SENSEX	NIFTY	USD	GOLD	CRUDEOIL
60611.74	18053.40	75.73	51485.00	7559.00

Sensex back above 60,000-mark, investors' wealth increases by Rs 30 lakh crore in one month

The market seems to be on a strong footing now, with the BSE Sensex coming back above the 60,000-mark on April 4, and investors' wealth increasing by Rs 30 lakh crore in the last almost one month.

The easing of Ukraine-Russia crisis, with Russia's decision to pull out forces from Kyiv, after positive cues from the peace talks between the two countries, is one of the key reasons for the rally. As a result, oil prices fell to around $105 a barrel. This is another relief for emerging markets like India which are net oil importers.

Renewed buying interest from FIIs in Indian equities, especially after net selling to the tune of Rs 2.3 lakh crore in the second half of FY22, also supported the market. FIIs net bought shares worth more than Rs 5,590 crore last week. Reasonable valuations after the recent correction and clear direction from the Federal Reserve about further rate hikes could be the reasons behind the FII inflow

Investors' wealth increased by more than Rs 3.75 lakh crore as the BSE market capitalisation had climbed to Rs 271.63 lakh crore at the time of writing this report, against Rs 267.88 lakh crore in the previous session.

HDFC-HDFC Bank merger

HDFC announced its merger with HDFC Bank, and the merged entity will be the third-largest corporate by market capitalisation. It is also one of the reasons for the rally. Combined, they both have the largest weightage in the benchmark indices.

HDFC Bank and HDFC gained nearly 9 percent each after the merger news. Under the merger agreement, 42 shares of HDFC Bank would be given for every 25 shares of HDFC.

"It is mega merger that will benefit all stakeholders. For shareholders, this is far better than a buyback at higher prices. This merger will correct the recent underperformance of the HDFC twins

If we consider the market cap since the lowest closing of the current year, on March 7 (Rs 241.1 lakh crore), investors have seen the addition of more than Rs 30 lakh crore in wealth. In the same period, the benchmark indices climbed more than 14 percent from the closing on March 7.

Broad-based rally

The rally was broad-based as the BSE midcap and small cap indices gained 1 percent and 1.5 percent, respectively. In fact, every sector participated in the run-up, with bank and financial indices being the biggest gainers, with 3 percent and 3.7 percent gains, respectively, largely due to the sharp uptick following the HDFC-HDFC Bank merger.

The market will now start focusing on the March quarter earnings that will start flowing in from next week, with IT companies being the first to share their numbers.

Four unavoidable money tasks to do at the start of a new financial year

As we step in to the new financial year, there are certain essential tasks that we must perform in the beginning, so that our financial matters remain stress free for the rest of the year. Here are four such unavoidable tasks:

Review your savings rate

Savings rate is one of the most critical drivers in wealth creation. The thumb rule is to have a **minimum savings rate** equivalent to your age. For instance, if you are 38 years old, you should save a minimum of 38 percent of your income. The higher, the better.

If it's less, it is important to understand why it's less. Maybe because your discretionary expenses or your equated monthly instalments (EMI) are too high. Perhaps you had some emergency, and your emergency fund, if any, was not sufficient. There can be multiple reasons, which one needs to address.

Review your financial goals

You should review your goals for the following things:

- **Goal priority**: If there are any changes in the priority, the goals need to be reprioritized accordingly. Or you may have a new financial goal that needs higher priority resulting in de-prioritizing other existing goals. E.g., buying a house may become a higher priority than buying a car.
- **Goal target**: It's essential to understand if any external event has significantly changed the goal target. For example, a higher inflation may have pushed up your education fund requirements, higher.
- **Goal status:** Need to understand if you are **on track to achieve your goal** in the desired time. If not, necessary changes in the portfolio or investment amount are required.

Review your asset allocation

Based on your risk profile, you would have decided to have a mix of equity, debt, gold, and real estate. However, these may have changed during the year because of market events. E.g., in the below table, one can see that equity has increased to 59%. Therefore, it's essential to rebalance the portfolio and move back to the original asset allocation as per your risk profile.

