

# ASPECTS

A periodic newsletter discussing finance, the economy & other topics of interest

## Asset Returns

Indian Equities

Gold

### NIFTY 100

1 yr. return: 16.7%

3 yr. return: 14.5%

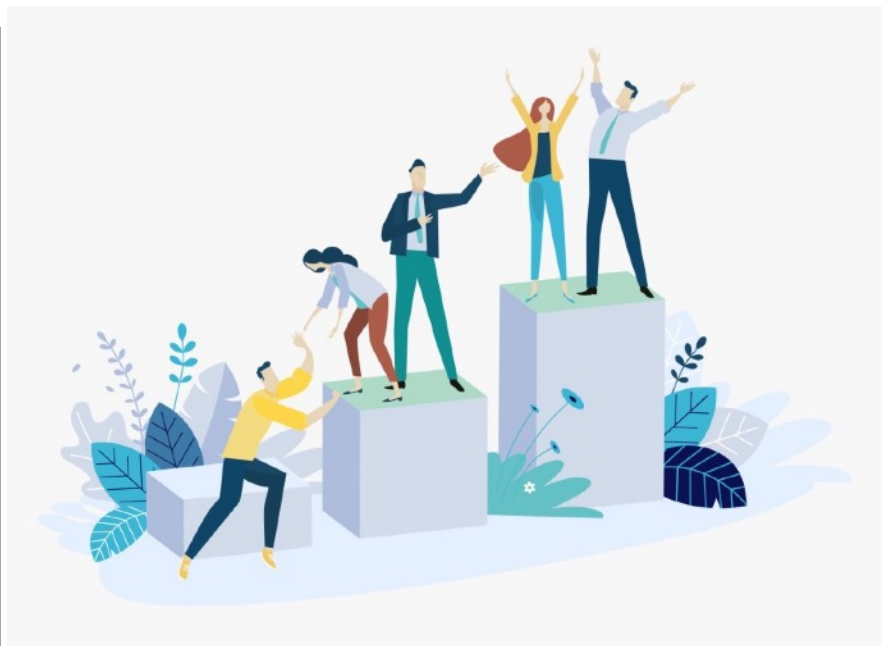
5 yr. return: 13.2%

### NIFTY 500

1 yr. return: 18.3%

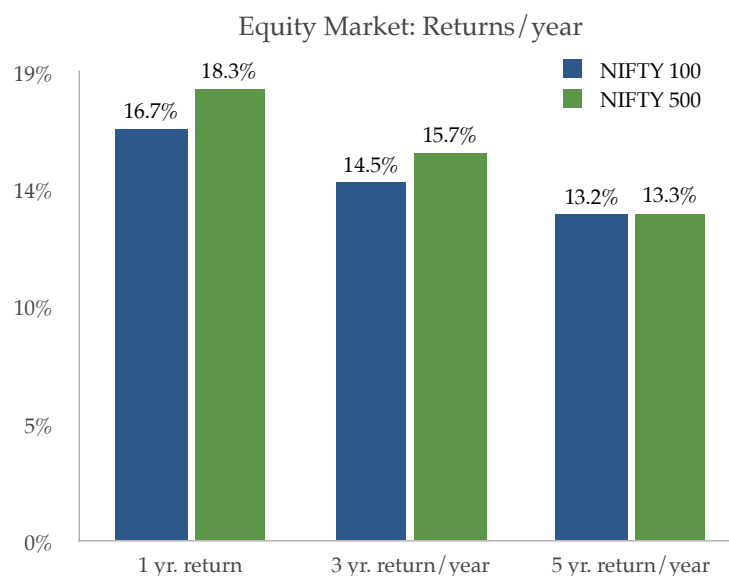
3 yr. return: 15.7%

5 yr. return: 13.3%



## Indian Equity markets

delivered strong returns over the previous 1, 3 & 5 years for large cap stocks, and for the broader market Index<sup>1</sup>.



