Sakthi Financial Services

Weekly Update

03rd May 2022 Vol: - 22.23.04

SENSEX	NIFTY	USD	GOLD	CRUDEOIL
56975.99	17069.10	77.15	52055.00	7765.00

Volatility likely to continue as investors await LIC IPO, US Fed, BoE meetings, earnings and auto sales data: Experts

The Indian equity market ended with marginal loss in a highly volatile week ended April 29. The BSE Sensex was down 136.28 points (0.23 percent) at 57,060.87, while the Nifty50 was down 69.45 points (0.40 percent) at 17,102.5. Going ahead, volatility is likely to continue as the focus will shift to central bank policy meetings at both the US Federal Reserve and the Bank of England. Apart from this, a slew of economic data releases, monthly auto sales data and ongoing earnings season will keep investors busy. The mother of all IPO - LIC will also hit Dalal Street on 4th May 2022 which could pull out liquidity from the market and exert some selling pressure.

We continue to remain hopeful as long as 16900 – 16800 are defended successfully. Now with the last two weeks of range-bound movement, the daily time frame chart exhibits a 'Triangle' pattern and prices are inching closer to their apex point. Hence, the breakout in either direction is imminent. As of now, we expect it to happen in the northward direction where 17400 – 17450 are the levels to watch out for. The moment we surpass this, we could see a lot of individual stocks participating in the next leg of the rally. This view would be negated if the index slides and sustains below the lower range. Most of the key indices are placed at a crucial juncture and they are waiting for some trigger to make a move. We hope to witness a much-awaited breakout in the early part of May which will certainly bring back a wider smile in the traders' fraternity.

Globally, the FOMC meeting will be in the limelight and it is widely expected that a 50-basis points hike is on the cards. As market participants attempt to read between the lines of Fed's policy actions, any surprises can result in panic reactions in global markets. In addition, the unemployment rate in US will also be monitored closely. Back home, the largest IPO, LIC, is poised to go public. Considering the mammoth issue size, the IPO is expected to test investors' appetite and the liquidity routed towards the IPO can mildly influence secondary markets. Also, the monthly auto sales numbers are likely to attract the attention of investors seeking to anticipate future patterns in auto stocks. All these events coupled with the current earnings season can make markets choppy next week. If markets witness any major dips, investors are advised to use them to accumulate resilient stocks.

Nifty witnessed a gravitational pull, unable to take morning optimism in its stride, as it faltered in Friday's late trade after WTI oil spiked to $106 a barrel on reports that Germany has dropped its opposition to EU ban on crude imports from Russia. Traders also fear on implementation of new F&O margin rule levied from Monday (2nd May) followed by US Fed reserve interest rate hike meeting scheduled on 3&4th May-22. As per markets readings Fed will raise interest rates in the range of 50-75 bps. Technically, the line in the sand is at Nifty's support at 16807 marks. Below the level, the index could swiftly move to 16597 and then aggressive inter-month targets at 14251-14500 zone.

This 25-year-old flexi-cap fund delivered 19.1% CAGR since its inception

DSP Investment Managers on Monday said its flexi-cap fund, DSP Flexi Cap Fund, has delivered 19.1% compound annual growth rate (CAGR) since its inception on 29 April 1997.

The returns mean that ₹1 lakh invested at inception in the DSP Flexi Cap Fund would have grown to over ₹78 lakh till 31 March 2022. Compared with this a similar investment in Nifty 500 TRI would have grown to ₹31.74 lakh.

A flexi-cap fund has to invest a minimum of 65% of its assets in equity and equity-related instruments. Unlike multi-cap funds, there are no minimum thresholds for investments in large, mid- and small-cap, and the exposure can be managed dynamically.

As per the fund house, the DSP Flexi Cap Fund takes a structured approach to investing by focusing on business longevity, prudent management, and growth sustainability (BMG Framework).

The BMG framework followed by the fund includes businesses that are less capital intensive, having a high cash conversion, market share dominance, judicious capital allocation, and superior margins reflecting in higher return on equity (RoE) and growth rates of profits.

The CAGR rolling returns of DSP Flexi Cap Fund over any 10-year period has been a minimum of 6.9% and a maximum of 33.5%. While, the fund, like equities, has intermittent net asset value (NAV) fluctuations, over a decade it has always earned positive returns for patient investors. The flexi-cap fund is managed by Atul Bhole and Abhishek Ghosh.

