

THE ECONOMIC TIMES
INDIA'S
GROWTH
CHAMPIONS
2023 statista 5

AMFI-registered Mutual Fund Distributor

FUNDSINDIA SELECT FUNDS

HALF YEARLY UPDATE - AUG 2023



www.fundsindia.com



FundsIndia Select Funds - Half Yearly Update

- 1. There are no changes to our existing Select Funds and we continue with the same funds
- 2. There are few changes in our Watchlist. We had previously moved Aditya Birla Sun Life Flexi Cap Fund and Kotak Flexicap Fund from our "SELECT LIST" to "WATCH LIST". We are now removing them from our watchlist.

Aditya Birla Sun Life Flexi Cap Fund - Exit

Aditya Birla Sun Life Flexi Cap Fund was earlier moved to watchlist in Oct-20 due to its underperformance versus the benchmark Nifty 500 TRI.

The fund's performance continues to be weak. The fund has underperformed Nifty 500 TRI in 7 of the last 8 quarters on a 3 year rolling return basis. We don't see any clear indication of a strong turnaround to compensate for the fund's past underperformance.

Therefore, you can exit Aditya Birla Sun Life Flexi Cap Fund and prefer other alternatives part of our select funds list.

Kotak Flexicap Fund - Exit

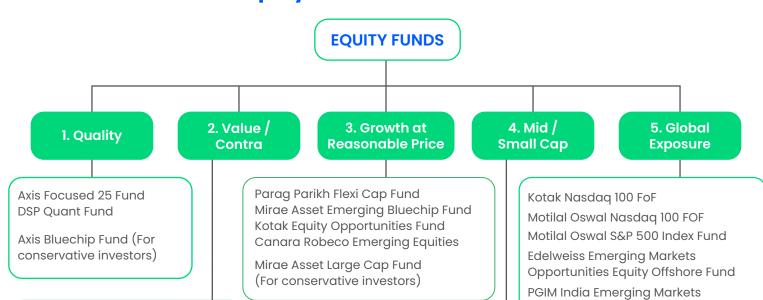
Kotak Flexicap Fund was earlier moved to watchlist in Jan-22 due to its large size and weakening performance relative to benchmark Nifty 500 TRI.

The fund's underperformance streak continues - underperformed Nifty 500 TRI in the last 8 quarters on a 3 year rolling return basis. Plus, the fund's large size (AUM of Rs 40,184 crores as on 31-Jul-23) might continue to be a challenge in terms of portfolio construction flexibility and could limit participation in the mid and small cap space (due to liquidity constraints).

Given this, you can exit Kotak Flexi Cap Fund and switch to Kotak Equity Opportunities Fund (a nimbler fund also managed by same fund manager Harsha Upadhyaya).



FundsIndia Select Equity Funds



ICICI Prudential Value Discovery Fund UTI Value Opportunities Fund Franklin India Focused Equity Fund HDFC Flexi Cap Fund

ELSS

Mirae Asset Tax Saver Fund Axis Long Term Equity Fund

Mid Cap

DSP Midcap Fund Kotak Emerging Equity Fund Franklin India Prima Fund Bandhan Sterling Value Fund Axis Midcap Fund

Small Cap

Kotak Small Cap Fund

Index

ICICI Prudential Nifty 50 Index Fund UTI Nifty 50 Index Fund ICICI Prudential Nifty Next 50 Index Fund