Asset Class	Desired Allocation	Movement in FY	New Allocation
Equity	50%	40%	59%
Debt	20%	8%	18%
Gold	5%	10%	5%
Real Estate	25%	-10%	19%

(Cont.)

Sakthi Financial Services

Weekly Update

04th April 2022 Vol: - 22.23.01

Review your emergency fund

Emergency fund size should ideally cover six months of your expense. It could even be built to contain 12 months' worth of your expenses. However, when you review, you may realize that your expenses may have gone up due to purchasing a new car or new born, etc. Also, it may have been reduced due to the closure of a loan or conscious reduction in discretionary expenses. Therefore, you must recalibrate your emergency fund to align with 6 months of your updated expenses.

There are two fundamental ways in which one can save more and spend responsibly and should be practiced in the **new financial year**:

Can't control your expenses? Just automate your investments

Most of us invest, after spending our money. Which is why we have very little left to invest, eventually. Change your mindset from "Income - Expense = Savings" to "Income - Investments = Expense" mindset. And to make this happen, start automating your investments from income. Once income comes, investments should be automatically deducted and parked in investment products before any expense commences. If SIPs cannot be automated, the more straightforward way is to deduct investments from income and park them in a separate savings account from where you may make investments. This practice will ensure that you spend only with what is available and not at the cost of investments. In addition, this has a multiplier effect if practiced diligently.

Leverage secondary income

Another smart way is to work on secondary income like passive income from investments, earnings by pursuing your passion, etc. The most significant benefit is that your savings rate increases substantially, which means that your path to financial freedom is shorter.

Should you invest in passive funds, in 2022-23?

The mutual funds industry has seen a growth of passive funds, that is index funds and exchange-traded funds. The collective assets under management (AUM) stands at Rs 5.3 lakh crore in Feb 2022; a compounded growth of 70 percent over the last six years.

The share of passive funds in the Indian mutual fund industry has gone up from 0.8 percent in February 2016 to 14 percent in February 2022. In mature markets such as the US and Europe, passive funds enjoy a market share of 40%-50% in the mutual fund industry. India is joining the global party with a market share of passive funds supposed to reach a commendable 37% by March 2025. Further, globally, research has shown that passive investing is the most reliable way to grow your money over the long term. Therefore, investors should latch on to this opportunity to make passive products part of their portfolio to achieve their financial goals, thereby improving their lifestyle over the long run.

MF Glossary

Passive Funds: - Mutual fund schemes that mirror the composition of the index whose performance they seek to track. For example, a passive fund tracking the S&P BSE Sensex would buy only the shares that form part of the index. The proportion of each share in the scheme's portfolio is also similar to the weightage assigned to the share in the composition of the BSE Sensex. Thus, the performance of these funds tends to mirror the concerned index.

SEBI bans mutual fund scheme launches till pool accounts are discontinued

The capital markets regulator Securities and Exchange Board of India (Sebi) has barred the launch of mutual fund schemes till at July 1.

In a letter to the industry body Association of Mutual Funds of India (AMFI) late last night, Sebi barred new mutual fund schemes till the use of pool accounts are discontinued.

The markets watchdog had asked mutual fund houses to ensure that no distributor, online platform, stockbroker or investment advisor **pools investors' money in a bank account** and then transfer it to the fund house for purchasing units of schemes for those investors. This is to ensure that the **money does not get misused**. The regulator asked the mutual fund industry to implement this from April 1, 2022.

AMFI had appealed to Sebi late last month for a postponement of the deadline since the broking and distribution industry were still in the middle of implementing the alternative mechanisms.

While Sebi gave relief to the MF industry till July 1, it also made it clear in its letter to AMFI that since it had given "sufficient time" to mutual funds to implement its October 2021 order on pool accounts, and "wide consultations were held with all stakeholders, including AMFI, before issuing the circulars dated October 2021".

Sebi said it took the decision in the best interest of unitholders. The regulator also reminded AMFI on its earlier promise that all new schemes may be put on hold till the matter is solved.

