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Funds That Don't Deserve Your Money.

Check your portfolio and do the cleanup!!

Read-Along ■ 1/n

Aditya Birla SL Frontline Equity

The fund that doesn't deserve your money.

2/n

Aditya Birla SL Frontline Equity

AUM
₹22,467 cr

Two key developments have changed the landscape for large-cap funds. One, the Sebi mandate that large-cap funds must hold at least 80% in the top 100 stocks by market capitalisation. And two, benchmarking against the TRI, which meant a straight 1-1.3% higher return in the index, for the fund to contend with. On top of this, a narrow rally lasting for over three years ensured that large-cap schemes lost out to the indices. Very few funds that were nimble to capture the stock-specific rally managed to outperform their benchmarks.

Its near-term marginal outperformance notwithstanding, Aditya Birla Sun Life Frontline Equity has outperformed the Nifty 100 TRI just 12% of the times when returns were rolled for 1-year periods between 2018-21. And there has been no instance of outperformance in 3-year rolling returns. An upside capture ratio of 86% indicates the extent of underperformance in rallies while downside capture of 100 meant that it fell as much as the index. Sustained underperformance and burgeoning assets resulted in this fund falling by the wayside.

AVERAGE 3-YEAR ROLLING RETURN FOR PAST THREE YEARS	
Aditya Birla SL Frontline Equity	8.3%
Large-cap category	9.3%
Nifty 100 TRI	10.6%

% TIMES FUND HAS BEATEN 3-YEAR ROLLING RETURNS OF INDEX*	
Aditya Birla SL Frontline Equity	0%
Large-cap category	35.4%

VALUE OF ₹1 LAKH INVESTED 3 YEARS AGO	
Aditya Birla SL Frontline Equity	₹2.39 lakh
Nifty 100 TRI	₹2.47 lakh
Difference	- ₹7,432

VALUE OF ₹5,000 SIP STARTED 3 YEARS AGO	
Aditya Birla SL Frontline Equity	₹2.73 lakh
Nifty 100 TRI	₹2.73 lakh
Difference	₹131

HDFC Top 100

The fund that doesn't deserve your money.

3/n

HDFC Top 100

AUM ₹20,998 cr

AVERAGE 3-YEAR ROLLING RETURN FOR PAST THREE YEARS	
HDFC Top 100	9.0%
Large-cap category	9.3%
Nifty 100 TRI	10.6%

% TIMES FUND HAS BEATEN 3-YEAR ROLLING RETURNS OF INDEX*	
HDFC Top 100	30.4%
Large-cap category	35.4%

VALUE OF ₹1 LAKH INVESTED 3 YEARS AGO	
HDFC Top 100	₹2.13 lakh
Nifty 100 TRI	₹2.47 lakh
Difference	- ₹33,658

VALUE OF ₹5,000 SIP STARTED 3 YEARS AGO	
HDFC Top 100	₹2.62 lakh
Nifty 100 TRI	₹2.73 lakh
Difference	- ₹10,756

This stalwart has a checkered record. A value-conscious fund, its bets have often worked only with a lag. But with the changing market dynamics over the past decade, its tendency to stick with high-conviction long-term bets and not adapt to newer trends started to weigh on performance. It was largely trying to catch up with the index, sometimes lagging the Nifty 100 TRI by a steep margin or moving past it briefly, only to fall behind again.

The risk with such funds is that it spells significant opportunity loss if your holding time frame coincides with the fund's underperformance phase. The fund's 3-year returns are well below the Nifty 100 index and have been so for nearly two years now. Nor does the fund make up for inconsistency through an ability to outperform during rallies or keep downsides in check, where it fares poorer than its category. HDFC Top 100's consistent poor performance comes at a time when passive index options, especially in the large-cap space, are gaining ground. The fund's very recent return uptick in light of its uneven performance makes it an opportune time to book out.

ICICI Prudential Bluechip

The fund that doesn't deserve your money.

4/n

ICICI Prudential Bluechip

AUM ₹30,308 cr

This mega-sized large-cap fund is known to contain downsides better than peers with the help of hedging. It was a steady performer about five years ago, and garnered an enormous AUM of more than ₹10,000 crore by 2016. In less than two years, its AUM had doubled to ₹20,000 crore. But that's when Sebi rejigged the category classification, and ICICI Prudential Bluechip Fund started under-performing.

