

WEEKLY UPDATE

27th September 2024

Version:- 24.25.16

SENSEX
85,571.85 ↑0.75%

NIFTY
26,178.95 ↑0.92%

Key Highlights

- Mutual fund SIP crosses Rs 23,000 crore mark for second consecutive month
- Magic of compounding: ₹1 lakh invested in this mutual fund scheme 28 years ago turned into ₹3.4 crore
- MF industry's investor count just short of 5 crore
- Mutual fund assets spike 40% in a year on equity-oriented schemes, higher retail participation: AMFI data
- Mutual funds are now 31% of the bank deposits
- What is Mutual Fund Lite? All you need to know about the new asset class that may become a reality on Sept 30

Equity Mutual Funds: Over 35% XIRR in three and five years

	Three year return	Five year return
Bank of India Small Cap Fund	37.49%	38.53%
Edelweiss Mid Cap Fund	41.19%	36.72%
Edelweiss Small Cap Fund	35.99%	36.88%
Franklin India Smaller Cos Fund	39.58%	37.78%
HDFC Mid-Cap Opportunities Fund	39.74%	35.99%
HSBC Small Cap Fund	37.49%	38.47%
Invesco India Smallcap Fund	41.09%	37.78%
JM Value Fund	42.78%	35.65%
LIC MF Small Cap Fund	36.94%	36.18%
Mahindra Manulife Mid Cap Fund	40.71%	35.68%
Motilal Oswal Large & Midcap Fund	43.68%	35.74%
Motilal Oswal Midcap Fund	48.75%	42.43%
Nippon India Growth Fund	40.94%	36.95%
Nippon India Multi Cap Fund	38.06%	35.38%
Nippon India Small Cap Fund	41.21%	42.01%
Quant Flexi Cap Fund	35.14%	37.19%
Quant Mid Cap Fund	36.97%	38.00%
Quant Small Cap Fund	41.89%	48.31%
SBI Contra Fund	35.19%	36.09%
Tata Small Cap Fund	38.66%	38.33%

(XIRR as on September 24, 2024)

Chart: ET Online • Source: ACE MF

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

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Mutual fund SIP crosses Rs 23,000 crore mark for second consecutive month

Mutual fund SIP contribution has crossed Rs 23,000 crore mark for the second consecutive month and stood at Rs 23,547 crore in August against Rs 23,332 crore in July.

The mutual fund industry's net AUM stood at Rs 66.70 lakh crore in August and Rs 64.96 lakh crore in July. The AAUM for August was Rs 66.04 lakh crore against Rs 64.70 lakh crore.

The mutual fund folios were at an all-time high of 20,45,21,639 in August. The retail mutual fund folios, which include equity+hybrid+solution oriented, were also at an all-time high of 16,35,50,846 in August against 15,89,35,085 in July.

The retail AUM, which includes equity+hybrid+solution oriented, stood at Rs 39.27 lakh crore in August with an average AUM of Rs 38.65 lakh crore. The number of new SIPs registered in August stood at 63,93,602.

The SIP AUM was at its highest ever of Rs 13.38 lakh crore in August compared to Rs 13.09 lakh crore in July. The number of SIP accounts stood at the highest ever at 9,61,36,329 in August 2024 against 9,33,96,174 in July.

“The industry assets rose to a new high, with an asset base of Rs.66.70 lakh crore at the end of August 2024. The positive inflow, along with folio count surpassing 20 crores, reflect investor confidence and a growing appreciation for mutual funds as a preferred investment avenue. The steadily increasing SIP contribution of Rs. 23,547 crores in August 2024 highlights the shifting investor sentiment towards disciplined and long-term wealth accumulation,” said Venkat Chalasani, Chief Executive, AMFI.

He added, “As mutual funds remain a key stabilising factor for equity markets in India, our commitment towards transparency and excellence remains resolute as we strive to deliver exceptional investment experience and adapt to the evolving needs of our investors.”

“Net flows continue to remain encouraging with SIP and NFO inflows. Sectoral / thematic category of schemes witnessed strong inflows due to NFO. NFO seem to be the preferred route for investors to take a lumpsum allocation to mutual funds since schemes have the flexibility to invest over a stipulated time period,” said Manish Mehta, National Head - Sales, Marketing & Digital Business, Kotak Mahindra AMC.

