

# VALUE FUND



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## Value Funds

Mutual funds following a value investing strategy to invest in markets



### What is a Value Fund?

Value funds are mutual funds that invest in good and strong companies whose shares are currently available at low prices. These companies are undervalued in the market but have strong fundamentals like stable earnings and solid management.

This report explains how value funds work, how they perform, and what investors should check before investing in them in 2026. Value fund investing focuses on long-term growth rather than short-term market ups and downs. Therefore, value funds are best suited for investors who can stay invested for at least 3 years or more.

Value funds follow a research-driven approach to invest in companies that the market has undervalued despite their strong underlying business fundamentals. Unlike growth funds that focus on high-growth potential, value funds prioritize stability, financial strength, and the potential for sustainable long-term returns.

The fundamental premise of value investing is based on the concept of intrinsic value — the true worth of a business based on its fundamentals rather than current market price. Fund managers systematically identify discrepancies between market price and intrinsic value, aiming to profit as the market eventually recognizes the company's true worth.

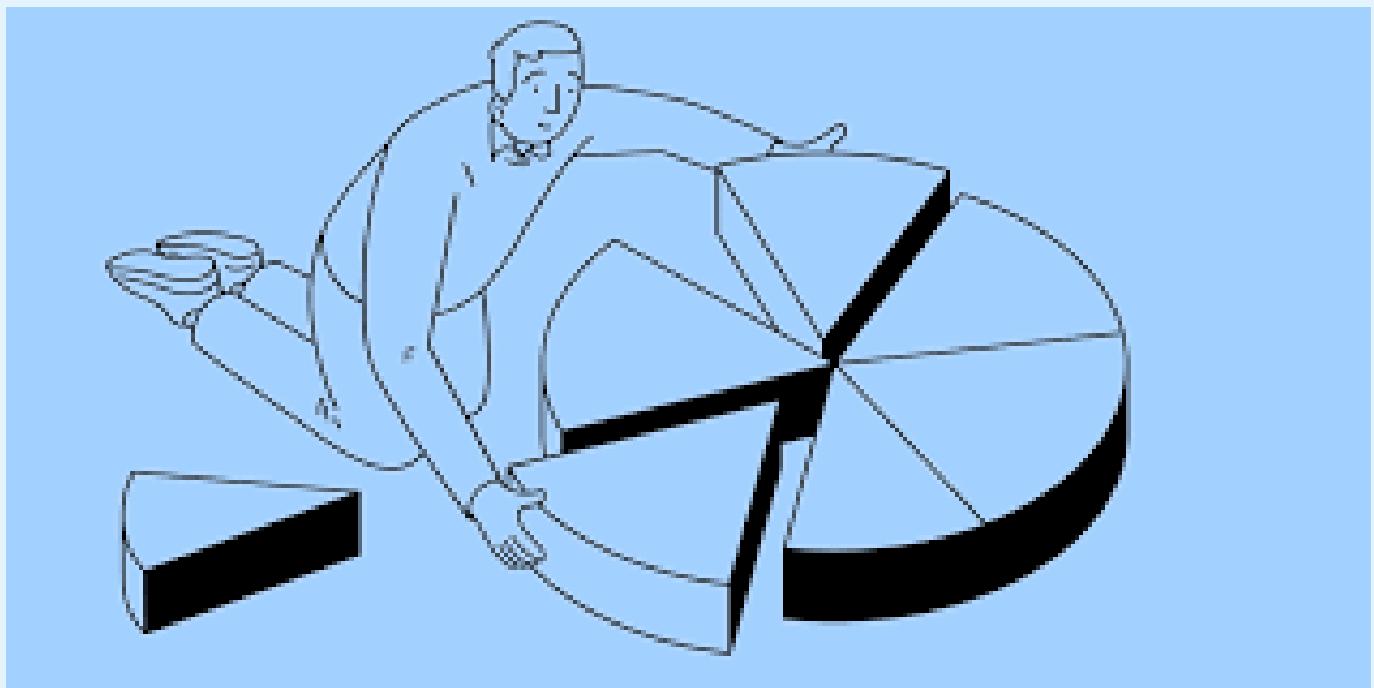
## Y Key Investment Principles :

