

Outlier MF schemes that beat benchmarks in FY22

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BEATING THE BENCHMARKS has become hard for large cap schemes of fund houses. Even though nearly 82% large cap schemes have underperformed in the last five years, there are outliers that have beaten the benchmarks by a long shot. While life-cycle and size of a fund can impact returns of large cap funds, it is interesting to note schemes from Nippon, Invesco and ICICI Prudential beat the benchmarks in FY22 even though their peers seem to be struggling. Despite the volatility and new money chasing the hyped platform businesses, what has worked for fund houses has been keeping things simple and staying loyal to their investment philosophy. Explains Prakash Gaurav Goel, senior fund manager, ICICI Prudential AMC, "Our process is designed to focus more on fundamental value and ignore the recency biases, which helped us do well across schemes and themes in FY22."

Choosing the right schemes and fund houses can make all the difference to an investor's returns, as data show that some schemes are delivering alpha even in large cap schemes. According to data compiled by Prime Database, Invesco's large-cap fund was the top performer in the category and it delivered returns of 24.46% against a 17.07% rally in the BSE Sensex during financial year 2022. Schemes from Nippon Mutual Fund, IDBI Mutual Fund and ICICI Prudential Mutual Fund also managed to

Top 5 equity large-cap funds

Mutual fund	Mutual fund scheme	Return (%)*
Invesco	Invesco India Largecap Fund Growth Direct	24.46
Nippon India	Nippon India Large Cap Fund Growth Plan Direct	24.24
IDBI	IDBI India Top 100 Equity Fund Growth Direct	23.78
ICICI Prudential	ICICI Prudential Bluechip Fund Growth Direct	21.5
Sundaram	Sundaram Large Cap Fund Growth Direct	20.25

Top 5 equity mid-cap funds

Mutual fund	Mutual fund-scheme	Return (%)*
Quant	Quant Mid Cap Fund Growth Direct	49.99
Quant	Quant Mid Cap Fund IDCW Direct	49.96
Motilal Oswal	Motilal Oswal Midcap 30 Fund Growth Direct	38.32
PGIM India	PGIM India Midcap Opportunities Fund-Dividend Payout Direct	35.83
PGIM India	PGIM India Midcap Opportunities Fund Growth Direct	35.81

Top 5 equity small-cap funds

Mutual fund	Mutual fund scheme	Return (%)
Canara Robeco	Canara Robeco Small Cap Fund Growth Direct	58.09
Quant	Quant Small Cap Fund Growth Direct	56.44
Quant	Quant Small Cap Fund IDCW Direct	56.29
Sundaram	Sundaram Select Micro Cap-Series XVII-IDCW Payout Direct	50.63
Sundaram	Sundaram Select Micro Cap-Series XVII-Growth Direct	50.63

*1 year return in % (1-April-2021 to 31-Mar-2022)

Source: primemfdatabase.com

beat benchmarks by delivering returns of 24.24%, 23.78%, and 21.5%, respectively, during the year.

Experts believe that fund managers typically face challenges beating the benchmarks in a bullish market, when the indices perform better and the rally is higher than 10-15% in a given year. Speaking to FE,

Nikhil Kamath, co-founder, Zerodha, said, "Each fund has a different life-cycle and it won't be the same fund that will beat the markets every time, as it is cyclical and keeps on changing. Generally, in a market which is bullish, it becomes difficult to beat the benchmarks. If you have a year in which markets moved from 0-10%, it is possible

to beat the benchmarks, while if the markets move up around 15% or more, like it did last year, it becomes difficult for funds to beat the benchmarks."

Also, funds run by AMCs like Nippon and Invesco manage to outperform because they are run very efficiently. "I think the thesis these funds have is working accurately for

them right now," added Kamath.

In the broader markets, the mid-cap and small-cap funds have fared much better than the large-cap funds, data compiled by primemfdatabase.com shows. Mid-cap funds have delivered returns in a range of 27-49%, whereas funds focused towards the small-cap category have delivered returns in a range of 48-58%. Quant Mutual Fund, Motilal Oswal Mutual Fund and PGIM Mutual Fund have been the top performers in the mid-cap category — with returns of 49%, 38%, and 35%, respectively, against the BSE mid-cap's rally of 17.5% during the period.

According to fund managers, funds in the mid-cap and small-cap category typically outperform in an improving economic cycle and stable markets, as investors bet on smaller companies, with expectations of such companies turning into big players in the future. "Mid- and small-cap sector does well in improving economy time. Given the speedy recovery in the economy after the pandemic, stable and growth supportive government policies, and regulatory regime, mid- and small-cap did well in FY22," Prakash Gaurav Goel, senior fund manager, ICICI Prudential AMC, told FE.

Going forward, FY23 is expected to be a tough year for the equity markets due to several headwinds, including the geopolitical crisis and the rate hike scenario. Returns from markets in the next couple of years will not be as good as the previous year, and the overall structure of the markets is expected to remain in the bearish zone, said experts.

