



Horizontal

- 1) A fund that invests in companies that are financially strong and well established (5,3)
- 6) A scheme that requires minimum investment of 65% in equities but with no market capitalization restrictions within the segment (5,3)
- 5) The securities market regulator in India (1,1,1,1)

Vertical

- 1) A fund that invests in a portfolio of securities that have a maturity of up to 91 days.
- 2) This indicates an investor's ability to bear risk (4,7)
- 3) A tax saving equity oriented scheme (1,1,1,1)
- 4) An index used to measure the performance of a mutual fund (9)
- 7) The holding period of an investment (7)

Answers

Vertical: 1) Liquid 2) Risk Profile 3) ELSS (Equity Linked Savings Scheme) 4) Benchmark 7) Horizon
Horizontal: 1) Large cap 6) Flexi cap 5) SEBI (Securities and Exchange Board of India)

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