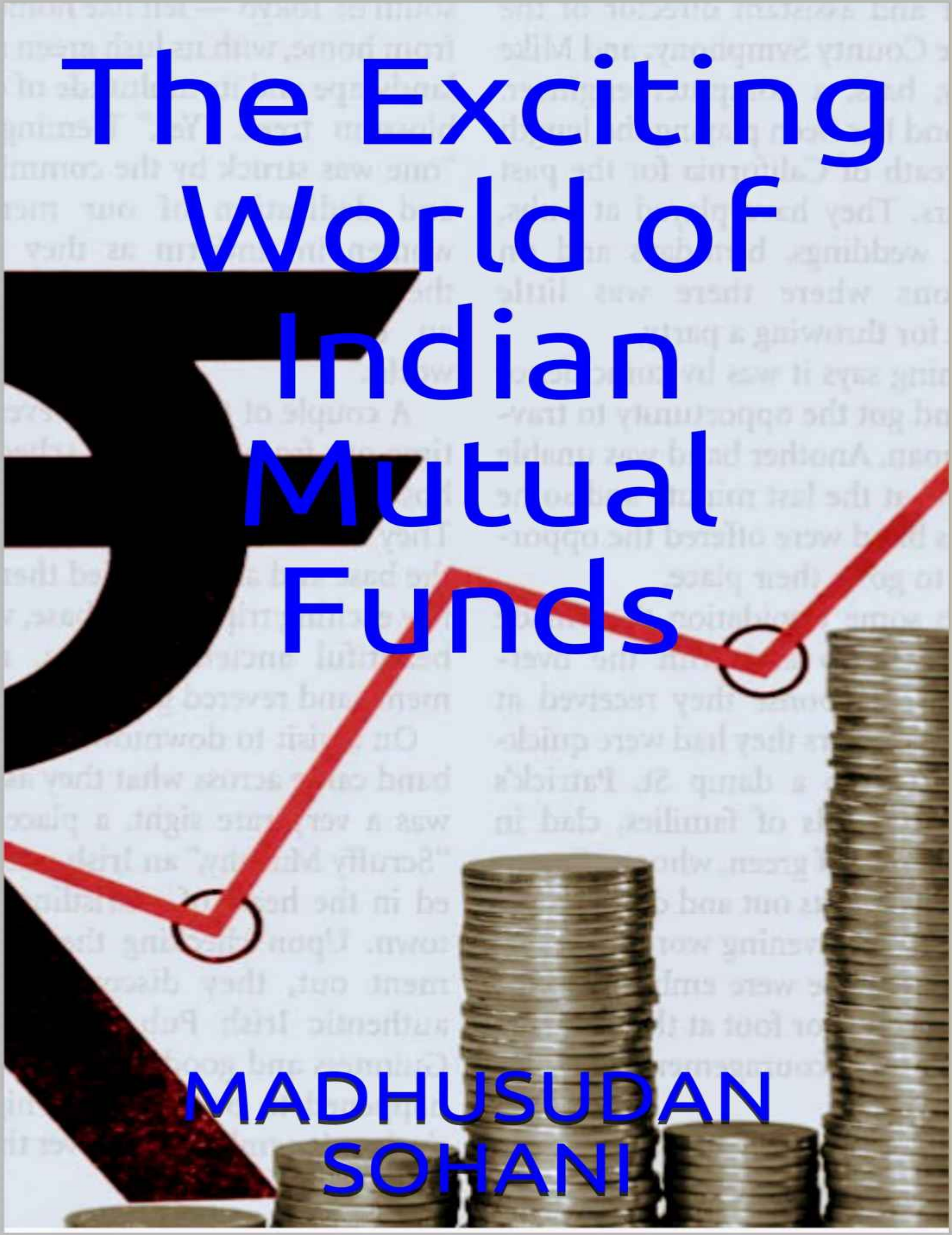


The Exciting World of Indian Mutual Funds

MADHUSUDAN SOHANI

The exciting world of Indian Mutual Funds

By Madhusudan Sohani, Corporate Trainer and Teacher

• Who should invest in Mutual Funds? • The world of Indian Mutual Funds • Why a mutual fund? • Don’t buy what they want to sell, you decide what you want to buy • How to analyse a fund? • How to select a fund? • The procedure to invest in a mutual fund • The universe of about 960 equity funds • How to invest in a mutual fund and do you want to do it? • The questions you need to answer • Which funds? The final selection • Ranking of large-cap funds, multi-cap funds, mid-cap funds, tax saving funds and equity oriented balanced funds • The mystery behind the numbers. What they mean • Table of contents • Acknowledgement • About the author

The exciting world of Indian Mutual Funds

Who should invest in equity mutual funds?

This article is for you if are an Indian citizen and you fall in any one of these categories.

- You are interested in getting compounded annual returns ranging from 10% to 50% or more from equity investments in the Indian Market.
- You are a long term investor, have patience and are willing to wait for 3 years or longer for the growth in investment to materialize.
- You wish to retire early and still want to take care of your monetary needs post retirement.
- You want future financial stability and are willing to abide by some financial discipline today.
- You find that your earlier decisions on investment have not yielded the desired results and you have burnt your fingers in speculative deals based on unsound advice.
- You have dabbled in the share market and accepted the tips to make quick money and have lost your capital.
- You want to get effective returns higher than the inflation rate.
- You have depended on fixed deposits in banks and companies and are worried about falling returns there-from, month after month, quarter after quarter.
- You have no or little knowledge about share market investments and still want to benefit from the growth associated with some handpicked sound shares chosen up by experts.
- You have tried and failed in other investment avenues such as land, housing, bullion, spurious Multi Level Marketing (MLM) schemes, crypto-currencies

This article will take you through the entire gamut of Indian mutual funds, the do’s and the don’ts of mutual fund investment in a simple and lucid manner, without losing sight of essentials.

The author of this article is a corporate trainer and teacher of mathematical subjects at the graduate level and has attempted to filter the myriad world of Indian mutual funds to give you just the required tools which you can use in a 'do it yourself' manner. They will give you the required skills to decide on your own the best mutual fund which will meet your individual needs. While it will suggest options for you, you need to take the final call depending upon your age, your time horizon, your liabilities, your family obligations towards your parents, your spouse and children, maturity objectives, risk profile, risk appetite and willingness to strictly abide by financial discipline.

