Sakthi Financial Services

WEEKLY UPDATE

05th August 2023

Volume :- 23.24.16

BSE SENSEX	NIFTY 50	USD TO INR
65721.25	19517.00	82.84

India to become the third largest economy by 2030: Report

A report released by Standard Chartered Bank says that India will become the third largest economy by 2030. Currently, India is ranked fifth in the world in terms of GDP.

The report estimates that India's GDP will grow to USD 6 trillion by 2030 from the current size of USD 3.5 trillion. The country will overtake Japan and Germany, says the report. US and China will continue to dominate the world economy by holding the first two positions, respectively.

Further, the report says that India has successfully changed from a low-middle-income country (LMIC) to an upper-middle-income country (UMIC) both locally and globally. In fact, the report shows that the per capita income of India is likely to rise from USD 2,450 to USD 4,000. More than nine states will likely have per capita income above USD 4,000 by 2030.

Further, the growth will be driven by consistent policy reforms, macro stability, healthy external and financial sectors, a large share of working professionals, digitization, and political stability, says the report.

Key Highlights

- Hybrid schemes gain traction; attract Rs 14,000 cr in June qtr
- Popular retail choices: HDFC MF, SBI MF and ICICI Prudential MF
- A multi-asset fund is an all-weather proposition for conservative investor
- LIC Mutual Fund completes merger of IDBI Mutual Fund schemes
- CAMS launches AI-embedded KYC to onboard customers instantly

Hybrid schemes gain traction; attract Rs 14,000 cr in June qtr

After witnessing incessant outflow for three consecutive quarters, hybrid mutual fund schemes have caught investors' fancy and attracted over Rs 14,000 crore for three months ended June, following a recent change in taxation for debt funds. This was way higher than the Rs 10,084 crore inflow seen in hybrid schemes in the April-June quarter of 2022, data from the Association of Mutual Funds in India (Amfi) showed.

In addition, the asset base of hybrid funds and investors' account or folio numbers of such schemes increased in the quarter under review.

Hybrid funds are mutual fund schemes that typically invest in a combination of equity and debt securities and sometimes in other asset categories such as gold.

These funds appeal more to investors with a moderate or low-risk profile. Hybrid funds are good investment options as they reduce the volatility associated when participating in equity markets while simultaneously providing stability in the fixed-income market.

Going by the data, hybrid funds witnessed an inflow to the tune of Rs 14,021 crore in the June quarter this year after Witnessing an outflow of Rs 7,420 crore in the March quarter, Rs 7,041 crore in the December quarter and Rs 14,436 crore in the September quarter.

The folio numbers in hybrid funds climbed by 4.6 lakhs to 1.22 crore in the June quarter. This shows that traction for such schemes has gained.

Popular retail choices: HDFC MF, SBI MF and ICICI Prudential MF

June 2023 data reveals that HDFC MF, SBI MF and ICICI Prudential MF are the top three fund houses in terms of retail assets. They individually manage retail assets of Rs 1.31 lakh crore, Rs 1.21 lakh crore and Rs 1.07 lakh crore, respectively.

Notably, these are the only three fund houses that have retail assets of over Rs 1 lakh crore. This hints at their strong popularity among retail investors.

Nippon India MF and Axis MF are the next preferred choices of retail investors and they both manage over Rs.90,000 crore of retail assets each.

UTI MF, Aditya Birla Sun Life MF, Mirae Asset MF, Kotak MF and DSP MF are the next five that made it to the top ten popular retail choices.

Overall, the top 30 fund houses (in terms of June 2023 quarterly average AUM) manage Rs 11.04 lakh crore of retail assets, which forms 25% of their total monthly average AUM of Rs 44.62 lakh crore.

In terms of retail AUM composition to the total assets, Franklin Templeton MF has the highest proportion of retail assets. Its retail asset base is 55% of the total average AUM.

Next in line are quant MF and PPFAS MF which have 48% of their total average AUM in retail assets. With 45%, 45% and 44%, Canara Robeco MF, Mirae Asset MF and Sundaram MF have the next highest proportion of such assets.

A multi-asset fund is an all-weather proposition for conservative investor

In the last one-and-a-half years, bond markets have been highly volatile, equities registered modest gains, interest rates have soared, and yet gold prices have rallied to record highs. And this pattern has repeated many times in the past decades as well.

The domestic economy is expected to continue on its healthy growth path, led by government and private sector capex spending, though advanced economies still face high inflation and slowing growth. Along with the challenges of geopolitics, all these factors leave a retail investor highly confused on how to make an asset allocation decision – apportioning money across equity (domestic & International), debt and gold (may be REITs and silver as well).

