

Will turnaround in large-cap funds last?

Monitor the performance of the funds for at least six months before deciding on them, advise experts.

by Sanket Dhanorkar

Actively run large cap funds have been widely criticised over the past few years for their underperformance. These have lagged behind their indices, and have been trumped by low-cost index-based offerings. But after a long time, several funds languishing at the bottom of the performance charts have staged a comeback.

Until two months ago, the top performing fund in the large-cap category were all passive funds, bar one. Currently, six of the top 10 performers over one year are active funds. From a one-year return perspective, Axis Bluechip, BNP Paribas Large Cap, LIC MF Large Cap, JM Core 11, DSP Top 100 Equity and Canara Robeco Bluechip Equity are all placed ahead of their index-based peers from the large-cap segment. Only Axis Bluechip was holding ground until a few months ago. While this reversal in fortunes is heartening, it is too early to say something, reckon experts. The number of outperforming active large cap funds—as a proportion of total schemes in the category—is still low; many continue to lag behind indices.

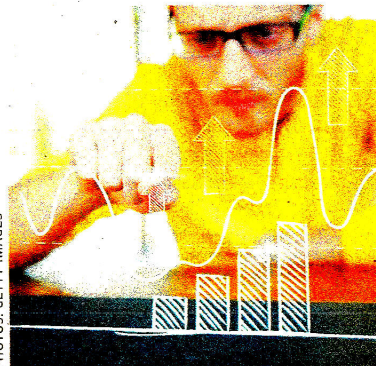
Experts say investors should monitor the performance for at least six months before coming to any conclusions. Kaustubh Belapurkar, Director-Fund Research, Morningstar Investment Advisor, insists this is too short a time frame to judge the merit of active large cap funds. “Investors will have to gauge performance over a complete market cycle. Sometimes, funds can catch a wave that may not reflect the realities.” Prableen Bajpai, Managing Partner,

Active large cap funds making a comeback?

After lagging behind for many years, active funds now lead the performance charts.

FUND	1-YEAR RETURN (%)	NET ASSETS (₹ CRORE)	EXPENSE RATIO (%)
Axis Bluechip	23.42	8,050	1.99
BNP Paribas Large Cap	20.55	788	2.34
LIC MF Large Cap	18.75	306	2.48
JM Core 11	17.87	53	1.69
DSP Top 100 Equity	17.13	2,641	2.13
Canara Robeco Bluechip Equity	16.76	257	2.65
LIC MF ETF - Sensex	16.47	406	0.01
UTI Sensex ETF	16.44	5,525	0.07
HDFC Sensex ETF	16.42	56	0.05
SBI ETF Sensex	16.41	19,029	0.07

Note: The above list of funds includes the top 10 performers from the large cap funds category. Source: Value Research. Data as on 10 Nov



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FinFix Research & Analytics, says, “The focus should be on staying invested during the market cycles and not on taking calls on short-term performance.”

One of the reasons why large cap funds have been struggling is the huge polarisation within the segment. Only a select few index heavyweights have seen a sharp uptick in share prices. However, given that the mutual funds tend to be more diversified, these stocks did not find the same representation in the funds as in the index. As a result, return profile of funds relative to the index suffered, while index funds that mirror the index gained. One argument is that more active large cap funds will start outperforming

once the market rally broadens.

But while the narrow market width may be a transient phase, there are other more persistent hurdles that large cap funds will continue to face. Since the change in rules last year, these funds now have to choose from a constrained universe of eligible stocks. Within the widely tracked basket of the top 100 stocks by market capitalisation, there is not enough information asymmetry to be able to consistently pick winners from this space. Further, the mandatory benchmarking to a total returns based index—which factors in dividends in index performance—also eats into the excess return of the funds. Besides, as index fund and ETF costs continue to go down, the cost benefits over active funds will give them an edge.

Notwithstanding these obstacles, experts insist that a few fund managers will continue to deliver alpha in the coming years. “There are inefficiencies in the indices that can be exploited by fund managers to generate alpha for investors,” reckons Bajpai. “There is still potential for alpha in active large cap funds but will be limited to a handful of offerings,” argues Belapurkar, stressing that the quantum of alpha from this space will diminish going forward.

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Pensioners, now submit your life certificate online

For seniors who are bedridden, a doorstep service for Aadhaar-based authentication is being offered.

by Sanket Dhanorkar

If you are a government pensioner, November is the month when you will be planning a visit to your bank or post office to submit your life certificate (Jeevan Pramaan Patra). This annual pilgrimage to the disbursing authority for physical submission of the life certificate is an inconvenient and time consuming exercise for senior citizens. For travelling or unwell pensioners particularly, it is a painful ordeal that cannot be avoided as failure to submit by 30 November can put a stop to pension payments. However, pensioners can avoid the whole process now. For the past few years, the government has provided a platform that enables pensioners to submit the certificate online and do away with a physical visit.

To obtain the digital certificate, pensioners must generate a unique Pramaan ID. This ID is generated for the individual



pensioner using his or her Aadhaar number and biometrics. You can generate the ID for the first time by visiting the local Citizen Service Centre that facilitates Aadhaar transactions or at the branch of the pension disbursing agency. The pensioner has to provide Aadhaar number, mobile number pension payment order (PPO) number and pension account number apart from fingerprints. After successful authentication, an SMS acknowledgement is sent to your mobile number, which includes your Pramaan ID.

Several banks organise Jeevan Pramaan certificate camps too for their customers.

Once generated, you do not have to submit the DLC to the pension disbursing agency. You can do so digitally through the Jeevan Pramaan portal (<https://jeevanpramaan.gov.in>).

The agency can also access the life certificate from the portal. Pensioners can also generate the certificate on the mobile phone or PC through the Umang app on Android and Windows, respectively.

For senior citizens who are bedridden or unable to visit bank branch, a doorstep service for Aadhaar based authentication is also offered by disbursing agencies. Several banks organise Jeevan Pramaan certificate camps for making this process convenient for customers.

It must be noted that the Pramaan ID is not valid for life. The validity period of the digital certificate is as per rules specified by the Pension Sanctioning Authority.

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