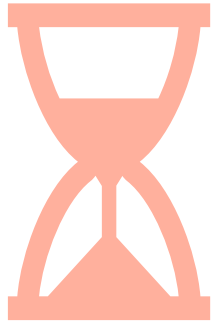




Illustrative Example (A case study)

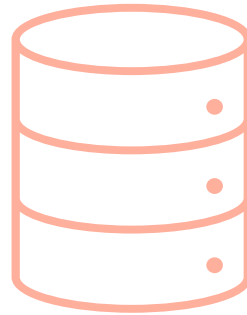
How to Choose a Value Mutual Fund: A Comparative Analysis (Indian Market)



Longevity



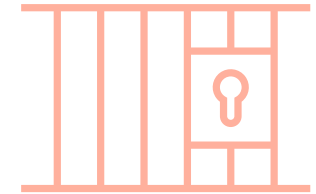
Ratings



**Asset under
Management
(AUM)**



Risk Ratios



**Entry & Exit
Load**

In this article, I present a structured approach to evaluating value mutual funds in the any market, using the above criteria.

Selection Philosophy

35 Value Mutual Funds in India

As of now, there are approximately 35 value mutual funds in India. From this universe, I have shortlisted just two funds based on three key factors.



The three factors:

1. **Longevity:** Both funds were launched in 2013 and have thus weathered over a decade of market volatility.
2. **Ratings:** One fund holds a 5-star Morningstar rating, and the other holds 4 stars.
3. **AUM:** One fund manages ₹53,750 crore (approx. \$6.48 billion), while the other manages ₹8,584 crore (approx. \$1.03 billion). Larger AUMs often attract more attention and resources from the Asset Management Company (AMC), which can be advantageous for investors.



Selected Funds

- ICICI Prudential Value Fund – Direct Plan
- Nippon India Value Fund – Direct Plan

Note: I have chosen Direct Plans over Regular Plans due to various benefits. A detailed comparison between the two plans will be covered in a future post.

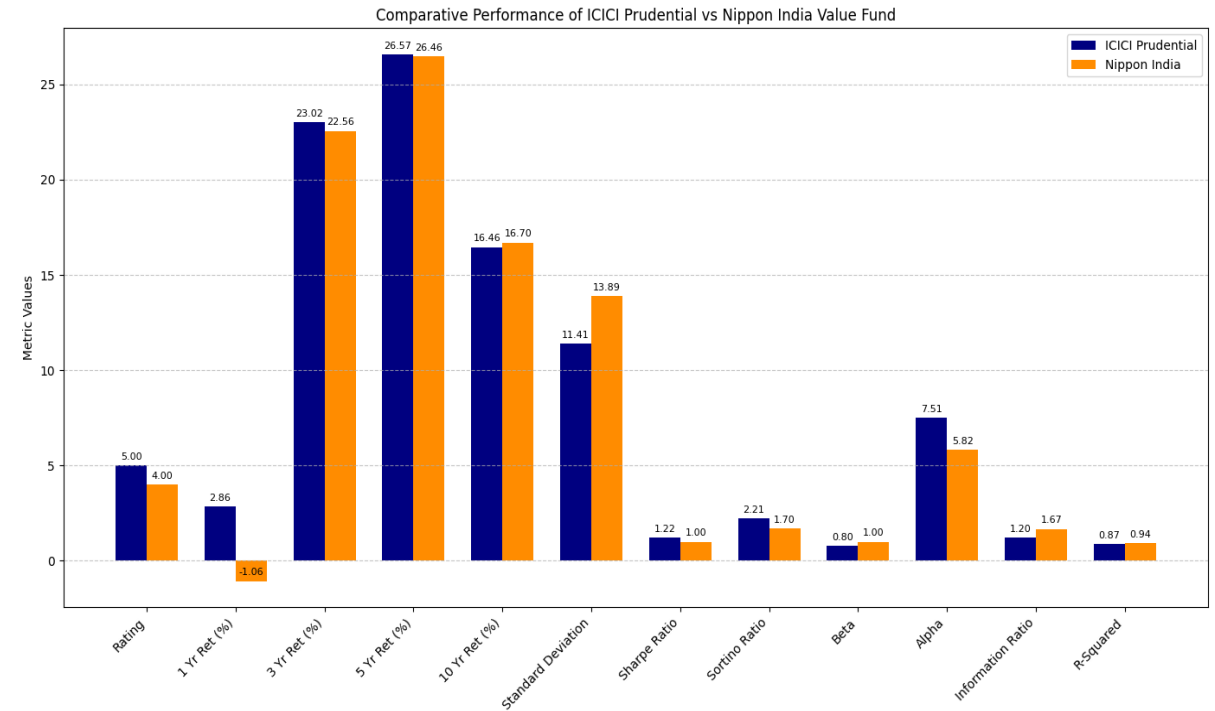
Key Risk Ratios

	σ	Standard Deviation (SD)	Measures fund's volatility
	S&So	Sharpe & Sortino Ratios	Sharpe (S) – How much risk is converted into return. Sortino (So) – How much downside risk is converted into return.
	α	Alpha	Measures excess returns over benchmark
	β	Beta	Assesses volatility relative to the benchmark.

Performance Metrics

Key Ratio Analysis

- - ICICI Prudential exhibits lower volatility (SD) and delivers higher alpha, indicating superior excess returns.
- - Nippon India shows a slightly higher Information Ratio, suggesting more consistent alpha generation.
- - However, Nippon's Beta of 1 and high R-squared imply it closely mirrors the benchmark. For an actively managed fund, this raises concerns—if the fund behaves like an index, one might prefer a passive index fund with lower costs
- ICICI has expense ratio of 0.99% as compared to 1.09% of Nippon India's expense ratio, making it a little expensive.



Performance Metrics

Fund Manager Profiles

- **ICICI Prudential** is led by **Mr. Sankaran Naren**, a veteran with over 21 years at ICICI and 14 years as Chief Investment Officer. His deep experience and disciplined value strategy have contributed to the fund's strong alpha performance. While value investing can underperform in bull markets and is susceptible to value traps, Mr. Naren's execution track record inspires confidence.
- **Nippon India** is managed by **Meenakshi Dawar** (7.4 years), **Dhrumil Shah** (2.7 years), and recently joined by **Divya Dutt Sharma** and **Lokesh Maru**. While the team is competent—especially Dawar, who has 15 years of portfolio experience—the frequent changes in leadership may raise questions about consistency. The Nippon India fund follows a balanced approach, Large cap industry leaders and Undervalued stocks. This strategy suggests a tilt toward large-cap exposure, especially given its Beta of 1, which indicates close alignment with the benchmark.



Conclusion

If I were to invest in a value mutual fund today, my preference would be **ICICI Prudential Value Fund – Direct Plan**. It offers a compelling risk-return profile, strong alpha generation, and is backed by a seasoned fund manager. While Nippon India Value Fund is a solid option for conservative investors, its benchmark-like behavior makes it more suitable for those who might otherwise consider a large-cap or index fund. Both funds have similar entry and exit loads

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