SEBI defines timelines for rebalancing mutual fund

The Securities and Exchange Board of India, the capital market regulator, has issued a circular that clearly defines the rules governing the rebalancing of portfolios of the schemes launched by mutual funds. Barring overnight funds, all schemes will have a mandated rebalancing period of 30 days, in the event of deviation from mandated asset allocation mentioned in the scheme information document (SID) due to passive breaches. Passive breaches mean instances not arising out of the actions of the fund managers. These include those changes arising out of the movement in the prices of the assets held.

For example, an **aggressive hybrid fund** may have stipulated to invest a minimum 65 percent of the money in stocks. This allocation may go below 65 percent if the prices of stocks held in the scheme's portfolio fall. In such a case the fund managers have to act within 30 days from the date of such deviation and reinstate the allocation in line with what is mentioned in SID. If the fund manager fails to do so, then justification in writing, including details of efforts taken to rebalance the portfolio shall be placed before investment committee. The investment committee of the asset management company can extend this period for rebalancing up to 60 business days from the date of completion of the mandated rebalancing period. The directive brings uniformity in the timelines for rebalancing of portfolios and should act in favour of investors.

AMFI prescribes new benchmark for mutual fund schemes

Industry body AMFI has prescribed a new benchmarking system for mutual funds for each of their schemes in a bid to standardize and bring uniformity in the benchmarks.
It has listed out first-tier benchmarks for 67 types of mutual fund schemes. This includes categories of debt, equity, hybrid and solution-oriented funds, information available with the Association of Mutual Funds in India (AMFI) showed on Friday.
This comes in the wake of guidelines issued by capital market regulator Sebi in October last year to bring uniformity in benchmarks of the schemes.
It mandated a two-tier structure of benchmarking for certain categories of schemes.
"Having a common category benchmark is useful for investors to make a relative performance comparison for funds within a category to a single benchmark, which is typically representative of the broader investment universe for the category.
"In addition, several other ratios that investors use like Information ratio, Capture Ratios, etc will be calculated using a common benchmark for a category," Kaustubh Belapurkar, Director – Manager Research, Morningstar India, said.
According to him, funds can also benchmark themselves against a secondary benchmark which is representative of their investment style. This will help investors identify the specific style of a fund and compare the fund's performance to that benchmark too.

Deadline to ban pooling of money and mutual fund units

Online platforms and brokers got some more time to comply with the new Sebi guidelines on pooling of money and mutual fund units. Earlier, Sebi asked these entities to stop pooling money and mutual funds units from April 1.
Securities and Exchange Board of India has come out with an update on the previous circular. The new circular has given a three-month extension on their previous notice in October. However, Sebi has said that all intermediate pooling will stop from April 1.
From July, funds should be credited directly from the investors' account into the mutual fund scheme account without any intermediate pooling. Portfolio managers registered with Sebi have been exempted from this new rule.
"On examination of the representation of AMFI, in the interest of the investors, it has been decided to extend the date of applicability of "Circulars" including the clauses relating to 2FA for redemption and source account verification to July 01, 2022," the Sebi circular said.
Sebi also clarified that on or after July 01, 2022, new mandates shall be accepted only in favour of SEBI recognized Clearing Corporations and those mandates shall exclusively be for subscriptions to units of Mutual Fund schemes and not for any other purpose. Distributors and investment advisers facilitating transactions cannot accept payment through one-time mandates or instruments in their name. Also, cheque payments from investors should be in favour of the respective mutual fund scheme.

MF transactions will not be disrupted due to non-linkage of PAN-Aadhaar till March 31, 2023

There is good news for distributors. Mutual fund transactions will not be disrupted due to non-linkage of PAN and Aadhaar till March 31, 20213.

In a circular, the government has extended the PAN-Aadhaar linking deadline by a year to March 31, 2023. However, the linking of the documents no longer remains free. PAN holders will have to pay Rs. 500 to link it with Aadhaar if they do it by June-end 2022. The fee will be Rs. 1,000 after that.

According to a notification issued by finance ministry, PAN not linked with Aadhaar will become inoperative after March 31, 2023.

