

CRISIL FUND *INSIGHTS*

Monthly funds newsletter from CRISIL Research

Volume – 127 November 2021

Investment thoughts

Don't let the bears – and bulls – scare you

Spend time in the market rather than timing the market

After having hit their record highs in October, the equity markets have moved sideways in small bout of volatility. Investors, would be nervous of the market levels and the recent volatility, what if it is a bubble? What if the third wave of the pandemic lashes? Should one exit while the going is good?

Our analysis shows that such questions become irrelevant when one is focused on the long term. Long-term investing negates the fear of market timing – both entry and exit – creating wealth over time. The analysis considers the following scenarios.

- For the high and low scenarios, returns for 1 year and 3/5/7/10/15 years are computed and the averages, maximum and minimum returns analysed
- In case of investment at any point of time, all the periods are analysed to generate the average, maximum and minimum returns

	Scenario	Description
1	52-week high	Investor invests at all the 52-week high values [^]
2	52-week low	Investor invests at all the 52-week low values [^]
3	At any point of time	Investor invests in the market without looking at the market level

S&P BSE Index values between July 30, 1979-November 11, 2021, used for analysis
[^] 52-week high and low values are calculated every day since 1979 and unique values are considered for investment analysis

Short-term volatility remains across peaks and troughs.

Most investors tend to believe investing at market highs provides sub-optimal or weak returns in the short-to-medium term (1 to 5 years) and superior performance when invested at market lows.

Our analysis, however, shows that while the risk of weak returns reduces when invested at market lows, it is still not a fool-proof method and there have been instances of negative (up to -23% in a one year period) or suboptimal returns (10% of times returns have been below 10% returns) despite that. That said, investing for the short term around market highs does heighten the risks with negative return going up to -56% in a one year period and 50% of the time returns falling below the 10% return threshold.

Long term investing limits risks of timing the market

The limitations that we saw in terms of probability of poor performance in the short term reduces considerably as the investment horizon increases. This holds not just for investors who invested at market lows but also those who have invested at market highs, or who have not considered market timing. The probability of sub-optimal returns also reduces considerably as the investment horizon increases.

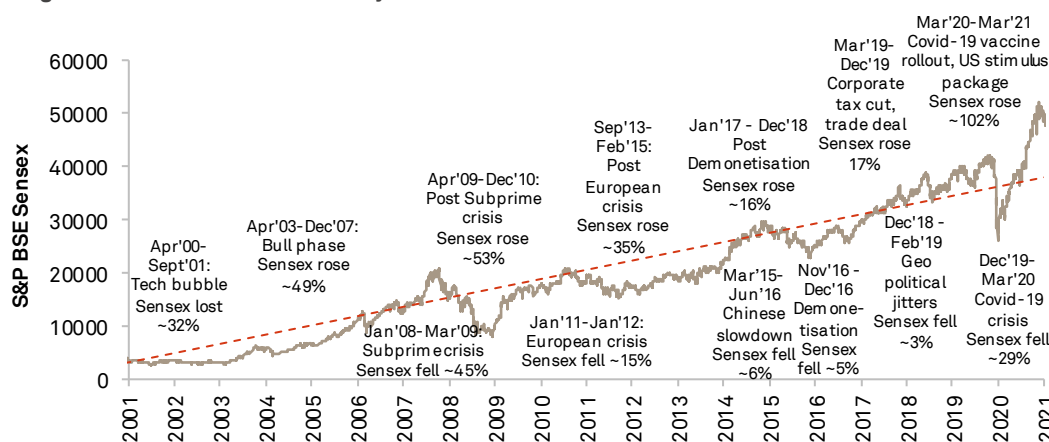
Our analysis shows investors who invested at across market phases, high, low or at any point of time, saw no negative return for a holding period of 15 years. Additionally, the probability of a greater-than-10% return also increases to 85% of the instances when invested at market highs and 94% in case invested at any point of time.

Ride the cycle

Market gyrations are quintessential to equities. It is also pretty difficult to time the market to your benefit.