Dynamic Asset Allocation

ICICI Prudential Balanced Advantage Fund

Kotak Balanced Advantage Fund Edelweiss Balanced Advantage Fund

For US & Canada NRI Investors

Quality

Equity Fund

UTI Flexicap Fund

Value / Contra

UTI Value Opportunities Fund

Blend / GARP

Parag Parikh Flexi Cap Fund

Mid / Small Cap

Nippon India Growth Fund

Index Funds

UTI Nifty Index Fund UTI Nifty Next 50 Index Fund

Aggressive Hybrid

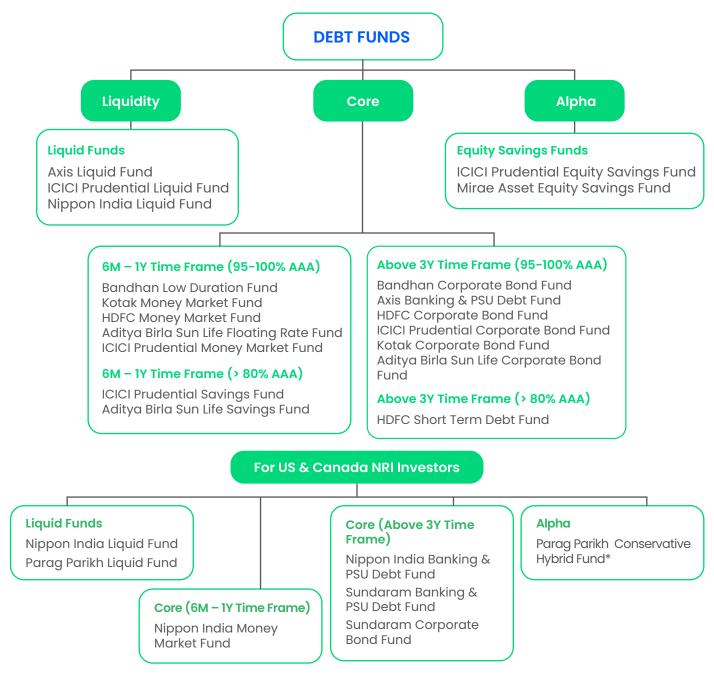
Mirae Asset Hybrid Equity Fund

"5 Finger Framework" for Building Equity Portfolio

Style	Quality	Value / Contrarian	Growth at Reasonable Price	Mid / Small	Global
Allocation (% of Equity Portfolio)	20%	20%	20%	20%	20%



FundsIndia Select Debt Funds



*While we usually avoid funds from Conservative Hybrid category, we have included Parag Parikh Conservative Hybrid Fund here as it invests 100% of its debt portfolio in AAA-rated papers and has a low expense ratio unlike other funds in the category.

"3 Bucket Strategy" for Building Debt Portfolio

Debt Allocation as a % of Overall Portfolio	Fund Selection	Number of Funds	
< 40%	100% from Core bucket	2 to 4 funds	
	60 - 100% from Core bucket	2 to 4 funds	
> 40%	0 - 40% from Alpha bucket	1 to 2 funds	

- 1. Liquidity bucket Debt funds that you can use for temporarily parking your surplus cash
- 2. Core bucket All-Season Debt funds with high credit quality and low interest rate risk that form the foundation of any portfolio. Conservative investors can restrict themselves to this bucket.
- 3. Alpha bucket Debt Oriented funds that can offer slightly higher return potential albeit at a higher risk.



ASSET CLASS VIEWS

Asset Class	View	Commentary
Equity		NEUTRAL on Equities with a 5-7 year time frame - while valuations have turned expensive we are still in the early stages of earnings cycle and sentiments are neutral The earnings growth expectation is led by Manufacturing Revival, Banks - Improving Asset Quality & pickup in loan growth, Revival in Real Estate, Government's focus on Infra spending (which continues in FY24), Early signs of Corporate Capex, Structural Demand for Tech services, Structural Domestic Consumption Story, Consolidation of Market Share for Market Leaders, Strong Corporate Balance Sheets (led by Deleveraging) and Govt Reforms (Lower corporate tax, Labour Reforms, PLI) etc. Early signs of a sharp pick up in earnings growth are already visible. Key Risks: Global Slowdown / Recession Risks, Inflation, Central Bank Actions
Large Cap		Large caps are better positioned for volatile markets. Prefer Passive over Active Large Cap Funds given lower costs and gradual trend of declining outperformance in active large cap funds (led by high overlap with index, higher expense, higher institutional participation and narrow universe).
Flexicap (also includes Multicap, Large & Mid Cap, Focused, Value/Contra)		Ideal for 'Core' allocation
Mid Cap		The mid cap segment usually does well in an economic recovery phase. But only for aggressive investors who can withstand higher degree of volatility.
Small Cap		The small cap segment usually does well in an economic recovery phase. But valuations are on the higher side. High-risk appetite and a 7 year plus time horizon is required given the relatively higher volatility for the category.
Style - Value		The style was going through a lean patch from 2017 till early 2020. We were expecting mean reversion led by valuation rerating and earnings growth becoming broad based. This has started to play out since Nov-20.



