Sakthi Financial Services

# WEEKLY UPDATE

**28th October 2024** **Version:- 24.25.18**

**SENSEX** 80,005.04 ↓1.41%

**NIFTY** 24,339.15 ↓1.78%

## Key Highlights

- Sept AMFI Data: Monthly MF SIP contribution tops Rs 24,000 crore mark for the 1st time
- Equity MFs Sahi Hai say investors, nearly double inflows to Rs 4.3 lakh crore
- Nippon India Mutual Fund suspends investments in overseas schemes
- HDFC MF, ICICI Pru MF and Nippon India MF are distributors favorites
- Bullish DIIs hit another milestone; net investments cross Rs 4 lakh crore in a year for first time ever
- 'Sustained inflows and strong fundamentals will save Indian markets from geopolitical events'

## Equity-debt split: How age and risk tolerance should guide your allocation

Both equity and debt investments are important. How you split your money between them depends on your age, your risk tolerance, and what you are saving for.

Asset allocation is not a one-size-fits-all strategy. It needs to be dynamic with the changes in a person's life, goals and market conditions.

By distributing your investments across various asset classes such as stocks, bonds, real estate, and cash, any poor performance of one investment can be offset by another investment. The strategy is less likely to significantly impact your entire portfolio.

While equities and bonds are the basic building blocks of any portfolio, other asset classes such as gold and real estate help in further diversification of your assets. This thumb rule can help you with a basic framework for asset allocation.

<u>Stocks versus debt allocation</u>

The following approach is designed to align risk tolerance with an investor's changing financial needs and risk capacity as they grow older.

<u>The formula is:</u>

- Percentage in stocks = 100 - your age
- Percentage in bonds = your age

(Cont.)

For example, if you're 40 years old, this rule suggests allocating 60 percent to stocks and the rest 40 percent to bonds such as debt funds or fixed-income instruments. This formula suggests that as you age, you should gradually decrease the proportion of stocks, which are more volatile, and increase bonds, which are more stable.

This approach works under the assumption that younger investors have more time to recover from market declines, while older investors prioritise stability as they approach retirement.

Although not a rule, younger investors may have fewer responsibilities towards their families, which might free them up for more risky investments like stocks.

Also, keep in mind that your Employee Provident Fund (EPF), Voluntary Provident Fund (VPF) and fixed deposits (FDs) also come under debt allocation.

## Aggressive early, conservative later

Investors in their 20s, 30s, and even 40s have a longer time horizon before they need to access their funds, allowing them to take on more risk. This often results in a higher allocation of assets in stocks. As you grow older and are in your 40s and 50s, start moderating risk by increasing bond allocation. This helps protect against market downturns while still allowing for growth through stock investments.

For investors near retirement, it is better to shift focus toward bonds or other low-risk assets to preserve capital and ensure stability.

However, older investors with a steady stream of income, ample emergency corpus and sufficient insurance can still look at higher equity allocation.

## Factors beyond age

While age plays a key role in asset allocation, it shouldn't be the sole criterion. Other factors should also be considered when determining your asset allocation.

Your investment time horizon is an important factor in determining asset allocation. For short-term goals, a more conservative approach such as investing in bonds and cash is usually advised to protect capital. In contrast, long-term goals can support more aggressive allocations toward stocks.

Also, your asset allocation also depends on your comfort level with market volatility. While stocks can be volatile in the short term, they often deliver higher potential returns over the long run. In contrast, bonds and cash are more stable but typically give lower returns. Along with volatility comes the ability to absorb losses. Are you comfortable with a short-term loss, or a market downturn can significantly affect your financial stability?

Keep these aspects in mind while allocating to different assets.

Although age serves as a valuable guideline for asset allocation, it should be considered alongside your unique financial situation, objectives, and risk tolerance. Relying exclusively on age may result in a disconnect between your needs and how your portfolio performs.

## Sept AMFI Data: Monthly MF SIP contribution tops Rs 24,000 crore mark for the 1st time

Even as equity mutual fund inflows fell by 10% in September, SIP contributions surged by 4%, crossing the Rs 24,000 crore mark for the first time.

