

FundSelect

Mutual Fund **Recommendations**

Personal FN

Wealth Creation. **Wealth Advisory.**

FundSelect

Empowering investors
to take the right
investment decision

Issue Date: January 20, 2020

January 2020

Quick Glance

Equity Investment Theme

Despite slowdown in economic growth, the markets are scaling new highs, with the larger benchmark index – S&P BSE Sensex hovering at around 42,000 mark. Notably a handful of index heavyweight stocks having over 60% weightage in the index have been driving the markets. This has resulted in underperformance of funds that avoid taking focused bets and hold diversified portfolio. As investors take refuge in large caps, they are still cautious of getting into mid and small caps, thus pushing the large cap valuations in an overvalued zone. Notably the lack of demand in mid and small caps has made their valuations attractive compared to their large cap counterparts. The direction of broader markets will be driven by developments and factors impacted by domestic as well as global news flows. The broader markets will sooner or later get back to its feet and reward investors for their patience.

Investors are often confused when it comes to identifying the category of funds to invest in; whether it should be large cap, midcap or small cap. Each such market cap segment has its own merits and drawbacks. While large-cap funds can ensure stability in the portfolio, midcap and small cap funds can potentially provide extraordinary returns although at a higher risk. But how does one decide when is it the right time to invest in these categories and what should be the allocation to each? Well there are a category of funds that stand out due to its flexibility to invest across market cap segments and offer the benefit of all the three market caps in one. Popularly known as - Multi Cap Funds.

In this issue, we analyse few selected Multi-cap funds that score high on our SMART Score parameters, and evaluate their future potential. These funds are managed well and have done well across time periods in the past, which makes them a strong contender for ones long term portfolio.

Select Equity Funds

	1-year Rolling Return	3-year Rolling Return	5-year Rolling Return	Standard Deviation	Sharpe Ratio	PersonalFN Rating (Dec. 2019)
BUY						
Canara Rob Equity Diversified Fund	7.52	14.46	11.60	12.02	0.23	★★★★★
Kotak Standard Multicap Fund	7.58	14.87	16.03	12.48	0.20	★★★★★
HOLD						
Principal Multi Cap Growth Fund	-1.46	13.37	13.01	14.60	0.13	★★

Performance as on January 10, 2020. Returns are rolling and in %, calculated using Direct Plan – Growth option.

Source: ACEMF; PersonalFN Research

In Brief - PersonalFN's Outlook (FundSelect)

Canara Robeco Equity Diversified Fund (CREDF): Launched in September 2003, CREDF has always been a predominant large cap biased fund that holds over 70% of its assets in large cap stocks. Now classified under multi-caps, the fund is mandated to hold exposure across market caps without any limit or restrictions. After witnessing pro-longed underperformance from CY 2015 to 2017, CREDF has come out strongly in the recent midcap crash, turning out to be one of the top performers in the multi-cap funds

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category. The funds large cap orientation and focus towards index heavyweights helped it sustain the midcap crash and ride the large cap rally. CREDF has managed to deliver on the returns front, generating superior risk-adjusted returns for its investors. The superior stock picking ability has driven the performance of the fund, helping it find a spot among top category performers. One may consider fresh investment in CREDF, provided one is willing to stay invested in the scheme with a longer investment horizon of over 4 to 5 years.

Kotak Standard Multicap Fund (KSMF): KSMF is one such fund that has stood strong across market conditions and has done justice to its investors in terms of generating high alpha. Classified under multicap funds category, KSMF holds exposure across market caps, while following focused investment approach across sectors. Its extra-ordinary performance has seen it in a limelight for quite some time. In the last three years, KSMF has seen over four-fold increase in its size. It currently has a corpus of around Rs 29,500 crore under its management, which nearly raises concern about its capacity. However, the large cap orientation of the fund still offers it some flexibility to accept more investors. By generating a compounded annualised return of around 12.3% over the past 5 years, KSMF has outpaced its benchmark Nifty 200 – TRI index by a CAGR of around 3 percentage points. Following active management strategy, KSMF focuses on attractive looking sectors and stocks within those sectors. The fund manager has proven his ability to timely identify and capture available opportunities and create significant wealth for long term investors in KSMF.

Principal Multicap Growth Fund (PMCGF): PMCGF was a growth oriented multicap fund that used to hold a balanced 50-50 allocation to large caps and midcaps. Post SEBI categorization the fund was classified under Multi-caps funds category. It now maintains minimum 65% allocation to large caps, along with the remaining 35% in mid and small caps. Despite being in existence for over 19 years, PMCGF is less popular among investors and has an AUM of just around Rs 730 crore. Over the past five years, the fund has generated a compounded annualised return of 10.3%, as against 9.3% CAGR generated by its benchmark Nifty 500 - TRI. The fund's strategy of picking high beta multi-bagger stocks helped it find a spot among the top performers during the mid-cap driven market rally, but on the contrary put its performance under pressure during the mid-cap crash. However, the fund still has the ability to capitalise the recovery phase. Its risk-reward portrays a promising outlook for high risk investors looking for a fund having potential to outperform the broader markets in the long run.

FundWatch

	1-year Rolling Return	3-year Rolling Return	5-year Rolling Return	Standard Deviation	Sharpe Ratio	PersonalFN Rating (Dec. 2019)
HOLD						
SBI Magnum Multicap Fund	5.30	13.06	15.78	12.48	0.16	★★★
ICICI Pru Multicap Fund	3.92	12.06	13.39	12.55	0.11	★★
Franklin India Equity Fund	0.68	10.35	13.27	12.44	0.09	★

Performance as on January 10, 2020. Returns are rolling and in %, calculated using Direct Plan – Growth option.

Source: ACEMF; PersonalFN Research

In Brief - PersonalFN's Outlook (FundWatch)

SBI Magnum Multicap Fund (SMMF): SMMF has not been a preferred candidate among investors in the multi-cap funds category. Launched in September 2005, the fund is about to complete 15 years. After

being neglected for many years, the fund is slowly catching up attention of investors. Thanks to its superior performance in the last few years, where it significantly outperformed the benchmark S&P BSE 500 – TRI. Notably, we recommended a Buy on SMMF in June 2016, when the fund was just about Rs 880 crore. Now grown almost 10x the size, it is slowly approaching the Rs 10,000 crore mark in AUM. SMMF has been quite reasonable in terms of performance and has outperformed most of its popular category peers. The fund has generated decent risk-adjusted return for its investors.

ICICI Pru Multicap Fund (IPMF): Launched way back in September 1994, IPMF has a history of over 25 years to its credit. Being one of the oldest schemes in the multi-cap funds category, it has been through many market cycles. Still the fund has been unable to make any significant mark among investors. The fund currently has an AUM of around Rs 4,745 crore. Although IPMF has not been among the funds that constantly top the return chart, it has done well to keep pace with the benchmark, while its performance can be termed average. Standing strong in the recent market crash, IPMF has rewarded investors with reasonable risk-adjusted returns.

Franklin India Equity Fund (FIEF): FIEF had been in aisle for a long time struggling to find back its spot in the list of top category performers. The pro-longed underperformance of the fund has not gone well with investors who had high expectations from the fund. Although a flagship scheme of the fund house, FIEF seems to have lost its charm with an ordinary performance over the last few years where it significantly underperformed the benchmark and most of its category peers. Still the long term returns of the fund on a 5-year rolling return basis looks reasonable when compared to the benchmark and the category average. The funds struggle in the 2016-2017 bull market rally extended in the recent corrective phase as the fund managers conviction on some large cap names in the portfolio didn't yield desired results.

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Equity Market Update

Markets see an uptick with rally in mid and small caps, despite economic growth pressures.

Amid economic slowdown, the markets are scaling new highs, with the larger benchmark index – S&P BSE Sensex hovering at around 42,000 mark. Notably a handful of index heavyweight stocks having over 60% weightage in the index have been driving the markets. The spirits remained high in the Indian equity markets, for most of December 2019, with investors scaling up mid and small caps as valuations become attractive. Investor sentiments have been driven by factors like the Government's recent announcement of Rs 25,000 Crore booster package for the real estate sector, the cabinet approval for privatization of certain PSUs, and favourable Supreme Court decision on large NCLT case, where it paved the way for global steel giant ArcelorMittal to take over Essar Steel. The S&P BSE Sensex scaled a new high, and gained +3.4% in the last one month, while the S&P BSE Mid-Cap clocked an absolute return of +4.4%. The small-cap index simultaneously showed significant recovery of +7.6%. Nevertheless, the fall in India's GDP growth for Q2 FY2020 to 4.5% y-o-y, followed by US-Iran war tensions had triggered a temporary sell-off, during this period.

Many market participants have estimated a lower print for GDP growth rate. After major global institutions cut India's GDP forecast, now RBI has revised India's GDP forecast for the FY 2019-20 to 5%. Notably, the economy grew at 4.5% annually in the Q2 of FY20, its weakest pace in over six years. The GDP data release showed government spending helping to prop up weak demand, but private investment growth had virtually collapsed. However, in December, the FPI's scaled up their buying in Indian equities, with a net purchase of around Rs 7,338 crores, while domestic mutual funds net bought to the tune of just Rs 1,805 crores. In terms of valuations, the trail P/E of the Nifty 50 index is now hovering at around 28.5x level while that of Nifty MidCap 100 index is still near the 25x mark, indicating that the midcaps are in an attractive zone compared to their large cap counterparts. On the other hand, the US-Iran war like symptoms would keep the markets nervous. For detailed outlook on equities, read [Investment Ideas: January 2020](#).

