

**SENSEX**  
**59934.01**
**NIFTY**  
**17877.40**
**USD**  
**79.85**
**GOLD**  
**50300.00**
**CRUDEOIL**  
**6951.00**

## It's all time high for the MF industry: AMFI

August 2022 has been tremendous for the MF industry. The industry reported all time high numbers across all key data points be it monthly SIP contribution (Rs.12,693 crores), SIP AUM (Rs.6.40 lakh crores), SIP accounts (5.72 crores), total folio count (13.65 crores) and average AUM (39.53 lakh crores).

Retail participation as a share of overall MF industry AUM at more than 50% indicates continued interest in the mutual fund asset class.

The MF industry also reported net inflows of over Rs. 65,000 crores across all mutual fund categories.

Here are the key highlights of August 2022:

### **Fund flows**

#### **Equity funds (Open ended)**

Equity funds witnessed net inflow of Rs. 6,119 crores. Apart from dividend yield funds which recorded outflows of Rs. 29.96 crores, sectoral/thematic funds (outflows of Rs. 1,266.67 crores) and ELSS (outflows of Rs. 131.06 crores), all other categories reported net inflows.

#### **Debt funds (Open ended)**

Debt schemes also reported net inflow of Rs. 49,164 crores largely due to liquid funds.

Majority of debt fund categories like overnight funds, banking and PSU funds and floater funds reported outflows of Rs. 16,405 crores, Rs. 1,380 crores and Rs. 2,285 crores, respectively.

Medium duration funds, medium to long duration funds, credit risk funds and gilt funds with 10-year constant duration also reported net outflows.

N S Venkatesh said, "Investors prefer liquid funds over interest rate sensitive fixed income schemes owing to RBI's policy to contain inflation. Flows will come into debt schemes once RBI revises its stances to accommodative."

#### **Hybrid funds (Open ended)**

These funds witnessed net outflow of Rs. 6,601 crores largely due to outflows of Rs.8550 crores from arbitrage funds.

#### **Passives**

Index funds and equity/debt ETFs reported net inflows of over Rs. 7,000 crores. On the other hand, gold ETFs and FoFs investing overseas reported outflows of Rs.38 crores and Rs. 98 crores, respectively.

#### **SIPs**

In the last one month, SIP accounts increased from 5.62 crores to 5.72 crores. The number of new SIPs and matured/discounted SIPs stood at 21.13 lakh and 11.46 lakh, respectively. Also, monthly SIP contribution went up from Rs. 12,139 crores in July to Rs. 12,693 crores in August.

Overall, SIP AUM increased to Rs. 6.40 lakh reflecting the positive market momentum.

Such record figures coupled with continued positive flows in most categories of mutual fund schemes signifies rising and informed investment preference towards mutual funds. Investors continue to stay fully invested and also adhere to goal-based investing.

## Understanding the future course of SEBI regulations

At the FICCI India's Annual Capital Markets Conference (CAPAM) 2022, SEBI Chairperson Madhabi Puri Buch spoke about SEBI's objective, pace of regulations and its approach. Overall, Madhabi's speech gave much needed clarity on the regulatory aspects of SEBI. Let us look at some key highlights from Madhabi's developmental and forward-looking speech:

### **SEBI's key focus area**

SEBI's key objectives are - facilitate capital formation in the economy and build trust among people in the capital markets. And trust can be built through transparency.

**Bottomline:** The regulator will pay more attention to increasing transparency.

### **Regulatory stability**

There can't a regulation that remain unchanged for years. Since the world around us like businesses and markets have been evolving at a faster pace, our regulations have to keep pace with it to remain relevant.

World around us is moving at a speed of 100 km per hour, can we run a regulation with speed of just 10 km per hour. It's not possible. While there will be stability in terms of nitty gritty and operation aspects of business, the overall regulatory approach will keep evolving. Remember, existing regulation may or may not be relevant in today's world.

**Bottomline:** Expect frequent regulatory changes. While there may be some difficulty, it will ensure long term growth of the industry.

### **Broader approach**

What corporates do is none of SEBI's business but how they do matter a lot to the regulator. Do what you believe but do it by adhering to the regulations and disclose everything about it. Remember, we are in disclosure-based regime. Disclose everything and leave decision to investors. Regulator has a lot to do if a company fails to deliver well on the disclosure part. A simple and full disclosure protects both parties – the disclosure and the disclosed. Also, data is the key to make regulatory changes. Every policy that SEBI makes is backed by data.

**Bottomline:** SEBI believes that disclosure is key to build trust. So, expect constant improvement in disclosure standards.

### **Advisory committees**

Markets are complex and dynamic and it is difficult to fully appreciate every perspective. SEBI doesn't believe that it knows everything. Hence, it relies on consultation. SEBI generally agrees with recommendation of advisory boards 80-90% of the times. But only after understanding the perspective and its impact.

