Sakthi Financial Services

Weekly Update

29th March 2022

Vol: - 21.22.47

SENSEX	NIFTY	USD	GOLD (10 grams)	CRUDE
57593.49	17222.00	75.94	51691.00	7946.00

Market may remain rangebound amid auto sales, expiry, US macroeconomic data - Experts

Market fell nearly 1 percent in the rangebound week ended March 25. The market also broke the two-week gaining streak with FIIs turning net sellers again amid geopolitical tensions leading to higher crude prices and concern over new COVID-19 variants breaking out in China. For the week, BSE Sensex shed 501.73 points (0.86 percent) to end at 57,362.2, while the Nifty50 fell 134.05 points (0.77 percent) to end at 17,153 levels.

Going forward, market participants would likely keep an eye on the development surrounding the Russia-Ukraine war. On other hand, any truce between Russia and Ukraine could possibly lead to a cooling off of global crude and commodity prices. Global central bank policy moves and the policy response of the central bank in India would be the other key events to watch out for.

FIIs turning into buying mode is a positive for the market, however, due to the ongoing global uncertainties, domestic retail investors lacked the confidence to take fresh positions. Ease in covid restrictions in India are a boost to sectors like hospitality, multiplex, transportation, etc leading to its outperformance. The domestic market will continue to follow global developments. An end to the war & rise in oil supply can help India to sustain its resilience or else high volatility will be a concern in the short-term.

The unfolding of the geopolitical events will dominate the market sentiments, as this war has an outsized impact on the energy prices. The effect of the war on inflation around the globe and the response of the central banks to tackle it may largely influence the direction of the markets over the near to medium term.

Aside from the developments on the Covid outbreak in China and the war, macroeconomic data from the US, such as GDP growth rate and unemployment rate, will influence markets globally. Back home volatility would be the main course of action as the last monthly expiry of this fiscal is scheduled next week. Further, taking into consideration that the automobile companies' monthly sales numbers are anticipated to be a mixed bag, D-Street will keep a close eye on those who miss estimates. With volatility high, markets are expected to remain largely range-bound and investors are advised to continue to invest in pockets with a reasonable margin of safety for the long term.

The scheduled monthly expiry of March month derivatives contracts would keep the volatile high next week. Besides, participants will also be eyeing the auto sales data starting April 1. On the global front, updates on the Russia-Ukraine war and its impact on world markets and movement in the crude will remain in focus. Markets are showing resilience amid uncertainty however deterioration in the global sentiment may again turn the bias. For any directional move in the benchmark, the participation of the banking index is critical, which is currently witnessing diverge trend. Amid all, we reiterate our positive yet cautious stance and suggest focusing on sectors like metals, IT, and pharma which are performing well.

‘Indians invest 2% savings in mutual funds, 40% in bank deposits’

Indian households invested just 2% or Rs. 64,000 crores of the total savings in mutual funds in FY 2020-2021, shows latest RBI data.

The share of mutual funds in total household savings has remained at 2% for the second consecutive financial year. However, the total investment amount has gone up to Rs. 64,000 crores in FY 2020-2021 from Rs. 44,000 crores in FY 2019-2020.

Banks, life insurance, provident and pension funds received the biggest chunk of savings as usual. Bank alone secured 40% of the total savings at Rs. 12.2 lakh crore.

Instrument	2018-19	2019-20	2020-21	% Of total (FY 2021)
Bank deposits	777092.6	866677	1227873	39.49%
Non-bank deposits	33320.2	56748.5	39857.9	1.28%
Life insurance funds	392133.2	372257.5	520141	16.73%
Provident and pension funds	400086.7	455104.9	500824	16.11%
Currency	277872.1	282662.1	381976.1	12.29%
Mutual funds	151559.9	61685.7	64083.8	2.06%
Equity	6382.4	26737.8	38531.2	1.24%
Small savings	205038.3	263723.4	309526.3	9.96%
Total savings and investments	**2263690.4**	**2399086.9**	**3108997**	

All numbers are in Rs crore

Interestingly, deposits and investments went up across categories (except non-bank deposits) in FY 2020-2021. Bank deposits rose to Rs. 12.2 lakh crore from Rs. 8.6 lakh crore in the previous financial year. Investments in insurance funds surged from Rs. 3.7 lakh crore to Rs. 5.2 lakh crore.

As a result, the overall savings went up from Rs. 24 lakh crores in FY 2019-2020 to Rs. 31 lakh crores in FY 2020-2021. In FY 2020-2021, savings rose across the globe as covid-induced curbs limited spending avenues. People also resorted to save more to build up emergency corpus in view of uncertain future due to the pandemic, say experts.

