Sakthi Financial Services

Weekly Update

03rd -August 2021

Vol: - 21.22.13

SENSEX	NIFTY	USD	GOLD (10 grams)	CRUDE
52950.63	15885.20	74.34	48430.00	5443.00

‘Despite pandemic, MFDs’ business picked up in FY 2021’

The covid-19 pandemic hasn't hit the business of majority of MFDs with 50% of distributors seeing a surge in business in FY 2021. Of the rest 50%, one half saw a decline in business, while the remaining 25% witnessed no significant change, according to a survey done by Cafemutual.

A number of factors worked in favour of MFDs in the last financial year including mark-to-market gains and record-low markets that attracted investments in equity funds. Lockdowns have also ensured that MFDs have time in hand to upgrade their skills and adopt digital processes to enhance reach.

The survey shows that the increase in business has not come from existing clients alone. 48% MFDs said they acquired new clients, while 31% reported no change in client base during the last financial year. 21% MFDs said they lost customers during the period.

Lockdowns meant that there was no scope for MFDs to hold physical meetings with clients and prospects. But that didn't affect much, as phone and video calls ensured they didn't lose touch with clients.

Phone calls were the go-to option for MFDs. 83% of the respondents said they have used phone calls to interact with clients. Virtual meetings, social media and emails are the next most popular go to options for MFDs.

Investors to get real time NAV on ETFs if the execution happens through AMCs: SEBI

SEBI has asked fund houses to offer real time NAV on ETFs transaction if the execution happens directly through AMCs.

Since AMCs buy and sell units in large quantity, the ticket size would be very higher and hence only authorized participants and large investors will be benefited by this move.

"It has been decided to clarify that for the above-mentioned transactions (in ETFs by large investors), intra-day NAV, based on the executed price at which the securities representing the underlying index or underlying commodity(ies) are purchased / sold, shall be applicable," SEBI said in a circular issued on Friday.

MFs will have to make appropriate disclosure in this regard in scheme information document, key information memorandum and common application form.

'SEBI revising risk management framework for mutual funds'

Capital markets regulator Sebi is in the process of issuing a revised risk management framework for mutual fund industry in view of the changes in the industry landscape which will define the roles and responsibilities of officials, a senior official said on Wednesday.

The new framework will have policies regarding risk management incorporating a risk management culture within the organization, and principles for identification and management of risk at the level of MF schemes and overall functions of AMCs (asset management companies), its executive director SV Murali Dhar Rao said.

MFs can now park unclaimed amounts in overnight funds

Mutual funds can now invest unclaimed redemptions and dividends in overnight funds. Till now, they were allowed to park such amounts only in liquid and money market funds. In a circular issued on Friday, SEBI has also added a condition that such investments can only be made in funds that fall in safest category (A1) of recently introduced risk class matrix. This implies that the funds should carry minimum credit and interest rate risk.
SEBI has permitted mutual funds to provide instant access facility in overnight schemes. Earlier, this facility was only available for liquid funds. "MFs/ AMCs can offer Instant Access Facility (IAF) only in Overnight and Liquid Schemes of the MF," the circular issued by SEBI stated. With this, investors can get their money instantly on their bank account if they redeem their investments from select overnight funds.

SC directs Franklin Templeton to not launch debt schemes till conclusion of case before SAT

Franklin Templeton MF on Monday informed the Supreme Court that it will not launch any new debt scheme till Securities Appellate Tribunal (SAT) delivers final verdict in its appeal against SEBI order restricting it from launching new debt schemes for two years.

In an interim order on June 28, SAT stayed the SEBI order and allowed FT MF to launch debt schemes. On Monday, the Supreme Court was hearing a plea filed by SEBI against this SAT order.

During the hearing, the Supreme Court allowed FT MF to deposit Rs 250 crore into an escrow account instead of Rs 512 crore as earlier directed by SEBI, saying that SAT's decision to reduce the amount was 'fair'. SAT will deliver its final verdict on August 30, 2021.

