

CRISIL FUND *INSIGHTS*

Monthly funds newsletter from CRISIL Research

Volume – 133 May 2022

Investment thoughts

CRISIL launches sub-category level benchmarks for AIFs

New offerings to enable better investing decisions using comparative data

CRISIL Research has launched sub-category-level benchmarks for the domestic alternative investment fund (AIF) industry. These benchmarks are the logical next step to the original category-level benchmarks introduced in

October 2020 and provide peer comparison for AIFs belonging to seven sub-categories within the three broad AIF categories — I, II and III.

The move will usher in granularity and enable metrics-driven investment decision-making by stakeholders in the fast-growing industry, based on due comparison of equivalent funds. The Indian AIF industry continues to grow at a healthy pace, with commitments increasing 42% between March 2021 and March 2022 to Rs 6.41 lakh crore. With investors embracing the product and the industry maturing, there is a need for enhanced benchmarking practices. CRISIL's sub-category AIF benchmarks will plug this gap, providing like-to-like fund comparison within its category.

The benchmarks have been developed in accordance with the Securities and Exchange Board of India (SEBI) guidelines and in consultation with industry participants.

The following sub-categories have been considered:

- **Category I**
 - Venture Capital Funds (VCFs)
- **Category II**
 - Equity Funds – Unlisted
 - Equity Funds – Listed + Unlisted
 - Real Estate Funds
 - Debt Funds
- **Category III**
 - Long-only Equity Funds
 - Long-short Equity Funds

The sub-categorisations are based on the type of assets in underlying funds and the availability of a sufficient number of funds during a year. The sub-category level benchmarks will be useful to all stakeholders — investors, intermediaries, and AIFs alike — as they provide a 360-degree view of the performance of a particular sub-category. These will help investors home in on the type of fund best-suited to their investment objective, besides enabling intermediaries to focus on specific types of funds for their clients, and AIFs to compare their performance with a peer set.

Some other key findings from the sub-category benchmarking are as follows.

- Equity Funds – Listed + Unlisted have the largest asset size, at Rs 49,500 crore, followed by Long-only Equity Funds under Category III (Rs 33,600 crore)
- VCFs under Category I outperformed among the five sub-categories considered within Category I and II for vintages FY17 and FY18, while Equity Funds – Listed + Unlisted and Debt Funds under Category II came out tops among funds belonging to vintages FY19 and FY20, respectively
- Debt Funds belonging to all the vintage years have outperformed CRISIL Composite Bond Fund Index
- Long-only Equity Funds have underperformed the Long-short Equity Funds over three- and five-year periods. The long-short equity funds benchmark has not given any negative return for a three- or five-year rolling return period since its inception in September 2015
- Long-Short Equity Funds benchmark was better able to protect downside than their long-only peers over three-year rolling returns, with minimum of 6.03% returns compared with -6.49% for the latter

The category and sub-category level AIF benchmarks data will be disclosed on half-yearly basis (based on September and March end data), as per guidelines prescribed by SEBI. The benchmarks will be published on www.crisil.com along with the methodology.

The benchmarks for March 2021 and the detailed methodology can be found at <https://www.crisil.com/en/home/what-we-do/financial-products/alternate-investment-funds-benchmarks.html>.

Market – Overview

Indices	% Change in Apr 2022	% Change in Mar 2022
Nifty 50	-2.07	4.13
S&P BSE Sensex	-2.57	3.99

Indicators	April 29, 2022	March 31, 2022
10-year Gsec	7.14%	6.84%
Monthly CPI Inflation	7.79%	6.95%

