FEBRUARY 2022

PRIME FUNDS

BEST FUNDS TO INVEST IN TODAY

EQUITY - MODERATE
EQUITY - TAX SAVING
DEBT FUNDS - VERY SHORT TERM

PrimeInvestor
We research. You profit.

WHAT ARE PRIME FUNDS

A lot goes into selecting a fund. Such as its strategy, ability to sustain consistent performance. There is what peer funds are doing and what markets are doing. Fund selection goes far beyond just its star rating.

We comb through 700-1500 return periods, compare risk-return metrics, loss probabilities, fund strategies, and markets to understand what can deliver. We put this into Prime Funds – our list of research-backed funds in equity, debt, and hybrid categories that are worth investing in.

In Prime Funds, you get:

1. **A range of investment styles**. Mixing different strategies is the key to a diversified portfolio. Each Prime Fund is unique, letting you diversify easily.
2. **A concise list**. We don't confuse you with dozens of funds. We give you a precise list across categories to help you pick from only the best.
3. **Categories that are useful**. A fund's suitability to a particular investment purpose matters more than its category. SEBI-defined categories have several overlaps. There's a high duplication risk in your portfolio if you define funds only by their category. We make the right comparisons and go by suitability to your time-frame and risk-level to recommend the right ones.

In Prime Funds, therefore, we have:

- Equity funds classified on the basis of risk you are willing to take
- Hybrid funds classified on the risk level needed
- Debt funds classified on the minimum number of years/months you need to hold

We recommend the direct plan in Prime Funds, with growth option.

In this e-book, you will find the Prime Funds in Equity Funds – Moderate, Equity Funds – Tax Saving, and Debt Funds – Very short term. Plus, a note on each fund's strategy, why we recommend it, and how to use it in your portfolio. **Every Prime Fund comes with these explanations to let you pick what suits you best.**

01

EQUITY - MODERATE

(ACTIVE)

THESE FUNDS HOLD A MAJORITY OF THEIR PORTFOLIO IN LARGE-CAP STOCKS. THEY SUIT ALL EQUITY INVESTORS. HOLD THESE FUNDS FOR NOT LESS THAN 5 YEARS.

PrimeInvestor

We research. You profit.

AXIS BLUECHIP FUND ★★★★★

LARGE CAP FUND

1 YEAR	3 YEARS	5 YEARS
11.54%	20.19%	19.37%

Returns as at 15th February, 2022

STRATEGY

Holds a compact portfolio with high exposure to the top few stocks. Adept at identifying outperformers. Takes quick tactical calls, moving in and out of stocks to book profits or cut losses. Tends towards a growth-style approach to stock-picking.

WHY THIS FUND

Differentiated strategy compared to large-cap peers. The large-cap space is over-researched and over-held. Going heavily overweight on select stocks are doing well and taking tactical calls can work well, instead of holding a diffused portfolio or identifying a large number of outperformers as other large-cap funds try to do. Lower volatile compared to peers and is among the best alpha generators. Beats the Nifty 100 TRI close to 70% of the time on a 1-year rolling return over 3 years, unmatched by peers.

ROLE IN YOUR PORTFOLIO

Can form part of long-term portfolios for higher-risk investors, if there is no other focused fund present. Pairs well with index-based large-cap or multi-cap funds.

CANARA ROB FLEXI CAP FUND ★★★★★

FLEXI CAP FUND

1 YEAR	3 YEARS	5 YEARS
20.17%	23.44%	19.29%

Returns as at 15th February, 2022

STRATEGY

Follows a stock-specific strategy, adopting a growth-at-reasonable price to select stocks. Takes relatively concentrated bets in its top few holdings. Primarily invests in large-caps, but has a significant mid-cap/small-cap exposure of 20-30%.

WHY THIS FUND

A dark-horse pick that flies under the radar. An underperformer that has turned around over the past year. Smaller fund size can allow it to be more nimble, especially in its mid-cap/small-cap picks. Contains downsides well and generates above-average risk-adjusted returns. Strategy blends value picks with pricey but stable stocks, which can work well across market cycles. Large-cap orientation with mid-cap exposure can deliver better than pure large-cap funds without significantly upping risk.

ROLE IN YOUR PORTFOLIO

Can form part of long-term (4+ years) portfolios of higher-risk investors. Combines well with any fund, including large-cap funds.