For instance, in the period analysed since 1979 — comprising ~11,000 instances when markets were open for investing — there were 905 unique instances when the markets were at 52-week lows and 1,104 unique instances when markets were at 52-week high. That's a lot of analysis to identify the highs and lows, and make market investment moves.

Long-term market movement and major events



Source: BSE, financial websites, month-end values considered for market phase movements

Further, in a growing economy such as India, the probability of market lows tends to be lower than market highs, thus reducing the opportunities to time the market. Instead, it would be better if investors stick to their financial plan over the long term to derive the best returns from equity investing. Since no one knows the delta, one needs to stay committed for the long haul to make meaningful gains. And systematic investment plans, or SIPs, in equity mutual funds are one way of doing so.

The article was first published in Financial Express

Market – Overview

Indices	% Change in Oct 2021	% Change in Sep 2021
Nifty 50	0.30	2.73
S&P BSE Sensex	0.31	2.84

Indicators	Oct 31, 2021	Sep 31, 2021
10-year Gsec	6.39%	6.22%
Monthly CPI Inflation	4.48%	5.30%

Mutual fund - Overview

Top Stock Exposures – Oct 2021

1. ICICI Bank Ltd.
2. HDFC Bank Ltd.
3. Infosys Ltd.
4. Reliance Industries Ltd.
5. State Bank Of India
6. HDFC Ltd.
7. Axis Bank Ltd.
8. Bharti Airtel Ltd.
9. Tata Consultancy Services Ltd.
10. Larsen & Toubro Ltd.

Top Sector Exposures – Oct 2021

1. Banks
2. Computers - Software
3. Pharmaceuticals
4. Refineries/Marketing
5. NBFC
6. Cement
7. Engineering, Designing, Construction
8. Housing Finance
9. Telecom - Services
10. Passenger/Utility Vehicles

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

Entries

- FSN E-Commerce Ventures Ltd.
- Forbes & Company Ltd.
- Dhanvarsha Finvest Ltd.
- Fino Payments Bank Ltd.
- Borosil Glass Works Ltd.
- Asian Granito India Ltd.

Exits

- NCL Industries Ltd.
- R.P.P. Infra Projects Ltd.
- Sarda Energy & Minerals Ltd.

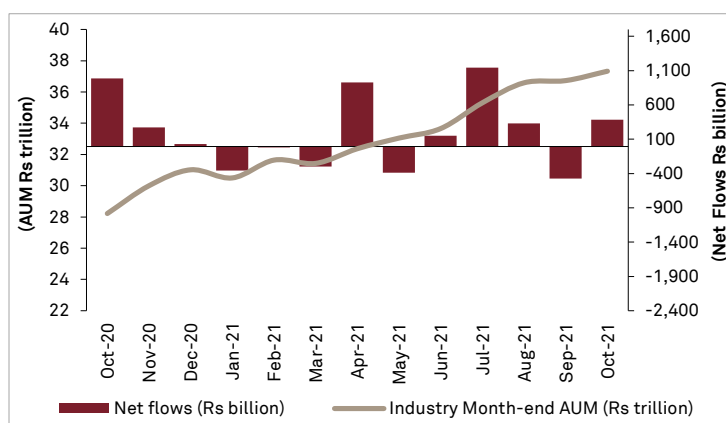
Category returns

Category returns	Absolute monthly returns %	
	Oct	Sep
Large cap funds	0.96	2.26
Large cap and mid-cap funds	1.18	3.02
Multi cap equity funds	1.59	3.89
Flexi cap funds	1.03	2.47
Focused funds	1.76	2.36
Value – Contra funds	1.54	3.43
Mid-cap funds	1.19	3.82
Small cap funds	0.58	5.18
Arbitrage funds	0.31	0.09
ELSS	1.17	2.61
Index funds	0.41	2.81
Aggressive hybrid funds	0.75	2.09
Conservative hybrid funds	0.32	1.18
Gilt funds	-0.17	0.67
Dynamic funds	-0.07	0.98
Medium-to-long term funds	-0.15	1.19
Medium term funds	0.04	0.70
Short-duration funds	0.09	0.84
Corporate funds	0.06	0.27
Banking and PSU debt fund	0.04	0.34
Credit risk funds	0.27	2.06
Low duration funds	0.21	0.87
Money market funds	0.21	0.23
Ultra-short duration funds	0.21	0.38
Liquid funds	0.26	0.24