With an outperformance record of just 31% over the Nifty 100 TRI on the basis of 3-year rolling return, the average 3-year returns is a full 130 basis points lower than the benchmark Nifty 100 TRI for the regular plan and about 30 basis points for the direct option.

The fund's upside capture of 92% and downside capture of 96.9% is better than the category averages of 90.8% and 91.8% respectively.

While the underperformance may not seem too stark, the availability of low-cost index funds that can beat such active funds makes a case for exit from this laggard.

AVERAGE 3-YEAR ROLLING RETURN FOR PAST THREE YEARS	
ICICI Prudential Bluechip	10.2%
Large-cap category	9.3%
Nifty 100 TRI	10.6%

% TIMES FUND HAS BEATEN 3-YEAR ROLLING RETURNS OF INDEX*	
ICICI Prudential Bluechip	31.2%
Large-cap category	35.4%

VALUE OF ₹1 LAKH INVESTED 3 YEARS AGO	
ICICI Prudential Bluechip	₹2.35 lakh
Nifty 100 TRI	₹2.47 lakh
Difference	- ₹12,122

VALUE OF ₹5,000 SIP STARTED 3 YEARS AGO	
ICICI Prudential Bluechip	₹2.71 lakh
Nifty 100 TRI	₹2.73 lakh
Difference	- ₹2,035

Nippon India Large-Cap

The fund that doesn't deserve your money.

5/n

Nippon India Large-Cap

AUM ₹11,115 cr

AVERAGE 3-YEAR ROLLING RETURN FOR PAST THREE YEARS	
Nippon India Large-cap	9.3%
Large-cap category	9.3%
Nifty 100 TRI	10.6%

% TIMES FUND HAS BEATEN 3-YEAR ROLLING RETURNS OF INDEX*	
Nippon India Large-cap	35.4%
Large-cap category	35.4%

VALUE OF ₹1 LAKH INVESTED 3 YEARS AGO	
Nippon India Large-cap	₹2.26 lakh
Nifty 100 TRI	₹2.47 lakh
Difference	- ₹21,185

VALUE OF ₹5,000 SIP STARTED 3 YEARS AGO	
Nippon India Large-cap	₹2.72 lakh
Nifty 100 TRI	₹2.73 lakh
Difference	- ₹1,534

From a large-cap fund (earlier called Reliance Equity Advantage) to focusing on the top 200 stocks (as Reliance Top 200) and then becoming a large-cap fund again after the Sebi recategorisation, Nippon India Largecap has followed multiple strategies. But it has been managed by the same fund manager since 2013.

Like many other large-cap schemes, this fund has struggled since 2018 because of the limit on the mid-caps it could hold. But the fund's underperformance was less pronounced compared with peers.

Moreover, the uptick in 1-year rolling returns suggests a comeback. However, it was underperforming the Nifty 100 TRI on a rolling 1-year return basis by over 10 percentage points as recently as February 2021. The recent market rally and a more value-conscious approach have helped, but sustaining this performance, especially with the market cap limits, is a challenging task even for a seasoned fund manager. With the fund house anchoring many index and ETF ideas, the large-cap space has better opportunities in those pockets.

HDFC Flexicap

The fund that doesn't deserve your money.

6/n

HDFC Flexicap

AUM ₹25,804 cr

Among the oldest equity schemes in the industry, this fund (earlier called HDFC Equity) has followed various strategies in the past. But one factor has threaded throughout – the fund has witnessed high volatility, with periods of high outperformance and longer periods of underperformance.

A few lost opportunities and getting into value traps left a yawning gap in the fund's performance with top peers.

While the fund did outperform its peers 51% of the times on a 3-year rolling return basis, this number stands at 36% when it comes to outperforming the Nifty 500 TRI. If your holding time frame coincides with the period of underperformance, your opportunity loss would be very high.

For instance, a 5-year SIP in the fund would have trailed the Nifty 500 TRI returns by close to 3 percentage points for the direct plan. If you compare the fund with a peer like Parag Parikh Flexicap, the opportunity loss is huge: a ₹10,000 SIP for the past five years translates into ₹2.87 lakh or a 23% lower corpus in absolute terms.