The world of Indian Mutual Funds:

An individual, who is even slightly aware of the Indian mutual fund scenario, would have found that with a very vast number of Asset Management Companies (AMCs) around and with too many confusing and overlapping schemes launched by them, the job of finding the right choice for you is rather complex. There are more than 35 AMCs which have over 1200 schemes of mutual funds in the debt and equity categories of which 960 schemes invest at least partly in equity and each of them is bound by an offer document which outlines the objectives and broad methodology to be followed by the scheme. This article will give you an insight of how many funds are there in each category. I have omitted the *close ended* schemes since they are not available for a new customer. It can briefly be stated that as on 31st October 2017, these 960 equity mutual fund schemes by these AMCs were further broken up into:

Diversified Equity Schemes: 433

Sectoral and Thematic Schemes: 90

Hybrid Equity Schemes (both debt oriented and equity oriented): 396

Other: 41

There are definitions by which these schemes are defined, but without going into these details, it may be seen that even for getting into the share market via the mutual fund route, there are 960 different ways in the form of these schemes. The choice can thus be consternating for the uninitiated. In this article I propose to introduce you to various web resources, the use of which will make the task of finding the right fit for you much easier. Fortunately a number of web resources are available which are quite comprehensive and veracious, and yet give access to the constitutive minimal needed for a newcomer.

Why a mutual fund?

The question which may come to the mind of the reader of this article is why invest in a mutual fund? It has perhaps been experienced by many of you that the returns from fixed interest instruments are undeviatingly falling for several years now and a working class person can no longer depend only on interest income from savings for taking care of his daily needs, particularly in the post retirement period. There is no instrument which gives returns enough to cope with the increase in price levels, with the result that with a passage of time, by not doing anything, (or having invested all your savings in fixed interest instruments), you have lesser and lesser money for your needs which tend to become pricier. To overcome this situation, there must be some component of your savings which has to be compulsorily invested in equity shares. Unfortunately even in 2018 as I am writing this article there is a miniscule proportion of investors who invest in the share market. The knowledge base required for identifying the correct avenues for share market investment, is however rather tricky and not a layman's job. How can then an uninitiated investor benefit from the returns of the share market, without a reasonable level of awareness about equity? This is exactly where equity mutual funds come in and offer an opportunity to everyone to invest as low as Rs 500 per month and still enjoy the returns of the share market. The only caveat is that you must be a long term investor. The mutual funds in India have given superlative returns for the past several years and rarely has an investor lost money by investing in mutual funds *over long time horizons*. If rolling returns from the share market are tabulated year after year, it can be seen that in a rolling space of about seven years, an investor has hardly ever lost money, assuming that the investment has been made in the *average* share market, as measured by the indices. Mutual funds however try and manage to surpass the performance of average share market and to this end they have succeeded. Good and successful mutual funds have succeeded by a long mile I would say. I am not intending to cover the sectoral or thematic funds such as banking funds, pharma funds, technology funds or other similar funds encompassing specified sectors or themes. The reason for this is that much better and perceptible variegation can be achieved by sticking to 'diversified equity funds' which invest across several sectors. For an individual (unless he or she is an expert who can perceive the future of a particular sector such as the pharma sector or the IT sector or the Banking sector) it does not make sense to invest in a sectoral fund or a thematic fund. It is best to stick to a diversified equity fund since it does not heavily depend on the fortunes of a particular sector.

Consider the following numbers: The last 2 to 3 years have seen a lot of political activity favourable to the incumbent government in India and the share market indices are at a historical high at the close of the year 2017. The current market returns over the last few months are therefore fallacious and cannot be a barometer for long term returns. To quote an example, in the last twelve months (as up to December 2017), the best performing mutual fund in the large cap category namely JM Core 11 fund has given a return of 44.52%, in the multi cap category the IDFC Focused Equity Fund has given a return of 56.85%, and among the small cap fund, it's the SBI Small and Midcap Fund which has given a return of 80.44%. While these are actual figures, they are not symptomatic of probable future returns and thus need to be ignored. Lucky are those who invested in these instruments a year back, but it would be almost impossible to replicate these returns in future. A more allegiant pointer would be returns over 3 or 5 years. Consider the following table of returns over the period of 1 year, 3 years and 5 years from the *average* of all mutual fund schemes in each category namely large cap, multi cap, mid cap and small cap. The first table at the **Table Number 1** indicates at a glance the average returns from all schemes in the said category. The category average is in fact a mix of good performers, average performers and poor performers in all cases. If however one looks at **Table Number 2**, one will find a stupendous difference in the comparative performance of the category average and the best performer in each of the categories, large, multi, mid and small cap. The value of Rs. 1000 invested 1 or 3 or 5 years ago in these schemes is also shown alongside with the stated rates.

The category average (as on 31-10-2017)

		Duration			**Duration**	
Category	**1 year**	**3 years**	**5 years**	**1 year**	**3 years**	**5 years**
	*Annualised percentage returns from the **average** of funds within the category*			*Rs 1000 invested in these **average** schemes 1 or 3 or 5 years ago has grown to*		
Large Cap	25.50	8.70	14.10	1255	1284	1934
Multi Cap	30.90	12.90	17.60	1309	1439	2249
Mid Cap	34.10	17.00	23.30	1341	1602	2850
Small Cap	44.00	22.80	28.80	1440	1852	3545
Table Number 1						

The best performer in each category (as on 30-12-2017)

	Annualised returns from the best performing fund within the category			*Rs 1000 invested in these best performer schemes 1 or 3 or 5 years ago has grown to*		
		Duration			**Duration**	
Category	**1 year**	**3 years**	**5 years**	**1 year**	**3 years**	**5 years**
Large Cap	44.52	17.53	21.12	1445	1623	2607
Multi Cap	56.85	22.29	23.50	1569	1829	2873
Mid Cap	63.10	25.08	30.78	1631	1957	3826
Small Cap	80.44	31.36	37.76	1804	2267	4962
Table Number 2						

It can thus be seen that an amount of Rs. 1000 invested in December 2012, in the best ranked schemes among the large cap, multi cap, mid cap and small cap schemes respectively would have grown to Rs. 2607, 2873, 3826 and 4962. On the face of it, the small cap space looks most attractive, but an investor, particularly a new investor would do well to either keep away from this sector or at least restrict the investment in the sector to 10 to 15% of total investment. Remember the apothegm 'higher the return, higher the risk'

<u>Don’t buy what they want to sell. You decide what you want to buy.</u>

If all this calculation is so obvious and simple, why isn't everyone making money this way? The problem is, although more and more investors are turning to mutual funds every month, the guidance needed for the uninitiated is not easily available. Mis-selling is rampant and the only advice one tends to get is emerging from the inexperienced staff of the intermediaries who either don't know the subject well enough or are mandatorily required to capture any walk-in customer and sell him something so long as he is willing to buy something! While doing that there is unfortunately still an emphasis to sell new schemes for the better commissions that the sellers pocket than the picayune commissions they get by selling ongoing well established schemes. I for one will strongly advise the reader *to avoid all new schemes*, since there is nothing on record to look at the past performance, there is only statement of intentions. While it is a well accepted *disclaimer* that 'past performance cannot be a pointer to the future performance', I would rather go by the scheme which has ostended good past performance rather than a new scheme which has no past track record at all. Don't get enthused by the track record of the fund manager who has undoubtedly done wonders in the past. When a new fund is launched, known as NFO (New Fund Offer), what is most important is at what point in time they deploy their initial corpus and what has been the state of the market at that point in time and so on. It indubitably and often happens that when the markets are high the overall sentiments are positive for share market investment and at such times, new funds are launched to collect ginormous quantum of funds. When this happens, the fund manager is also likely to purchase shares at high valuations, thereby paring down chances of possible future growth. The best advice to the reader would therefore be to shun the NFOs at any cost and not to get hornswoggled by the sweet sales talk.