“DSP Flexi Cap Fund was our first fund to have a disciplined investment framework and has proven itself over many market cycles. Its flexible style of choosing good businesses irrespective of market caps makes it a good choice for every investor. This impressive long-term growth has, however, been seen by only 36 investors, who invested at inception and remain invested today," said says Kalpen Parekh, MD & CEO, DSP Investment Managers.

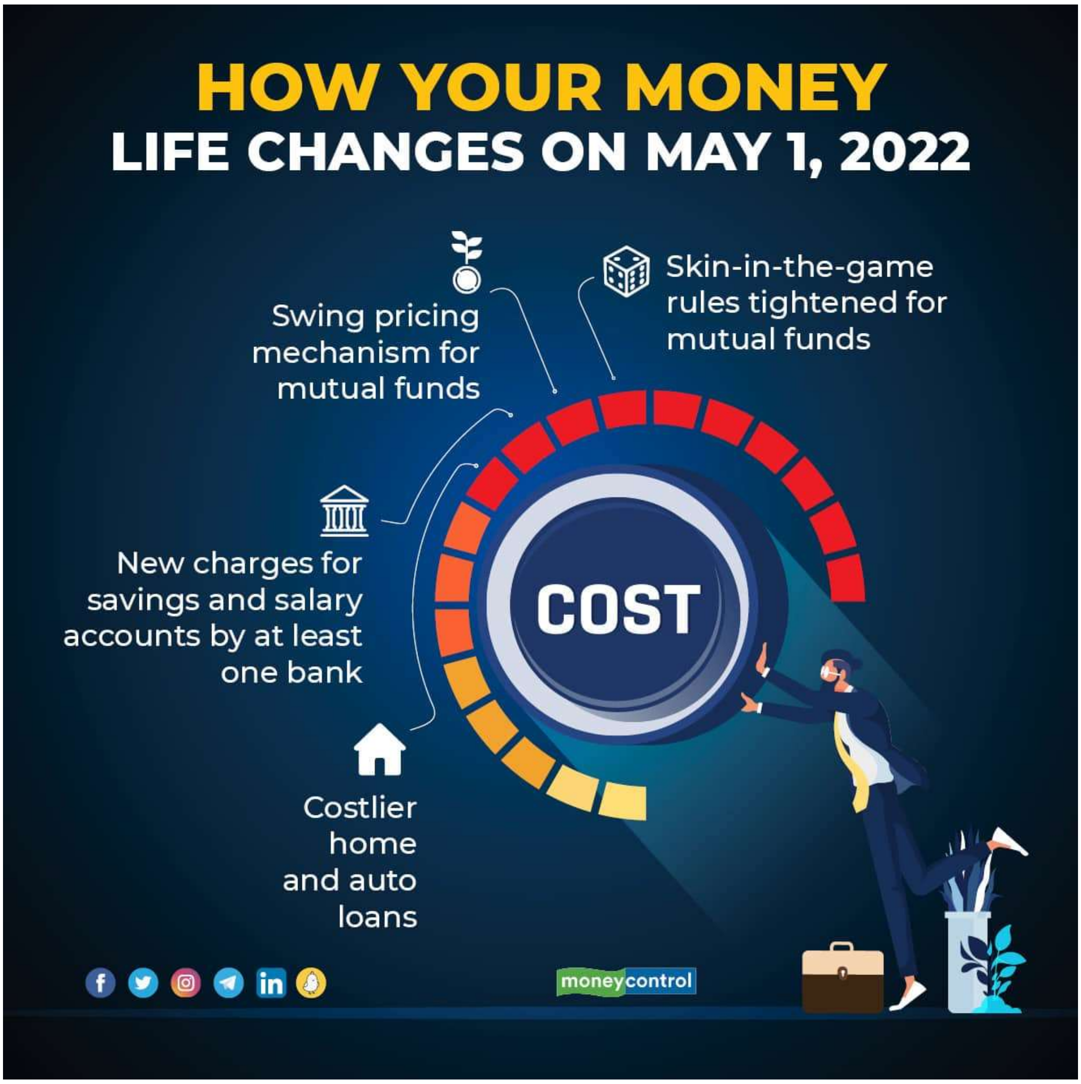
“We are thankful to the lakhs of investors who have invested in the fund over the last 25 years and over 20,000 distributors who have recommended the DSP Flexi Cap Fund over the same period. We take this opportunity to thank our customers, partners, and employees for their support as we embark on a new and exciting journey," Parekh added.