Mutual fund - Overview

Top Stock Exposures – Apr 2022

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

Top Sector Exposures – Apr 2022

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

New Stocks Entries and Exits in Mutual Fund Portfolios – Apr 2022

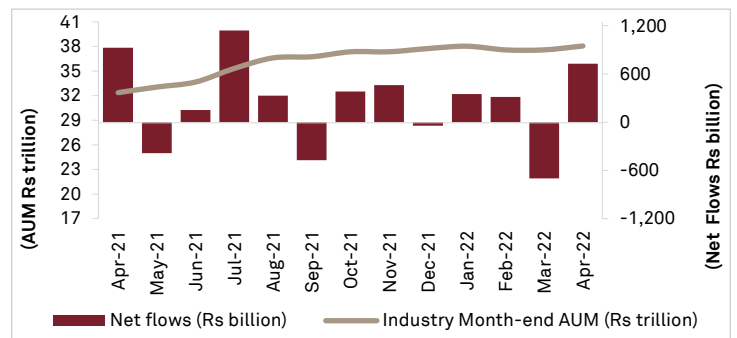
Entries	Exits
Apcotex Industries Ltd.	Bannari Amman Sugars Ltd.
Campus Activewear Ltd.	Cadila Healthcare Ltd.
Harion Pipe Industries Ltd.	Max Ventures & Industries Ltd.
Mirza International Ltd.	Navkar Corporation Ltd.
PCBL Ltd.	Phillips Carbon Black Ltd.
Rainbow Childrens Medicare Ltd.	Rico Auto Industries Ltd.
Apcotex Industries Ltd.	Adani Wilmar Ltd.
	Meghmani Finechem Ltd.
	Forbes Enviro Solutions Ltd.
	Shanthi Gears Ltd.

Category returns	Absolute monthly returns %	
	Apr	Mar
Large cap funds	-2.02	3.12
Large cap and mid-cap funds	-1.03	3.86
Multi cap equity funds	-1.48	5.62
Flexi cap funds	-1.92	3.06
Focused funds	-1.81	3.43
Value – Contra funds	-0.62	3.58
Mid-cap funds	0.40	4.04
Small cap funds	0.19	5.05
Arbitrage funds	0.37	0.06
ELSS	-1.66	3.61
Index funds	-2.22	4.00
Aggressive hybrid funds	-1.41	2.84
Conservative hybrid funds	-0.67	0.99
Gilt funds	-0.55	0.18
Dynamic funds	-0.50	0.25
Medium-to-long term funds	-0.79	0.21
Medium term funds	-0.48	0.28
Short-duration funds	-0.16	0.33
Corporate funds	-0.24	0.35
Banking and PSU debt fund	-0.29	0.31
Credit risk funds	-0.23	0.99
Low duration funds	0.19	0.38
Money market funds	0.25	0.40
Ultra-short duration funds	0.25	0.36
Liquid funds	0.28	0.31

Category returns represented by average of CRISIL ranked funds – March 2022

- Indian equity indices declined in April with Benchmarks S&P BSE Sensex and Nifty 50 slipping ~3% and 2%, respectively on month due to negative cues from the global markets, weak earnings performance of major companies in March quarter and as spike in inflation triggered worries that the central bank may hike rates soon.
- However, positive domestic cues following the merger announcement of two large financial institutions and strong auto sales for March prevented a sharp fall in the markets
- Gains were also seen following the RBI's accommodative policy stance and its decision to keep rates unchanged in its first bi-monthly monetary policy review of fiscal 2023
- The dovish stance of the Bank of Japan also added to the rally in the market
- Nifty sectoral indices ended mostly lower, with Nifty Information Technology (~13%), Nifty Media (~10%) and Nifty Realty (~4%) falling the most.