Market Indices	1 M	1 Yr	3 Yr	5 Yr
S&P BSE Sensex	3.4%	15.2%	15.6%	8.7%
S&P BSE 200	3.7%	10.7%	12.7%	8.3%
S&P BSE Mid-Cap	4.4%	-0.2%	6.8%	7.8%
S&P BSE Small-Cap	7.6%	-3.3%	4.0%	4.8%

Performance as on 10th January 2020

Source: ACE MF

Market Valuation



Monthly Foreign (FPI) Flows



Monthly Mutual Fund Flows



Select Equity Funds

Multi Cap Funds – Despite slowdown in economic growth, the markets are scaling new highs, with the larger benchmark index – S&P BSE Sensex hovering at around 42,000 mark. Notably a handful of index heavyweight stocks having over 60% weightage in the index have been driving the markets. This has resulted in underperformance of funds that avoid taking focused bets and hold diversified portfolio. As investors take refuge in large caps, they are still cautious of getting into mid and small caps, thus pushing the large cap valuations in an overvalued zone. Notably the lack of demand in mid and small caps has made their valuations attractive compared to their large cap counterparts. The direction of broader markets will be driven by developments and factors impacted by domestic as well as global news flows. The broader markets will sooner or later get back to its feet and reward investors for their patience.

Investors are often confused when it comes to identifying the category of funds to invest in; whether it should be large cap, midcap or small cap. Each such market cap segment has its own merits and drawbacks. While large-cap funds can ensure stability in the portfolio, midcap and small cap funds can potentially provide extraordinary returns although at a higher risk. But how does one decide when is it the right time to invest in these categories and what should be the allocation to each? Well there are a category of funds that stand out due to its flexibility to invest across market cap segments and offer the benefit of all the three market caps in one. Popularly known as - Multi Cap Funds.

Multi cap funds should ideally offer the benefit of diversification across market caps. However, the new classification offers multi-cap funds the flexibility to switch allocation across market caps, without any limit or restriction. Hence most of the funds in the multi-cap category are currently biased towards large caps, while very few offer proper diversification across market caps. Multi cap funds can be considered as great investment avenue for long-term investors who aim to tap the growth potential of broader equity markets.

In this issue, we analyse few selected Multi-cap funds that score high on our SMART Score parameters, and evaluate their future potential. These funds are managed well and have done well across time periods in the past, which makes them a strong contender for ones long term portfolio.

PersonalFN's SMART Score Matrix

	S	M	A	R	T	Score
	Systems & Processes	Market Cycle Performance	Asset Management Style	Risk-Reward Ratios	Performance Track Record	Total Score
Weightage in Rating	25%	15%	15%	30%	15%	100%
BUY						
Canara Rob Equity Diversified Fund	9.25	8.13	7.43	9.33	8.35	8.70
Kotak Standard Multicap Fund	7.75	8.75	8.29	8.67	9.17	8.47
HOLD						
Principal Multi Cap Growth Fund	6.38	6.25	7.43	7.33	5.23	6.63

Note: As per PersonalFN's SMART Score rating model [as of December 2019]. Total Score on each parameter is out of 10.

PersonalFN's Past Equity Fund Recommendations

FundSelect Open Positions (January 2020)

Scheme Name	Category	Initial Recommendation			Last Coverage		Current NAV (Rs)*	Return Since Initial Reco. #	1 Yr Return (%)	Current View	PersonalFN Rating (Dec. 2019)
		Date	View	NAV	Date	View					
Aditya Birla SL Frontline Equity	Large Cap	2-Nov-13	Buy	106.49	22-Apr-19	Hold	233.88	13.55%	8.61	Hold	★★★★
Axis Bluechip Fund	Large Cap	22-Apr-19	Buy	30.72	22-Oct-19	Buy	34.90	13.61%	21.31	Buy	★★★★★
HDFC Top 100 Fund	Large Cap	22-Apr-19	Buy	522.94	22-Apr-19	Buy	526.33	0.65%	8.52	Hold	★★★★
ICICI Prudential Bluechip Fund	Large Cap	6-Sep-14	Buy	27.08	22-Oct-19	Buy	44.75	9.85%	10.88	Buy	★★★★★
Mirae Asset Large Cap Fund	Large Cap	29-Oct-11	Buy	15.80	22-Oct-19	Buy	54.62	16.32%	13.62	Buy	★★★★★
SBI BlueChip Fund	Large Cap	24-Sep-16	Buy	32.68	20-Jul-18	Buy	41.90	7.83%	12.86	Hold	★★★★
Canara Robeco Emerg Equities	Large & Mid Cap	2-Jun-12	Hold	21.97	20-Jul-19	Buy	98.18	21.74%	10.17	Buy	★★★★★
DSP Equity Opportunities F.	Large & Mid Cap	6-Sep-03	Buy	13.84	21-May-18	Buy	236.80	18.96%	13.30	Hold	★★★★
ICICI Pru. Large & Mid Cap Fu.	Large & Mid Cap	21-Jun-14	Buy	211.86	13-May-17	Buy	335.32	8.61%	6.95	Sell	Unrated
Invesco India Growth Opp Fund	Large & Mid Cap	20-Dec-18	Buy	35.98	20-Dec-18	Buy	40.49	11.81%	14.22	Buy	★★★★★
L&T Large and Midcap Fund	Large & Mid Cap	4-Jun-11	Buy	18.31	20-Dec-17	Buy	49.02	12.12%	8.25	Sell	Unrated
Mirae Asset Emerging BlueChip	Large & Mid Cap	22-Nov-14	Buy	26.66	20-Jul-19	Buy	58.51	16.53%	16.86	Buy	★★★★★
Principal Emerging Bluechip Fu.	Large & Mid Cap	21-May-18	Buy	111.76	20-Jul-19	Buy	116.84	2.75%	10.55	Buy	★★★★★
SBI Large & Midcap Fund	Large & Mid Cap	26-Jul-08	Buy	55.22	28-Nov-15	Buy	231.52	13.32%	7.85	Buy	★★★★★
Sundaram Large and Mid Cap	Large & Mid Cap	21-May-18	Buy	33.87	20-Dec-18	Buy	39.14	9.22%	13.02	Hold	★★★★
Axis Midcap Fund	Midcap	7-Jun-14	Buy	19.54	20-Sep-19	Buy	39.81	13.56%	14.13	Buy	★★★★★
Franklin India Prima Fund	Midcap	27-Apr-13	Buy	309.79	20-Sep-19	Buy	976.01	18.65%	6.03	Buy	★★★★★
HDFC Mid-Cap Opportunities F.	Midcap	14-May-11	Buy	15.54	21-Jan-19	Buy	54.24	15.51%	2.31	Hold	★★★★
L&T Midcap Fund	Midcap	20-Nov-17	Buy	144.57	20-Sep-19	Buy	135.31	-3.05%	2.41	Hold	★★★★
Sundaram Mid Cap Fund	Midcap	6-Nov-04	Buy	30.13	20-Jun-18	Hold	469.64	19.82%	2.41	Hold	★★★
Axis Small Cap Fund	Smallcap	20-Nov-19	Buy	33.83	20-Nov-19	Buy	34.97	3.37%	24.49	Buy	★★★★★
HDFC Small Cap Fund	Smallcap	20-Aug-18	Buy	47.46	20-Mar-19	Buy	42.55	-7.55%	-6.39	Hold	★★
L&T Emerging Businesses Fu.	Smallcap	20-Aug-18	Buy	27.79	20-Nov-19	Hold	24.43	-8.84%	-3.67	Hold	★★
Nippon India Small Cap Fund	Smallcap	22-Oct-14	Hold	22.11	20-Aug-18	Hold	40.01	12.02%	1.37	Sell	Unrated
SBI Small Cap Fund	Smallcap	20-Mar-19	Hold	55.12	20-Nov-19	Buy	58.91	6.86%	10.64	Buy	★★★★★
Aditya Birla SL Equity Fund	Multicap	24-Jun-17	Buy	651.26	20-May-19	Hold	770.51	6.82%	10.73	Hold	★★
Canara Rob Equity Diver Fund	Multicap	20-Jan-20	Buy	152.61	20-Jan-20	Buy	--	--	14.40	Buy	★★★★★
Franklin India Equity Fund	Multicap	10-Apr-10	Buy	205.79	20-Jan-20	Hold	598.94	11.57%	4.78	Hold	★
ICICI Pru Multicap Fund	Multicap	11-Jun-16	Buy	206.54	20-Jan-20	Hold	302.62	11.25%	7.38	Hold	★★
Invesco India Multicap Fund	Multicap	9-May-15	Buy	33.84	24-Dec-16	Hold	49.04	8.26%	7.03	Buy	★★★★★

