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Editor's Keyboard
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The Best Fund To Hold Onto

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Currently, I have about ₹60,000 each invested in Sundaram Growth Fund, Birla Sun Life Frontline Equity and ICICI Top 100. However, I now need to sell off one of these funds as I need cash quickly. I have not really made any money from Sundaram Growth Fund. Should I hold onto this in the hope that the performance will improve and redeem one of the other better performing funds or should I completely exit Sundaram Growth Fund?

- Akshay Munot

All the three funds that you are currently holding are large cap-oriented but the similarity ends there! Birla Sun Life Frontline Equity Fund and ICICI Prudential Top 100 Fund are amongst the best performers in their category and have consistently generated higher returns than the Nifty and the BSE 200. However, Sundaram Growth Fund has a disappointing track record.

During the last 10 years, the fund has barely outperformed its benchmark (the BSE 200 index) and has underperformed the Nifty. Furthermore, the fund has also

KEY POINTS

On a long-run risk-adjusted return basis, Sundaram Growth Fund has underperformed its large-cap counterparts.

Birla Sun Life Frontline Equity Fund and ICICI Prudential Top 100 Fund are amongst the best performers in their category and have consistently generated higher returns

underperformed its category on a long-term basis. Sundaram Growth Fund has also been more volatile than its peers as the

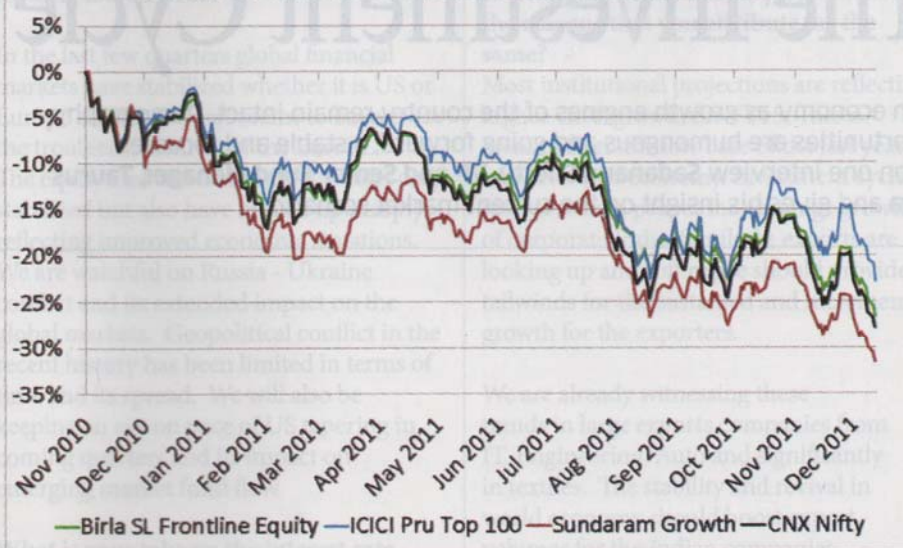
fund's downside risk is higher. Generally, a higher downside risk means that there is a greater probability that the fund will deliver below-average returns.

This phenomenon is also illustrated in the chart. The Nifty's previous peak occurred in November 2010 when the index crossed 6,300 for the first time. However, the Nifty subsequently fell by 28 per cent between November 2010 and December 2011.

During this period, Birla Sun Life Frontline Equity Fund and ICICI Prudential Top 100 Fund managed to restrict losses and fell by 27 per cent and 23 per cent respectively while Sundaram Growth Fund underperformed the index and fell by 32 per cent.

Fund	Fund Statistics as on 5 May 2014							
	Returns (CAGR)				Downside Risk			
	1 Year	3 Years	5 Years	10 Years	1 Year	3 Years	5 Years	10 Years
Axis Equity Fund(G)	13.87	11.17	-	-	1.70	4.40	-	-
Birla SL Frontline Equity Fund(G)	17.14	11.08	18.28	18.91	1.85	5.11	6.67	14.94
Franklin India Bluechip Fund(G)	10.61	7.27	15.89	16.97	2.00	4.92	6.14	15.00
HDFC Top 200 Fund(G)	16.67	7.80	17.83	19.82	2.74	6.02	7.26	15.22
ICICI Pru Focused BlueChip(G)	18.33	10.77	19.11	-	1.37	4.69	6.15	-
ICICI Pru Top 100 Fund(G)	21.78	11.39	16.50	17.24	1.49	4.74	6.40	15.05
Sundaram Growth Fund(G)	10.64	4.34	13.04	13.79	2.09	5.87	7.79	17.68
UTI Equity Fund(G)	15.85	10.56	18.77	-	1.65	4.59	6.34	-
CNX Nifty Index	12.63	7.05	12.83	13.97				
S&P BSE 200	12.19	6.17	13.60	13.48				

Absolute Returns: November 2010 - December 2011



The rally in the last three years has not helped Sundaram Growth Fund recoup its losses. Since the last trough in December 2011, the Nifty rose by 51 per cent and notched a new all-time high of 6,841 on 23rd April, 2014. As shown in the chart on below, Birla Sun Life Frontline Equity Fund and ICICI Prudential Top 100 Fund generated returns higher than 60 per cent during this period, while Sundaram Growth Fund only generated a return of 41 per cent.

Absolute Returns: December 2011 - April 2014



On a long-run risk-adjusted return basis, Sundaram Growth Fund has underperformed its large-cap counterparts. On a five year basis, the fund has not been in the top quartile at all while some of the large-cap funds in the table above were consistently in the top quartiles. In conclusion, you should prune your portfolio by redeeming your investment in Sundaram Growth Fund as the fund has not really added value to your portfolio. You should hold onto the Birla and ICICI funds as these funds have consistently generated high returns and have simultaneously restricted volatility.

The Nifty's previous peak occurred in November 2010 when the index crossed 6,300 for the first time. However, the Nifty subsequently fell by 28 per cent between November 2010 and December 2011. During this period, Birla Sun Life Frontline Equity Fund and ICICI Prudential Top 100 Fund managed to restrict losses and fell by 27 per cent and 23 per cent respectively while Sundaram Growth Fund underperformed the index and fell by 32 per cent.

Disclaimer: Past performance does not guarantee future returns. The mutual funds which have been mentioned are indicative of historical performance only. Please consult your financial advisor before investing in mutual funds.