MySIPonline
SIMPLIFYING INVESTMENTS

3 BEST ELSS FUND FOR 2024

Index

Introduction to ELSS Funds

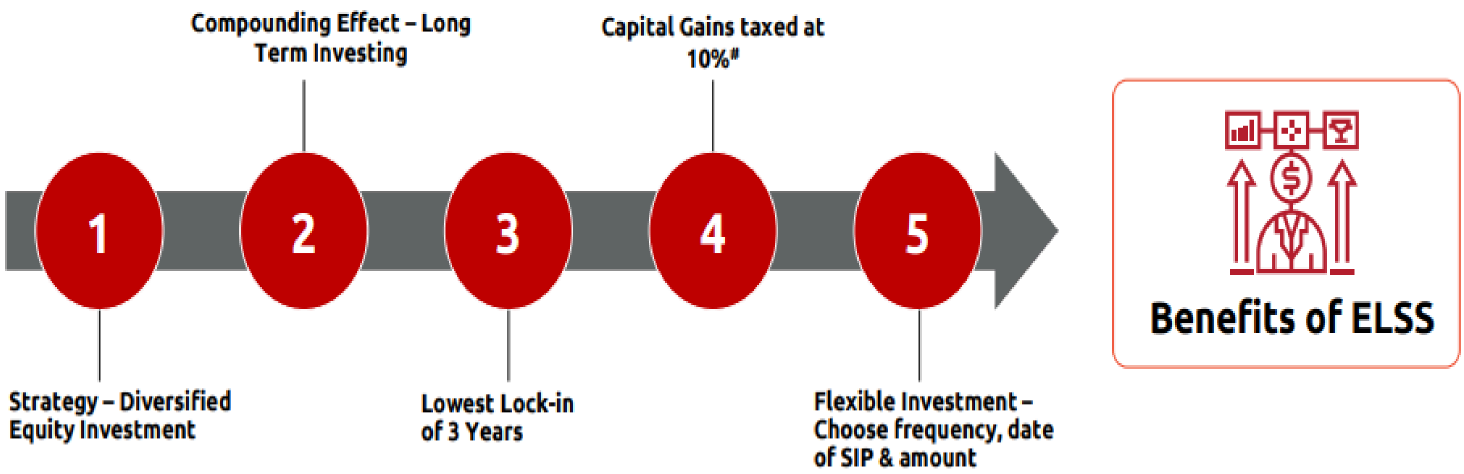
ELSS Mutual Funds (Equity Linked Saving Schemes) are a kind of equity mutual funds. They're sorted into multicap category funds because they invest in large, mid, and small-cap stocks. But why do we call them "saving schemes"? Well, it's because they stand out in helping you save on taxes

In income tax, there's an essential section called 80C. It lists various nominated investment options like PF, LIC, FD etc., letting you deduct the invested amount when filing your income tax. ELSS falls under this nominated list.

In a nutshell, ELSS Mutual Funds do two things: they aim to grow your wealth through stock investments by 15% compounded growth returns and help you save on taxes by using the invested amount as a deduction under Section 80C. (Max Limit is 1.5 Lac)

The one strict rule is the 3-year lock-in feature. This means once you invest in ELSS, you can't take out your funds for the first three years. So, ELSS funds are well-liked by people over other choices for their tax saving. If you have a tax bill this financial year, don't overlook ELSS funds for tax savings and the potential to make a high return.

Advantages of Investing in ELSS?



Which is the best option for Sec 80C? (ELSS vs. Other 80C Options)?

First, let's evaluate whether ELSS is a truly beneficial option compared to other Section 80C choices. For this, we compared all options based on three crucial factors: lock-in period, expected returns, and risk.

Comparison of Various Tax Saving Instruments

Investment Option	Lock-In Period	Expected Returns	Risk
ELSS	3 years	12-15% (variable)	High
Public Provident Fund (PPF)	15 years	7-8% (fixed)	Low
National Savings Certificate (NSC)	5 years	6.8-7% (fixed)	Low
Fixed Deposit (Tax-saving)	5 years	5.5-7.5% (fixed)	Low
Life Insurance Policies	Varies	Varies	Low to Moderate
Senior Citizen Savings Scheme (SCSS)	5 years	7.4% (fixed)	Low

After analyzing the data, we discovered that ELSS has the shortest lock-in period, allowing you to withdraw your money much earlier than with other options. Regarding returns, ELSS stands out clearly, potentially delivering very high returns on your investment with a 12-15% compounded growth rate. We'll examine this growth rate more closely in the next paragraph.

However, on the risk front, this instrument carries a higher risk compared to other options. This risk primarily comes from market volatility, meaning there can be significant fluctuations in returns. Other options offer fixed returns; hence their risk is considerably lower. But, since there's a lock-in period of 3 years, it provides sufficient time for the market to yield assured positive returns.

