MF Tracker: Is SBI Bluechip Fund worth considering when Nifty is down 13% from peak

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With the market being volatile and benchmark index Nifty50 down by nearly 13% from its September peak, experts are recommending large cap mutual funds of which one prominent fund is SBI Blue-chip Fund. The fund is the second largest fund in the category and had an AUM of Rs 49,128 crore as on January 31, 2025.

Based on the trailing returns, the scheme has offered 11.69% CAGR since its inception. In the last 10 years, the scheme has outperformed category average but marginally underperformed against its benchmark). The scheme gave 11.32% in the last 10 years against 11.74% by benchmark (BSE 100 - TRI) and 10.63% as category average.

In the last three and five years, the scheme has marginally underperformed against its benchmark but has managed to outperform the category average. Looking at the short-term performance say in three months, six months, and one year, the has managed to limit the downside volatility against its benchmark and category average.

On the basis of daily rolling returns, in the last 10 years the scheme delivered 13.27% CAGR. In the last seven years based on daily rolling returns, the scheme offered 13.62% CAGR. On the same parameters in the three and five years, the scheme offered 17.04% and 12.36% CAGR, respectively.

Based on the yearly returns, the scheme has offered negative returns in 2018 of around 4.11%. Compared to its peers, the scheme has offered the highest return in 2015 only of around 7.99%.

Experts comment on performance

“SBI blue chip fund has outperformed its category average over longer time frames, based on both rolling returns and trailing returns. However, it has underperformed its benchmark, both on rolling and trailing basis. Relative to its category, it has a slightly lower expense ratio and higher valuations on both a price to earnings and price to book basis. With a portfolio mix of 90% in large caps and 10% in midcaps, investors who hold the fund in their portfolio currently, may wish to evaluate it against an index fund that tracks the Nifty 50 which is available at a lower expense ratio, as the ability for the fund to beat benchmarks over long periods has not been demonstrated,” said Vishal Dhawan, CEO of Plan Ahead Wealth Advisors, a wealth management firm in Mumbai.

If an investor invested Rs 1,000 via SIP at the time of inception of the fund, the current value would have been Rs 9.21 lakh now with an XIRR of 13.02%. If the same amount was invested in the benchmark, the value would have been Rs 6.96 lakh with an XIRR of 13.35%.

A lumpsum investment of Rs 1 lakh invested in the fund at the time of its inception would have been Rs 8.27 lakh now with a CAGR of 11.69%. If the same amount was invested in the benchmark, the value would be 5.98 lakh with a CAGR of 11.18%.

The large cap fund had 94.34% in equity, 1.05% in debt, and 4.61% in others as on January 31, 2025. In comparison to the large cap category, the scheme is overweight on debt and others whereas underweight on equity. The large cap category on an average had 94.95% in equity, 4.58% in others, and 0.47% in debt.

Looking at the market capitalisation allocation, 80.33% in large cap, 12.09% in midcap, 5.83% in other, and 1.76% in small caps.

According to the expert, based on the strategic allocation that an investor has, one can allocate to large cap funds as valuation in this category does provide relative comfort vis a vis mid and small caps.

The top 10 stocks of the fund constitute 49.78% to the total portfolio as on January 2025. Based on the last three years, the scheme has offered a Treynor ratio of 0.82 and an alpha of 0.04. The Sortino ratio of the scheme was recorded at 0.40. The return due to net selectivity was recorded at 0.03 and return due to improper diversification was recorded at 0.02 in the last three years.

The scheme is benchmarked against BSE 100 - TRI and is managed by Saurabh Pant. The objective of the scheme is to provide investors with opportunities for long-term growth in capital through an active management of investments in a diversified basket of large cap equity stocks.

Commenting on the outlook, the expert said we are seeing high volatility in the equity markets due to FII selling, geopolitical uncertainty and a liquidity crunch and given this volatility and earnings estimates, investing in large cap funds through the SIP route with a medium to long term time frame of 5-7 years would be ideal for investors whereas higher risk appetite investors can also use lumpsums, if they have a 5-7 year investment horizon.

“Large cap funds return tends to give returns similar to the benchmark. The earnings estimate for the benchmark are projected to be in their teens over the next 2-3 years. Currently, we are seeing high volatility in the equity markets due to FII selling, geopolitical uncertainty and a liquidity crunch,” recommends Dhawan.

“Given this volatility and earnings estimates, investing in large cap funds through the SIP route with a medium to long term time frame of 5-7 years would be ideal for investors. Higher risk appetite investors can also use lumpsums, if they have a 5–7-year investment horizon,” he added.