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The FundsIndia

**BEST SCHEMES
IN THE HISTORY OF INDIAN
MUTUAL FUNDS**



FundsIndia

Enriching India, one investor at a time

www.fundsindia.com



Introduction

WORLD OVER, across markets and economies and investment cultures, investors have chosen mutual funds as the best way to invest for their long-term financial needs. The basic reason for that is mutual funds have some solid advantages:

1. Expert management of money
2. Benefit of diversification leading to reduced risk
3. Low cost due to in-built scalability of fund management
4. Ability to track performance transparently.

Above all of these, mutual funds have the potential to offer higher-than-market returns at lower-than-market risk. Mutual funds offer investment solutions in practically any market condition, for any investment time frame, and for any type of investor.

As the mutual fund industry approaches its twentieth year anniversary of privatization, we sought to identify the schemes that have and continue to deliver on the promises of this wonderful method of investing.

And the result is this report – five funds that have stood the test of times; bull markets, bear markets, bubbles, recessions, global upheavals, and local turmoil; and continue to perform and produce results.

How we selected the funds

To identify such funds, we evaluated them on the following criteria:

1. **Longevity:** Funds that are at least 10 years old
2. **Performance:** Ability to deliver higher than benchmark returns consistently
3. **Resilience:** Ability to withstand market downturns better than its benchmarks
4. **Stability:** Consistency of fund management principles and personnel
5. **Investment-worthy:** Their recent performances have not caused any concern keeping them investment worthy even today.

The result of applying these parameters is the list you see here. However, honestly, there are a few funds that almost made it to the list and a few funds that did not make the list only because of falling short in terms of their shorter history. We have listed them at the end of the report.

Happy Investing!

The FundsIndia Five

**BEST SCHEMES
IN THE HISTORY OF INDIAN
MUTUAL FUNDS**

Franklin India Bluechip | DSP BR Equity | HDFC Prudence | HDFC Top 200 | ICICI Pru Dynamic



FRANKLIN TEMPLETON

FRANKLIN INDIA BLUECHIP

True-blue lineage

IT WILL BE APT to call Franklin India Bluechip a time-tested fund. Launched in 1993, this large-cap focused fund has seen the pre- and post-Y2K period. Making the best of the increasing liquidity in Indian markets, the fund too, has simply grown with the market, only at a much faster pace, as the accompanying graph suggests.

Winning Strategy

We chose Franklin India Bluechip for its ability to contain declines despite staying predominantly invested in equities. A combination of value-conscious stock selection, sometimes even contrarian, and sticking to blue-chip stocks stood in its stead since launch.

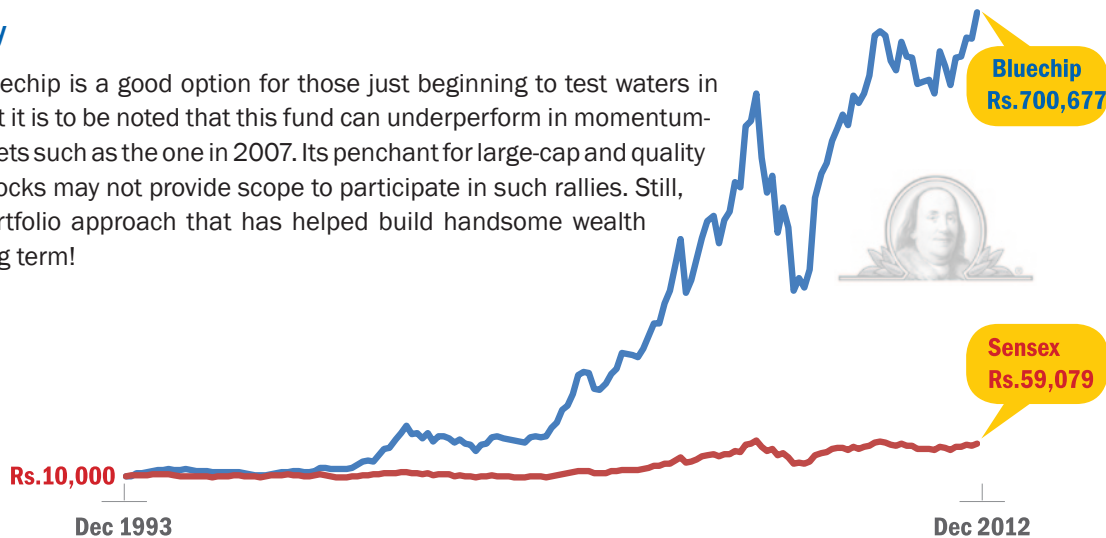
The fund spotted value in private banking stocks in late 2008, when these stocks were beaten down. Similarly it took the bold call of holding a good chunk in capital goods stocks in 2010, when the rest of the market did not see much in this segment. And these contrarian calls worked well, thanks to the fund's eye for value.