How ELSS Category Funds Performed in the past

In this section, we will calculate the average returns for every possible 3-year investment period, based on 10 years of data starting from January 2013. Along with this, we will also identify the maximum and minimum returns that can be earned for 3-year periods of investment, providing insights into the highest potential gains and the lowest returns to gauge the certainty of returns. Lastly, we will determine the probability of achieving returns greater than 12-15%.

3Yrs Rolling Period Performance

Metric	*3-Year-Rolling-Returns*
Average Return	12.28%
Maximum Return	32.42%
Minimum Return	-9.32%
Probability of Returns > 12-15%	**51.46%**

If an investor had invested at any point in the last 10 years for a period of 3 years, they would have achieved an average annualized return of 12.28%. The probability of earning returns above 12-15% is 51.46%. If the investment were made during a bull market phase, the maximum potential earnings could reach an annualized return of 32.42%. However, if the investment were initiated during a bear market phase, the investor could experience a negative annualized return of 9.32%.

Two Important Suggestions*:*

1. Select quality funds to minimize the risk of negative returns.
2. Consider investing for a 5-year period to increase the certainty of achieving positive, robust returns.

List of all time Good ELSS Funds

Let's look at the best ELSS funds, which outperform the category average and beat the market returns, especially the BSE 500 market index.

We follow a strict quantitative research process:

1. We only consider funds that are at least 1-year-old and have an investment size (AUM) of more than 500 Cr.
2. Next, we calculate the rolling returns of every fund for 3 and 5-year periods since the fund's launch and compare these with the BSE 500's rolling returns for the same fund duration. This allows for a direct comparison.
3. We then calculate the probability of achieving returns above 12-15% and compare it with the benchmark.
4. Finally, we select those funds that are beating the benchmark returns by a good margin and have at least a 65% chance of returns above 12-15%.

This method helps us find the best quality ELSS funds.

List of Good Funds in the ELSS Category

Fund Name	3 Yrs Return %	Consistency %	5 Yrs Return %	Consistency %
Bank of India Tax Advantage Fund	19.13	96.38	15.79	77.67
Nifty 500	13.69	64.75	12.86	61.39
DSP ELSS Tax Saver Fund	17.79	81.62	15.92	82.68
Nifty 500	13.83	68.91	13.51	63.53
Invesco India ELSS Tax Saver Fund	16	81.48	15.48	72.73
Nifty 500	13.96	69.74	13.72	65.6
BANDHAN ELSS Tax Saver Fund	18.12	79.04	16.76	77.54
Nifty 500	13.96	69.74	13.72	65.6
Parag Parikh Tax Saver Fund	24.97	100	-	-
Nifty 500	21.31	100	-	-
Quant ELSS Tax Saver Fund	24.37	81.94	22.39	89.34
Nifty 500	13.83	68.91	22.39	63.53
Kotak ELSS Tax Saver Fund	16.59	75.69	15.9	80.12
Nifty 500	13.83	68.91	13.51	63.53
Mirae Asset ELSS Tax Saver Fund	20.48	85.41	19.25	100
Nifty 500	14.62	68.42	14.08	78.75
ICICI Prudential ELSS Tax Saver Fund	14.53	65.99	13.77	68.37
Nifty 500	14.08	78.75	13.51	63.53
Canara Robeco ELSS Tax Saver Fund	15.92	71.81	16.02	78.27
Nifty 500	13.96	69.74	13.72	65.6
Tata ELSS Tax Saver Fund	15.7	75.87	13.63	71.92
Nifty 500	13.5	64.85	12.6	57.34
PGIM India ELSS Tax Saver Fund	15.86	70.73	15.66	99.25
Nifty 500	14.52	68.68	13.91	79.08

Top 3 Picks by Team of Experts for Next 3-5 Yrs

After we pick out funds that have been doing really well and showing steady growth, our experts start a careful check-up of each one. We've got a five-step list we use to pick our favourites for the next five years. Here's what we look at:

1. **Strategy:** What's the game plan of the fund? We make sure it's got a smart way of picking stocks that can grow over time.
2. **Consistent Fund Managers:** We check if the people managing the fund have been there for a while and know their stuff. Steady hands mean steadier returns.
3. **Portfolio Allocation:** This is all about balance. We look at how the fund spreads its investments across big and small companies to keep things stable.
4. **Stock Selections:** Are the chosen stocks the kind that do well even when the going gets tough? We pick funds that choose such winners.
5. **Active Management:** Markets change, and we like funds that can dance to that tune—changing their strategy when needed to make the most of it.

Our experts use this list to zero in on the best funds that we think will do great in the next five years.

Here is the list of our top 3 funds, shortlisted after analyzing all the above parameters.

