

CRISIL FUND *INSIGHTS*

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Investment thoughts

Towards better yield for household savings

The share of financial savings of Indian households has risen from 33% in fiscal 2013 to 40% in fiscal 2020¹. However, as much as 40% of this is parked in low-yielding bank deposits. Only 4% is invested in market-linked instruments such as equities and debentures, including mutual funds. This needs to change if households are to enjoy better returns, while also providing a boost to the capital market and for the imperative of infrastructure build-out.

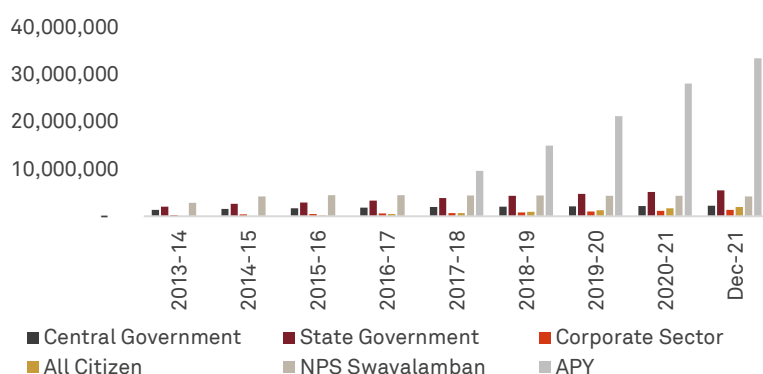
Channelize debt investment affinity into fixed income market

The budget can go a long way in making debt investments attractive, and deepen the corporate bond market also in the process. Debt-linked savings schemes, which are similar to equity-linked savings schemes, can be a good conduit for retail investors if the government accepts the proposal by the Association of Mutual Funds in India (AMFI) to provide benefits under Section 80C of the Income Tax Act. This will provide retail investors with conservative or moderate risk appetites to funnel their savings into products, other than equity-oriented mutual funds.

Make InvITs more attractive

Infrastructure investment trusts (InvITs) also present investors with an able long-term investment avenue in an alternative asset class, such as infrastructure. The requirement of InvITs to allocate 80% of their portfolio in revenue-generating assets, along with distribution of minimum 90% of the profit to investors, provides comfort of regular income to investors, in addition to capital gains on account of change in price of units traded on the stock exchange. These also provide attractive regular income on investment; in fiscal 2021, income distribution from InvITs ranged 8.5-12.2%. The Securities Exchange Board of India's (SEBI) decision in 2021 to reduce minimum subscription to Rs 10,000-15,000 from Rs 1 lakh, and the trading lot size to one unit from 100 units have made these instruments accessible to retail investors. However, for InvITs to become an optional retirement product, the government should consider tax sops to enhance their attractiveness for investors, which will, in turn, help channel long-term funds to infrastructure projects. Currently, income distribution from InvITs is taxed as per the personal income tax slab of the individual investor, while any sale within three years of the holding period is taxed as short-term capital gain of 15%, and beyond three years, long-term capital gains of 10% for gains exceeding Rs 1 lakh.

Subscriber base of NPS schemes



Source: NPS Trust

Encourage nest eggs in the unorganised segment

The government can incentivise savings for informal workers as well. Indeed, this has been an agenda that the government has been pressing for some years. The National Pension System (NPS), with its unbundled architecture, allowing investors to park funds in capital market instruments based on their risk-return profile and horizon, is an efficient defined contribution route for even informal workers to create a retirement corpus. The Atal Pension Yojana (APY), with its fixed pension approach, ranging from Rs 1,000-5,000 based on the contribution made by the investor, has especially touched the chord of the populace. In just five years since inception, APY's subscriber base (including government subscribers) has swollen to twice that of all remaining schemes under NPS.

APY also provides co-contribution from the government, like its predecessor scheme, NPS Swavalamban; the latter, however, did not have a fixed pension approach. But co-contribution for APY was limited to Rs 1,000 per annum, and that too, only for five years and for subscribers who joined the scheme between June and December 2015 — this is something the government should look into. Globally, successful voluntary pension models for the informal sector in most countries have hinged on matching contribution from the government or accruing tax benefits. Given the low affordability of pension products in India, the government should provide monetary incentives to make these attractive for informal workers.

Budgets, apart from spurring economic growth, can also bring about positive social and financial changes among the population. In the case of raising the financial savings of Indian households, the government could offer efficient savings and investments opportunities, as well as provide an avenue for investors to take advantage of a vibrant and growing capital market. The increased financial savings can also provide multiple benefits to the economy, such as deepen the financial.