SEBI asks registrars to evolve common platform for mutual funds

Mumbai Markets regulator Sebi, in a circular on Monday, has asked Registrar and Transfer Agents (RTAs) to develop a common platform for the transaction of mutual fund units.
Currently, investors face delays and have to deal with excess paperwork for non-commercial transactions. If an investor has five folios across AMCs and wants to change a bank account, separate request letters have to be given.

‘SEBI’s common platform would not disrupt your distribution business’

While there has been a lot of discussion across social media on the potential disruption in the distribution business caused by the introduction of common platform, the industry experts are certain that the common platform will not have any significant impact on business of MFDs, RIAs, fintech platforms and exchange platforms.
On Monday, SEBI has asked RTAs to introduce a uniform and user-friendly platform for investors where they can execute transaction like investment, redemption and switch and non-financial transaction such as downloading account statement, updating email id and phone number, changing address and bank details and so on across all fund houses.
The new platform is expected to become fully operational by December 31, 2021.

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Five emerging trends for the equity market

Spotting the trends early is important for investors and fund managers to stay ahead in the game. A recent study conducted by Aditya Birla Sun Life Mutual Fund shows that manufacturing, digitalization, green initiatives, real estate and revival in mid & small caps are the five big trends for the future.

The report analysed key sectoral data over the last two decades to arrive at the trends that may play out over the next three-five years, the AMC said in its annual trendspotting report released on Thursday.

“Looking at data since 2002, the top five performing sectors vary greatly in each market cycle. The variation in returns among the best and worst-performing industries during a cycle is too large, again underscoring the importance of picking the right themes," said A. Balasubramanian, Managing Director and Chief Executive Officer, Aditya Birla Sun Life AMC.

The five major trends identified by the AMC are as follows:

Manufacturing: The company is bullish on the sector as it sees the industry benefitting from initiatives and factors like Atmanirbhar Bharat, Vocal for Local and diversification of global supply chains.

Digitalization: The report said digitalization benefitted from low cost of data and government initiatives like Aadhaar and UPI. It sees the trend continuing due to increasing adoption by corporate sector to improve productivity.

Sustainability: According to the report, the rising risks from environment is pushing government and companies to adopt more sustainable ways of doing business and this trend is likely to benefit green tech and green mobility companies.

Real estate: Low interest rates, COVID-19 induced WFH trend and industry consolidation induced by RERA & availability of capital to larger players should lead to revival in real estate and ancillary sectors like building materials, the report said.

Revival in mid & small caps: After 3 years of underperformance, mid and small caps should outperform large caps, led by economic recovery, lower interest rates and increased representation in emerging sectors like chemicals, digital platforms, etc., the AMC noted.

Why linking Aadhaar with UAN is crucial for continuing your provident fund investments

The Employee Provident Fund, popularly known as **EPF** or PF is a small savings scheme for employees. It enables salaried individuals to save a small portion of their salary every month and eventually accumulate a large corpus over the course of their working life.

Employees' Provident Fund Organisation (‘EPFO’) has been encouraging the working population to link its Aadhaar card to the PF account/Universal Account Number (‘UAN’), for security and transparency. As per the recent requirement, PF remittance will be permitted only for those employees whose UAN and Aadhaar number are seeded and verified.
EPFO has instructed the Employer (Company) that, if PF account is not linked to Aadhaar or UAN is not Aadhaar verified, then its Electronic Challan-cum-Return (‘ECR’) will not be filed. Further, in absence of Aadhaar-UAN linking, the employees won't be able to avail of any other services from the EPFO.

EPFO has set the last date to link Aadhar with UAN as September 1, 2021.

A written financial plan improves client retention and increases referrals

Even after putting in a lot of effort and providing a host of services, many of your clients are not as satisfied as you would have assumed. This happens due to a divide between what client's value and the services you are offering to them. And one of the best ways to bridge this gap is by preparing a thoroughly written financial plan.

