

Recommended Mutual Funds for 2016

iFAST Research



Our Recommended Funds

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CATEGORIES	RECOMMENDED FUNDS FOR 2015	RECOMMENDED FUNDS FOR 2016
	EQUITY FUNDS	
LARGE CAP	ICICI PRUDENTIAL FOCUSED BLUECHIP EQUITY FUND	ICICI PRUDENTIAL FOCUSED BLUECHIP EQUITY FUND
	BIRLA SUN LIFE FRONTLINE EQUITY FUND	BIRLA SUN LIFE FRONTLINE EQUITY FUND
	RELIANCE TOP 200 FUND	RELIANCE TOP 200 FUND
	AXIS EQUITY FUND	AXIS EQUITY FUND
	CANARA ROBECO EQUITY DIVERSIFIED	SBI BLUE CHIP FUND
	NA	BNP PARIBAS EQUITY FUND
MID CAP	MIRAE ASSET EMERGING BLUECHIP FUND	MIRAE ASSET EMERGING BLUECHIP FUND
	CANARA ROBECO EMERGING EQUITIES	CANARA ROBECO EMERGING EQUITIES
	HDFC MID-CAP OPPORTUNITIES FUND	SBI MAGNUM MIDCAP FUND
	NA	BNP PARIBAS MIDCAP FUND
	NA	TATA MID CAP GROWTH FUND
SMALL CAP	RELIANCE SMALL CAP FUND	RELIANCE SMALL CAP FUND
	DSP BLACKROCK MICRO CAP FUND	DSP BLACKROCK MICRO CAP FUND
MULTI CAP	RELIANCE EQUITY OPPORTUNITIES FUND	RELIANCE EQUITY OPPORTUNITIES FUND
	IDFC PREMIER EQUITY FUND	IDFC PREMIER EQUITY FUND
	KOTAK SELECT FOCUS FUND	KOTAK SELECT FOCUS FUND
	FRANKLIN INDIA PRIMA PLUS	FRANKLIN INDIA PRIMA PLUS
	MIRAE ASSET INDIA OPPORTUNITIES FUND	SBI EMERGING BUSINESSES FUND
	NA	ICICI PRUDENTIAL VALUE DISCOVERY FUND
VALUE	ICICI PRUDENTIAL VALUE DISCOVERY FUND	L&T INDIA VALUE FUND
DIVIDEND YIELD	TATA DIVIDEND YIELD FUND	TATA DIVIDEND YIELD FUND
ELSS	FRANKLIN INDIA TAXSHIELD	FRANKLIN INDIA TAXSHIELD
	AXIS LONG TERM EQUITY FUND	AXIS LONG TERM EQUITY FUND
	ICICI PRUDENTIAL TAX PLAN	ICICI PRUDENTIAL LONG TERM EQUITY FUND (TAX SAVING)
	RELIANCE TAX SAVER (ELSS) FUND	RELIANCE TAX SAVER (ELSS) FUND
	CANARA ROBECO EQUITY TAX SAVER	TATA INDIA TAX SAVINGS FUND
	NA	BNP PARIBAS LONG TERM EQUITY FUND
GLOBAL	JPMORGAN GREATER CHINA EQUITY OFF-SHORE FUND	JPMORGAN GREATER CHINA EQUITY OFF-SHORE FUND
	L&T GLOBAL REAL ASSETS FUND	FRANKLIN INDIA FEEDER - FRANKLIN U.S. OPPORTUNITIES FUND
BANKING	ICICI PRUDENTIAL BANKING & FINANCIAL SERVICES FUND	ICICI PRUDENTIAL BANKING & FINANCIAL SERVICES FUND
PHARMACEUTICALS	SBI PHARMA FUND	SBI PHARMA FUND
INFRASTRUCTURE	CANARA ROBECO INFRASTRUCTURE	CANARA ROBECO INFRASTRUCTURE
	NA	KOTAK INFRASTRUCTURE & ECONOMIC REFORM FUND
FMCG	SBI FMCG FUND	SBI FMCG FUND
TECHNOLOGY	ICICI PRUDENTIAL TECHNOLOGY FUND	ICICI PRUDENTIAL TECHNOLOGY FUND