¹ Reserve Bank of India annual reports

Market – Overview

Indices	% Change in Dec 2021	% Change in Nov 2021
Nifty 50	2.08	-3.78
S&P BSE Sensex	2.18	-3.90

Indicators	Dec 31, 2021	Nov 30, 2021
10-year Gsec	6.45%	6.33%
Monthly CPI Inflation	5.59%	4.91%

Mutual fund - Overview

Top Stock Exposures – Dec 2021

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

Top Sector Exposures – Dec 2021

1. Abrasives
2. Air Conditioner
3. Airlines
4. Aluminium
5. Animal Feed
6. Asset Management Companies
7. Auto Ancillaries
8. Banks
9. Batteries
10. Batteries – Automobile

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

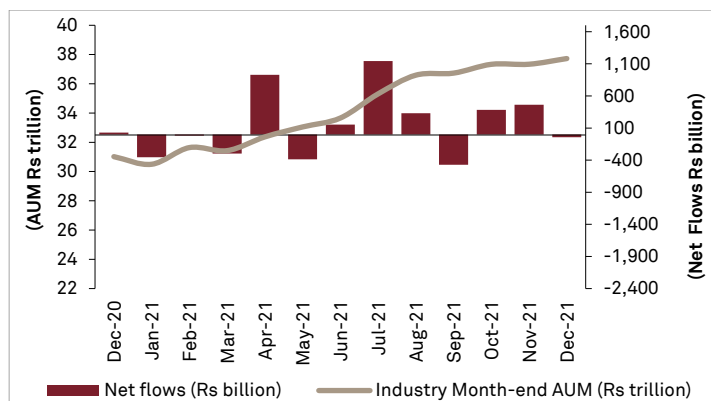
Entries	Exits
Anand Rathi Wealth Services Ltd.	IIFL Securities Ltd.
C.E. Info Systems Ltd.	Karnataka Bank Ltd.
Century Enka Ltd.	Kaya Ltd.
Cms Info Systems Ltd.	Parag Milk Foods Ltd.
Hester Biosciences Ltd.	Sanghi Industries Ltd.
Medplus Health Services Ltd.	
Metro Brands Ltd.	
Mitsu Chem Plast Ltd.	
Punjab Chemicals & Pharmaceuticals Ltd.	
Rama Steel Tubes Limited	
Rategain Travel Technologies Ltd.	
Shriram Properties Pvt Ltd.	
Star Health and Allied Insurance Co Ltd.	
Supriya Lifescience Ltd.	
Tega Industries Ltd.	
Vishwaraj Sugar Industries Ltd.	

Category returns	Absolute monthly returns %	
	Dec	Nov
Large cap funds	2.24	-3.73
Large cap and mid-cap funds	2.55	-2.52
Multi cap equity funds	2.65	-2.22
Flexi cap funds	2.66	-2.90
Focused funds	1.72	-2.74
Value – Contra funds	2.85	-3.61
Mid-cap funds	2.66	-1.78
Small cap funds	4.01	0.79
Arbitrage funds	0.12	0.38
ELSS	2.54	-2.84
Index funds	2.14	-3.83
Aggressive hybrid funds	1.92	-1.96
Conservative hybrid funds	0.50	-0.16
Gilt funds	-0.26	0.64
Dynamic funds	-0.10	0.60
Medium-to-long term funds	-0.23	0.61
Medium term funds	0.06	0.50
Short-duration funds	0.12	0.37
Corporate funds	0.12	0.44
Banking and PSU debt fund	0.14	0.46
Credit risk funds	0.22	0.49
Low duration funds	0.23	0.30
Money market funds	0.29	0.34
Ultra-short duration funds	0.27	0.31
Liquid funds	0.29	0.30

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

- Indian equity indices rallied in December with benchmarks S&P BSE Sensex and Nifty 50 gaining 2% each. The S&P BSE Sensex and Nifty 50 climbed 22% and 24%, respectively, in 2021, registering the best gains since 2017. Economic recovery from pandemic-driven loss, surplus liquidity and key public welfare schemes announced by the government helped shrug off negative sentiments caused by the surge in Covid-19 cases and the ensuing lockdown restrictions.
- Some gains were capped due to concerns over an increase in the number of Omicron cases globally and domestically. Selling by foreign institutional investors (FIIs) further put pressure on the benchmarks.
- Nifty sectoral indices mostly ended mixed, with Nifty IT (~10%), Nifty Metal (~6%) and Nifty Pharma (~4%) gaining the most.