GLOSSARY

Money Market Fund

Mutual fund that invests typically in short-term government instruments (treasury bills) and commercial paper (CPs) and Certificates of Deposit (CDs). These funds tend to be lower-yielding, but less risky than most other types of funds.

Four important money matters that start in May



Higher interest rates on loans, an increase in charges by a private bank on savings/salaried accounts, and the start of swing pricing in mutual funds are among the regulatory and operational changes kicking off in May

Home, car loan rates may rise

The State Bank of India (SBI), Axis Bank, Bank of Baroda and Kotak Mahindra Bank increased their benchmark marginal cost of funds-based lending rates (MCLR) in April. SBI raised its MCLR by 10 basis points across all tenures and the other three banks raised it by five basis points. One basis point is one-hundredth of a percentage point.

SBI's MCLR is 7.1 percent for one-year tenure, 7.3 percent for two years, and 7.4 percent for three years. At Axis Bank, the MCLR is 7.4 percent, 7.5 percent and 7.55 percent for one, two and three years of tenure, respectively. MCLR is an internal reference rate for banks set by the Reserve Bank of India to help determine the minimum interest rate on various types of loans. The final rate includes risk premium and the spread charged by banks. **(Cont.)**

For MCLR-linked loan borrowers, the interest rate will be reset as per the loan agreement. In general, MCLR-linked home loans have a reset clause once every six or 12 months after taking the loan. The increase in the interest rate cycle comes after two years of the pandemic, and will especially affect home loans, which are at an all-time low.

Savings, salary account charges

Effective May 1, **Kotak Mahindra Bank** will apply new norms to savings and salary account holders. The bank has increased charges for non-maintenance of minimum balance. It will add Rs 50 to the charge of 5 percent of the shortfall with a cap of Rs 500 or Rs 600, depending on the type of account.

The bank will also introduce fees for cheques issued and returned for non-financial reasons including incomplete, differing and illegible signatures. Each instance will cost the customer Rs 50.

Charges for cheques deposited and returned as well as the standing instruction failure fee have been increased to Rs 200 from Rs 100 per instance.

Swing pricing in mutual funds

From May 1, the Securities and Exchange Board of India will implement swing pricing for mutual fund schemes, aimed at discouraging large investors from sudden redemptions. The new framework, aimed at ensuring fairness in treatment of entering, exiting and existing investors in mutual fund schemes, especially during market dislocation, was to have been applicable from March 1, but was delayed to May.

The **swing pricing framework** is mandated only for high-risk, open-ended debt schemes as they carry high-risk securities compared to others. All asset management companies will have to make clear disclosures, along with illustrations, in the scheme information documents and include information on how swing pricing works, when it is triggered, and the effect on net asset values for incoming and outgoing investors.

Swing pricing will apply to all unit holders at the PAN level with exemption for redemptions of up to Rs 2 lakh for each mutual fund scheme for both normal times and during market dislocation. AMCs must put in place policies and procedures pertaining to swing pricing, which are approved by their boards and trustees.

AMCs to invest more in own schemes

Fund houses will have to invest more in their own schemes from May, as per SEBI regulations. This is aimed at aligning the interests of asset managers with those of their investors. AMCs will invest 0.03 percent to 0.13 percent of their asset bases in their own mutual fund schemes. The extent of such investments will vary as per the risk level of the scheme. The risk level will be determined as per the risk-o-meter framework.

AMCs will have to maintain the investments in their own schemes at all times, until the completion of tenure or closure of the scheme. They should ensure that the minimum amount remains invested and should conduct quarterly reviews to ensure compliance.