DEBT FUNDS		
SHORT TERM	FRANKLIN INDIA SHORT TERM INCOME PLAN	FRANKLIN INDIA SHORT TERM INCOME PLAN
	UTI SHORT TERM INCOME FUND	UTI SHORT TERM INCOME FUND
	BIRLA SUN LIFE SHORT TERM OPPORTUNITIES FUND	BIRLA SUN LIFE SHORT TERM OPPORTUNITIES FUND
	SUNDARAM SELECT DEBT SHORT TERM ASSET PLAN	DSP BLACKROCK INCOME OPPORTUNITIES FUND
	RELIANCE REGULAR SAVINGS FUND - DEBT OPTION	NA
DYNAMIC BOND FUND	BIRLA SUN LIFE DYNAMIC BOND FUND	BIRLA SUN LIFE DYNAMIC BOND FUND
	UTI DYNAMIC BOND FUND	UTI DYNAMIC BOND FUND
	TATA DYNAMIC BOND FUND	TATA DYNAMIC BOND FUND
	RELIANCE DYNAMIC BOND FUND	DSP BLACKROCK STRATEGIC BOND FUND
INCOME	FRANKLIN INDIA INCOME BUILDER ACCOUNT	FRANKLIN INDIA INCOME BUILDER ACCOUNT
	ICICI PRUDENTIAL LONG TERM PLAN	ICICI PRUDENTIAL LONG TERM PLAN
	UTI BOND FUND	AXIS INCOME FUND
	CANARA ROBECO INCOME	TATA INCOME FUND
GILT-LONG TERM	IDFC GOVERNMENT SECURITIES FUND - INVESTMENT PLAN	IDFC GOVERNMENT SECURITIES FUND - INVESTMENT PLAN
	SBI MAGNUM GILT FUND - LONG TERM PLAN	SBI MAGNUM GILT FUND - LONG TERM PLAN
CORPORATE BOND FUND	SBI CORPORATE BOND FUND	SBI CORPORATE BOND FUND
HYBRID FUNDS		
BALANCED	ICICI PRUDENTIAL BALANCED FUND	ICICI PRUDENTIAL BALANCED FUND
	HDFC BALANCED FUND	HDFC BALANCED FUND
	TATA BALANCED FUND	TATA BALANCED FUND
MIP	CANARA ROBECO MONTHLY INCOME PLAN	CANARA ROBECO MONTHLY INCOME PLAN
	ICICI PRUDENTIAL MIP 25	ICICI PRUDENTIAL MIP 25

NEW ENTRANTS	REPLACEMENTS
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We started publishing our list of Recommended Funds for the first time in June 2009 and this is our **tenth edition of the list**. In the initial 2 years, we used to release our Recommended Funds twice in a year however since 2011 we have been following a yearly schedule. We broke the new tradition only once in 2013, when we did a half yearly review of our recommended funds on account of the huge volatility witnessed in both the equities and debt markets.

As I write this note, our markets are struggling to stay afloat on account of both global uncertainties and domestic worries. The Modi wave seems to have vanished and investors are again left in the lurch wondering if they should ignore the market signals and invest or stay away completely from this volatility. The answer for this can be found in our recently published report, **Market Trends and Outlook 2016**. The report is on the following lines:

*“We believe that the biggest USP for the Indian markets is the combination of a government that is taking incremental steps which will lead to a complete overhaul of the economy in the coming years and a pro-active Central Bank whose priority is to reduce inflation without compromising on growth. **The Government and the Reserve Bank of India (RBI) are taking measures to clean up the mess in***

PSU banks, which is one of the major issues that India is facing today. *This along with the improving macro-economic fundamentals and the attractive valuations should give the confidence to our investors in taking exposure into the markets. This is a better alternative than waiting on the sidelines for an appropriate opportunity to enter the markets”.*

Now coming to our Recommended Funds for 2016, **we have 55 funds with 35 of them being in the equity category, while the debt and hybrid segments have 15 funds and 5 funds respectively.** In the current list, 15 of the funds are new entrants, among which some of them are replacements. The others have been added in the respective categories on account of them clearing all the filters in the model with flying colors.

Our biggest exit this year has been **Mirae Asset India Opportunities Fund**, our best bet in the multi cap space since 2012. We are of the view that the fund is going through a short term blip and it is only a matter of time before the same bounces back into our list. **We continue to maintain our confidence in the conviction of the fund management team and the investment strategy being followed while picking stocks for the portfolio.** Hence, we advise our existing investors to continue with their investments into this fund via the SIP and the lump sum routes. **Neelesh Surana** who manages this fund had the following to say on hearing about the removal of our favored multi cap fund after being a part of our list for 4 years in a row.

