Mutual Fund Review

ICICI direct Research

June 18, 2022

Equity Market

Update

Indian equity markets have seen a sharp fall in last few months on the back of weak global cues. Nifty 50 index is down by around 16% from its recent April 2022 highs and down by about 18% from all-time highs in October 2021. Midcap and Smallcap Indices are by more than 21% from their highs in October 2021.

Indian markets are reacting to their global counterparts. Global markets are reacting negatively to the confluence of negative events surrounding sharp hike in rate hikes, multi decade high inflation, supply chain disruption due to Russia-Ukraine war.

Foreign Portfolio Investors (FPIs) have been consistent net sellers and have sold equities worth worth around ₹4 lakh crore since October 2021. Domestic investors particulalry mutual funds have been a major buyers during the same time absorbing the FPI sell-off.

The U.S. Federal Reserve has turned extremely hawkish in last few months. With recent hike in June being 75bps, quantum of hike being highest since 1994, total hike since March 2022 has already been 150bps. In India, RBI has also raised repo rate by 90bps so far in last 2 months. Globally, most of the central bankers have started raising interest rates given significantly higher inflation around the world. The same along with volatile currencies has increased risk aversion among global investors.

Outlook

The recent market correction has to be seen in a larger context where Nifty 50 index had delivered 100% return in 18 month's from March 2020 till October 2021. Global markets were in a bull market since last few years. US had one of the longest bull run prior to the recent fall.

The recent fall in the market has made valuations more reasonable as valuations had turned expensive in many sectors especially in many of the midcap and smallcap companies.

The equity market cycle seems to have turned around from October 2021. Markets had witnessed an uninterrupted rally from March 2020 lows to October 2021 all time highs. It is normal for the markets to witness multiple up-cycle and down-cycle. While it is difficult to predict the end of the cycle, it is prudent to start investing in a gradual manner after headline indices are down more than 18% from the highs.

Midcap/smallcap funds outperform in an up-cycle while underperform in a down-cycle. While it is difficult to predict till how long the current market cycle would continue, it is prudent to adopt a cautious approach while making a fresh allocation in midcap/smallcap funds.

In current uncertain and extremely volatile environment, it is important to follow discipline of not getting carried away by the market fall. While markets may fall further or take time to recover or may consolidate for the next few months, disciplined regular investing is key to wealth creation.

We remain optimistic for the Indian equity market in general and believe that from current levels, every dip is a buying opportunity in a staggered manner.

Equity markets after having rallied significantly from COVID-19 lows in March 2020 till October 2021, is witnessing a down cycle which is a normal behaviour. Any further fall from current levels should be used as a buying opportunity in a staggered manner.

Research Analyst

Sachin Jain
sachin.ja@icicisecurities.com

Monthly Report

ICICI Securities – Retail Research

Debt Market

Update

The Indian debt market have been under extreme pressure with yields rising across tenure in last few months making the outlook for debt investment cautious in general.

The initial reaction of the bond and equity market of the rate hike was positive with yields on benchmark 10-year bond trading 5-6 bps lower and Nifty 50 index recovering from the day's lows.

The market reaction was a classic example of a positive reaction to the negative event as markets had already discounted the rate hike. While the bond market was expecting a 40-50bps rate hike (actual hike at higher end of expectation), no CRR hike was positive. While sharp upward revision in inflation projection was on expected lines, RBI's projection now is line with market projections. The positive market reaction can also be attributed to the belief that RBI is now not seen falling behind the curve in terms of controlling the runaway inflation.

From the broad debt market perspective, yields across the curve had moved up significantly since the start of the calendar year 2022 in anticipation of the successive rate hikes. Markets has already discounted around 250bps hike in Repo rate in current rate hike cycle (May 2022 to May/June 2023). Currently, the terminal Repo rate is not expected beyond 6.5% (currently 4.9%). So even considering 160bps incremental rate hike over next 1 year, 10-year benchmark G-Sec yield may not move beyond 8%. (At the fag-end of the rate hike cycle spread of 10-year yield over Repo rate generally fall and should not be more than 150bps as investors start investing at the higher end of the rate cycle).

CPI Inflation came in lower and in line with market expectation at 7.04% in May 2022 as compared to 7.79% in April 2022. CFPI in May declined to 7.97% vs 8.31% in April while core inflation declined to 6.0% vs 7.0% during the same period. Lower inflation, however, was largely attributable to favourable base effect of last year.

The crude oil prices continue to trade well above USD 100 per barrel due to ongoing geo-political tension and is cause of worry. The global economic recovery post re-opening of the economic activity as vaccination drives gather pace globally has already led to rise in the prices.

Rising geo-political tension between Ukraine-Russia has led to oil prices touching trading well above USD 100 per barrel and is a cause of concern. Intervention by RBI remain a key determinant in near term.

Outlook

The debt market already seems to have factored in series of rate hike going forward as reflected in rise in both short term and long tenure yields in last few months. The benchmark 10-year G-Sec yield at 7.6%, is discounting more than 250bps rate hike in the Repo rate in the current rate hike cycle.

Since the start of the year 2022, yields of corporate bond maturing in 1 to 5 year range had moved up by 150-200bps while 10-year benchmark G-Sec yield is up by around 250bps from less than 5% to 7.5% before the policy announcement.

Overall debt markets continue to trade with caution amid rising inflationary concerns. Investors may avoid higher maturity funds and better-off investing in accrual funds like medium term funds with higher YTMs

The yields across the curve in general are likely stabilize going forward despite future rate hike after the sharp rise in last few months. 10-year benchmark yield does not looks like crossing 8% mark even after the rate hike cycle is over unless global environment turn further hostile in terms of crude move up further and remain there for 2/3/4 quarters, which is not the base case.

While investors still need to be cautious while investing in debt market given no easing off in global commodity prices, the recent uptick in yields has shortened the wait period of investing into debt markets. Given the sharp sell-off, the next few months will start offering investing opportunity both in medium and longer duration papers.

