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November 2015 – New Delhi

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EXECUTIVE SUMMARY

While the Indian mutual fund industry has registered a six-fold increase in AUM over the last 10 years, it is yet to emerge as the preferred investment choice for retail investors in India.

More than 50 years have gone by since UTI started its first sale in July 1964, and we believe that in the next few years, the industry will perform closer to the original mandate of encouraging and mobilizing savings of small investors.

The confluence of emerging technology and enabling regulation will facilitate the industry to broaden and deepen its reach amongst retail investors.

- Evaluation of e-commerce platforms to sell mutual funds is currently underway, and a positive outcome will help unlock the buying power of the 400 mn Internet users and 1 bn mobile phone users in India;

- Financial inclusion has received a fillip with the JAM number trinity (Jan Dhan, Aadhar& Mobile), and opening of 192 mn Jan Dhan accounts in 15 months with a deposit base of Rs 27,000 crore. This builds the case forevaluating adoption of a similar model and cross-selling opportunities;

- More clarity on E-KYC and its subsequent adoption will aid the penetration amongst the hitherto un-served segment;

- The recently approved payment banks, with permission to sell third-party mutual fund products are expected to improve the reach.

In the context of improving the financial literacy and awareness among retail investors, AMCs have conducted around 60,000 investor awareness programmes in the past 60-odd months across 500 cities in India, and have reached out to 1.8 mn participants. This is an ongoing initiative and is expected to improve the low penetration of mutual funds in the Indian market. With individual investors relying heavily on distributors for purchase of mutual funds, AMCs will continue their focus on distribution network along with an emphasis on increasing sale of direct plans.

We believe that these enablers will help the industry to increase its customer base in a cost-effective manner from 42 mn retail accounts and increase their ticket size.While these measures will enable customer acquisition, AMCs need to focus on retaining customers through sale of simpler products, demonstrating better fund performance, better service quality and deployment of analytics. The industry has witnessed consolidation, and the trend is expected to continue with increasing focus on improving performance.

1.0 INDUSTRY OVERVIEW

1.1 Player profile

More than 40 Asset Management Companies [AMC] have set up their operations since the liberalization of the Indian economy in 1993. Currently, 44 AMCs are operating in India and these comprise private sector companies, joint ventures (including those with foreign entities), bank-sponsored, etc. The industry has a tiered structure with the top 7 AMCs having 70% of the industry Asset under Management [AUM].

AUM analysis across AMCs (March 2015)				
	AMC AUM as % of industry AUM	Nos of AMCs	AMC AUM range (Rs cr)	Group AUM as % of industry AUM
Group I	10% - 14%	4	110,000 - 150,000	49%
Group II	5% - 10%	3	60,000 - 80,000	20%
Group III	2% - 5%	6	20,000 - 50,000	18%
Group IV	1% - 2%	6	10,000 - 20,000	6%
Group V	<1%	25	30 - 8,000	7%

Table 1.1 *Source: AMFI, ICRON analysis*

1.2 Customer segments

Institutional investors currently hold 54% of assets with individual investors increasing their share from 45% to 46% in the last one year (source: AMFI). The institutional investor group comprises corporates (85%) as well as Indian and foreign institutions and banks.

The number of investor accounts had hit a low of 39.5 mn in March 2014 compared to levels of 48 mn witnessed in 2009. There has been a recovery in the last one year, and the figure increased to 42.8 mn by June 2015. 99% of such accounts are individual investor accounts, which include both retail and High NetworthIndividual [HNI] investors (ticket size greater than Rs 5 lakh).

Composition of investor accounts *(as on June 30, 2015)*	
	Nos of accounts (million)
Retail investors	40.88
HNI investors	1.52
Institutional investors	0.37

Table 1.2 *Source: AMFI, ICRON analysis*

1.3 Buying behaviour

The two segments of individual and institutional customers reflect significant differences in the nature and rationale of their buy, usage of distribution channel, place of origination of sale and ticket size.

The choice of asset reflects the difference in investment objectives of the two customer segments – capital protection and return optimization for the institutional investor vis-à-vis long-term growth for a retail investor.