INVESCO INDIA CONTRA FUND ★★★★

CONTRA FUND

1 YEAR	3 YEARS	5 YEARS
17.55%	21.90%	18.19%

Returns as at 15th February, 2022

STRATEGY

Follows a value-based strategy by looking for value in both sector potential and on a bottom-up stock basis. Holds a portion of its portfolio in earlier value picks that have since run up. Majority holding is in large-cap stocks, but can have a reasonable share of mid-cap and small-cap stocks.

WHY THIS FUND

Ability to maintain a clear value strategy, while still continuing to hold earlier picks that have delivered (and become more growth stories) and can continue to do so. This adds a boost to returns while reducing impact of a value strategy taking time to play out, making it an all-weather value fund. Beats the Nifty 500 TRI all the time when rolling 3-year returns for 3 years. Delivers very well on the upside even as volatility is higher than other multicap funds, and beats peers by just over 3 percentage points.

ROLE IN YOUR PORTFOLIO

Can be used as a higher-growth component of long-term, high-risk portfolios. Pair with growth-oriented funds for diversification.

KOTAK INDIA EQ CONTRA FUND ★★★★

CONTRA FUND

1 YEAR	3 YEARS	5 YEARS
17.37%	20.90%	18.20%

Returns as at 15th February, 2022

STRATEGY

Follows a value-based approach to stock selection. Looks for stocks or sectors that are priced relatively cheaper. Goes in for high concentration in either stocks or in sectors, and can deviate from benchmark allocations. Aims to be large-cap oriented.

WHY THIS FUND

Steady outperformer, beating the Nifty 500 TRI all the time on a long-term basis. For a value-based fund, this is a good sign of being able to sustain returns, without suffering from the long underperformance that value funds typically see. Participates very well in upsides, while also keeping downsides contained. Focused approach to a few stocks or sectors can help it cherry-pick worthy value plays; it helps avoid the pitfalls of holding poorer-quality stocks simply because they meet the 'value' criteria, and helps pick the lower-priced stocks in highly-valued sectors.

ROLE IN YOUR PORTFOLIO

Suits any investor with a horizon of at least 4-5 years. Use along with index funds and/or growth-based funds. Has high overlap with Kotak Flexicap, also a Prime Fund. Avoid holding both funds in the same portfolio.

KOTAK FLEXICAP FUND ★★★★

FLEXI CAP FUND

1 YEAR	3 YEARS	5 YEARS
14.26%	18.84%	15.27%

Returns as at 15th February, 2022

STRATEGY

Identifies sectors that can outperform and goes heavily overweight on them. Holds several stocks with such concentrated sector bets. Follows a value-based strategy. Though multi-cap by category, large-caps usually make up 70-75% of its portfolio.

WHY THIS FUND

Ticks all boxes of keeping downsides contained, having lower volatility than peers, and consistent market-beating performance. Beats the Nifty 500 TRI virtually all the time on a 3-year rolling basis over the past 3 years. Blend of large-caps with measured exposure to mid-caps works well to limit overall risk in line with large-cap funds but with much better return potential.

ROLE IN YOUR PORTFOLIO

Can form part of long-term (4+ years) portfolio for investors of any risk level. Pairs well with any fund, but shares high overlap with Kotak India EQ Contra, also a Prime Fund. Avoid holding both funds in the same portfolio.

MIRAE ASSET LARGE CAP FUND ★★★★½

LARGE CAP FUND

1 YEAR	3 YEARS	5 YEARS
15.45%	19.61%	16.79%

Returns as at 15th February, 2022

STRATEGY

Follows a strategy of adjusting sector weights relative to its benchmark index; going slightly overweight on those sectors that can do well and slightly underweight on those that cannot. Efficient in calling these weights correctly. Weeds out lagging stocks to maintain returns. Can be more volatile than peer funds, but makes up in returns.

WHY THIS FUND

Among the few large-cap funds to steadily beat the index and deliver above-average return. Beats the Nifty 100 TRI all the time on rolling 3-year returns for 3 years, when the average for large-cap funds is 35%.
Strategy places it to continue performing in the changing market scenario. It is increasingly difficult to discover outperforming stocks in the over-researched and over-held large-cap space. Taking correct calls on sectors that move the index in a market cycle betters the ability to beat the index.