Our doors are always open to recommendation but it has to be actionable and specific. SEBI supports developmental policies. In fact, the regulator has a system in place in which it encourages the internal departments to implement policies which will be facilitative for the industry.

**Bottomline:** Keep sharing your views with the regulator. Any specific and actionable suggestion will be appreciated.

### **Regulation in isolation is not possible**

There is a tendency among market participants that everybody should not be treated in a uniform manner. They say just because of a few wrongdoers; the entire industry should not be suffered. But implementation of regulation in isolation is not possible.

**Bottomline:** Any questionable business practice by any market participant will impact the entire industry.

### **Technology is the magic bullet**

Power of technology should be utilized. Through technology, any industry can reduce costs, serve their customers better, do better compliance and have better control.

**Bottomline:** Leverage technology to grow business.

## Equity Cult: Number of demat accounts tops 10 crore

The total number of demat accounts in India touched 10 crores in August for the first time ever as appetite among domestic retail investors to trade in stocks directly - that picked up steam after the onset of Covid pandemic - remained undiminished.

Investor accounts at Central Depository Services (CDSL), India's largest depository, crossed seven crore as on August 31, pushing the tally beyond the milestone. As on March 31, 2020, the total number of investor accounts with CDSL and National Securities Depositories were at 4.09 crore.

### Growing Fast

MAR '17

**279**

MAR '18

**319**

MAR '19

**359**

MAR '20

**409**

MAR '21

**551**

MAR '22

**897**

AUG '22

**1,000**

(Fig In Lakh)



Demat account surpassing 100 million for the first time shows that the culture of equity investing is slowly but steadily picking up in India, especially in tier 2 and tier 3 cities, which were under-served till now.

Higher participation of investors bodes well for the depth and development of equity markets in India, along with the availability of equity capital to companies through primary issuances

In August alone, 22 lakh new accounts were added as the market rebound encouraged investors to dip their toes in stocks after the nine-month slump in equities.

The new investor account additions picked up pace at the start of the pandemic in March 2020 when the lockdown prompted several investors to test their fortunes in stock trading. Low interest rates also forced many of them to shift money to equities.

## **MF industry has unclaimed amount of Rs.24000 crore**

A white paper titled 'Reimagining Nominations: Making Succession Smoother and Simpler' released by (Association of Registered Investment Advisers) ARIA shows that the Indian MF industry has unclaimed amount of Rs.24,000 crore in FY 2021. The white paper talks about the current nomination process and recommends a few measures to make nomination process simpler. It suggests that the industry should do away with the requirement of obtaining attested signature of nominees. The white paper proposes changes that SEBI/AMFI can consider for making succession smooth and simple. Easy, uniform and simple process to check nomination status and make/change nominees Simple, common nomination form/e-form across financial assets

- Any number of nominees
- Successive nominees
- Single scrip/folio/security level nominations
- Mandating comprehensive e-nomination facilities, especially within the website or mobile apps of providers facilitating financial transactions
- Option for completing/updating KYC of nominees at any time
- Extending nomination facilities for addressing situations of incapacitated financial consumer
- Minors as nominees (with or without specifying an adult or guardian during the minority of the nominees) - Ability to defer the age of vesting (as regards minor nominees)
- Mandating nominations for all financial assets (including in respect of legacy financial assets in a time bound manner)
- Centralised reporting of demise or incapacitation of a financial consumer + reliance upon the information reported and documents uploaded + triggering proactive outreach by financial services providers to the nominees
- Unclaimed funds and accumulations thereon that are earmarked for education, awareness or welfare of financial consumers should spread awareness and educate on advantages and benefits of nomination. On reimagined nomination facilities becoming operational, further awareness campaigns can also take place

The white paper also recommends elevating or equating nominees to being legal and beneficial owners of the financial asset (up to the percentage allocation as specified) instead of regarding nominees as trustees or custodians for legal heirs in respect of financial assets. This recommendation can be implemented by SEBI/AMFI and the parliament.

## **SEBI is open to suggestions to make IAPs more impactful**

At the FICCI India's Annual Capital Markets Conference (CAPAM) 2022, SEBI Chairperson Madhabi Puri Buch said that the market regulator is open to suggestions to make investor awareness programs more impactful. Answering a question, Madhabi said while the market regulator has put in place a mechanism to monitor such sessions undertaken by AMFI and AMCs, it welcomes suggestion from industry participants to make it more effective and engaging. Madhabi said, "We have a number of checks to monitor IAPs; many of them have proved relevant during the pandemic. We are going more and more digital; we have new sets of checks, which are in the process. If there are any suggestions to make it more effective and better, we are open to suggestions."



## SEBI's message for fund managers and your clients

Ananta Barua, Whole-Time Member, SEBI shared a timeless message for fund managers and investors at the recently held FICCI's 19th Annual Capital Markets Conference 2022.