List of Best 3 ELSS Funds for 2024

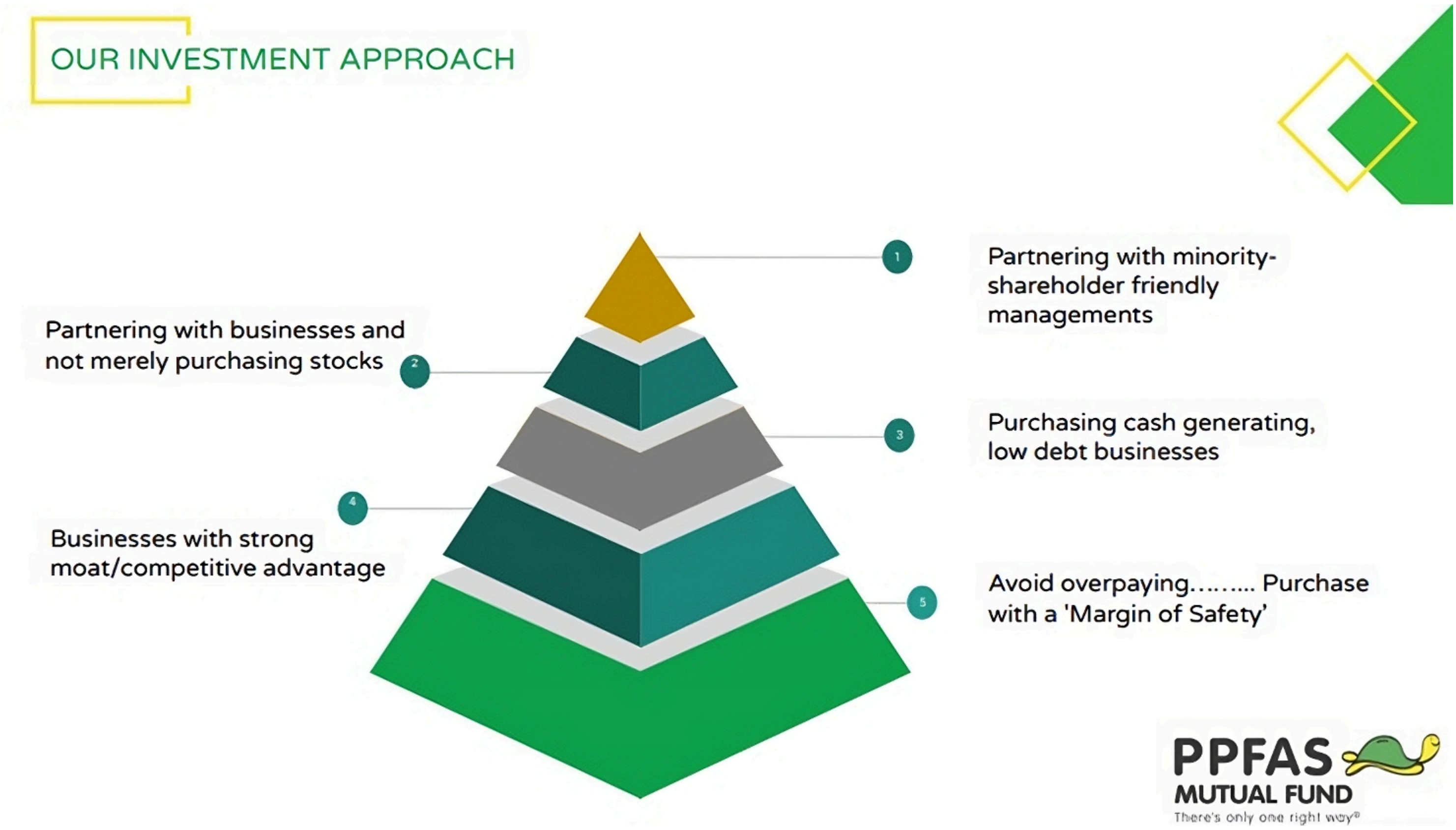
Scheme Name	Launch Date	AUM (Cr)	3 Yrs CAGR	Standard Deviation	Sharpe Ratio
Parag Parikh Tax Saver Fund	05-07-2019	2760	24.97	9.92	1.77
Quant ELSS Tax Saver Fund	01-04-2000	7267	24.37	16.83	1.45
BANDHAN ELSS Tax Saver Fund	26-12-2008	5976	18.12	12.83	1.35

#1:Parag Parikh Tax Saver Fund

[Parag Parikh Tax Saver Fund] is a new fund that started in July 2019, so it's been around for about 4.5 years now. While the fund itself might be relatively new, it's managed by Parag Parikh AMC, which has a solid reputation for being one of the most consistent performers in the mutual fund industry. They might not handle a ton of funds, but their USP for strong research and a top-notch portfolio management style really sets them apart.

Returns: Since the fund started in 2019, if you had put your money in it for any 3 years, on average, you would have gotten almost 25% annualized returns. What's even more noteworthy is its consistency — it has a 100% track record of offering returns above 15% every single time.

Strategy: The Parag Parikh Tax Saver Fund has a simple way of making money: they buy stocks they think are good deals and hold onto them for a long time. They're picky about which stocks they buy, doing a lot of homework on companies and industries before deciding. They also pay close attention to the price to make sure they're getting a good deal. Their strategy is to bet on limited stocks but spread their investments across different industries and geographic (overseas investment). This careful and focused approach is their secret to success.