Industry Synopsis

The mutual fund industry AUM at the end of the month of May 2022 decline by 2.1% to 37.2 lakh crore from ₹38.0 lakh crore in April 2022. The decline in AUM was due to outflow from debt funds and mark to market decline in equity funds.

The AUM of pure equity funds in May 2022 stands at ₹13.3 lakh crore as compared to ₹13.6 lakh crore in April 2022. Inflows in the month of May increased to ₹18500 crore as against ₹15900 crore in April. Higher inflows was seen as markets were down during the month of May 2022. SIP inflows continue to trend higher and came in at ₹12286 crore in May as compared to ₹11863 crore.

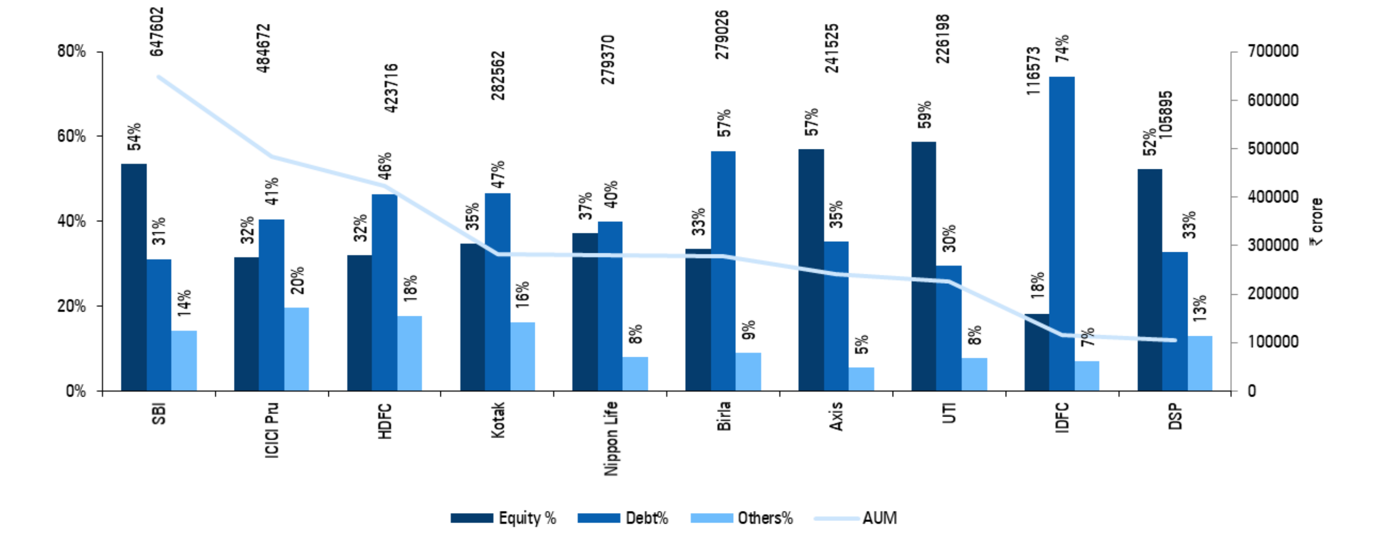
The AUM of Dynamic Asset Allocation/Balanced Advantage stands at ₹1.8 lakh crore. The balanced advantage funds category has seen higher inflows in May at ₹2250 crore as compared to ₹1540 crore in April.

The trend of outflow in other debt funds continues as outlook remain cautious in the rising interest rate environment.

AUM of index funds which is largely dominated by retail investors now stands at ₹78000 crore in May 2022 as compared to just ₹19000 crore in March 2021. Equity ETF AUM (₹4.1 lakh crore) while is still dominated by institutional investors, has gained significant popularity among retail investors as well.

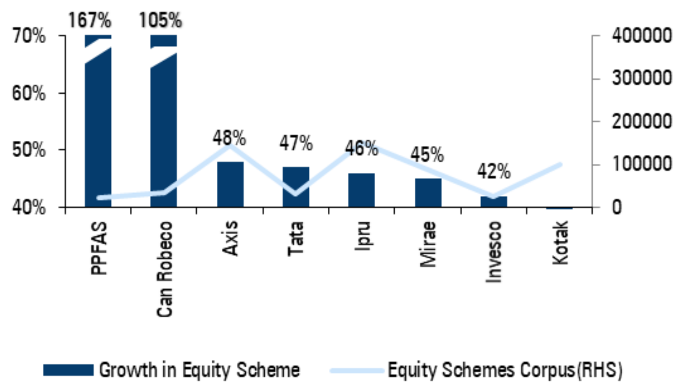
Retail equity investors have shown significant maturity over the last few years. Higher inflows have witnessed at every lower levels indicating investors utilising fall in equity markets as a buying opportunity. Similar trend was seen during the month of May 2022 as well.

Exhibit 1: Total AUM, break-up of major AMCs



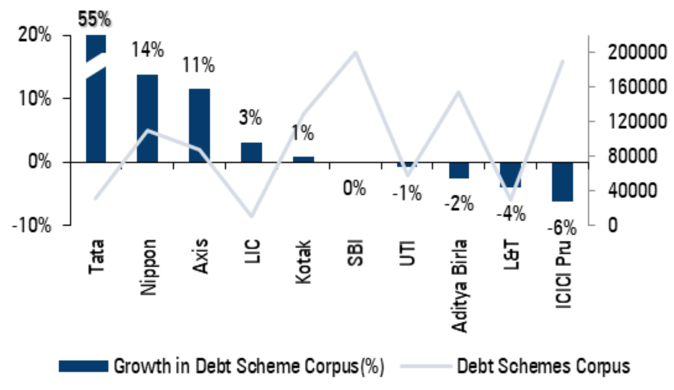
Source: ACE MF. Data as on month-end May 2022

Exhibit 2: PPFAS, Canara Robeco witness highest growth in equity schemes among major AMCs



Source: ACE MF. Data as of Mar 2022. YoY growth in last one year.