- Value funds operate on several core principles:
- Focus on Fundamentals: Analysis emphasizes earnings, cash flow, debt levels, and management quality over short-term price movements
- Long-Term Orientation: Investors must have patience as short-term performance may lag during bull markets
- Intrinsic Value Assessment: Stocks are selected when trading significantly below their calculated intrinsic worth
- Active Management: Fund managers continuously monitor company fundamentals, sectoral trends, and market developments
- Disciplined Selection: Systematic approach to stock selection rather than reactive market timing

## Financial Metrics Analysis :

- The primary valuation framework for value funds relies on three standardized value factors

Valuation Metric	Formula	Interpretation
Forward Price/Earnings	Share Price / Expected EPS	Lower ratio suggests
Price-to-Book Ratio	Market Capitalization /	Indicates if stock trades below
Enterprise Value/Operating	(Market Cap - Cash + Debt) / Operating	Assesses cash generation relative



## Portfolio Construction Approach:

- Value fund managers construct portfolios through:
- Standardized Scoring: Ranking companies by their valuation scores across multiple metrics
- Diversification: Selecting balanced portfolio composition across sectors without excessive concentration
- Risk Optimization: Balancing individual stock risk metrics such as volatility alongside valuation metrics
- Sector Representation: Ensuring exposure across economic sectors to reduce concentration risk



## Performance Analysis : Indian Value Fund Performance (2026)

- India's value fund category has demonstrated strong performance compared to other equity fund categories

Fund Category	5-Year CAGR	Underperformance vs Value	Rank
Value Funds	23.86%	—	1st
ELSS Tax Savings	21.75%	-2.11%	2nd
Flexi Cap	21.35%	-2.51%	3rd
Focused Fund	20.58%	-3.28%	4th
Large Cap	19.10%	-4.77%	5th

### ↑ Top Performing Value Funds in India

Leading value fund options include:

**ICICI Prudential Value Fund** : Recorded the highest AUM growth with an impressive addition of ₹5,790 crore in the past six months

**Tata Value Fund** : Established player with consistent long-term performance tracking

**Bandhan Value Fund**: Emerging competitor in the value fund segment



## Recent Market Trends (2025-2026)

Recent fund performance analysis reveals several important trends:

- **Systematic Investment Plans (SIPs):** Continued strength with investors benefiting from rupee cost averaging during market volatility
- **Sectoral Interest:** Growing allocation to manufacturing, defense, energy transition, and technology themes
- International Diversification: Emerging markets (particularly China) showing attractive valuations compared to developed markets
- **Long-Term View:** Investors maintaining long-term discipline significantly outperformed market-timing strategies.

## ⚠ Risk and Return Characteristics :-

### Risk Profile

Value funds typically exhibit:

- **Moderate Risk Level:** Lower volatility than growth funds but higher than debt instruments
- **Market Risk:** Subject to overall equity market movements and economic cycles
- **Selection Risk:** Performance depends heavily on fund manager's stock selection skill
- **Sector Concentration:** May be exposed to particular sectors identified as undervalued
- **Recovery Uncertainty:** No guarantee that undervalued stocks will recover to intrinsic value



## Return Potential :-

**The return profile of value funds includes:**

- **Long-Term Capital Appreciation** : As market recognizes intrinsic value of holdings
- **Dividend Yield** : Value stocks typically offer higher dividend yields than growth stocks
- **Compounding Benefits** : Extended investment horizons enable significant wealth accumulation
- **Inflation Protection** : Equity returns typically outpace inflation over long periods



## Investor Suitability :-

Value funds are most suitable for investors who:

- Have an investment horizon of 3 years or more
- Exhibit moderate to high risk tolerance
- Seek stable, long-term wealth creation rather than quick gains
- Can remain patient during periods when value stocks underperform
- Understand fundamental analysis and company valuation concepts
- Are willing to diversify with other fund categories (growth, debt, or hybrid)



## Comparative Analysis: Value vs Growth Funds :-

Criteria	Value Funds	Growth Funds
Investment Focus	Undervalued, stable companies	High-growth, future potential companies
Price Target	Trading below intrinsic value	Trading at premium valuations
Risk Level	Moderate	Higher
Return Timeline	Long-term, steady growth	Short to medium term, aggressive
Dividend Yield	Usually higher	Usually lower
Market Sensitivity	Lower to moderate	Higher
Fund Manager Role	Active selection of undervalued stocks	Growth identification and momentum play
Volatility	Relatively lower	Relatively higher