AVERAGE 3-YEAR ROLLING RETURN FOR PAST THREE YEARS	
HDFC Flexicap	8.8%
Flexicap category	8.8%
Nifty 500 TRI	9.6%

% TIMES FUND HAS BEATEN 3-YEAR ROLLING RETURNS OF INDEX*	
HDFC Flexicap	36.2%
Flexicap category	38.4%

VALUE OF ₹1 LAKH INVESTED 3 YEARS AGO	
HDFC Flexicap	₹2.34 lakh
Nifty 500 TRI	₹2.59 lakh
Difference	- ₹25,200

VALUE OF ₹5,000 SIP STARTED 3 YEARS AGO	
HDFC Flexicap	₹2.76 lakh
Nifty 500 TRI	₹2.83 lakh
Difference	- ₹6,602

Motilal Oswal Flexicap

The fund that doesn't deserve your money.

7/n

Motilal Oswal Flexicap

AUM
₹12,355 cr

AVERAGE 3-YEAR ROLLING RETURN FOR PAST THREE YEARS	
Motilal Oswal Flexicap	8.1%
Flexicap category	8.8%
Nifty 500 TRI	9.6%

% TIMES FUND HAS BEATEN 3-YEAR ROLLING RETURNS OF INDEX*	
Motilal Oswal Flexicap	39.0%
Flexicap category	38.4%

VALUE OF ₹1 LAKH INVESTED 3 YEARS AGO	
Motilal Oswal Flexicap	₹2.11 lakh
Nifty 500 TRI	₹2.59 lakh
Difference	- ₹48,310

VALUE OF ₹5,000 SIP STARTED 3 YEARS AGO	
Motilal Oswal Flexicap	₹2.49 lakh
Nifty 500 TRI	₹2.83 lakh
Difference	- ₹34,249

The risk in funds with high concentration towards a few stocks is that a few wrong calls can have a significant impact on performance. A few missteps on this count by the fund saw its chart-topping returns take a hit from 2018 onwards; the fund is now behind the Nifty 500 TRI by a deep margin of around 10 percentage points. While the fund did try to course-correct by paring exposure to the underperformers and changing its top calls, the depth of the underperformance made it hard for a recovery to take hold. Other stock additions taking time to pay off hasn't helped a quicker turnaround.

Currently, the fund underperforms the Nifty 500 TRI by a margin of 15-17 percentage points when 1-year returns are rolled daily. Its consistency in both short-term and long-term returns are poor, against both the index and other flexi-cap funds. The continued lag in performance will make it increasingly harder for a bounce-back to take shape.

HDFC Midcap Opportunities

The fund that doesn't deserve your money.

8/n

HDFC Midcap Opportunities

AUM ₹31,378 cr

This fund does very well at beating the Nifty Midcap 100 TRI but is unable to match up to peers, and has lagged the category average. Rolling 3-year returns over the past 6-year period has the fund beating the category average just 31% of the time. From a 3-percentage point out-performance over the category average in 2018, it now lags by that margin.

This can partly be attributed to its enormous size, which prevents it from moving deftly like smaller-sized funds or going for smaller stocks that have lower liquidity, which have fueled the current rally.

At ₹30,000-odd crore AUM, HDFC Midcap Opportunities is already a mid-cap giant. As size grows further, it could have a bigger impact on the fund's ability to effectively tap mid-cap stock movements. The fund's upside capture is lower than other category toppers. A liquidity measure is the number of days it would take a fund to sell the entire portfolio. On this metric, this fund has among the longest days to liquidate its portfolio in its category. For those already invested in the fund, moving out could help lock into the outsized gains it has delivered so far.