Exhibit 3: In debt, except few AMCs, debt AUM witnessed de-growth among all AMCs



Source: ACE MF. Data as of Mar 2022. YoY growth in last one year.

Equity Funds: Smallcap/Midcap funds continue to underperform

Equity markets have seen a sharp correction in last 6-7 months after hitting all time high in the month of October 2021. Largecap funds have seen a fall of around 18% while category average of midcap and smallcap funds have fallen by around 20% during similar period.

The sharp rotation in sector has led to various sector funds or market cap funds moving from best performing to worst performing within a short period of time.

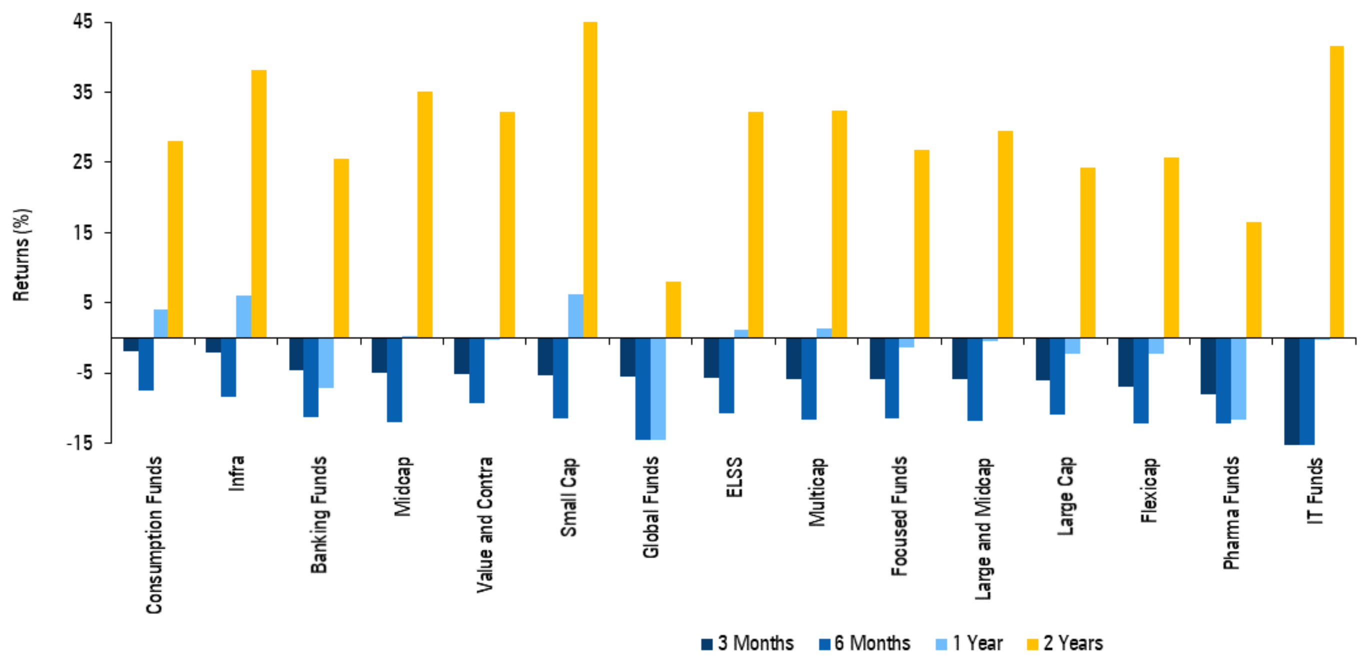
Smallcap and midcap funds after having outperformed for around 18 months, from the COVID-19 induced lows in March 2020 till October 201, have since then underperformed. Investors seems to be booking profit amid rapid challenging environment which has turned negative amidst overall extremely weak global and domestic market. With many smallcap and midcap stocks still trading above their long term average valuation multiples and also trading above historical Nifty valuation on a relative basis, it is better to adopt a cautious approach towards smallcap and midcap funds. Just because smallcpa funds are down 20% from the peak does not automatically makes them attractive. Prior to the fall, smallcap funds were up almost around 200% in just 18-month period post COVID-19 outbreak.

Volatility in general is likely to be higher over next few months. The higher volatility will continue to lead to sharper rotation of performance within sectors and market segment. Investors should be extremely careful while investing sectors funds.

Banking funds have seen relative outperformance in last few months as investors bank on better earnings prospects in a post COVID environment.

IT funds have significantly underperformed in last 6 months. Prior to the recent correction, IT funds have been consistent outperforming category since last 3 years on the back of improved earnings growth and valuation re-rating as investors forsee higher IT spends to lend higher growth visibility. While IT sector has underperformed, many of the stocks still trades at premium valuation as compared historical average despite the recent correction. It is therefore prudent to avoid fresh allocation to IT funds and better to take exposure through diversified funds.

Exhibit 4: IT funds have significantly underperformed in last 6 months. Banking funds are outperforming on a relative basis in last few months in an otherwise overall weak market



Source: CRISIL. Category average returns as on June 15, 2022.

Equity funds: Allocation Strategy in current market environment

First decide what type of investor you are?

Do you get scared when markets are down 20%/30% or you feel it is an opportunity to invest at lower levels? Were you a buyer in equity market during COVID-19 induced market fall in March/April 2020 Or you exited or not invested meaningfully in March/April/May 2020?

Will you be ok, if next 1-year return is -10% or next 2-year return is 0%?

If not, then invest in Balanced Advantage funds or debt funds.

If Yes, consider starting or increasing your SIP into largecap funds, flexicap funds or multicap funds. If you are aggressive investor, slowly start SIP in midcap or smallcap funds with investment horizon of more than 5 years, with an expectation that they may underperform or fall more in the near term if overall market falls further or trade with a negative bias.

Ideal allocation strategy: Invest at current levels and at every subsequent fall of 300-500 points on Nifty 50 index

Most important question in investor's mind is where market may fall more even from current levels. The honest answer is Nobody knows. But what we know and how to utilize that broad understanding to create wealth is more important than trying to second guess market correction which actually is futile exercise no use in a wealth creation journey.