How to analyse a fund?

I have mentioned earlier the returns from the best performing fund in each category namely large cap, multi cap, mid cap and small cap. The screen shots of the brief performance of these funds can also be extracted from www.researchonline.com. I am displaying one of them for the large cap fund.

JM Core 11 Fund - Direct Plan ★★★★★

Regular | **Direct Plan** Status: Open for subscription

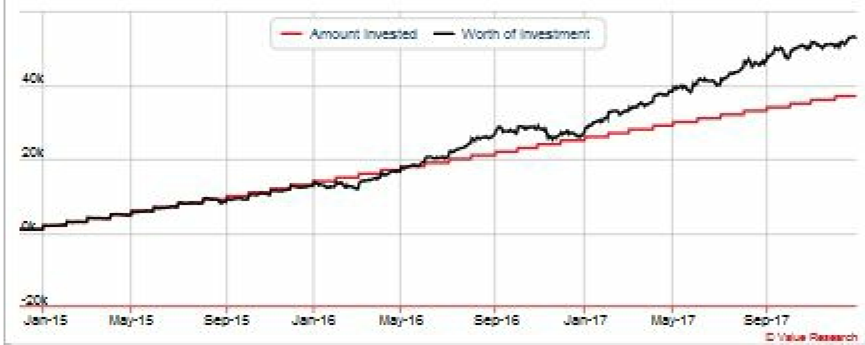
0.39%	Growth: ₹ 9.4558	Category:	Equity: Large Cap
Change from previous, NAV as on Dec 29, 2017	Dividend: ₹ 9.2671	Assets:	₹ 34 crore (As on Nov 30, 2017)
	NAV of Other Plans	Expense:	-

Add To Watchlist | Add To Portfolio | Share

Snapshot | Performance | Portfolio | Analysis | Download Reports

SIP Returns

Amount 1000 | Frequency Monthly | Start Date Dec 01, 2014 | End Date Dec 01, 2017



Basic Details	
Fund House:	JM Financial Mutual Fund
Launch Date:	Jan 01, 2013
Benchmark:	S&P BSE Sensex
Riskometer:	High
Risk Grade:	High
Return Grade:	High
Turnover:	-
Type:	Open-ended

Investment Details	
Return since Launch:	19.06%
Minimum Investment (₹)	5,000
Minimum Addl Investment (₹)	1,000
Minimum SIP Investment (₹)	500
Minimum No of Cheques	12
Minimum Withdrawal (₹)	500
Minimum Balance (₹)	-
Exit Load (%)	1% for redemption within 90 days

Performance

	YTD	1-Month	3-Month	1-Year	3-Year	5-Year	10-Year
Fund	44.52	2.81	4.63	44.52	17.53	-	-
S&P BSE Sensex	27.91	2.74	8.86	27.91	7.40	-	-
Category	30.67	2.99	7.97	30.67	10.70	-	-
Rank within Category	1	135	182	1	1	-	-
Number of funds in category	182	196	189	182	162	-	-

As on Dec 29, 2017

www.valueresearchonline.com

The fund for which the screen shot is displayed above is the number one ranked large cap fund over a time frame of 1 year and 3 years both and it can be seen that the returns for the period of 1 year are 44.52% and for 3 years they are 17.53% compounded. The fund is J M Core 11 fund – direct plan. That leads to the next question, what is a *direct* plan as opposed to a *regular* plan? Right now, I am proroguing the answer to that question, but sometime in my subsequent articles, I will take you through the 'direct' MF investments. I will only state here that it is possible to eliminate the intermediary and make investment *directly with the AMC concerned*, thereby improving the returns further by 0.75% to 2.00% per annum. (Over long periods of 7 to 10 years, that can make a difference of almost 10% in maturity value of your investment!)

What does the above screenshot for J M Core 11 fund tell me? If you search for this fund in www.valueresearchonline.com, you can easily get the actual page from where the screen shot is picked up. *(See the link below)*. It can be observed that there are several other tabs on the page, where further detailed analytical information about this fund can be sourced. As an example the different questions which can be asked and answered from the web-page (https://www.valueresearchonline.com/funds/newsnapshot.asp?schemecode=16539) are:

1. The launch date of the fund: 5th March 2008
2. Growth of monthly SIP of Rs. 1000 per month from 1st December 2014 to 1st December 2017 (37 instalments of Rs. 1000 each): Rs.51775
3. Alpha = 8.98, Beta = 1.36, Standard Deviation = 20.54, Mean Returns= 16.52, Sharpe Ratio = 0.59, Sortino Ratio = 0.93, Assets Under Management (AUM), Rs. 340 million, Rank within the category of large cap funds = 1 (out of 162 funds with 3 years or higher age) (A little more about these numbers, later in this article. Please see a section called as '*the mystery behind the numbers*')
4. The top holdings of the fund (as on 31st December 2017): Voltas, Maruti, HDFC, L & T, Shree Cement, Yes Bank, Asian Paints, Bajaj Finance, Tata Motors, Petronet.
5. Minimum Lump sum investment = Rs. 5000, Minimum monthly SIP = Rs. 500.
6. This fund has been rated in a five star category.
7. A lot more information which the reader can explore about a fund.

The reader is advised to note that the ranking within a category can be highly spasmodic and can keep changing. This fund too has experienced wide swings from being the top ranker to being in the last 10 in a brief span of six months. While that may be so, since the investment is ideally recommended for long duration, it makes more sense to consider the performance and ranking over a longer time span of about 5 years or at least 3 years.

How to select a fund?