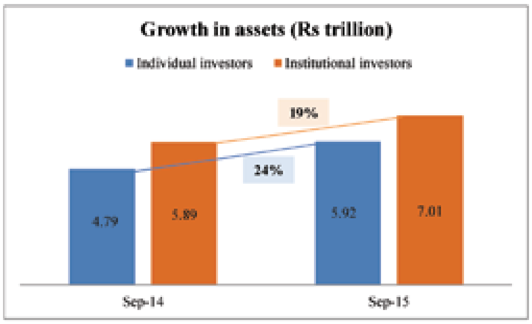
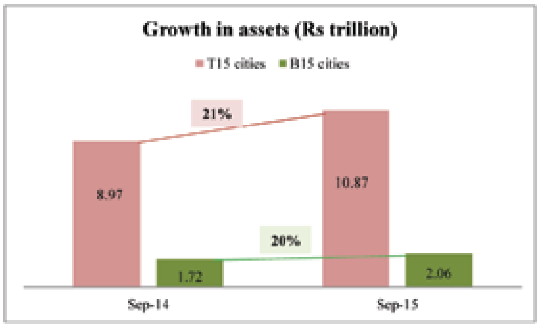


Chart 1.1 *Source: AMFI, ICRON analysis*

- 58% of individual investor assets are held in equity oriented schemes;
- 88% of institution assets are held in liquid / money market and debt-oriented schemes.

With institutional investors located in Top-15 cities [T15], these cities continue to form the core catchment area for fund collection for the industry. Focused outreach programmesby AMCs has led Beyond-15 towns [B15] increasing their proportion in asset collection to 16% as on September 2015.



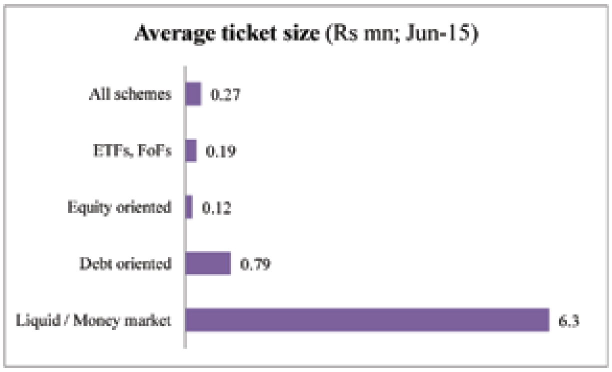
- Institutional assets – T15: 90% & B15: 10%;
- Individual assets - T15: 77% & B15:23%;
- T15 asset mix - equity: 29% & non-equity: 71%; B15 asset mix – balanced mix with both

Chart 1.2 *Source: AMFI, ICRON analysis*

Acquisition of individual investors has typically been done through the distributor network, and around 60% of total assets are garnered through this route. The two client segments with their separate preferences for different types of schemes demonstrate varied preference for direct plans vis-à-vis those sold through distributors.

With non-equity oriented schemes purchased primarily by institutional investors, the proportion of direct purchase is 60% for these schemes. AMFI data for September 2015 reveal that investment for 11% of retail investors and 15% of HNI investors was through the direct route.

Variations in ticket size are noticeable across different scheme types and customer segments, and this impacts the operating model of the AMCs.



- Institutional investors (incl FIIs, excluding corporates) – Rs 130 mn;
- Corporates – Rs 14 mn;
- HNI – Rs 2.1 mn;
- Retail investors – Rs 0.06mn.

Chart 1.3 *Source: AMFI, ICRON analysis*

The investment objective of different customer segments is reflected in the differences in the average holding period between equity and non-equity schemes. Equity assets have a longer holding period, as individual investors investing in these schemes have a longer-term perspective to realize their growth objectives.

Chart 1.4 *Source: AMFI, ICRON analysis*

The product portfolio as well as customer acquisition and retention strategy of the different AMCs reflect their target segments, as there are significant differences in product preferences and buying patterns across the segments.

1.4 Customer engagement

AMCs have initiated multi-pronged measures to engage with customers from different socio-economic tiers to widen their base and increase ticket size.