"After March 31, 2023, the PAN of taxpayers who fail to intimate their Aadhaar, as required, shall become inoperative and all the consequences under the Act for not furnishing, intimating or quoting the PAN shall apply to such taxpayers," the notification stated.

It is important for the PAN to remain operational for the continuity of mutual fund transactions. AMFI along with fund houses has been constantly reminding investors and MFDs to link the two documents. Individual MFDs have been pushing their clients to get the linking done as soon as possible.

New SIPs registration: MFDs on top in T-30, lag a bit in B-30

(Overall, distributors including individual MFDs, banks and NDs accounted for 51% of the total equity SIP registrations between March 2021 and February 2022, shows CAMS report.)

In the last one year, distributors have led new equity SIP additions in top 30 cities (T-30) but have slightly lagged behind direct investment platforms in rest of the locations (B-30), shows a CAMS report which captures data from mutual funds serviced by the RTA.

Between March 2021 and February 2022, regular plans accounted for 53% of the total equity SIP registrations in T-30 locations. In the case of B-30 locations, the ratio stood at 49%, the report showed.

Overall, distributors including individual MFDs, banks and NDs accounted for 51% of the total equity SIP registrations during the period.

The study is in line with the results of our recent analysis of AMFI data. The study showed that distributors accounted for registration of the largest chunk of SIPs during January-December 2021. They accounted for over 52% of new registrations (equity and debt).

The data indicates that distributors have maintained their hold on the industry despite stiff competition from online platforms selling direct plans.