A question which may come to anyone's mind is what is a star rating? Who allots it, on what performance parameters is it based and how reliable is the same? There are several publications and websites which do an independent research of mutual funds and keep updating the investor almost on a daily basis. Some of the reputed ones are (1) Economic Times website at https://economictimes.indiatimes.com/mutual-funds, (2) Money Control which has web access and access through mobile application also. It can be accessed at http://www.moneycontrol.com/mutualfundindia/ . It can be useful for tracking all of one's investments at one place. (3) Over the years I have found that the web resource from www.valueresearchonline.com is the **most** comprehensive. Their web analysis of funds goes well beyond the others and offers an analysis which I found most reliable, written in an unbiased professional manner, and based purely on merit. As an investor, one only needs to confirm and reaffirm that the chosen scheme continues to be in a five star or four star category. If it is, there is nothing to worry about, even if one is going through some ups and downs in terms of valuation of one's investment. If one does not wish to get into the numerical parameters, one may as well ignore the same and go just by the **star** rating by www.valueresearchonline.com. The numbers mentioned earlier such as Alpha, Beta, Sharpe ratio, Sortino ratio, Standard Deviation are reflected in the star rating allotted to the fund and the star rating ensures that sudden spiked performances do not influence the star ratings. One may confirm the 'better than average' performance of the chosen scheme once in every six months. Coming to the star ratings, they are allotted thus. The funds within a category are analysed as to the returns, risk (as measured by various pointers such as standard deviation or variability of the returns), volatility (as indicated by Beta of the fund), alpha (fund's performance over and above some bench mark), risk ratios such as Sharpe ratio or Sortino ratio, expenses ratio and more. One needs to remember that returns over a certain period alone are not the criterion for allotting star ranks. It is possible that a fund manager may have taken higher risk to generate returns as compared to another fund manager with similar fund returns. This is also taken into account while allotting star ranks. As practiced by the Value Research Group, in a category, the top 10% funds are given 5 stars, next 22.5% are in 4 star, next 35% are in 3 star, next 22.5% are in 2 star and the last 10% are in 1 star. In addition there may be funds which are not even rated, either because they are too new or too small. All the portals mentioned above have some similar methodology for comparing funds and it is borne out of their own research. It is not unusual to find a fund ranked by one portal as 4 star, to be ranked as 5 star by another. It is a good practice to always reconfirm the rankings from at least two different sources. The value research online portal has a print edition of a monthly magazine in the name "Mutual Fund Insight" which is a very comprehensive resource on Indian mutual funds and I have found that it offers the most professional advice on the MF industry. I am an individual subscriber to this magazine for several years. (For subscription, visit: https://shop.valueresearchonline.com/store/subscribe.asp?chkid=1&active=mfi&storepage=mfiindia&subscribe=subscribe&)

The procedure to invest in mutual funds.

(1)To invest in a mutual fund in India, one needs to have a PAN number (allotted by the Income Tax Department to the Indian citizen), a bank account with a cheque book which mentions account holder's name, IFSC code, MICR code, an Aadhar Card issued to you and the bank address. Besides one needs to be KYC complaint (**K**now **Y**our **C**ustomer). If you don't have a PAN number, you can obtain one by visiting https://www.onlineservices.nsdl.com/paam/endUserRegisterContact.htm . If you are not KYC Compliant, you need to become. Any fund house or their appointed intermediaries will provide the requisite KYC form to you once you have already obtained the PAN number. This is a onetime process. The same KYC compliance will help you to invest in other funds also. If you don't have an Aadhar card, please visit https://uidai.gov.in/ to obtain one.

(2) Ideally, mutual fund investment can be held in demat account (demat = *demat*erialised account for holding shares and mutual funds in electronic form), but if mutual fund investment is the only thing you are likely to hold in demat account, you may as well do it without

demat account and choose to hold it through physical statements. In either case the process is quite simple. Any office of CAMS or Karvy could assist you. For the nearest centre one can visit https://www.camsonline.com/InvestorServices/COL_ISServiceCenter.a or https://www.karvy.com/locate-us to locate them. Between CAMS and KARVY, it would be possible to apply for most mutual funds except Reliance group and Franklin Templeton group.

(3)The minimum amount that can be invested in a mutual fund is usually Rs. 5000 in a scheme. If you wish to make a periodical investment, the minimum amount per month required to be invested can be as low as Rs. 500

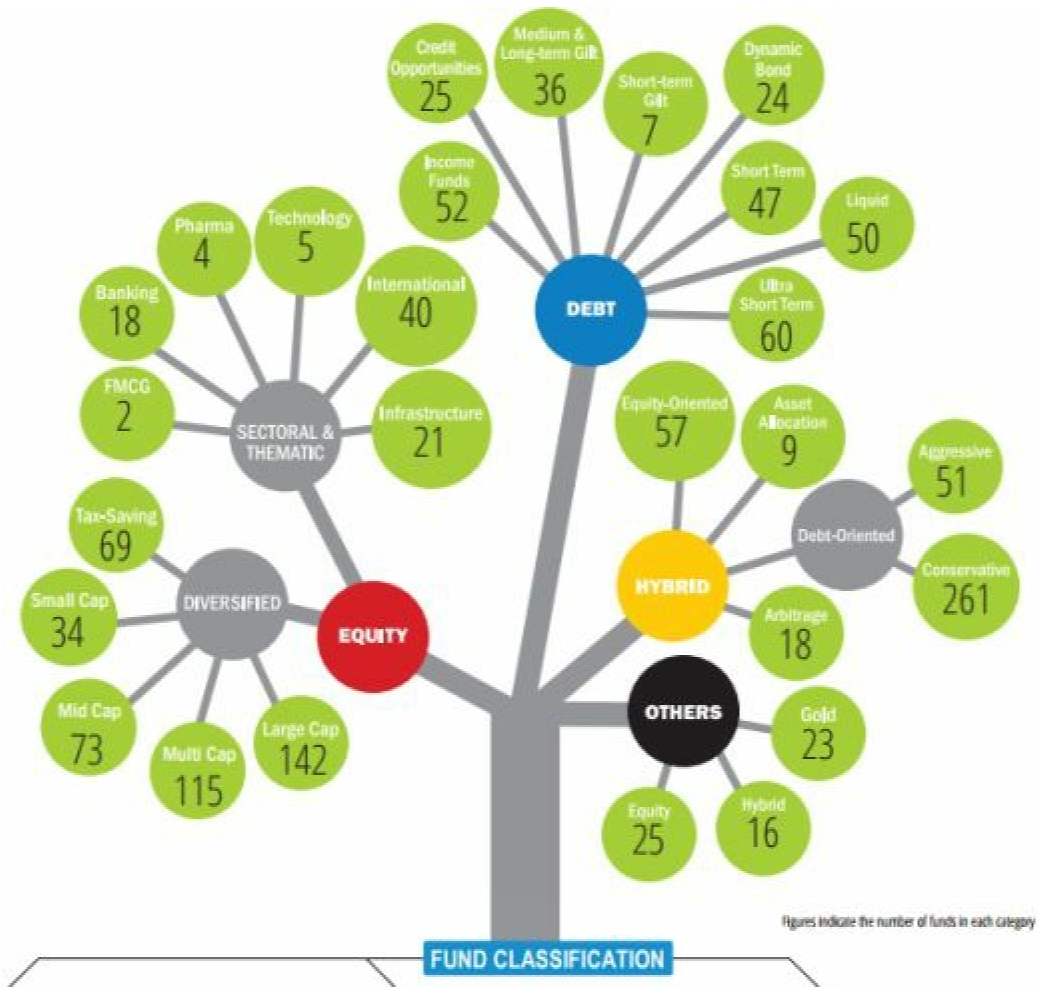
(4)An SIP (Systematic Investment Plan) is one's commitment to invest a certain fixed amount in a periodical manner, usually monthly, or fortnightly (in some funds even weekly). At the time of first instalment of investment one can submit post dated cheques for 12 months. It is also possible to opt for automatic debit to your bank account, after submitting the first cheque with the initial application.