Mutual fund AUM and net flows trend



- Assets under management (AUM) of the domestic mutual fund industry, excluding domestic fund of funds (FoF), surged further in 2021 to close at a record Rs 37.73 lakh crore. The industry added Rs 6.70 lakh crore — a record absolute asset gain for any calendar year on record, with the previous peak being Rs 4.80 lakh crore in 2017, followed by ~Rs 4.5 lakh crore in 2020. In percentage terms, the industry gained ~22% compared with ~17% in 2020.
- The gain in assets came despite marginal net outflows, with mark to market (MTM) gains in underlying funds, especially equity-oriented funds, supporting the rise.
- On an aggregate basis, net outflows were at ~Rs 4,350 crore in December as against inflows of ~Rs 46,165 crore in November.
- Aggregate net inflows for the open-ended equity category stood at ~Rs 25,077 crore in December, marking the tenth straight month of net inflows.
- Within the category, multi-cap schemes recorded the highest net inflows, at ~Rs 10,516 crore in December followed by inflows in Sectoral/thematic funds (~Rs 3,770 crore), and Equity-linked savings schemes (ELSSs) (~Rs 518 crore).
- Investor enthusiasm for systematic investment plans (SIPs) continued unabated. In September, monthly collections through the SIP route had crossed the Rs 10,000 crore-mark for the first time since the Association of Mutual Funds of India (AMFI) began disseminating the data in fiscal 2017. Compared with November's Rs 11,005 crore, December's figure was a new record high of Rs 11,305 crore.
- Hybrid schemes recorded net inflows for the twelfth straight month, at ~Rs 551 crore in December compared with Rs 9,422 crore in November. Balanced advantage funds (BAFs) continued recorded the highest net inflows within the category at ~Rs 3,793 crore.
- Arbitrage funds reversed the previous month's inflows, seeing outflows of Rs 4,304 crore, the only hybrid category to do so.
- ETFs (both equity and gold) and index schemes cumulatively saw the highest-ever net inflows, of ~Rs 18,702 crore in December compared with ~Rs 11,024 crore in November.
- Open-ended debt fund category witnessed net outflows of ~Rs 49,154 crore in December as against net inflows of ~Rs 14,893 crore in November.
- AMFI requested the government to bring uniformity in taxation on listed debt securities and debt mutual fund (MFs) and bring parity in tax treatment between MFs and unit-linked insurance plans (ULIPs).

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				
Gilt										
LIC MF Government Securities Fund	0.02	0.25	1.16	1.75	7.89	7.44	11-Dec-99	69.88	3.83	1.90
SBI Magnum Gilt Fund	0.14	0.43	2.04	2.99	9.18	8.15	23-Dec-00	3663.58	4.46	2.03
Dynamic Bond										
IDFC Dynamic Bond Fund	-0.04	0.52	1.97	1.75	8.44	8.15	3-Dec-08	3532.31	4.60	1.75
Quantum Dynamic Bond Fund	-0.15	0.39	2.20	3.16	7.94	8.15	19-May-15	86.99	3.61	2.02
Medium to Long Duration										
IDFC Bond Fund - Medium Term Plan	-0.01	0.58	1.97	2.42	7.42	7.45	8-Jul-03	3590.78	2.96	2.22
Medium Duration										
IDFC Bond Fund	-0.01	1.41	0.49	3.78	8.30	7.55	08-Jul-03	4531.24	2.97	2.43
Short Duration										
IDFC Bond Fund - Short Term	0.11	0.74	2.06	3.38	7.55	7.52	14-Dec-00	12842.61	0.99	1.64
UTI Short Term Income Fund - Institutional	0.18	0.86	6.78	8.38	4.78	6.73	26-Jun-03	3934.41	3.80	2.33
Corporate Bond										
L&T Triple Ace Bond Fund	-0.04	0.57	2.95	3.76	9.50	7.46	31-Mar-97	9566.79	2.36	0.93
DSP Corporate Bond Fund	0.22	0.79	1.75	3.40	7.90	8.40	10-Sep-18	2176.98	0.42	3.87
Banking & PSU										
Edelweiss Banking and PSU Debt Fund	0.19	0.66	3.10	4.53	10.04	8.66	13-Sep-13	446.53	2.70	1.23
Kotak Banking and PSU Debt Fund	0.27	0.69	2.53	3.91	8.37	7.46	29-Dec-98	9210.56	1.38	1.74
Credit Risk										
UTI Credit Risk Fund	0.31	1.70	18.98	21.48	-5.82	3.53	19-Nov-12	571.55	12.95	2.07
Low Duration										
Canara Robeco Savings Fund	0.26	0.73	1.63	3.11	5.85	7.52	4-Mar-05	1267.25	0.28	4.44
UTI Treasury Advantage Fund	0.27	1.06	6.95	8.95	3.83	7.33	23-Apr-07	4308.16	3.85	2.51
Money Market										
Franklin India Savings Fund	0.29	0.86	1.82	3.58	6.00	7.21	11-Feb-02	996.45	0.21	9.01
UTI Money Market Fund	0.31	0.90	1.87	3.75	5.90	7.41	23-Apr-97	8796.44	0.20	10.55
Ultra Short Duration										
L&T Ultra Short Term Fund	0.29	0.84	1.70	3.35	5.46	7.14	27-Nov-97	2347.59	0.21	7.41
Canara Robeco Ultra Short Term Fund	0.23	0.64	1.33	2.63	4.56	7.04	14-Jul-08	662.46	0.16	3.10
Liquid										
Parag Parikh Liquid Fund	0.28	0.81	1.60	3.11	4.18	4.57	11-May-18	1488.78	0.01	0.46
Canara Robeco Liquid	0.29	0.84	1.65	3.23	4.41	7.07	15-Jul-08	2068.13	0.01	0.40