Franklin Templeton to repay commissions charged on six shut schemes

Franklin Templeton Mutual Fund has decided to repay commissions charged by it between June 2018 and April 2020 in six schemes that were shut down in April 2020 to unit holders, sources said. The brokerage accrued in the six schemes have been transferred to SBI Mutual Fund. These commissions will be added to unitholders' NAV, said sources familiar to the move.

The brokerage accrued in the six schemes under winding up was from April 24, 2020 to March 17, 2021. However, this extra money will be reflected in the regular plans of these schemes. Direct plans of mutual funds do not charge any commission from investors. In regular plans, unitholders are charged asset management fees and distributor commissions. Franklin Templeton Mutual Fund has returned Rs 26,098.19 crore to unitholders amounting to 103.50% of the AUM as on April 23, 2020.

In a notice issued by Securities and Exchange Board of India, in June 2021, Franklin Templeton Mutual Fund was ordered to refund the management and advisory fees collected in the six shut schemes between June 4, 2018 and April 23, 2020.

Franklin Templeton had wound up six debt schemes: Franklin India Ultra Short Bond Fund, Franklin India Low Duration Fund, Franklin India Short Term Income Fund, Franklin India Income Opportunities Fund, Franklin India Dynamic Accrual Fund, and Franklin India Credit Risk Fund, in April 2020. Investors in Franklin Templeton's wound-up debt schemes to get ₹78 crore.

No impact on existing SIPs due to pooled account discontinuation: SEBI

There will be no impact on existing SIP mandates due to discontinuation of pooled account, clarified SEBI.

SEBI has provided leeway to MFDs, RIAs, online direct investment platforms, stock brokers and clearing members with regards to the October 2021 circular prohibiting use of pooled accounts for mutual fund transactions from April 1, 2022.

According to the latest circular, existing investor mandates in favour of pooled accounts of MFDs and online platforms can continue, provided AMCs and payment aggregators (PA) ensure that the money directly goes into the pooled account of mutual funds or the respective schemes.

"(AMCs will have to) ensure that PA has put in place adequate checks and balances, inter alia, such that Approved Account is that of a mutual fund scheme or mutual fund registered with SEBI," the regulator said.

Similar conditions have been put in place for stock exchanges and clearing members. They will have to ensure (with the help of PAs) that the money from existing mandates for their pooled accounts goes directly into the accounts of clearing corporations. "PA shall directly credit the monies collected from the bank account of the investor only into an Approved Account; in no case the monies shall be credited to the bank account of the stock brokers / clearing members," SEBI said in a circular issued on March 15. However, from April 1, 2022, stock exchanges and clearing members can accept mandates only in the name of recognised clearing corporations.

Motilal Oswal MF stops existing SIP and STP investments in three international schemes.

In January 2022, Association of Mutual Funds in India (AMFI) also asked the mutual fund houses to stop accepting fresh lumpsum investments in schemes dedicated to investing in overseas stocks.
Investors using systematic investment plans (SIP) and systematic transfer plan (STP) to invest in three international schemes of Motilal Oswal Mutual Fund (MOMF) can't continue with their investment plans anymore. MOMF has decided to stop the existing SIP and STP in three schemes - Motilal Oswal S&P 500 Index Fund, Motilal Oswal MSCI EAFE Top 100 Select Index Fund and Motilal Oswal Nasdaq 100 Fund of Fund. The fund house has notified that no existing SIP or STP will be accepted or processed after the closing hours of March 31, 2022.
The fund house had stopped lumpsum investments in these three schemes after the closing hours of January 14, 2022. The fund house decided to temporarily stop the lumpsum investments in these schemes as the limit offered to mutual funds for overseas investments was nearing. The fund house now stops the staggered investments as well. "The existing registered SIP or STP would remain active in the system and shall be reactivated after the receipt of further communication of enhancement of limit by Regulators in this regard," the notice from the fund house stated.