Holding a combination of blue-chip and reasonably valued stocks also helps it stay almost fully invested in equities during market routs; without burning its fingers badly. Except for a short while in 2000, when the fund held less than 80 per cent in equities, it has in other market falls, stayed over 90-percent invested.

The fund is also known to book profits in market peaks and declare dividends for those who opted for it.

Suitability

Franklin Bluechip is a good option for those just beginning to test waters in equities. But it is to be noted that this fund can underperform in momentum-driven markets such as the one in 2007. Its penchant for large-cap and quality blue chip stocks may not provide scope to participate in such rallies. Still, it is this portfolio approach that has helped build handsome wealth over the long term!



SNAPSHOT

Fund manager
Anand Radhakrishnan

Asset size
Rs 5040 crore
as of Dec12

Minimum investment
Rs 5000

Minimum SIP
Rs 500



RETURNS METER



	5 Years	10 Years	Since Inception
Franklin India Bluechip	5.0	26.2	23.6
Sensex	0.3	19.2	9.2

CAGR Returns (%)

As of Dec 20, 2012

Mutual fund investments are subject to market risks. Please read the scheme information documents carefully before investing

DSP BR EQUITY

Rock-solid performance

IF YOU THOUGHT a fund that diversified its portfolio too much and churned its stocks too many times will do no good, DSP BlackRock Equity will catch you wrong! This multi-cap fund, with a changing mix of large and mid-cap stocks has stood its ground quite well since its launch in April 1997. Its occasional slipups only inspired its fund managers to make a stronger comeback every time.

Winning strategy

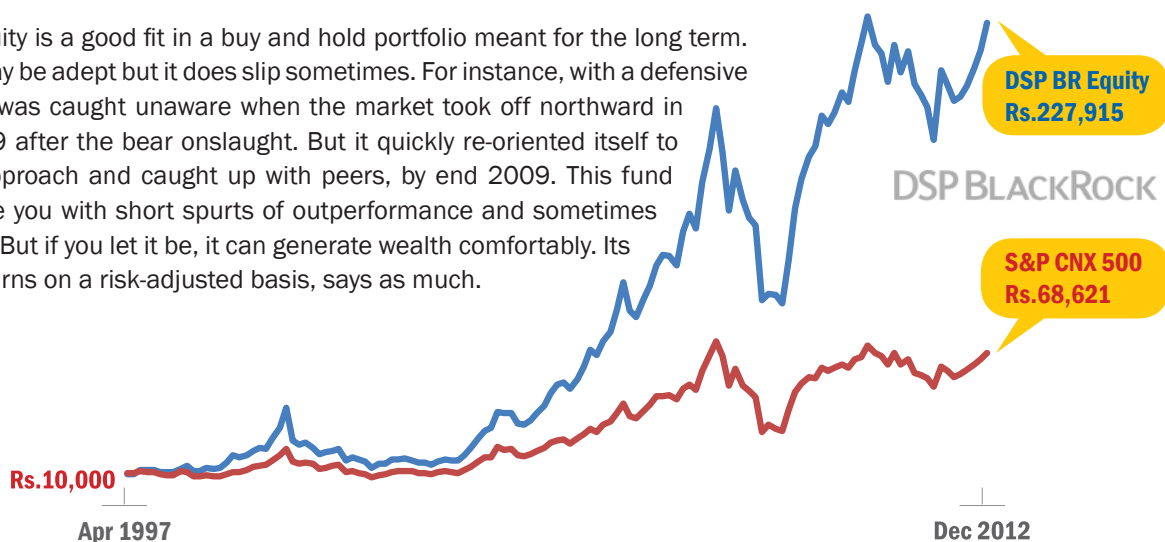
The fund's ability to constantly switch between growth and value styles, in line with the market conditions, has made it an adept market reader. But this means quite a bit of churning. In the last one year, for example, the fund churned its portfolio twice over.