So what we know. We know that any market valuations on a broad level may be categorized into 3 broad valuation levels: Fair, Higher then long term average and expensive valuation levels.

Return expectation (more than 5 years) in general for the three current valuation levels:

- Neutral/Fair Valuation: Expected return similar to Nifty Long Term Return of 8%-13%.
- Higher than Long Term Average valuation: Lower than Long Term return or 5%-10%
- Expensive/Bubble valuation: <5% Return

As headline indices are down almost 20% from the recent highs and also considering valuation parameters, largecap valuations look near to Fair valuation zone. Therefore, some lumpsum amount should be put at current levels and be prepared to put incremental money at every lower levels from hereon.

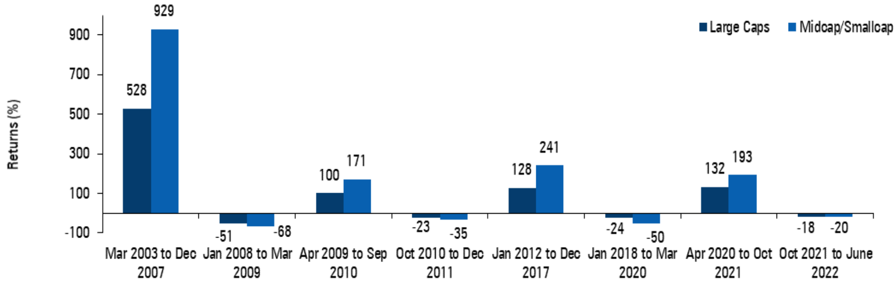
Overall markets as well as sectors/marketcap segment perform in cycle

Markets in general perform in cycles. Understanding the market cycle is important as investing at the later part of the cycle may end up below par performance.

For instance, while deciding between largecap cap funds and midcap/smallcpa funds, most investors invest in respective category when it has already outperformed. When the overall market cycle turns, the category which earlier outperformed, starts underperforming.

It is also important to never forget the big picture or the extent of outperformance/underperformance in the current cycle. For instance, if overall markets were to continue to fall or trade with a negative bias, midcap/smallcap funds may continue to underperform.

Exhibit 5: Markets cycle returns: If the overall market downtrend extend, midcap/smallcap funds may continue to underperform



Source: ACE MF. Category average returns

Midcap/smallcap funds outperform in an up-cycle while underperform in a down-cycle. While it is difficult to predict till how long the current market cycle would continue, it is prudent to adopt a cautious approach while making a fresh allocation in midcap/smallcap funds.

Equity inflows stronger as investors put in higher amount during market fall in May 2022

Inflows into equity funds came in higher during the month of May 2022 at ₹18500 crore as compared to ₹12800 (ex-NFOs) in the month of April 2022. The month of May saw Nifty falling below 16000 levels on Nifty from the highs and investors utilised the fall with increased investments.

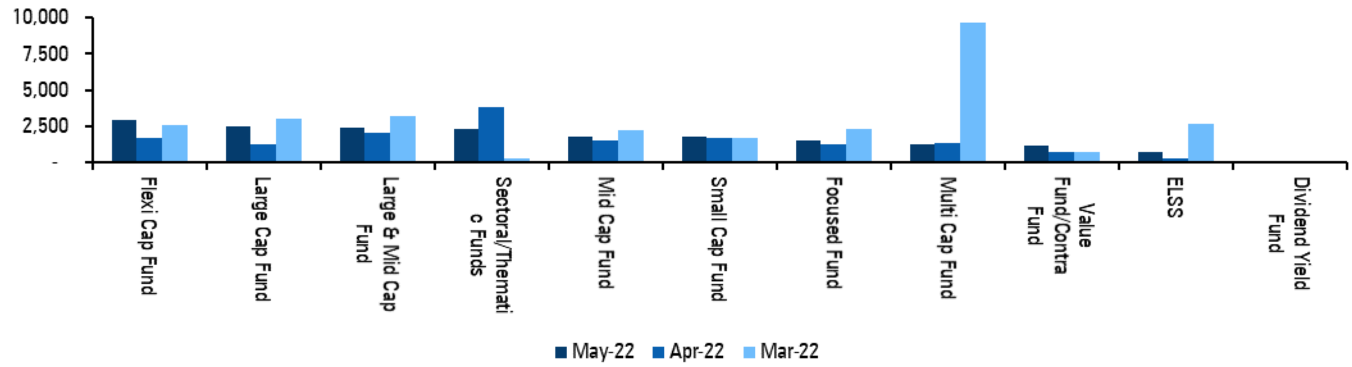
Strong domestic inflows have been a key counter force for the continued FPI selling in last quarters. Equity funds are witnessing consistent inflows in last few months since March 2021. After record inflows in the month of July, inflows moderated but remain healthy on the back of NFOs. From April 2021 to October 2021, when markets were at higher levels, inflows (ex-NFOs) during that 7-month period was ₹34000. During November 2021 to March 2022 when markets were witnessing correction, inflows ex-NFOs was ₹77000 crore. Overall, inflows in last financial year since April 2021 till March 2022 stands at ~ ₹1.64 lakh crore. NFOs contributed around ₹50000 crore to the inflows during FY22.

We are witnessing an extremely healthy trend of higher inflows at lower market levels. The same shows investment maturity among retail investors where market fall is used as an investment opportunity.

SIP inflows continue to trend higher with inflows in May 2022 at ₹12300 crore.

Index funds and ETFs continue to witness consistent inflows. Together both passive funds category saw inflows of ₹11800 crore in May 2022.

Exhibit 6: Higher inflows witnessed across category during the month of May 2022 during market fall.



