

Banking MFs the best money makers

Mutual funds in this category average a return of 38% in a year, well above key benchmarks

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India's banking sector thematic funds from the stable of mutual fund (MF) houses have minted the most for investors over the past year.

The benchmark indices returned around 17 per cent; banking funds have given 38 per cent to investors.

The top equity fund managers have been positive on the sector. Their selective picks, both from private and state-owned lenders, helped their portfolios generate better returns. Banking funds not only outperformed the key indices but did much better than the mid-cap and small-cap categories of MFs.

There are 16 banking funds. The major ones are Kotak Banking ETF Fund (₹3,277 crore), Reliance Banking Fund (₹2,707 crore), ICICI Prudential Banking and Financial



STELLAR GAINS OVER 12 MONTHS

Mutual fund banking schemes' Performance

	Return (%)
1 year	37.75
3-year	15.99
5-year	17.74
10-year	16.03

All returns (%) over one year are annualised
 Source : Value Research Online

Services Fund (₹1,840 crore) and Birla Sun Life Banking and Financial Services Fund (₹1,100 crore).

While the category average return of banking funds was 38 per cent, several of these on a stand-alone basis did much better. For example, the banking fund from

ICICI Prudential's basket returned the highest at 53 per cent, followed by Kotak PSU Bank ETF at 45.5 per cent.

Prashant Jain, chief investment officer (CIO) of HDFC MF, is a firm believer in the theory that if an economy does well, banks have to do well. He is known for high hold-

ings in some of the public sector banks, mainly State Bank of India (SBI).

He explains, "The larger public banks have not lost any significant market share, contrary to the views we hear each day. In any case, in banking, the market share is not very important. The pain of

Returns by top banking stocks in the past one year

	June 5* (₹/share)	(%) Chg†
SBI	287.55	44.36
YES Bank	1,519.95	43.03
HDFC Bank	1636	39.7
IndusInd	1,507.3	34.73
ICICI Bank	319.65	31.35
Kotak Bank	967.15	26.39
BoB	178.8	25.07
Nifty Bank	23,459.65	33.1
S&P BSE Bankex	26,593.08	32.1

* Closing price; † % change over one year
 Source: Stock Exchanges

asset quality has turned out to be similar in private corporate banks, compared to their larger public counterparts. What has happened, in my opinion, is that the public banks recognised the pain earlier. The stress is being resolved by asset sales. Many of the stressed groups are cash-poor

but asset-rich. One has to, thus, differentiate between non-performing asset classification and ultimate loss."

State Bank of India's shares doubled from lowest point of February 2016; up 44 per cent in a year. Bank of Baroda, another state lender, is up 25 per cent.

With such a rally behind them, can investors continue to earn returns by staying invested in these schemes? Fund managers aren't sure of the short term.

However, they say, if investors have a fairly long investment horizon, of three to five years, for example, it's the start of a rally in these stocks.

Sunil Singhania, chief investment officer (equity) at Reliance Nippon MF, says: "We are posi-

tive on financials. There are times when private lenders do well; at times, public banks do well. The subsidiaries of banks are also adding a lot of value to the sector. In a growing economy, financials tend to do better. At the current stage, valuations

have further upward room."

Not surprisingly, several of the top banking names are among the top 20 stocks in fund managers' portfolios. HDFC Bank, ICICI Bank, IndusInd Bank and YES Bank

have continued to remain in the top buying list of fund managers over the past year.

HDFC Bank and ICICI Bank, having rallied 40 per cent and 31 per cent, respectively, in a year, have been the top two most owned stocks for quite some time.

The top equity fund managers have been positive on the sector. Their selective picks, both from private and state-owned lenders, helped their portfolios generate better returns