

CRISIL Mutual Fund Ranking (CMFR)

A beacon to the industry for over two decades now

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Research

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Mutual fund rankings, a popular concept globally

Highlights

- Mutual fund ranking services may be provided by an independent mutual fund ranking entity

Canada
(\$1,41 tn | 81.2%)

USA (\$25,69 tn | 120.3%)

UK
(\$1.89 tn | 66.8%)

Brazil
\$1.33 tn | 68%)

Highlights

- Mutual fund /unit trusts use rankings/ ratings as a medium of advertisement

Highlights

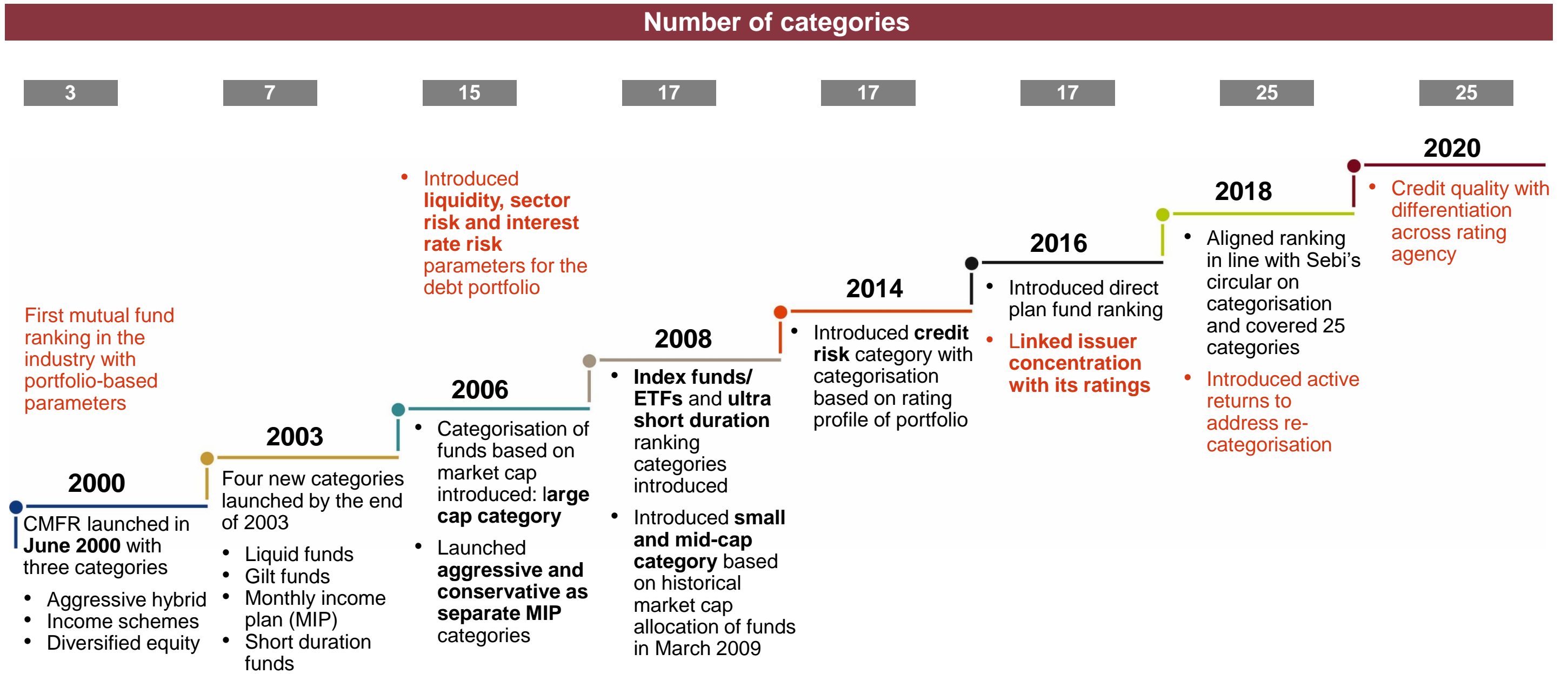
- Ratings can be used to compare different products and may include :
 - Credit ratings issued by credit rating agencies
 - Rankings / ratings, recommendations and opinions produced by financial product research houses

Australia
(\$ 2.20 tn | 158.7%)

Highlights

- Financial Industry Regulatory Authority (FINRA) members can use rankings created by a ranking entity, mutual fund or an affiliate based on performance measurements of the entity.
- Ranking entity to be independent
- FINRA guidelines approved by SEC

In India, CMFR has a long and evolving history



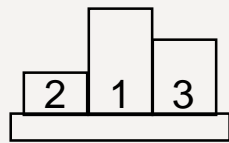
Ranking framework – differentiated from others