The latest data from AMFI shows that monthly SIP contributions rose to Rs 24,508.73 crore in September, up from Rs 23,547.34 crore in August. According to the monthly data released by AMFI, the number of new SIPs registered in September stood at 6,638,857. Also, the SIP AUM reached an all-time high of Rs 13.81 lakh crore.

The total number of SIP accounts reached a record 98.744 million compared to 96.136 million in August. The average assets under management (AAUM) for September 2024 stood at Rs 68 lakh crore, up from Rs 66.04 lakh crore in August.

Mutual fund folios reached an all-time high of 210,515,684 in September 2024. Retail MF folios, which include equity, hybrid, and solution-oriented schemes, also reached an all-time high of 168,161,366 in September, compared to 163,550,846 in August.

Mutual fund folios reached an all-time high of 210,515,684 in September 2024. Retail MF folios, which include equity, hybrid, and solution-oriented schemes, also reached an all-time high of 168,161,366 in September, compared to 163,550,846 in August. The retail AUM, which includes equity, hybrid, and solution-oriented schemes, stood at Rs 40.44 lakh crore for September.

Equity mutual funds experienced positive inflows for 43 consecutive months, starting from March 2021. The inflows for growth/equity-oriented schemes in September amounted to Rs 34,419 crore.

“September 2024 has showcased the unwavering resilience. The consistent inflow of investments reflects the increasing trust and confidence in mutual funds. The industry's continued diversification into various product categories and innovative offerings is driving growth and providing investors with a wider range of options to meet their diverse financial goals,” said Venkat Chalasani, Chief Executive, AMFI.

“The industry assets rose to a new high, with an asset base of Rs 67.09 lakh crore at the end of Sept 2024. The mutual fund industry is proud to reach the milestone of 5,01,22,609 unique investors. This, along with a folio count surpassing 21 crores, underscores the efforts taken by the AMCs and distributors to spread financial awareness. The ‘Mutual Funds Sahi Hai campaign’ has helped build investor confidence, indicated by the growing appreciation for mutual funds as a preferred investment avenue. The steadily increasing SIP contribution of INR 24,508.73 crores in Sept 2024 highlights the shifting investor sentiment towards disciplined and long-term wealth accumulation,” he added. “As mutual funds remain a key stabilising factor for capital 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,” he further added.

## Which themes/sectors have the highest AUM?

An analysis of AMFI data by Cafemutual shows that infrastructure, IT & technology and banking and financial services have the highest AUM in September 2024 across thematic/sectoral fund categories. The data includes funds which have completed at least one year as on September 2024.

Let us look at the table to know more. (₹ Crore)

| Theme | AUM (Sept 2024) |
|---|---|
| Infrastructure | 50856 |
| IT & Technology | 39459 |
| Banking & Financial Services | 38511 |
| Opportunities | 30303 |
| Business Cycle | 29310 |
| Pharma & Healthcare | 27866 |
| Consumption | 27470 |
| MNC | 16271 |
| PSU | 13841 |
| Manufacturing | 11552 |
| ESG | 11501 |
| Innovation | 10740 |
| Transportation & Logistics | 8847 |
| International | 7725 |
| Other | 5094 |
| Housing | 4677 |
| Commodities | 4231 |
| Services | 3906 |
| Quant | 3863 |
| Defense | 3835 |
| Ethical (Shariah) | 3524 |
| FMCG | 1872 |
| Consumer Trends | 1778 |
| Oil & Gas | 1293 |
| Recently Listed IPO | 935 |
| **Total** | **359260** |

## Best mutual funds: These 5 schemes across the equity spectrum gave highest returns in the past 5 years.

Before investing in a mutual fund scheme, investors tend to compare the past returns delivered by the scheme vis-a-vis others schemes in the same category. This gives an indication of the scheme's future growth potential. Although wealth advisors often point out that relying on the past returns alone is not advisable, they, however, play a key role in the investor's decision making process. So, it is advisable to look beyond the past returns and examine other factors such as the category it belongs to, macro economic factors and reputation of fund house and even the past performance of fund manager in case of an active scheme.