CRISIL Mutual Fund Ranks as of December 2021

Point to Point Returns are as on December 31, 2021

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

Risk Ratios are annualised

Risk ratios for Short Duration, Corporate Bond, Banking & PSU, Credit Risk, Low Duration, Money Market, Ultra Short Term and Liquid categories are for a period of 1 year; risk free rate: 3.42% (average T-bill auction cut off rate during the period)

Risk ratios for Gilt, Dynamic Bond, Medium to Long Duration & Medium Duration categories are for a period of 3 years; risk free rate: 4.26% (average T-bill auction cut off rate during the period)

Average AUM is 3-months average number as disclosed by AMFI for the period October-December 2021

Average Assets under Management - A Bird's Eye View

Mutual Fund (MF) Name	Oct-Dec 2021 (Rs. Cr)	Jul-Sep 2021 (Rs. Cr)	Change (Rs.Cr)	% Change	Mutual Fund (MF) Name	Oct-Dec 2021 (Rs. Cr)	Jul-Sep 2021 (Rs. Cr)	Change (Rs.Cr)	% Change
SBI Mutual Fund	628766	579318	49448	8.54%	Baroda Mutual Fund	12769	11953	816	6.83%
ICICI Pru Mutual Fund	483519	461289	22230	4.82%	HSBC Mutual Fund	12606	11476	1131	9.85%
HDFC Mutual Fund	450385	441852	8533	1.93%	Principal Mutual Fund	9547	8930	617	6.91%
ABSL Mutual Fund	299282	300773	-1491	-0.50%	BNP Paribas MF	9117	8745	372	4.25%
Kotak Mahindra MF	286883	270615	16268	6.01%	Union Mutual Fund	8100	7300	800	10.96%
Nippon India MF	282416	267213	15203	5.69%	Mahindra Manulife MF	7911	6687	1224	18.31%
Axis Mutual Fund	253906	238575	15331	6.43%	Quant Mutual Fund	4664	3301	1363	41.29%
UTI Mutual Fund	224671	208971	15700	7.51%	IDBI Mutual Fund	4472	4384	89	2.02%
IDFC Mutual Fund	125352	126560	-1209	-0.95%	IIFL Mutual Fund	3750	3128	622	19.87%
DSP Mutual Fund	110614	107290	3324	3.10%	NJ Mutual Fund	3697	0	3697	NA
Mirae Asset MF	101218	91802	9416	10.26%	BOI AXA Mutual Fund	2727	2494	234	9.37%
Tata Mutual Fund	83554	77010	6545	8.50%	ITI Mutual Fund	2407	1983	424	21.37%
L&T Mutual Fund	79550	78274	1277	1.63%	Quantum Mutual Fund	2052	2012	39	1.96%
Edelweiss Mutual Fund	79285	69188	10097	14.59%	JM Financial MF	2020	2089	-69	-3.30%
Franklin Templeton MF	66988	64587	2402	3.72%	IL&FS MF (IDF)	1280	1385	-105	-7.56%
Invesco Mutual Fund	45155	42930	2224	5.18%	Trust Mutual Fund	1137	1033	103	10.01%
Canara Robeco MF	45049	39344	5705	14.50%	Navi Mutual Fund	930	867	62	7.20%
Motilal Oswal MF	35645	33544	2101	6.26%	Indiabulls Mutual Fund	653	655	-2	-0.28%
Sundaram Mutual Fund	34362	33377	985	2.95%	IIFCL MF (IDF)	618	612	6	1.04%
PPFAS Mutual Fund	21684	15943	5741	36.01%	Taurus Mutual Fund	538	539	-1	-0.21%
LIC Mutual Fund	19354	18040	1314	7.28%	Shriram Mutual Fund	227	217	10	4.42%
PGIM India MF	14702	11185	3517	31.45%	WhiteOak Capital MF	139	46	93	203.15%
Grand Total	3656125	3348915	307210	9.17%					