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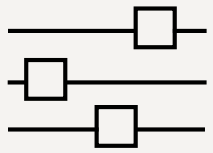
years of mutual fund evaluation

80%

of open-ended assets under management (AUM) covered



Funds are ranked on a scale of 1 to 5 with 1 being the best



Rankings are built on net asset value (**NAV**)-based and **portfolio-based** parameters



Integration of **sectoral outlook** and underlying **asset quality** are the key differentiators

NAV-based parameters



Performance

Mean return

Active return



Market Risk

Volatility

Tracking error

Portfolio-based parameters



Portfolio

Concentration (company+industry)

Liquidity

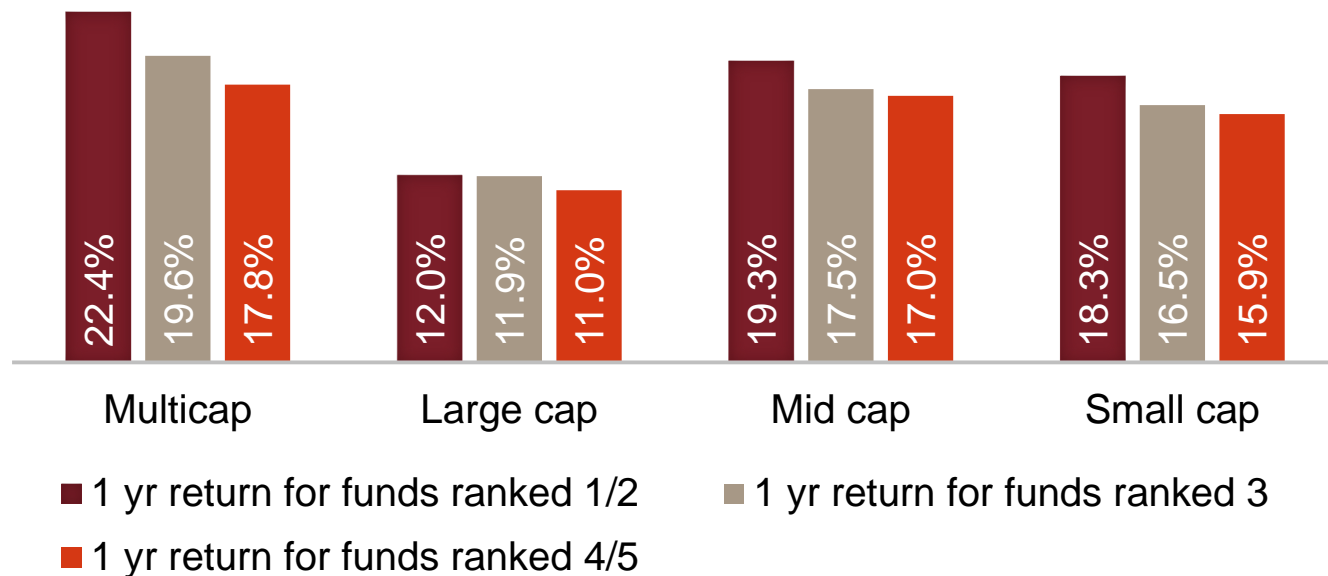
Asset quality

Modified duration

Superior performance

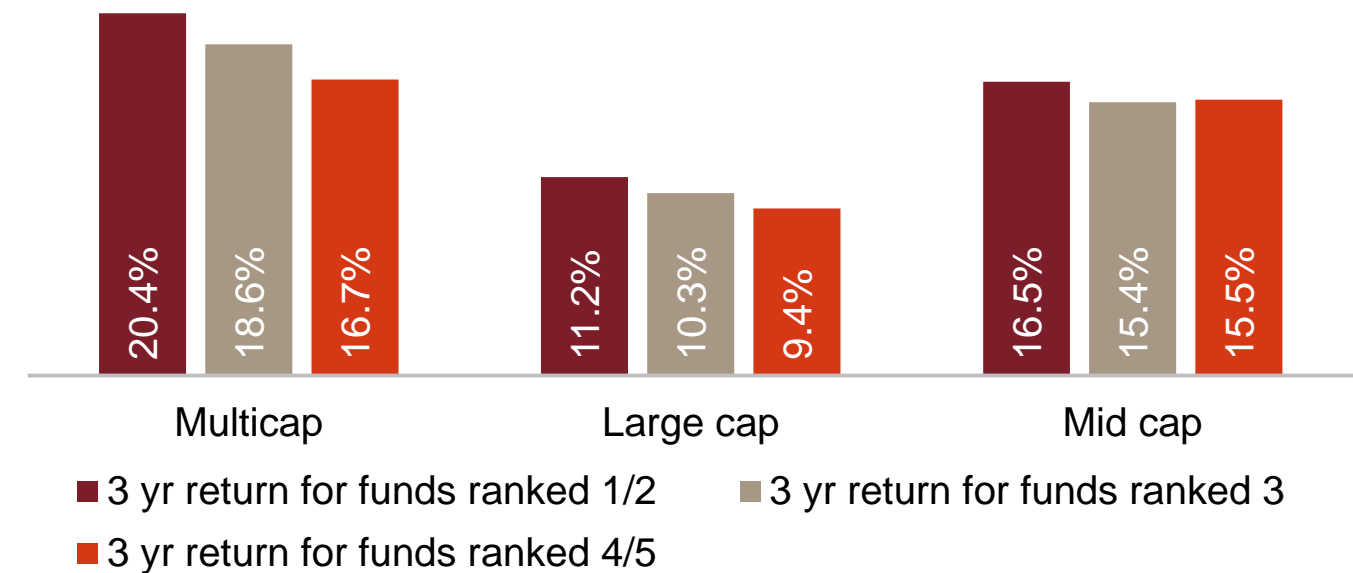
- Future returns of top 30 percentile funds (ranks 1 and 2) have been rewarding for investors
- CRISIL's analysis of future 1- and 3-year returns of top ranked CMFR funds (ranks 1 or 2) shows that equity-oriented categories have consistently shown superior performance