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

- Markets gained on hopes of faster domestic economic recovery and following strong third quarter earnings. S&P Sensex and Nifty 50 gained 0.3% each in October.
- Markets also got support after an expert committee approved a Covid-19 vaccine for children between two years and 18 years, indicating progress in the country's vaccination programme.
- Market sentiment strengthened further after the Reserve Bank of India (RBI) pledged to continue its easy monetary policy to sustain growth and mitigate the pandemic's impact on the economy. In its October policy meet, the RBI retained the current fiscal's GDP growth forecast at 9.5% and lowered retail inflation projection to 5.3% for the current fiscal
- However, gains were trimmed after foreign institutional investors (FIIs) snapped their two-month buying streak in the Indian markets. Investors also booked profits after the benchmark indices touched record highs multiple times in October. Some weak global pointers including downbeat economic growth numbers from the US and Eurozone, and rising global bond yields weighed on the market.
- Nifty sectoral indices mostly ended higher, with Nifty Auto (~7%), Nifty Media (~5%) and Nifty Bank (~5%) gaining the most.

Mutual fund AUM and net flows trend



- The domestic mutual fund industry's asset base continued rising in October, with assets under management (AUM) settling at a record Rs 37.33 lakh crore (excluding domestic fund of funds), aided by MTM gains in the equity market and net inflows in most categories.
- Aggregate net inflows for the open-ended equity category stood at ~Rs 5,215 crore in October, marking the eighth straight month of net inflows. Within the category, sectoral/ thematic schemes recorded the highest net inflows at ~Rs 1,734 crore, while flexi-cap schemes saw net inflows of ~Rs 1,122 crore. While, Equity linked savings schemes (ELSS) and value / contra schemes witnessed outflows of ~Rs 488 crore and ~Rs 349 crore.
- Furthermore, Investor enthusiasm for systematic investment plans (SIP) continued unabated with October's figure touching new record high of Rs 10,519 crore.
- Hybrid schemes recorded net inflows for the tenth straight month at ~Rs 10,437 crore in October. Balanced advantage funds recorded the highest net inflows within the category during the month, at ~Rs 11,219 crore. New fund offerings (NFO) contributed to the net inflows in October, and fund mobilisation stood at Rs 5,216 crore according to AMFI data
- In October, ETFs (both equity and gold) and index schemes cumulatively saw net inflows of ~Rs 9,245 crore in October. Inflows into FoFs that invest overseas saw a sharp increase in net inflows at ~Rs 1,514 crore.
- Open-ended debt schemes there were net inflows of ~Rs 12,984 crore in October. Within the category, overnight funds, ultra-short duration schemes and floater funds saw net inflows, of ~Rs 6,337 crore, ~Rs 4,512 crore and ~Rs 5,050 crore respectively.
- Liquid funds saw the highest net outflows within the category, at ~Rs 10,200 crore, while short duration funds also recorded net outflows, at ~Rs 2,666 crore. In the close-ended debt category, redemptions in fixed-term plans totalled ~Rs 1,080 crore.
- SEBI said that pooling of funds and units by stock brokers or clearing members shall be discontinued for mutual fund (MF) transactions.