ROLE IN YOUR PORTFOLIO

Can form part of a long-term asset-allocated portfolio of over 3 years . Pairs well with any fund.

PARAG PARIKH FLEXI CAP FUND ★★★★★

FLEXI CAP FUND

1 YEAR	3 YEARS	5 YEARS
28.58%	27.97%	21.79%

Returns as at 15th February, 2022

STRATEGY

Can invest up to 35% in foreign stocks. Takes derivative calls and hedges exposure when markets are overvalued or when there are no investment opportunities. Follows a value-based strategy with a long-term view in stock picking and keeps portfolio churn minimum.

WHY THIS FUND

International exposure and phenomenal ability to contain downsides sets this fund apart from every other equity fund. It's a steady fund that sticks to its strategy to deliver long-term returns. Remains unmoved by market noise. Consistent and low-volatile performer, beating the Nifty 500 TRI 72% of the time on rolling 3-year returns for 3 years. Returns better than the average for the category by a good 2 percentage points.

ROLE IN YOUR PORTFOLIO

Suits any long-term (5+ years) portfolio. Pairs well with any fund thanks to its wholly different strategy and portfolio.

01

EQUITY - MODERATE

(PASSIVE)

THESE FUNDS TRACK AND MIRROR LARGE-CAP INDICES, DOMESTIC AND GLOBAL, BESIDES INDICES THAT SCORE ON KEEPING DOWNSIDES CONTAINED. THEY SUIT ALL EQUITY INVESTORS. HOLD THESE FUNDS FOR NOT LESS THAN 5 YEARS.

PrimeInvestor

We research. You profit.

AXIS NIFTY 100 INDEX FUND ★★★

PASSIVE - LARGE-CAP ORIENTED

1 YEAR	3 YEARS	5 YEARS
14.89%	N/A	N/A

Returns as at 15th February, 2022

STRATEGY

Mirrors the Nifty 100 index that represents the top 100 listed companies by full market capitalisation. This index tracks the combined portfolios of the Nifty 50 and the Nifty Next 50.

WHY THIS FUND

The index represents the large-cap space as defined by SEBI for MF investing. Rolling 3-year returns for a 6-year period shows outperformance of the underlying index over large-cap fund category average 75% of the time. Axis Nifty 100 is the only index fund, at this point, to play this index.

ROLE IN YOUR PORTFOLIO

Ideal for those looking for a passive strategy to take exposure to the large-cap space. Can be a substitute for large-cap funds. Use this with a midcap fund for a long-term portfolio.

HDFC INDEX FUND - SENSEX ★★★★

PASSIVE - LARGE-CAP ORIENTED

1 YEAR	3 YEARS	5 YEARS
12.37%	18.41%	16.54%

Returns as at 15th February, 2022

STRATEGY

Tracks the Sensex index, a bellwether index for stock markets. This index comprises the top 30 stocks by market capitalisation and represents the biggest companies in the listed space. Widely used to benchmark portfolios and build index funds.

WHY THIS FUND

The Sensex and the Nifty 50 are the two main indices that investors track for market movements. The index represents the 30 largest stocks in the listed space and just under half the total BSE market capitalisation. Useful as a portfolio's large-cap component for those looking for passive alternatives. Longer-term returns closely mirror the Nifty 50; however, returns in shorter-term periods can see some variation with the Nifty 50 based on performance of stocks with heavy index weights. The fund has among the lowest tracking errors, low expense ratio and reasonable AUM.

ROLE IN YOUR PORTFOLIO

Can be used as large-cap component in portfolios, by any investor with a 5+ year timeframe. Use either the Sensex or the Nifty 50 in a portfolio; avoid including both indices unless portfolio size is very large as the two indices return similarly. Pair with more broad-based or higher-risk market indices or funds for a balanced portfolio.

ICICI PRU NIFTY LOW VOL 30 ★★★★★

PASSIVE - LARGE-CAP ORIENTED

1 YEAR	3 YEARS	5 YEARS
N/A	N/A	N/A

Returns as at 15th February, 2022

STRATEGY

A fund of fund (FoF) that holds ICICI Prudential Nifty Low Vol 30 ETF as the underlying instrument. The underlying ETF mirrors the Nifty Low Vol 30 index, a strategy index that houses the 30 least volatile stocks over the past year, from the Nifty 100. It is built on the global premise that curbing volatility can generate superior returns over the long term.