Significant edge for top 30 percentile funds in future 1-year returns



Note: The multi-cap category (erstwhile diversified) was launched in June 2000. The large cap category came into existence in September 2006. The small and mid-cap category was launched in March 2009 – hence, both categories have a common history

Funds in CMFR top 30 percentile deliver better than peers' future 3-year performance



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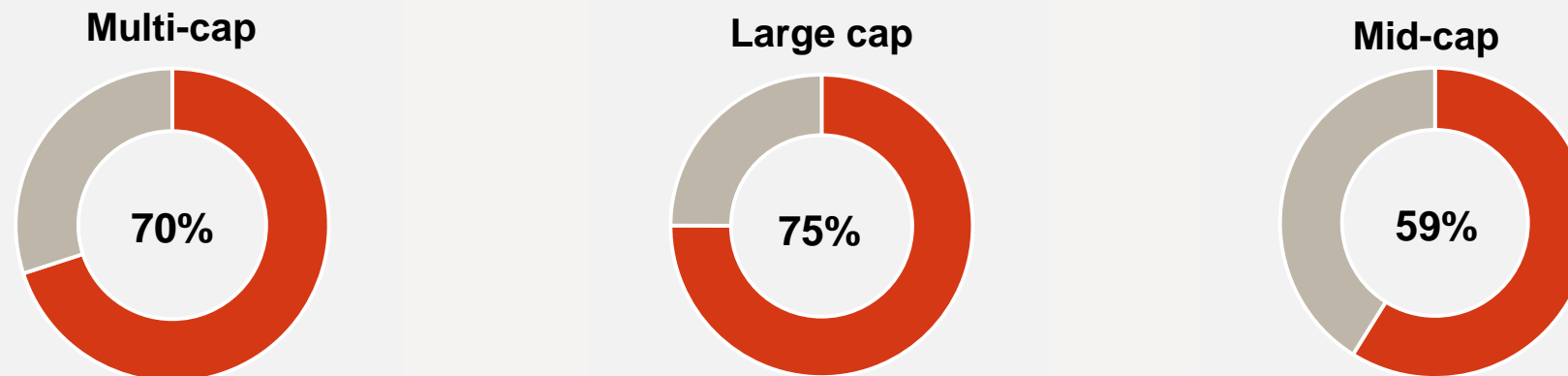
Consistent outperformance

Funds under top 30 percentile have outperformed 1-year future returns of funds ranked 4 and 5



- Majority of the funds ranked 1 or 2 have individually performed better than the average returns generated by peers ranked 4 or 5, as can be seen in the charts

Funds under top 30 percentile have also outperformed 3-year future returns of funds ranked 4 and 5