Fund Manager: The fund we're talking about is in good hands with Mr. Rajeev Thakkar and Mr. Raunak Onkar. These two are big names in the industry, each with 30 years of experience! They've been guiding this fund since it started, using all that knowledge to keep things running smoothly. It's like having two expert captains steering the ship from day one.

Portfolio Allocation: The fund currently invested its money in big companies, with just a few investments in smaller ones. This is a smart move because smaller company stocks are pretty expensive right now. The money is mainly going into companies that work in finance, technology, Auto & cars, and consumer goods—areas that are really important to the market. Even though not all these sectors did great recently, except for cars, they're expected to pick up, especially when times get tough. So, the way they've chosen to spread out their investments is careful but also looking forward to good things in the future.

Market Cap Allocation	
Large	81.25%
Mid	9.78%
Small	8.97%

Sector Allocation	
Financial	29.78%
Technology	18.30%
Automobile	11.44%
Consumer Staples	7.01%
Materials	6.42%

Stocks Selections & Quality: While analyzing stocks selections of the fund, we look at four important things to make sure they're good quality: how fast their sales are growing, how much profit they make, how much cash they have coming in, and how their price compares to their earnings (that's the PE ratio). This fund is filled with companies that are growing fast. On average, their sales are going up by 17%, they're making a 20.88% profit on what they sell, their cash flow is increasing by 28%, and they have a low PE ratio of 16.51, which means we're getting them at a good price. All this adds up to why we think this fund is one of the best choices, with really top-notch companies in it.

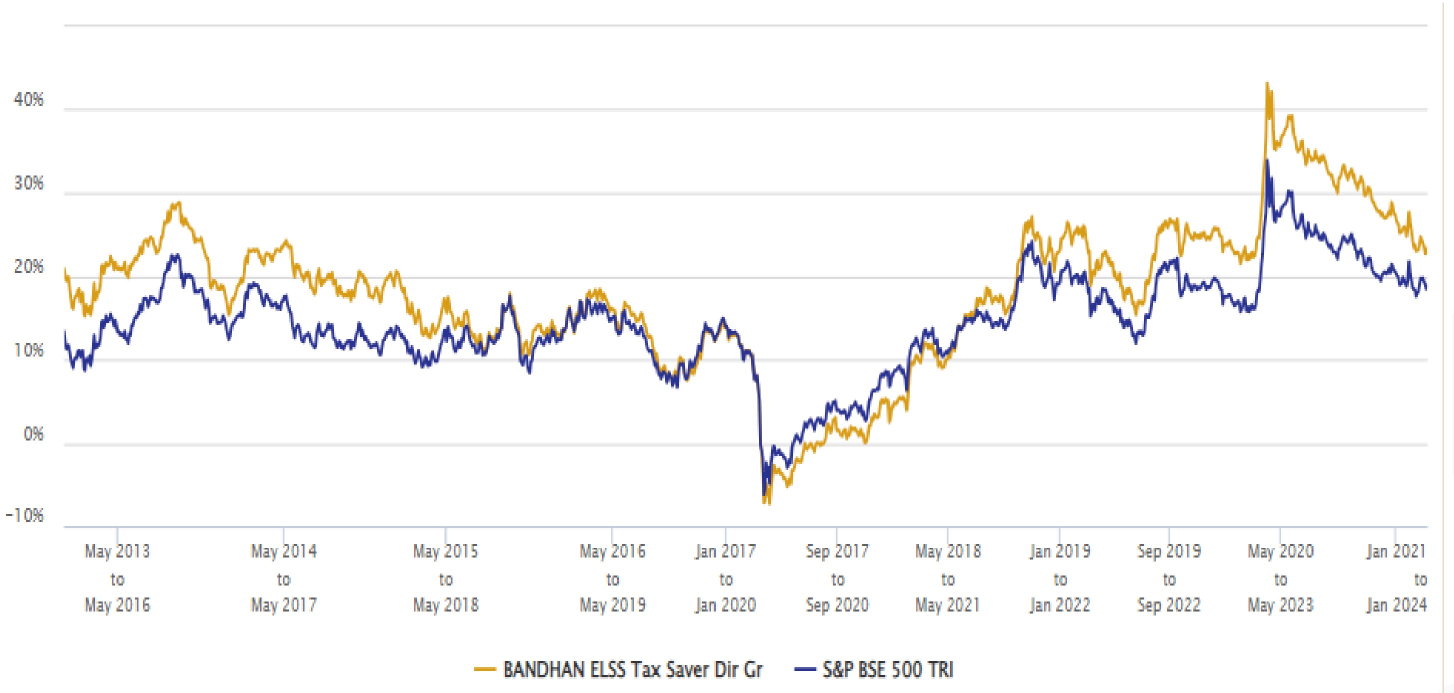
Fundamental Ratios	
Price/Earnings	16.51
Profit Growth%	20.88
Sales Growth%	17.74
Cash-Flow Growth%	28.04