<sup>1</sup> Large cap returns as per NIFTY 100. NIFTY 100 comprises of the 100 largest companies by market capitalisation listed on the National Stock Exchange. NIFTY 500 includes the largest 500 by market capitalisation. Price only returns as of 23/3/2022, excluding dividends and fund management expenses.

## Price/Earnings Ratio

### Benchmark Portfolio

15Feb '22: 24.0

15Feb '21: 35.7

15Feb '20: 25.1

15Feb '19: 23.5

## Price/Sales Ratio

### Benchmark Portfolio

15 Feb '22: 2.3

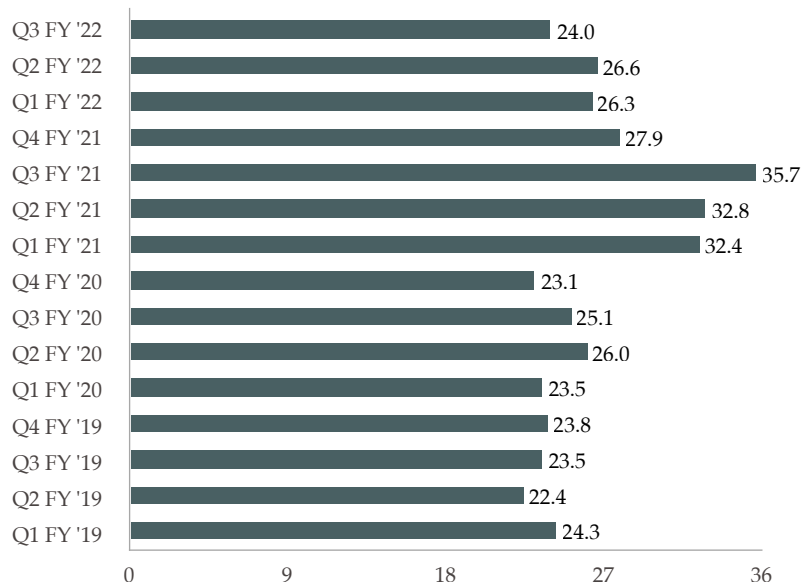
15 Feb '21: 2.6

15 Feb '20: 1.8

15 Feb '19: 1.7

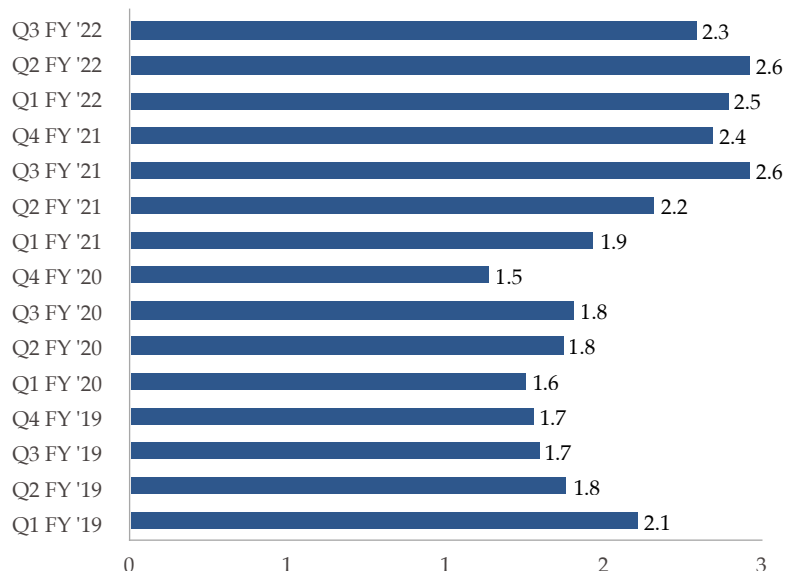
Market valuations, as defined by the Price/Earnings ratio<sup>2</sup> have fluctuated over the prior 3+ years. Data from our internal benchmark portfolio<sup>3</sup> shows P/E ratios corrected in FY '22 from elevated levels seen in FY '21, and are now closer to pre pandemic levels.