(5)If one wishes to invest through demat account it is even easier. Every month (or a fortnight or a week) the designated amount will be transferred from one's bank account into the mutual fund. This is by far the easiest process. This manner of investment through SIPs (either demat or physical) inculcates the required discipline to keep aside the required money for investment available and is the single most important lesson to learn for financial stability.

(6)Once an initial investment is made, it is possible to track the value of that and subsequent investments. Nothing is easier than this. Simply open a free login at moneycontrol by visiting http://www.moneycontrol.com/ and creating a login id. Once done the MF or share investments can simply be fed in to be able to track their valuation. This can include other assets like Unit Linked Plans (ULIPs), property, bullion and the like. Another important lesson to learn is to ignore the periodical ups and downs in the market value of investments and stick to the plan of monthly instalments of investment. Quitting too early or buying too early or postponing your SIPs are some grave mistakes to be avoided, and for that sticking to the discipline of periodical investment is of prime importance.

(7)Which Mutual Fund should you invest in? Here one will be spoilt for choice since there are about 960 schemes which partly or fully invest in equity shares. My advice for a new investor would be to invest either in a pure diversified equity scheme or an equity oriented balanced scheme (suitable for a more conservative investor who does not want to invest fully in equity). Pure equity schemes invest most of their corpus in equity shares only whereas the balanced equity oriented schemes are those which invest about 60% of their corpus in equity shares, with the balance being invested in debt instruments (read fixed income instruments). Look at the following spectrum of the 960 mutual fund schemes which are available for an investor.

<u>The universe of 960 equity mutual funds</u>



Source: Monthly magazine **Mutual Fund Insight, issue for January 2018, page 61**

From the house of www.valueresearchonline.com

<u>How to invest in mutual funds and do you want to do it?</u>

There no *one size fits all* answer to this question. You need to consider the following issues before making an investment in an equity mutual fund.

1. Am I willing to invest and remain invested for at least 3 years? *The longer the better!*
2. Am I agreeable to follow a strict financial discipline of investing at periodical instalments, come what may?
3. Am I setting aside an amount on which I am not dependant or do I foresee situations where I may have to withdraw my commitment of periodical investment?
4. Am I one who gets worried about daily swings in the market or am I patient enough to sit back and relax, since I know that my choice of funds is good and daily ups and downs in an equity market do not matter over long period?
5. Do I get nervous about the depleting value of my investment when the share market indices are down or I can keep my cool?
6. Will I need any of my investments to be redeemed before 3 years?
7. Am I keeping reasonably good health or am I one who is suffering from incurable diseases, where the expectancy of my residual life span is uncertain?

Please remember that mutual fund investment is **not suitable for you *if*** *you do not wish to remain invested for 3 years or longer and are looking for a quick profit; you don't like to abide by a financial discipline by committing a minimum investment per month; you are borrowing to invest; you believe in the maxim spend today, earn tomorrow; you feel insecure after reading any news related to stock market; you have not kept aside some emergency fund to cater to unforeseen situations like illnesses or accidents.*

Presuming that all the issues mentioned here are taken care of and you have finally decided to make investments in mutual funds, here are the questions which you need to answer before taking the plunge.

<u>The questions you need to answer:</u>

1. How much am I proposing to invest per month? If you are at the beginning of your earning career, it should be at least 10% of your take home income, and as you progress and go up the proverbial ladder, this percentage should increase too.
2. Should I follow a systematic investment plan so that I can make

monthly / fortnightly investment? *(Remember, further fine tuning to make it to weekly or daily investment does not help much)*

3. What type of fund should I invest in? Large-cap, multi-cap, mid-cap, small-cap or tax saving equity fund? *(What is a tax saving mutual fund?)*
4. How many funds should I select? 5 or 10 or more? *(Usually you can't improve your returns significantly by investing in more than four funds)*
5. Should I hold my mutual funds in demat form or physical form?
6. Do I have a PAN Card, an Aadhar card and a cheque book ready for taking the plunge?

If you have all these answers ready, the next step is to decide which fund you would like to invest in. As a general guideline I would suggest one large-cap fund, one multi-cap or mid-cap fund and one tax saving fund, if you want mainly equity investment. You can look at some balanced funds if you are more conservative. I am suggesting one tax saving fund assuming that you have not completed your annual quota of permitted savings under section 80(C) of the Income Tax Act, which enables you to save up to Rs. 1,50,000 of tax (as for the financial year 2017-18, limit may go up for subsequent financial years). It still makes sense to invest in tax saving funds even if you have exhausted the full limit since the returns are attractive and the requisite discipline is automatically imposed on you inasmuch as there is a compulsory lock-in period of 3 years for this investment. You are thus prevented from withdrawing from this fund for 3 years plus one day, giving the fund manager some stability to churn the portfolio the way he desires for best results, since the redemption pressures are less on him.

Assuming that the amount that you wish to invest is Rs.10000 per month, you could consider Rs. 3000 for large-cap, Rs. 3000 for multi-cap, Rs. 3000 for mid-cap and may be a small amount of Rs. 1000 for small cap. One or two of these choices could be replaced by tax saving mutual funds if you desire. For the more conservative, a mix of two or three equity oriented balanced funds is suggested. For higher amounts you could invest in the same proportion.

Which funds? The final selection

To make the job of a new investor easier, I am attaching the screen shots giving the rankings of funds in some of the above categories. These were sourced from www.valueresearchonline.com and are valid as on the date of writing this article (January 2018). As a good start, you can choose any of the top 5 in each category so long as they are in five star or four star category. If you want further parameters for a choice among the top 5, you can delve deeper in any of these funds and find out as to which actual equity shares have been bought by these funds. A further diversification is possible if you analyse carefully the list of scrips purchased by these funds and see that there is least commonality in them so that you get more dispersion of scrips.