So, to wrap it up: this fund is a top-notch choice for long-term investments. It's designed to keep risks low and is managed by some of the best fund manager of the industry. Perfect for anyone looking to invest for the long term in quality funds with a buy & hold appro

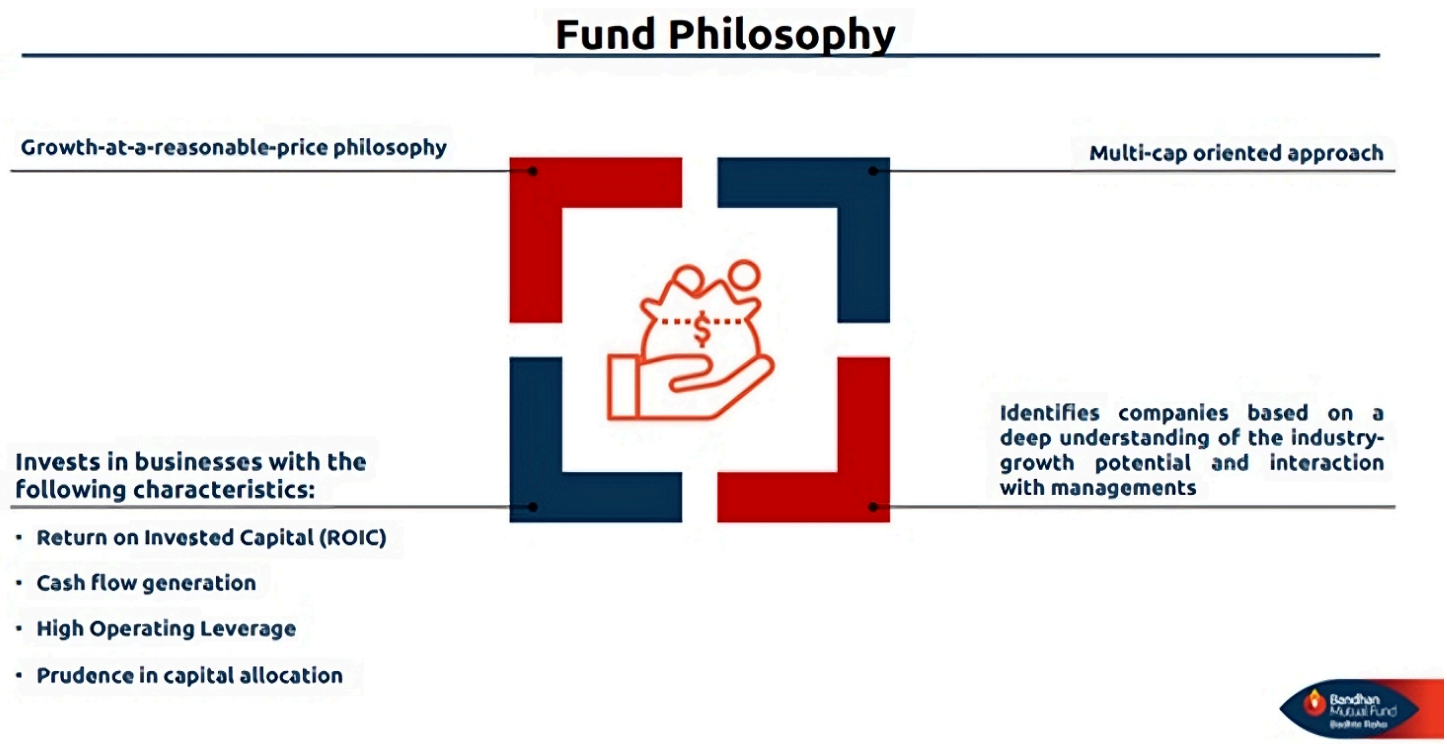
#2:Bandhan ELSS Tax Saver Fund

The **Bandhan ELSS Tax Saver Fund** is a hidden gem for many investors and is known for its high performance in the ELSS category, which might be a smart pick for your investments. It's been around since 2008 but hasn't been talked about much. It used to be with IDFC, and even though Bandhan AMC has taken over, the people who look after the fund haven't changed. It's worth a look if you're exploring options for tax-saving investments.

Returns: Since 2013, if you had invested your money for a period of 3 years at any point, you would have received an average annual return of almost 18%. In terms of consistency, 80% of the time it has delivered returns of more than 15%. We compared the same investment with its benchmark, the Nifty 500, to evaluate the fund's performance. The index has provided only a 14% return with a 69% probability of consistency. This is why this fund is considered an alpha generator.



Strategy: Their strategy focuses on making money by buying stocks for the long term. They identify promising stocks by researching growing industries and engaging with successful companies. They select businesses that have high returns on investment, convert profits to cash flow, and smartly reinvest earnings for growth. Their goal is to buy at reasonable prices. In managing the portfolio, they diversify across different companies and adapt to market changes to ensure smart management and steady growth.