WHY THIS FUND

This index helps contain volatility better than the parent Nifty 100 index. When 3-year returns are rolled daily over 5 years, the index outperformed the Nifty 100 close to 80% of the times. However, over shorter periods of rolling 1-year returns over 2018-21, it beat its parent only half the time. This is because it can show underperformance in periods of sharp rallies, as was the case when this set of returns were rolled. ICICI Prudential Nifty Low Vol 30 ETF FoF is the only FoF to play the Nifty Low Vol 30 index. If you do not have a demat and do not wish to hold an ETF, the FoF option will fit your need.

ROLE IN YOUR PORTFOLIO

The FoF is suitable for those looking for less volatility. Low-vol strategies require longer time frame and can underperform over 1-2-year periods. The ETF can be paired with more aggressive indices such as the Nifty Next 50 or Nifty Midcap 150.

MOTILAL OSWAL S&P 500 INDEX FUND -UNRATED-

PASSIVE - INTERNATIONAL (MODERATE)

1 YEAR	3 YEARS	5 YEARS
16.08%	N/A	N/A

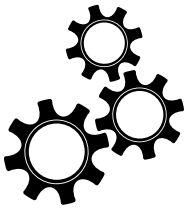
Returns as at 15th February, 2022

STRATEGY

An international fund that mirrors the S&P 500 index in the US. The S&P 500 index is a free-float market cap-weighted index made up of the 500 most liquid large-cap names in the US market. The index covers 82% of US market capitalisation.

WHY THIS FUND

Compared to Indian indices such as the Nifty 50 or even the Nifty 500, the US S&P 500 is a more diversified index. Has beaten the Nifty 500 TRI over 3 and 5 year periods. Houses some of the largest companies in the world and has 40% of its earnings from other large companies outside US thus providing great portfolio diversification. Helps capitalise from depreciation in the rupee against the dollar.



ROLE IN YOUR PORTFOLIO

Can be used by those who wish to own a portfolio of well-diversified US stocks. More aggressive investors or those who want to own US stocks for their strength in information technology can go for the Nasdaq 100 FOF from the same AMC. International funds can be used for diversification or for meeting international expenses such as children's education abroad, for those with a 5+ year horizon. Fund carries US-market related risks and currency movement related risk. Can form 10-15% of portfolio.

UTI NIFTY INDEX FUND ★★★★½

PASSIVE - LARGE-CAP ORIENTED

1 YEAR	3 YEARS	5 YEARS
14.46%	18.44%	15.84%

Returns as at 15th February, 2022

STRATEGY

Mirrors the Nifty 50 index that represents the top 50 listed companies by market capitalisation. It is widely used as an index for benchmarking portfolios, index-based derivatives and for building index funds. It represents about 67% of the free-float market cap of the listed universe. It is also widely used for derivative trading and is actively watched by domestic and global investors.

WHY THIS FUND

The index represents the 50 largest companies in the traded universe. As an index that is used to benchmark portfolios, the Nifty 50 is an ideal strategy for those who wish to have a passive market-cap based investing strategy. UTI Nifty Index fund has among the lowest tracking errors across time-frames and a low expense ratio.

ROLE IN YOUR PORTFOLIO

Ideal for those looking for a passive strategy to take exposure to the large-cap space. Either the Nifty 50 or Nifty 100 can be a substitute for large-cap funds. Use this with a midcap fund for a long-term portfolio.

02

EQUITY - TAX SAVING

THESE FUNDS QUALIFY FOR DEDUCTIONS UNDER SECTION 80 C OF THE INCOME TAX ACT. THEY INVEST IN STOCKS ACROSS MARKET CAPITALISATIONS. INVESTMENTS IN THESE FUNDS ARE LOCKED FOR 3 YEARS.

PrimeInvestor
We research. You profit.

AXIS LONG TERM EQUITY FUND ★★★★½

EQUITY LINKED SAVINGS SCHEME

1 YEAR	3 YEARS	5 YEARS
9.59%	20.20%	17.49%

Returns as at 15th February, 2022

STRATEGY

A tax-saving fund with a large-cap bias and growth style of investing. Compact portfolio with concentrated exposure to top 5 stocks. Takes tactical calls on booking profits and cutting losses on time.