A brief note on how to generate these screen shots:

- *Visit www.valueresearchonline.com*
- *Below the top red title of* ***Value Research*** *click on 'Funds'*
- *Scroll down to find 'Power Tools'*
- *Select 'Category Compare'*
- *Select 'Fund Type' as Open ended, choose category as (say) 'Equity – Large cap' and then 'go'*
- *In the fund list which has opened, click on 'Returns', next to the 'Snapshot'*
- *Click on 'Returns' or 'Rank' under 3 or 5 years*
- *You will now see tables similar to those appended as Appendix A, B, C, D or E hereafter.*

Appendix A
Top 15 large-cap equity funds

Snapshot | Returns | Portfolio | Risk Stats | NAV Details | Fees & Details

Overview | Short-term | Annual | Quarterly | Monthly | Weekly

Download Data

Fund | Rating	1-Month		3-Month		1-Year		3-Year		5-Year		10-Year	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
JM Core 11 Fund - Direct Plan | ★★★★★	2.61	176/196	3.32	185/189	41.24	1/182	16.46	1/162	-	-	-	-
Mirae Asset India Opportunities Fund - Direct Plan | ★★★★★	3.67	33/196	8.61	31/189	37.98	10/182	16.02	2/162	21.40	1/134	-	-
Invesco India Growth Fund - Direct Plan | ★★★★★	3.36	64/196	9.18	23/189	40.53	3/182	15.66	3/162	20.46	3/134	-	-
Kotak Select Focus Fund - Direct Plan | ★★★★★	2.75	171/196	6.61	116/189	34.19	28/182	15.45	4/162	-	-	-	-
JM Multi Strategy Fund - Direct Plan | ★★★★★	3.60	39/196	3.93	179/189	38.00	9/182	15.26	5/162	19.00	8/134	-	-
Mirae Asset India Opportunities Fund - Regular Plan | ★★★★★	3.59	41/196	8.41	38/189	36.99	13/182	15.12	6/162	20.36	4/134	-	-
JM Core 11 Fund | ★★★★	2.53	177/196	3.10	186/189	39.86	4/182	14.73	7/162	17.43	23/134	-	-
SBI Bluechip Fund - Direct Plan | ★★★★★	2.95	149/196	7.82	68/189	30.24	60/182	14.38	8/162	19.06	7/134	-	-
Kotak Select Focus Fund Regular Plan | ★★★★★	2.65	174/196	6.29	137/189	32.65	34/182	14.19	9/162	19.82	6/134	-	-
Indiabulls Bluechip Fund - Direct Plan | ★★★	3.75	25/196	8.49	35/189	34.15	29/182	13.94	10/162	15.12	54/134	-	-
Invesco India Dynamic Equity Fund - Direct Plan | ★★★★★	2.14	188/196	3.86	181/189	31.13	46/182	13.78	11/162	17.50	21/134	-	-
Motilal Oswal MOSt Focused 25 Fund - Direct Plan | ★★★★★	3.61	35/196	5.21	166/189	31.95	36/182	13.61	12/162	-	-	-	-
Invesco India Growth Fund | ★★★★★	3.17	87/196	8.61	32/189	38.14	8/182	13.60	13/162	18.65	10/134	8.79	13/53
JM Multi Strategy Fund | ★★★★	3.53	49/196	3.72	182/189	36.57	16/182	13.54	14/162	17.65	18/134	-	-
SBI Bluechip Fund | ★★★★★	2.85	164/196	7.50	76/189	28.76	93/182	13.13	15/162	18.03	15/134	8.57	15/53

Screenshot from large-cap funds, accessed from www.valueresearchonline.com, and sorted on the ranking over 3 year returns. The top ranked fund has given returns of 16.46% pa compounded whereas the one at rank 15 has given returns of 13.13% pa compounded. It can be seen that this ranking is among 162 funds analysed over 3 year time frame, and **most of them except one** are either in 5 star or 4 star category. Ranking extracted as on 03 January 2018 at 8:41 PM IST. Click https://www.valueresearchonline.com/funds/fundSelector/returns.asp?cat=8&exc=susp%2Cclose%2C3Star%2C2Star%2C1Star%2CnotRated&retta

Appendix B
Top 15 multi-cap equity funds

Snapshot | Returns | Portfolio | Risk Stats | NAV Details | Fees & Details

Overview | Short-term | Annual | Quarterly | Monthly | Weekly

Download Data

Fund | Rating	1-Month		3-Month		1-Year		3-Year		5-Year		10-Year	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Motilal Oswal MOSt Focused Multicap 35 Fund - Direct Plan | ★★★★★	3.30	102/122	5.14	114/120	41.55	24/114	21.17	1/107	-	-	-	-
Motilal Oswal MOSt Focused Multicap 35 Fund - Regular Plan | ★★★★★	3.21	106/122	4.89	116/120	40.20	30/114	20.06	2/107	-	-	-	-
Tata Retirement Savings Fund - Progressive Plan - Direct Plan | ★★★★★	4.47	37/122	8.36	72/120	48.17	5/114	19.21	3/107	-	-	-	-
ICICI Prudential Nifty Next 50 Index Fund - Direct Plan | ★★★★★	4.94	27/122	11.14	35/120	43.85	15/114	18.59	4/107	20.31	20/91	-	-
IDBI Nifty Junior Index Fund - Direct Plan | ★★★★	4.93	28/122	11.05	36/120	43.23	17/114	18.42	5/107	19.90	22/91	-	-
Reliance ETF Junior BeES | ★★★★	5.09	19/122	11.45	32/120	43.92	14/114	18.41	6/107	20.05	21/91	9.38	17/41
DSP BlackRock Opportunities Fund - Direct Plan | ★★★★★	3.60	85/122	10.49	42/120	38.94	38/114	18.31	7/107	20.76	15/91	-	-
Invesco India Contra Fund - Direct Plan | ★★★★★	5.60	6/122	15.08	4/120	45.17	8/114	18.31	8/107	23.53	2/91	-	-
Principal Growth Fund - Direct Plan | ★★★★	4.81	31/122	13.12	14/120	49.00	4/114	18.10	9/107	-	-	-	-
ICICI Prudential Nifty Next 50 Index Fund | ★★★★	4.90	29/122	11.02	38/120	43.30	16/114	18.06	10/107	19.77	24/91	-	-
Tata Equity PE Fund - Direct Plan | ★★★★	4.28	44/122	6.19	103/120	38.86	39/114	17.71	11/107	23.13	3/91	-	-
Aditya Birla Sun Life Advantage Fund - Direct Plan | ★★★★★	3.42	98/122	5.39	112/120	40.08	31/114	17.69	12/107	22.85	4/91	-	-
Tata Retirement Savings Fund - Progressive Plan - Regular Plan | ★★★★	4.36	40/122	8.04	78/120	46.34	7/114	17.42	14/107	19.38	29/91	-	-
Principal Growth Fund | ★★★★	4.73	34/122	12.90	19/120	47.89	6/114	17.27	15/107	20.94	12/91	6.73	33/41

Screenshot from multi-cap equity funds, accessed from www.valueresearchonline.com, and sorted on the ranking over 3 year returns. The top ranked fund has given returns of 21.17% pa compounded whereas the one at rank 15 has given returns of 17.27% pa compounded. It can be seen that this ranking is among 107 funds analysed over 3 year time frame, and **all of them** are either in 5 star or 4 star category. Ranking extracted as on 03 January 2018 at 11:50 PM IST. Click on https://www.valueresearchonline.com/funds/fundSelector/returns.asp?cat=9&exc=susp%2Cclose%2C3Star%2C2Star%2C1Star%2CnotRated&retta

Appendix C
Top 15 mid cap equity funds

Categories: Equity: Mid Cap ×

Exclusions: Plans Suspended for Sales × Closed-end × 3-Star Funds × 2-Star Funds × 1-Star Funds × Not Rated ×

