



## **Category Definitions**

India  
Morningstar Methodology Paper  
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# Equity

## **Large-Cap**

Large-Cap funds primarily consist of stocks from the top 70% market capitalization of the equity market. These funds invest at least 65% of total assets in Indian equities, and the balance can be invested in other asset classes such as fixed income, gold and overseas equities, among others. Funds in this category would invest at least 65% of their total assets in large-cap stocks.

Morningstar Category Index: S&P BSE 100

## **Small/Mid-Cap**

Small/Mid-Cap funds primarily consist of stocks from the bottom 30% market capitalization of the equity market. These funds invest at least 65% of total assets in Indian equities, and the balance can be invested in other asset classes such as fixed income, gold and overseas equities, among others. Funds in this category would invest at least 65% of their total assets in small/mid-cap stocks.

Morningstar Category Index: S&P BSE Mid Cap

## **Flexicap**

Flexicap funds invest at least 65% of their total assets in Indian equities, and the balance can be invested in other asset classes such as fixed income, gold and overseas equities, among others. Funds in this category would invest not more than 65% of total assets in either large-cap stocks or small/mid-cap stocks.

Morningstar Category Index: S&P BSE 500

## **ELSS (Equity Linked Saving Schemes)**

These funds are notified as ELSS by SEBI under Section 10 (23D). Investments of up to INR 150,000 in a financial year in these funds are exempt from Income Tax under Section 80C of the Income Tax Act, 1961. Investments in ELSS are subject to a lock-in of three years from the date of investment.

Morningstar Category Index: S&P BSE 200

## **Global – Other**

Global – Other funds include those funds that invest at least 35% of total assets in instruments issued by overseas i.e. non-Indian companies. In addition, funds that invest at least 35% of total assets in exchange traded funds, fund of funds domiciled outside India are also included in this category.

[Funds in this category do not receive a Morningstar Rating™ due to the diverse nature of the constituents.]

## **Sector – Energy**

Sector – Energy funds invest in companies from the oil and gas, and power sectors. These include companies that produce or refine oil and gas, oil field service and equipment companies, pipeline operators, companies engaged in the mining of coal, companies engaged in generation, transmission, distribution of electricity, companies providing power infrastructure, and manufacturers of equipment required for power generation. These funds invest at least 65% of total assets in Indian equities and at least 50% of total assets in equities from the aforementioned industries.

Morningstar Category Index: S&P BSE Oil & Gas

**Sector – Financial Services**

Sector – Financial Services funds invest in industries such as banking, non-banking financial services, broking, exchanges, rating agencies, asset management and insurance. These funds invest at least 65% of total assets in Indian equities and at least 50% of total assets in equities from the aforementioned industries.

Morningstar Category Index: S&P BSE BANKEX

**Sector – FMCG**

Sector – FMCG funds invest in industries such as food and beverages, household and personal products, packaging and tobacco. These funds invest at least 65% of total assets in Indian equities and at least 50% of total assets in equities from the aforementioned industries.

Morningstar Category Index: S&P BSE FMCG

**Sector – Healthcare**

Sector – Healthcare funds invest in industries such as biotechnology, pharmaceuticals, research services, home healthcare, hospitals, long-term care facilities, medical equipment and supplies. These funds invest at least 65% of total assets in Indian equities and at least 50% of total assets in equities from the aforementioned industries.

Morningstar Category Index: S&P BSE Healthcare

**Sector – Precious Metals**

Sector – Precious Metals funds invest in companies engaged in the areas of mining of precious metals such as gold, silver, platinum, among others. These funds invest at least 65% of total assets in Indian equities and at least 50% of total assets in equities from the aforementioned industries. In addition, funds that invest more than 50% of assets in precious metal-exchange traded funds domiciled in India are also included in this category.

**Sector – Technology**

Sector – Technology funds invest in industries such as software, communication equipment, computer hardware, online media, semiconductors and outsourcing service providers such as BPO and KPO. These funds invest at least 65% of total assets in Indian equities and at least 50% of total assets in equities from the aforementioned industries.

Morningstar Category Index: S&P BSE IT

**Equity – Other**

Equity – Other funds include those funds that invest at least 65% of total assets in Indian equities and cannot be classified in the other equity categories.

[Funds in this category do not receive a Morningstar Rating™ due to the diverse nature of the constituents.]

# Fixed Income

## **Fixed Maturity Intermediate-Term Bond**

Fixed Maturity Intermediate-Term Bond funds have a fixed horizon of existence ranging from three to seven years. They primarily invest in investment-grade fixed-income securities whose average effective maturities coincide with the investment horizon. Given their focus on instruments with a medium duration, they offer lower interest-rate sensitivity as compared to funds with longer durations, but are more sensitive to interest rate risk than Short-Term Bond funds. They typically invest in debentures, government securities, call money, commercial papers and certificate of deposits, among others.