Does such a strategy not enhance its portfolio risk? Not really, because the fund mostly churns large-cap stocks while taking a buy and hold call on mid-cap picks. That simply means that it exits large-caps once it derives value from them.

Often, its not tough to estimate when a large-cap is over-valued. But as midcaps may be tricky, given their growth phase, the fund goes with a hold approach to derive value. Its beta of 0.8 times (since inception), means that it swings lesser than its benchmark, suggesting fund stability. That does not mean it cannot outperform. On a three-year rolling return (since inception), the fund delivered 24 per cent annually as against 16 per cent by benchmark S&P CNX 500.

Suitability

DSP BR Equity is a good fit in a buy and hold portfolio meant for the long term. The fund may be adept but it does slip sometimes. For instance, with a defensive portfolio, it was caught unaware when the market took off northward in March 2009 after the bear onslaught. But it quickly re-oriented itself to a growth approach and caught up with peers, by end 2009. This fund can surprise you with short spurts of outperformance and sometimes slipups too. But if you let it be, it can generate wealth comfortably. Its 10-year returns on a risk-adjusted basis, says as much.



SNAPSHOT

Fund manager
Apoorva Shah

Fund size
Rs 2616 crore
as of Dec 12

Minimum investment
Rs 5000

Minimum SIP
Rs 500



RETURNS METER

	5 Years	10 Years	Since Inception
DSP BR Equity	4.4	29.8	22.1
S&P CNX 500	-0.9	19.9	13.1

CAGR Returns (%)

As of Dec 20, 2012

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HDFC PRUDENCE

A fine balancing act

IF A FUND CAN HOLD a fourth less of equity than regular diversified equity funds and still beat the latter's average, it has to be HDFC Prudence.

With a return of 19 per cent since its launch in February 1994, this equity-oriented balanced fund is managed by one of the most seasoned fund managers in the industry, Prashant Jain. The fund's risk-adjusted return is higher than many top diversified equity peers.

Winning strategy

HDFC Prudence does balance its portfolio well. But for a balanced fund, its approach is quite aggressive. By aggressive we mean: one, the fund does not shy away from equities taking comfort under its debt mandate. It is known to invest in equities to the hilt, if it finds the market compelling; negative market sentiments notwithstanding. Even in the 2008 downturn, the fund boldly held 72-76 per cent in equities when most of its balanced peers went to about 65 per cent.

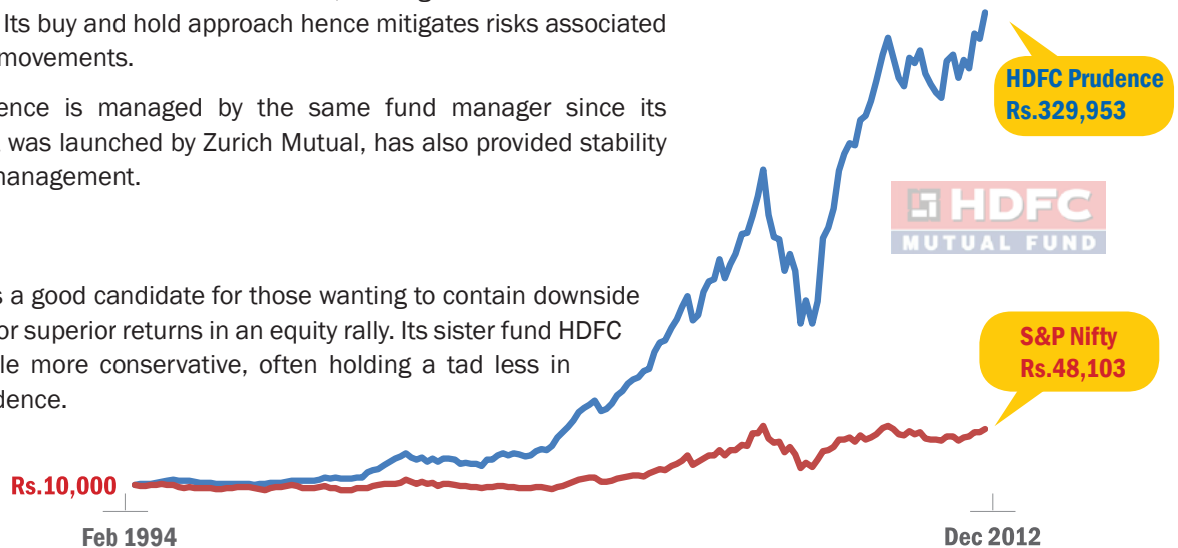
Two, the fund is aggressive in taking exposure to mid-cap stocks. A good half and more of its equity holding is often invested in mid-cap stocks. In fact, its mid-cap picks such as Page Industries, Supreme Industries or even Tata Motors DVR supported its returns even while a few large-cap stocks remained weak.