Snapshot | Returns | Portfolio | Risk Stats | NAV Details | Fees & Details

Overview | Short-term | Annual | Quarterly | Monthly | Weekly

Download Data ▾

Fund | Rating	1-Month		3-Month		1-Year		3-Year		5-Year		10-Year	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Mirae Asset Emerging Bluechip Fund - Direct Plan | ★★★★★	4.28	51/95	11.81	53/95	47.63	13/91	24.14	1/83	31.30	1/66	-	-
Mirae Asset Emerging Bluechip Fund - Regular Plan | ★★★★★	4.21	54/95	11.58	57/95	46.48	18/91	23.09	2/83	30.08	3/66	-	-
L&T Midcap Fund - Direct Plan | ★★★★★	3.89	74/95	11.33	61/95	51.26	5/91	22.90	3/83	29.46	5/66	-	-
L&T Midcap Fund | ★★★★	3.81	77/95	11.06	65/95	49.94	9/91	21.86	4/83	28.43	7/66	12.67	7/28
Aditya Birla Sun Life Pure Value Fund - Direct Plan | ★★★★★	5.33	9/95	14.69	16/95	55.07	3/91	21.44	5/83	30.54	2/66	-	-
Principal Emerging Bluechip Fund - Direct Plan | ★★★★★	4.44	41/95	11.79	54/95	48.50	12/91	21.21	6/83	27.86	10/66	-	-
Canara Robeco Emerging Equities Fund - Direct Plan | ★★★★★	4.64	29/95	12.02	52/95	51.03	7/91	21.06	7/83	29.67	4/66	-	-
Escorts High Yield Equity Fund | ★★★★	2.94	93/95	7.15	93/95	31.70	85/91	20.44	8/83	22.91	42/66	10.14	19/28
Escorts High Yield Equity Fund - Direct Plan | ★★★★	2.96	92/95	7.17	92/95	31.56	87/91	20.38	9/83	-	-	-	-
Kotak Emerging Equity Scheme - Direct Plan | ★★★★	3.66	79/95	12.70	36/95	42.39	42/91	20.33	10/83	-	-	-	-
Aditya Birla Sun Life Pure Value Fund | ★★★★	5.21	14/95	14.30	23/95	53.24	4/91	20.22	11/83	29.40	6/66	-	-
Sundaram Select Midcap Fund - Direct Plan | ★★★★	4.40	42/95	12.50	42/95	39.40	61/91	20.07	12/83	26.21	20/66	-	-
Principal Emerging Bluechip Fund | ★★★★	4.32	49/95	11.41	60/95	46.88	16/91	20.01	13/83	26.77	14/66	-	-
BNP Paribas Midcap Fund - Direct Plan | ★★★★	3.14	89/95	12.57	38/95	49.22	10/91	19.96	14/83	26.23	18/66	-	-
L&T India Value Fund - Direct Plan | ★★★★★	4.65	28/95	10.68	72/95	39.91	59/91	19.84	16/83	26.56	15/66	-	-

Screenshot from midcap funds, accessed from www.valueresearchonline.com, and sorted on the ranking over 3 year returns. The top ranked fund has given returns of 24.14% pa compounded whereas the one at rank 15 has given returns of 19.84% pa compounded. It can be seen that this ranking is among 83 funds analysed over 3 year time frame, and **all of them** are either in 5 star or 4 star category. Ranking extracted as on 03 January 2018 at 8:33 PM IST.

Click on
https://www.valueresearchonline.com/funds/fundSelector/returns.asp?
cat=10&exc=susp%2Cclose%2C3Star%2C2Star%2C1Star%2CnotRated&rett

Appendix D
Top 15 tax saving funds

Snapshot	Returns	Portfolio	Risk Stats	NAV Details	Fees & Details
Overview	Short-term	Annual	Quarterly	Monthly	Weekly

Download Data

Fund | Rating	1-Month		3-Month		1-Year		3-Year		5-Year		10-Year	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Tata India Tax Savings Fund - Direct Plan | ★★★★★	3.70	47/82	10.56	34/82	45.37	10/81	19.09	1/69	22.29	6/61	-	-
IDFC Tax Advantage (ELSS) Fund - Direct Plan | ★★★★★	5.13	6/82	12.58	9/82	53.91	3/81	18.80	2/69	-	-	-	-
Escorts Tax Plan - Direct Plan | ★★★★	2.21	81/82	7.20	75/82	34.71	55/81	18.28	3/69	-	-	-	-
Escorts Tax Plan | ★★★★	2.18	82/82	7.18	76/82	34.70	56/81	17.99	4/69	19.69	20/61	2.24	26/26
BOI AXA Tax Advantage Fund - Direct Plan | ★★★★	5.66	1/82	16.54	1/82	58.87	1/81	17.77	5/69	-	-	-	-
Tata India Tax Savings Fund | ★★★★★	3.59	53/82	10.19	38/82	43.63	13/81	17.76	6/69	21.12	12/61	9.78	9/26
IDFC Tax Advantage (ELSS) Fund - Regular Plan | ★★★★	5.01	8/82	12.21	11/82	52.20	4/81	17.39	7/69	21.56	10/61	-	-
Principal Tax Savings Fund - Direct Plan | ★★★★	3.96	31/82	13.25	5/82	47.79	5/81	17.38	8/69	21.38	11/61	-	-
Aditya Birla Sun Life Tax Relief 96 - Direct Plan | ★★★★★	4.86	11/82	11.62	15/82	43.15	14/81	17.36	9/69	22.65	3/61	-	-
Aditya Birla Sun Life Tax Plan - Direct Plan | ★★★★★	4.77	13/82	11.36	18/82	42.51	16/81	16.94	10/69	22.04	7/61	-	-
Principal Tax Savings Fund | ★★★	3.93	34/82	13.17	6/82	47.39	7/81	16.88	11/69	20.83	14/61	5.85	20/26
L&T Tax Advantage Fund - Direct Plan | ★★★★	4.98	9/82	9.70	42/82	42.36	18/81	16.72	12/69	20.00	17/61	-	-
DSP BlackRock Tax Saver Fund - Direct Plan | ★★★★	3.84	39/82	8.92	54/82	36.15	46/81	16.58	13/69	20.92	13/61	-	-
Aditya Birla Sun Life Tax Relief 96 | ★★★★★	4.73	14/82	11.25	20/82	41.58	22/81	16.31	14/69	21.61	9/61	8.10	14/26
Aditya Birla Sun Life Tax Savings Fund - Direct Plan | ★★★★	4.65	17/82	11.22	21/82	41.69	21/81	16.02	15/69	19.54	22/61	-	-

Screenshot from tax saving funds, accessed from www.valueresearchonline.com, and sorted on the ranking over 3 year returns. The top ranked fund has given returns of 19.09% pa compounded whereas the one at rank 15 has given returns of 16.02% pa compounded. It can be seen that this ranking is among 69 funds analysed over 3 year time frame, and **most of them except one** are either in 5 star or 4 star category. Ranking extracted as on 03 January 2018 at 8:41 8:45 PM IST.