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										
IDBI India Top 100 Equity Fund	0.58	11.49	23.92	56.15	23.63	15.77	15-May-12	505.53	24.91	1.23
Kotak Bluechip Fund	0.16	10.11	20.33	52.50	22.84	17.27	29-Dec-98	3097.82	25.57	1.17
Canara Robeco Bluechip Equity Fund	0.48	9.66	18.72	49.36	24.17	13.73	20-Aug-10	4012.39	24.06	1.29
Large & Mid Cap										
Mirae Asset Emerging Bluechip Fund	0.70	8.48	22.63	65.39	27.80	22.41	9-Jul-10	20078.91	25.63	1.40
UTI Core Equity Fund	0.97	7.31	24.52	74.02	20.18	13.04	30-Jul-05	1137.86	24.92	1.06
Flexi Cap										
PGIM India Flexi Cap Fund	0.30	7.09	25.20	69.08	30.58	15.81	4-Mar-15	1864.50	25.19	1.55
UTI Flexi Cap Fund	0.58	10.39	23.46	62.73	27.96	16.70	1-Aug-05	21748.80	23.39	1.52
Multi Cap										
Quant Active Fund	0.24	5.87	24.00	80.69	33.89	19.68	18-Apr-01	986.28	26.20	1.64
Focused										
IIFL Focused Equity Fund	2.13	9.49	25.52	61.48	30.93	17.18	24-Oct-14	2200.62	24.71	1.59
Quant Focused Fund	-0.84	2.00	12.68	60.41	20.90	13.72	29-Aug-08	37.26	25.88	1.06
Value / Contra										
SBI Contra Fund	1.49	9.20	27.11	84.65	24.94	16.29	6-May-05	2743.42	24.19	1.33
IDFC Sterling Value Fund	2.60	6.90	27.10	89.38	21.71	17.07	7-Mar-08	3971.36	25.79	1.11
Mid Cap										
PGIM India Midcap Opportunities Fund	1.99	10.71	31.13	91.16	36.57	20.25	2-Dec-13	2539.23	25.15	1.82
Baroda Mid-cap Fund - Plan A	3.35	12.26	33.08	77.25	27.81	5.07	4-Oct-10	70.48	23.31	1.51
Small Cap										
Quant Small Cap	1.69	2.52	35.52	113.27	36.78	11.31	30-Oct-96	1026.29	27.05	1.72
Kotak Small Cap Fund	2.26	8.75	30.98	100.03	35.32	18.05	24-Feb-05	5463.65	22.13	1.97
ELSS										
Quant Tax Plan	0.26	3.86	25.38	84.97	35.63	15.25	31-Mar-00	351.24	26.37	1.71
BOI AXA Tax Advantage Fund	0.30	6.57	21.73	61.90	30.28	19.97	25-Feb-09	501.00	22.69	1.68
IDFC Tax Advantage (ELSS) Fund	2.66	10.20	24.72	79.92	23.63	19.35	26-Dec-08	3343.31	25.30	1.22
Union Long Term Equity Fund	1.80	10.93	25.65	60.65	24.58	15.76	23-Dec-11	406.50	24.34	1.30
Index										
SBI - ETF SENSEX	-0.04	12.83	20.06	50.54	21.56	15.26	15-Mar-13	53758.80	27.68	1.04
UTI SENSEX Exchange Traded Fund	-0.03	12.85	20.08	50.56	21.58	15.85	1-Sep-15	16712.16	27.68	1.04
Kotak Sensex ETF Fund	-0.05	12.77	19.93	50.22	21.28	11.58	6-Jun-08	19.27	27.67	1.03
HDFC Sensex ETF	-0.03	12.81	20.03	50.49	21.53	17.18	9-Dec-15	95.77	27.64	1.04

CRISIL Mutual Fund Ranks are as of September 2021

Point to Point Returns are as on October 29, 2021

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 4.51% - 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 2021