Source: AMFI

Exhibit 7: Flexicap and largecap funds categories remain dominant. AUM of midcap funds gaining pace as well

Euuity Oriented Category	Inflow/(Outflow) during May 2022	AUM
Large Cap Fund	2,485	2,19,836
Flexi Cap Fund	2,939	2,18,724
Mid Cap Fund	1,832	1,55,832
Sectoral/Thematic Funds	2,292	1,46,709
ELSS	747	1,40,800
Large & Mid Cap Fund	2,414	1,08,776
Small Cap Fund	1,769	1,04,739
Focused Fund	1,549	93,943
Value Fund/Contra Fund	1,158	77,908
Multi Cap Fund	1,265	54,714
Dividend Yield Fund	81	9,565

Source: AMFI

Exchange traded funds (ETFs)

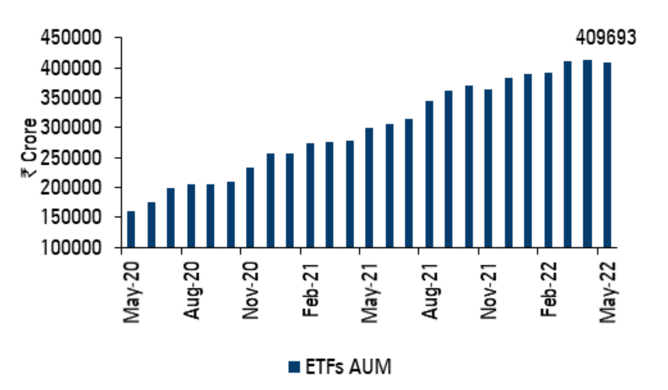
ETFs have already taken the world by storm, with assets under management (AUM) in such funds already surpassing that in traditional mutual funds in many countries. Passive funds emerged in the US more than two decades ago. The first modern day exchange traded fund (ETF) S&P SPDR (Spiders) started trading in the US in 1993. The market for ETFs has grown tremendously since then. Today, more than 2,000 ETFs are listed in the US. In India, the ETF landscape has gained traction since 2015 and has not only become much bigger but also more diverse. AUM for ETFs has grown from ~₹ 5400 crore in December 2014 to more than ₹ 4.1 lakh crore currently. While growth in ETF is driven by institutional flows led by EPFO in Nifty 50 and BSE Sensex ETF along with CPSE ETFs, inflows from individual investors have also started gaining traction.

This trend of allocation towards ETF is increasing and is likely to gain further traction. The ETF market is expected to grow on the back of continued thrust from government and rising acceptance of such products as an investment vehicle by the retail segment.

ETFs are best placed from an asset allocation perspective as they do not carry any stock selection risk. Indian equity ETF market has grown with many categories of ETFs now available in large cap, midcap, thematic segment.

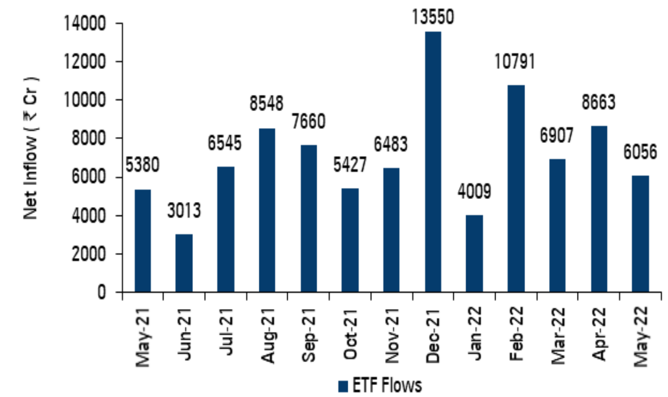
ETFs have a number of attractive features. Usually they have much lower fees and can be bought and sold during the day as opposed to mutual funds that usually execute at the close. Earlier, there was primarily Nifty or Sensex ETF but now there are many ETFs in the large cap space like Nifty Next 50 ETF. Similarly, in midcaps, Nifty Midcap 100 ETF and Nifty Midcap 150 ETF are available to take exposure to midcaps. Many thematic ETFs are also available like banking ETFs and Nasdaq 100 ETFs.

Exhibit 8: ETF AUM stands at above ₹4 lakh crore



Source: AMFI

Exhibit 9: ETFs continue to receive consistent inflows



Source: AMFI

Different category of investment options available under ETFs

Exhibit 10: There are currently around 35 categories of ETFs available in Indian market