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Scheme Name	Category	Initial Recommendation			Last Coverage		Current NAV (Rs)*	Return Since Initial Reco. #	1 Yr Return (%)	Current View	PersonalFN Rating (Dec. 2019)
		Date	View	NAV	Date	View					
Kotak Standard Multicap Fund	Multicap	12-Mar-16	Hold	21.24	20-Jan-20	Buy	37.90	16.30%	14.09	Buy	★★★★
Motilal Oswal Multicap 35 Fund	Multicap	20-Sep-18	Buy	26.99	20-Sep-18	Buy	28.56	4.42%	10.15	Hold	★
Parag Parikh Long Term Equity	Multicap	20-May-19	Buy	25.59	20-May-19	Buy	28.08	9.70%	15.91	Buy	★★★★★
Principal Multi Cap Growth Fu.	Multicap	20-Sep-18	Buy	149.94	20-Jan-20	Hold	152.79	1.45%	5.75	Hold	★★
SBI Magnum Multicap Fund	Multicap	18-Jun-16	Hold	34.66	20-Jan-20	Hold	51.64	11.84%	12.56	Hold	★★★
ABSL Focused Equity Fund	Focused	27-May-17	Hold	52.59	27-May-17	Hold	63.59	7.51%	13.31	Hold	★★★
Franklin India Focused Equity	Focused	26-Jul-14	Hold	22.07	26-Jul-14	Hold	42.76	12.87%	10.85	Hold	★
Franklin India Opportunities Fu.	Thematic	12-Aug-16	Hold	60.73	12-Aug-16	Hold	74.03	5.97%	6.26	Sell	Unrated
Invesco India Contra Fund	Contra	9-Apr-16	Buy	29.44	20-Feb-19	Buy	49.82	15.03%	8.47	Buy	★★★★★
Kotak India EQ Contra Fund	Contra	20-Feb-19	Hold	52.36	20-Feb-19	Hold	61.11	16.71%	14.22	Buy	★★★★★
Aditya Birla SL Pure Value Fu.	Value	24-May-14	Hold	32.53	24-May-14	Hold	47.41	6.91%	-7.64	Sell	Unrated
HDFC Capital Builder Value Fu.	Value	7-Aug-04	Buy	24.93	20-Feb-18	Hold	287.63	17.17%	1.22	Hold	★★
ICICI Pru Value Discovery Fund	Value	10-Aug-13	Buy	49.20	20-Feb-18	Hold	143.31	18.11%	1.86	Hold	★★
L&T India Value Fund	Value	21-Mar-15	Hold	23.64	20-Feb-18	Buy	36.74	9.60%	6.97	Sell	Unrated
ABSL Equity Hybrid '95 Fund	Aggressive Hybrid	16-Jul-11	Buy	313.96	8-Apr-17	Hold	775.31	11.23%	6.02	Hold	★★
DSP Equity & Bond Fund	Aggressive Hybrid	1-Apr-17	Hold	131.36	20-Apr-18	Hold	165.45	8.66%	15.78	Hold	★★★
Franklin India Equity Hybrid Fu.	Aggressive Hybrid	4-Apr-09	Buy	30.11	2-Sep-16	Buy	125.18	14.14%	9.07	Hold	★★★
HDFC Hybrid Equity Fund	Aggressive Hybrid	24-Mar-12	Buy	20.30	20-Nov-18	Buy	55.63	13.79%	8.03	Buy	★★★★★
ICICI Prudential Equity & Debt	Aggressive Hybrid	29-Jun-13	Buy	55.13	20-Aug-19	Buy	140.83	15.43%	9.86	Hold	★★★
L&T Hybrid Equity Fund	Aggressive Hybrid	4-Jul-15	Buy	19.43	20-Apr-18	Buy	27.42	7.92%	8.33	Sell	Unrated
Mirae Asset Hybrid - Equity Fu.	Aggressive Hybrid	20-Nov-18	Buy	14.74	20-Aug-19	Buy	17.06	13.67%	14.75	Buy	★★★★★
Principal Hybrid Equity Fund	Aggressive Hybrid	20-Nov-18	Buy	78.88	20-Nov-18	Buy	83.20	4.79%	4.26	Hold	★★
SBI Equity Hybrid Fund	Aggressive Hybrid	29-Mar-14	Buy	65.59	20-Aug-19	Buy	146.69	14.92%	15.03	Buy	★★★★★
HDFC Balanced Advantage Fu.	Balanced Advantage	22-Nov-03	Buy	15.12	20-Sep-17	Hold	202.58	17.44%	7.02	Hold	★★★
ICICI Pru Balanced Advantage	Balanced Advantage	10-Sep-16	Hold	29.06	10-Sep-16	Hold	38.26	8.60%	11.51	Buy	★★★★★
ICICI Prudential Multi-Asset Fu.	Multi Asset Allocation	30-Aug-08	Buy	71.43	8-Jul-17	Hold	279.08	12.73%	8.26	Buy	★★★★★
Aditya Birla SL Tax Relief '96	ELSS	30-Jan-16	Hold	20.62	20-Oct-18	Buy	32.47	12.19%	6.32	Hold	★★
Axis LT Equity Fund	ELSS	1-Feb-14	Buy	16.79	20-Dec-19	Buy	49.60	20.00%	18.88	Buy	★★★★★
Canara Robeco Equity Tax Saver	ELSS	20-Jun-19	Buy	68.42	20-Jun-19	Buy	71.88	5.06%	11.82	Buy	★★★★★
DSP Tax Saver Fund	ELSS	12-Nov-16	Buy	37.29	18-Oct-17	Buy	52.04	11.12%	15.99	Hold	★★★★★
Franklin India Taxshield	ELSS	17-Nov-07	Buy	185.61	10-Jun-17	Buy	579.71	9.82%	7.02	Hold	★★
Invesco India Tax Plan	ELSS	14-Aug-15	Buy	37.21	20-Dec-19	Buy	53.99	8.80%	10.98	Buy	★★★★★
L&T Tax Advt Fund	ELSS	7-Mar-09	Buy	8.75	20-Oct-18	Buy	56.29	18.71%	7.44	Hold	★★

Scheme Name	Category	Initial Recommendation			Last Coverage		Current NAV (Rs)*	Return Since Initial Reco. #	1 Yr Return (%)	Current View	PersonalFN Rating (Dec. 2019)
		Date	View	NAV	Date	View					
Mirae Asset Tax Saver Fund	ELSS	20-Jun-19	Buy	18.54	20-Dec-19	Buy	20.46	10.31%	18.09	Buy	★★★★★

*Current NAV and Performance as on January 10, 2020

Calculated on difference between Current NAV and Initial Recommended NAV. Performance for period less than 1-Yr is Absolute and over 1-Yr in CAGR.

Source: ACEMF, PersonalFN Research

FundSelect Closed Positions (in January 2020)

Scheme Name	Category	Initial Recommendation			Last Coverage		Current NAV (Rs)*	Return Since Initial Reco. (CAGR)#	1 Yr Return (%)	Current View	PersonalFN Rating (Dec. 2019)
		Date	View	NAV	Date	View					

*Current NAV and Performance as on January 10, 2020

Calculated on difference between Current NAV and Initial Recommended NAV. Performance for period less than 1-Yr is Absolute and over 1-Yr in CAGR.

Source: ACEMF, PersonalFN Research

Detailed Analysis of Select Equity Funds

[Canara Robeco Equity Diversified Fund: Buy](#) ★★★★★

[Kotak Standard Multicap Fund: Buy](#) ★★★★★

[Principal Multi Cap Growth Fund: Hold](#) ★★

Canara Robeco Equity Diversified Fund: Buy

★★★★★ (Dec. 2019)

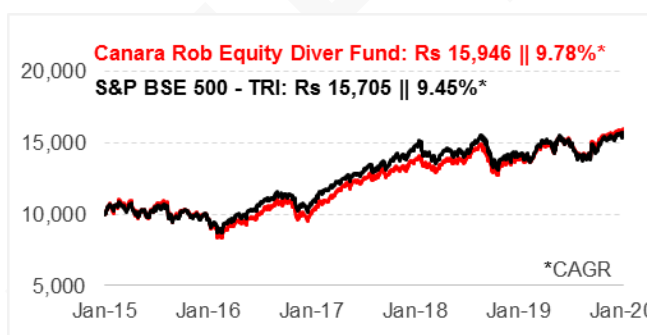
A fund that has shown complete turnaround performance and stood strong in the recent midcap crash, rewarding its investors with decent gains when most of its peers failed to stand still.

Fund Facts

Category	Multi Cap Fund	Style	Growth
Type	Open ended	Market Cap Bias	Multi Cap
Launch Date	12-Sep-03	SI Return (CAGR)	17.70%
Corpus (Cr)	Rs 1,634	Min./Add. Inv.	Rs 5,000 / Rs 1,000
Expense Ratio (Dir/Reg)	1.03% / 2.32%	Exit Load	1%

Is this fund for you?

Launched in September 2003, Canara Robeco Equity Diversified Fund (CREDF) has always been a predominant large cap biased fund that holds over 70% of its assets in large cap stocks. Now classified under multi-caps, the fund is mandated to hold exposure across market caps without any limit or restrictions. After witnessing pro-longed underperformance from CY 2015 to 2017, CREDF has come out strongly in the recent midcap crash, turning out



(Source: ACEMF)

to be one of the top performers in the multi-cap funds category. The fund's large cap orientation and focus towards index heavyweights helped it sustain the midcap crash and ride the large cap rally. CREDF has managed to deliver on the returns front, generating superior risk-adjusted returns for its investors. With a CAGR of 9.8% in the last 5 years, CREDF has performed nearly in line with the benchmark S&P BSE 500 – TRI. Rs 10,000 invested in the fund 5 years back would have now appreciated to Rs 15,946, as against a valuation of Rs 15,705 for the simultaneous investment in the broader index. Notably the fund trailed the index for most of the period, while managing to catch up only in the last 2 years. The superior stock picking ability has driven the performance of the fund, helping it find a spot among top category performers. One may consider fresh investment in CREDF, provided one is willing to stay invested in the scheme with a longer investment horizon of over 4 to 5 years.

Scheme performance vis-à-vis its peers and benchmark index

Scheme Name	1 Year	2 Year	3 Year	5 Year	Beta	Std Dev	Sharpe	Sortino
Kotak Standard Multicap Fund	7.58	8.41	14.87	16.03	0.98	12.48	0.20	0.35
Canara Rob Equity Diversified Fund (R)	7.52	9.89	14.46	11.60	0.94	12.02	0.23	0.41
HDFC Equity Fund	6.49	7.33	14.03	11.69	1.15	15.30	0.13	0.25
Aditya Birla SL Equity Fund	2.49	5.09	12.98	14.59	0.98	13.01	0.13	0.23
Franklin India Equity Fund	0.68	4.61	10.35	13.27	0.97	12.04	0.09	0.14
S&P BSE 500 - TRI	3.16	6.91	12.62	11.18	1.00	12.88	0.16	0.27

(Performance as on January 10, 2020. Returns are rolling and in %, calculated using Direct Plan – Growth option. Returns over 1-Yr are compounded annualised), (*Standard Deviation indicates Total Risk and Sharpe Ratio measures the Risk-Adjusted Return. They are calculated over 3-Yr period assuming a risk-free rate of 7.38% p.a. (R) is Recommended)

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Showing a noticeable turnaround in performance CREDF has managed to generate a significant lead over the benchmark and the category peers, in the last few years. While the long term performance numbers of CREDF do not look lucrative, its short term performance has been extra-ordinary. On a 2 to 3 year rolling return basis, the fund has managed to outperform the benchmark by a healthy margin of 2 to 4 percentage points and stands strong against its popular category peers. Moreover it has performed at a time when most of its peers found it difficult to even match the market returns. On risk return parameters, CREDF has encountered much lower volatility when compared to its category peers and the benchmark. The funds superior outperformance over the last couple of years has helped it recover in terms of risk adjusted returns as well. Its Sharpe and Sortino ratio are far competitive to the top performers in the multi-cap funds category.

