FundsIndia

AMFI-registered Mutual Fund Distributor

The Economic Times INDIA'S GROWTH CHAMPIONS 2023 statista

FUNDSINDIA SELECT FUNDS

HALF YEARLY UPDATE - AUG 2023

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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

EQUITY FUNDS

1. Quality
Axis Focused 25 Fund
DSP Quant Fund
Axis Bluechip Fund (For conservative investors)

2. Value / Contra
ICICI Prudential Value Discovery Fund
UTI Value Opportunities Fund
Franklin India Focused Equity Fund
HDFC Flexi Cap Fund

3. Growth at Reasonable Price
Parag Parikh Flexi Cap Fund
Mirae Asset Emerging Bluechip Fund
Kotak Equity Opportunities Fund
Canara Robeco Emerging Equities
Mirae Asset Large Cap Fund (For conservative investors)

4. Mid / Small Cap
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

5. Global Exposure
Kotak Nasdaq 100 FoF
Motilal Oswal Nasdaq 100 FOF
Motilal Oswal S&P 500 Index Fund
Edelweiss Emerging Markets Opportunities Equity Offshore Fund
PGIM India Emerging Markets Equity Fund

ELSS
Mirae Asset Tax Saver Fund
Axis Long Term Equity Fund

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

Aggressive Hybrid
Mirae Asset Hybrid Equity Fund

Dynamic Asset Allocation
ICICI Prudential Balanced Advantage Fund
Kotak Balanced Advantage Fund
Edelweiss Balanced Advantage Fund

For US & Canada NRI Investors
Quality
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

"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

DEBT FUNDS

Liquidity

Liquid Funds

Axis Liquid Fund
ICICI Prudential Liquid Fund
Nippon India Liquid Fund

Core

6M – 1Y Time Frame (95-100% AAA)

Bandhan Low Duration Fund
Kotak Money Market Fund
HDFC Money Market Fund
Aditya Birla Sun Life Floating Rate Fund
ICICI Prudential Money Market Fund

6M – 1Y Time Frame (> 80% AAA)

ICICI Prudential Savings Fund
Aditya Birla Sun Life Savings Fund

Above 3Y Time Frame (95-100% AAA)

Bandhan Corporate Bond Fund
Axis Banking & PSU Debt Fund
HDFC Corporate Bond Fund
ICICI Prudential Corporate Bond Fund
Kotak Corporate Bond Fund
Aditya Birla Sun Life Corporate Bond Fund

Above 3Y Time Frame (> 80% AAA)

HDFC Short Term Debt Fund

Alpha

Equity Savings Funds

ICICI Prudential Equity Savings Fund
Mirae Asset Equity Savings Fund

For US & Canada NRI Investors

Liquid Funds

Nippon India Liquid Fund
Parag Parikh Liquid Fund

Core (6M – 1Y Time Frame)

Nippon India Money Market Fund

Core (Above 3Y Time Frame)

Nippon India Banking & PSU Debt Fund
Sundaram Banking & PSU Debt Fund
Sundaram Corporate Bond Fund

Alpha

Parag Parikh Conservative Hybrid Fund*

*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
> 40%	60 - 100% from Core bucket	2 to 4 funds
	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	**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	Neutral	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)	Neutral	Ideal for 'Core' allocation
Mid Cap	Neutral	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	Neutral	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	Overweight	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.

Underweight | Marginal Underweight | Neutral | Marginal Overweight | Overweight

Asset Class	View	Commentary
Style - Quality/Growth	● (Neutral)	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	● (Neutral)	Positioned to perform well in volatile markets
Global Equities	● (Marginal Overweight)	US Market Valuations are neutral. Some emerging markets are available at attractive valuations.

Asset Class	View	Commentary
Debt	● (Neutral)	**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	● (Neutral)	Use for temporary parking / emergency fund and for systematic transfer into equities
Liquid	● (Neutral)	Use for temporary parking / emergency fund
UST/Money Market Low Duration/Floater	● (Marginal Overweight)	Ideal for Core Allocation - Stick to high credit quality funds
Arbitrage	● (Neutral)	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	● (Marginal Overweight)	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)	● (Marginal Overweight)	3-5 year bond yields (GSec/AAA) remain attractive. Ideal option to lock-in the current yields.
Long Duration	● (Neutral)	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.

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

Asset Class	View	Commentary
Dynamic Debt	● (Marginal Underweight)	Avoid: Higher Volatility + Weak evidence of outperformance over long term vs short duration categories
Credit Risk	● (Underweight)	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	● (Underweight)	Several funds take exposure to 'lower rated credits' + High expense ratios + Gains taxed at slab rates
Equity Savings	● (Neutral)	Alternative to 'Conservative Hybrid' category + Equity Taxation is an advantage

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

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

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