MINT 20 MUTUAL FUND SCHEMES TO INVEST IN

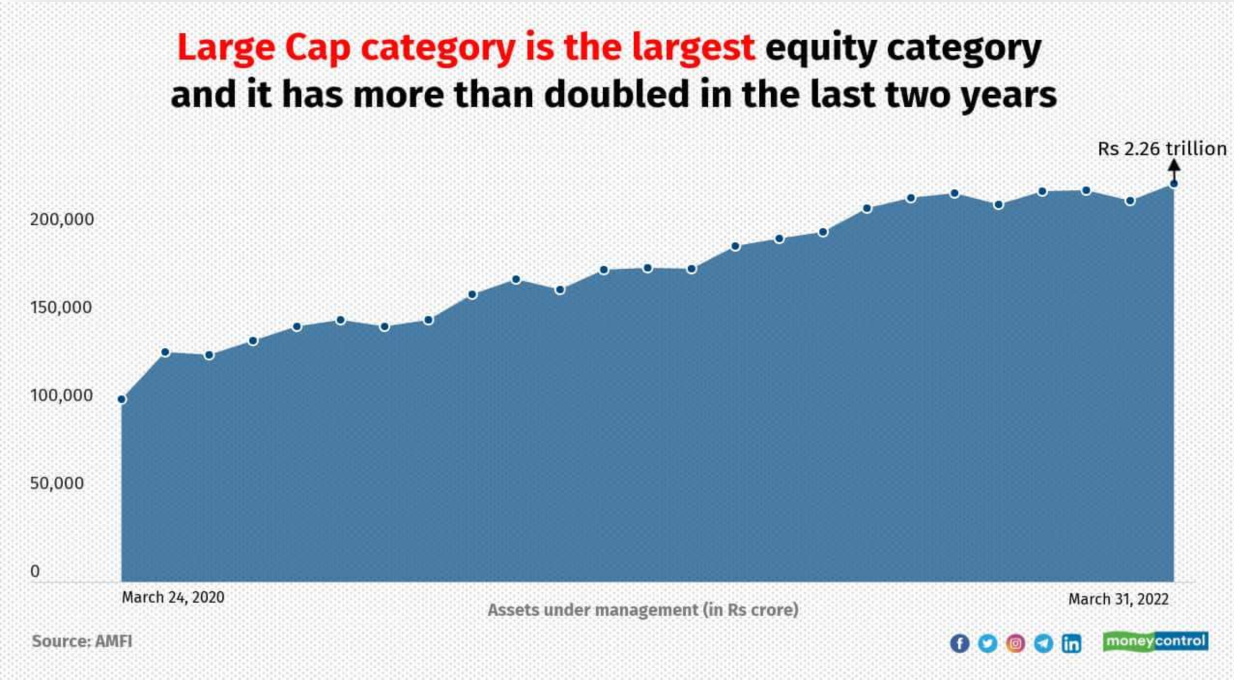
mint 20BEST FUNDS

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)
LARGE-CAP			
UTI Nifty Index Fund - Growth	14.24	13.75	6,882
HDFC Index Fund - Nifty 50 Plan	13.96	13.54	5,660
Category average	**13.74**	**13.16**	
EQUITY FLEXICAP			
Canara Robeco Flexi Cap	17.36	14.62	7,256
Parag Parikh Flexi Cap	23.18	18.94	21,768
Category average	**15.77**	**12.42**	
EQUITY SMALL AND MIDCAP			
Axis Midcap	21.91	18.13	17,645
SBI Small Cap	26.40	19.27	11,577
Category average Midcap	**20.53**	**12.98**	
Category average Smallcap	**24.39**	**15.00**	
EQUITY (TAXSAVER)			
Canara Robeco Equity Tax Saver	19.07	15.57	3,586
Mirae Asset Tax Saver	19.75	16.69	11,790
Category average	**15.36**	**11.85**	
HYBRID			
BALANCED ADVANTAGE			
Edelweiss Balanced Advantage	14.50	11.34	7,843
ICICI Prudential Balanced Advantage	11.77	10.13	39,479
Category average	**10.37**	**8.85**	
ARBITRAGE			
Kotak Equity Arbitrage	4.58	5.24	23,826
Tata Arbitrage	4.70	NA	9,857
Category average	**4.38**	**4.99**	

(Equity Schemes only)

These large cap mutual funds delivered 118-126% returns during 2 years of Covid-19



Large cap funds manage Rs 2.26 lakh crore of investor assets, accounting for 16.5 percent of total assets managed by equity schemes. The category average returns for large cap funds between March 24, 2020 and March 31, 2022, was 109 percent. After imposing them two years back, the government withdrew Covid-19-related restrictions on March 31, 2022 in view of reduced cases. The average returns for large cap category work out to 44 percent on an annualised basis.

Nippon India Large Cap Fund, which manages investor assets worth Rs 11,000 crore, has delivered returns of 126.6 percent over the two-year period. Even though it is the best-performing large cap fund for the two-year pandemic period, it has marginally underperformed the benchmark Nifty 100 Total Return Index, which has delivered 128.3 percent returns.

