

Published Date:	31 Jan 2025	Publication:	Fortune India [National]
Journalist:	Shoaib Zaman	Page No:	102
Circulation:	80,000		



BEST EQUITY FUNDS

WHAT FUND MANAGERS DID RIGHT TO COME OUT ON TOP.

BY SHOAIB ZAMAN

EQUITIES HAVE democratised wealth creation. The most popular vehicle for investing in shares is equity mutual funds. In 2017, the Securities and Exchange Board of India (Sebi) created different fund categories based on investing styles and mandates to make comparison easier for investors. We tried to make things even simpler by

working with an independent jury. Therefore, based on market-cap segregation, we have used the Sebi classification to choose the best funds in Large-Cap, Mid-Cap and Small-Cap categories. Also, we have clubbed all categories that allow the fund manager to invest across market caps—such as Flexi-cap, Multi-cap, Value, ELSS, Large & Mid-cap and Focus—into a single segment called All Cap. The study has been done in association with Morningstar.

ILLUSTRATION BY ANIRBAN GHOSH

Published Date:	31 Jan 2025	Publication:	Fortune India [National]
Journalist:	Shoaib Zaman	Page No:	104
Circulation:	80,000		

1

LARGE-CAP

LARGE-CAP FUNDS have to invest at least 80% assets in large-cap stocks, that is, the top 100 companies based on market capitalisation. They account for 12% assets of equity funds. “Their stability, liquidity and ability to provide a cushion during market turbulence make them indispensable,” says Vikram Singhvee, co-founder, Venn Wealth. “Over the last few years, generating alpha in this category has become challenging. Hence, choosing the right fund manager remains the key to investment success.” His point is visible in comparison between the category average performance and the benchmark Nifty 100 TRI (total return index). Category average returns for one-year, three-year and five-year periods are 33.43%, 13.04%, and 16.46%, respectively, compared to the Nifty100 TRI’s performance of 32.97%, 13.13% and 17.04%, respectively (as on October 31, 2024). The list of three best large-cap funds is led by Nippon India Large Cap, followed by ICICI Prudential Bluechip and HDFC Top 100. While the investible universe

is similar, the three fund managers follow different styles. “We buy growing businesses at reasonable prices. The first principle is not overpaying for growth,” says Sailesh Raj Bhan, CIO-Equity Investments and fund manager, Nippon India Large Cap fund. Anish Tawakley, co-chief investment officer-Equity and fund manager of ICICI Prudential Bluechip Fund, says, “I call our approach a barbell. At the one end, we invest in value stocks with an expectation that the valuation will revert to the mean, and at the other end, buy high-quality companies that are still growing.” Rahul Bajjal, senior fund manager, HDFC AMC, says, “Blending GARP (growth at any price) with value ensures consistent performance. It helps funds avoid being locked into one style. For example, about two-and-a-half years ago, the portfolio was evenly split between GARP and value. Currently, it is 70% GARP and 30% value.” All top three fund managers have different approaches but there is some commonality as well. For example, they have a review system to compare weights against the benchmark. Similarly, there is a near consensus that 2025 could be the year of large-caps and the gap between large-caps and others will likely reduce.



“We buy growing businesses at sensible or reasonable prices. The first principle is not overpaying for growth.”

Sailesh Raj Bhan, CIO-Equity Investments and fund manager, Nippon India Large Cap fund

Top Large-Cap Funds

Rank	Funds	Rolling Returns (%)		Std. Dev. (5 years)	Morningstar Risk Adjusted Return (5 years, in %)	Down Capture Ratio (5 years)	Fund Size (12-month average, ₹ cr)	Fund Manager(s)
		1 Yr	3 Yr					
1	Nippon India Large Cap Gr	27.38	24.08	19.99	8.43	106.03	23,953	Sailesh Raj Bhan;Kinjal Desai;Bhavik Dave
2	ICICI Pru Bluechip Gr	25.23	21.24	17.39	9.51	89.09	52,252	Anish Tawakley;Vaibhav Dusad;Sharmila D'mello
3	HDFC Top 100 Gr	24.92	21.56	18.81	7.75	101.77	31,838	Rahul Bajjal;Dhruv Muchhal

SOURCE: MORNINGSTAR INDIA

Published Date:	31 Jan 2025	Publication:	Fortune India [National]
Journalist:	Shoaib Zaman	Page No:	106
Circulation:	80,000		

3

SMALL-CAP

SMALL-CAP FUNDS invest at least 65% of their AUM in stocks that rank 250 and below in market cap. Nippon India Small Cap leads the pack, followed by Tata Small Cap and Canara Robeco Small Cap. “Small-cap funds generate impressive returns over longer periods. Over shorter periods, they are a lot more volatile than diversified equity funds. Investors who can stomach the volatility should allocate with a horizon of 7-10 years. Fund selection is important as there is a lot of variation between performances of small-cap funds,” says Jeni Shukla Chaudhary, chief executive officer of ValU Wealth Care.

All three top funds emphasise long-term wealth creation through disciplined investing in quality businesses led by capable management. Bottom-up stock selection and portfolio diversification are central to their strategies. “Nippon India follows a ‘buy and hold’ philosophy focusing on long-term investing in quality businesses run by honest and capable management,” says Samir Rachh, fund manager, Nippon India Small



“Nippon India follows a ‘buy and hold’ philosophy focusing on long-term investing in quality businesses.”