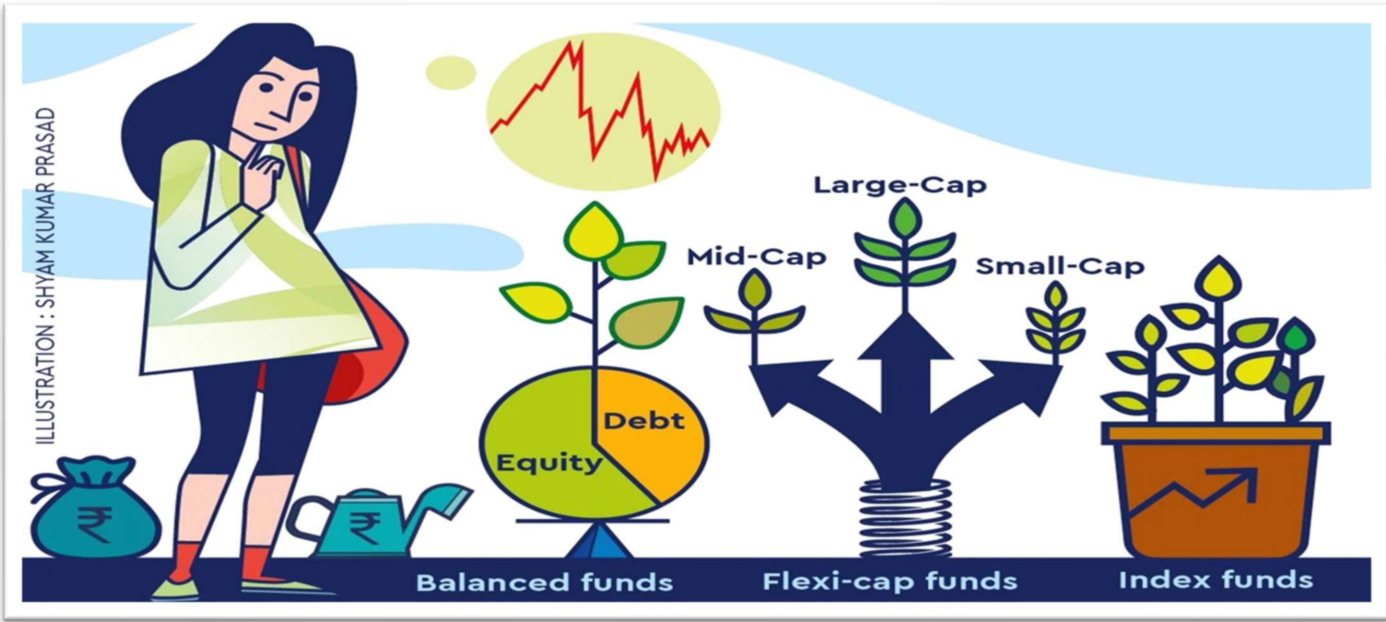
SBI Mutual Fund records monthly average flow of Rs 1800 crore in SIPs

SBI Mutual Fund, the largest fund house in the country by assets under management, registered more than 30 lakh new SIPs in FY 21-22 as on January 1, 2022, recording a growth of 39% as compared to the previous year. The fund house received an average monthly SIP flow of over Rs. 1,800 crore in the current financial year with the average ticket size of a SIP being around Rs. 2,500.
The fund house attributes the growth in the new SIPs to availability of its offerings through a strong distribution network of IFAs, National Distributors and SBI Branches. SBI Mutual Fund also has further increased its footprint in the country with the opening of new branches in several Tier 2 locations. SBI Mutual Fund commands a 19.7% market share in B30 locations, seeing a growth of 37% in active SIPs.

Edelweiss Mutual Fund to revoke limit on inflows into Recently Listed IPO Fund

Edelweiss Mutual Fund has decided to revoke the limit for subscriptions in Edelweiss Recently Listed IPO Fund with effect from April 1. In other words, all lumpsum investments including all systematic investments in units of the scheme shall be accepted. Earlier, the fund house had restricted investments to a maximum of Rs 1 lakh per day per investor in February this year.
"Since we limited subscriptions in the fund, equity markets have corrected and IPO stocks have also corrected meaningfully. We had closed subscription to review liquidity conditions and that too stands comfortable now. Hence, we have decided to remove the limit which will allow investors to take benefit of this correction and invest in the fund at attractive levels," said Radhika Gupta, MD & CEO, Edelweiss Asset Management Limited

Equity mutual funds: Safe MF bets in a volatile market



With increasing volatility in the markets due to the ongoing Russia-Ukraine war, equity mutual fund investors, especially first- time investors, are looking for safe bets. Though market volatility is an undeniable part of equity investing, investments in balanced funds and flexi-cap funds and avoiding small and mid-cap funds for some time can help individual investors minimise their losses.

In the current market scenario, investors will have to temper their returns expectation and go for a mix of active and passive allocation to funds. Moreover, they must stick to their asset allocation strategy as per their risk-appetite and financial goals.

So, here are three ways in which equity mutual fund investors can limit the impact of market volatility on their investments and develop an ideal investment portfolio for the long run.

Invest in balanced funds

Balanced funds are open-ended hybrid funds which can help investors mitigate the impact of market volatility and returns on such funds are more dependable over longer periods. Investors can gain from both rising and falling markets and these are suitable for those looking for a more aggressive alternative to pure debt funds and desirous of investing in equity for higher return potential, while limiting their losses in case the markets fall.

Look at flexi-cap funds

Experts suggest investors should look at flexi-cap funds as they invest across large-cap, mid-cap and small-cap stocks to diversify the portfolio. As the minimum investment in equity and equity-related instruments is 65% of total assets, fund managers can invest freely across market capitalisation and switch between companies and sectors depending on the performance from time to time. These funds help in mitigating the risk and lower the volatility in the portfolio. Investors should stay invested in a flexi-cap fund for 3-5 years to get good returns.