Benchmark Portfolio: Price/Earnings Ratio



The Price/Sales ratio<sup>4</sup>, another measure of company valuations, dipped at the onset of the pandemic in Q4 FY '20 and has edged up since.

Benchmark Portfolio: Price/Sales Ratio



<sup>2</sup> Total Market Cap/Total earnings over previous 12 months.

<sup>3</sup> Benchmark portfolio comprises NIFTY 100 Index companies as of 8/2/2021 held consistently for all periods shown above. This is different from the NIFTY 100 index which is rebalanced every 6 months. Total market cap for a given quarter is calculated from prices 45 days after end of quarter. 12 months earnings are arrived at by aggregating reported consolidated quarterly profits, where available. Analyses may involve simplifying assumptions. Source: nseindia.com, bseindia.com, moneycontrol.com, Company investor relations, Northplains Analyses.

<sup>4</sup> Total Market Cap/ Revenues over previous 12 months. Market cap based on prices 45 days after end of quarter.

## Equity Mutual Funds

are a preferred means of investing in Indian equity markets and continue to attract strong inflows in regular schemes, tax saving ELSS funds and retirement accounts.

Performance of **Regular schemes** has varied across funds and a subset of funds has managed to better benchmark returns over different timeframes<sup>5</sup>. Returns for prominent funds<sup>6</sup>, classified by market cap sub groups are tabulated below.

Mutual Fund Annualised Returns				
	AUM, INR Cr.	1 year return	3 year return/year	5 year return/year
<b>Large Cap Funds</b>				
Axis Bluechip	34069.3	13.69%	16.70%	16.49%
SBI Bluechip	30679.5	13.68%	15.52%	12.39%
ICICI Prudential	30387.8	19.48%	15.80%	13.77%
Benchmark: BSE 100 TRI		17.80%	15.94%	14.67%
<b>Mid Cap Funds</b>				
HDFC Midcap Opp.	30149.6	22.40%	17.98%	13.11%
Kotak Emerging Eq.	17379.6	23.10%	22.79%	15.66%
Axis Midcap	16517.7	21.89%	22.82%	19.58%
Benchmark: BSE Midcap 150 TRI		22.74%	22.13%	15.83%
<b>Small Cap Funds</b>				
Nippon India Smallcap	17775.4	42.19%	28.41%	20.32%
HDFC Smallcap	12437.3	35.11%	17.80%	16.96%
Axis Smallcap	8262.8	38.69%	29.96%	20.73%
Benchmark: BSE Smallcap 250 TRI		30.21%	20.12%	12.26%

<sup>5</sup> For a detailed discussion on relative fund performance refer to “Mutual Funds and Passive Investments” in ASPECTS Q3\_FY '22 in the Blog section at [www.northplainscapitalpartners.com](http://www.northplainscapitalpartners.com).

<sup>6</sup> Prominent refers to large funds with the most assets under management, as of 23/3/2022. For example, there are more than 30 funds from different fund houses listed as investing in the “Large Cap” sub group. Out of these, the 3 largest AUM Funds are included in the table above. Inclusion of a fund does not imply that its performance has been, or would be, better or worse than smaller funds. 1 Cr. = 10 Million. Sources: [moneycontrol.com](http://moneycontrol.com), [valueresearchonline.com](http://valueresearchonline.com), [economictimes.indiatimes.com](http://economictimes.indiatimes.com), Fund Prospectuses.