## **Fixed Maturity Short-Term Bond**

Fixed Maturity Short-Term Bond funds have a fixed horizon of existence ranging from one to three years. They primarily invest in investment-grade fixed-income securities whose average effective maturities coincide with the investment horizon. Given their focus on instruments with a short duration, they offer low interest-rate sensitivity. They typically invest in debentures, government securities, call money, commercial papers and certificate of deposits, among others.

## **Fixed Maturity Ultrashort Bond**

Fixed Maturity Ultrashort Bond funds have a fixed horizon of existence of up to one year. They primarily invest in investment-grade fixed-income securities whose average effective maturities coincide with the investment horizon. Given their focus on instruments with a short duration, they offer minimal interest-rate sensitivity. They typically invest in treasury bills, call money, commercial papers and certificate of deposits, among others.

## **Corporate Credit**

India OE Corporate Credit Funds would be Indian Fixed Income Funds which primarily invest into securities that are rated below AAA. These funds will have at least 20% of the portfolio invested in securities rated A+ and below or have at least 60% of the portfolio invested in securities rated AA+ and below. These funds display a higher credit risk as compared to traditional fixed income funds. They will largely invest into corporate debentures.

## **Intermediate Bond**

Intermediate Bond funds primarily invest in investment-grade fixed-income securities with average effective maturities ranging from three to seven years. Given their focus on instruments with a medium duration, they offer lower interest-rate sensitivity as compared to funds with longer durations, but are more sensitive to interest rate risk than Short-Term Bond funds. They typically invest in debentures, government securities, call money, commercial papers and certificate of deposits, among others.

## **Intermediate Government Bond**

Intermediate Government Bond funds primarily invest in securities issued by the central government, state governments and government-backed entities. These funds have average effective maturities ranging from three to seven years. Given their focus on instruments with a medium duration, they offer lower interest rate sensitivity as compared to funds with longer durations, but are more sensitive to interest rate risk than Short-Term Government Bond funds.

Morningstar Category Index: ICICI Securities Mibex

### **Long-Term Bond**

Long-Term Bond funds primarily invest in investment-grade fixed-income securities with average effective maturities greater than seven years. Given their focus on instruments with longer durations, they are exposed to the highest interest rate risk. They typically invest in longer-dated debentures and government securities, call money, commercial papers and certificate of deposits, among others.

### **Long-Term Government Bond**

Long-Term Government Bond funds primarily invest in securities issued by the central government, state governments and government-backed entities. These funds have average effective maturities greater than seven years. Given their focus on instruments with longer durations, they are exposed to the highest interest rate risk.

Morningstar Category Index: ICICI Securities Libex

### **Short-Term Bond**

Short-Term Bond funds primarily invest in investment-grade fixed-income securities with average effective maturities ranging from one to three years. Given their focus on instruments with a short duration, they offer lower interest-rate sensitivity as compared to funds with longer durations. They typically invest in debentures, government securities, call money, commercial papers and certificate of deposits, among others.

### **Short-Term Government Bond**

Short-Term Government Bond funds primarily invest in securities issued by the central government, state governments and government-backed entities. These funds have average effective maturities of up to three years. Given their focus on instruments with a short duration, they offer lower interest-rate sensitivity as compared to other government bond fund categories.

Morningstar Category Index: ICICI Securities Sibex

### **Ultrashort Bond**

Ultrashort Bond funds primarily invest in investment-grade fixed-income securities with average effective maturities of less than one year. Given their focus on instruments with a short duration, they offer low interest-rate sensitivity. They typically invest in treasury bills, call money, commercial papers and certificate of deposits, among others.

# Allocation

## **Moderate Allocation**

Moderate Allocation funds invest across multiple asset classes: equity, fixed income, cash and precious metal-exchange traded funds, among others. These funds tend to make larger allocations to equities than Conservative Allocation funds. The allocation to Indian equities usually ranges from 30%–75% of total assets in the normal running of the fund.

## **Conservative Allocation**

Conservative Allocation funds invest across multiple asset classes: equity, fixed income, cash and precious metal-exchange traded funds, among others. These funds tend to make smaller allocations to equities than Moderate Allocation funds. The allocation to Indian equities does not exceed 30% of total assets in the normal running of the fund.

# Alternative

## **Arbitrage Fund**

Arbitrage Funds pursue market-neutral strategies, whereby returns are not significantly impacted by market volatility. Typically, they buy equities in the cash market and simultaneously sell in the futures market, thus ensuring market neutrality.

# Money Market

## **Liquid**

Liquid funds primarily invest in investment-grade fixed-income securities with maturities of up to 91 days. Given their focus on instruments with a short duration, they offer minimal interest-rate sensitivity. They typically invest in treasury bills, call money, commercial papers and certificate of deposits, among others.