ICICI Prudential Bluechip Fund, which is among the largest large cap funds in the mutual fund industry with AUM of Rs 31,500 crore, has delivered returns 126.3 percent.

Aditya Birla Sun Life Frontline Equity Fund has delivered returns of 124.8 percent over the two years when the Covid-19 restrictions were in place. It manages investor assets worth Rs 21,000 crore.

HDFC Top 100 Fund has delivered returns of 122.4 percent. The fund is managed by Prashant Jain, who is known for taking high-conviction investment calls and stick with his conviction.

SBI BlueChip Fund is country's second largest large cap fund in the mutual fund industry, with assets under management to the tune of Rs 31,700 crore. The fund has delivered returns of 122.1 percent over the two years.

(Cont.)

IDBI India Top 100 Equity Fund has delivered returns of 121.8 percent. On an annualised basis, the returns work out to 48.3 percent.

Kotak Bluechip Fund has delivered returns of 121.7 percent over the two years of pandemic.

While Franklin Templeton Mutual Fund has been in the news lately for winding up its debt schemes, some of its equity schemes have done well. **Franklin India Bluechip** -- the large-cap fund run by the fund house -- has delivered returns of 120.7 percent over two years of pandemic.

Tata Mutual Fund is backed by the country's largest business conglomerate -- the Tata group. The fund house's large cap offering -- **Tata Large Cap Fund** -- has delivered returns of 120.6 percent over two years of pandemic time.

Mirae Mutual Fund, which is one of the fastest growing fund houses in the country, has built a strong track-record for its equity schemes over the years. Its large cap offering -- **Mirae Asset Large Cap Fund** -- has delivered returns of 118.7 percent during the two-year period.

'SBI MF's equity assets rise by Rs. 1.30 lakh crore in FY 2022'

The equity assets of top 20 mutual fund players went up 36% in FY 2022 to Rs. 19.40 lakh crore, shows a report by Motilal Oswal Financial Services. Most mutual funds did well in the last financial year.
Top-ranked SBI MF's equity assets went up 49% to Rs. 3.90 lakh crore while ICICI Prudential recorded a 9% growth to reach assets of Rs.2.15 lakh crore, the report showed.
Also, HDFC, Nippon, UTI, Axis, Kotak and ABSL hold equity assets in excess of Rs. 1 lakh crore. The growth in equity assets ranged within 22-49% for all these fund houses.
The surge in equity holdings was the highest in the case of smaller fund houses like PGIM India, PPFAS and Canara Robeco. While PGIM India registered a growth of over 300%, PPFAS and Canara Robeco witnessed a growth of 170% and 92%, respectively.

Cash holding of mutual funds

As of March-end 2022, SBI and Axis were holding over 10% of the AUM of their pure equity funds as cash. ICICI Prudential had a cash holding of 9.4%.

Fund house	Equity holding (March-end)	YoY change	Cash holding
SBI Mutual Fund	3,93,400	49.2	12.4
ICICI Prudential Mutual Fund	2,15,300	33.9	9.4
HDFC Mutual Fund	1,90,400	21.8	2.9
Nippon India Mutual Fund	1,49,400	30.7	3.2
UTI Mutual Fund	1,47,200	40.7	2.6

(Cont.)

Fund house	Equity holding (March-end)	YoY change	Cash holding
Axis Mutual Fund	1,41,900	41.2	10.2
Kotak Mahindra Mutual Fund	1,27,200	38.3	4
Aditya Birla Sun Life Mutual Fund	1,12,100	21.8	2.4
Mirae Asset Mutual Fund	91,200	43	2
DSP Mutual Fund	65,500	27.5	2.7
Franklin Templeton Mutual Fund	49,800	6.9	4.7
Tata Mutual Fund	46,600	49.2	5.1
L&T Mutual Fund	40,900	11.6	1.9
Canara Robeco Mutual Fund	39,900	92.8	5.2
Sundaram Mutual Fund	31,900	13.4	5.1
IDFC Mutual Fund	27,300	16.1	4.3
Invesco Mutual Fund	25,800	43.9	3.2
Motilal Oswal Mutual Fund	19,800	0.5	2.3
PPFAS Mutual Fund	14,800	168.3	5.1
PGIM India Mutual Fund	12,500	314.7	2
Total	**19,42,700**	**35.6**	**4.5**

GLOSSARY

Earnings Per Share (EPS)

A company's earnings, also known as net income or net profit, divided by the number of shares outstanding.