Click on
https://www.valueresearchonline.com/funds/fundSelector/returns.asp?cat=18&exc=susp%2Cclose%2C3Star%2C2Star%2C1Star%2CnotRated&ret

Appendix E
Top 20 hybrid equity oriented balanced funds

Snapshot | Returns | Portfolio | Risk Stats | NAV Details | Fees & Details

Overview | Short-term | Annual | Quarterly | Monthly | Weekly

Download Data

Fund | Rating	1-Month		3-Month		1-Year		3-Year		5-Year		10-Year	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
Tata Retirement Savings Fund - Moderate Plan - Direct Plan | ★★★★★	3.58	13/106	6.81	32/106	38.02	3/100	17.58	1/63	-	-	-	-
Principal Balanced Fund - Direct Plan | ★★★★★	3.59	12/106	9.14	8/106	37.55	5/100	16.73	2/63	18.36	8/48	-	-
Tata Retirement Savings Fund - Moderate Plan - Regular Plan | ★★★★★	3.49	16/106	6.55	35/106	36.56	7/100	16.09	3/63	20.05	1/48	-	-
Principal Balanced Fund | ★★★★	3.42	18/106	8.68	11/106	35.65	8/100	15.56	4/63	17.26	16/48	8.91	14/23
L&T India Prudence Fund - Direct Plan | ★★★★★	3.04	27/106	5.76	40/106	27.88	21/100	14.48	5/63	19.19	4/48	-	-
Reliance Regular Savings Fund - Balanced Option - Direct Plan | ★★★★	2.28	53/106	5.30	48/106	30.00	11/100	14.41	6/63	17.53	13/48	-	-
ICICI Prudential Balanced Fund - Direct Plan | ★★★★★	3.09	26/106	8.22	16/106	25.62	33/100	14.34	7/63	19.39	3/48	-	-
HDFC Balanced Fund - Direct Plan | ★★★★★	2.82	36/106	7.16	27/106	27.50	24/100	13.57	8/63	19.45	2/48	-	-
HDFC Children's Gift Fund - Direct Plan | ★★★★	2.91	33/106	8.81	10/106	30.68	10/100	13.40	10/63	19.03	5/48	-	-
L&T India Prudence Fund | ★★★★	2.94	31/106	5.47	45/106	26.52	28/100	13.27	11/63	18.01	12/48	-	-
SBI Magnum Balanced Fund - Direct Plan | ★★★★	2.21	55/106	8.53	13/106	28.33	18/100	13.15	12/63	18.39	7/48	-	-
Aditya Birla Sun Life Balanced '95 Fund - Direct Plan | ★★★★	2.27	54/106	4.88	57/106	25.56	34/100	12.94	16/63	18.03	11/48	-	-
ICICI Prudential Balanced Fund | ★★★★	2.95	30/106	7.83	20/106	23.83	42/100	12.85	18/63	18.09	10/48	10.70	7/23
HDFC Children's Gift Fund | ★★★★	2.83	35/106	8.55	12/106	29.43	15/100	12.45	20/63	18.12	9/48	13.66	2/23

Screenshot from equity oriented balanced funds, accessed from www.valueresearchonline.com, and sorted on the ranking over 3 year returns. The top ranked fund has given returns of 17.58% pa compounded whereas the one at rank 20 has given returns of 12.45% pa compounded. It can be seen that this ranking is among 63 funds analysed over 3 year time frame, and **all of them** are either in 5 star or 4 star category. Ranking extracted as on 03 January 2018 at 11:45 PM IST. Ranks 9, 13, 14, 15, 17 and 19 are not allotted. Click on
https://www.valueresearchonline.com/funds/fundSelector/returns.asp?cat=23&exc=susp%2Cclose%2C3Star%2C2Star%2C1Star%2CnotRated&rett

<u>The mystery behind the numbers. What they mean.</u>

Broad definitions provided at www.investopedia.com have been used and reworded for the context of this article.

	<u>Term Used</u>	<u>Definition and interpretation</u>
1	Alpha	Alpha is a measure of excess percentage return of a fund, above some benchmark. *The higher the better*
2	AMC	Asset Management Company or the Fund House
3	AUM (assets under management	Assets under management (AUM) is the total market value of assets that a fund manager manages on behalf of investors.
4	Beta	Beta is a measure of the volatility, or systematic risk, of a security or a mutual fund in comparison to the market as a whole. Beta of higher than 1.0 means that your portfolio is *more* volatile than the benchmark. *The lower the better*
5	Exit load	The percentage charge on the value of investment applied as a penalty for quitting before the minimum holding period (Usually one year). While load is normally 1%, in rare cases it is even 4%. *The lower the better*
6	Expense ratio	The expense ratio is a measure of what it costs an asset management company (AMC) to run and operate a mutual fund. An expense ratio is determined through an annual calculation, where a fund's operating expenses are divided by the average

		Rupee value of its assets under management (AUM). *The lower the better*
7	Mean returns	The average annualised returns expressed as a percentage for the period under consideration. *The higher the better.*
8	Sharpe ratio	The Sharpe ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk. *The higher the better*
9	Sortino ratio	The Sortino ratio is a variation of the Sharpe ratio that differentiates harmful volatility from total overall volatility by using the asset's standard deviation of negative asset returns, called downside deviation. *The higher the better*
10	Standard deviation	Standard deviation is a measure of the variability of a set of returns values from the mean return. *The lower the better*

For finding the current values of these parameters for various funds, click on https://www.valueresearchonline.com/funds/fundSelector/risk.asp?q=

Conclusion:

To beat price rise, it is imperative that you must invest in equity mutual funds and you must make a beginning somewhere. The purpose of this article is to encourage and motivate you to do so. It will hopefully help you to make a good start. Amazingly, you will soon find yourself learning the tricks of the trade rather fast, and then there would be no looking back for you.

Table of contents

Acknowledgement

The author is grateful to the creators and owners of the website www.valueresearchonline.com for providing a reliable database of Indian mutual funds from which he has extensively quoted in this article; as also the print and electronic edition of their monthly magazine ‘Mutual Fund Insight’. He is also thankful to his numerous friends who have helped him to understand the universe of Indian mutual funds.

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The author, Madhusudan Sohani, is a master's degree holder in Physics and Business Management. He has also studied Computer Management and Operations Research. A life member of the All India Management Association (www.aima-ind.org), he worked for a non banking finance company from 1977 to 2003, and has a concurrent teaching experience of over thirty two years from 1985 to 2017. He is an honorary trainer for forty two years with an NGO for the youth. He is also a corporate trainer in field of personal investment and retirement planning. As a contributor to educational videos on www.youtube.com, several of his videos on operations research are available for public viewing.

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