Nos.	Types of ETFs	Name of ETF	AUM (Cr)
I	**Largecap oriented ETFs**		
1	Nifty 50 ETF	Most AMCs	8465 (Highest- Nippon AMC)
2	Sensex ETF	Most AMCs	573 (Highest-LIC MF)
3	Nifty 50 Equal Weight ETF	DSP Nifty 50 Equal Weight ETF	41
4	BSE 100 ETF	SBI-ETF BSE 100	6
5	Nifty 100 ETF	LIC MF ETF-Nifty 100	523
		Nippon ETF Nifty 100	165
		ICICI Pru Nifty 100 ETF	37
6	Nifty 200 Quality 30 ETF	SBI ETF Quality	35
7	Nifty 200 Momentum 30 ETF	Motilal Oswal Nifty 200 Momentum 30 ETF	10
8	Nifty Low Vol 30 ETF	ICICI Pru Nifty Low Vol 30 ETF	1358
9	Nifty Alpha Low Vol 30 ETF	ICICI Pru Alpha Low Vol 30 ETF	258
10	Nifty Next 50 ETF	Nippon India ETF Junior BeES	2433
		SBI-ETF Nifty Next 50	974
		UTI-Nifty Next 50 ETF	605
		ICICI Pru Nifty Next 50 ETF	279
		Aditya Birla SL Nifty Next 50 ETF	102
		Mirae Asset Nifty Next 50 ETF	100
11	Sensex Next 50 ETF	Nippon India ETF Sensex Next 50	19
		UTI S&P BSE Sensex Next 50 ETF	5
		SBI-ETF Sensex Next 50	9
12	NV 20 ETF	Nippon India ETF NV20	58
		Kotak NV 20 ETF	33
		ICICI Pru NV20 ETF	47
13	Nifty Dividend Opportunities 50 ETF	Nippon India ETF Dividend Opportunities	15
II	**Midcap Oriented ETFs**		
14	Nifty Midcap 50 ETF	Kotak Midcap 50 ETF	4
15	Midcap 100 ETF	Motilal Oswal Midcap 100 ETF	92
16	Nifty Midcap 150	Nippon India ETF Nifty Midcap 150	488
		ICICI Pru Midcap 150 ETF	125
17	Midcap Select ETF	ICICI Prudential Midcap Select ETF	26
18	Nifty Midcap 150 Quality 50 ETF	DSP Nifty Midcap 150 Quality 50 ETF	48
III	**Multicap Oriented ETFs**		
19	S&P BSE 500 ETF	ICICI Pru S&P BSE 500 ETF	58
20	Nifty Alpha 50 ETF	Kotak Nifty Alpha 50 ETF	59
IV	**Sectors/Thematic/ Global ETFs**		
21	Banking ETF	Nippon India ETF Bank BeES	9431
		Kotak Banking ETF	6763
		SBI-ETF Nifty Bank	5140
		ICICI Pru Bank ETF	3663
		HDFC Banking ETF	59
		Aditya Birla SL Banking ETF	76
		Axis Banking ETF	42
		UTI Bank ETF	40
		Edelweiss ETF - Nifty Bank	1
22	PSU Bank ETF	Nippon India ETF PSU Bank BeES	437
		Kotak PSU Bank ETF	416
23	Private Bank ETF	ICICI Pru Pvt Banks ETF	2104
		Tata Nifty Pvt Bank ETF	12
		SBI-ETF Nifty Pvt Bank	106
24	Financial Services ETF	Mirae Asset Nifty Financial Services ETF	146
25	IT ETF	ICICI Pru IT ETF	1879
		Nippon India ETF Nifty IT	759
		SBI-ETF IT	941
		Kotak IT ETF	141
		Aditya Birla SL Nifty IT ETF	20
		Axis Technology ETF	26
26	Pharma/Healthcare	Axis Healthcare ETF	20
		Nippon India Nifty Pharma ETF	84
		Aditya Birla SL Nifty Healthcare ETF	26
27	Nifty India Consumption ETF	Nippon India ETF Nifty Consumption	32
		ICICI Pru Consumption ETF	15
		SBI ETF Consumption	15
		Axis Consumption ETF	12
28	Nifty Infrastructure ETF	Nippon India ETF Infra BeES	51
29	Nifty 100 ESG Sector Leaders ETF	Mirae Asset ESG Sector Leaders ETF	159
30	Nifty 50 Shariah ETF	Nippon India ETF Shariah BeES	14
31	Global ETF	Motilal Oswal Nasdaq 100 ETF	5262
		Mirae Asset NYSE FANG+ ETF	1083
		Mirae Asset S&P 500 Top 50 ETF	466
		Nippon India ETF Hang Seng BeES	88
		Mirae Asset Hang Seng TECH ETF	116
32	CPSE ETF	CPSE ETF	18193
33	BHARAT 22 ETF	BHARAT 22 ETF	8619
V	**Commodities: Gold ETFs**		
33	Gold ETF	Most AMCs	6750 (Highest-Nippon AMC)
34	Silver ETF	ICICI Prudential Silver ETF	472
		Nippon India Silver ETF	344
		Aditya Birla Sunlife Silver ETF	107
VI	**Debt ETFs**		
35	BHARAT Bond ETF - April 2023		4818
	BHARAT Bond ETF - April 2025		9888
	BHARAT Bond ETF - April 2030		12903
	BHARAT Bond ETF - April 2031		10358
	BHARAT Bond ETF - April 2032		6484
	Nippon India ETF Nifty CPSE Bond Plus SDL - 2024 Maturity		1861
	Nippon India ETF Nifty SDL - 2026 Maturity		5423
	LIC MF G-Sec LT ETF-(G)		897
	Axis AAA Bond Plus SDL ETF - 2026 Maturity		997
	Motilal Oswal 5 Year G-Sec ETF		62
	Nippon India ETF Long Term Gilt		204
	Nippon India ETF 5 Year Gilt		63
	SBI-ETF 10 Year Gilt		504

Source: ACE MF. AUM as on May 2022. In Sensex and Nifty ETFs, SBI and UTI AMC has higher AUM but dominated by institutional flows.