## ELSS Funds

1 yr. return: 2.3% - 20.8%

3 yr. return: 8.2% - 16.6%

5 yr. return: 7.2% - 14.8%

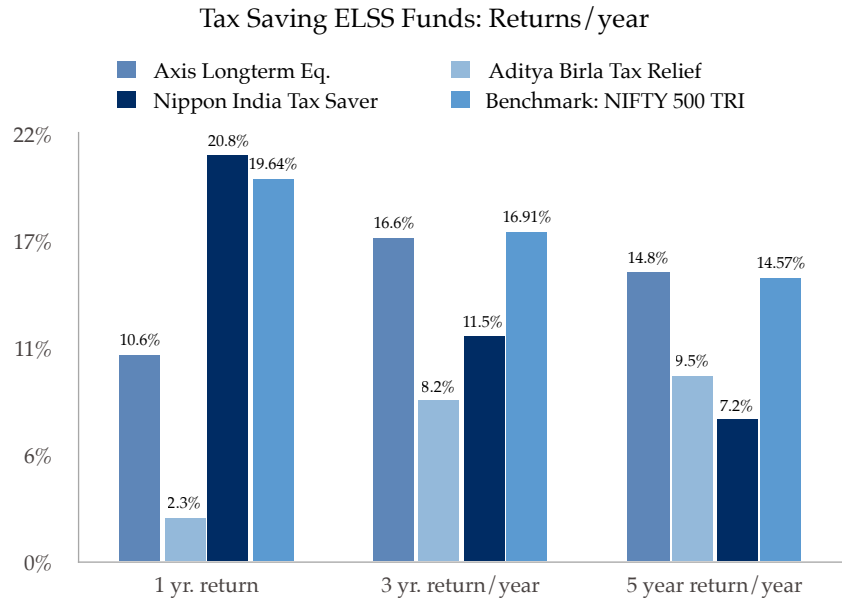
## NPS Equity Funds

1 yr. return: 17.9% - 20.8%

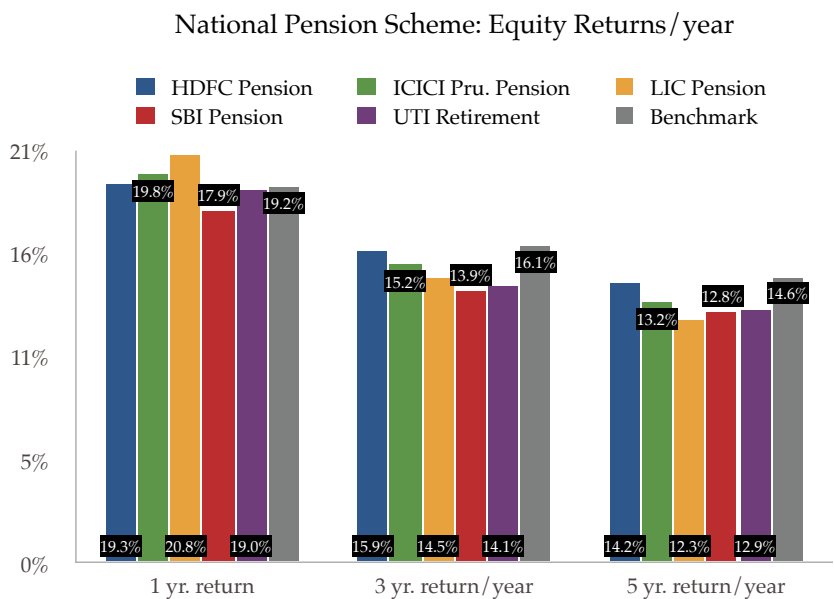
3 yr. return: 13.9% - 15.9%

5 yr. return: 12.3% - 14.2%

**ELSS funds**, provide tax relief on upto 150,000/year of invested capital to investors in the old tax structure and while specific fund strategies vary, ELSS funds can usually invest across the market cap spectrum. Returns from prominent ELSS schemes show broad dispersion and are included in the following graph.



**Retirement oriented equity funds** seek inflows during working years of employees or other investors, invest them as per fund strategies and provide a payout upon retirement. The National Pension Scheme, NPS, is a leading retirement oriented investment platform<sup>7</sup> with funds administered by a smaller set of asset management companies. 1, 3 & 5 year performance<sup>8</sup> of the larger NPS Tier I equity schemes is summarised below.



<sup>7</sup> NPS had 1.55 crore subscribers as of 28Feb '22, with their funds invested primarily in Equity, Debt and Balanced Fund Schemes.

<sup>8</sup> Returns as of 17/3/2022.