Performance Across Market Cycles

	Bear Phase	Bull Phase	Bear Phase	Bull Phase	Bear Phase	Bull Phase	Corrective Phase
Scheme Name	08/Jan/08 To 09/Mar/09	09/Mar/09 To 05/Nov/10	05/Nov/10 To 20/Dec/11	20/Dec/11 To 03/Mar/15	03/Mar/15 To 25/Feb/16	25/Feb/16 To 23/Jan/18	23/Jan/18 To 10/Jan/20
Canara Rob Equity Diversified Fund	-55.43	92.07	-17.69	27.20	-24.81	31.48	6.74
Category Average	-54.90	82.87	-26.05	30.50	-18.79	33.07	1.62
S&P BSE 500 - TRI	-60.42	89.35	-28.39	26.85	-19.92	33.64	1.95

Returns over 1-Yr are compounded annualised (Source: ACEMF)

Launched in September 2003, CREDF has been through multiple full market cycles. However, it had a bad phase from CY 2015 to 2017, which totally impacted its track record. While its performance derailed completely in the bear phase of 2015-16, the fund found it difficult to participate the ensuing mid cap driven bull market rally. Nevertheless the funds orientation towards large caps paid off once the midcap segment started correcting, which helped it top the list of performers in the recent midcap correction. In the recent market correction, the fund managed to limit the downside when compared to its benchmark, and made it to the list of top performers in the corrective phase.

Investment Style

CREDF is classified under multi-cap funds that have flexibility to hold exposure across market caps without any limit or restriction. CREDF is a market cap agnostic fund focused on large caps with few high conviction mid-cap and small cap ideas. The fund is positioned as an 'ALL SEASON FUND' with exposure to industries across market capitalization to remain exposed to lesser volatility compared to other sector funds. It aims to provide an investment opportunity in the "BEST IN CLASS" Indian companies with sustainable business models based on "Top Down" as well as "Bottom Up" approach to stock picking with focus on high growth oriented stocks available at reasonable valuation.

While evaluating companies, the fund management gives importance to qualitative features, management and governance. They also look at quantitative parameters by analyzing the balance sheet and use valuation to play with the weight i.e. underweight / overweight position. The core focus of the fund remains on cash flow generating businesses. CREDF holds a pre-dominant large cap biased portfolio, where at least 70% of its asset is invested into large caps, with the remaining in mid and small-caps. Focusing on long term, the fund follows buy and hold investment strategy until the full potential of its holdings are derived.

Top 10 holdings as on December 31, 2019

Stocks	% of Assets	Sectors	% of Assets
HDFC Bank Ltd.	9.55	Banks	25.30
ICICI Bank Ltd.	7.19	Finance	12.41
Reliance Industries Ltd.	5.28	Consumer Non Durables	9.58
Infosys Ltd.	4.89	Information Technology	9.09
HDFC Ltd.	4.21	Pharmaceuticals	6.63
Kotak Mahindra Bank Ltd.	3.98	Petroleum Products	5.28
Bajaj Finance Ltd.	3.68	Engineering	5.08
Hindustan Unilever Ltd.	3.24	Consumer Durables	3.64
Axis Bank Ltd.	3.17	Cement	3.23
Larsen & Toubro Ltd.	2.42	Oil & Gas	2.63

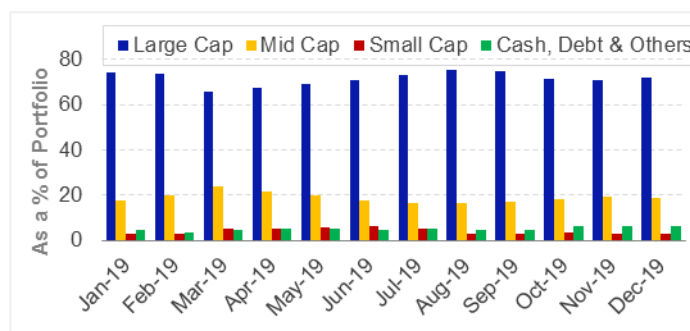
(Source: ACEMF)

CREDF usually holds a well-diversified portfolio of stocks spread across market caps, but with a large cap bias. As on December 31, 2019, CREDF held as many as 52 stocks in the portfolio. The top 10 stock holdings in the portfolio accounted for nearly 47% of the total assets. Large cap names like HDFC Bank, ICICI Bank, Reliance Industries, Infosys, HDFC Ltd., Kotak Mahindra Bank, Bajaj Finance, HUL, Axis Bank and L&T appear in the list of its top holdings.

CREDF has benefited from its holding in banking and finance stocks like HDFC Bank, ICICI Bank, Kotak Mahindra Bank, HDFC Ltd., Bajaj Finserv, Bajaj Finance, Axis Bank, and City Union Bank along with names like Reliance Industries, Infosys, Britannia Industries, HUL, L&T, Asian Paints, Divis Labs., Honeywell Automation India, ICICI Lombard General Insurance Co., Titan Company, Whirlpool Of India, etc. that have turned out to be major contributors to its returns in the last couple of years. However, the fund lost some value in its investment in stocks like CESC Ltd., Jubilant Life Sciences, ITC Ltd., Solar Industries (India), Ultratech Cement, etc. it still holds them in the portfolio.

More than one-fourth of the fund's portfolio is concentrated to Banking sector with another 12.4% invested in Finance stocks. The fund also held substantial exposure in Consumption, Infotech, Pharmaceuticals, Petroleum Products and Engineering with an allocation in the range of 5% to 10% of its assets. The top 10 sectors together occupied about 83% of CREDF's portfolio. While the fund is heavily biased towards cyclical, it holds substantial exposure to sensitive and defensive sectors as well.

Being a multi-cap fund, CREDF has a privilege to hold exposure across market caps. However, its portfolio has been more inclined towards large caps. Over the past one year, the allocation to large-cap stocks in the fund's portfolio has ranged between 65% to 75% of its assets, while the mid and small cap exposure in the portfolio has been in the range of 20% to 30%. The allocation to cash & debt has averaged at around 5% of its assets. As on December 31, 2019 the fund held 71.9% of its assets in large caps, 18.7% in midcaps and 3% in small caps, while the remaining 6.4% of its assets was in cash, debt and others.



About the Fund Manager

CREDF is managed by Mr Shridatta Bhandwadar since July 2016 and Mr Miyush Gandhi since October 2019.

Mr Shridatta Bhandwadar has been promoted as Head of Equities at Canara Robeco Asset Management, after the exit of Krishna Sanghavi who left the company in October 2019. Shridatta is a B.E. (Mechanical) with an MMS in Finance from Sydenham Institute of Management. He has over 14 years of experience in fund management. Prior to joining Canara Robeco AMC in July 2016, Shridatta worked with SBI Pension Funds as Head of Research. He also worked as Senior Equity Analyst with Heritage India Advisory and as a Research Analyst with Motilal Oswal Securities and MF Global Securities.

Mr Miyush Gandhi is the Fund Manager - Equity at Canara Robeco Asset Management Co. Ltd. He has over 11 years of experience in equity research and fund management. Prior to joining the fund house in April 2018, Miyush was associated with SBI Life Insurance Co. Ltd, as equity fund manager. By qualification, he is a B.Com graduate and has a MBA in Capital Markets from NMIMS, Mumbai.

Fund Outlook

- With superior outperformance over the benchmark and the category peers over the last couple of years, CREDF has been dominating the multi-cap funds space for quite some time. The fund has the ability to deliver strong returns and has scored exceptionally well in terms of risk-adjusted returns.
- The fund does not resort to taking aggressive calls for extra-ordinary returns, but maintains a diversified portfolio of quality stocks with a long term view. Despite being an aggressive growth oriented fund, CREDF avoids taking momentum bets and focuses on quality stock picking. This improves its chances of riding out tough market conditions. Its nimble approach may help it take advantage of sectorial rotations during positive as well as negative market conditions.
- Being benchmark agnostic, CREDF clearly avoids benchmarking the index. The fund managers decide the weight on each stock, irrespective of their weightage in the index. Hence, the performance of the fund may deviate significantly from the benchmark. Although the fund has penchant to churn its portfolio, it has shown a lot of patience with many of its stocks and sectorial calls which have paid off its investors in due course. Such approach may work in favour of the fund in the long run.
- Canara Robeco Mutual Fund employs sound risk management techniques that has helped the fund do well to curb the downside risk. Moreover, the performance on the upside has been in line with that of the benchmark. In certain market cycles it has more than outperformed the index and the category average. This ability enables it to rank high in terms of risk-adjusted returns.
- The current fund manager Mr Shridatta Bhandwadar has been with the fund house for over 3 years and is co-managing CREDF since July 2016. He is well versed with the systems and processes followed at the fund house. The change in co-fund manager shouldn't have much impact on CREDF's performance. Its current fund managers have decent experience in equity research and have done reasonably well to maintain the funds performance even in highly volatile market conditions. Belonging to a process driven fund house with sound risk management, the fund still carries a positive outlook and can be considered with a long term view.