The fund makes up for this aggressiveness in its debt portfolio. With a good proportion to government securities and top-rated bonds the fund's credit risk is limited. But it prefers to hold dated securities, holding them for the accrual (interest income). Its buy and hold approach hence mitigates risks associated with interest rate movements.

That HDFC Prudence is managed by the same fund manager since its inception, when it was launched by Zurich Mutual, has also provided stability in terms of fund management.

Suitability

HDFC Prudence is a good candidate for those wanting to contain downside risks but looking for superior returns in an equity rally. Its sister fund HDFC Balanced is a little more conservative, often holding a tad less in equities than Prudence.



SNAPSHOT

Fund manager

Prashant Jain

Asset size

**Rs 6239 crore
as of Dec 12**

Minimum investment

Rs 5000

Minimum SIP

Rs 500



RETURNS METER

	5 Years	10 Years	Since Inception
HDFC Prudence	8.8	26.0	18.7
S&P Nifty	0.5	18.5	8.1

CAGR Returns (%)

As of Dec 20, 2012

Fund benchmark Crisil Balanced index was launched later than the fund. Hence benchmarked against Nifty.

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HDFC TOP 200

Top of league

LAUNCHED in September 1996, large-cap focused fund HDFC Top 200 can easily be termed as one of the most consistent performers in the equity fund universe. The fund scores over its multi-cap sister fund on a risk-adjusted basis. Its large-cap focus has never deterred the fund from generating returns far superior to that category.

Winning strategy

“Risk control is as important to wealth creation as is generating returns. An investor who generates moderate returns fairly consistently with limited downside risk is likely to do better when compared with another investor who sometimes achieves spectacular returns but makes occasional considerable losses.” Prashant Jain, ED & CIO HDFC Mutual, once said.

Jain has remained true to the above statement in his managing HDFC Top 200. Limited risk compensated by far superior returns (alpha) has made this fund a top of the league performer across time frames. Its consistency too, is apparent when one looks at its rolling returns over any three-year time frames. The fund beat its benchmark 99.9 per cent of the times since inception on this basis. Simply put, you would have almost always beaten the fund’s benchmark BSE 200 over a three-year time frame, irrespective of when you entered this fund. The fund, along with HDFC Equity, enjoys among the lowest expense ratios in the active fund category, thanks to massive asset size.

Suitability

HDFC Top 200 is suitable for any investor’s core portfolio. Its forgettable performance in 2011, though, has led to doubts in many an investor’s mind. Like few other HDFC funds, being fully invested in the market, besides holding highest exposure to stocks such as SBI, which underperformed, was the primary reason for the slip up.

But the fund quietly accumulated SBI in 2011 when the stock underperformed. The stock is now up 46 per cent from its year ago price – perhaps adding to your wealth as well, through HDFC Top 200.