Referring to fund managers as trustees, he said, "Fund managers act on behalf of investors by managing their assets. They should not gamble away or speculate on the assets which is the trust they have been given. They should act responsibly."

Talking about managing funds in a competitive environment, Ananta said that while fund managers have to give decent returns, they also compete with other mutual funds. When in competition, they want to deliver higher returns. But higher returns have higher risks and fund managers should be mindful to manage both the aspects – risks and returns efficiently.

He added that investors should know where mutual funds invest. The level of transparency is very high and the whole portfolio is available on the mutual fund website. Also, being marked to market, they can redeem units at any time. Ananta said, "We have seen during covid when everything was shut and people were running for money. Many middle investors who invested in mutual funds could redeem money. It has helped the whole channelization of savings in mutual funds."

Also, mutual funds have one of the lowest expense ratios when compared with other products. He elaborated with the example of ULIP. Suppose someone invests Rs. 1 lakh in ULIP, around 15% goes towards expenses and 85% will be invested. However, in the case of mutual funds, the whole amount is invested so the return will be more.

## Mutual funds register nearly 3-folds rise to over ₹65,000 cr in August against July

The mutual funds' industry registers a strong inflow of more than ₹65,000 crore in August this year driven by robust demand in the debt market. However, equity-oriented schemes see a decline in net inflow on a month-on-month basis, while hybrid instruments record outflow during the month. Gold ETFs continued to lose their shine, while ELSS extended outflow in August. Overall, the asset under management (AUM) comes at nearly ₹39.34 lakh crore in August.

In August 2022, the mutual funds registered a net inflow of ₹65,077.46 crore compared to an inflow of ₹23,604.92 crore in the previous month - recorded 2.75 times jump.

During the month under review, debt-oriented schemes posted an inflow of ₹49,164.29 crore compared to an inflow of merely ₹4,930.08 crore in July. In this category, liquid fund schemes which recorded an outflow of ₹7,692.65 crore in July, witnessed a strong inflow of ₹50,095.82 crore in August. Overnight funds were top laggards with an outflow of ₹16,405.13 crore in August.

Further, in August, an inflow of ₹6,119.58 crore was recorded in equity-oriented schemes lower than the inflow of ₹8,898.2 crore in July this year.

The outflow in hybrid schemes extended further to ₹6,601.56 crore in August compared to an outflow of ₹5,146.33 crore in the previous month. While solutions-oriented schemes garnered an inflow of ₹92.55 crore in August against ₹110.92 crore in July. Other schemes such as index funds, gold ETFs, other ETFs, and funds of funds investing overseas -- posted an inflow of ₹15,068.62 crore in August compared to ₹14,270.56 crore. Overall, AUM grew to ₹39,33,877.77 crore in August 2022 compared to ₹37,74,802.90 crore in July 2022.

## MINT 20 MUTUAL FUND SCHEMES TO INVEST IN



We have hand-picked 20 mutual funds for your portfolio that have jumped through hoops of good returns, low risk, good portfolio hygiene and our own qualitative research. We have restricted the choice universe to 10 categories out of the total 37 and given you at least two options to pick from each.

EQUITY	3-years return (%)	5-years return (%)	Corpus (₹ cr)
<b>LARGE-CAP</b>			
UTI Nifty Index Fund - Growth	18.59	13.17	7,941
HDFC Index Fund - Nifty 50 Plan	18.30	12.98	6,624
<b>Category average</b>	<b>18.01</b>	<b>12.67</b>	
<b>EQUITY FLEXICAP</b>			
Canara Robeco Flexi Cap	21.45	13.91	7,934
Parag Parikh Flexi Cap	25.09	17.48	24,595
<b>Category average</b>	<b>19.80</b>	<b>11.87</b>	
<b>EQUITY SMALL AND MIDCAP</b>			
Axis Midcap	25.15	17.41	18,677
SBI Small Cap	32.91	19.08	12,825
<b>Category average Midcap</b>	<b>27.09</b>	<b>13.70</b>	
<b>Category average Smallcap</b>	<b>30.84</b>	<b>15.03</b>	
<b>EQUITY (TAXSAVER)</b>			
Canara Robeco Equity Tax Saver	24.60	15.97	3,957
Mirae Asset Tax Saver	22.51	15.10	12,615
<b>Category average</b>	<b>19.75</b>	<b>11.36</b>	
<b>HYBRID</b>			
<b>BALANCED ADVANTAGE</b>			
Edelweiss Balanced Advantage	16.39	11.07	8,458
ICICI Prudential Balanced Advantage	13.95	10.15	41,742
<b>Category average</b>	<b>12.38</b>	<b>8.65</b>	
<b>ARBITRAGE</b>			
Kotak Equity Arbitrage	4.17	5.03	24,543
Tata Arbitrage	4.22	NA	7,985
<b>Category average</b>	<b>3.91</b>	<b>4.79</b>	

(Equity and Hybrid Schemes only)