

THE SCANNER

Multi-Act's MFPA: Why the QVM framework changes how you pick funds



India has 350+ equity mutual funds, 300+ debt funds, and 60+ hybrid funds. While the numbers themselves are mind-boggling, virtually every one of them can show a chart of past Net Asset Value (NAV) performance that looks compelling in hindsight. The problem investors face isn't a shortage of funds; it's a shortage of ways to tell them apart before the fact, not after.

Multi-Act's Mutual Fund Portfolio Analytics (MFPA) tackles this by flipping the starting point of fund analysis. Instead of asking "how has this fund performed," it asks "what does this fund actually own, and how good is what it owns?"

MFPA covers Indian mutual funds with a corpus above ₹100 crore, roughly 80% of the entire domestic MF universe, and refreshes its analysis every month-end. The reasoning is straightforward but often overlooked: a fund's past returns are a matter of record, but its potential future returns will be influenced by the quality and composition of the portfolio it currently holds. MFPA goes beyond the NAV performance layer to dig deeper into constituent-level portfolio analytics, examining the actual stocks inside each fund.

The QVM Framework

At the heart of MFPA is a proprietary framework called QVM: Quality, Valuation, and Momentum, applied to every company held within a fund's portfolio. Rather than treating a fund as a black box defined by its trailing CAGR, QVM breaks down portfolio risk into three distinct questions:



Quality (Q)

Is the portfolio company a fundamentally "good" one? Is there a risk of permanent capital loss? This captures business quality as represented by earnings durability, balance sheet strength, governance, and competitive positioning. This is independent of price.



Valuation (V)

Is the price right? If the broader market were to correct, does this stock carry a higher-than-average risk of losing value? This flags names where optimism (or fear) has pushed price away from underlying business value.



Momentum (M)

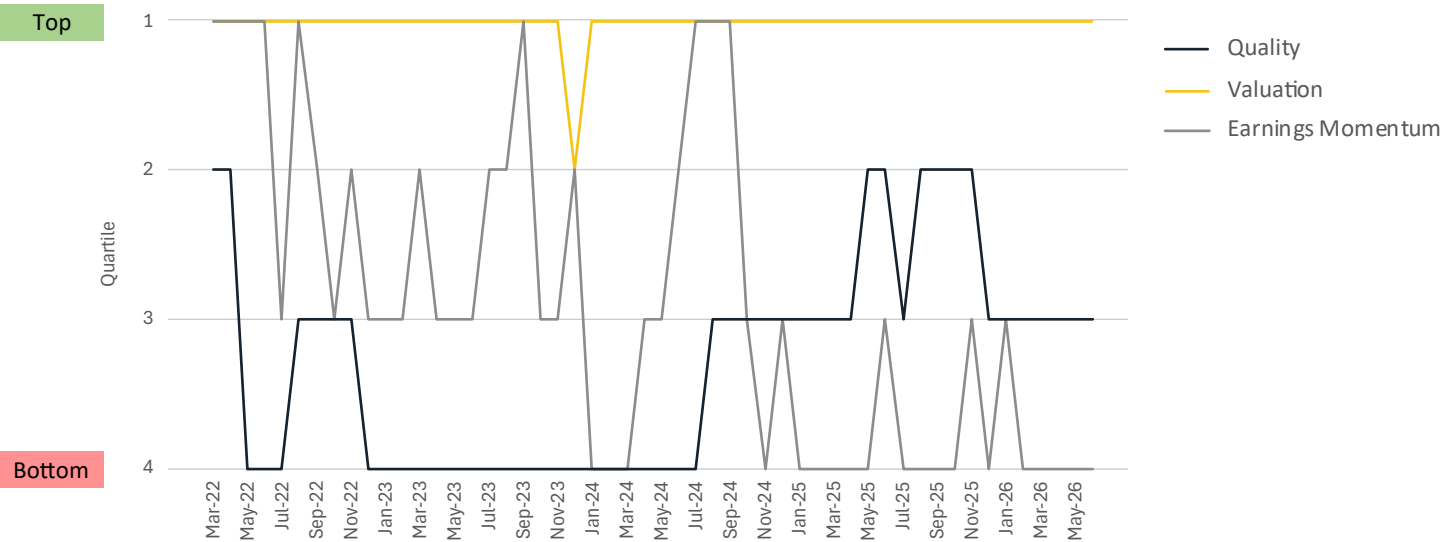
Is the timing right? Is there a risk of holding a company whose short-term fundamentals are deteriorating, or where technical/price momentum has turned unfavourable, even if the business itself remains sound?