SNAPSHOT

Fund manager

Prashant Jain

Asset size

**Rs 12,122 crore
as of Dec 12**

Minimum investment

Rs 5000

Minimum SIP

Rs 500



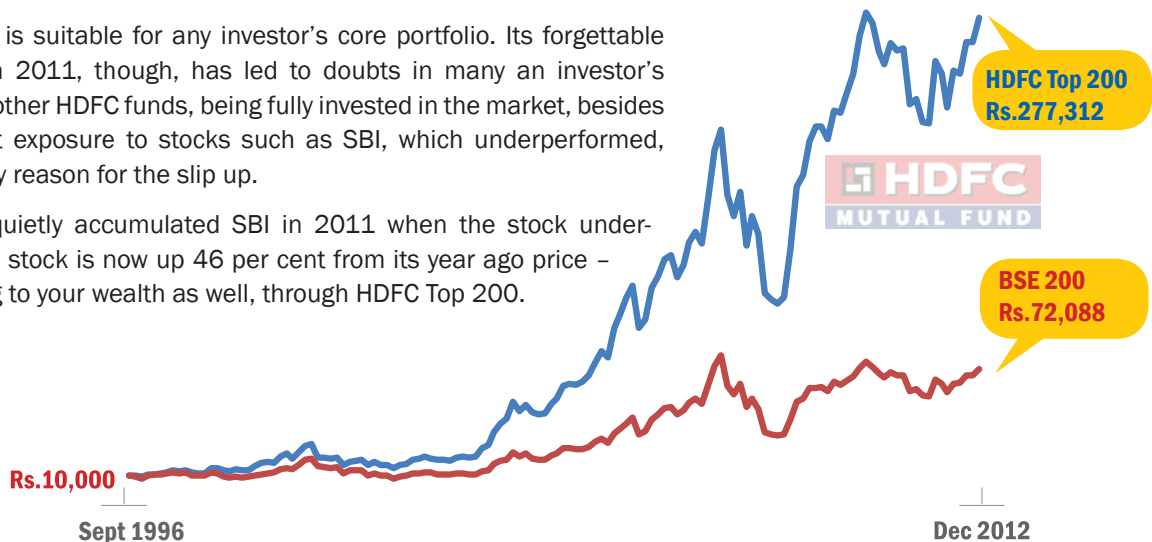
RETURNS METER



	5 Years	10 Years	Since Inception
HDFC Top 200	7.2	29.5	22.6
BSE 200	-0.5	20.1	12.9

CAGR Returns (%)

As of Dec 20, 2012



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ICICI PRU DYNAMIC

An aggressive defender

IF YOU CAN THINK of a fund that would defend your portfolio aggressively but stay comfortably ahead of its benchmark S&P Nifty, it has to be ICICI Prudential Dynamic. You may have a tinge of surprise that this reclusive scheme even made it to our list of fabulous funds. Well, the fund just about made it, having cleared our 10-year barrier for this list, only in October. The market volatility in the last five years has aided the fund's rise to fame, thanks to its key characteristic of being a defender.

This fund can take the call of moving between 100 per cent in equities to an all-debt holding and also use derivatives to hedge. Do not dub this fund as a simple defending/balanced fund. Its returns since launch at 27 per cent annually and average three-year rolling returns (since launch) of 28 per cent (benchmark Nifty at 17 per cent) suggests that it is a regular equity fund in practice. Its asset size of Rs 3961 crore indicates that it has been picked enough by investors.

Winning strategy

Cash calls together with aggressive churning is this fund's trump card. Now, a cash call works well in a down market. But Sankaran Naren, the fund manager, has used this in a bull run as well. In markets such as 2005 and 2006, the fund outperformed its benchmark by 20-25 percentage points and in fact beat some of the peers in FundsIndia Five as well. And here's how: the fund aggressively churns its large-cap bets even while holding a chunk in cash.

It takes stock-specific derivative calls to act as a hedge when it makes these aggressive calls. Its portfolio turnover is therefore over 100 per cent. And why would the fund move to cash in a bull run? That is simply because it is conscious of highly priced stocks. Hence in a momentum market, it would be forced to exit expensive picks that cross certain internal thresholds.

Suitability

A fund like ICICI Pru Dynamic would fit only a long-term investor's portfolio. Its steep exit load can punish you for early exit. Besides quickly normalising your portfolio post phases of market dips, it also generates steady returns. But you will see the fund underperform in sharp rallies when it moves to cash even as peers stay fully invested in equities. Also, the fund's penchant for value may hold the risk of picking one too early and getting stuck. But these may at best be slips not falls!