The District Adoption Programme[DAP] and the Investor Awareness Programme [IAP] done by each AMC are aimed at improving awareness about mutual funds in locations that have nil or minimal penetration of mutual funds. AMCs have held 6,600 IAP across 250 cities covering 0.26 mn participants in the first six months of the current fiscal year. Approximately 60,000 IAP have been held across 500 cities between May 2010 to October 2015 and 1.8 mn participants have attended these programmes.

AMCs are deploying technology to engage with existing and potential customers in urban and semi-urban areas as most are regular Internet users. Apart from improving the ease of use of their websites, AMCs are using WhatsApp, Facebook and other social media services to reach out to prospects and customers. There exist a range of mobile apps for tracking and transacting portfolios, where some even offer a WhatsApp integration of such applications. Using social media channels to communicate and leveraging technology to invest, redeem and switch funds using mobile phone apps would help attract a new segment of customers, especially the burgeoning pool of young working population.

With HNIs being a key customer segment, many AMCs and foreign banks undertake tailored programmes to increase their engagement with this segment. They curate events that are relevant and aligned with the social and cultural interests of this segment, and use these platforms to engage with HNI customers.

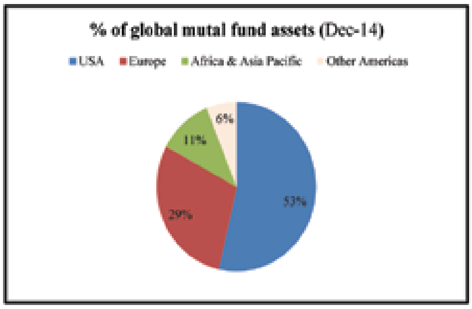
The adoption of the industry-wide goal of improving retail participation has led to the market witnessing multiple outreach initiatives. While some of the mass-outreach initiatives are similar across the different AMCs, others are customized to offer a differentiated experience to their customer base.

We believe that there are certain game-changers in the offing, which will provide a fillip to this process and lead to the growth and increasing maturity of the individual investor segment.

2.0 INDUSTRY TRENDS

2.1 Growth in global AUM

AUM of world-wide mutual funds and exchange-traded funds [ETF] stood at $33.4 trillion at year-end 2014, with more than 80% of the assets held across USA and Europe.



- Dec 31, 2014 - AUM of Indian AMCs at Rs 10.5 trillion;
- Equivalent to 0.5% of global AUM.

Chart 2.1 *Source: ICF 2015, ICRON analysis*

Mature markets of USA and Europe have demonstrated lower CAGR for the 5-year period starting from the beginning of this decade. Higher growth in India represents the latent potential of the Indian market which can be tapped to improve the penetration of the mutual fund industry in India.

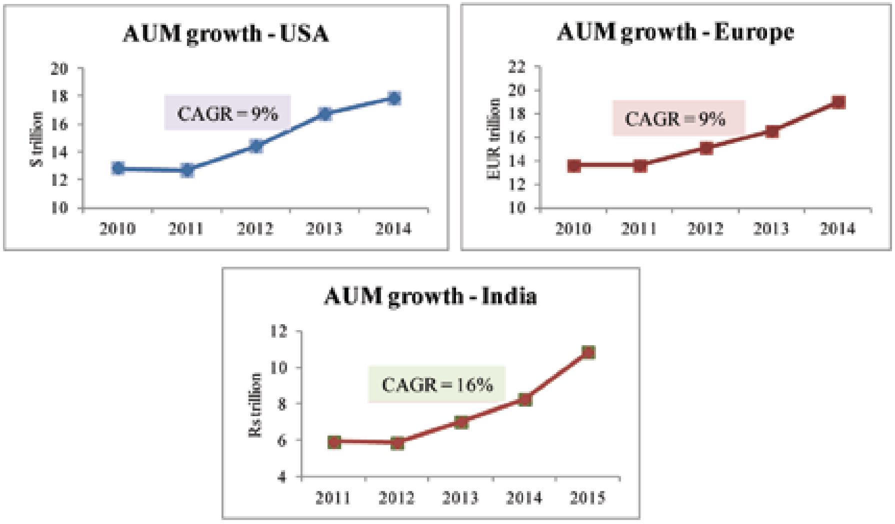


Chart 2.2 *Source: ICF 2015,EFAMA 2015, AMFI, ICRON analysis*

While the average AUM to GDP ratio stands at 7% for India and is considerably lower than the global figure, there is a wide variation across the different districts of India. A SEBI study (2013) reveals that key districts with high volume of fund collection have a figure of around 30%, comparable to the global estimate. However, other districts have figures as low as 2%, highlighting the geographic concentration in the domestic AUM build-up.

