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Best mutual funds to invest in 2019

BY ET ONLINE | JAN 09, 2019, 11.41 AM IST

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Everyone wants to [invest](#) in the best mutual funds. In fact, many mutual fund investors start their [investment](#) journey typing best [mutual funds](#) in a search engine. Surely, they get a list of best or top mutual funds recommended by someone or the other.

Here is [etmutualfunds.com](#) 's list of best or top mutual fund schemes that you may consider investing in 2019. We have included almost every important category of schemes in our recommendation list: equity schemes, hybrid schemes, and debt schemes. You can scroll down to see the complete list.

However, before proceeding further, here are a few pointers you must keep in mind. One, you should always choose your mutual funds based on your financial goals, investment horizon, and risk profile.

If you are goals need to be met within less than five years, you may consider investing in debt mutual fund schemes. If you are investing for long-term goals of over five years, you may consider hybrid or equity schemes.

Note, it is extremely important to choose a debt mutual fund scheme that matches your investment horizon. Even while choosing equity mutual fund schemes, you should not overlook this aspect. For example, you should have a minimum investment horizon of five to seven years to invest in an equity scheme. However, if you are investing in midcap or smallcap schemes, you should have a longer investment horizon (seven to 10 years).

However, you should keep in mind that all debt or hybrid or [equity mutual funds](#) have the same element of risk. Some schemes are riskier than the others. For example, liquid mutual fund schemes are least risky among [debt mutual funds](#), whereas credit opportunity schemes can be highly risky. Similarly, a smallcap scheme is riskier than a largecap or multicap scheme.

That is why it is extremely important for investors to keep their risk appetite in mind while choosing a mutual fund scheme. Any mismatch could cause a lot of heartburn later. If you do not have the appetite for the risk associated with your investments, you may find it extremely difficult to hold on to your investments during trying times.

Equity mutual funds

Equity: Large Cap

Axis Bluechip Fund
Canara Robeco Bluechip Equity

Equity: Multicap

Mirae Asset India Equity Fund
Kotak Standard Multicap Fund

Equity: Midcap

Invesco India Midcap Fund
L&T Midcap Fund

Equity: Large and Midcap

Sundaram Large and Midcap Fund



Big Change:
The end of Five-Year Plans: All you need to know

Equity: Small Cap

TATA Equity PE Fund
Invesco India Contra Fund

Equity: Focused

Axis Focused 25 Fund
Sundaram Select Focus

Equity: ELSS

Aditya Birla Sun Life Tax Relief 96
Invesco India Tax Plan

Debt mutual funds:

Debt: Corporate Bond

ICICI Prudential Corporate Bond Fund
Kotak Corporate Bond Fund - Standard Plan

Debt: Credit Risk Fund

Franklin India Credit Risk Fund
Kotak Credit Risk Fund

Debt: Dynamic Bond Fund

Franklin India Dynamic Accrual Fund
Kotak Dynamic Bond Fund

Debt: Gilt

ICICI Prudential Gilt Fund
Reliance Gilt Securities

Debt: Medium Duration

Axis Strategic Bond Fund
Franklin India Income Opportunities

Debt: Medium to Long Duration

ICICI Prudential Bond Fund
SBI Magnum Income Fund

Debt: Short Duration

HDFC Short Term Debt Fund
UTI Short Term Income Fund

Hybrid mutual funds

Hybrid: Aggressive Hybrid

Principal Hybrid Equity Fund
Mirae Asset Hybrid Equity
ICICI Prudential Equity and Debt

Hybrid: Conservative Hybrid

ICICI Prudential Regular Savings Fund
UTI Regular Savings Fund

Hybrid: Arbitrage

Kotak Equity Arbitrage Fund
Reliance Arbitrage Fund 1

Here is our methodology:

Methodology for equity funds:

ET.com Mutual Funds has employed the following parameters for shortlisting the equity mutual fund schemes.