Fund Manager:

Daylynn Pinto is the fund manager with a unique approach to investing, known as the contrarian style, where he often goes against market trends to find value. He has been in the investment field for 18 years, showing deep expertise and understanding. For the past 7 years, DaYlynn has been consistently managing the fund, demonstrating his ability to maintain steady performance over time. His long-term commitment to the fund is a key reason behind its consistent success.

Daylynn Pinto

Senior Fund Manager - Equity at Bandhan Mutual Fund

Portfolio Allocation: The portfolio puts 75% of its investments into large-cap stocks, which helps keep it safe when market prices are high. Most of this investment goes into five main areas: financial, technology, automobiles, energy, and healthcare. These sectors are the backbone of the large-cap market. Financial, technology, and healthcare sectors are gearing up to perform well, while the auto and energy sectors are already popular trends. This way of organizing the portfolio helps balance safety with the potential for good returns.

Market Cap Allocation	
Large	76.69%
Mid	13.02%
Small	9.89%

Sector Allocation	
Financial	22.86%
Technology	9.11%
Automobile	9.02%
Energy	8.78%
Healthcare	8.33%

Stocks Selections & Quality: The portfolio consists of 66 stocks, focusing on growth stocks. These stocks have shown an average sales growth of 14.28%, indicating they are growing well. Their earnings margins are at 21.64%, which is high, showing they're not just making sales but are profitable too. Cash flow, which is the money the companies keep after all their expenses, has grown by 8.86%, a normal rate of growth. With a Price to Earnings (PE) ratio of 20.28%, the valuations of these stocks are moderate, meaning they're not too expensive nor too cheap. Overall, the quality of the portfolio seems okay, with a good balance of growth, profitability, and reasonable valuations.

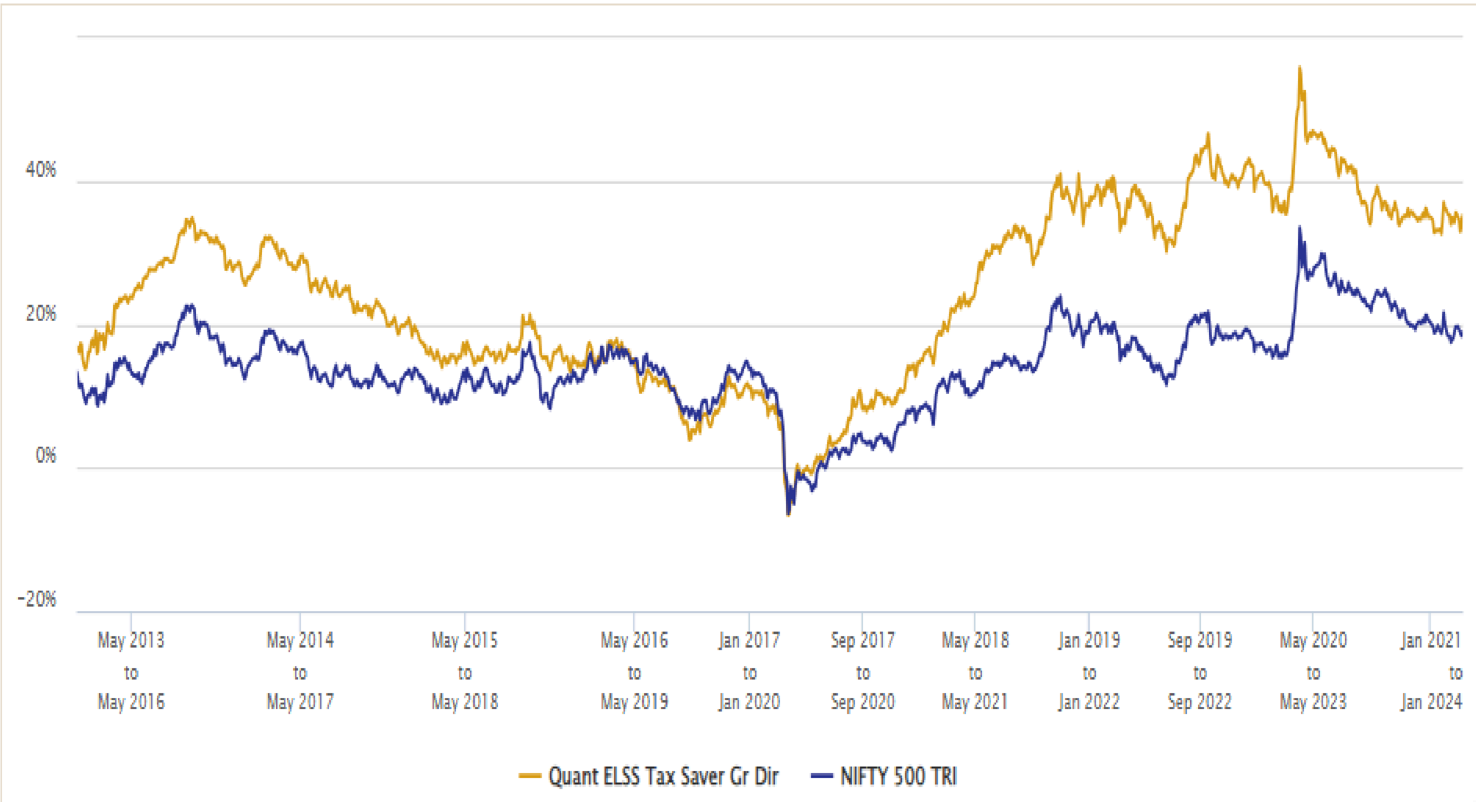
Fundamental Ratios	
Price/Earnings	20.28
Profit Growth%	21.64
Sales Growth%	14.28
Cash-Flow Growth%	8.86