2.2 Demand drivers in global markets

Retail investors hold 89% of mutual fund assets in USA, and they rely on these funds to meet their long-term financial objectives especially building their retirement corpus and education savings. 94% of such households hold mutual fund shares inside employer-sponsored retirement accounts, Individual Retirement Accounts and other tax deferred accounts. Survey shows that from 2005 onwards, 68% of individuals have made their first purchase in mutual funds in employee-sponsored retirement plans. 90 mn retail investors have holdings in mutual funds, which imply that 43% of all US households owned mutual funds in 2014.68% of US retail investors hold more than half of their financial assets in mutual funds, with $103,000 being the median value of mutual fund assets (source: ICF 2015).

Institutional clients' share of AUM in the European mutual fund market rose from 69% in 2007 to 74% in 2013. Institutional clients comprise primarily insurance companies (39% of AUM) and pension funds (33% of AUM), and they rely on the expertise of the fund managers to manage the contributions collected from their members. Households contribute a significant share of the institutional client segment through their ownership of unit-linked products offered by insurance companies, and pension schemes offered by both insurers and pension funds. Households are also engaging in higher purchase of mutual funds from 2013 onwards, and these purchases are made either from third-party distributors or through the internet (source: EFAMA 2015).

More than 50% of US mutual fund assets are in equity funds and this is congruent with the long-term investment perspective for the retail investors. The picture is different in the European market where bond assets comprise the single largest holding at 43% of AUM.

Asset allocation (% of regional AUM)					
US December 2014		Europe December 2013		India September 2015	
Equity	52%	Bond	43%	Income	46%
Bond	22%	Equity	33%	Equity	33%
Money market	17%	Others	16%	Money market	15%
Hybrid	9%	Money market	8%	Others	6%

Table 2.1*Source: ICF 2015, EFAMA 2015, AMFI, ICRON analysis*

The ability of US and European funds to have a strong retail customer base presents the Indian industry with pointers on increasing their reach in the retail market.

2.3 Key trends in the domestic market

The Indian mutual fund market has witnessed varying trends in fund inflow during the last decade. The aftermath of the global credit crisis had led to continuous outflows for the next four-five years. The situation reversed in the last fiscal with net positive inflow, which while lower than the 2008 levels is a welcome sign for the industry, especially the growth in equity schemes.

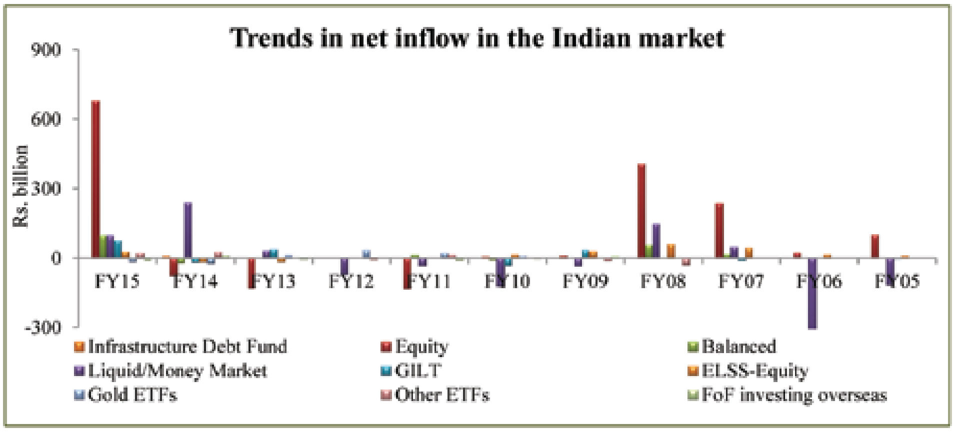


Chart 2.3 *Source: AMFI, ICRON Analysis*

An analysis of the investor behaviour over the last five years reveals the significant increase in participation by HNI along with their exposure to equity schemes.