Each of these dimensions targets a different and independent source of risk. A company can be high-quality but expensively valued; it can be reasonably valued but losing earnings momentum; it can look attractive on price but be structurally weak. By scoring every holding across all three lenses and aggregating these scores up to the fund level, MFPA produces a composite picture of what kind of risk an investor is actually taking on when they buy into a fund. Clearly, this is something that cannot be conveyed by a single "5-star" rating or a 3-year CAGR number.

The QVM framework is tracked month-on-month, with each factor expressed as a quartile rank. Rather than viewing any one period in isolation, the consistency and direction of these ranks provide a more meaningful picture of how a fund’s underlying characteristics are evolving.

In a crowded market, the edge isn't in finding another performance ranking. It's in understanding why a fund performs the way it does, and whether that reason is repeatable. That is precisely the gap QVM is built to close.

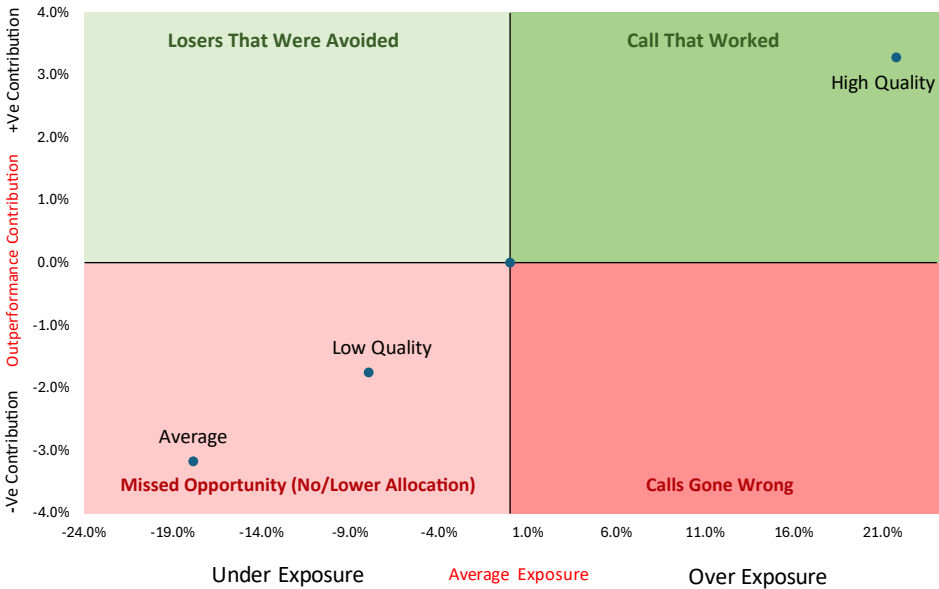
Exhibit 1 : Fund X – Quartile ranking movement



Valuation has remained in the top quartile for most of the period.

