

# CRISIL FUND *INSIGHTS*

Monthly funds newsletter from CRISIL Research

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## Investment thoughts

### MF industry assets to top Rs 50 lakh crore by 2025

Independent research and analytics to be a key facilitator

The past couple of decades have seen India's mutual fund (MF) industry gain currency and create an edge for itself in the personal finance space, and raise the share of Indian households in overall savings pie.

Over the five years through 2025, CRISIL expects the industry's assets under management (AUM) to continue its double-digit growth and cross the Rs 50 lakh crore mark. Equity funds are expected to vanguard this growth trajectory, with their share expected to rise from 42% today to 47%, in line with global peers. The growth triggers include India's favourable demographics, increased financialisation of savings, an inflation-targeting regime, and rising per-capita income. For this growth to sustain, independent research, data, and analytics will have to play a material role in empowering investor decisions."

The need for independent research and analytics has grown manifold, because of the growing range and complexity of products, increasing market volatility, a wider and savvier investor base, and changing intermediation models.

Appropriate and timely investor decisions are a pre-condition for holistic, sustainable growth of the domestic MF industry. That, in turn, is a function of access to relevant and accurate, actionable information, especially at a time when regulatory persuasion is tilting towards advisory-type intermediaries.

Here, independent mutual fund rankings play an important role as they follow neutral and relevant criteria, afford objective decision-making, and enhance investor confidence in the long run.

When selecting funds, it's important for investors to look at the attributes of the underlying portfolio, too, and not just focus on a performance yardstick like net asset value (NAV). The CMFR ranking methodology does just that, which improves its predictive intelligence and relevance. For example, a high percentage of debt funds with significant exposure to defaulted papers since mid-2018 were ranked low at CMFR 4 and 5 – when the underlying papers defaulted – compared with the higher rankings given to them elsewhere based on just NAV. Such well-rounded CFMR insights help stakeholders take timely decisions.

Across different periods – long or short – top-ranked equity funds (CFMR 1 or 2) have shown consistent outperformance. That's why CMFR, which just turned 20, has emerged as the go-to tool of treasury managers and investment managers when shortlisting mutual funds.

As regulations evolve, CRISIL keeps improving the granularity of rankings with the end-objective of making the process independent, and thereby enable investors to make wise decisions.

## Market – Overview

Indices	% Change in November 2020	% Change in October 2020
Nifty 50	11.39	4.06
S&P BSE Sensex	11.45	3.51

Indicators	November 27, 2020	October 29, 2020
10-year Gsec	5.91%	5.88%
Monthly CPI Inflation	6.93%	7.61%

## Mutual fund - Overview

### Top Stock Exposures – Nov 2020

- HDFC Bank Ltd.
- ICICI Bank Ltd.
- Infosys Ltd.
- Reliance Industries Ltd.
- HDFC Ltd.
- Bharti Airtel Ltd.
- Kotak Mahindra Bank Ltd.
- Axis Bank Ltd.
- State Bank of India
- Tata Consultancy Services Ltd.

### Top Sector Exposures – Nov 2020

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

### New Stocks Entries and Exits in Mutual Fund Portfolios – Nov 2020

#### Entries

- Gland Pharma Ltd.
- Kirloskar Industries Ltd.
- Marksans Pharma Ltd.

#### Exits

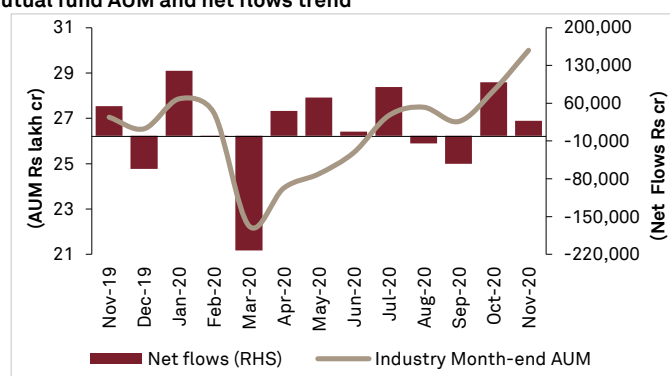
- Hemisphere Properties India Ltd.
- KMC Speciality Hospitals (India) Ltd.
- Nilra Infrastructures Ltd.
- MSTC Ltd.
- Shakti Pumps (India) Ltd.
- Themis Medicare Ltd.