AVERAGE 3-YEAR ROLLING RETURN FOR PAST THREE YEARS	
HDFC Midcap Opportunities	7.6%
Midcap category	8.4%
Nifty Midcap 100 TRI	5.3%

% TIMES FUND HAS BEATEN 3-YEAR ROLLING RETURNS OF INDEX*	
HDFC Midcap Opportunities	98.5%
Midcap category	75.8%

VALUE OF ₹1 LAKH INVESTED 3 YEARS AGO	
HDFC Midcap Opportunities	₹2.83 lakh
Nifty Midcap 100 TRI	₹2.91 lakh
Difference	- ₹7,665

VALUE OF ₹5,000 SIP STARTED 3 YEARS AGO	
HDFC Midcap Opportunities	₹3.00 lakh
Nifty Midcap 100 TRI	₹3.15 lakh
Difference	- ₹14,652

Sundaram Midcap

The fund that doesn't deserve your money.

9/n

Sundaram Midcap

AUM ₹6,926 cr

AVERAGE 3-YEAR ROLLING RETURN FOR PAST THREE YEARS	
Sundaram Midcap	4.2%
Midcap category	8.4%
Nifty Midcap 100 TRI	5.3%

% TIMES FUND HAS BEATEN 3-YEAR ROLLING RETURNS OF INDEX*	
Sundaram Midcap	22.4%
Midcap category	75.8%

VALUE OF ₹1 LAKH INVESTED 3 YEARS AGO	
Sundaram Midcap	₹2.34 lakh
Nifty Midcap 100 TRI	₹2.91 lakh
Difference	- ₹56,216

VALUE OF ₹5,000 SIP STARTED 3 YEARS AGO	
Sundaram Midcap	₹2.80 lakh
Nifty Midcap 100 TRI	₹3.15 lakh
Difference	- ₹34,581

This fund is not among the largest in its category, but its underperformance is significant. A former top-notch fund, it lags both the Nifty Midcap 100 TRI and its category in the short and long term. The fund started to fall behind after 2018, a period that saw a steep correction in mid-caps. But while other mid-cap funds were able to make far more out of this rally, Sundaram Midcap has not been able to recover from the 2018 slide. Between March and June this year, for example, the fund's 1-year returns were a steep 15-25 percentage points lower than the category average.

Also, the fund's upside capture ratio is among the worst in its category, indicating that it hasn't been able to latch on to stocks well enough that would have helped it make up for the earlier underperformance. The fund has recently seen a change in managers; while this may change its performance, the extent of underperformance and the time a recovery could take suggest that moving to a different fund may help curtail further opportunity loss.

Aditya Birla SL Tax Relief 96

The fund that doesn't deserve your money.

10/n

Aditya Birla SL Tax Relief '96

AUM ₹14,734 cr

This fund was, for a good while, an above-average performer, even if it wasn't always in the top quartile. However, the performance has gradually slipped over the years. The 1-year rolling returns of the fund are 20 percentage points below that of the Nifty 500 TRI. On of the reasons for this significant underperformance is that Aditya Birla Sun Life Tax Relief '96 largely sat out of the ongoing rally. The depth of the underperformance also weighed on longer-term returns, and the fund has been behind the Nifty 500 on a 3-year basis since October 2020. This slack makes it more difficult for the fund to bridge the performance gap with the market and with other ELSS funds. We would advise investors whose lock-in period has ended to exit the fund now. They should move to other schemes before the performance worsens further.

AVERAGE 3-YEAR ROLLING RETURN FOR PAST THREE YEARS	
Aditya Birla SL Tax Relief '96	9.3%
ELSS category	8.9%
Nifty 500 TRI	9.6%

% TIMES FUND HAS BEATEN 3-YEAR ROLLING RETURNS OF INDEX*	
Aditya Birla SL Tax Relief '96	55.8%
ELSS category	43.1%

VALUE OF ₹1 LAKH INVESTED 3 YEARS AGO	
Aditya Birla SL Tax Relief '96	₹1.96 lakh
Nifty 500 TRI	₹2.59 lakh
Difference	- ₹63,131

VALUE OF ₹5,000 SIP STARTED 3 YEARS AGO	
Aditya Birla SL Tax Relief '96	₹2.44 lakh
Nifty 500 TRI	₹2.83 lakh
Difference	- ₹38,909

HDFC Taxsaver

The fund that doesn't deserve your money.