WHY THIS FUND

Concentrated approach to large-cap investing pays off better at a time when large caps struggle to beat the index. Despite tactical calls, the fund's is low on volatility and contains downsides better than category average.

ROLE IN YOUR PORTFOLIO

Suitable for moderate to high risk investors looking for high-growth in large-cap space. Can go well with value funds or multi-cap funds.

CANARA ROB EQUITY TAX SAVER ★★★★★

EQUITY LINKED SAVINGS SCHEME

1 YEAR	3 YEARS	5 YEARS
17.57%	25.62%	20.10%

Returns as at 15th February, 2022

STRATEGY

Follows a stock-specific strategy, adopting a growth-at-reasonable price approach to select stocks. Takes relatively concentrated bets in its top few holdings. Primarily invests in large-caps, but has a mid-cap/small-cap exposure of 20-25%.

WHY THIS FUND

Scores well on a risk-adjusted basis. Lower volatility and ability to contain downsides better than peers has helped keep performance consistent. Strategy blends value picks with pricey but stable stocks, which can work well across market cycles. Large-cap orientation with mid-cap exposure can deliver better in this category.

ROLE IN YOUR PORTFOLIO

Can form part of long-term (5+ years) portfolios of higher-risk investors. Combines well with any fund, including large-cap funds. Note that its portfolio has large duplication with another Prime-recommended fund, Canara Robeco Flexicap. Skip this fund if you hold the latter.

MIRAE ASSET TAX SAVER FUND ★★★★★

EQUITY LINKED SAVINGS SCHEME

1 YEAR	3 YEARS	5 YEARS
19.53%	25.80%	21.33%

Returns as at 15th February, 2022

STRATEGY

A tax-saving fund with a large-cap bias. Follows a strategy of adjusting sector weights relative to its benchmark index to go slightly overweight on those sectors that can do well and slightly underweight on those that cannot. Weeds out lagging stocks to maintain returns.

WHY THIS FUND

High risk-adjusted return. It not only contains downside well but also outperforms peers significantly on the upside (shown by upside capture ratio). When 1-year returns were rolled daily over 3 years, the fund beat peers 83% of the times.

ROLE IN YOUR PORTFOLIO

Suitable for moderate risk investors looking for tax-saving options. While the lock-in period for the fund is 3 years, a minimum 5-year holding is recommended like other equity funds. Can be used for any portfolio building as part of your large-cap allocation.

03

DEBT - VERY SHORT TERM

(3 MONTHS TO 1.5 YEARS)

THESE FUNDS INVEST IN CERTIFICATE OF DEPOSITS FROM BANKS AND OTHER MONEY MARKET INSTRUMENTS WITH MATURITIES OF A YEAR OR LOWER. HOLD FOR AT LEAST 3 MONTHS OR FOR LONGER PERIODS.

PrimeInvestor
We research. You profit.

ADITYA BIRLA SL FLOATING RATE ★★★★½

FLOATING RATE FUND

1 YEAR	3 YEARS	5 YEARS
4.68%	6.93%	7.17%

Returns as at 15th February, 2022

STRATEGY

A floating rate debt fund that can readjust to interest rate movements quickly and hedge the portfolio from volatility through interest rate swaps, forward agreements and interest rate futures.

WHY THIS FUND

Beats the category more than half the time on a 1-year rolling return basis, rolled for 3 consecutive years. A less aggressive option to Aditya Birla Sun Life Savings which sports a similar time frame for investing.

ROLE IN YOUR PORTFOLIO

A low-risk option for any emergency portfolio and for parking money for 6 months to a year. But can see some volatility in weekly returns when interest rates swing sharply. It can be used to generate monthly income through systematic withdrawal plan.

ADITYA BIRLA SL MONEY MANAGER ★★★★½

MONEY MARKET FUND

1 YEAR	3 YEARS	5 YEARS
4.10%	6.09%	6.68%

Returns as at 15th February, 2022

STRATEGY

Money market fund that invests in high-quality commercial papers and certificate of deposits. Portfolio maturity predominantly less than 1 year. A low-risk fund that is less volatile than peers.

