Sakthi Financial Services

Weekly Update

10th May 2022 Vol: - 22.23.05

SENSEX	NIFTY	USD	GOLD	CRUDEOIL
54470.67	16301.85	77.66	51692.00	7984.00

Volatility likely to persist amid inflation data, earnings, upcoming IPOs - Experts

Indian market lost 4 percent in the week ended May 6 after a surprise rate hike by the Reserve Bank of India (RBI) and weakness in the global markets following the US Federal Reserve and ECB's decision to raise interest rates to curb the soaring inflation that hit economic growth.

In the coming week, the market will track inflation numbers across the globe. Although the numbers will remain high, the chances of a major market reaction are low given that the impact has already been factored in. In this range-bound market, it is advised to stick with sectors that are expected to be least impacted by inflation & yield rise like banking, IT, Pharma, and themes like green energy.

Given a slew of macroeconomic releases, the current result season, and several IPOs that will open for subscription, the volatility seen this week is expected to persist. Global market movements will be determined by inflation numbers of the United States and China. Data on India's industrial output, domestic inflation rates, and manufacturing output will keep Indian markets on edge. Following the surprise interest rate hike by the RBI, Indian inflation is largely predicted to be about 7.4%-7.5%, far more than the central bank's acceptable limit. However, a higher-than-expected inflation figure might worsen present sentiment. Investors are therefore advised to keep a long-term horizon and be extremely selective with their picks. The index is now trading just at the previous support of 16,400. The short-term trend has turned bearish and it is likely that markets can further slide lower. Having said this, if we look at the larger picture, the benchmark index has been trading mostly in a wider range of 16,400 to 18,400 since October. Therefore, a bounce from current levels also cannot be ruled out. Keeping this in mind, traders are advised to avoid initiating fresh shorts at current levels. Traders can maintain a neutral to mild negative bias and look for sell-on-rise opportunities. The immediate support and resistance are now placed at 16,000 and 16,800 levels.

The market is in a dilemma that in a rising interest rate scenario, a more hawkish stance by the RBI going ahead could hurt growth. Technically, the Nifty is consistently trading below 200-day and 50-day SMA which is broadly negative. In addition, on weekly charts it has formed a long bearish candle, which supports further weakness from the current levels. On intraday charts the index is consistently holding a lower top formation that also supports short term weakness.

The increasing fear of aggressive rate hikes from the US Fed has spooked investors across the globe including India. On the index front, the Nifty has tested the crucial support zone of 16,400 and indications are in the favour of prevailing decline to continue with some intermediate pause/rebound. In case of any rebound, the 16650-16800 zone would act as a hurdle. Participants should align their positions accordingly and use rebound to create shorts.

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Axis MF issue: What investors in schemes of the fund house need to know

The mutual fund sector has been rocked by fresh allegations of irregularities after asset management company Axis Mutual Ltd on Friday said that as part of an ongoing investigation two fund managers have been suspended due to potential irregularities.

Mint had last week reported that the Securities and Exchange Board of India (Sebi) is examining whether fund managers at Axis Mutual Fund may have engaged in “front-running" or trading securities through their personal accounts ahead of the fund’s transactions on behalf of unitholders.

Front running refers to the illegal practice of using non-public information or confidential information, for buying or selling securities ahead of a large order, in order to benefit from the subsequent predictable price movement, post the execution of such big order.

The fund managers in question are Viresh Joshi and Deepak Agarwal. Joshi was head dealer and fund manager of five mutual fund schemes at Axis MF, while Agarwal was the equity research analyst and fund manager for three mutual fund schemes.

Seven schemes of Axis MF that have seen rejigs in fund managers due to the investigation are arbitrage, banking, consumption, Nifty, quant, technology, and value.

The reports of regulatory violations at Axis MF have come as another shock for investors recovering from the alleged irregularities at Franklin Templeton, leading to speculations that the fund house has been witnessing heavy redemptions.

Industry insiders, however, have refuted these rumours, saying that it is “business as usual" at Axis MF. Still, financial advisors have revealed that they have been getting calls from worried investors.