HDFC Taxsaver

AUM
₹9,321 cr

AVERAGE 3-YEAR ROLLING RETURN FOR PAST THREE YEARS	
HDFC Taxsaver	5.5%
ELSS category	8.9%
Nifty 500 TRI	9.6%

% TIMES FUND HAS BEATEN 3-YEAR ROLLING RETURNS OF INDEX*	
HDFC Taxsaver	1.5%
ELSS category	43.1%

VALUE OF ₹1 LAKH INVESTED 3 YEARS AGO	
HDFC Taxsaver	₹1.95 lakh
Nifty 500 TRI	₹2.59 lakh
Difference	- ₹63,986

VALUE OF ₹5,000 SIP STARTED 3 YEARS AGO	
HDFC Taxsaver	₹2.63 lakh
Nifty 500 TRI	₹2.83 lakh
Difference	- ₹19,574

HDFC Taxsaver was once the most recommended ELSS fund. But that performance is now history. Its inability to beat both the Nifty 500 index as well as peers in the past six years has meant that it is now in the bottom quartile in our rankings. At 66%, its upside capture is significantly lower than category average of 93%. Nor does it contain downsides well as suggested by a downside capture of 109%. Essentially, its risk-adjusted return leaves little to be said. For those who have held this fund as part of their tax-saving investments, our recommendation is to move on to better performing funds after the lock-in period is over.

Nippon India Taxsaver

The fund that doesn't deserve your money.

Nippon India Taxsaver

AUM
₹12,511 cr

Like most other Nippon Mutual Fund schemes, this fund had made its mark with outstanding performances in market rallies. This helped make up the fund's tendency to drop heavily whenever markets corrected. However, the fund faltered in the previous rally, while retaining its characteristic of steeper falls. The result is a prolonged underperformance.

On a 3-year rolling return basis over the past six years, the fund has never beaten the Nifty 500 TRI or the ELSS category. In 1-year periods, it has rarely done better than the index. The fund has managed to claw back and climb above the Nifty 500's 1-year returns since April. But this improvement is best used to bridge some of the long and steep underperformance; the fund remains well below the index for those who invested three years ago. It is among the most volatile ELSS funds. With no meaningful performance in the past few years, there is no reason to continue holding it.

AVERAGE 3-YEAR ROLLING RETURN FOR PAST THREE YEARS	
Nippon India Taxsaver	1.3%
ELSS category	8.9%
Nifty 500 TRI	9.6%

% TIMES FUND HAS BEATEN 3-YEAR ROLLING RETURNS OF INDEX*	
Nippon India Taxsaver	0%
ELSS category	43.1%

VALUE OF ₹1 LAKH INVESTED 3 YEARS AGO	
Nippon India Taxsaver	₹1.94 lakh
Nifty 500 TRI	₹2.59 lakh
Difference	- ₹65,518

VALUE OF ₹5,000 SIP STARTED 3 YEARS AGO	
Nippon India Taxsaver	₹2.70 lakh
Nifty 500 TRI	₹2.83 lakh
Difference	- ₹12,860

SBI Long-Term Equity

The fund that doesn't deserve your money.

13/n

SBI Long-Term Equity

AUM ₹10,835 cr

AVERAGE 3-YEAR ROLLING RETURN FOR PAST THREE YEARS	
SBI Long-Term Equity	6.7%
ELSS category	8.9%
Nifty 500 TRI	9.6%

% TIMES FUND HAS BEATEN 3-YEAR ROLLING RETURNS OF INDEX*	
SBI Long-Term Equity	4.6%
ELSS category	43.1%

VALUE OF ₹1 LAKH INVESTED 3 YEARS AGO	
SBI Long-Term Equity	₹2.44 lakh
Nifty 500 TRI	₹2.59 lakh
Difference	- ₹14,857

VALUE OF ₹5,000 SIP STARTED 3 YEARS AGO	
SBI Long-Term Equity	₹2.75 lakh
Nifty 500 TRI	₹2.83 lakh
Difference	- ₹8,240

This is another one of the earliest tax-saving schemes, and a popular one at that. Most people would remember it by its earlier name, SBI Magnum Taxgain. But its performance in recent years has been marked by spurts of outperformance and sharp underperformance. It did not manage to make up in the recent rally that lifted many funds. This, despite a good dose (40%) of mid and small-cap exposure. While the Sharpe ratio just about matches that of the category average, it last 3-year average rolling return of 6.7% is discernibly lower than the category average of 9.6%. The ELSS funds that were launched more to generate regular dividend flows for investors (given the lock-in) have lost their relevance in the present day.