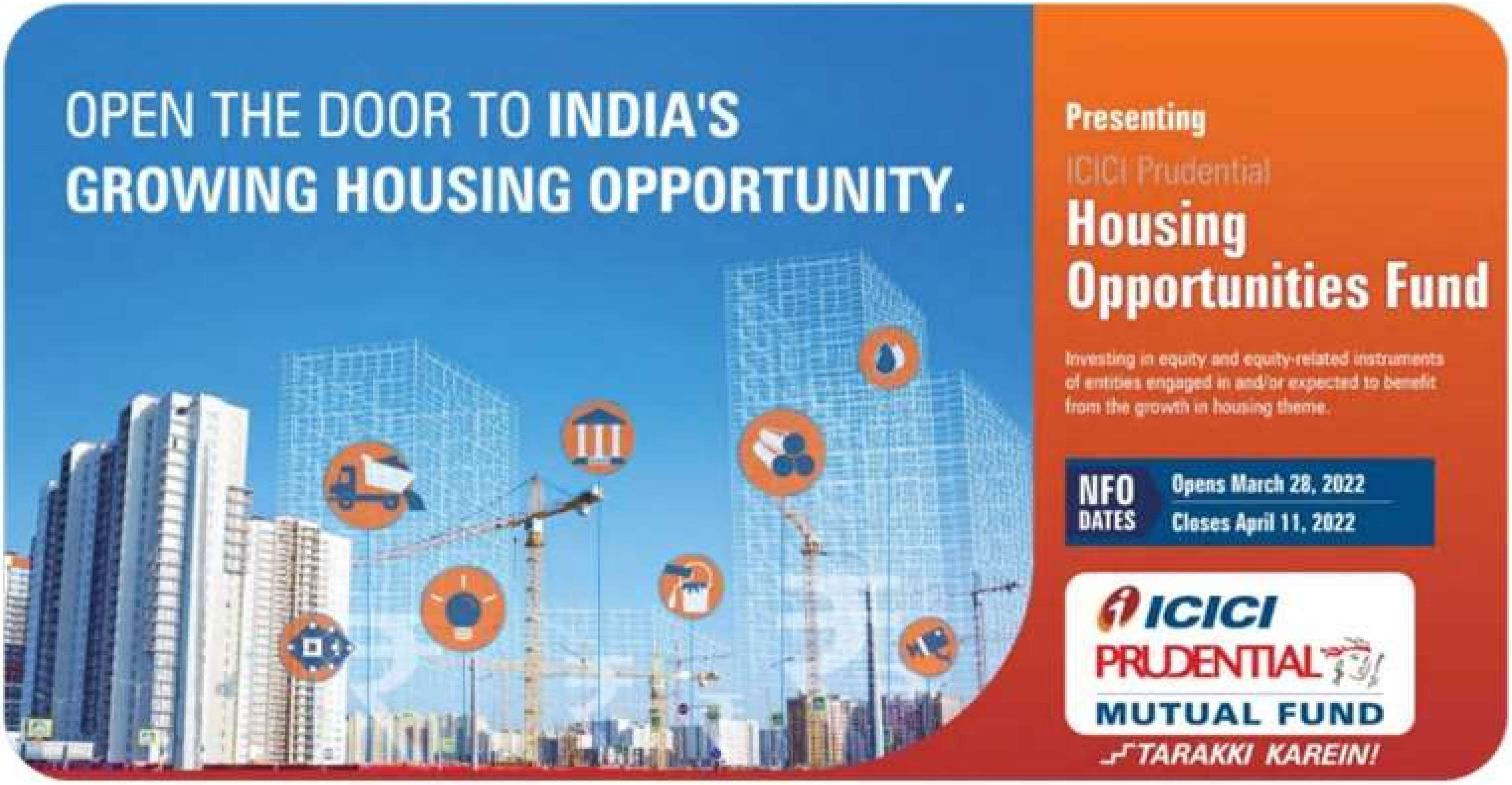
MF Glossary

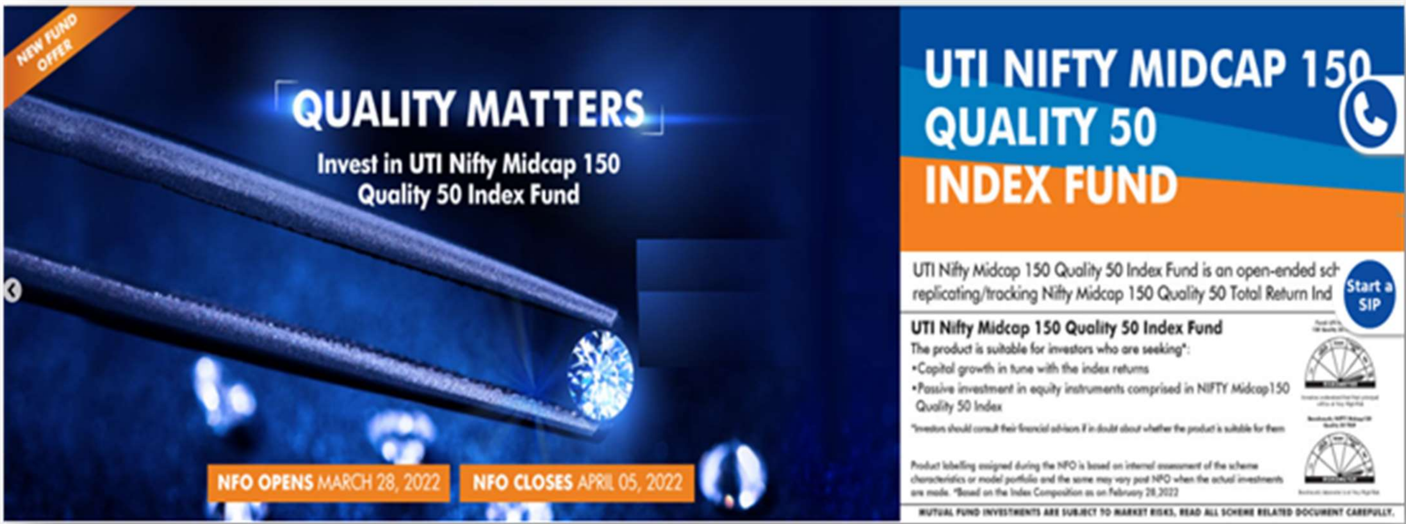
Key Information Memorandum (KIM): - It is the official document issued by mutual funds prior to the launch of a fund describing the characteristics of the proposed fund to all its prospective investors. It contains information required by SEBI pertaining to issues such as investment objective and policies, services, and fees.

Sakthi Financial Services

Weekly Update

04th April 2022 Vol: - 22.23.01





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