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

Fund Focus

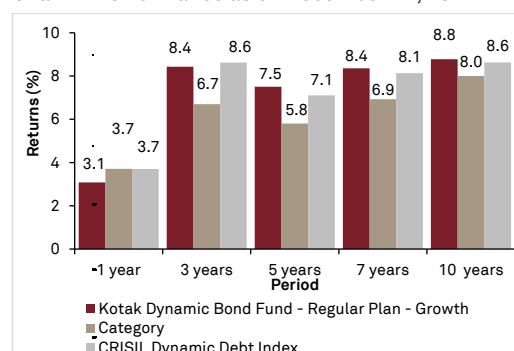
Kotak Dynamic Bond Fund

Launched in May 2008, Kotak Dynamic Bond Fund has received CRISIL Fund Rank 2 (top 30 percentile of its peer group) in the dynamic bond fund category for the quarter ended September 2021. Its average assets under management stood at Rs 3,012 crore in the quarter ended December 2021.

Performance

As of January 14, 2022, the fund had outperformed its peers and benchmark (CRISIL Dynamic Debt Index) in most of the periods analysed. The fund has clocked around 8% returns since its inception.

Chart 1: Performance as on December 14, 2022



Note: Returns above one year are annualised

Duration management

The fund managed the interest rate risk well by altering its modified duration. For instance, when the yield on the 10-year government security (G-sec) benchmark rose to 6.39% in October 2021, compared with 6.20% in July 2021, the fund reduced its modified duration to 2.52 years in October, compared with 3.43 years in July. The scheme's modified duration averaged 4.2 years, above the peer average of 3.9 years, in the three years ended December 2021.

Portfolio analysis

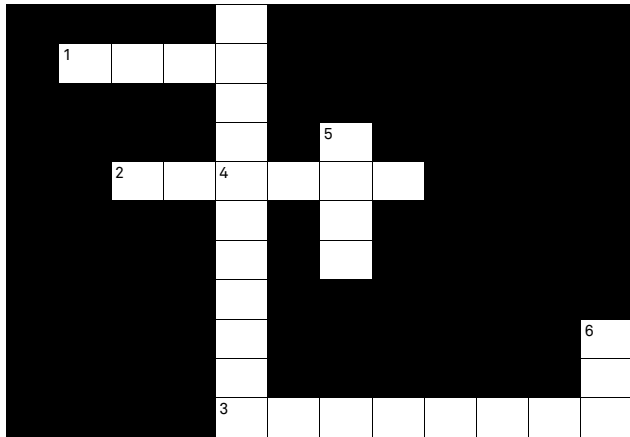
In the three years ended December 2021, the fund invested predominantly in G-sec (averaged ~46% of the portfolio) and non-convertible debentures and bonds (~45%).

On the asset quality front, the top-rated papers (rated AAA and A1+) averaged ~36% of the portfolio.

Fund manager

The fund is managed by Deepak Agrawal, a chartered accountant and company secretary with over 20 years of experience, and Vihag Mishra, an MBA in Finance with more than 10 years of experience.

Crossword Corner – boost your financial knowledge



Horizontal

- 1) Regulatory body for mutual funds sector in India (1,1,1,1)
- 2) An estimate of revenue and expenses over a specified future period of time (6)
- 3) An asset class that is volatile over the short term and is therefore intended for risk takers (7)

Vertical

- 4) Funds which generate returns by investing in bonds and other fixed income securities (5,6)
- 5) Regulatory body for securities and commodity market under the ownership of Ministry of Finance (1,1,1,1)
- 6) A voluntary retirement savings scheme allowing subscribers to make defined contribution towards planned savings (1,1,1)

Answers

Vertical: 4) Fixed Income 5) SEBI 6) NPS

Horizontal: 1) AMFI 2) Budget 3) Equities

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