“Over 5 crore unique folios indicate the growing penetration of mutual funds while 20 crore investor folios indicate the increase in wallet share and preference for mutual funds as a saving vehicle and tool for wealth creation. Fund of Funds seem to be evoking interest post the taxation changes with good positive flows after a long period of time,” said Madhu Nair, Chief Executive Officer at Union Mutual Fund.

WEEKLY UPDATE

27th September 2024

Version:- 24.25.16

Magic of compounding: ₹1 lakh invested in this mutual fund scheme 28 years ago turned into ₹3.4 crore;

Staying invested in a mutual fund scheme over a long period of time delivers disproportionately high returns in the later years of a scheme's tenure vis-à-vis the first few years.

This happens since the returns accrued by a mutual fund in the first few years are added to the corpus, thus enabling the scheme to deliver higher returns in the later years. The rapid pace of returns delivered by the scheme in the later years is known as the 'power of compounding' or magic of compounding.

Here, we handpick one mutual fund scheme — HDFC ELSS Tax Saver — to demonstrate how high returns given by one mutual fund scheme can grow significantly over a period of time.

Tenure	₹1 lakh becomes	Annualised return (%)
1 year	1.45 lakh	45.38%
3 years	2.03 lakh	26.62%
5 years	2.74 lakh	22.37%
10 years	3.86 lakh	14.47%
Inception	3.41 crore	22.84%

[Source: [hdfcfund.com](https://www.hdfcfund.com); Regular plan (growth option) as on July

As one can see in the table above, if someone had made an investment of ₹1 lakh a year ago, it would have grown to ₹1.45 lakh as on July 31, 2024, according to the data on the AMC's website. If the same investment had been made three years ago, it would have grown to ₹2.03 lakh by growing at 26.62 per cent.

In a span of five years, the same investment would have swelled to ₹2.74 lakh. Likewise, an investment of ₹1 lakh could have grown to ₹3.86 lakh in a decade.

And if the same investment had been made at the time of the scheme's launch on March 31, 1996, it would have grown considerably to ₹3.41 crore by now.

About the scheme

The scheme was launched on March 31, 1996. The top 10 holdings in the scheme are ICICI Bank, Axis Bank, Cipla, Bharti Airtel, HCL Technologies, HDFC Bank, Hindustan Aeronautics, State Bank of India, SBI Life Insurance and Apollo Hospitals Enterprise.

The minimum SIP is ₹500 and the scheme benchmark is Nifty 500 Total Returns Index (TRI).

The scheme's assets under management (AUM) amount to ₹16,422 crore. Roshi Jain and Dhruv Muchhal manage the scheme.

WEEKLY UPDATE

27th September 2024

Version:- 24.25.16

MF industry's investor count just short of 5 crore

The number of unique mutual fund investors, identified by their PAN reached close to 5 crore across the industry.

Such a number grew by 10 lakh in August 2024. This took the total investor count to 4.91 crore up from 4.81 crore in July 2024.

Here are other key highlights of the month gone by.

Individual assets

Individual investors now account for 62% of the total MF AUM. HNIs and retail investors collectively have AUM of Rs.41.50 lakh crore

Distributors account for 84% of the total individual AUM

Folio count growth

The mutual fund industry saw a significant increase of 61 lakh new folios in August

As a result, the total folio count rose to 20.45 crore in August 2024 compared to 19.84 crore in July 2024

T30 and B30 assets

Of the total AUM of Rs.67 lakh crore, Rs.54 lakh crore (81%) has come from T30 locations

Rs.13 lakh crore or 19% of the total MF AUM is B30 assets

Average AUM per folio

The average AUM per folio of retail investors is Rs.2.04 lakh, For the overall industry, combining retail and corporate investors, the average AUM per folio is Rs.3.26 lakh

SIP accounts

The MF industry added 64 lakh new SIP accounts, However, 37 lakh SIP accounts either matured or were discontinued last month.

As a result, there was a net addition of 27 lakh new SIP accounts in August

The total number of SIP accounts reached 9.61 crore, with equity schemes holding the majority (82%), totaling 7.86 crore SIP accounts

Mutual fund assets spike 40% in a year on equity-oriented schemes, higher retail participation: AMFI data

The assets managed by the mutual fund industry in the country rose by 40.70 per cent in the past one year, rising from ₹46.94 lakh crore in August 2023 to ₹66.04 lakh crore in August this year, the data released by the Association of Mutual Funds in India (AMFI) revealed.