Exhibit 2 : Fund X – Quality Outperformance Attribution

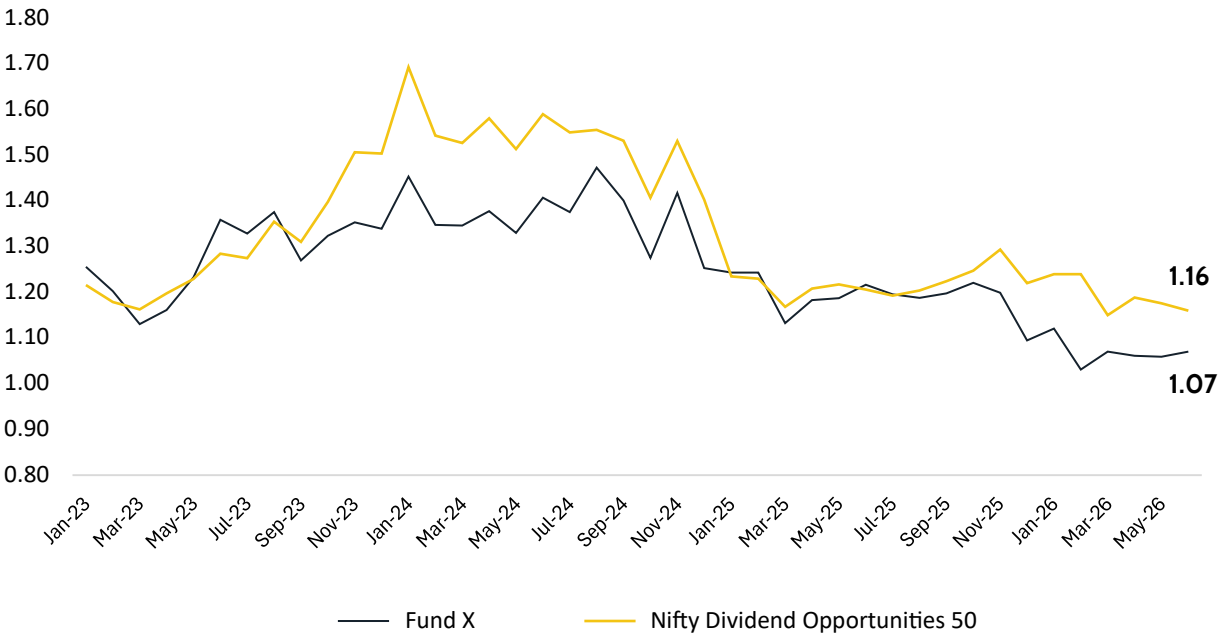
The attribution analysis is designed to identify the source of out performance within each QVM factor. Exhibit 2 illustrates this for Quality.



The strategy's higher exposure to high-quality stocks contributed positively to out performance.



Exhibit 3 : Fund X – Value tilt (Weighted Average Price/Fair Value)



For most of the period shown, Fund X traded at a lower weighted-average Price/Fair Value than the Nifty Dividend Opportunities 50



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? How frequently do a fund's Q/V/M rankings change, and when should a change prompt investor action?

Scores for each fund are recalculated monthly, but the three factors move at different speeds: Quality (a trailing 12-month average) shifts most slowly and Momentum re-ranks quarterly (with its technical sub-component updating weekly). Valuation lies somewhere in between Quality and Momentum – price can change very frequently but the fair value moves over roughly a one-year period.

A single rank move shouldn't trigger action alone. It should be treated as a prompt for deeper review, particularly if a fund manager's ranking turns as volatile as the market itself.

? How does MFPA's assessment framework differ methodologically from other frameworks used in the industry?

MFPA's assessment sits within an overall QVM-based ranking rather than a single composite score. Conventional rating-style frameworks in the industry tend to lean heavily on NAV and past performance as the primary inputs, even when sliced across different ratios. MFPA's framework instead layers in portfolio-level, multi-factor analysis (quality, valuation, momentum) alongside performance, aiming to capture dimensions that NAV-and-returns-focused approaches may not fully reflect.

? For an investor selecting a fund, should all three Q/V/M factors always be pursued simultaneously?

No, pursuing all three simultaneously is not realistic. The factors naturally counterbalance: a high-momentum fund is unlikely to also screen cheap on valuation, so top rankings across Q, V, and M together are uncommon.

The right balance depends on the investor's mandate and objective. For example, a quality-oriented mandate may accept a lower valuation score. It also depends on the prevailing market regime. Since Quality and Valuation can sometimes move together and sometimes diverge, the combination of factors can be adjusted in response to changing market conditions.

? Any limitations of the framework?

The framework is most reliable for funds with portfolio turnover below 100%; high-churn funds re-rank too often to be meaningful. Another limitation is that monthly portfolio disclosures may not capture stocks that were bought and sold between reporting dates.

Statutory Disclosure and Disclaimer:



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