Category returns	Absolute monthly returns %	
	November	October
Large cap funds	10.63	3.14
Large cap and mid-cap funds	11.73	1.63
Multi cap equity funds	11.72	2.47
Focused funds	11.92	2.82
Value – Contra funds	12.14	2.07
Mid-cap funds	12.53	0.42
Small cap funds	12.16	0.33
Arbitrage funds	0.06	0.38
Sector/thematic – Infra funds	13.17	1.35
ELSS	11.21	2.49
Index funds	11.36	3.87
Aggressive hybrid funds	9.18	2.13
Conservative hybrid funds	3.22	1.61
Gilt funds	0.54	1.66
Dynamic funds	0.54	1.62
Medium-to-long term funds	0.54	1.71
Medium term funds	1.03	1.26
Short-duration funds	0.74	1.11
Corporate funds	0.81	1.36
Banking and PSU debt fund	0.76	1.28
Credit risk funds	0.78	1.01
Low duration funds	0.49	0.61
Money market funds	0.31	0.38
Ultra-short duration funds	0.36	0.44
Liquid funds	0.26	0.27

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

- Indian equity indices rose sharply on-month in November amid signs of progress in the development of a Covid-19 vaccine, which could provide a tailwind for the global economy. The benchmarks S&P BSE Sensex and Nifty 50 surged 11.45% and 11.39% on-month, respectively
- Nifty sectoral indices ended the month on a firm note as well. Strong buying interest was seen in the metal, banking, finance and auto counters – the Nifty Metal, Nifty Bank, Nifty PSU Bank, Nifty Financial Services, and Nifty Auto indices gained 15-25%
- Sentiments also received a further boost after Joe Biden won the US presidential elections, and he formally began his White House transition
- Record monthly inflows from foreign institutional investors (FIIs) in November 2020 support the positive sentiment. FIIs bought equities worth Rs 70,896 crore in November 2020 compared with net purchase of Rs 18,400 crore in October 2020
- But some gains were chipped off because of intermittent profit booking after the sharp rally, and caution ahead of the release of domestic growth data for the second quarter of fiscal.

### Mutual fund AUM and net flows trend



- The Indian mutual fund industry's AUM expanded 6.3% on-month in November, to settle at a record high of Rs 30.01 lakh crore. Inflows in open-ended debt funds along with mark-to-market gains owing to a rising equity market contributed to the expansion in the industry's asset base, even as investors continued to exit equity and hybrid schemes
- Investors continued to exit open-ended equity-oriented schemes in November, with outflows accelerating from Rs 2,725 crore in October to ~Rs 12,917 crore, primarily because of profit-booking, as domestic equity markets hit record highs. Large cap funds bled the most within the category, at ~Rs 3,289 crore. Multi-cap funds and value / contra funds were at second and third, with net outflows of Rs 2,842 crore and Rs 1,323 crore, respectively. Outflows notwithstanding, mark-to-market gains pushed up the open-ended equity fund asset base ~10% on-month to Rs 8.58 lakh crore.
- Hybrid funds posted net outflow for the fifth straight month, at a cumulative Rs 5,249 crore in November. However, aided by gains registered by the underlying equity asset class, the asset base rose ~5.1% on-month to ~Rs 3.11 lakh crore – highest since February 2020
- Low duration funds posted the maximum net inflow within the open-ended debt scheme category in November, at ~Rs 27,108 crore, which was also the highest net inflow recorded by the category since April 2019. The liquid fund asset base also recorded net outflow of Rs 8,415 crore, as well as credit risk funds, with net outflow for the 20th straight month, albeit a nominal amount of ~Rs 15 crore. At an aggregate level, though, the AUM of open-ended debt funds rose ~Rs 52,648 crore on-month, or 3.95%, to a record high of Rs 13.87 lakh crore
- On the regulatory front, the SEBI relaxed the profitability criteria for becoming a mutual fund sponsor; has mandated minimum Rs 100 crore net worth requirement for entities to become sponsors of mutual funds
- It decided to make it mandatory for all asset management companies (AMCs) to maintain minimum net worth on continuous basis to streamline the manner of computation of net worth of the AMC