(Cont.)

Active or passive?

Index funds are good for passive investors or for core portfolios. However, an investor should not go for an index fund just to save on the costs of investing. If you or your advisor can generate at least 2-3% extra return from your portfolio by actively managing the fund then you should go for active funds. Investors should go for SIP in the current scenario which is suitable for all times. But if you have a lump sum then you should invest in three to four instalments whenever the market corrects around 5%. As it is very difficult to time the markets, taking the systematic transfer route from a debt hybrid fund is more suitable for retail investors.

Spreading your money across balanced funds, flexi-cap funds and index funds can help reduce the risks and develop an ideal investment portfolio for the long run.

Index Funds AUM grew by 590%, ETFs by 117% since 2020

Passive investing has gained popularity since Covid hit the Indian shores two years ago. Since February 2020, the number of index funds have increased 144% and the assets managed by them grew 590%, says data collated by Morningstar India.

Index funds have been the talk of the town in the last one year. There were 32 index funds in the market in February 2020. The number today stands at 78. The total AUM in index funds stood at Rs 7,930.48 in February, 2020. In February 2022 the figure was Rs 54,737.46.

ETFs other than gold ETFs also saw investor interest in the recent years. There was a sharp increase of 57% in the number of schemes and 117% increase in the AUM of these ETFs. ETFs have been getting traction because of their low-cost structures and innovative themes. However, data shows that retail investors still prefer index funds for their simplicity.

Gold ETFs became the buzz word amid the uncertainty created by the Covid-19 pandemic. Even though the number of ETFs remained the same in the last two years, there was an increase of 136% in AUM since Feb, 2020.

Apart from index funds and ETFs, schemes investing in overseas stocks have seen increase in traction. The assets under management of these funds have increased by a total of 710% in the last two years. There is also a jump of 63% in the number of schemes launched in this segment since Feb, 2020. The number of schemes in the segment increased from 27 to 44 in two years.

GLOSSARY

Asset Management Company (AMC)

It is the investment manager for the mutual fund. It is a company set up primarily for managing the investment of mutual funds and makes investment decisions in accordance with the scheme objectives, deed of Trust and other provisions of the Investment Management Agreement.

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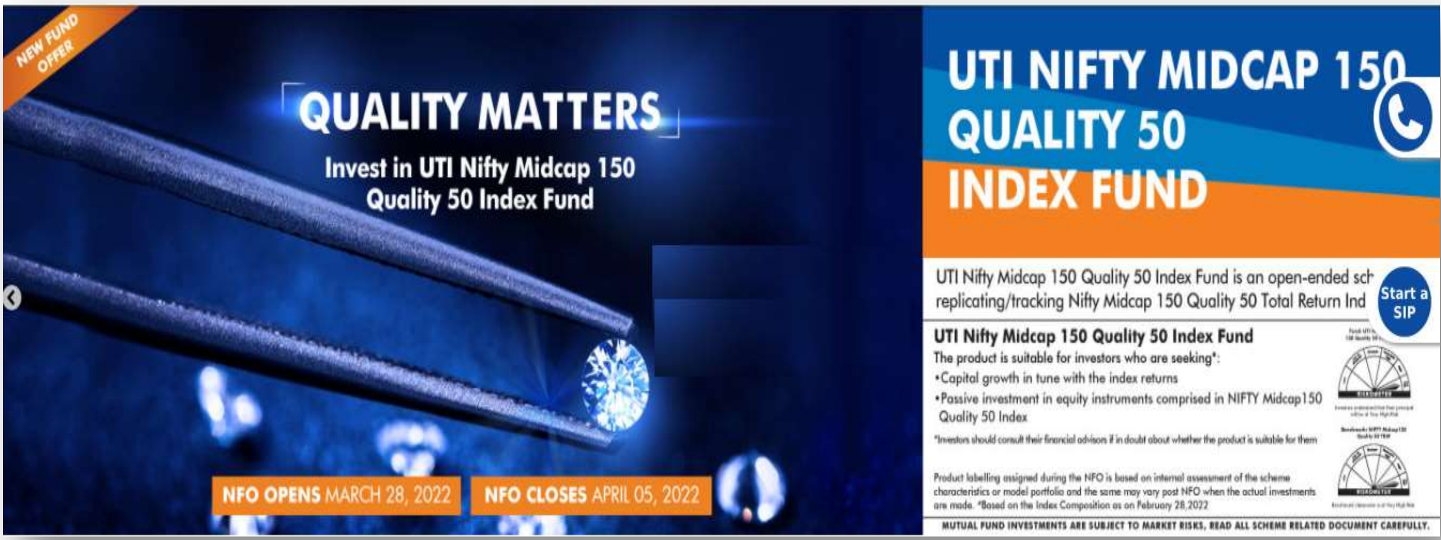
New Fund Offer(NFO)



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