

MF Tracker: Kotak Emerging Equity Fund turns Rs 10,000 SIP to Rs 1.32 crore in 18 years

By Surbhi Khanna, Published on 21st March 2025,



Kotak Emerging Equity Fund, the second largest mid cap fund based on assets managed, turned Rs 10,000 monthly SIP to Rs 1.32 crore in 18 years since its inception, an analysis by ETMutualFunds showed. Launched on March 30, 2007, the scheme is given four-star rating by Value Research and Morningstar.

On the basis of trailing returns, in the last six months, the scheme fell less than the benchmark and category average. In nine months, the scheme fell less than the benchmark and was at par with the category average.

In the last five and 10 years, the scheme slightly underperformed against the benchmark but outperformed the category average.

In the last six months, the fund lost 13.60% against a loss of 14.05% by its benchmark (NIFTY Midcap 150 - TRI) and a loss of 14.33% as the category average. In the last nine months, the fund managed to limit the downside volatility and lost 7.80% against a loss of 7.79% by its benchmark (NIFTY Midcap 150 - TRI) and a loss of 14.33% as the category average.

In the last five and 10 years, the fund offered 30.19% and 16.10%, respectively. (Source: ACE MF)

On the basis of rolling returns, the scheme offered a return of 17.61% in the last 10 years. In the last five years, it delivered a return of 17.32% and in three years, the scheme gave 25.30% returns based on daily rolling returns.

Looking at the yearly returns for the last 10 years, the mid cap has offered the highest return of 47.23% in 2021. In comparison to its peers, the scheme has not delivered the highest return in the last 10 years. In the last 10 years, the scheme has delivered negative returns only in 2018 where it lost around 11.72%.

Fund manager's view on fund

"Kotak Emerging Equity Fund endeavours to invest in mid or small sized companies having ability to capitalise on the growth opportunities presented by India's demographic transition, reform agenda, export competitiveness etc. Operating in mid & small cap stocks, stock selection for the fund is heavily influenced by business strength, corporate governance & balance sheet quality to avoid any mishaps or value traps. This underlying philosophy is the first level defence along with adequate diversification & portfolio positioning being other important risk mitigants," commented Atul Bhole, EVP and Fund Manager, Kotak Mutual Fund.

"Constantly looking to identify emerging themes, businesses and rebalancing the portfolio as needed depending on business cycles, expectations vs. valuations etc. in a tax efficient way, provide the ability to re-invest the capital. The fund, thus, offers a unique way to own a collection of businesses in their formative growth periods," fund manager added.

Expert's take on performance of fund

An expert believes that the scheme has generated alpha ahead of both its peers and benchmark and over the past year, positive contributions have primarily come from Industrials, Technology, and Consumer Cyclical.

"In the last six and nine months, the fund has slightly outperformed its benchmark by approximately 100 bps. Over the past year, it has generated alpha ahead of both its peers and the benchmark. When considering a longer horizon of ten years, the fund has delivered an alpha of around 90 bps above its benchmark and approximately 250 bps ahead of its peers," Vishal Dhawan, CEO, Plan Ahead Wealth Advisors, a wealth management firm in Mumbai commented.

"The fund has seen a change in its fund manager, with Atul Bhole replacing Harsha Upadhyaya in January 2024. The new fund manager's investment style leans towards quality and growth. Over the past year, positive contributions have primarily come from Industrials, Technology, and Consumer Cyclical," the expert added.

The mid cap fund had 97.80% in equity, and 2.20% in others as on February 28, 2025. In comparison to the mid cap category, the scheme is overweight on equity and underweight on others.

The mid cap category on an average had 93.46% in equity, 6.41% in others, and 0.13% in debt. Being a mid-cap fund, the scheme invests 69.38% in mid-caps, 11.18% in large caps, 2.70% in others, and 16.75% in small caps.

Time to invest in mid-caps?

The expert recommends that maintaining a 20-30% allocation to mid and small caps within a portfolio is reasonable plus if the exposure exceeds this range, one should trim the allocation.

“Asset allocation remains key. Over recent years, mid-cap and small-cap stocks have performed well, leading to an increased allocation within portfolios. This makes it a prudent time to realign exposure in accordance with asset allocation. Broadly, maintaining a 20%-30% allocation to mid and small caps within a portfolio is reasonable. If one's exposure exceeds this range, trimming the allocation could be considered. It is also critical to take a 10 year plus view when investing in mid-caps,” recommends Dhawan.

The fund had the highest allocation in IT of around 13.56% compared to 10.72% by the category. The scheme is overweight on the healthcare, chemicals, consumer durables, capital goods, construction materials, crude oil, and realty sectors.

The top 10 stocks of the fund constitute 28.01% to the total portfolio as on February 2025. Based on the last three years, the scheme has offered a Treynor ratio of 1.35 and an alpha of (0.05). The sortino ratio of the scheme was recorded at 0.47. The return due to net selectivity was recorded at (0.12) and return due to improper diversification was recorded at 0.06 in the last three years.

The investment style of the fund is to invest in growth-oriented stocks across mid cap market capitalisation.

Apart from Kotak Emerging Equity Fund, there are 29 other schemes in the mid cap category. According to SEBI, mid cap funds should have a minimum investment in equity and equity related instruments of mid cap companies of around 65% of total assets.

Way forward for mid-caps

The Nifty Midcap 150 index has corrected by nearly 12.64% in the last three months. The expert believes that despite the recent correction, the Nifty Midcap 150 continues to trade above one and a half standard deviations above their long-term averages on a price-to-book basis. The current levels do not provide valuation comfort for lumpsum investments and continuing SIPs is recommended, he added.

“Despite the recent correction, the Nifty Midcap 150 continues to trade above one and a half standard deviations above their long-term averages on a price-to-book basis. This indicates that the current levels do not provide valuation comfort for lump-sum investments, as any earnings derating could lead to further corrections,” said Dhawan.

“It is advisable to realign portfolios based on asset allocation, ensuring that mid-cap and small-cap exposure remains within the 20%-30% range. Continuing SIPs is recommended, as historical data suggests that stopping SIPs has not led to better long-term outcomes. By continuing SIPs, investors can accumulate units at lower NAVs, averaging out their cost and positioning themselves to benefit when the market cycle turns. It is crucial to have a long-term investment horizon of 10 years plus though,” he recommended.

One should always choose a scheme based on risk appetite, investment horizon, and goals.