# CRISIL Fund Rank 1 Schemes - Hybrid

## Mutual Funds' Performance Report

Scheme Name	Point to Point Returns %						Inception Date	Average AUM (Rs.Crore)	Style Box	Std. Deviation (%)	Sharpe Ratio						
	1 Month	3 Month	6 Month	1 Year	3 Years	Since Inception											
<b>Aggressive Hybrid</b>																	
BOI AXA Mid & Small Cap Equity & Debt Fund	8.59	11.40	40.26	25.84	2.46	9.83	20-Jul-16	318.46		19.75	-0.04						
Canara Robeco Equity Hybrid Fund	6.62	8.98	26.70	15.07	9.44	16.00	20-Mar-98	3298.09		17.11	0.58						
<b>Arbitrage</b>																	
L&T Arbitrage Opportunities Fund	0.16	0.88	1.55	4.73	5.65	6.29	30-Jun-14	999.22		1.41	1.99						
Tata Arbitrage Fund	0.20	0.95	1.58	4.92	NA	5.69	18-Dec-18	2096.02		1.50	1.88						
<b>Conservative Hybrid</b>																	
Canara Robeco Conservative Hybrid Fund	2.47	4.30	12.02	12.35	8.44	10.01	3-Apr-01	252.62	<table border="1"><tr><td>High</td><td>Medium</td><td>Low</td></tr><tr><td>High</td><td>Medium</td><td>Low</td></tr></table>	High	Medium	Low	High	Medium	Low	6.21	1.14
High	Medium	Low															
High	Medium	Low															
LIC MF Debt Hybrid Fund	1.57	3.54	7.48	8.09	6.08	7.77	2-Jun-03	71.76	<table border="1"><tr><td>High</td><td>Medium</td><td>Low</td></tr><tr><td>High</td><td>Medium</td><td>Low</td></tr></table>	High	Medium	Low	High	Medium	Low	5.31	0.70
High	Medium	Low															
High	Medium	Low															

CRISIL Mutual Fund Ranks as of September 2020  
Point to Point Returns are as on November 27, 2020

Returns are annualised for periods above 1-year, other wise actualised

Risk Ratios are annualised

Period for Risk Ratios is three years

For Sharpe Ratio the risk free rate is 5.49% - 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 July-September 2020

Credit quality			High	Medium	Low	Interest rate sensitivity
High	Medium	Low				
			High	Medium	Low	
			High	Medium	Low	

(For cons. Hybrid schemes)

## Average Assets under Management - A Bird's Eye View

Mutual Fund Name	Jul-Sep 2020 (Rs.Cr)	Apr-Jun 2020 (Rs.Cr)	Change (Rs.Cr)	% Change	Mutual Fund Name	Jul-Sep 2020 (Rs.Cr)	Apr-Jun 2020 (Rs.Cr)	Change (Rs.Cr)	% Change
SBI Mutual Fund	422123	364916	57207	15.68%	BNP Paribas Mutual Fund	6786	6380	406	6.36%
HDFC Mutual Fund	376379	356710	19669	5.51%	Principal Mutual Fund	6283	5495	788	14.34%
ICICI Prudential Mutual Fund	368698	333710	34988	10.48%	PPFAS Mutual Fund	5065	3601	1464	40.65%
Aditya Birla Sun Life Mutual Fund	239029	214866	24163	11.25%	Mahindra Manulife Mutual Fund	5036	4708	329	6.98%
Nippon India Mutual Fund	201302	181048	20254	11.19%	IDBI Mutual Fund	4724	3802	922	24.26%
Kotak Mahindra Mutual Fund	192311	167788	24523	14.62%	JM Financial Mutual Fund	4182	4049	134	3.31%
Axis Mutual Fund	156494	134483	22011	16.37%	PGIM India Mutual Fund	4103	3693	409	11.08%
UTI Mutual Fund	155190	133631	21559	16.13%	Union Mutual Fund	4019	3623	395	10.90%
IDFC Mutual Fund	114519	101934	12586	12.35%	BOI AXA Mutual Fund	2071	1943	128	6.58%
DSP Mutual Fund	82286	73477	8809	11.99%	IL&FS Mutual Fund (IDF)	1768	1804	-36	-2.01%
Franklin Templeton Mutual Fund	80007	80640	-634	-0.79%	IIFL Mutual Fund	1669	1509	160	10.61%
L&T Mutual Fund	63057	58362	4695	8.05%	Quantum Mutual Fund	1586	1289	297	23.06%
Tata Mutual Fund	56458	48202	8255	17.13%	Indiabulls Mutual Fund	906	970	-64	-6.59%
Mirae Asset Mutual Fund	50317	40998	9318	22.73%	ITI Mutual Fund	708	581	127	21.84%
Edelweiss Mutual Fund	37432	25298	12133	47.96%	Essel Mutual Fund	687	639	48	7.54%
Sundaram Mutual Fund	28070	25794	2276	8.82%	IIFCL Mutual Fund (IDF)	612	580	32	5.54%
Invesco Mutual Fund	27147	23132	4015	17.36%	Taurus Mutual Fund	409	358	51	14.23%
Motilal Oswal Mutual Fund	21659	17707	3952	22.32%	Quant Mutual Fund	281	239	42	17.71%
Canara Robeco Mutual Fund	19856	17263	2593	15.02%	Shriram Mutual Fund	182	165	17	10.37%
LIC Mutual Fund	18080	15002	3078	20.51%	YES Mutual Fund	84	57	27	48.17%
HSBC Mutual Fund	9479	8929	550	6.16%					
Baroda Mutual Fund	7646	7307	339	4.64%					
<b>Grand Total</b>	<b>2778698</b>	<b>2476683</b>	<b>302015</b>	<b>12.19%</b>					