### Top Five Equity Mutual Fund Categories

### I. Sectoral/thematic Mutual Funds

These schemes are meant to invest a minimum of 80 percent of assets in stocks of a particular sector/ theme. Within this category, sectoral funds refer to the schemes which invest in a particular sector of the economy such as infrastructure, banking, technology or pharmaceuticals.

| Sectoral/thematric funds | 5-year-returns (%) |
|---|---|
| Quant Infrastructure Fund | 38.07 |
| Invesco India Infrastructure Fund | 32.67 |
| ICICI Prudential Pharma Healthcare & Diagnostics Fund | 33.12 |
| ICICI Prudential Infrastructure Fund | 32.78 |
| Bandhan Infrastructure Fund | 32.08 |

(*Source: AMFI, returns as on Oct 11, 2024*)

### II. Flexi Cap Mutual Funds

These mutual funds are meant to invest a minimum of 65 percent of assets in equity and equity related instruments with exposure to large cap, mid cap and small cap stocks in no specific proportion.

| Flexi cap funds | 5-year-returns (%) |
|---|---|
| Parag Parikh Flexi Cap Fund | 26.46 |
| Quant Flexi Cap Fund | 35.85 |
| Franklin India Flexi Cap Fund | 24.25 |
| JM Flexicap Fund | 26.14 |
| HDFC Flexi Cap Fund | 25.00 |

(Cont.)

(*Source: AMFI, returns as on Oct 11, 2024*)

## III. Mid Cap Mutual Funds

**These refer to mutual fund schemes which invest a minimum of 65 percent of their assets in mid cap stocks.**

| Mid cap funds | 5-year-returns (%) |
|---|---|
| Motilal Oswal Midcap Fund | 33.96 |
| Nippon India Growth Fund | 31.72 |
| Edelweiss Mid Cap Fund | 31.83 |
| PGIM India Midcap Opportunities Fund | 31.18 |
| Quant Mid Cap Fund | 36.39 |

(*Source: AMFI, returns as on Oct 11, 2024*)

## IV. Large Cap Mutual Funds

**These refer to mutual fund schemes which invest a minimum of 80 percent of assets in large cap stocks.**

| Large cap funds | 5-year-returns (%) |
|---|---|
| ICICI Prudential Bluechip Fund | 21.17 |
| Invesco India Largecap Fund | 20.09 |
| Nippon India Large Cap Fund | 22.18 |
| Canara Robeco Bluechip Equity Fund | 19.82 |
| Baroda BNP Paribas Large Cap Fund | 19.80 |

(*Source: AMFI, returns as on Oct 11, 2024*)

## V. Small Cap Mutual Funds

**These refer to mutual fund schemes which invest a minimum of 65 percent of their assets in small cap stocks.**

| Small cap funds | 5-year-returns (%) |
|---|---|
| Bank of India Small Cap Fund | 38.11 |
| Canara Robeco Small Cap Fund | 35.72 |
| Nippon India Small Cap Fund | 37.80 |
| Quant Small Cap Fund | 48.58 |
| Tata Small Cap Fund | 34.72 |

(*Source: AMFI, returns as on Oct 11, 2024*)

## Equity MFs Sahi Hai say investors, nearly double inflows to Rs 4.3 lakh crore

Retail investors have allocated large sums to equity mutual fund plans in the past one year, buoyed by higher past returns, simplified products, tax efficiency, deeper penetration, and increased use of pooled funds as a wealth creation tool.

Net inflows into equity-oriented schemes rose 95% to ₹4.3 lakh crore in September 2024 from ₹2.21 lakh crore a year ago, while inflows through systematic investment plans (SIP) increased by 41% to ₹2.43 lakh crore, compared with ₹1.72 lakh crore in the same period.

## Nippon India Mutual Fund suspends investments in overseas schemes

After briefly re-opening subscriptions in its international schemes this week, Nippon India Mutual Fund has announced a temporary suspension, effective from October 18, 2024.