Exhibit 11: Return of various category of ETFs

Name	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Largecap Oriented ETFs							
Nifty 50 ETF	-0.2	-5.3	-8.2	0.2	11.1	11.7	13.0
Sensex ETF	0.0	-5.2	-8.3	0.8	11.3	12.3	13.2
Nifty 50 Equal Weight ETF	-0.7	-4.7	-6.7	-	-	-	-
BSE 100 ETF	-0.3	-4.8	-8.3	0.2	11.5	11.3	-
Nifty 100 ETF	-0.4	-5.5	-8.9	-0.8	10.9	10.8	-
Nifty 200 Quality 30 ETF	-2.8	-7.0	-10.8	-1.8	11.9	-	-
Nifty Low Vol 30 ETF	-1.0	-3.0	-6.7	-1.7	12.4	-	-
Nifty Alpha Low Vol 30 ETF	-1.9	-8.5	-11.9	-3.6	-	-	-
Nifty Next 50 ETF	-1.2	-6.2	-12.4	-4.8	11.8	7.8	15.0
Sensex Next 50 ETF	-1.4	-2.8	-9.0	0.0	-	-	-
NV20 ETF	-2.7	-8.5	-7.9	2.3	15.0	16.4	-
Nifty Dividend Opportunities 50 ETF	-1.7	-6.0	-7.4	3.2	10.5	9.8	-
Midcap Oriented ETFs							
Midcap 50 ETF	0.5	-4.7	-	-	-	-	-
Midcap 100 ETF	-0.8	-4.2	-12.8	-1.0	15.9	8.7	14.8
Nifty Midcap 150 ETF	-0.4	-4.0	-12.9	-1.2	17.7	-	-
Midcap Select ETF	1.7	-5.9	-12.4	-1.3	12.1	7.3	-
Nifty Midcap 150 Quality 50 ETF	-0.3	-5.4	-	-	-	-	-
Multicap Oriented ETFs							
S&P BSE 500 ETF	-0.4	-5.2	-9.6	-0.6	12.8	-	-
Nifty Alpha 50 ETF	-3.9	-17.8					
Sector/Thematic/Global ETFs							
PSU Bank ETF	3.2	-7.7	-8.4	-0.6	-7.2	-7.0	-2.4
Nifty Bank ETF	0.8	-4.4	-9.0	-4.9	2.6	7.3	13.1
Nifty Pvt Bank ETF	0.2	-4.2	-9.9	-8.7	-	-	-
Nifty Financial Services ETF	0.6	-5.7	-13.2	-	-	-	-
IT ETF	-5.7	-20.2	-21.6	-0.3	-	-	-
Healthcare ETF	-2.4	-9.3	-11.8	-12.4	-	-	-
Nifty India Consumption ETF	1.0	-0.9	-5.7	4.3	12.0	9.8	-
Nifty Infrastructure ETF	-0.2	-2.1	-6.6	4.6	12.5	8.3	7.7
Nifty 50 Shariah ETF	-4.7	-11.9	-13.2	-4.8	13.8	11.2	12.9
Hang Seng ETF	8.9	18.6	-6.6	-20.0	-2.3	2.3	6.7
Hang Seng TECH ETF	17.7	38.2	-17.2	-	-	-	-
Nasdaq 100 ETF	-4.6	-11.6	-26.8	-14.7	19.2	18.8	19.8
NYSE FANG+ ETF	-0.2	-9.4	-31.3	-21.5	-	-	-
S&P 500 Top 50 ETF	-5.1	-10.5	-20.1	-	-	-	-
CPSE ETF	1.4	4.7	14.0	27.4	6.5	4.5	-
Bharat 22 ETF	1.0	-0.9	3.1	15.1	6.4	-	-
Commodities ETFs							
Gold ETF	0.4	-3.8	5.1	3.4	16.0	13.2	5.1
Silver ETF	2.9	-10.4	-	-	-	-	-

Source: ACE MF. Return as on June 15, 2022

Hybrid funds

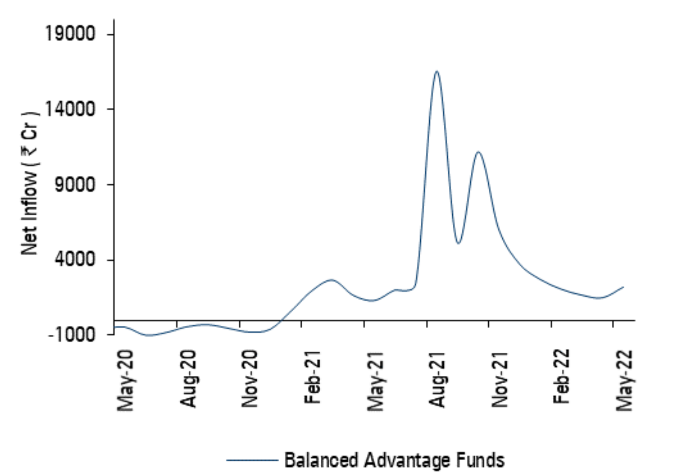
The hybrid funds category is dominated by aggressive hybrid funds (erstwhile balanced funds) and balanced advantage or dynamic asset allocation funds.

The trend of outflow continues in the aggressive hybrid category. The category has witnessed consistently outflows since last many months.

While Balanced Advantage Funds or Dynamic Asset Allocation category are witnessing consistent inflows since last six months as many investors prefer to invest in a dynamically managed equity funds due to higher equity levels. The category has grown significantly over last few years and AUM of the category stands at more than ₹1.8 lakh crore.

Arbitrage funds as a category have been popular among investors for parking money temporary in a tax efficient manner.

Exhibit 12: Balanced Advantage Fund category continue to receive consistent inflows



Source: AMFI

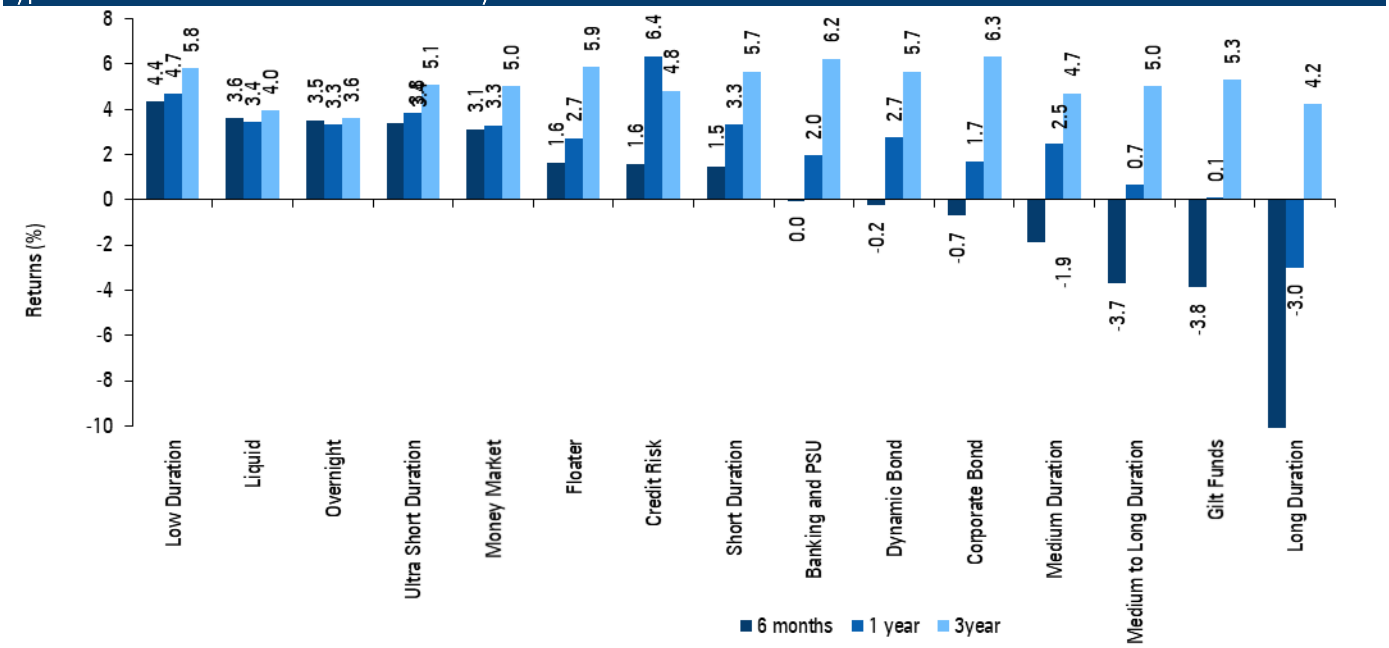
Exhibit 13: AUM of BAFs crossed ₹1.8 lakh crore