Kotak Standard Multicap Fund: Buy

★★★★★ (Dec. 2019)

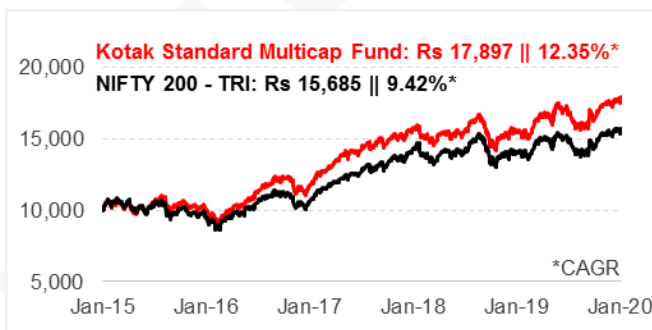
One of the top performers in the multicap funds category that has rewarded investors with superior gains even in conditions where its peers have struggled to generate nominal returns.

Fund Facts

Category	Multi Cap Fund	Style	Growth
Type	Open ended	Market Cap Bias	Multi Cap
Launch Date	20-Aug-09	SI Return (CAGR)	13.76%
Corpus (Cr)	Rs 29,598	Min./Add. Inv.	Rs 5,000 / Rs 1,000
Expense Ratio (Dir/Reg)	0.82% / 1.63%	Exit Load	1%

Is this fund for you?

Kotak Standard Multicap Fund (KSMF) is one such fund that has stood strong across market conditions and has done justice to its investors in terms of generating high alpha. Classified under multicap funds category, KSMF holds exposure across market caps, while following focused investment approach across sectors. Its extra-ordinary performance has seen it in a limelight for quite some time. In the last three years, KSMF has seen over four-fold increase in its size. It currently has a corpus of around Rs 29,500 crore under its management, which nearly raises concern about its capacity. However, the large cap orientation of the fund still offers it some flexibility to accept more investors. By generating a compounded annualised return of around 12.3% over the past 5 years, KSMF has outpaced its benchmark Nifty 200 – TRI index by a CAGR of around 3 percentage points. Notably the index has appreciated at 9.4% CAGR. An investment of Rs 10,000 in the fund, 5 years back, would have grown to Rs 17,897. A simultaneous investment in the benchmark would now be worth Rs 15,685 over the same time period. Following active management strategy, KSMF focuses on attractive looking sectors and stocks within those sectors. The fund manager has proven his ability to timely identify and capture available opportunities and create significant wealth for long term investors in KSMF.



(Source: ACEMF)

Scheme performance vis-à-vis its peers and benchmark index

Scheme Name	1 Year	2 Year	3 Year	5 Year	Beta	Std Dev	Sharpe	Sortino
Kotak Standard Multicap Fund (R)	7.58	8.41	14.87	16.03	0.98	12.48	0.20	0.35
HDFC Equity Fund	6.49	7.33	14.03	11.69	1.15	15.30	0.13	0.25
Aditya Birla SL Equity Fund	2.49	5.09	12.98	14.59	0.98	13.01	0.13	0.23
Franklin India Equity Fund	0.68	4.61	10.35	13.27	0.97	12.04	0.09	0.14
L&T Equity Fund	-0.56	4.33	10.33	11.10	0.95	12.35	0.11	0.20
NIFTY 200 - TRI	4.74	8.00	13.00	11.05	1.00	12.49	0.17	0.30

(Performance as on January 10, 2020. Returns are rolling and in %, calculated using Direct Plan – Growth option. Returns over 1-Yr are compounded annualised), (*Standard Deviation indicates Total Risk and Sharpe Ratio measures the Risk-Adjusted Return. They are calculated over 3-Yr period assuming a risk-free rate of 7.38% p.a. (R) is Recommended)

With returns at around 15% CAGR, KSMF stands among the top performers in the multicap funds category. The fund has shown a stellar performance across time periods and has significantly outperformed its benchmark and many of its category peers. Over the longer time periods of 3 years and 5 years the fund outperformed the benchmark - Nifty 200 – TRI index by a noticeable margin of 2 to 5 percentage points; and has also fared better than its other popular category peers. KSMF has shown fair level of stability as well. Its standard deviation of 12.48% signifies that the funds volatility has been slightly lower than the category average and in line with the benchmark, whereas its risk-adjusted return (Sharpe Ratio) of 0.20 is amongst the highest in the category and much ahead of its benchmark. The high Sortino ratio at 0.35 denotes the funds ability to reward investors even during downside markets.

Performance Across Market Cycles

	Bear Phase	Bull Phase	Bear Phase	Bull Phase	Bear Phase	Bull Phase	Corrective Phase
Scheme Name	08/Jan/08 To 09/Mar/09	09/Mar/09 To 05/Nov/10	05/Nov/10 To 20/Dec/11	20/Dec/11 To 03/Mar/15	03/Mar/15 To 25/Feb/16	25/Feb/16 To 23/Jan/18	23/Jan/18 To 10/Jan/20
Kotak Standard Multicap Fund	-	-	-24.64	32.26	-16.14	34.66	5.97
Category Average	-54.90	82.87	-26.05	30.50	-18.79	33.07	1.62
NIFTY 200 - TRI	-57.25	79.90	-27.67	26.85	-20.60	32.23	3.33

Returns over 1-Yr are compounded annualised (Source: ACEMF)

KSMF's superior risk management strategies and ability to timely switch its focus to defensives has helped it tide uncertain market phases well. The fund has not only been able to limit downside during bear market phases, it has also showcased its adeptness to ride the market rallies, which has resulted in substantial alpha over the benchmark and its peers. It has constantly outperformed the benchmark and category average across market cycles in the past and has done well in the current corrective phase.

Investment Style

KSMF was initially launched with a mandate to follow focused investment strategy across few selected sectors. However, post implementation of SEBI classification norms, KSMF was placed under multi-cap funds category, where it is mandated to hold exposure across market caps. The newly defined multi-cap mandate still allows the fund to continue with its strategy of focusing on few chosen sectors, while holding exposure across market caps. Nevertheless in absence of any minimum threshold for exposure to a certain market cap the fund holds a large cap bias.

While selecting stocks for KSMF's portfolio the fund manager follows a combination of top down and bottom up approach to stock picking. The focus is on certain sectors that the fund manager believes will perform better in the economy, and applies bottom up approach to pick stocks within the selected sectors. The funds core portfolio comprises of 5-6 sectors together totalling to around 60-70% of its assets. Even though KSMF follows a focused approach towards few selected sectors, it tries to ensure that the top 10 stocks does not breach the 50% mark.

Top 10 holdings as on December 31, 2019

Stocks	% of Assets	Sectors	% of Assets
ICICI Bank Ltd.	7.47	Banks	26.16
Reliance Industries Ltd.	6.91	Finance	9.94
HDFC Bank Ltd.	6.29	Petroleum Products	8.20
Axis Bank Ltd.	5.04	Engineering	8.04

Larsen & Toubro Ltd.	4.91	Cement	6.73
Infosys Ltd.	3.39	Information Technology	6.61
Tata Consultancy Services Ltd.	3.21	Oil & Gas	5.96
Ultratech Cement Ltd.	2.87	Consumer Non Durables	5.71
Petronet LNG Ltd.	2.73	Auto Ancillaries	3.84
Kotak Mahindra Bank Ltd.	2.36	Auto	2.10

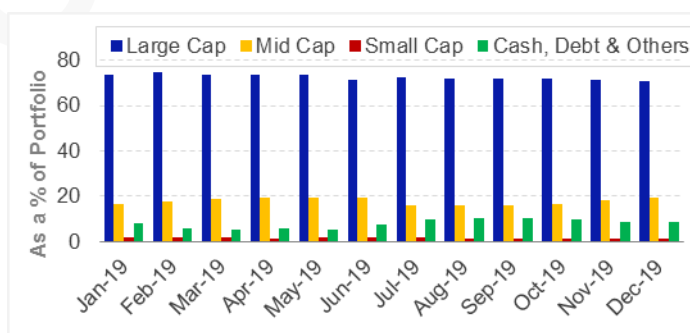
(Source: ACEMF)

KSMF usually holds a well-diversified portfolio of around 50 to 60 stocks. As on December 31, 2019, the fund held as many as 54 stocks in its portfolio, with top 10 stocks together constituting about 45% of its assets. While creating the portfolio, the fund manager limits his picks to not more than 5-6 stocks from a single industry. Top large cap names like ICICI Bank, Reliance Industries, HDFC Bank, Axis Bank and L&T currently appear among its top portfolio holdings. Infosys, TCS, Ultratech Cement, Petronet LNG, Kotak Mahindra Bank, etc. have been among the other core holdings in the fund's portfolio.

KSMF has been riding the large cap rally with significant weightage in Reliance Industries, ICICI Bank, HDFC Bank and Bajaj Finance that have been the top contributors to its returns over the last 2 years. Companies like HDFC Ltd., ICICI Lombard General Insurance, Bata India, Bajaj Finserv, Infosys, HDFC Life Insurance, Indraprastha Gas, Axis Bank, etc. have been the other major contributors to its extraordinary performance. However stocks like Maruti Suzuki India, Hero MotoCorp, Arvind, GAIL (India), RBL Bank, Bharat Electronics, Sun Pharma, etc. turned out to be the portfolio laggards, where the fund lost significant value over the last couple of years.

Around 36% of the fund's portfolio is allocated to stocks in the Banking and Financial sector, followed by Petroleum, Engineering and Cement. These top 5 sectors together account for around 59% of its assets. Infotech, Oil & Gas, Consumption, and Auto & Auto Ancillaries are among the other core sectors in the fund's portfolio.