1. Mean rolling [returns](#): Rolled daily for the last three years.
2. Consistency in the last three years: Hurst Exponent, H is used for computing the consistency of a fund. The H exponent is a measure of randomness of NAV series of a fund. Funds with high H tend to exhibit low volatility compared to funds with low H.
 - i) When H = 0.5, the series of return is said to be a geometric Brownian time series. These type of time series is difficult to forecast.
 - ii) When H is less than 0.5, the series is said to be mean reverting.
 - iii) When H is greater than 0.5, the series is said to be persistent. The larger the value of H, the stronger is the trend of the series
3. Downside risk: We have considered only the negative returns given by the mutual fund scheme for this measure.

$$X = \text{Returns below zero}$$

$$Y = \text{Sum of all squares of } X$$

$$Z = Y / \text{number of days taken for computing the ratio}$$
 Downside risk = Square root of Z
4. Outperformance: It is measured by Jensen's Alpha for the last three years. Jensen's Alpha shows the risk-adjusted return generated by a mutual fund scheme relative to the expected market return predicted by the Capital Asset Pricing Model (CAPM). Higher Alpha indicates that the portfolio performance has outstripped the returns predicted by the market.

$$\text{Average returns generated by the MF Scheme} = [\text{Risk Free Rate} + \text{Beta of the MF Scheme} * \{(\text{Average return of the index} - \text{Risk Free Rate})$$
5. Asset size: For Equity funds, the threshold asset size is Rs 50 crore

Methodology for debt funds:

ET.com Mutual Funds has employed the following parameters for shortlisting the debt mutual fund schemes.

1. Mean rolling [returns](#): Rolled daily for the last three years.
2. Consistency in the last three years: Hurst Exponent, H is used for computing the consistency of a fund. The H exponent is a measure of randomness of NAV series of a fund. Funds with high H tend to exhibit low volatility compared to funds with low H.
 - i) When H = 0.5, the series of return is said to be a geometric Brownian time series. These type of time series is difficult to forecast.
 - ii) When H is less than 0.5, the series is said to be mean reverting.
 - iii) When H is greater than 0.5, the series is said to be persistent. The larger the value of H, the stronger is the trend of the series
3. Downside risk: We have considered only the negative returns given by the mutual fund scheme for this measure.

$$X = \text{Returns below zero}$$

$$Y = \text{Sum of all squares of } X$$

$$Z = Y / \text{number of days taken for computing the ratio}$$
 Downside risk = Square root of Z
4. Outperformance: Fund Return – Benchmark return. Rolling returns rolled daily is used for computing the return of the fund and the benchmark and subsequently the Active return of the fund.

Asset size: For Debt funds, the threshold asset size is Rs 50 crore

Methodology for hybrid funds:

ET.com Mutual Funds has employed the following parameters for shortlisting the hybrid mutual fund schemes.

1. Mean rolling returns: Rolled daily for the last three years.
2. Consistency in the last three years: Hurst Exponent, H is used for computing the consistency of a fund. The H exponent is a measure of randomness of NAV series of a fund. Funds with high H tend to exhibit low volatility compared to funds with low H.

i) When $H = 0.5$, the series of return is said to be a geometric Brownian time series. These type of time series is difficult to forecast.

ii) When $H < 0.5$, the series is said to be mean reverting.

iii) When $H > 0.5$, the series is said to be persistent. The larger the value of H, the stronger is the trend of the series

3. Downside risk: We have considered only the negative returns given by the mutual fund scheme for this measure.

X = Returns below zero

Y = Sum of all squares of X

Z = Y /number of days taken for computing the ratio

Downside risk = Square root of Z

4. Outperformance

i) Equity portion: It is measured by Jensen's Alpha for the last three years. Jensen's Alpha shows the risk-adjusted return generated by a mutual fund scheme relative to the expected market return predicted by the Capital Asset Pricing Model (CAPM). Higher Alpha indicates that the portfolio performance has outstripped the returns predicted by the market.

Average returns generated by the MF Scheme =

$[\text{Risk Free Rate} + \text{Beta of the MF Scheme} * \{(\text{Average return of the index} - \text{Risk Free Rate})\}]$

ii) Debt portion: Fund Return – Benchmark return. Rolling returns rolled daily is used for computing the return of the fund and the benchmark and subsequently the Active return of the fund.

5. Asset size: For Hybrid funds, the threshold asset size is Rs 50 crore

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