Metrics Used For The Study by @primeinvestorin ■

By **Team ET Wealth with PrimeInvestor.in**

Investors in stocks and equity funds have never had it so good. The sustained rally has taken the benchmark indices to new heights. Mutual funds, which were down in the dumps last year, are now boasting eye-popping returns. But not all investors have reasons to smile. Several actively managed funds have consistently underperformed their benchmark indices and categories, which means investors in these schemes have lost out.

ET Wealth tied up with investment research firm *PrimeInvestor.in* to identify schemes that have consistently done poorly and deserve to be dumped. Using a multi-layered methodology that factored in risk-adjusted returns, volatility, upside and downside capture, we identified 12 of the largest laggards.

Investors holding any of these funds should use the current rally to dump these laggards. A few stragglers have picked up amid a broader market uptick, but this bump in performance may not sustain. With little prospects of their performance improving, these schemes should be replaced with more proven offerings. If you are not sure which fund to buy, go for index funds.

The underperformers will also come in handy when rebalancing the portfolio. The stocks rally has probably changed the asset allocation of many individuals, making their portfolios more equity heavy than planned. Our list will tell them the funds to exit.

Finding the laggards

The primary focus was on the performance of funds and their ability to consistently beat their benchmark indices and category averages. We only considered actively managed equity funds. Only schemes with a minimum 3-year track record were included. The benchmarks appropriate to different categories (and not necessarily the respective fund benchmark) were chosen to ensure a consistent apple-to-apple comparison. The Nifty 100 TRI was chosen for large-cap funds, Nifty 500 TRI for flexi-cap, multi-cap and ELSS categories and the Nifty Midcap 100 TRI for the mid-cap category.

Metrics used for the study

Outperformance in rolling returns: We used rolling returns in the study, calculating the percentage of times a fund was able to beat the benchmark as well as the category. Both 1-year and 3-year rolling returns (over a total time frame of four and six years respectively) were used for this purpose against the benchmark and category to ensure the near term trends are not missed even as the longer term is considered.

Information and Sharpe ratios: These metrics tell us a fund's outperformance adjusted for risk. Information ratio compares the scheme's excess returns over benchmark adjusted for tracking error. Sharpe uses excess returns over risk-free rate adjusted for volatility.

Average 3-year rolling returns: Point-to-point returns do not accurately reflect a fund's performance over time. This is a better return metric than a single point-to-point return. While rolling return measures a fund's performance consistency, the 3-year average shows how good the returns are.

Standard deviation: This is a measure of how volatile a fund can be. This also suggests consistency in performance.

Upside and downside capture: These ratios measure how much of an index's gains or corrections a fund captures. Higher the upside ratio, the better the fund has done. On downsides, lower the ratio, the better it is.

These metrics were assigned weights based on our assessment of which influence a fund's performance more. The scores were then statistically normalised to arrive at final ranks.

AUM criteria and AUM growth were juxtaposed with these ranks. Underperformers (with Prime Ratings of 3 or less) with AUM of over ₹5,000 crore were further analysed. This was used to narrow down funds that continue to underperform with no signs of a concrete turnaround and are very volatile, or those with big AUM addition in recent years and steadily slipping.

In the following pages, we give details of the funds along with an assessment of each scheme by *PrimeInvestor.in*.

The 12 underperforming schemes together manage ₹2,08,753 cr of investor wealth.

This is 17.5% of the total ₹11,91,770 crore AUM of all equity funds as in August 2021.

Investors don't switch because they are unaware how badly their funds have been doing.

ELSS schemes are the worst laggards but investors can't exit before 3 years.

Regular monitoring of fund performance and advice from professionals yield better results.

■■ RT This and help others to get out of these laggard funds ■

https://t.co/8iyzIbPtKS

Funds That Don't Deserve Your Money.

Check your portfolio and do the cleanup!!

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— 1 Page Finance \U0001f4c4 (@1PageFinance) March 7, 2022