Samir Rachh, fund manager, Nippon India Small Cap Fund

Cap Fund. He adds their approach stands out with one of the most diversified portfolios across companies, sectors and investment styles ensuring resilience and steady growth.

Tata Small Cap Fund stopped accepting lump-sum investments from July 2023. Chandraprakash Padiyar, fund manager, explains. “Manufacturing has a large presence in the small-cap universe. Indian entrepreneurs are focusing on R&D and process improvements to gain market share globally and in India. This makes us optimistic on small caps. However, valuations are on the higher side, which may lead to below normal returns for about 18 months,” he says.

Shridatta Bhandwadar, head of equities at Canara Robeco and fund manager for Canara Robeco Small Cap Fund, says their philosophy centres on numbers over narratives. “We invest in scalable businesses with reasonable return ratios,” he says. When asked about the risks in FY25, he says, “The country has gone through a period of high earnings growth post-Covid. The current year could witness earnings growth coming off on a strong base. The assumption is that the growth will continue to remain strong even in FY26/27. Any deceleration could lead to a correction in the overall market.”

Top Small-Cap Funds

Rank	Funds	Rolling Returns (%)		Std. Dev. (5 years)	Morningstar Risk Adjusted Return (5 years, in %)	Down Capture Ratio (5 years)	Fund size (12-month average, ₹ cr)	Fund Manager(s)
		1Yr	3 Yr					
1	Nippon India Small Cap Gr	45.80	38.32	22.64	19.40	77.98	48,087	Samir Rachh;Kinjal Desai
2	Canara Robeco Small Cap Reg Gr	41.52	34.66	20.77	19.18	67.02	9,864	Shridatta Bhandwadar;Pranav Gokhale
3	Tata Small Cap Fund Reg Gr	39.84	33.83	20.49	18.49	68.57	6,861	Chandraprakash Padiyar;Jeetendra Khatri

SOURCE: MORNINGSTAR INDIA

Published Date:	31 Jan 2025	Publication:	Fortune India [National]
Journalist:	Shoaib Zaman	Page No:	107
Circulation:	80,000		

Top All-Cap Funds

Rank	Funds	Rolling Returns (%)		Std. Dev. (5 years)	Morningstar Risk Adjusted Return (5 years, in %)	Down Capture Ratio (5 years)	Fund size (12-month average, ₹ cr)	Fund Manager(s)
		1 Yr	3 Yr					
1	Nippon India Multi Cap Gr	34.04	30.37	21.93	10.86	98.79	28,507	Sailesh Raj Bhan;Kinjal Desai;Ashutosh Bhargava
2	Parag Parikh ELSS Tax Saver Reg Gr	27.58	23.70	15.07	13.60	43.40	3,062	Rajeev Thakkar;Raj Mehta;Raunak Onkar;Rukun Tarachandani;Mansi Kariya
3	Mahindra Manulife Multi Cap Reg Gr	31.90	25.79	18.88	14.24	90.30	3,251	Manish Lodha;Fatema Pacha

SOURCE: MORNINGSTAR INDIA

1

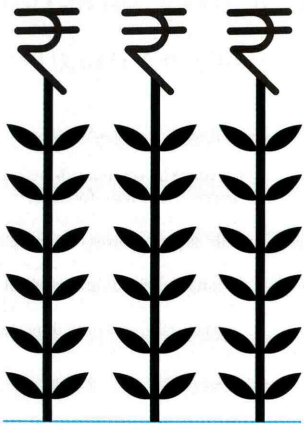
4

ALL-CAP

THE ALL-CAP category covers equity funds that can invest across market caps. From Sebi's sub-category perspective, they include Flexi-cap, Multi-cap, Value, ELSS, Large & Mid-cap and Focus funds. They represent 48% of equity AUM. Among these, the best-performing funds are Nippon India Multi-Cap, Parag Parikh ELSS Tax Saver and Mahindra Manulife Multi Cap. Their fund managers emphasise discipline, bottom-up stock selection and risk management. They do not overpay for growth to ensure sustainable returns over the long term.

"India offers a good opportunity for growth investing. My approach reflects growth bias with some blend of value. I believe value and growth are two sides of the same coin; a business growing for the past 10 years may present value, and vice versa, depending on changing macroeconomic factors and the growth trajectory," says Manish Lodha, fund

THE FUND MANAGERS EMPHASISE DISCIPLINE, BOTTOM-UP STOCK SELECTION AND RISK MANAGEMENT. THEY DO NOT OVERPAY FOR GROWTH.



manager, Mahindra Manulife Multi Cap Fund.

Sailesh Raj Bhan of Nippon India mutual fund says he manages both multi-cap and large-cap funds using the same principles. "Portfolio construction, that is, allocation to large-, mid- and small caps, determines the outcome," he says.

Commenting on the likely risks in 2025, Rajeev Thakkar, chief investment officer & equity fund manager, Parag Parikh Mutual Fund, says, "The increasingly speculative nature of markets as shown in large F&O volumes could create disappointment among the general public if they lose a significant amount of savings." ■