“This would certainly have near-term effect for a few quarters or maybe a year or so in the form of new mobilization of fund in Axis MF, especially in the equity segment, because investors in last couple of years experienced difficulties in the debt segment at another fund house. It will not be a walk in the park for the fund house," said Amol Joshi, founder of Plan Rupee Investment Services.

“As an industry, this is something, which clearly could have done without," he added.

Experts, however, suggest avoiding knee-jerk reaction to the issue.

“Whatever has happened is absolutely wrong. From an investor's perspective, I think the quality of stocks that Axis MF holds in its portfolio continues to be good. So, considering the way they have performed over the years, I don't think anyone needs to take a knee jerk reaction and be in a rush to redeem just because of this particular issue," said Harshad Chetanwala, a Sebi-registered investment adviser and co-founder of MyWealthGrowth.

According to Joshi, investors redeeming after the development will expose themselves to two kinds of downsides. “One is exit load depending on when you have invested and second is the taxation, be it long term or short term. First assess your risk profile as well as schemes performance and take a call based on that rather than taking a blanket exit call," he said. **(Cont.)**

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For investors witnessing underperformance in their schemes, Vishal Dhawan, CEO and founder, Plan Ahead Wealth Advisors suggest that the recent underperformance should not matter if investors are in for the long-term. “However, you can protect yourself from these kinds of shifts by either have a blend of growth and value fund managers or adopt passive funds which by default have such a blend."

Axis Mutual Fund under SEBI lens over suspected violations

India’s markets regulator is examining whether fund managers at Axis Mutual Fund may have engaged in “front-running" or trading securities through their personal accounts ahead of the fund’s transactions on behalf of unitholders, two people familiar with the matter said.

Axis Mutual Fund has briefed the board of Axis Bank that it has suspended the two fund managers until the investigation is completed, two people with direct knowledge of the matter said. Because funds make large transactions, their actions tend to impact the price, and a person can profit or avoid losses with prior knowledge of such transactions.

The fund managers under probe are Viresh Joshi and Deepak Agarwal. Joshi was head dealer and fund manager of five mutual fund schemes at Axis Mutual Fund, while Agarwal was the equity research analyst and fund manager for three mutual fund schemes.

“These two officials were removed from active management of any of the schemes, pending investigations. They were removed earlier this week," one of the two people cited above said.

In a statement, the asset management firm confirmed the fund managers were suspended, without naming them.

Value Research data shows Joshi and Agarwal are no longer named as fund managers of any of Axis MF’s schemes. Joshi used to manage Axis Arbitrage Fund, Axis Banking ETF, Axis Nifty ETF, Axis Technology ETF and Axis Consumption ETF. Agarwal managed Axis Consumption ETF, Axis Quant Fund and Axis Value Fund.

Sebi detected the case of front-running. The preliminary investigation points to front-running in as many as nine scrips and ill-gotten gains to the tune of ₹170 crore," the second person said, also requesting anonymity.

Axis Mutual Fund manages ₹2.59 trillion worth of assets.

A third person with direct knowledge of the matter said: “The Axis Mutual Fund board submitted its preliminary probe report to Sebi on Thursday where the fund house has flagged the issues of code of conduct violations against Agarwal and disproportionate assets against Joshi."

“The board of Axis MF had a review...to understand how they worked during work from home," the person said. “The investigation is still going on. One more consultant was appointed to find out whether there was front-running and the quantum of gains made since technical analysis could not ascertain it," he added, also requesting anonymity.

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25 equity mutual fund schemes completed 25 years; offer around 17% average returns

According to data sourced from Ace MF, there are 26 equity mutual fund schemes that have completed 25 years in the Indian mutual fund industry. We have included only 25 schemes in the list as Quant Small Cap Fund (G) has been through a complete strategy change because of a takeover. Quant Small Cap Fund was earlier Escorts Small Cap Fund, until Quant Mutual Fund took over Escorts MF in 2018.