The suspension applies to all modes of investments, including lumpsum, switch-in, fresh Systematic Investment Plan (SIP) or Systematic Transfer Plan (STP). The affected schemes are as follows:

- Nippon India US Equity Opportunities Fund
- Nippon India Japan Equity Fund
- Nippon India Taiwan Equity Fund
- Nippon India ETF Hang Seng BeES

Existing SIP/STP will continue to be processed. Further, the restriction doesn't apply to intra-scheme switches between plans and options. The decision aims to comply with SEBI rules concerning industry-wide limits on overseas investments.

## HDFC MF, ICICI Pru MF and Nippon India MF are distributors favorites

A Cafemutual analysis of AUM data of various AMCs shows that HDFC MF, ICICI Pru MF and Nippon India MF have the highest AUM from non-associate distributors.

Non associate distributors are essentially those who are not affiliated to the sponsors of AMC. In other words, this comprises individual MFDs, non-affiliated banks and non-affiliated NDs.

HDFC MF has the highest non-associate assets with a non-associate AUM of Rs. 4.20 lakh crore. The fund house derives 54% of its total assets from such partners.

ICICI Prudential MF and Nippon India MF occupy the second and third position with non-associate AUM of Rs. 4.02 lakh crore and Rs. 2.59 lakh crore, respectively. Both the fund houses receive over 46% of its assets from non-associate distributors.

UTI MF and SBI MF are the next two with non-associate assets of Rs. 2.60 lakh crore and Rs. 2.50 lakh crore, respectively.

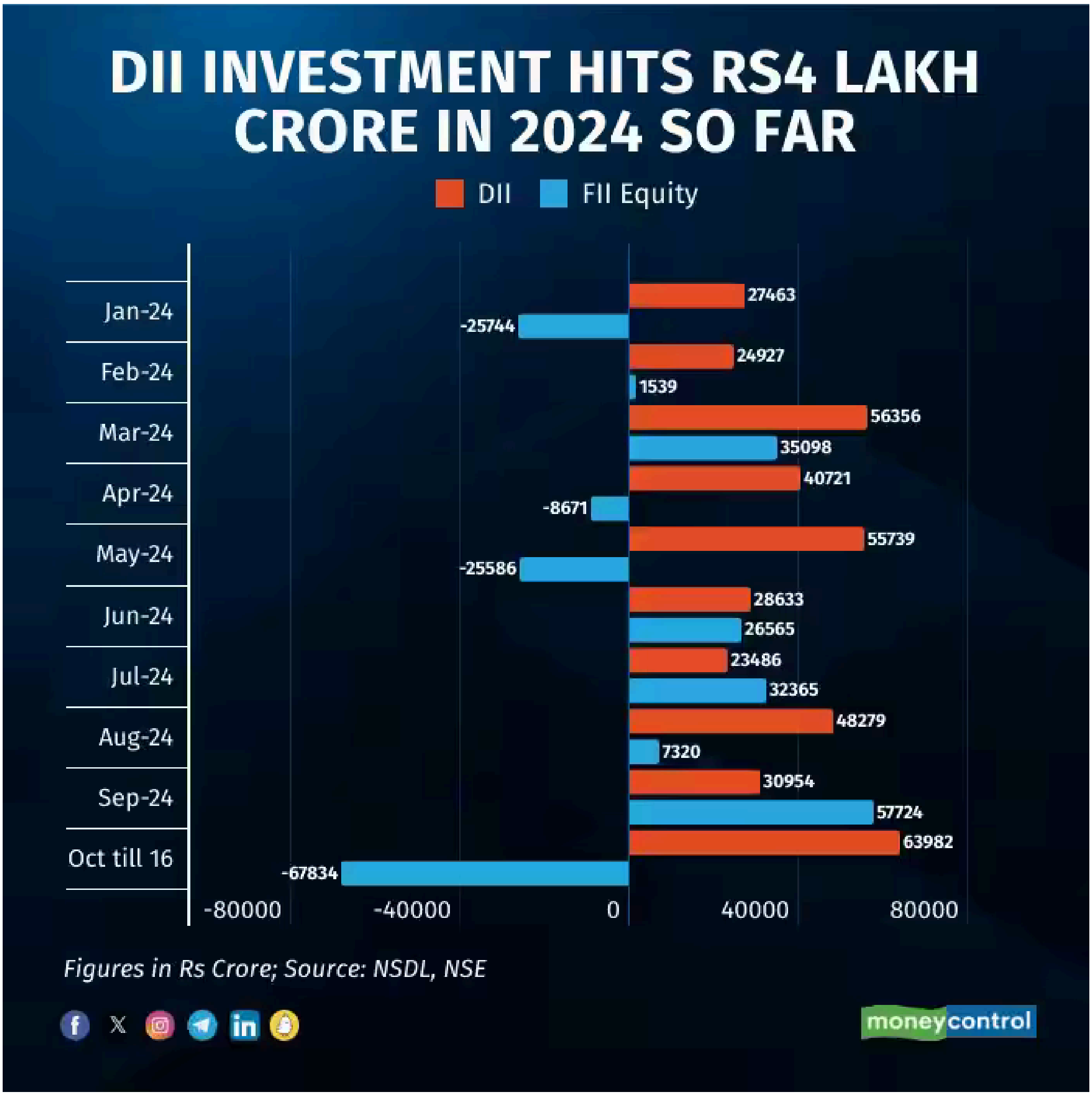
Other fund houses with high non-associate AUM include Kotak MF (Rs. 2.40 lakh crore), Aditya Birla MF (Rs. 1.90 lakh crore), Axis MF (Rs. 1.40 lakh crore), Mirae Asset MF (Rs. 1.20 lakh crore) and DSP MF (Rs. 1.10 lakh crore).

