

Sharekhan's Top SIP Fund Picks

September 12, 2017

Index

Top SIP Fund Picks

Large Cap Funds •

Mid & Small Cap Funds •

Multi Cap Funds •

Tax-saving Funds (ELSS) •

Fund Focus

DSP BlackRock Small and Midcap Fund •

Mutual Fund Selection Criteria

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Sharekhan's top SIP fund picks

Why SIP?

◆ Disciplined investing

Being disciplined is a key to investing success. Through a systematic investment plan (SIP) you can choose to invest fixed amounts in a mutual fund scheme which could be as low as Rs500 at regular intervals (like every month) for a chosen period of time (say for a year). The amount you invest every month or every quarter will be used to purchase units of a SIP of a mutual fund scheme. Small amounts set aside every month towards well performing SIP mutual fund schemes can make an investor achieve his financial goals in future.

◆ Invest in instruments that beat inflation

Equity investing can help you combat rising inflation that diminishes the value of your savings.

◆ SIP over a longer period can reduce the cost per unit

Example (see table below): An investment of Rs24,000 in a mutual fund resulted in a value of Rs25,200 after 12 months; whereas an SIP mutual fund investment of Rs2,000 per month grew to Rs27,095 after the same period.

◆ Fewer efforts to opt for SIP

The procedure to invest through SIP is easy. All you need to do is give post-dated cheques or opt for an auto debit of a specific amount towards SIP from your bank account. SIP plans are completely flexible. One can even start an SIP just by placing an order by logging into Sharekhan's online mutual fund page. One can invest for a minimum of six months or for a long tenure. Also, there is an option of choosing the investment interval which could be monthly or quarterly.

Illustrative example

Month	Price per unit (Rs)	One-time investment		SIP	
		Amount invested (Rs)	Units purchased	Amount invested (Rs)	Units purchased
Jan-10	20	24,000	1,200	2,000	100.0
Feb-10	18	--		2,000	111.1
Mar-10	14	--		2,000	142.9
Apr-10	22	--		2,000	90.9
May-10	26	--		2,000	76.9
Jun-10	20	--		2,000	100.0
Jul-10	18	--		2,000	111.1
Aug-10	17	--		2,000	117.7
Sep-10	15	--		2,000	133.3
Oct-10	18	--		2,000	111.1
Nov-10	20	--		2,000	100.0
Dec-10	21	--		2,000	95.2
Total investment (Rs)			24,000		24,000
Average price (Rs)			20		19
Total units purchased			1,200		1,290
Value of investment after 12 months (Rs)			25,200		27,095

*NAV as on the 1st of every month. These are assumed NAVs in a volatile market.