That's where a multi-asset allocation fund works well to ensure a diversified portfolio with ingredients that have a very low correlation with each other's movements and ensure optimal risk-adjusted returns over the long term.

These funds invest in a blend of equity, debt and gold, and are suitable for investors with a modest risk appetite and for beginners looking to build a diversified portfolio.

Historically it has been observed that the movement of these asset classes have low or negative correlation with each other. The correlation coefficient tells us how price movements in two assets fluctuate in relation to each other. Equity and debt have negative correlation. Same is the case with equity and gold and also debt and gold. A negative correlation means that they move in opposite directions.

Thus, when a multi-asset portfolio with a right mix is added to a retail investor's portfolio, the risk is considerably reduced. Since the portfolio is well diversified across multiple asset classes with low correlation there is inherent risk management and therefore such schemes make it easier for investors, especially new ones, to invest without worrying about market levels or macro conditions.

<u>Winners keep changing</u>

Year	Gold %	Equity %	Debt %
2022	15.10	6.10	0.40
2021	-4.00	26.50	1.40
2020	27.50	16.80	9.20
2019	24.00	10.90	10.50
2018	7.80	2.60	6.00
2017	4.30	33.40	0.00
2016	11.30	5.00	14.90
2015	-7.00	-2.00	7.40
2014	1.80	34.20	14.10
2013	-13.20	7.60	-0.70

Cont.

A multi-asset fund attempts to deliver better risk-adjusted return through diversification across asset categories which usually tend to have differing performance cycles. Thus, these funds seek to capture the potential upside of an asset class in a favourable market cycle while managing to lower downside risk through diversification.

The downside protection possibilities was illustrated during the equity market corrections witnessed across 2018, 2020, 2021-2022 and late 2022-2023, wherein the multi-asset allocation funds corrected a lot less than the Nifty 50 in each of these occasions.

Multi asset fund contain downsides well	Sep - Oct 2018	Jan - April 2020	Oct 2021 - Jun 2022	Dec 2022 - Mar 2023
Multi asset allocation funds	-5.70%	-18.20%	-6.90%	-2.40%
Nifty 50	-14.10%	-34.60%	-16.60%	-9.10%

Source:- valueresearch

A multi-asset fund can also provide distinct tax advantages based on how the asset allocation stacks up.

When the multi-asset fund has more than 65% in equities, investors get equity taxation benefits – 10% on long-term capital gains made after one year of holding. If the equity portion is 35% to 65%, investors get debt taxation – 20% on gains made after holding for 36 months – with indexation benefits.

A multi-asset fund is an all-weather proposition for an investor with a conservative outlook seeking to generate better risk adjusted returns across market cycles.

LIC Mutual Fund completes merger of IDBI Mutual Fund schemes

LIC Mutual Fund (LIC MF) on Monday said it has completed the takeover of schemes of IDBI Mutual Fund. The move is in line with LIC MF's aim to strengthen and diversify its product offerings, expand footprint and grow its assets under management (AUM) to emerge as a leading fund house in the country, according to a statement.

The merger is effective from July 29.

As of June 2023, LIC MF had an AUM of Rs 18,400 crore, while IDBI MF had Rs 3,650 crore.

With the completion of the merger, out of 20 schemes of IDBI MF, 10 will be merged with similar schemes of LIC MF and the remaining 10 will be taken over by LIC MF on standalone basis, which will take its total scheme count to 38, the statement noted.

With this merger, investors who have invested in IDBI MF schemes, will get access to LIC MF's diversified basket of product offerings covering equity, debt, hybrid, solution oriented themes, ETF and Index funds.

LIC MF is an AMC with Life Insurance Corporation of India (LIC) as its sponsor and other stakeholders being LIC Housing Finance Ltd, GIC Housing Finance Ltd and Union Bank of India.

Returned over Rs 27,000 crore to investors of 6 shuttered schemes, says Franklin Templeton MF

Franklin Templeton Mutual Fund on Tuesday said it has returned over Rs 27,000 crore to unit holders of six shuttered debt schemes till date. The amount translates to around 107.51 per cent of the aggregate reported assets under management value across the six funds as of April 23, 2020, when the fund house announced shutting the six debt mutual fund schemes, citing redemption pressures and lack of liquidity in the bond market.

Only short term income plan has some miniscule assets that have to be liquidated, according to a Franklin Templeton spokesperson. The six schemes had collective assets under management of Rs. 25,215 crore, when the decision to close the funds was announced, it said in a statement.