Mutual fund AUM and net flows trend



Source: CRISIL Research

- The domestic mutual fund industry's month-end assets under management (AUM) rose 1.25% on-month or by Rs 47,000 crore in April led by net inflows in debt- and equity-oriented funds.
- Assets of open-ended equity funds rose 0.1% on-month (~Rs 775 crore) to settle at a new record high of ~Rs 13.66 lakh crore in April, despite mark-to-market (MTM) losses in underlying equities.
- Within the category, sectoral/thematic funds recorded the highest net inflows of ~Rs 3,844 crore compared with ~Rs 307 crore in March, followed by strong inflows in flexi-cap funds, equity-linked savings schemes (ELSSs) and large cap.
- Collection via SIPs reached a fresh record high of Rs 12,328 crore in March compared with Rs 11,438 crore collected in February
- Collections via SIPs came in at Rs 11,863 crore in April compared with a record high of Rs 12,328 crore in March. Meanwhile, the number of SIP accounts rose to 5.39 crore in April from 5.28 crore in March.
- Hybrid funds' assets rose to a new record high of ~Rs 4.85 lakh crore, up ~1% on-month or by Rs 5,083 crore. Among hybrid funds, arbitrage funds and balanced advantage funds (BAFs) continued to witness inflow.
- Exchange traded funds, or ETFs, (excluding gold) and index schemes cumulatively saw ~Rs 14,725 crore in net inflows compared with record inflows of ~Rs 19,220 crore in March.
- Open-ended debt funds recorded net inflows of ~Rs 54,757 crore in April, the highest since inflows of ~Rs 73,694 crore in July 2021, mainly as corporate houses and institutional investors ploughed back funds after making advance tax payments in March.
- Within the category, liquid funds witnessed the highest net inflows of ~Rs 28,731 crore in April compared with net outflows of ~Rs 44,604 crore in March, followed by money market and ultra-short duration fund. Meanwhile, overnight funds, short duration funds and corporate bond funds saw outflows.
- In the close-ended debt category, fixed-term plans saw net outflows of ~Rs 20,327 crore mainly owing to redemptions. In comparison, they saw net inflows of ~Rs 798 crore in March.
- SEBI issued a series of measures to improve liquidity in passive funds and to make them more transparent to increase retail investor participation.

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				
Large Cap										
ICICI Prudential Bluechip Fund	-1.18	-1.08	-2.41	18.29	14.76	14.29	23-May-08	31085.30	26.30	0.77
IDBI India Top 100 Equity Fund	-1.21	-0.85	-3.80	19.21	17.27	14.48	15-May-12	567.20	26.27	0.90
UTI Mastershare Unit Scheme	1.85	-0.92	-1.88	23.96	23.90	19.84	30-Jul-05	9631.23	26.02	0.80
Large & Mid Cap										
Navi Large & Midcap Fund	1.00	-0.72	-1.18	35.66	NA	NA	7-Dec-15	142.91	25.39	0.87
Quant Large and Mid Cap Fund	0.35	1.02	2.10	4.12	5.26	7.38	9-Jan-07	56.71	27.05	1.19
Flexi Cap										
IDBI Flexi Cap Fund	-1.43	-2.43	-3.47	22.42	17.45	16.19	28-Mar-14	387.34	24.17	0.96
PGIM India Flexi Cap Fund	-0.21	0.21	0.36	3.21	7.57	7.86	4-Mar-15	3649.33	26.28	1.16
Multi Cap										
Quant Active Fund	3.31	8.96	15.91	48.12	NA	65.62	18-Apr-01	1791.56	27.69	1.53
Focused										
IIFL Focused Equity Fund	-1.31	-4.43	-6.43	17.45	21.27	14.94	24-Oct-14	2688.38	25.84	1.10
Quant Focused Fund	4.23	3.66	10.31	47.43	36.52	17.01	29-Aug-08	65.63	27.49	1.03
Value / Contra										
IDFC Sterling Value Fund	2.48	0.46	4.34	32.61	20.30	16.77	7-Mar-08	4437.05	26.99	1.03
SBI Contra Fund	0.02	0.75	1.55	3.80	7.67	7.83	6-May-05	3827.05	25.05	1.19
Mid Cap										
PGIM India Midcap Opportunities Fund	0.34	1.06	2.04	3.94	NA	4.43	2-Dec-13	4431.37	26.32	1.58
Quant Mid Cap Fund	3.95	6.02	11.61	37.52	32.38	14.35	21-Mar-01	284.57	26.81	1.52
Small Cap										
BOI AXA Small Cap Fund	-1.46	-2.73	1.83	30.48	34.64	32.33	19-Dec-18	242.61	24.58	1.81
Quant Small Cap	1.77	4.72	8.23	37.17	37.18	21.88	30-Oct-96	1536.22	29.07	1.75
ELSS										
BOI AXA Tax Advantage Fund	-0.57	-1.04	-4.67	16.04	24.02	18.71	25-Feb-09	553.54	24.17	1.31
IDFC Tax Advantage (ELSS) Fund	0.71	1.03	0.77	25.68	19.98	18.64	26-Dec-08	3552.89	26.77	1.02
Quant Tax Plan	4.53	4.50	NA	NA	NA	7.96	31-Mar-00	857.36	28.19	1.61
Index										
HDFC Sensex ETF	-1.48	-0.06	-3.57	15.75	14.55	15.09	9-Dec-15	145.87	28.74	0.72
Kotak Sensex ETF Fund	1.84	1.41	1.98	34.56	33.86	21.29	6-Jun-08	20.91	28.78	0.71
SBI - ETF SENSEX	6.49	7.59	6.10	27.84	16.25	NA	15-Mar-13	63539.76	28.78	0.72
UTI SENSEX Exchange Traded Fund	-1.42	NA	NA	NA	NA	-1.47	1-Sep-15	19870.04	28.79	0.72