A recent survey by retirement expert Jamie Hopkins, MD, Carson Wealth shows that most clients see more value in their advisors if they provide a comprehensive written plan. The survey conducted in the US shows that 81% clients with a comprehensive plan felt highly satisfied with their advisor. Yet only 60% of advisors were providing comprehensive plans to all their clients.

We asked some Indian MF distributors and they couldn't agree more with the survey's findings. In fact, they feel that a detailed plan with defined goals gives you more referrals as well.

Gajendra Kothari of Etica Wealth Management said that preparing a written financial plan is an extremely important part of financial planning. He feels the written plan works as a blueprint that keeps both the distributor/advisor and client on the same page.

Suresh Sadagopan of Ladder7 Financial Advisories also feels that a written financial plan is crucial, as it helps advisors gain client's trust. This is because clients enjoy having a centre point, reference and anchor for their financial outlook.

Further, Mumbai MFD Nitesh Buddhadev of Nimit Wealth Management believes that a written financial plan can come in handy in keeping clients committed to their long-term goals, especially in turbulent times when they don't want to continue their investments.

Prathiba Girish of Finwise Personal Finance Solutions is of the view that investors take it seriously and find it easy to refer when it is a written plan.

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10 great investment books

Rich dad poor dad

The classic book by Robert Kiyosaki is considered one of the best investment books. It narrates the important life lessons the author learned while growing up with two dads – the poor dad (his real father) and the rich dad (his best friend's wealthy father).

The book highlights the importance of financial literacy, financial independence and building wealth through investing in different assets.

The psychology of money

The book by Morgan Housel shares 19 short stories exploring the ways people think about money and teaches you how to make better sense of one of life's most important topics.

He believes doing well with money isn't necessarily about what you know. It's about how you behave. And behaviour is hard to teach, even to really smart people.

(Cont.)

The Warren Buffett Way

In this book, Robert G. Hagstrom helps us dive deep into Warren Buffet’s style of investment. It explains in simple words about Buffett's investment strategy that produced him exceptionally higher returns. The book dwells into his investment philosophy and narrates why he selected a particular stock and how it contributed to his portfolio

The Intelligent Investor

The book by Benjamin Graham is considered as the bible of investing. Also, Graham was the mentor of Warren Buffet. He introduced the concept of value investing in the book.

Although the book was first published in 1949, it is relevant even today as it speaks volume to the timeless wisdom of value investing.

Beating the street

Peter Lynch, star fund manager of all time has written this book. Peter explains his investment strategies step-by-step and offers advice on how to select the right individual stocks and mutual funds for your portfolio.

He is known for his incredible returns between 1977 and 1990 when he managed an annual average return of over 29.72%. The fund, which originally had just $18 million in managed assets, grew to a whopping $14 billion by the time Lynch retired from his position.

Little Book of Common-Sense Investing

John C. Bogle, founder of The Vanguard Group has authored the book. He is best known for creation of Index funds. In this book he provides powerful insights and perspectives on how to get more out of your investment. He highlights how even in a lose-lose situation, you can still turn the odds in your favour (or vice versa if you are not careful).

Think and Grow Rich

Napoleon Hill did extensive study before publishing this book. Over 20 years, he interviewed America’s wealthiest figures from which he drew a list of 13 principles needed for success, which he succinctly details inside the book.

He explains the psychology of success and examines how personal beliefs and perspectives influence one’s success in life.

Thinking, Fast and Slow

In the book, Daniel Kahneman shares how one’s thought process impacts investment success. He explains the two systems that drive the way we think. System one is fast, intuitive, and emotional, system two is slower, more deliberative, and more logical. The book goes on to stress how reliance on system one can lead to suboptimal decision making and what techniques we can employ to guard ourselves against its shortcomings.