## Fund Focus

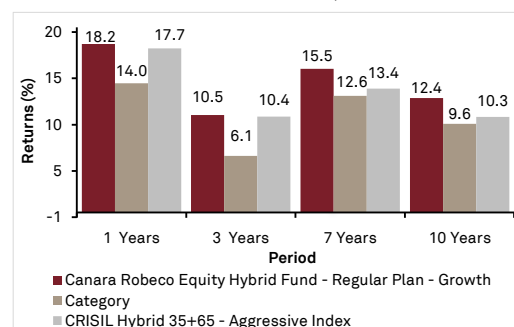
### Canara Robeco Equity Hybrid Fund (CRISIL Fund Rank 1)

Launched in March 1998, Canara Robeco Equity Hybrid Fund featured in the top 10 percentile of the aggressive fund category of CRISIL Mutual Fund Ranking (CMFR) in the past four quarters ended September 2020.

#### Performance

The fund has outdone its benchmark (CRISIL Hybrid 35+65 - Aggressive Index) and the category (represented by funds ranked under the aggressive hybrid category in CMFR - September 2020) in all the periods analysed. It has returned 16% since its inception.

#### Performance as on December 16, 2020



Note: Returns above one year are annualized

#### Better risk-adjusted returns

The fund outperformed its category on a risk-adjusted basis as measured by the Sharpe ratio (higher the better) over the three years ended December 16, 2020. The fund's Sharpe ratio was 0.97 against 0.71 for its category during this period.

#### SIP returns

If an investor had set aside Rs 1,000 every month under the systematic investment plan (SIP) for three years ended December 16, 2020, the investment of Rs 36,000 would have grown to Rs 45,225 at an annualised growth rate of 15.79%. Similar investments in the benchmark for the same period would have grown to Rs 45,071 at 15.55%.

#### Portfolio analysis

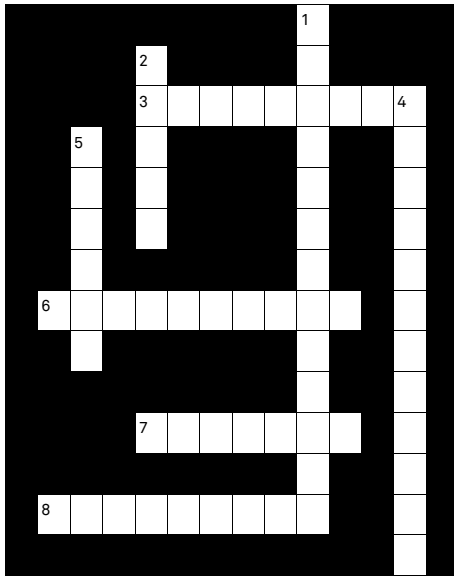
During the three years ended November 2020, the fund's exposure to equities averaged 69% of total assets.

Three-year exposure to the debt portfolio comprises certificate of deposits and commercial papers (3%), government securities and treasury bills (2.6%), and non-convertible debentures and bonds (15.7%).

#### Fund managers

The fund's equity portion is managed by Shridatta Bhandwaldar and Cheenu Gupta. Bhandwaldar, BE (Mechanical) and MMS (Finance), has 13 years of experience. Gupta also has 13 years of experience. Avnish Jain, PGDM - IIM, B.Tech, manages the debt portion and has 25 years of experience.

## Crossword Corner – boost your financial knowledge



### Horizontal

3. The rise in economy wide prices of goods and services over a period of time (9)
6. The variation in daily returns generated by a mutual fund (10)
7. The failure of an issuer to pay interest and or the principal amount due on time or in full (7)
8. The mutual fund attempts to generate returns by exploiting the mispricing that may exist between the cash and derivative segments of the market (9)

### Vertical

1. The price at which you can purchase a unit of a mutual fund (3,5,5)
2. This is used by global banks as an interest rate benchmark for short term loans (1,1,1,1,1)
4. The period during which units of a newly launched scheme are available for purchase (3,4,5)
5. A scheme that invests in companies operating within specific industries such as manufacturing or information technology (6)

### Answers

**Vertical:** 1) Net Asset Value 2) LIBOR (London Inter-Bank Offered Rate) 4) New Fund Offer 5) Sector

**Horizontal:** 3) Inflation 6) Volatility 7) Default 8) Arbitrage

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