Indian equity returns compare well with Global benchmarks.

It can be said that Indian equities have performed well in aggregate, and select mutual funds have been able to meet or exceed their category benchmarks over different timeframes. Infact, returns from Indian stocks also compare well with Global indices over the previous 1-3 years. (Refer Appendix 1).

## Gold

has been a popular investment choice for individuals and households in India primarily due to it's appreciation potential, auspiciousness and ornamental value.

Arguably, the last 5 years with low interest rates, and the previous 2 years with heightened volatility and rising inflation may have been good times to invest in Gold. Price performance of Gold Bullion shows that investments in Gold did provide compelling returns over the prior 1, 3 & 5 year timeframes<sup>9</sup>.

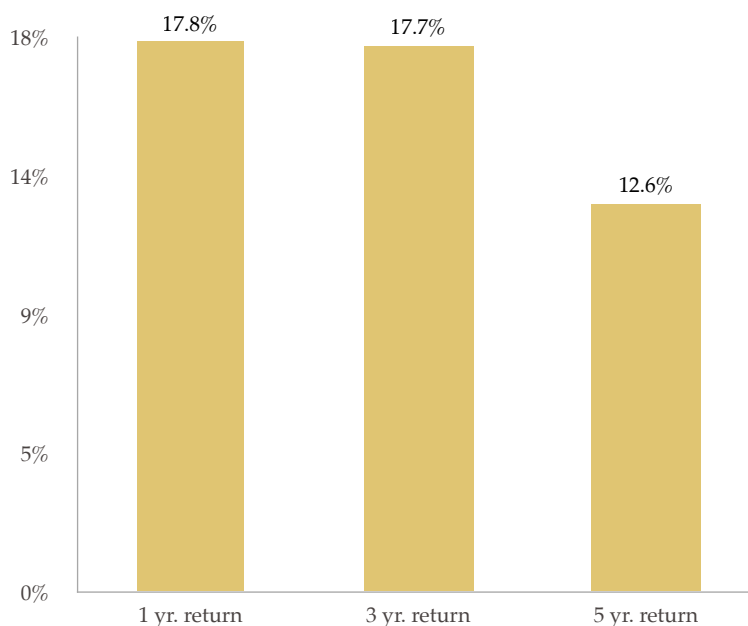
### Gold Bullion, INR

1 yr. return: 17.8%

3 yr. return: 17.7%

5 yr. return: 12.6%

Gold Bullion: Returns/year in INR



Related investment options viz. RBI Gold Bonds would have provided an additional 2.5% fixed coupon/year over the holding period price appreciation subject to market pricing trends.

And investors holding Gold Exchange Traded Funds<sup>10</sup> have earned

<sup>9</sup> Returns data from World Gold Council, London Bullion Market Association. [www.gold.org](http://www.gold.org).

<sup>10</sup> Gold ETF's hold nearly all their holdings, as much as 98% or more, in Gold. Specific fund strategies may vary.