## Bullish DIIs hit another milestone; net investments cross Rs 4 lakh crore in a year for first time ever

Domestic institutional investors (DIIs) have invested more than Rs 4 lakh crore in the stock market this year, setting an annual record with two months to spare.

This significant surge in investments coincides with a sell-off by foreign investors in October, which is primarily driven by geopolitical tensions. FPIs have been net sellers at nearly Rs 68,000 crore in October so far.

the first trillion rupees of DII investments in 2024 was reached in 57 trading sessions, the second trillion in 40 sessions, the third trillion in 60 sessions, and the fourth trillion in a record 31 sessions. In October, DIIs invested over Rs 60,000 crore, the highest monthly inflow on record, even as foreign investors sold almost an equivalent amount of equities. This also marked the 15th consecutive month of net buying by DIIs.



## ‘Sustained inflows and strong fundamentals will save Indian markets from geopolitical events’

Motilal Oswal Private Wealth has alerted the Indian markets on the impact of increasing crude oil prices and geopolitical events in its Alpha Strategist October 2024 Report. However, the report also says that sustained inflows from domestic investors and strong corporate fundamentals will act as a ‘Suit of Armour’ for Indian markets and cushion the valuations. The report also said that the time has come to lower the expectations on earnings growth.

Here’s what the report has to say on the markets and portfolio strategy.

Market view

- Indian volatility index (VIX) has increased by 25% from 12 to 15 in a few days
- Nifty Smallcap 250 and Nifty Midcap 150 are trading at significant premium of 38% and 35%, respectively compared to their long-term average
- Decent earnings growth and return on equity are expected across Indian companies and sectors
- Crude oil prices have shot up due to the recent Iran-Israel tension

Gold Outlook

- Geopolitical tensions have added to the risk premium for gold; further escalating tensions could continue to boost its appeal
- Central bank buying, festive and wedding-related domestic demand could boost sentiments
- Over the next 2 years, gold could be on track to hit fresh highs

Portfolio strategy

- Investors should follow a staggered investment approach in equity by investing in large and multi cap strategies over a 3-month period and in mid and small cap strategies over 6-12 months
- 30-35% of the portfolio should be invested in multi asset allocation funds and equity savings funds
- In fixed income, 30% of the portfolio should be in actively managed duration funds and long-term maturity G-sec papers to benefit from accrual income and potential mark-to-market gains, 30-35% of the fixed income portfolio can be invested in private credit strategies, REITs/InvITs & select high yield non-convertible debentures (NCDs), Investment can be made in floating rate instruments for 9 to 12 months and in arbitrage funds for 3 to 6 months for liquidity management

Sources:- Economictimes, Moneycontrol, SEBI, AMFI, Cafemutual, Livemint, etc.