In essence, this fund stands out for its unique investment style and active management approach. The key to its appeal is the fund manager's consistency, making it an excellent choice for long-term investors seeking high returns.

#3: Quant ELSS Tax Saver Fund

The **Quant ELSS Tax Saver Fund** is a new option in the ELSS fund category, having started in 2018. In just a short time, it has become the top-performing fund in its category for the last 3 years. What makes this fund unique is its dynamic approach to managing money, setting it apart from others.

Returns: The **Quant ELSS Tax Saver Fund** has been doing really well since it started. If you had put your money in this fund for any 3-year period, you would have seen an average return of 24.37% each year. That's pretty steady, too, with the fund being reliable 82% of the time. When you compare that to the NSE 500, which only gave returns of 13.83% annually and was less reliable at 68% for giving returns over 12%, you can see the difference. The fund has created excellent profit beyond the usual market rate, making it a great choice for earning more money.



Strategy: The strategy of the fund is all about actively managing the money. They focus on investing in sectors and stocks that are trending, and they're good at deciding when to sell those stocks too. How do they pick these winners? They use a method called predictive analysis to spot stocks that are about to do really well, kind of like catching a rising star at just the right moment. This involves looking for stocks that others might not be paying much attention to yet but are starting to get positive vibes and where more money is beginning to flow in. They buy these stocks and hold onto them until they become really popular, or in their terms, reach the "overbought territory." This approach has been working great for them for the last 4 years, bringing in strong returns for their investors.

Investment Approach

Well diversified equity strategy with a flexible market cap/ sector agnostic approach.

Sector agnostic investment approach.

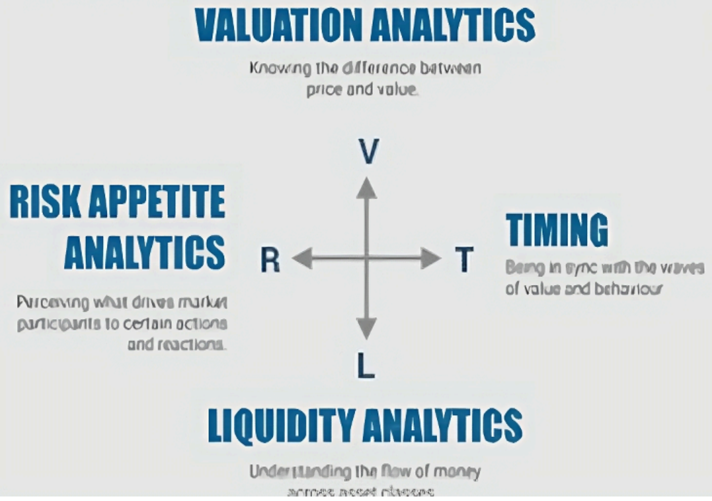
Stock selection process uses **unconstrained approach, allowing exploration of better returns potential.**

Reasons to Buy

- **Triple benefit** of wealth building, tax saving, and lowest lock-in period among the 80C options.
- **Higher wealth creation potential** as assets can be deployed in equities for long term due to 3 years lock-in period.
- **Low investment amount** of Rs. 500/-.
- Investment **track record of over 20 years.**

VLRT Framework| Adaptive Money Management

Being Relevant with 'predictive analytics'



The core engine that drives us and sets us apart is a robust and differentiated investment framework that enables us to see beyond the horizon and stay relevant. Our unique analytical framework for enabling 'predictive analytics' encompasses all available asset classes and sectors, formulating a multi-dimensional research perspective.

Why multi-dimensional?

The markets are a complex, dynamic system. There is no one formula or strategy or perspective that can consistently outperform **A diverse set of variables and participants are continuously interacting with each other in myriad ways.**

In the face of this uncertainty and complexity, instead of limiting ourselves to any one school of thought **we have found consistent success by studying markets along four dimensions: Valuation, Liquidity, Risk Appetite, and Time [VLRT].**

Fund Management: This fund is run by following a set process that relies on numbers and data for making decisions. This means the fund managers don't have to make as many choices themselves. Because of this, the fund is consistent since it sticks to its data-driven process.