## Gold ETF's

1 yr. return: 16.3% - 16.4%

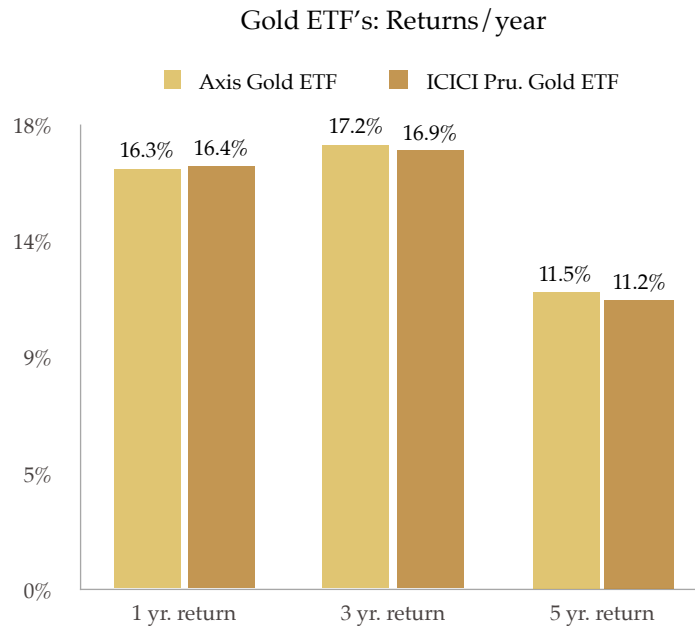
3 yr. return: 17.2% - 16.9%

5 yr. return: 11.5% - 11.2%

Strong Equity & Gold returns over past 5 years.

Future returns depend on several factors.

returns similar to those from Gold Bullion after adjusting for fund management fees.



It is worth mentioning that not all investment types are expected to perform in lockstep and one can expect periods when equities would outperform Gold and Fixed return investments, and periods when one or both of the latter may outperform equities.

## In Conclusion

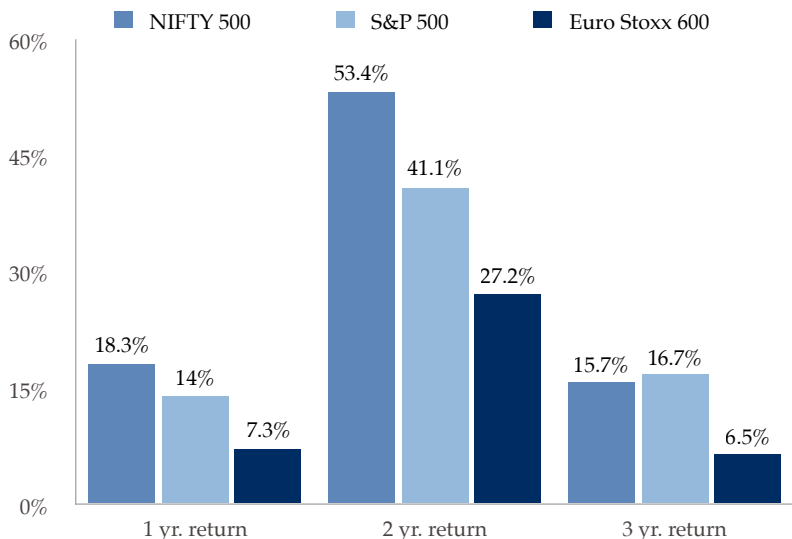
At an aggregate level, Indian Equities and Gold have both provided strong returns over the preceding 5 years despite several waves of COVID 19, geopolitical tensions and a broadly difficult business and social climate, plausibly aided by low interest rates, supportive policies and measured responses to the pandemic.

That said, future performance of any asset class depends on several factors and past performance may not necessarily presage future returns<sup>11</sup>. Persistent inflation, high unemployment, spectre of global conflicts and associated uncertainty may continue to weigh on the near term performance of both Equities and Gold.

<sup>11</sup> Investing in any asset class involves varying levels of risks, including loss of principal. Investors should carefully assess their return expectation and risk appetite and understand investment characteristics of a given asset class or instrument before making any decision.

# Appendix 1 : Indian & Global Equities

Indian & Global Stock Returns/ year



NIFTY 500: Index of largest 500 companies listed on the National Stock Exchange in India.

S&P 500: Index of 500 leading companies listed on stock exchanges in the United States.

Euro Stoxx 600: Benchmark European Index includes 600 companies from 17 countries in the Eurozone.

## Appendix 2

### Sources

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Company Investor Relations

Mutual Fund Prospectuses

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Nitin Sood

Email: [nitin.sood@northplainscapitalpartners.com](mailto:nitin.sood@northplainscapitalpartners.com)

Telephone: (+91) 780 731 9569

(+91) 921 850 1001

Address: 3rd Floor, Ramesh Nivas, Stokes Place, Shimla, H.P.  
INDIA. 171002.

Webportal: [www.northplainscapitalpartners.com](http://www.northplainscapitalpartners.com)