CRISIL Mutual Fund Ranks are as of March 2022

Point to Point Returns are as on April 29, 2022

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 3.99% - 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 Jan-March 2022

Average Assets under Management - A Bird's Eye View

Mutual Fund (MF) Name	Jan-Mar 2022 (Rs. Cr)	Oct-Dec 2021 (Rs. Cr)	Change (Rs.Cr)	% Change	Mutual Fund (MF) Name	Jan-Mar 2022 (Rs. Cr)	Oct-Dec 2021 (Rs. Cr)	Change (Rs.Cr)	% Change
SBI Mutual Fund (MF)	648199	628766	19432	3.09%	LIC Mutual Fund	17817	19354	-1537	-7.94%
ICICI Prudential MF	486424	483519	2905	0.60%	PGIM India Mutual Fund	16492	14702	1790	12.18%
HDFC Mutual Fund	435537	450385	-14848	-3.30%	HSBC Mutual Fund	12789	12606	183	1.45%
ABSL Mutual Fund	296390	299282	-2893	-0.97%	Mahindra Manulife MF	8805	7911	894	11.30%
Kotak Mahindra MF	286414	286883	-469	-0.16%	Union Mutual Fund	8147	8100	47	0.58%
Nippon India MF	285196	282416	2781	0.98%	Quant Mutual Fund	6506	4664	1842	39.50%
Axis Mutual Fund	260335	253906	6429	2.53%	NJ Mutual Fund	5247	3697	1550	41.91%
UTI Mutual Fund	223842	224671	-830	-0.37%	IIFL Mutual Fund	4264	3750	514	13.72%
IDFC Mutual Fund	121230	125352	-4122	-3.29%	IDBI Mutual Fund	4161	4472	-311	-6.96%
DSP Mutual Fund	107911	110614	-2702	-2.44%	BOI AXA Mutual Fund	2750	2727	23	0.84%
Mirae Asset MF	102757	101218	1539	1.52%	ITI Mutual Fund	2718	2407	311	12.93%
Edelweiss Mutual Fund	88713	79285	9427	11.89%	JM Financial MF	2318	2020	298	14.73%
Tata Mutual Fund	86713	83554	3159	3.78%	Quantum Mutual Fund	1978	2052	-73	-3.56%
L&T Mutual Fund	75592	79550	-3959	-4.98%	IL&FS MF (IDF)	1338	1280	58	4.52%
Franklin Templeton MF	64123	66988	-2865	-4.28%	Trust Mutual Fund	1218	1137	81	7.13%
Canara Robeco MF	47956	45049	2906	6.45%	Navi Mutual Fund	1039	930	110	11.81%
Invesco Mutual Fund	43916	45155	-1239	-2.74%	IIFCL Mutual Fund (IDF)	625	618	6	1.02%
Sundaram Mutual Fund	43107	43909	-802	-1.83%	Indiabulls Mutual Fund	544	653	-108	-16.60%
Motilal Oswal MF	34948	35645	-698	-1.96%	Taurus Mutual Fund	511	538	-27	-5.05%
PPFAS Mutual Fund	23114	21684	1430	6.59%	Samco Mutual Fund	367	0	367	NA
Baroda BNP Paribas MF	21393	21886	-493	-2.25%	Shriram Mutual Fund	220	227	-7	-2.96%
					WhiteOak Capital MF	105	139	-34	-24.77%
Grand Total	3883769	3863703	20066	0.52%					