Vasav Sahgal

Ankit A Pande

Portfolio Allocation: This fund mainly invests 83% of its money in big companies, especially because the market prices are pretty high right now. What's unique about it is the way it spreads out its investments. About 70% of the fund is put into four areas: energy, finance, metals and mining, and healthcare. Energy and metals are the popular choices right now, while finance and healthcare are just starting to pick up again after being overlooked. This shows how actively the fund changes its investments to catch the best opportunities.

Market Cap Allocation	
Large	83.15%
Mid	16.43%
Small	0.42%

Sector Allocation	
Financial	22.86%
Technology	9.11%
Automobile	9.02%
Energy	8.78%
Healthcare	8.33%

Stocks Selection: This fund has 40 stocks in its collection. It picks stocks that are growing and also looks for those that are a bit cheaper, kind of like finding good deals. The average cost of these stocks, based on their earnings, is really low, at 15.63, showing that they indeed focus on stocks that don't cost much but have potential to grow. These stocks are not just low-priced; they're also gaining speed quickly, making this selection unique compared to other funds.

Fundamental Ratios	
Price/Earnings	15.63
Profit Growth%	9.27
Sales Growth%	14.98
Cash-Flow Growth%	N.A.

In short, this fund is known for its dynamic management style, strongly guided by quantitative processes. It stands out as an excellent option for investors with a high tolerance for risk and those seeking substantial returns on their investments.

Bonus: Important Tips

How to Save Additional Tax Beyond 80C Deductions:

1. Section 80D - Health Insurance Premiums: Deductions for premiums paid on health insurance for yourself, your spouse, children, and parents, which can go up to ₹25,000 for you and your family and an additional ₹25,000 for parents (₹50,000 if parents are senior citizens).
2. Section 80E - Interest on Education Loans: Claim a deduction for the interest paid on an education loan taken for higher education for yourself, your spouse, or children. There is no upper limit, but the deduction is available for a maximum of 8 years.
3. Section 80TTA/80TTB - Savings Account Interest: Earn a deduction on interest income from savings accounts up to ₹10,000 for non-senior citizens (Section 80TTA) and up to ₹50,000 for senior citizens (Section 80TTB).
4. Section 24 - Interest on Home Loan: If you have a home loan, you can claim a deduction on the interest paid up to ₹2 lakh per annum under Section 24 for a self-occupied property.
5. Section 80G - Donations: Contributions made to certain charitable organizations can be claimed as a deduction under this section, subject to various rules and limits.
6. Section 80GG - Rent Paid: If you don't receive HRA and pay rent for your house, you can claim a deduction for the rent paid under certain conditions.
7. Section 80EE/80EEA - Interest on Home Loans for First-Time Homebuyers: These sections provide additional deduction for interest on home loans for first-time homebuyers, subject to certain conditions.

What Are the Advantages of Investing Early in ELSS Funds for Tax Saving?

1. **Maximize Compounding**: The earlier you invest the more time your money has to grow through compounding. This means your investment returns start earning their own returns, potentially increasing your wealth over time.
2. **Spread Out Investments**: By investing early in the financial year, you can spread your investments over several months, making it easier on your budget. This approach can also smooth out the impact of market volatility.
3. **Avoid Last-Minute Rush**: Investing early helps you avoid the last-minute rush to invest before the tax deadline. This rush can lead to hasty investment decisions and potentially choosing the wrong funds.
4. **Better Planning**: Investing early gives you ample time to analyze different funds, leading to better-informed decisions. It also ensures that your tax-saving investments are well-integrated into your overall financial plan, allowing for adjustments based on performance and financial goals.
5. **Benefit of Averaging:** Starting an SIP in an ELSS fund at the beginning of the year helps you benefit from rupee cost averaging, where you buy more units when prices are low and fewer units when prices are high. This can lead to potentially lower average cost per unit over time.

What Are the Best ELSS Funds for Different Risk Tolerances?

- **High Risk Tolerance:** For those comfortable with taking higher risks for potentially higher returns, the Quant Tax Saver Fund is an excellent choice. Its strategy focuses on actively investing in trending sectors to generate significant returns.
- **Low Risk Tolerance:** Investors who prefer stability and are cautious about daily market fluctuations might find the Parag Parikh Tax Saver Fund to be the ideal option. It's designed for investors who want to minimize the risk of loss while still enjoying the benefits of tax-saving investments.
- **Moderate Risk Tolerance:** For individuals with a moderate appetite for risk, looking for a balance between stability and growth, the Bandhan Tax Saver Fund is a suitable selection. It aims to manage risk effectively, making it a solid choice for long-term investment with the prospect of good returns.

Disclaimer: Investments in mutual funds are subject to market risks, so it is suggested to read all scheme-related documents very carefully before investing. The past performance of a fund does not guarantee future results. Investors should use historical performance as a reference point rather than a prediction of future gains. The content of this article and any analysis provided herein is intended solely for informational purposes and should not be construed as influencing investment decisions. Although the names of funds mentioned are selected based on the best practices of our research and analysis, this should not be interpreted as an endorsement or specific investment advice regarding these funds. Investors are advised to conduct their own research or consult with a financial advisor to make informed investment decisions