

Active funds watch two passive peers swish by

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Two passive funds in large-cap category have stolen a march over their active peers.

Passive or index funds are not popular in India as investors prefer actively controlled schemes.

R*Shares Nifty BeES, the oldest and most-popular Nifty tracking fund, has beaten nearly half of all active large-cap funds over five, seven and 10 years, show Value Research data compiled by Tavaga, an app-based investment management platform. Returns would be higher if yearly dividends of 1-1.5 per cent are fac-

tored in, say experts.

Junior BEES, which tracks Nifty Next 50, has beaten 87 per cent of all active large-cap funds over the past five years, 61 per cent over the past seven years, and 55 per cent over the past 10 years.

"Most large-cap fund managers claim they will beat the index by 2-2.5 per cent. In practice, it may be difficult for investors to realise those higher returns because of their tendency to churn their portfolio and because very few active funds consistently beat the benchmark index. Returns may also vary depending on the investors' or their distributors' ability to pick the right

fund," said Ravinath Dasika, co-founder, Tavaga.

According to Manoj Napgal, chief executive, Outlook Asia Capital, preference for active funds over passive ones is common in markets where institutional participation is low and stocks are under-researched. "India is slowly moving towards passive investing but the change may take time," he said.

Experts say one of the main reasons to invest in passive funds is the cost difference of 150-200 basis points with active ones. Active funds charge 2.5-3 per cent in expenses versus 0.5 to 0.05 per cent by passive funds.

MANAGED VERSUS INDEXED RETURNS

(in %)

Active schemes	1 year	3 year	5 year	Assets (₹ cr)
SBI Bluechip Fund	7.8	19.7	18.7	9,534
Birla Sun Life Frontline Equity Fund	9.7	17.2	17	14,433
ICICI Prudential Focused Bluechip Equity Fund	9.1	15.3	15	11,887
HDFC Top 200 Fund	10.5	16.1	14.3	13,075
Franklin India Bluechip Fund	8	15.2	13.3	7,788
Passive schemes				
R*Shares Junior BeES	11.4	20.3	18.4	109
R*Shares Nifty BeES	5.4	10.3	11.6	919
Kotak Nifty ETF Fund	4.3	9.6	11.2	451
UTI Nifty Index Fund	5.4	10	11	356

Source: Value Research