This jump is noteworthy because it is attributable to an increase in retail investors' investment, particularly in equity schemes. Sample this: the value of assets held by individual investors in mutual funds rose from ₹27.15 lakh crore in August 2023 to ₹40.36 lakh crore in August 2024, a whopping 48.67 per cent increase.

WEEKLY UPDATE

27th September 2024

Version:- 24.25.16

Why are SIPs considered a good way to accumulate wealth over a long tenure?

If you have started making investments in mutual funds, you will be tempted to invest in lumpsum. Most wealth advisors, meanwhile, would tell you to go slow and go systematically. This is simply because it is quite convenient to invest in mutual funds via systematic investment plans (SIPs).

For the past 14 consecutive months, overall SIP inflow has been rising month after month, reveals the data released by the Association of Mutual Funds in India (AMFI). As on Aug 31, mutual fund SIP accounts stood at 9.61 crore and the total amount collected through SIP during August 2024 was ₹23,547 crore.

Month	SIP (₹crore)
April	20371
May	20904
June	21262
July	23332
Aug	23547

(Source: AMFI)

Wealth creation over time

Have you ever wondered how much wealth you stand to create if you were consistent in investing ₹10,000 over a long period of time.

A humble investment of ₹10,000 over 5 years can grow to ₹8.25 lakh when it rises at the rate of 12 percent per annum. Over a period of 10 years, the same consistent investment of ₹10,000 swells to ₹12 lakh.

Over a 15-year period, you can accumulate ₹50.46 lakh by investing ₹18 lakh, and over 20 years, this becomes almost ₹one crore while the total investment is ₹24 lakh only.

Tenure	Investment	Corpus
5 years	6 lakh	8.25 lakh
10 years	12 lakh	23.23 lakh
15 years	18 lakh	50.46 lakh
20 years	24 lakh	99.90 lakh

So, as one can see, the growing faith in the SIPs is not a coincidence or a fluke. It, in fact, stems from a range of benefits offered by the SIPs. Here we share some of the key benefits of investing in mutual funds via systematic investment plans (SIPs):

WEEKLY UPDATE

27th September 2024

Version:- 24.25.16

Key advantages of investing in mutual funds via SIPs:

1. Rupee cost averaging: When you invest via SIPs, you get to buy units at different price points which help you maximise your gains at the time of redemption. Conversely, when you buy units at a high price, the probability of maximising the value at the time of redemption may fall if the units were bought at the time of bull run.
2. Convenient to invest: Investing in mutual funds via SIPs is far more convenient than investing in lumpsum. You can simply put your account on an auto invest so that a regular investment of (say) ₹500 or ₹1,000 is made every week/ month/ quarter.
3. Easy to cough up small units: When you invest in the small units of a mutual fund, it is considered far more convenient instead of investing huge sums in one instalments. For example, investing ₹10,000 a month is far easier than investing ₹1.2 lakh at the start of the year.
4. Investing discipline: Accumulating large sums of money requires discipline. Merely by being disciplined, you can create a huge corpus so long as you do it over a long period of time.

Mutual funds are now 31% of the bank deposits

A study done by Franklin Templeton Mutual Fund reveals that the AUM of mutual funds is 31.30% of the total bank deposits in India. This ratio was 24.20% a year ago. This proportion has tripled in 10 years. In March 2014, the AUM of mutual funds was 10.70% of the total bank deposits in India. While the AUM of mutual funds stood at Rs.66.70 lakh crore in August 2024, Indians have deposited Rs.213 lakh crore in banks.

Experts attribute this rise in popularity of mutual funds to the increasing awareness about mutual funds among savers.

Experts believe that the growth was due to a combination of three factors – digitalization facilitated ease of investment, higher returns attracted many investors and increased contribution of EPFO through passive funds. They said, “Both bank deposits and MF AUM depend on economic growth. Higher growth ensures higher savings and investment rates. However, if MF schemes continue to deliver good performance, it could come closer to bank deposits in future.” However, investor education has played a key role in this achievement.

Further, if we dig deeper, the AUM of equity funds including pure equity funds, aggressive hybrid funds, dynamic asset allocation fund and multi asset funds is 23% of the bank deposits. The equity AUM of the MF industry was Rs.48.90 lakh crore in Feb 2024.

On the other hand, debt funds have AUM to bank deposit ratio of just 8%.