Asset Class	View	Commentary
Style - Quality/Growth		Valuations of some quality stocks have seen a decent correction in the past 1-2 years. Early signs of recovery in the last 3 months.
Style - Low Volatility		Positioned to perform well in volatile markets
Global Equities		US Market Valuations are neutral. Some emerging markets are available at attractive valuations.
Debt		Positive on 'High Credit Quality + Short Duration' funds. RBI's priority is to control inflation and has hiked rates by 250 bps since May-22. Bond yields (3-5 years) remain attractive.
Overnight/Liquid		Use for temporary parking / emergency fund and for systematic transfer into equities
Liquid		Use for temporary parking / emergency fund
UST/Money Market Low Duration/Floater		Ideal for Core Allocation - Stick to high credit quality funds
Arbitrage		Returns similar to Liquid funds but with slightly higher volatility. Equity Taxation is an advantage. Invest with a time frame more than 6 months. Watch out for high expense ratios.
Short Term/Banking & PSU/Corporate Bond		Ideal for Core Allocation with a 3+ year investment time frame - Stick to high credit quality funds. Brace for slightly higher short-term volatility.
Target Maturity Funds (3-5 Years)		3-5 year bond yields (GSec/AAA) remain attractive. Ideal option to lock-in the current yields.
Long Duration		Hold for the time being (if already invested) as we expect interest rates to come down. But Avoid Incremental Allocation. Don't prefer this from a long term perspective - Timing interest rate cycle is difficult & are negatively impacted in a rising interest rate environment.



Asset Class	View	Commentary
Dynamic Debt	•	Avoid: Higher Volatility + Weak evidence of outperformance over long term vs short duration categories
Credit Risk		Avoid: Liquidity risk (risk of not being able to exit lower rated papers when redemptions become very high) remains high for the category given the lack of active secondary market for lower rated credits and distressed assets
Conservative Hybrid		Several funds take exposure to 'lower rated credits' + High expense ratios + Gains taxed at slab rates
Equity Savings		Alternative to 'Conservative Hybrid' category + Equity Taxation is an advantage

Equity Oriented Hybrid	Suited for investors wanting equity exposure but with slightly lower risk appetite
Dynamic Asset Allocation Funds	All Seasons Product - Auto adjusts Equity exposure based on market conditions. Ideal for lumpsum new money deployment at the current juncture.
Aggressive Hybrid	70% Equity: 30% Debt static asset allocation

● Underweight ● Marginal Underweight ● Neutral ● Marginal Overweight ● Overweight



Disclaimer:

Wealth India Financial Services Pvt. Ltd is registered under the SEBI (Research Analyst) Regulations, 2014 (SEBI Regulations) as a Research Analyst vide Registration No. INH200000394.

The analyst for this report certifies that all the views expressed in this report accurately reflect his / her personal views about the subject company or companies, and its / their securities. No part of his / her compensation was / is / will be, directly / indirectly related to specific recommendations or views expressed in this report.

This material is for the personal information of the authorized recipient, and no action is solicited on the basis of this. It is not to be construed as an offer to sell, or the solicitation of an offer to buy any security, in any jurisdiction, where such an offer or solicitation would be illegal.

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable, though its accuracy or completeness cannot be guaranteed. Neither Wealth India Financial Services Pvt. Ltd., nor any person connected with it, accepts any liability arising from the use of this document. The recipients of this material should rely on their own investigations and take their own professional advice. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance.

We and our affiliates, officers, directors, and employees worldwide:

- Do not have any financial interest in the subject company / companies in this report;
- Do not have any actual / beneficial ownership of one per cent or more in the company / companies mentioned in this
 document, or in its securities at the end of the month immediately preceding the date of publication of the research report, or
 the date of public appearance;
- Do not have any other material conflict of interest at the time of publication of the research report, or at the time of public appearance;
- Have not received any compensation from the subject company / companies in the past 12 months;
- Have not managed or co-managed the public offering of securities for the subject company / companies in the past 12 months;
- Have not received any compensation for investment banking, or merchant banking, or brokerage services from the subject company / companies in the past 12 months;
- Have not served as an officer, director, or employee of the subject company;
- Have not been engaged in market making activity for the subject company;

This document is not for public distribution. It has been furnished to you solely for your information, and must not be reproduced or redistributed to any other person.

Our mailing address is:
Uttam Building, Third Floor,
No. 38 & 39, Whites Road,
Royapettah, Chennai – 600014