Here's a list of the 25 equity funds that have weathered various market cycles for the last 25 years:

Scheme Name	CAGR returns since inception (%)
HDFC TaxSaver(G)	23.35
Nippon India Growth Fund(G)	22.11
Franklin India Bluechip Fund(G)	19.54
Franklin India Prima Fund(G)	19.03
HDFC Top 100 Fund(G)	18.86
HDFC Flexi Cap Fund(G)	18.42
Nippon India Vision Fund(G)	17.92
Franklin India Flexi Cap Fund(G)	17.85
Aditya Birla SL Equity Advantage Fund(G)	17.43
Tata Ethical Fund-Reg(G)	16.02
Sundaram Tax Savings Fund-Reg(G)	16.01
SBI Long Term Equity Fund-Reg(G)	15.56
SBI Large & Midcap Fund-Reg(G)	14.65
ICICI Pru Multicap Fund(G)	14.64
SBI Magnum Equity ESG Fund-Reg(G)	14.46
SBI Magnum Global Fund-Reg(G)	14.33
HDFC Capital Builder Value Fund(G)	14.14
Tata Large & Mid Cap Fund(G)	12.59
HDFC Large and Mid Cap Fund-Reg(G)	12.09
Tata Mid Cap Growth Fund(G)	12.05
Taurus Tax Shield Fund-Reg(G)	11.47
Taurus Largecap Equity Fund-Reg(G)	10.10
Taurus Flexi Cap Fund-Reg(G)	10.07
JM Large Cap Fund-Reg(G)	8.67
Taurus Discovery (Midcap) Fund-Reg(G)	7.50

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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	14.23	13.89	6,882
HDFC Index Fund - Nifty 50 Plan	13.96	13.68	5,660
Category average	13.74	13.31	
EQUITY FLEXICAP			
Canara Robeco Flexi Cap	17.14	14.43	7,256
Parag Parikh Flexi Cap	23.32	18.68	21,768
Category average	15.68	12.26	
EQUITY SMALL AND MIDCAP			
Axis Midcap	22.19	17.94	17,645
SBI Small Cap	26.65	19.47	11,577
Category average Midcap	21.20	12.96	
Category average Smallcap	24.62	14.88	
EQUITY (TAXSAVER)			
Canara Robeco Equity Tax Saver	19.23	15.58	3,586
Mirae Asset Tax Saver	19.65	16.54	11,790
Category average	15.33	11.78	
HYBRID			
BALANCED ADVANTAGE			
Edelweiss Balanced Advantage	14.35	11.33	7,843
ICICI Prudential Balanced Advantage	11.72	10.13	39,479
Category average	10.29	8.83	
ARBITRAGE			
Kotak Equity Arbitrage	4.53	5.23	23,826
Tata Arbitrage	4.64	NA	9,857
Category average	4.32	4.98	

(Debt Schemes not included)

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India's top 25 equity funds in size

Scheme	AUM (as on March 2022)	AUM (as on June 2021)	% growth
Kotak Flexicap Fund	37,100	36,000	3
Axis Bluechip Fund	35,700	27,100	32
Axis Long Term Equity Fund	32,100	29,600	8
SBI Bluechip Fund	31,900	28200	13
Mirae Asset Largecap Fund	31900	25700	24
ICICI Prudential Bluechip Fund	31600	27700	14
HDFC Midcap Opportunities Fund	31300	28700	9
HDFC Flexicap Fund	27500	25200	9
SBI Focused Equity Fund	24900	15900	57
UTI Flexicap Fund	24900	18400	35
ICICI Pru Value Discovery Fund	23100	19200	20
Mirae Asset Emerging Bluechip Fund	21900	17900	22
Parag Parikh Flexicap Fund	21800	—	—
Aditya Birla SL Frontline Equity Fund	21300	20400	4
HDFC Top 100 Fund	21200	20000	6
Axis Focused 25 Fund	19600	16500	19
Nippon India Small cap Fund	19200	14300	34
Kotak Emerging Equity Fund	18600	12500	49
Axis Midcap Fund	17600	11800	49
SBI Flexicap Fund	15700	13400	17
Aditya Birla SL Flexicap Fund	15600	14100	11
Aditya Birla SL Tax Relief '96 Fund	13900	13900	0
DSP Midcap Fund	13700	12200	12
Canara Robeco Emerging Equities Fund	13000	—	—
HDFC Small cap Fund	12700	11600	9

***All numbers are in Rs crore | Source: Fund Folio report by Motilal Oswal**

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AMFI re-classifies Agra as T30 and Allahabad as B30

AMFI has published the revised list of T30 cities with PIN codes that will be used for mapping of B30 transaction in the current financial year.