“Our portfolio strategy is to invest in quality businesses, run by competent management and hold them over an extended period. We are positive on the entire consumption related businesses which include: retail private banks, autos, media, FMCG, and other discretionary businesses. We have been focusing on cash generating businesses, and thus have had relatively lower weight to construction, infra names. We remain fully invested and don’t take cash calls, as we believe asset allocation decision is made mutually by the distributor and his client. MAIOF has about 25% weight in midcaps as we are positive on these companies from long term perspective. At an overall level, we endeavor to create a portfolio which can generate better risk adjusted returns in the long-term.”

We had 2 surprise entrants in the large cap and mid cap categories and these belonged to SBI Mutual Fund and BNP Paribas Mutual Fund.

It seems that Sohini Andani, the Fund Manager from SBI Mutual Fund, is leaving no stone unturned to make sure that both her funds, i.e. **SBI Blue Chip Fund and SBI Magnum Midcap Fund are the star performers in their respective categories.** In an industry that is the bastion of male dominated fund management teams, **Ms. Andani’s remarkable success skillfully cuts across the gender stereotype to show us that the art of stock picking will be a level playing field for all.** Quiz Andani on the reasons for her success and pat comes the reply, **(1) Good Stock Selection, (2) Strong Research Team and (3) Capital Preservation.**

Although all the 4 equity funds from BNP Paribas Mutual Fund had cleared the filters in our model to be the top performers in their respective categories, only 3 funds i.e. BNP Paribas Equity Fund, BNP Paribas Long Term Equity Fund and BNP Paribas Midcap Fund are a part of our current recommended funds list. However, we decided to continue with our existing fund in the dividend yield category that is Tata Dividend Yield Fund on account of our internal mandate to include only 1 fund in this category. This is a clear indication that a fund house with limited number of funds and a passionate fund management team can create value for investors in the long term.

SBI Emerging Businesses Fund is back with a bang. The fund was one of our biggest bets in the mid cap category and later classified as a multi cap fund in 2015. When we removed this fund from our

list last year, our views were on these lines. *“We continue to have faith in the stock picking ability of Srinivasan and would advise our existing investors not to press the panic button yet”.*

In addition to this, in our last year’s note, we had also written that the next big mid cap bet from the SBI stable would be **SBI Small and Midcap Fund**. However, this fund did not even make it to our sample this year since it has been closed for fresh subscription due to the capacity constraint of INR 750 crore as per the SID. At this juncture, we would like to inform our investors that this fund was the best performing mid cap fund on our platform in 2015.

Kotak Infrastructure & Economic Reform Fund (erstwhile PineBridge Infrastructure & Economic Reform Fund) has been our favorite pick in the infrastructure space since 2012. In our last year’s list, this fund was not considered during the working of our model as the details of the merger were not clear. This fund is back in our list this year and continues to clear all the filters in our model. **The fund continues to be a true to label infrastructure fund and the fresh thought process brought into the fund by Harish Krishnan and team should hold the fund in good stead in the long run.**

ICICI Prudential Value Discovery Fund, our best pick in the value space since 2010 has been moved into the multi cap category. We thought that a value fund with a mandate to invest into a diversified portfolio would be an ideal fit in the multi cap segment. The change in the benchmark of this fund from CNX Midcap Index to S&P BSE 500 Index also supports our thought process. **An interesting observation is that whether the fund is categorized as a value fund or a multi cap fund, it tends to clear all the filters in our model and has been a part of our recommended funds list for nine times in a row.**

IDFC Premier Equity Fund became a part of our Recommended Fund list for the first time in 2014 and the reason for the entry given was on these lines. *“The fund always used to be the top performer in whichever categories it was placed. However, we could not make it a part of our earlier recommended lists on account of its mandate that it will not accept lump sum investments. Though the mandate remains the same, we have decided to give thumbs up to this fund and hence Kenneth’s biggest bet makes an entry into our recommended funds list for the first time”.* Since we heard about Kenneth’s decision to move out from the fund house in mid 2015, we had asked our existing investors to continue with their SIP investments. However, as for fresh investments, we decided to adopt a wait and watch policy till we could get some clarity on how the fund house managed this transition. **Now, with the appointment of Anoop Bhaskar as the Head of Equities, we can safely recommend fresh exposures into this fund.** We are of the view that Bhaskar, a fund manager with a strong conviction in his stock picks will be able to steer this fund in the right direction. **If Kenneth was known to be a mid-cap mogul, then Bhaskar’s expertise lies in managing funds across the market capitalization spectrum.** This means that it is only a matter of time before the funds from IDFC Mutual Fund across categories will find a place in the iFAST Recommended Funds list.

