

Five-star debutants

These three equity funds have started their rating journey at the top of the charts

Feb 22, 2019



The remarkable growth of the mutual fund industry in the last few years has been accompanied by the launch of many new products. We decided to hunt for the most promising ones of these.

We began our search with the list of funds that got rated by Value Research for the first time in the last couple of months, and further narrowed it down to the ones that stand at the top of the ratings ladder. This led us to a list of three equity funds.

But before we talk about them, it's worthwhile to understand our ratings. Value Research Fund Rating is a quantitative measure based upon the risk-adjusted returns of a fund versus those of other funds of a similar kind. An equity fund must have at least three years of performance history to be rated. The ratings act as a good starting point in fund selection but investors must further evaluate a fund's suitability to their investment needs and time horizon before investing in it.

So here we present the debutants that have made a strong appearance on the mutual fund industry's red carpet!

Fund	Category	Rating	3-yr return*	3-yr rank
Mirae Asset Tax Saver - Regular	Equity: ELSS	★★★★★	21.54%	1/33
Mirae Asset Tax Saver - Direct	Equity: ELSS	★★★★★	23.19%	1/33
HDFC Sensex ETF	Equity: Large Cap	★★★★★	16.28%	5/75
LIC MF ETF - Sensex	Equity: Large Cap	★★★★★	16.14%	7/75

As on February 20, 2019

*Annualized

Mirae Asset Tax Saver Fund

Launched in December 2015, this new comer has taken the category of tax-saving funds by storm. Its three-year annualised return of over 20 per cent puts it miles ahead of the category and the benchmark. To its credit, the fund has achieved this by consistently outperforming its peers in each of the last three calendar years, including the bear markets of 2018. The fund follows a 65-70 per cent large-cap allocation with the rest invested in mid caps.

Of course, these are initial days and the fund needs to sustain its strong beginning over many more market cycles to win the vote of investors' confidence. But as the saying goes, 'well begun is half done!'

LIC MF Exchange Traded Fund - Sensex

2018 has been a landmark year for passive funds as they gave their actively managed large-cap counterparts a hard run for their money. LIC MF Exchange Traded Fund - Sensex is one such passive fund which put up a strong show. As the name suggests, it invests in the BSE Sensex stocks in the same proportion as the index. So what you get here is a quality portfolio of India's blue-chip stocks at a negligible cost. But poor liquidity on stock exchanges can be a deterrent for many investors.

For small investors, buying and selling the units of an ETF on stock exchanges is the only viable option to transact. But if the trading volumes are thin, as they are in case of this fund, an investor can potentially find himself unable to liquidate his holding.

HDFC Sensex ETF

This is another passive which has benefited from the underperformance of the actively managed large-cap funds. Of course, there aren't any points for stock selection because this one also replicates the composition of the BSE Sensex index, but its wafer thin expense ratio of just 0.05 per cent has helped it edge past other index funds.

Though its transaction volumes have improved tremendously over the last year, when its units traded on almost every single day, the value of transactions is still erratic ranging from barely a few thousand rupees on a day to over a crore on another.

Powered by Value Research

Value Research

www.valueresearchonline.com

Disclaimer of Axis Securities Limited:

This Document has been prepared by Value Research. This document is not, and should not be construed, as an offer to sell or solicitation to buy any units, securities etc. by Axis Securities Limited (ASL). This document may not be reproduced, distributed or published, in whole or in part, without prior permission from Value Research. ASL does not guarantee that the document is complete or accurate and it should not be relied on as such. Investors should make his/her own research, analysis and investigation as he/she deems fit and reliable to come at an independent evaluation of an investment (including the merits, demerits and risks involved), and should further take opinion of their own consultants, advisors to determine the advantages and risks of investment. ASL, its affiliates, group companies, directors, employees, agents or representatives shall not be held responsible, liable for any kind of consequential damages whether direct, indirect, special or consequential including but not limited to lost revenue, lost profits, notional losses that may arise from or in connection with the use of the information in the document. Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.