WHY THIS FUND

No exposure to papers below AA+. Beats other very short-maturity funds reasonably consistently and delivers better returns on an average. Sports lower volatility with fewer instances of negative returns in shorter periods compared with peers. Short maturity allows it to quickly reflect changes in rate cycle.

ROLE IN YOUR PORTFOLIO

Suits any investor with an investment timeframe of at least 6 months to 1 year. Can also be used as part of emergency portfolios, or to generate monthly income through a systematic withdrawal plan.

AXIS TREASURY ADVANTAGE FUND ★★★★½

MONEY MARKET FUND

1 YEAR	3 YEARS	5 YEARS
4.39%	6.72%	7.07%

Returns as at 15th February, 2022

STRATEGY

A low duration fund which invests in a mix of short-maturity bonds, T-bills, commercial papers and certificate of deposits. Marginally more aggressive than the low-risk option in this Prime Funds set, with slightly longer portfolio maturity at just over 1 year.

WHY THIS FUND

Low credit risk in the portfolio, unlike many other low-duration peers and other very short maturity funds. Mix of bonds, CPs, and CDs helps it use different opportunities and maturities based on rate cycles. Portfolio yields slightly below average, but has even so beaten peers with a good level of consistency. Average 1-year returns well above category average. Has lower volatility than peers.

ROLE IN YOUR PORTFOLIO

Can be used to invest amounts for 6 months to 1 year. Can also be used for generating income through systematic withdrawal plans. Can form part of emergency portfolio along with liquid funds.

NIPPON INDIA LOW DURATION FUND ★★★★★

LOW DURATION FUND

1 YEAR	3 YEARS	5 YEARS
5.19%	6.54%	6.90%

Returns as at 15th February, 2022

STRATEGY

Low duration fund that invests in a mix of short-term bonds, commercial papers, certificate of deposits, and state and central government debt. Portfolio maturity typically less than 1 year. Takes minor exposure to lower-rated papers to improve overall yields.

WHY THIS FUND

Deftly mixes debt instruments of various types to pick up different yield opportunities. Swiftly changes allocations across corporate bonds, commercial papers, certificate of deposits, state development loans, gilts and treasury bills to keep portfolio yields up. Holds some exposure of less than 5-6%, on an average, to papers rated below AA+, which helps improve yields without compromising significantly on risk.
Delivers category-beating returns consistently, in both very short-term periods and longer 1-year periods. Can be marginally more volatile in very short-term periods, owing to gilt and SDL exposure, but delivers better risk-adjusted return.

ROLE IN YOUR PORTFOLIO

Suits any investor with an investment timeframe of minimum 6 months to 1 year. Can also be used as part of emergency portfolios, or to generate monthly income through a systematic withdrawal plan after holding for a 1-year period.

NIPPON INDIA MONEY MARKET FUND ★★★★★

MONEY MARKET FUND

1 YEAR	3 YEARS	5 YEARS
4.03%	5.85%	6.50%

Returns as at 15th February, 2022

STRATEGY

A low-risk money market fund with low maturity. Invests predominantly in treasury bills, commercial papers and certificates of deposits.

WHY THIS FUND

No exposure to papers below AA+. Lesser volatility and lower instances of negative returns in shorter periods compared with peers. Lower expense ratio than peers both in direct and regular.

ROLE IN YOUR PORTFOLIO

A low-risk option for any emergency portfolio and for parking money for 6 months to a year. It can also be used to generate monthly income through a systematic withdrawal plan.

PrimeInvestor
We research. You profit.

These are 3 of the sections in Prime Funds. In addition to these, Prime Funds recommendations contain:

- Equity - Aggressive
- Equity - Passive
- Hybrid Equity - Low Risk
- Hybrid Equity - Moderate Risk
- Strategy/ thematic
- Debt - Liquid
- Debt - Short term
- Debt - Medium term
- Debt - Long term

We review Prime Funds every quarter to make sure that up-and-coming quality funds aren't missed and any potential underperformer is weeded out.

Your PrimeInvestor subscription will give you access to the full Prime Funds recommendations and quarterly reviews. Plus, recommendations across other products too – ETFs, stocks, deposits & more. Subscribe today!

BECOME A PRIMEINVESTOR