Average Assets under Management - A Bird's Eye View

Mutual Fund (MF) Name	Jul-Sep 2021 (Rs. Cr)	Apr-Jun 2021 (Rs. Cr)	Change (Rs.Cr)	% Change	Mutual Fund (MF) Name	Jul-Sep 2021 (Rs. Cr)	Apr-Jun 2021 (Rs. Cr)	Change (Rs.Cr)	% Change
SBI Mutual Fund	579318	524316	55002	10.49%	HSBC Mutual Fund	11476	10815	660	6.11%
ICICI Prudential MF	461289	429229	32060	7.47%	PGIM India Mutual Fund	11185	8110	3075	37.91%
HDFC Mutual Fund	441852	418947	22904	5.47%	Principal Mutual Fund	8930	8038	892	11.10%
Aditya Birla Sun Life MF	299382	275904	23478	8.51%	BNP Paribas Mutual Fund	8745	8122	623	7.67%
Kotak Mahindra MF	270615	247750	22866	9.23%	Union Mutual Fund	7300	5916	1384	23.39%
Nippon India Mutual Fund	267213	242102	25111	10.37%	Mahindra Manulife MF	6687	5664	1023	18.06%
Axis Mutual Fund	238575	208505	30070	14.42%	IDBI Mutual Fund	4384	4295	89	2.07%
UTI Mutual Fund	208971	187210	21761	11.62%	Quant Mutual Fund	3301	1642	1659	101.02%
IDFC Mutual Fund	126560	126268	293	0.23%	IIFL Mutual Fund	3128	2591	537	20.73%
DSP Mutual Fund	107290	104026	3264	3.14%	BOI AXA Mutual Fund	2494	2211	283	12.79%
Mirae Asset Mutual Fund	91802	78139	13663	17.49%	JM Financial Mutual Fund	2089	2135	-45	-2.13%
L&T Mutual Fund	78274	75531	2743	3.63%	Quantum Mutual Fund	2012	1945	67	3.44%
Tata Mutual Fund	77010	66999	10010	14.94%	ITI Mutual Fund	1983	1562	421	26.94%
Edelweiss Mutual Fund	69188	61256	7932	12.95%	IL&FS Mutual Fund (IDF)	1385	1686	-301	-17.83%
Franklin Templeton MF	64587	61636	2950	4.79%	Trust Mutual Fund	1033	858	175	20.39%
Invesco Mutual Fund	42930	39016	3914	10.03%	Navi Mutual Fund	867	728	139	19.06%
Canara Robeco MF	39344	32541	6804	20.91%	Indiabulls Mutual Fund	655	632	23	3.58%
Motilal Oswal Mutual Fund	33544	29428	4116	13.99%	IIFCL Mutual Fund (IDF)	612	596	16	2.63%
Sundaram Mutual Fund	33377	32151	1225	3.81%	Taurus Mutual Fund	539	496	43	8.74%
LIC Mutual Fund	18040	17642	398	2.26%	Shriram Mutual Fund	217	208	10	4.68%
PPFAS Mutual Fund	15943	11343	4600	40.56%	YES Mutual Fund	46	81	-36	-43.71%
Baroda Mutual Fund	11953	10645	1309	12.29%	Grand Total	3656125	3348915	307210	9.17%

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

Fund Focus

IDFC Tax Advantage (ELSS) Fund

Launched in December 2008, IDFC Tax Advantage (ELSS) Fund was ranked in the top 30 percentile (ranks 1 and 2) in the past three consecutive quarters ended September under the equity linked savings scheme (ELSS) category of CRISIL Mutual Fund Ranking. The fund's average assets under management totalled Rs 3,343 crore in the quarter ended September.

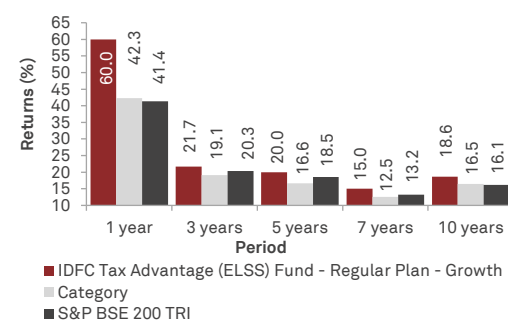
Investment approach

The fund's primary objective is to generate long-term capital growth from a diversified equity portfolio and enable investors to save on income tax. Tax payers can claim deduction under Section 80C of the Income Tax Act for investment up to Rs 1.5 lakh in ELSS.

Performance

The fund has outperformed its benchmark (the S&P BSE 200 TRI) and the ELSS category (as per CRISIL Mutual Fund Ranking - September 2021) across time horizons analysed (Chart 1). As on November 22, it has returned 19% since its inception. Its volatility, as measured by standard deviation (25.4%), was lower than that of its benchmark (26.3%) during the three years ended November 22. The fund performed well on a risk-adjusted basis as measured by Sharpe ratio (higher the better), which was 1.1 as against 1.0 for both, its benchmark and category.