Despite following a multicap strategy, KSMF's portfolio has remained biased towards large caps that account for at least 70% of its assets. Over the past year or so, the market cap allocation in the fund's portfolio has remained almost steady. The exposure to large-caps has remained around 70% to 75% of its assets, while mid and small caps have been in the range of 15% to 20%. Although KSMF has been



classified as multi-cap fund, it cannot be termed as a true to its style multicap fund, which has been the case with most schemes in the multi-cap category. Over the last one year the fund has remained heavy weight on large caps with an average allocation of around 73% along with an allocation of around 20% in mid and small caps, on average. As on December 31, 2019, KSMF held an exposure of around 70.5% in large caps, 19.3% in mid caps and 1.5% in small caps. The remaining 8.7% of its assets were held in cash and debt.

About the Fund Manager

KSMF is managed by Mr Harsha Upadhyaya, who has been with the fund since July 2012.

Mr Harsha Upadhyaya is the CIO - Equity and Fund Manager at Kotak Mahindra AMC Ltd. He joined the

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fund house in August 2012. Harsha has received the CFA charter from the CFA Institute and a PGDM in Finance from IIM, Lucknow. He has also earned a B.E. in Mechanical Engineering from National Institute of Technology, Suratkal. Harsha has over two decades of experience spread across equity research and fund management. His prior stints have been with companies such as DSP BlackRock, UTI Asset Management, Reliance Group, and SG Asia Securities.

Apart from Kotak Standard Multicap Fund, Harsha also manages Kotak Equity Opportunities Fund and Kotak Tax Saver Scheme.

Fund Outlook

- Multi cap funds ideally offer the benefit of diversification across market caps. In absence of any limit on market cap segment, KSMF has continued with its large cap orientation. It also holds flexibility to switch allocation across market caps, without any restriction.
 - Under the supervision of Mr Harsha Upadhyaya, KSMF carries an impressive track record and has turned out to be a rewarding proposition for its long term investors. The extra-ordinary performance of the fund has been driven by its smart sector and stock selection strategy.
 - While KSMF remains heavyweight on cyclicals to ride the market boom and rallies, it also makes well use of defensives during extreme market conditions. This helps the fund perform consistently across market phases. However, its heavyweight position towards few selected sectors may even result in short term underperformance, if any of its core sector holdings disappoint or is under pressure.
 - The portfolio of KSMF is diversified across range of sectors, with higher emphasis on selected ones. However, more than one third of its portfolio is skewed towards Banking and Financial stocks. Although they have together helped the fund drive through the past market rallies, the fund may feel the pressure if the sector moves out of favour.
 - Although it is quite easier to switch sector focus with a small size, the larger size of the fund may become a hurdle in switching focus instantly across sectors. Although KSMF has shown extra-ordinary performance in the past, investors need to keep a realistic return expectation from the fund.
-

Principal Multi Cap Growth Fund: Hold

★★ (Dec. 2019)

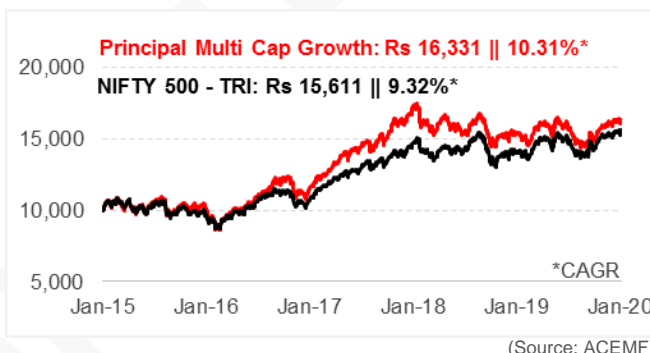
A high-beta multi-cap fund that aims for long term growth in capital has been successful in picking multi-bagger stocks in the past, to reward investors well over the long term.

Fund Facts

Category	Multi Cap Fund	Style	Growth
Type	Open ended	Market Cap Bias	Multi Cap
Launch Date	25-Oct-00	SI Return (CAGR)	14.93%
Corpus (Cr)	Rs 732	Min./Add. Inv.	Rs 5,000 / Rs 1,000
Expense Ratio (Dir/Reg)	1.68% / 2.48%	Exit Load	1%

Is this fund for you?

Principal Multicap Growth Fund (PMCGF) was a growth oriented multicap fund that used to hold a balanced 50-50 allocation to large caps and midcaps. Post SEBI categorization the fund was classified under Multi-caps funds category. It now maintains minimum 65% allocation to large caps, along with the remaining 35% in mid and small caps. Despite being in existence for over 19 years, PMCGF is less popular among investors and has an AUM of just around Rs 730 crore. Over the past five years, the fund has generated a compounded annualised return of 10.3%, as against 9.3% CAGR generated by its benchmark Nifty 500 - TRI. An investment of Rs 10,000 in the scheme five years back would now be worth Rs 16,331, while a similar investment in the benchmark would have been valued at Rs 15,611. Notably, the fund's strategy of picking high beta multi-bagger stocks helped it find a spot among the top performers during the mid-cap driven market rally, but on the contrary put its performance under pressure during the mid-cap crash. However, the fund still has the ability to capitalise the recovery phase. Its risk-reward portrays a promising outlook for high risk investors looking for a fund having potential to outperform the broader markets in the long run.



Scheme performance vis-à-vis its peers and benchmark index

Scheme Name	1 Year	2 Year	3 Year	5 Year	Beta	Std Dev	Sharpe	Sortino
Kotak Standard Multicap Fund	7.58	8.41	14.87	16.03	0.98	12.48	0.20	0.35
HDFC Equity Fund	6.49	7.33	14.03	11.69	1.15	15.30	0.13	0.25
Principal Multi Cap Growth Fund	-1.46	4.42	13.37	13.01	1.08	14.60	0.13	0.24
Aditya Birla SL Equity Fund	2.49	5.09	12.98	14.59	0.98	13.01	0.13	0.23
L&T Equity Fund	-0.56	4.33	10.33	11.10	0.95	12.35	0.11	0.20
NIFTY 500 - TRI	3.16	6.79	12.53	11.09	1.00	12.92	0.15	0.27

(Performance as on January 10, 2020. Returns are rolling and in %, calculated using Direct Plan – Growth option. Returns over 1-Yr are compounded annualised), (*Standard Deviation indicates Total Risk and Sharpe Ratio measures the Risk-Adjusted Return. They are calculated over 3-Yr period assuming a risk-free rate of 7.38% p.a.)

PMCGF has shown market-beating performance over longer rolling time periods, where it has been among top quartile performers, and has outperformed many of its prominent category peers as well as

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the benchmark by a noticeable margin. Over 3 year and 5 year rolling periods, the fund has managed to outpace the benchmark by around 1 to 2 percentage points. The higher beta and standard deviation of the fund signifies that PMCGF is suitable only for investors with a very high risk appetite willing to take high risk for higher returns. However, the fund has been able to justify the higher risk through reasonable risk-adjusted return that is competitive to some of its popular category peers.

Performance Across Market Cycles

	Bear Phase	Bull Phase	Bear Phase	Bull Phase	Bear Phase	Bull Phase	Corrective Phase
Scheme Name	08/Jan/08 To 09/Mar/09	09/Mar/09 To 05/Nov/10	05/Nov/10 To 20/Dec/11	20/Dec/11 To 03/Mar/15	03/Mar/15 To 25/Feb/16	25/Feb/16 To 23/Jan/18	23/Jan/18 To 10/Jan/20
Principal Multi Cap Growth Fund	-62.59	69.45	-31.16	34.02	-21.04	44.84	-3.26
Category Average	-54.90	82.87	-26.05	30.50	-18.79	33.07	1.62
NIFTY 500 - TRI	-57.73	81.66	-28.17	26.95	-20.06	33.59	1.79

Returns over 1-Yr in CAGR. (Source: ACEMF)

PMCGF was certainly not a go-to fund in the first three market cycles considered. The fund trailed the benchmark across market phases. Post the instillation of a new fund management in September 2010, the returns started picking up. The fund did exceedingly well in bull markets, however, in bear markets the returns fell a tad short. In the last two market rallies, the fund generated an excess compounded return of about 7-11 percentage points over the benchmark. PMCGF has the potential to benefit from market recoveries and compensate investors well for the marginal underperformance in the bear market periods.

Investment Style

PMCGF adopts a multi-cap strategy to benefit from diversification across broader markets and beat its benchmark across market cycles. While the new classification allows it to invest in stocks across market capitalisation without any restriction, it has been among the very few funds that follow true multi cap strategy. PMCGF follows a mix of top down and bottom up approach to stock picking with focus on high growth oriented stocks with a long term time horizon. The fund aims to hold a well-diversified portfolio spread across major industries and economic sectors by using fundamental analysis to shortlist stocks with strong growth prospects and justifiable valuations. Looking for high growth from quality stocks, the fund manager seeks to invest in companies that possess superior management quality, have a competitive advantage, good growth prospects, and strong financial strength.

Top 10 holdings as on December 31, 2019

Stocks	% of Assets	Sectors	% of Assets
HDFC Bank Ltd.	8.72	Banks	29.04
ICICI Bank Ltd.	7.98	Consumer Non Durables	10.51
Reliance Industries Ltd.	7.28	Information Technology	10.46
Infosys Ltd.	4.29	Finance	10.05
Tata Consultancy Services Ltd.	3.97	Petroleum Products	8.44
Kotak Mahindra Bank Ltd.	3.80	Engineering	4.94
Larsen & Toubro Ltd.	3.60	Pharmaceuticals	4.22
ITC Ltd.	3.50	Cement	3.44

HDFC Ltd.	2.88	Auto Ancillaries	2.98
State Bank Of India	2.64	Telecom - Services	2.56

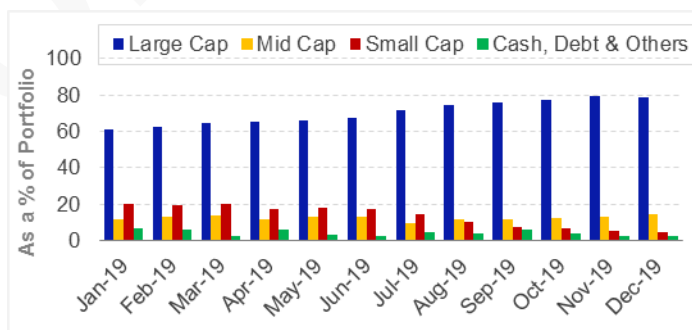
(Source: ACE MF)

PMCGF holds a well-diversified portfolio spread across market caps. As on December 31, 2019, PMCGF held as many as 59 stocks, with top stock exposure at around 9% mark. HDFC Bank, ICICI Bank and Reliance Industries stood among the top portfolio holdings, where each stock commands an allocation between 7%-9%. Infosys, TCS, Kotak Mahindra Bank, L&T, ITC, HDFC Ltd. and SBI are the other top holdings in the portfolio. The top 10 stocks accounted for 48.7% of the total assets. Most of its top holdings have been in the portfolio for well over a year.