As far as the fund houses are concerned, ICICI Prudential Mutual Fund refuses to give up the first position and continues to rule the roost with 8 funds.

SBI Mutual Fund is back in the race to get back its second position which it had lost to Canara Robeco Mutual Fund and Reliance Mutual Fund last year. Team Srinivasan is making sure that the funds from a fund house belonging to a parent, which is the easiest recall for any lay person in India finds a place in the equity portfolios of investors.

Tata Mutual Fund is on the third spot and an interesting fact about this entry is that all the funds selected from this stable are the best performers during the different risk periods considered by us. At this juncture, we would like to bring the notice of our investors to **Tata Ethical Fund** which is shariah compliant by nature and has been classified by us as a multi cap fund in the current year on account of it having no market cap/sector bias. The fund turned out to be one of the best performers in the multi cap segment. However, this could not make it to the final list as there were already 4 existing funds and 2 new entrants which had to be incorporated in the current list. **We continue to maintain a positive stance on this fund and just like in our June 2014 note to investors, we recommend the same to those who wish to invest in socially responsible companies having a consistent performance. Ritesh Jain continues to prove his expertise as a proficient CIO in his current assignment as well, with 6 funds making it to our list this year. Jain had the following words to tell us when we informed him of the inclusion of the funds from this mutual fund.**

“We attribute our equity performance to our investment philosophy of buying quality businesses at reasonable valuations instead of chasing market momentum. Our management of debt portfolios is guided by SLR philosophy - where “S” stands for Safety of the Portfolio, “L” for adequate Liquidity in the Portfolio, and “R” providing optimum risk adjusted Returns, essentially in that order. We believe that investment success over a period of time is achieved through superior risk adjusted performance facilitated by rigorous debt investment process guided by SLR attributes”.

Although Axis Mutual Fund is known as one of the best performing equity mutual fund houses, our current list includes a new entrant - **a fixed income fund from the Axis stable (Axis Income Fund).** **This goes to prove that R.Sivakumar is taking all the necessary steps to ensure that the funds from this segment also become a part of investor’s portfolio.**

Today when we talk about the ELSS category, the first recall that comes to an investor’s mind is Axis Long Term Equity Fund. There is no stopping Gopani and his eye for detail when it comes to picking stocks which have led to the consistent performance of this fund over a period of time. As we write this note, this is the largest tax saving fund in the industry with a corpus of INR 6886 crore as on January 2016. Gopani continues to keep a low profile despite the huge success of his fund and he answers his investors in the simplest form when asked for the mantra behind his success.

“Our investment Process is tailored to buy and hold strong, secular businesses. We have been bottom-up stock pickers of companies with sound business models, pricing power, quality management, which have consistently created long term wealth for Shareholders. In this dynamic market, we remain confident about our investment process and hence our performance trajectory.”

Kotak Mutual Fund is slowly gaining traction in our recommended Funds list with Kotak Select Focus Fund continuing its good innings in the multi cap segment this year as well. We had assured our investors last year that with Harsha Upadhyaya heading the equity space in the fund house, the equity funds are in proficient hands. **The inclusion of Kotak Infrastructure & Economic Reform Fund and the movement of Kotak 50 from the 25th rank in our last year’s list to the 10th rank in the current list goes to prove that Team Upadhyaya is all set to be a part of our Recommended Funds list in the coming years.**

We have started 2016 on a very bad note and each day is proving to be painful for the markets. The slowing down of the Dragon and every comment from Janet Yellen continues to spook our markets. If this was not enough, Dr. Rajan seems to be serious about doing a “Swachh Bank Campaign” with a diktat to banks to clean up their books by 2017. This is sending tremors among the market participants. We would advise our investors not to press the panic button but let the Governor do the deep surgery on banks, so that they become healthy enough to start lending to

the infrastructure sector which is essential for the complete revival of the economy. We agree with the discussion going on in the street that the Government has not transformed the country into a “Vibrant India” in the last 1.5 years. However, the incremental steps being taken in crucial sectors like Roads, Railways, Power, Banking, etc. should give confidence to our investors that it is not just some plain talk by Team Modi to impress global investors but this Government means business.

Pro-Reform Government + Pro-Active Central Bank + Improving Macro-Economic Fundamentals + Attractive Valuations = India

We expect 2016 to be volatile and our advice as usual remains the same.

“Stay calm while the markets go aslant and the very same market will reward you for your patience”.

Happy Investing!!

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