Chart 1: Performance as on November 22, 2021



Note: Returns above one year are annualised

If an investor had parked Rs 1,000 every month in the fund via a systematic investment plan (SIP) for seven years ended November 22, his investment of Rs 84,000 would have grown to Rs 1.63 lakh at an annualised growth rate of 18.6%. A similar investment in the benchmark would have grown to Rs 1.55 lakh at 17.3%.

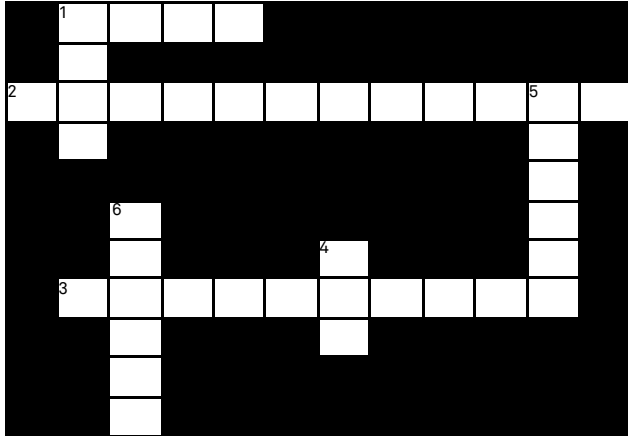
Portfolio analysis

Bank and information technology have been the most preferred sectors during the past three years ended November 22. The fund's combined average exposure to both the sectors was around 30%. The fund has consistently held 25 stocks over the period with ICICI Bank and Infosys Ltd featuring among the top holdings with a combined average exposure of around 12%.

Fund manager

Daylynn Pinto, a BCom and PGDM, is the Associate Director - Fund Management at the fund house. He has more than 16 years of experience in the mutual fund industry.

Crossword Corner – boost your financial knowledge



Horizontal

- 1) Term used to describe a market phase during which investment returns increase (4)
- 2) A trends or patterns that emerge during different markets or business environments (12)
- 3) Term used to describe fluctuations in asset returns and causes panic among investors (10)

Vertical

- 1) Term used to describe a market phase in which investment returns fall (4)
- 4) Strategy that helps investors park funds regularly in mutual funds and to tide over uncertainty (1,1,1)
- 5) Inherently volatile asset class that generates superior long-term returns (6)
- 6) An economic term which refers to a stage in the business cycle where activity is bottoming (6)

Answers

Vertical: 1) Bear 3) SIP 5) Equity 6) Trough

Horizontal: 1) Bull 2) Market phases 3) Volatility

Contact Details

Amit Bhardwaj: +91 22 6172 3189; Amit.Bhardwaj@crisil.com
Dinesh Agarwal: +91 22 3342 3440; Dinesh.Agarwal@crisil.com
Ankur Nehra: +91 124 6722 418; Ankur.Nehra@crisil.com
Pradeep Nair: +91 22 3342 3539; Pradeep.Nair@crisil.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint. It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore. It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

About CRISIL Research

CRISIL Research is India's largest independent integrated research house. We provide insights, opinion and analysis on the Indian economy, industry, capital markets and companies. We also conduct training programs to financial sector professionals on a wide array of technical issues. We are India's most credible provider of economy and industry research. Our industry research covers 86 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our large network sources, including industry experts, industry associations and trade channels. We play a key role in India's fixed income markets. We are the largest provider of valuation of fixed income securities to the mutual fund, insurance and banking industries in the country. We are also the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today the country's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgments and forecasts with complete objectivity. We leverage our deep understanding of the macro-economy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. Our talent pool comprises economists, sector experts, company analysts and information management specialists.

CRISIL Privacy

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com/privacy.

Disclaimer

CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this Report based on the information obtained by CRISIL from sources which it considers reliable (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. This Report is not a recommendation to invest / disinvest in any entity covered in the Report and no part of this report should be construed as an investment advice. CRISIL especially states that it has no financial liability whatsoever to the subscribers/ users/ transmitters/ distributors of this Report. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL's Ratings Division / CRISIL Risk and Infrastructure Solutions Limited (CRIS), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL Research and not of CRISIL's Ratings Division / CRIS. No part of this Report may be published / reproduced in any form without CRISIL's prior written approval. CRISIL or its associates may have commercial transactions with the company/entity.