Hybrid Category	Inflow/(Outflow) during May 2022	AUM
Dynamic Asset Allocation/Balanced Advantage	2,248	1,80,024
Balanced Hybrid Fund/Aggressive Hybrid Fund	1,380	1,44,800
Arbitrage Fund	1,007	99,976
Conservative Hybrid Fund	48	21,149
Multi Asset Allocation	240	19,727
Equity Savings	199	17,081

Source: AMFI

Debt Funds

Exhibit 14: Rising yields in last few months has led negative returns in medium to long duration funds. Liquid/Ultra-short term types of funds because of their low maturity were able to deliver better returns



Source: CRISIL. Category average annualised returns as on May 23, 2022

Mutual Fund Recommendation

Exhibit 15: Equity oriented funds

Category wise top picks	
Largecap Funds	ICICI Prudential Bluechip Fund
	IDFC Large Cap Fund
	Nippon India Large Cap Fund
Large and Midcap Funds	Invesco Growth Opportunity Fund
	Kotak Equity Opportunities Fund
	LIC Large and Midcap Fund
	SBI Large and Midcap Fund
Flexicap/Multicap Funds	Adity Birla Sunlife Flexi Cap Fund
	Canara Robeco Flexi Cap Fund
	Franklin India Flexicap Fund
	HDFC Flexicap Fund
	Invesco Multicap Fund
	Nippon Multicap Fund
	Parag Parikh Flexi Cap Equity
Midcap Funds	ICICI Pru Midcap Fund
	Kotak Emerging Equity Fund
	Nippon India Growth Fund
	PGIM India Midcap Fund
	Tata Midcap Fund
	UTI Midcap Fund
Smallcap Funds	HDFC Smallcap Fund
	ICICI Pru Smallcap Fund
	Invesco Smallcap Fund
	Kotak Smallcap Fund
	Nippon Small Cap Fund
Focus Funds	IIFL Focused Equity Fund
	SBI Focused Equity Fund
	Tata Focused Equity Fund
Value/Contra Funds	IDFC Sterling Value Fund
	Nippon India Value Fund
	SBI Contra Fund
	UTI Value Opportunities Fund
ELSS	Canara Robeco Equity Taxsaver Fund
	DSP Blackrock Tax Saver Fund
	IDFC Tax Advantage Fund
	Mirae Asset Tax Saver Fund
	Tata Tax Savings Fund
Balanced Advantage Funds	Aditya Birla SunLife Balanced Advantage Fund
	DSP Dynamic Asset Allocation Fund
	Edelweiss Balanced Advantage Fund
	HDFC Balanced Advantage Fund
	ICICI Prudential Balanced Advantage Fund
	IDFC Balanced Advantage Fund
	Kotak Balanced Advantage Fund
	Nippon Balanced Advantage Fund

Source: ICICI Direct Research

Exhibit 16: Debt funds

Category wise top picks	
Category	**Fund**
Overnight / Liquid / Ultra Short Term	Aditya Birla Sun Life Savings Fund
	HDFC Ultra Short Duration Fund
	SBI Magnum Ultra Short Duration Fund
Low Duration / Money Market	HDFC Low Duration Fund
	ICICI Prudential Savings Fund
	Kotak Low Duration Fund
Short Term	Aditya Birla Sun Life Short Term Fund
	HDFC Short Term Debt Fund
	Nippon India Short Term Fund
Medium Term	Axis Strategic Bond Fund
	HDFC Medium Term Debt Fund
	ICICI Prudential Medium Term Bond Fund
Medium to Long Term / Long Term	Aditya Birla Sun Life Income Fund
	ICICI Prudential Bond Fund
	IDFC Bond Fund - Income Plan
Dynamic Bond Fund	DSP Strategic Bond Fund
	IDFC Dynamic Bond Fund
	Kotak Dynamic Bond Fund
Corporate Bond	Aditya Birla SL Corporate Bond Fund
	HDFC Corporate Bond Fund
	IDFC Corporate Bond Fund
Credit Risk	-
	-
	-
Gilt	Aditya Birla Sun Life G-Sec Fund
	IDFC G-Sec Fund - Investment Plan
	SBI Magnum Gilt Fund

Source: ICICI Direct Research

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No. 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Sachin Jain, CA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.
ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Analysts or their relatives of this report do not own 1% or more of the units of the Mutual Funds mentioned in the report as of the last day of the month preceding the publication of the research report. Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies/ AMCs including the AMCs whose funds are mentioned in this report or may have invested in the funds mentioned in this report.

ICICI Securities also distributes Mutual Fund Schemes of ICICI Prudential Asset Management Company which is an ICICI Group Company, scheme details of which might also be appearing in the report above. However, the transactions are executed at Client's sole discretion and Clients make their own investment decisions, based on their own investment objectives, financial positions and need.