According to AMFI, Agra (Uttar Pradesh) is now a T30 city.

Agra has replaced Allahabad (Uttar Pradesh), which now falls under B30 city. Here is AMFI's revised list of T30 cities.

List of top 30 cities as on March 31, 2022			
Sr. No.	City	Sr. No.	City
1	Mumbai	16	Indore
2	Delhi	17	Coimbatore
3	Bengaluru	18	Patna
4	Pune	19	Chandigarh
5	Kolkata	20	Bhopal
6	Ahmedabad	21	Ludhiana
7	Chennai	22	Rajkot
8	Hyderabad	23	Udaipur
9	Vadodara	24	Bhubaneshwar
10	Jaipur	25	Guwahati
11	Surat	26	Ranchi
12	Lucknow	27	Jamshedpur
13	Nagpur	28	Dehradun
14	Kanpur	29	Varanasi
15	Nasik	30	Agra

AMFI has also recognised over 1,400 PIN codes to these T30 cities.

AMFI first published the T30 list in 2019 to introduce uniformity in the mapping of B30 transactions for additional payout. Since then, it has been issuing a revised list every year.

To claim B30 incentives, distributors should ensure consistency in PIN codes mentioned in MF folio and KYC forms. In case of missing or invalid PIN codes, such transactions are treated as T30 transactions w.e.f Apr 1, 2019.

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UTI MF and Axis MF attracted highest net inflows in March quarter: Report

Assets under management (AUM) of open-end funds rose to ₹37 lakh crores as of March 2022, up 23% from the March 2021 quarter, according to the latest Morningstar Report on India Domestic Fund Flows for the March 2022 quarter. The AUM was down marginally by 0.4% when compared with the December 2021 quarter.

The total AUM of open-end equity funds as of March 2022 was Rs. 13.65 lakh crores, up almost 39% compared to the March 2021 quarter. “Strong net inflows along with a strong market performance across all market caps resulted in the phenomenal rise in assets over the last year," says the report. Open-end equity funds form nearly 37% of the total open-end fund universe.

While open-ended equity funds saw a net inflow of Rs. 63,057 crores, fixed-income funds witnessed net outflows of Rs. 1.18 lakh crores during the March 2022 quarter. According to the Morningstar Report, the ‘Other Schemes’ category, which comprises subcategories of ETFs (other and gold), index funds, and funds of funds overseas, continues to consistently gain traction. This category witnessed net inflows of Rs. 44,787 crores in the March 2022 quarter. The March 2022 quarter had new fund offerings (NFO) of 54 open-ended funds including ETFs and 11 closed-ended funds. Cumulatively, these funds garnered Rs. 20,018 crores at their inception.

As per the report, UTI MF with flows of Rs. 6,667 crores, Axis MF with Rs. 6,331 crores, Edelweiss MF with Rs. 5,061 crores and PGIM India MF with Rs. 4,681 crores were the asset management companies (AMCs) with the highest net inflows (open-end funds and ETFs) in the March 2022 quarter. A large part of the net inflows into UTI MF went into its liquid fund, money market funds (UTI Liquid Cash fund & UTI Money Market Fund) and UTI Sensex ETFs.

AMCs with the highest net outflows were HDFC MF with Rs. 32,674 crores, Aditya Birla Sun Life MF with Rs. 6,643 crores, and IDFC MF with Rs. 6,376 crores. A significant portfolio of outflows from HDFC MF came from HDFC Liquid Fund, HDFC Floating Rate Debt Fund, HDFC Corporate Bond Fund, among others.

Glossary

Dividend Reinvestment

In a dividend reinvestment option, the dividend is reinvested in the scheme itself. Hence instead of receiving dividend, the unit holders receive units. Thus, the number of units allotted under the dividend reinvestment option would be the dividend declared divided by the ex-dividend NAV.

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