Stocks like ICICI Bank, Reliance Industries, HDFC Bank, Abbott India, Infosys, Kotak Mahindra Bank, TCS and HDFC Ltd. have contributed over 10% to PMCGF's performance in the last 2 years. Dabur India, Britannia Industries, City Union Bank, HCL Technologies and Axis Bank have been the other major gainers in the portfolio. In the last couple of years, the fund lost substantial value due to its holdings in Birla Corporation, Maruti Suzuki, NTPC, Sun Pharma, Coal India, ITC and so on. Some other mid and small cap names like KEC International, Bombay Burmah Trading Corporation, Asahi India Glass, Jain Irrigation Systems, Rain Industries, Rico Auto Industries, Kalpataru Power Transmission, Karur Vysya Bank, Shriram Transport Finance Co., Bank Of Baroda, Raymond Ltd., Dishman Carbogen Amcis, Ramkrishna Forgings, The India Cements, Hindustan Construction Co., Canara Bank, Syndicate Bank, etc. had an adverse effect on the funds performance. Notably the fund has exited most of these stocks.

In terms of sector allocation, PMCGF's portfolio is heavily skewed to Banking that occupies nearly one-third of the portfolio. Apart from banking other finance stocks account for another 10% in the portfolio. A major chunk of the portfolio is currently invested in Consumption and Infotech with a total exposure of around 10.5% each. PMCGF also carries noticeable exposure to Petroleum, Engineering, Pharma and Cement.

Being a true to style multi-cap fund, PMCGF usually maintains a fairly balanced exposure to large-cap and non large-cap stocks. However, due to the extreme volatility and correction in the mid and small cap space along with simultaneous rally in the large cap bucket, the fund's allocation to small caps has been reduced significantly over the past one year. The exposure to large-caps has been raised to about 79% from around 60% a year ago. The average weightage to mid-caps has been at around 12%, while the new fund managers have cut the exposure to small caps from around 20% to about 5%. The fund's cash levels moved in a range of 2%-7%. As on December 31, 2019, PMCGF held a weightage of 78.3% in large-caps, 14.7% in mid-caps and around 4.5% in small-caps, while the remaining 2.5% was in debt and cash.



About the Fund Manager

PMCGF has a highly experienced fund manager in the form of Mr Ravi Gopalakrishnan, who took over the charge of the fund in July 2019, after exit of its previous fund manager Mr PVK Mohan. The fund is co-managed by Mr Siddarth Mohta, since August 2018.

Mr Ravi Gopalakrishnan is the Head - Equity at Principal Mutual Fund. He is M.S. Finance (Investments) & M.B.A. With experience of over 25 years, Mr GopalaKrishnan has a very strong research

background and sound knowledge of the fund management business. During the course of his career, he has worked across many Asset Management Companies, including Canara Robeco AMC, Pramerica AMC, and Sun F&C AMC. He has managed several funds across Large Cap, Multi-cap and Mid cap strategies.

Mr Siddarth Mohta is an Associate Fund Manager at Principal Mutual Fund. He holds a B.com degree, PGDM in Finance and Certified Financial Risk Management. Mr Mohta has around 15 years of experience in Finance and Stock Markets. Prior to joining Principal Mutual Fund as Investment Risk Analyst in March 2009, he worked as an Analyst in Adventity Global Services, ICRA Management Consulting Services, and Polaris Software Ltd.

Fund Outlook

- Even though it is not among the best in the bear market periods, PMCGF has proven its ability to generate high alpha over bull market rallies and has been exceedingly rewarding for long term investors.
 - Given that PMCGF has a high beta, there are high chances of the fund trailing the benchmark in volatile market periods. But as seen in the past market cycles, the fund has often managed to come out strongly during recovery phases. This is the nature of high beta funds. Hence, investors should not get concerned if the fund marginally underperforms the benchmark over the short-term. The best way to deal with this is to invest systematically with a long term horizon in mind.
 - Though the assets of the fund are heavily skewed to finance stocks, it balances out the risk with substantial exposure to defensive sectors like consumption and pharma stocks. This will help the fund to even out volatility over the long term.
 - PMCGFs dynamic multi cap strategy enables it to remain flexible enough to deal with the changing market sentiments. During market corrections, the fund has been found positioning itself to capitalise on the next bull rally. Also if valuation soars beyond acceptable levels, the fund takes proactive measures to deal with the uncertain conditions.
 - With experienced fund manager like Mr Ravi Gopalakrishnan at the helm, PMCGF seems to be in capable hands. Since taking the charge of the fund Mr Gopalakrishnan has made a drastic shift in the portfolio allocation, which can be instrumental in turning around the performance of PMCGF.
-

Fund Watch

SBI Magnum Multicap Fund: Hold

★★★ (Dec. 2019)

An above average performer in the multi-cap funds category that has shown drastic improvement in the last few years, helping it scale up returns across time periods.

Scheme performance vis-à-vis its peers and benchmark index

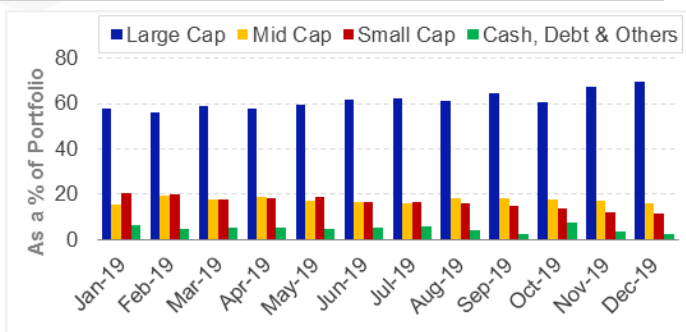
Scheme Name	1 Year	2 Year	3 Year	5 Year	Beta	Std Dev	Sharpe	Sortino
Kotak Standard Multicap Fund	7.58	8.41	14.87	16.03	0.98	12.48	0.20	0.35
HDFC Equity Fund	6.49	7.33	14.03	11.69	1.15	15.30	0.13	0.25
SBI Magnum Multicap Fund	5.30	7.24	13.06	15.78	0.93	12.48	0.16	0.28
Aditya Birla SL Equity Fund	2.49	5.09	12.98	14.59	0.98	13.01	0.13	0.23
ICICI Pru Multicap Fund	3.92	6.96	12.06	13.39	0.91	12.55	0.11	0.20
S&P BSE 500 - TRI	3.16	6.91	12.62	11.18	1.00	12.88	0.16	0.27

(Performance as on January 10, 2020. Returns are rolling and in %, calculated using Direct Plan – Growth option. Returns over 1-Yr are compounded annualised), (*Standard Deviation indicates Total Risk and Sharpe Ratio measures the Risk-Adjusted Return. They are calculated over 3-Yr period assuming a risk-free rate of 7.38% p.a.)

SBI Magnum Multicap Fund (SMMF) has not been a preferred candidate among investors in the multi-cap funds category. Launched in September 2005, the fund is about to complete 15 years. After being neglected for many years, the fund is slowly catching up attention of investors. Thanks to its superior performance in the last few years, where it significantly outperformed the benchmark S&P BSE 500 – TRI. Notably, we recommended a Buy on SMMF in June 2016, when the fund was just about Rs 880 crore. Now grown almost 10x the size, it is slowly approaching the Rs 10,000 crore mark in AUM. SMMF has been quite reasonable in terms of performance and has outperformed most of its popular category peers. The fund has generated decent risk-adjusted return for its investors.

Investment Style

SMMF is among the very few multi-cap funds that hold adequate exposure across market caps. In the last 12 months, the fund has held an average exposure of around 61% in large caps, 17% in midcaps and 16% in small caps, while maintaining around 5% of its assets in cash & equivalents. As on December 31, 2019, names like HDFC Bank, ICICI Bank, TCS, Kotak Mahindra Bank, Axis Bank, SBI and L&T stood among the top holdings in the funds portfolio. Notably, 5 of its top 10 holdings are Banks. Nearly a third of SMMF's portfolio is skewed towards Banking and Finance stocks, followed by Petroleum, Engineering, Infotech and FMCG standing among other prominent sectors in the portfolio.



(Source: ACEMF)

In A Nutshell

SMMF holds decent performance track record and has witnessed significant improvement in its risk-adjusted returns. The fund has stood strong besides prominent category peers in the recent market crash. Moreover, the superior stock picking strategy could help the fund outscore most of its peers especially in a recovery and bull phase. We maintain a 'Hold' view on SMMF with an upside bias. Investors in SMMF may continue holding the fund with a suitable time horizon.

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ICICI Pru Multicap Fund: Hold

★★ (Dec. 2019)

A multi decade old multi-cap fund that has been through multiple market cycles, is still less popular among investors.