Data as on September 01, 2017

SIP investment (monthly Rs1,000)*		1 year		3 years		5 years	
Total amount invested (Rs)		12,000		36,000		60,000	
Funds would have grown to	NAV	Present value (Rs)	Compounded annualised return (%)	Present value (Rs)	Compounded annualised return (%)	Present value (Rs)	Compounded annualised return (%)
Large-Cap Funds							
IDFC Classic Equity Fund - Reg - Growth	43	13,533	14.1	47,010	9.6	92,762	9.3
Aditya Birla Sun Life Top 100 Fund - Growth	56	13,447	13.3	45,206	8.1	94,539	9.7
ICICI Prudential Focused Bluechip Equity Fund - Growth	38	13,388	12.8	44,852	7.8	91,050	8.8
BNP Paribas Equity Fund - Growth	82	13,417	13.0	43,154	6.4	89,882	8.6
Franklin India Bluechip - Growth	439	13,026	9.4	43,019	6.3	86,307	7.7
BSE Sensex	31892	13,063	9.8	41,431	4.9	78,426	5.6
Mid & Small Cap Funds							
Reliance Small Cap Fund - Growth	39	13,902	17.5	51,478	13.0	1,35,158	17.9
Aditya Birla Sun Life Mid Cap Fund - Plan A - Growth	308	13,594	14.7	48,423	10.7	1,11,191	13.4
DSP BlackRock Small and Midcap Fund - Reg - Growth	52	13,128	10.3	47,839	10.2	1,11,874	13.5
Kotak Emerging Equity Scheme - Reg - Growth	37	13,202	11.0	47,826	10.2	1,15,994	14.3
HDFC Mid-Cap Opportunities Fund - Growth	54	13,233	11.3	47,752	10.2	1,12,969	13.7
BSE Midcap	15687	13,549	14.2	48,211	10.5	1,04,136	11.9
Multi-Cap Funds							
Aditya Birla Sun Life Advantage Fund - Growth	427	13,883	17.3	49,085	11.2	1,10,277	13.2
DSP BlackRock Opportunities Fund - Reg - Growth	210	13,457	13.4	47,697	10.1	1,01,427	11.3
Kotak Select Focus Fund - Reg - Growth	32	13,512	13.9	47,167	9.7	1,02,896	11.6
SBI Magnum Multi Cap Fund - Growth	45	13,490	13.7	46,743	9.4	1,02,695	11.5
Franklin India High Growth Companies Fund - Growth	37	13,042	9.6	43,953	7.1	1,01,284	11.2
BSE 500	13858	13,363	12.5	44,274	7.3	87,168	7.9
Tax-saving funds (ELSS)							
IDFC Tax Advantage (ELSS) Fund - Reg - Growth	53	14,089	19.2	47,678	10.1	1,01,837	11.4
DSP BlackRock Tax Saver Fund - Growth	45	13,379	12.7	47,079	9.6	1,01,770	11.3
Reliance Tax Saver (ELSS) Fund - Growth	61	13,548	14.2	45,721	8.5	1,04,322	11.9
Aditya Birla Sun Life Tax Relief 96 - Growth	28	13,385	12.7	45,465	8.3	1,00,426	11.0
Franklin India Taxshield - Growth	529	13,078	9.9	43,429	6.6	93,757	9.5
Nifty 50	9974	13,207	11.1	42,431	5.8	80,991	6.3
BNP Paribas Mutual Fund Equity schemes							
Funds would have grown to	Category	Present value (Rs)	Compounded annualised return (%)	Present value (Rs)	Compounded annualised return (%)	Present value (Rs)	Compounded annualised return (%)
BNP Paribas Mid Cap Fund - Growth	Mid Cap	13,521	14.0	46,629	9.3	1,08,770	12.9
BNP Paribas Dividend Yield Fund - Growth	Multi Cap	13,733	15.9	46,259	9.0	98,117	10.5
BNP Paribas Long Term Equity Fund - Growth	ELSS	13,532	14.1	43,573	6.8	92,969	9.3
BNP Paribas Equity Fund - Growth	Large Cap	13,417	13.0	43,154	6.4	89,882	8.6

(*invested on 1st day of every month)

We will be showing compounded annualised returns for three years and five years from now on.

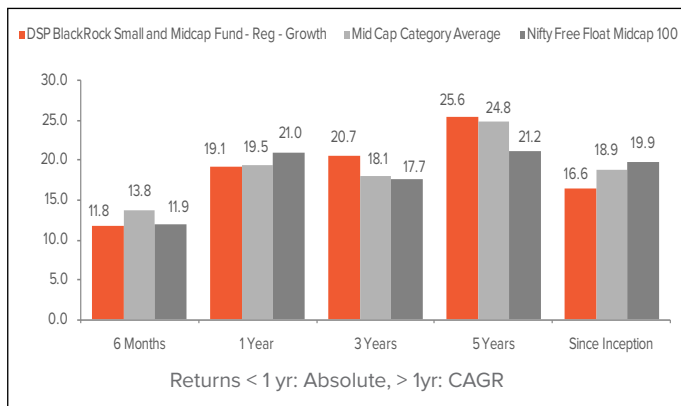
Disclosure: Sharekhan Limited is now part of the BNP Paribas SA group.

DSP BlackRock Small and Midcap Fund

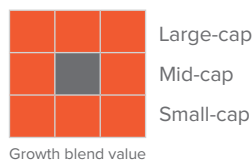
Objective

The primary investment objective is to seek to generate long term capital appreciation from a portfolio that is substantially constituted of equity and equity related securities, which are not part of top 100 stocks by market capitalisation. From time to time, the Investment Manager will also seek participation in other equity and equity related securities to achieve optimal portfolio construction. This shall be the fundamental attribute of the scheme. The scheme may also invest a certain portion of its corpus in debt and money market securities, in order to meet liquidity requirements from time to time.