## Fund Selection Criteria :-

### Evaluating Fund Manager Expertise

Key indicators of fund manager competence include:

- Track Record: Historical performance relative to benchmark and peer funds over 5+ years
- **Investment Philosophy** : Clear, articulated value investing approach with consistent application
- **Sector Expertise** : Demonstrated understanding of key sectors in the portfolio
- **Consistency**: Similar stock selection criteria across market cycles
- **Risk Management**: Active portfolio rebalancing and downside protection strategies

### Portfolio Assessment :-

- Analyze portfolio characteristics :
  1. Number and concentration of holdings
  2. Sector diversification and weightings
  3. Quality of individual company fundamentals
  4. Margin of safety (discount to intrinsic value)

## Cost Analysis :-

Important cost considerations:

- **Expense Ratio :** Annual charges for fund management (lower is generally better)
- **Direct vs Regular Plan:** Direct plans typically have lower expense ratios
- **Exit Load:** Charges for early redemption (if applicable)
- **Tax Implications :** Long-term capital gains treatment benefits patient investors

## Historical Performance Metrics :-

### **Evaluation framework based on standardized methodology :-**

- **Return Grade :** Measures fund performance relative to peers after risk adjustment
- **Time Weighting :** 60% weight on 5-year performance, 40% on 3-year performance
- **Risk-Adjusted Returns :** Monthly returns evaluated against category average
- **Performance Percentile :** Ranking from "High" (Top 10%) to "Low" (Bottom 10%)



## Key Considerations for 2026 :-



### Asset Allocation and Diversification :-

Successful investing in 2026 requires:

- Multi-Asset Approach: Combine value funds with debt, hybrid, and index funds
- Sector Diversification: Avoid concentration in single sectors; consider defensive stocks
- International Exposure: Evaluate emerging market opportunities, particularly Asian markets
- Periodic Rebalancing: Adjust portfolio allocation as market conditions evolve



### Investment Approach :-

- **Systematic Investment Plans (SIPs):** Rupee cost averaging reduces timing risk and builds discipline
- **Long-Term Holding:** Maintain investment horizon of 5+ years for optimal wealth creation
- **Research-Based Selection:** Use quality research and expert guidance for fund selection
- **Market Cycle Navigation:** Recognize business cycles and maintain investment discipline



## 7.3 Market Outlook and Opportunities :-

### **Current market conditions present:**

- **International Rebalancing:** US market valuations high; opportunities in diversified geographies
- **Domestic Manufacturing:** Government focus on "Make in India" creating value opportunities
- **Defense and Energy:** Emerging sectors with policy support and growth potential
- **Tech Innovation:** Chinese technology companies offering attractive valuations relative to peers
- **Rupee Cost Averaging:** Market volatility provides entry opportunities for SIP investors



## Implementation Checklist :-

### **Before investing in value funds, ensure:**

- [ ] Investment horizon is minimum 3 years (preferably 5+ years)
- [ ] Risk tolerance aligns with moderate equity risk profile
- [ ] Financial goals are clearly defined
- [ ] Emergency fund of 6 months is available
- [ ] Debt obligations are manageable
- [ ] Fund manager expertise has been verified
- [ ] Expense ratios are competitive
- [ ] Portfolio is diversified across fund categories
- [ ] Tax implications are understood
- [ ] Regular monitoring schedule is established

## Conclusion :-

Value funds represent a disciplined, research-driven approach to long-term wealth creation, focusing on fundamentally strong companies trading below intrinsic value. With Indian value funds outperforming other equity fund categories by significant margins (23.86% CAGR vs 19-21% for other categories), they merit serious consideration for long-term investors.

### **Success with value funds requires:**

- **Patient capital** with a long-term investment horizon
- **Disciplined approach** to systematic investment through SIPs
- **Portfolio diversification** across multiple asset classes
- **Professional fund manager selection** based on track record and philosophy
- **Regular monitoring** while maintaining conviction during market cycles
- **Tax-efficient investing** leveraging long-term capital gains benefits

The investment landscape in 2026 presents attractive opportunities for value investors, particularly in diversified geographies and emerging sectors. By combining value fund investing with appropriate risk management and a long-term perspective, investors can build substantial wealth while managing volatility effectively.

# Thank You



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