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

Fund Focus

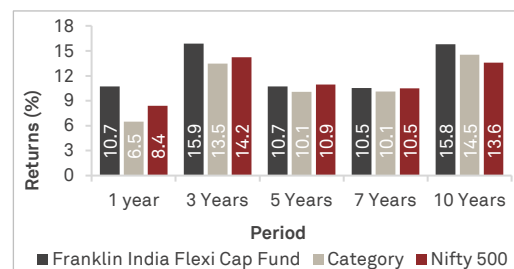
Franklin India Flexicap Fund

Franklin India Flexicap fund, launched in September 1994, was ranked in the top-30 percentile of flexicap funds under CRISIL Mutual Fund Ranking (CMFR) for the quarter-ended March 2022. It had assets under management (AUM) of Rs 10,138 crore on average for the quarter.

Performance

As on May 18, 2022, the fund had outperformed its benchmark (Nifty 500) and peers (represented by the flexicap fund category in CMFR – March 2022) across most periods analysed, returning ~18% annually since its inception.

Performance as on May 18, 2022



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 May 18, 2022. Its Sharpe ratio was 0.6 compared with 0.5 each for its category and the benchmark.

SIP performance

If an investor had set aside Rs 1,000 every month under the fund's systematic investment plan (SIP) for the five years ended May 18, 2022, the investment of Rs 60,000 would have risen to Rs 85,447, logging a CAGR of ~14%. A similar investment in the benchmark would have grown to Rs 83,045, at a CAGR of ~13%.

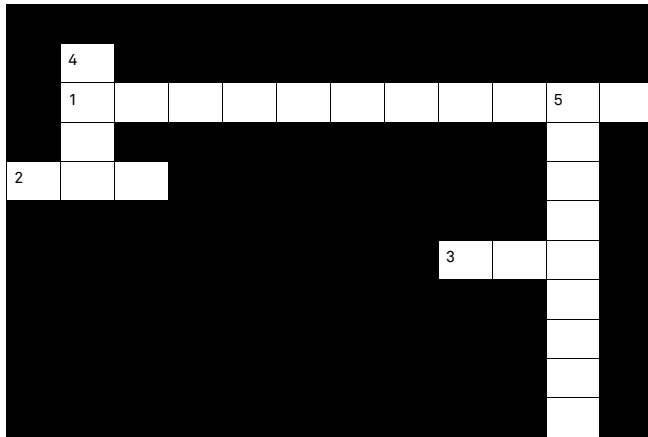
Portfolio analysis

The fund has consistently held 26 stocks in the three years ended April 2022. HDFC Bank Ltd, Infosys Ltd, ICICI Bank Ltd, Bharti Airtel Ltd, and Axis Bank Ltd were the top five holdings. The top-three sectors accounted for 46.5% of the portfolio, on average, for the past three years. The fund had the highest exposure to banking (25.7%), followed by software (11.8%), and consumer non-durables (8.9%).

Fund manager

The fund is managed by Mayank Bukrediwala, a Post Graduate Diploma in Management (PGDM) with over nine years of experience in equity research and portfolio management, R. Janakiraman, a PGDM with 25 years of experience in investment and equity research, and Anand Radhakrishnan, a PGDM and is a Chartered Financial Analyst with 27 years of experience in portfolio management.

Crossword Corner – boost your financial knowledge



Horizontal

- 1) A mutual fund scheme that invests predominantly in equity stocks (6, 5)
- 2) Investment funds that are privately pooled that invest in private equity, venture capital, hedge funds, managed funds, etc (1,1,1)
- 3) Investment instruments through which investors invest in newly-formed start-ups as well as small and medium sized companies (1,1,1)

Vertical

- 4) Regulatory body for securities and commodity market under the ownership of Ministry of Finance (1,1,1,1)
- 5) Funds which generate returns by investing in bonds and other fixed income securities (4,5)

Answers

Vertical:

4) SEBI 5) Debt Funds

Horizontal: 1) Equity Funds 2) Alternative Investment Fund (AIF) 3) Venture Capital Funds (VCFs)

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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.

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