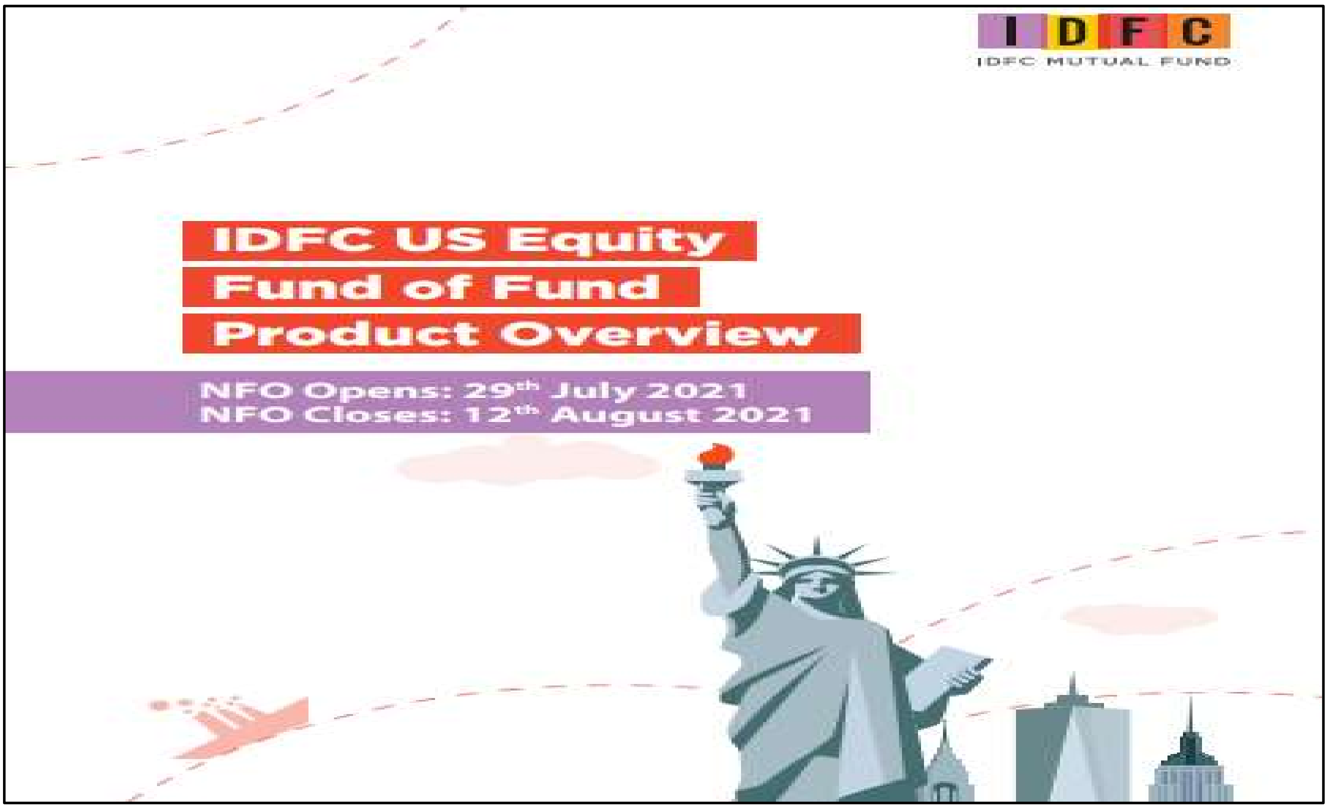
Common Stocks and Uncommon Profits

The book by Philip Fisher describes what you should look for when investing in a company. It helps you determine whether you’re a high-risk investor or a conservative one. It will answer investor queries like how to determine if a company stock is overvalued, why stock price doesn’t tell you whether a company is actually any good etc.

The Four Pillars of Investing

Author William J. Bernstein lays down four essential topics that every investor must master in this book. The relationship of risk and reward, the history of the market, the psychology of the investor and the market, and the folly of taking financial advice from investment salespeople.

NEW FUND OFFER (NFO)



(Source: - Moneycontrol, Economictimes, Cafemutual, Livemint, AMFIindia, etc.)