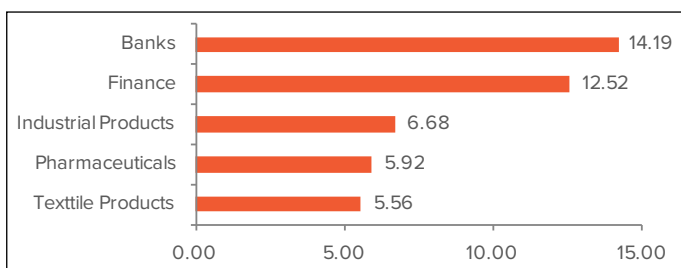
Scheme's performance



Style box analysis



Top 5 sectors



Key features

- Fund category : Mid & Small Cap
- Launch date : November 14, 2006
- Minimum investment : Rs1,000
- Load structure : If redeemed bet. 0 Month to 12 Month Exit Load is 1%
- Fund manager : Vinit Sambre
- Latest NAV (gr) : Rs52.338
- Latest NAV (div) : Rs24.568
- Expense ratio (%) : 2.54
- AUM : Rs4,374
- Benchmark Index : Nifty Free Float Midcap 100

Holdings by market cap

Particulars	%
Nifty 50	11.1
Nifty Free Float Midcap 100	17.2
Nifty Free Float Small cap 100	7.0
BSE Sensex	-
Top 5 holdings	17.8
Top 10 holdings	30.6

Top 10 stock holdings (total no. of scrips: 67)

Company name	% of net assets
Federal Bank	4.73
Ashok Leyland	3.78
Exide Industries	3.43
Techno Electric & Engg Co	3.13
SRF	2.73
Sterlite Technologies	2.72
Manappuram Finance	2.56
Credit Analysis & Research	2.50
Bajaj Finance	2.50
IndusInd Bank	2.49

Scheme analysis

With more than ten years of performance history, this MF scheme has been a good performer compared to both, the benchmark Nifty Free Float Midcap 100 index, and the Mid Cap category average. Despite the volatility and uncertainties in the market, the MF scheme has performed better than its peers, giving a return of 20.7% over the past three year as against 17.7% and 18% returns given by the Nifty Free Float Midcap 100 index and the Mid Cap category average, respectively, in the same period. Over the long-term time horizon of five years, the MF scheme has posted a compounded annual growth rate (CAGR) of 25.6%, while the Nifty Free Float Midcap 100 index and the Mid Cap category average have posted a CAGR of 21.2% and 24.8%, respectively.

The MF scheme currently has about 67 stocks in its portfolio. Nearly 94% of its net assets are exposed to equity, while the balance is exposed to other money-market instruments. The top ten stocks form about 31% of the MF scheme's portfolio. The MF scheme has invested nearly 26.71% of its funds in the Financial Services sector followed by Industrial Products and Pharmaceuticals with allocation of 6.68% and 5.92% respectively.

Mutual Fund Selection Criteria

Equity Mutual Funds

Equity Mutual Fund selection within a particular category is done on two broad parameters, namely 'Returns' and 'Risk'. Our selection process helps to identify funds with a track record of giving superior returns consistently compared to the category benchmark and peers. Along with superior returns, it is also important to factor in risk and volatility in returns to take a holistic investment decision. Equity Mutual Fund rating is decided by giving different weightages to the below mentioned risk and return parameters.

1. **'Returns' - measured across 1, 3 and 5 years SIP returns:** To rank the funds we give a 10% weightage to 1-year SIP performance, 20% to 3-year SIP performance and 25% to 5-year SIP performance.
2. **'Risk' - captured through Sharpe ratio, Sortino ratio and Information ratio:** These ratios are widely used in the Mutual Fund industry to measure risk-adjusted returns of a Mutual Fund scheme. The Sharpe Ratio considers Standard Deviation to measure a portfolio's risk-adjusted returns, whereas the Information Ratio measures the ability of the portfolio manager to

provide excess returns relative to category benchmark on a consistent basis. We also consider Sortino Ratio, which is similar to the Sharpe Ratio, except that it uses downside deviation instead of standard deviation in the denominator. We give equal weightage (15% each) to the Sharpe Ratio, the Information Ratio and the Sortino ratio to finally arrive at the ranking of a Mutual Fund scheme in a particular category.

In addition to quantitative analysis, we also use qualitative factors to filter out relatively smaller fund houses or funds with small asset size to minimise allied risk.

Fixed Income or Debt Mutual Fund

In the Fixed Income Mutual Fund segment, the selection is done by considering returns, along with other criteria like credit quality, volatility, yield to maturity, modified duration, expense ratio etc. Also, the ranking depends upon macro-economic factors like the view on interest rates and the economic cycle. Overall, we follow a conservative approach while recommending Debt Mutual Funds with a clear focus on minimising risks rather than chasing marginally excess returns.

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