The schemes were Franklin India Low Duration Fund, Franklin India Dynamic Accrual Fund, Franklin India Credit Risk Fund, Franklin India Short Term Income Plan, Franklin India Ultra Short Bond Fund, and Franklin India Income Opportunities Fund.

With regard to the shuttered schemes, the Franklin Templeton spokesperson said that five out of six schemes have liquidated all performing assets and extinguished all units.

"As of July 31, 2023, these funds have distributed Rs 27,109.34 crore (approximately USD 3.7 billion) to unit holders, amounting to 107.51 per cent of the aggregate reported AUM value across the six funds as of April 23, 2020 ," he said.

The total disbursed amount so far ranges between 100.3 per cent and 113.04 per cent of the respective assets under management of the six schemes.

CAMS launches AI-embedded KYC to onboard customers instantly

CAMSKRA, a CAMS subsidiary and a leading KRA (KYC Registration Agency) serving capital market players, has simplified the KYC registration process leveraging Artificial intelligence (AI) to verify and confirm KYC status of new customers, a press release said.

With the new CAMSKRA solution, businesses can verify the identity of their new customers in a seamless, frictionless process without breaking the onboarding journey and completing the KYC registration in under ten minutes.

Leveraging custom image classification & extraction models using AI, CAMSKRA KYC provides comprehensive verification of identity, including Aadhaar OTP, PAN card, and Bank account. With this near instant KYC solution, businesses can enjoy the twin benefits of providing smooth customer experience and improve conversion rate with KYC completion and transaction in one continuous journey. In addition to bringing speed and ease, CAMSKRA is also highly secure. The platform uses industry-leading security measures to protect customer data. This includes encryption, data backups, and access control.

“With this new solution, we aim to transform the time sensitive investing process. Traditional KYC registration that takes days is completed in minutes, eliminating time consuming manual verification process. This also brings cost reduction and improved accuracy.” - Anuj Kumar, Managing Director, CAMS.

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News in Brief

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Investors have one more option to escalate their MF grievances

SEBI has issued clarifications on the recently issued guidelines on the online resolution of disputes in the Indian Securities Market. It said that investors will have to first complain directly with the concerned market participants like mutual fund companies and RIAs and in the case of unsatisfactory redressal, they may escalate through the SCORES Portal. If the dissatisfaction continues, they may initiate dispute resolution through the online resolution of disputes (ODR) Portal. Also, the dispute should not be pending before any arbitral process, court, tribunal or consumer forum and is non-arbitrable in terms of Indian law, clarified SEBI.

HSBC MF crosses AUM milestone of Rs.1 lakh crore

HSBC Mutual Fund has crossed the AUM milestone of Rs. 1 lakh crore. With this, HSBC became the 14th fund house reaching this AUM milestone. In a press release, Kailash Kulkarni, CEO, HSBC MF, said, "The future of mutual funds in India is very promising. Mutual funds have become an increasingly popular investment option for Indians in recent years. The industry is expected to continue to grow in the coming years, driven by several factors, including the growing middle class and youth population in the country, rising affluence of Indian investors, online investing becoming a preferred choice, etc. My belief is that the industry should soon have 10 crore unique investors from the current 3.7 crore in the next few years."

SBI Mutual Fund listing off the focus, says chairman Dinesh Khara

The State Bank of India's (SBI's) planned initial public offering (IPO) for its mutual fund branch is now 'out of focus,' according to SBI Chairman Dinesh Khara, who made the announcement during a post-earnings media briefing on Friday. SBI first revealed its intentions to take the mutual fund subsidiary public on December 15, 2021, with the aim of raising $1 billion. SBI, which holds a 62.6 per cent share in SBI Mutual Fund, planned to sell a 6 per cent stake. Amundi Asset Management, a leading French insurer, which owns the remaining 36.8 per cent, had plans to sell 4 per cent of its holdings. According to insiders, the lender will delay the mutual fund subsidiary's listing to increase its valuation. SBI is not in immediate need of raising funds, as the bank's capitalisation is sufficient.

Mutual fund houses launch five multi cap schemes in 2023

Mutual fund houses have launched five multi cap schemes in the first seven months of 2023. Mutual fund houses such as Bank of India Mutual Fund, Canara Robeco Mutual Fund, HSBC Mutual Fund, Tata Mutual Fund, and Mirae Asset Mutual Fund launched their multi cap schemes in 2023.

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New Fund Offer (NFO)

(Source:- Economictimes, AMFI, Moneycontrol, IBJArates, Cafemutual, Livemint, etc)