Overall, while the MF AUM went up by CAGR of 21%, bank deposits saw 11% annual growth over the last five years.

WEEKLY UPDATE

27th September 2024

Version:- 24.25.16

These flexi caps gave over 20% annualised returns in the past 5 years, should you invest?

Are you planning to invest in a mutual fund scheme? The chances are that you would have examined the returns delivered by that scheme and compared the same with its peers in the same category to get a fair assessment.

Here, we try to compare the past five-year returns of flexi cap mutual funds, and sort the ones that rose by more than 20 percent in the past five years.

Flexi-cap mutual funds

These refer to the mutual fund schemes which invest across small cap, mid cap and large cap stocks. These funds must invest a minimum of 65 percent in equity and equity-related instruments. As per a Sebi circular on Nov 6, 2020, flexi cap mutual funds were introduced as a new category under the equity schemes.

They are similar to multi cap schemes on several counts but offer more flexibility than the latter since there is no restriction on the proportion of allocation to stocks belonging to one category of market capitalisation i.e., small cap, mid cap or large cap.

There are 39 schemes in the category of flexi cap funds with total assets under management (AUM) of ₹4.20 lakh crore as on July 31, 2024.

Here, we list out the returns given by flexi cap mutual funds in the past five years and shortlist the ones which gave more than 20 percent.

Flexi cap Funds	5-year-Returns (%)
Quant Flexi Cap Fund	36.98
JM Flexicap Fund	28.61
Parag Parikh Flexi Cap Fund	26.46
Franklin India Flexi Cap Fund	25.17
HDFC Flexi Cap Fund	25.16
PGIM India Flexi Cap Fund	24.05
Edelweiss Flexi Cap Fund	23.40
DSP Flexi Cap Fund	22.95
Union Flexi Cap Fund	22.67
HSBC Flexi Cap Fund	22.61
Canara Robeco Flexi Cap Fund	22.04
Aditya Birla Sun Life Flexi Cap Fund	21.58
<i>(Source: AMFI, returns as on Sept 5, 2024)</i>	

WEEKLY UPDATE

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What is Mutual Fund Lite? All you need to know about the new asset class that may become a reality on Sept 30

Capital markets regulator Securities and Exchange Board of India (Sebi) is expected to pave the way for the launch of mutual fund lite, which is aimed at bridging the gap between mutual funds (MFs) and portfolio management services (PMS).

The decision is likely to be taken at the Sebi's forthcoming board meeting on September 30, reported Business Standard, quoting sources.

Under the proposed framework, mutual funds that want to manage only passive schemes will be covered under the Mutual Fund Lite Regulations.

Existing mutual fund players will be permitted to launch the new asset class. In fact, several industry players have already started putting in place a team and started working on the strategies they plan to offer.

Sebi, in a consultation paper floated in July, had proposed a relaxed framework with light-touch regulations as MF Lite Regulations for passive mutual fund schemes. The intent is to promote ease of entry, encourage new players, reduce compliance requirements, increase penetration, facilitate investment diversification, increase market liquidity and foster innovation.

In the paper, markets regulator had proposed a number of measures to curb speculative activity in the futures and options (F&O) segment.

Total expense ratio

The total expense ratio (TER) charged by passive schemes across the industry is generally around 20 basis points. Hence, the TER charged on passive AUM of ₹10,000 crore would be approximately ₹20 crore. So, if 50 per cent of this is believed to be the management fee, the revenue for an AMC will be ₹10 crore.

So, in order to earn a revenue of ₹10 crore, an AMC will have to garner assets of at least ₹10,000 crore, which it may procure over a long period of time.

In view of the above, a minimum net worth of ₹35 crore for AMCs may be appropriate under the main eligibility route as the entire amount of this net worth of the AMC shall have to be deployed in liquid assets on a perpetual basis, Sebi had proposed in the paper.

A lower minimum net worth is expected to provide a desired head start for a cost-effective and competitive passive MF industry.

WEEKLY UPDATE

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New Fund Offer (NFO)



Presenting

LIC MF MANUFACTURING FUND

An open-ended equity scheme following manufacturing theme

NFO Opens:
20th September, 2024

NFO Closes:
04th October, 2024

Scheme reopens for continuous
sale and repurchase:
16th October, 2024

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Sources:- [Economic times](#), [Moneycontrol](#), [SEBI](#), [AMFI](#), [Cafemutual](#), [Livemint](#), etc.

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