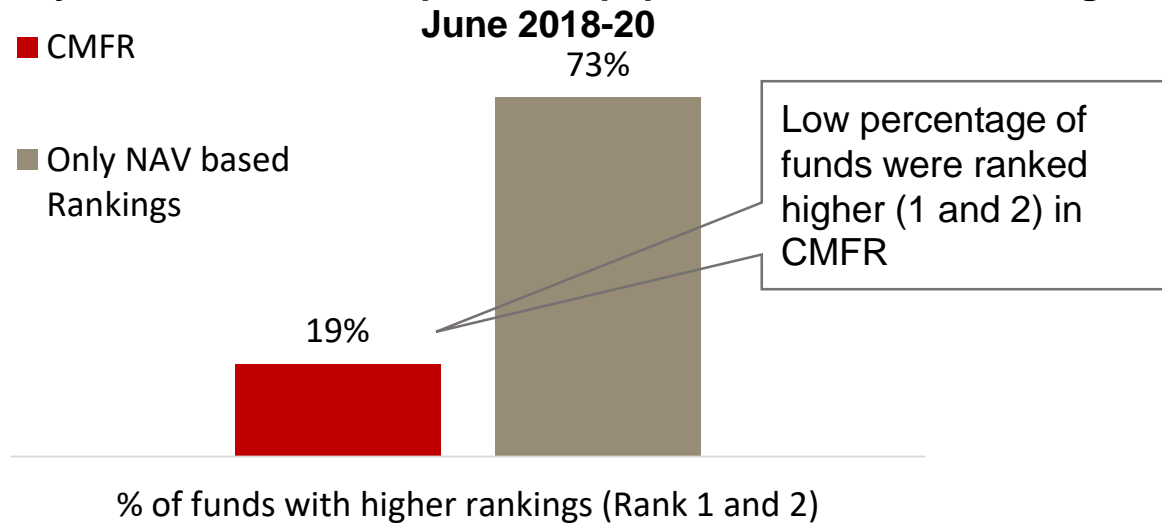
Small cap and mid-cap categories were formed from the earlier small and mid-cap equity category in 2018. Hence, both these categories have a common history

A blend of portfolio parameters to generate sharper results

Security (month of default)	Schemes which had exposure	Quarter end considered for ranking	Previous month's exposure (%)	% fall in NAV	Asset quality rank	Liquidity rank	Company concentration rank	CMFR rank before default	NAV-based ranking
Reliance Home Finance	LMN Medium Duration Fund	March 2019	4.33	-2.71	4	4	3	4	4 star
DHFL (June 2019)	PQR Short Term Fund	March 2019	16.74	-13.55	5	5	5	5	5 star
Coffee Day Natural Resources (September 2019)	ABC Short Term Fund	June 2019	9.40	-8.30	4	5	4	5	5 star
BILT Graphics (February 2017)	XYZ Liquid Fund	December 2016	4.32	-7.22	5	4	5	4	4 star

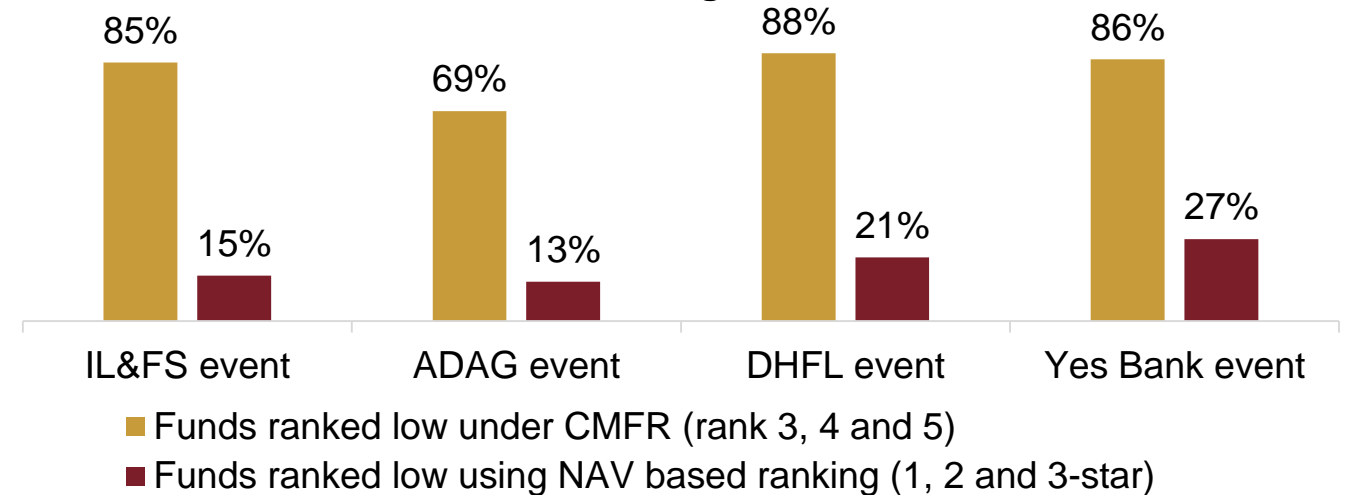
Note: % fall in NAV as of default date or downgrade to below investment | Lower ranks are highlighted in red color and higher ranks are highlighted in green color. CMFR Rank 1 is very good fund in terms of relative performance and CMFR Rank 5 is relatively weak fund.

Analysis of funds with exposure to papers that defaulted during June 2018-20



Note: Total 88 ranked debt schemes have been considered for the above analysis

CMFR was able to identify risk in the portfolio unlike NAV based ranking



Thank you

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Last updated: April 2016

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