SNAPSHOT

Fund manager
Sankaran Naren

Asset size
Rs 3961 crore
as of Dec 12

Minimum investment
Rs 5000

Minimum SIP
Rs 1000



RETURNS METER

	5 Years	10 Years	Since Inception
ICICI Pru Dynamic	5.6	26.2	27.6
S&P Nifty	0.5	18.5	19.9

CAGR Returns (%)

As of Dec 20, 2012



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Funds that almost made it...

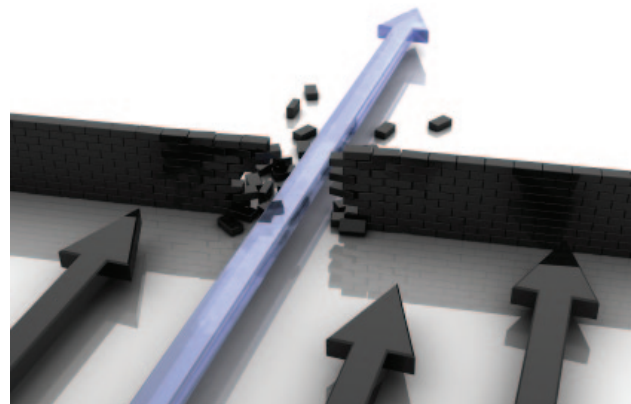
AS WE SAID in the introduction, we chose these five funds as emblematic of the success of the Indian mutual fund industry in delivering on the promise of mutual funds to investors. Even as we were putting together this list, it was quite evident that there are quite a few other funds that would have merited a place in it.

Funds such as Sundaram Select Midcap, Reliance Growth, Magnum Global and Magnum Contra, to name a few, were all up there in the 10-year chart. However, a combination of factors – recent performance, volatility of returns, fund management changes – made us choose in favor of the five funds that you just saw in the list.

Quite a few tax-saving funds from the HDFC, ICICI Pru and SBI house too made it to the list. We would also have loved to add offbeat funds such as Tata Pure Equity and HDFC Growth, besides HDFC Equity and Franklin India Prima Plus if we had a longer list.

The emerging stars

FUNDSINDIA will watch for performance of funds that lack a 10-year track record but hold potential to make it to the list in future. Funds such as **Quantum Long Term Equity**, **IDFC Premier Equity**, **ICICI Pru Focused Bluechip**, **HDFC MidCap Opportunities**, **Reliance Equity Opportunities** and **UTI Opportunities**, to name a few may well make it to the hall of fame. These funds have weathered the volatility well. A prolonged bull run is what we will need to determine the kings of good times!



Author



VIDYA BALA is the Head of Mutual Fund Research at FundsIndia. A chartered Accountant by training, she was earlier the chief research analyst at Hindu Business Line's research bureau. At HBL, she was tracking mutual funds, stock markets and sectors for eight years. At FundsIndia, as head of MF research, Vidya analyses the universe of funds available in the market and picks the best and most investment worthy schemes for our investors. She manages the FundsIndia Select Funds list - the list of top funds across categories and our Ready-to-go portfolios – a set of pre-packaged portfolios of funds for different needs and profiles. She also publishes weekly fund reviews and recommendations that are exclusively available for FundsIndia investors. Her writings can be accessed in our blog – www.fundsindia.com/blog - and our newsletters.

ABOUT

FundsIndia

FundsIndia.com is a game-changing investment service in the Indian financial services arena. It's an online investment platform and service that enables investors to participate in the India growth story. The goal of this platform is to make your investments paperless, effective, efficient, and enable you to always track and monitor your portfolio to keep it aligned with your life goals. To achieve this, we offer a lot of value-added services including ready-to-go portfolios, 6 different types of systematic investment plans (SIPs), automated recommendations, personal advisory services, portfolio x-ray views, one-click portfolio reviews and more. All these services are tailored with one goal in mind – to empower you to make the best of your investments and help you get to a great financial future.

More than one lakh retail investors across the country are using our platform for their investment needs, through the web, mobile and hand-held devices. The platform helps you take charge of your investments, with the help of our advisory services, alerts, reviews and research.

All our mutual fund services, including our advisory services, are completely free to the investors. Our platform is where the internet meets financial services to keep costs low and make your money grow efficiently.

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