Scheme performance vis-à-vis its peers and benchmark index

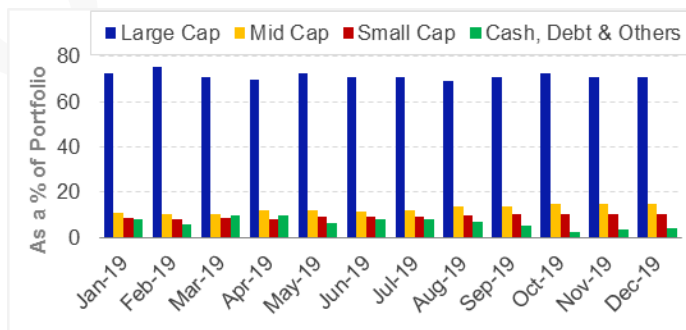
Scheme Name	1 Year	2 Year	3 Year	5 Year	Beta	Std Dev	Sharpe	Sortino
Kotak Standard Multicap Fund	7.58	8.41	14.87	16.03	0.98	12.48	0.20	0.35
HDFC Equity Fund	6.49	7.33	14.03	11.69	1.15	15.30	0.13	0.25
Aditya Birla SL Equity Fund	2.49	5.09	12.98	14.59	0.98	13.01	0.13	0.23
ICICI Pru Multicap Fund	3.92	6.96	12.06	13.39	0.91	12.55	0.11	0.20
L&T Equity Fund	-0.56	4.33	10.33	11.10	0.95	12.35	0.11	0.20
S&P BSE 500 - TRI	3.16	6.91	12.62	11.18	1.00	12.88	0.16	0.27

(Performance as on January 10, 2020. Returns are rolling and in %, calculated using Direct Plan – Growth option. Returns over 1-Yr are compounded annualised), (*Standard Deviation indicates Total Risk and Sharpe Ratio measures the Risk-Adjusted Return. They are calculated over 3-Yr period assuming a risk-free rate of 7.38% p.a. (R) is Recommended)

Launched way back in September 1994, ICICI Pru Multicap Fund (IPMF) has a history of over 25 years to its credit. Being one of the oldest schemes in the multi-cap funds category, it has been through many market cycles. Still the fund has been unable to make any significant mark among investors. The fund currently has an AUM of around Rs 4,745 crore. Although IPMF has not been among the funds that constantly top the return chart, it has done well to keep pace with the benchmark, while its performance can be termed average. Standing strong in the recent market crash, IPMF has rewarded investors with reasonable risk-adjusted returns.

Investment Style

Categorized under multi-cap funds, IPMF holds flexibility to invest across market caps. The fund's portfolio usually remains biased towards large caps along with significant allocation to mid and small caps. The fund allocates almost 70% to 75% of its equity assets in large cap stocks, while maintaining an allocation of around 20% to 35% in mid and small caps. Irrespective of market conditions, IPMF remains fully invested in equities, limiting its overall cash exposure to well within the 10% mark. As of December 31, 2019, IPMF held ICICI Bank (6.2%), NTPC (6.1%), Bharti Airtel (6.0%), Infosys (4.8%) and HDFC Bank (4.6%) among its top portfolio holdings. About a quarter of the fund's portfolio is invested in Banking and Finance stocks, with Power, Oil & Gas, Engineering, Infotech, Pharma and Metals appearing among the other top sectors.



(Source: ACEMF)

In A Nutshell

Although IPMF has not been among the top performers in the multicap funds category, it holds reasonable performance track record. The fund has the ability to limit downside in extreme market conditions and has fared well compared to its benchmark and some of the prominent category peers. With decent performance in the recent corrective phase, IPMF has shown improvement in its risk-adjusted returns. We maintain a 'Hold' view on IPMF with a neutral bias. Investors in IPMF may continue holding the fund with a suitable time horizon.

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Franklin India Equity Fund: Hold

★ (Dec. 2019)

Once known for its superior performance, the fund seems to have lost its charm and disappointed investors with pro-longed underperformance over the last few years.

Scheme performance vis-à-vis its peers and benchmark index

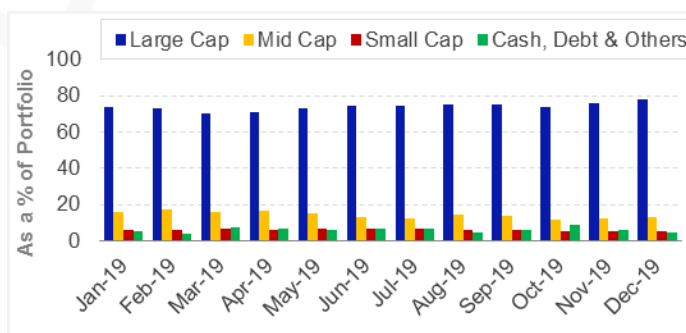
Scheme Name	1 Year	2 Year	3 Year	5 Year	Beta	Std Dev	Sharpe	Sortino
Kotak Standard Multicap Fund	7.58	8.41	14.87	16.03	0.98	12.48	0.20	0.35
HDFC Equity Fund	6.49	7.33	14.03	11.69	1.15	15.30	0.13	0.25
Aditya Birla SL Equity Fund	2.49	5.09	12.98	14.59	0.98	13.01	0.13	0.23
Franklin India Equity Fund	0.68	4.61	10.35	13.27	0.97	12.04	0.09	0.14
L&T Equity Fund	-0.56	4.33	10.33	11.10	0.95	12.35	0.11	0.20
NIFTY 500 - TRI	3.16	6.79	12.53	11.09	1.00	12.92	0.15	0.27

(Performance as on January 10, 2020. Returns are rolling and in %, calculated using Direct Plan – Growth option. Returns over 1-Yr are compounded annualised), (*Standard Deviation indicates Total Risk and Sharpe Ratio measures the Risk-Adjusted Return. They are calculated over 3-Yr period assuming a risk-free rate of 7.38% p.a.)

Franklin India Equity Fund (FIEF) had been in aisle for a long time struggling to find back its spot in the list of top category performers. The pro-longed underperformance of the fund has not gone well with investors who had high expectations from the fund. Although a flagship scheme of the fund house, FIEF seems to have lost its charm with an ordinary performance over the last few years where it significantly underperformed the benchmark and most of its category peers. Still the long term returns of the fund on a 5-year rolling return basis looks reasonable when compared to the benchmark and the category average. The funds struggle in the 2016-2017 bull market rally extended in the recent corrective phase as the fund managers conviction on some large cap names in the portfolio didn't yield desired results.

Investment Style

FIEF is mandated to follow a multi-cap strategy with its portfolio diversified across market caps. Over the last 12 months, its allocation to large caps averaged at around 74% of its assets, with an average of about 20% in mid and small caps. As on December 31, 2019, the fund's portfolio was diversified across 57 stocks. Among its top holdings the fund held names like HDFC Bank (8.4%), Infosys (5.9%), Bharti Airtel (5.4%), ICICI Bank (5.3%) and Axis Bank (4.6%). Banking and Finance account for over 27% of its assets, followed by Infotech, Engineering, Auto, Consumption, Telecom, Pharma, Petroleum, etc.



(Source: ACEMF)

In A Nutshell

FIEF has been a conviction driven fund that has superior long term performance track record to its credit. However the fund has been struggling to make a mark over the last few years. The fund managers' conviction of staying away from names like Reliance Industries and being focused on stocks like Bharti Airtel, Yes Bank, HPCL etc. resulted in poor performance. However it has the potential to stabilise and bounce back once the bet start paying off. Though FIEF may take time to prove sustainability in terms of performance, we maintain 'Hold' view on the fund. While one may continue holding existing units in FIEF, avoid taking any fresh exposure in the fund. Instead consider peers like Kotak Standard Multicap Fund.

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Sources: Data for the tables and graphs presented in this report is sourced from ACE MF. Data for Sectoral and portfolio allocation is calculated from portfolio disclosure by the respective funds as on December 31, 2019. Returns are calculated as on January 10, 2020. Returns less than 1 year are Absolute, while returns greater than 1 year are CAGR.

Research Analysts



Vivek Chaurasia (Research Analyst), is the Managing Editor of FundSelect and FundSelect Plus, PersonalFN's oldest recommendation services. Having over a decade of experience in analyzing mutual funds, Vivek understands functioning of the mutual fund industry very well and applies his financial and analytical skills to closely scrutinize each fund to his satisfaction. Vivek joined PersonalFN as a Senior Research Analyst, in 2009 and quickly adopted the philosophy of our research team, i.e. honest and unbiased research for naïve investors, who are tired of being mis-sold. Over these years, he has developed a robust fund selection and filtration model – 'SMART Score model' that has been tested across various cycles now and constantly looks for scope to strengthen it further. Vivek follows the principle of safety first when it comes to picking funds for investors. That is the reason he has a long list of rejected funds as compared to the ones he has endorsed so far.

Disclosures

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About the Company including business activity

Quantum Information Services Private Limited (QIS) was incorporated on December 19, 1989.

QIS was promoted by Mr. Ajit Dayal with an objective of providing value-based information / views on news related to equity markets, the economy in general, sector analysis, budget review and various personal products and investments options available to the Public. It was the first company to start equity research on an institutional level.

'PersonalFN' is a service brand of QIS and was started in the year 1999. In 1999, the Company registered the Domain name **www.personalfn.com** for providing information on mutual funds and personal financial planning, financial markets in general, etc. and services related to financial planning and research in various financial instruments including mutual funds, insurance and fixed income products to customers. It offers asset allocation and researched investment recommendations through its financial planning services.

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12. Rahul Goel;
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- a. **Buy recommendation:** This means that the subscriber could consider buying the concerned fund keeping in mind the tenure and objective of the recommendation service.
- b. **Hold recommendation:** This means that the subscriber could consider holding on to the fund until further update. However, additional purchase via ongoing SIP can be considered.
- c. **Sell recommendation:** This means that the subscriber could consider selling the fund keeping in mind the objective of the recommendation service.

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