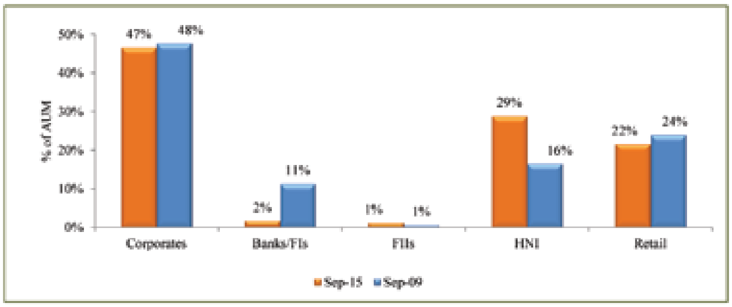


Chart 2.4 *Source: AMFI, ICRON Analysis*

The trend of equity inflow has continued in the current fiscal, with inflows of Rs 537 bn in the first six months and a corresponding increase in equity folios from 31.7 mn to 33.8 mn. While equity investment in Indian capital markets by FIIs has gone up from Rs 850 bn in FY14 to Rs 1100 bn in FY15, their level of participation in Indian mutual funds has remained largely unchanged.

With access to increasing investible surplus, the HNI segment has significantly increased its participation in the Indian mutual funds, especially in the equity schemes. There has been a 61% jump in their folio count from 1 mn in September 2013 to 1.6 mn in September 2015. The increase is more significant in the equity segment where their folio count has more than doubled over 24 months. As their average ticket size is Rs 2 mn, this customer category has had a significant impact on the growth of equity schemes.

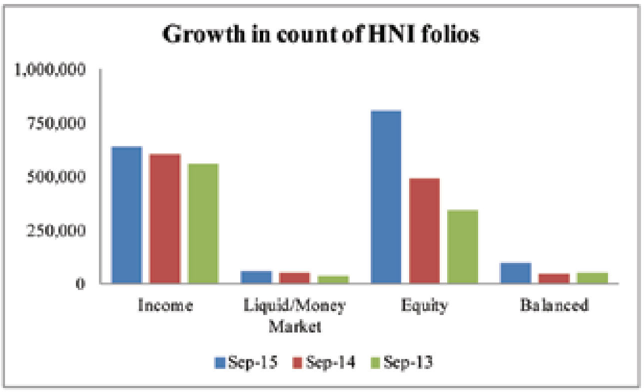


Chart 2.5 *Source: AMFI*

The other trend visible over the last two years has been the declining trend in issuance of NFO. This has been partly due to the regulators' direction to rationalize and consolidate mutual fund schemes with similar objectives. The requirement from the regulator to demonstrate the differentiation in investment style and attributes of a potential new fund has also impacted the pace of approvals.

Furthermore, as the product suite of some of the asset management companies has neared completion, the hectic pace of NFOs has slowed. The requirement of disclosing the details and number of funds' managed by each fund manager has also led to more circumspection before each new fund launch.

TRENDS IN NFO ISSUANCE						
Category	H2 FY11	FY12	FY13	FY14	FY15	H1FY16
Balanced		1	17	1		1
Debt	117	784	798	947	916	261
Dynamic/Asset Allocation	5	34	28	28	42	29
Equity	1	11	220	21	80	38
ETF	1	7	2	5	6	8
Fund of Funds	1	16	32	3	12	1
Gilt		3	36	2	3	
Liquid	6	5	18	16		
Speciality		4	17			2
	131	**865**	**1168**	**1023**	**1059**	**340**

Table 2.2 *Source: AMFI, ICRON analysis*

In the last decade, average of total expense ratio (TER) charged by the AMCs to investors under each fund category has remained range bound. The only significant exception was dynamic funds where TER has doubled. Typically fund houses charge the highest TER for balanced funds and the least for liquid funds.

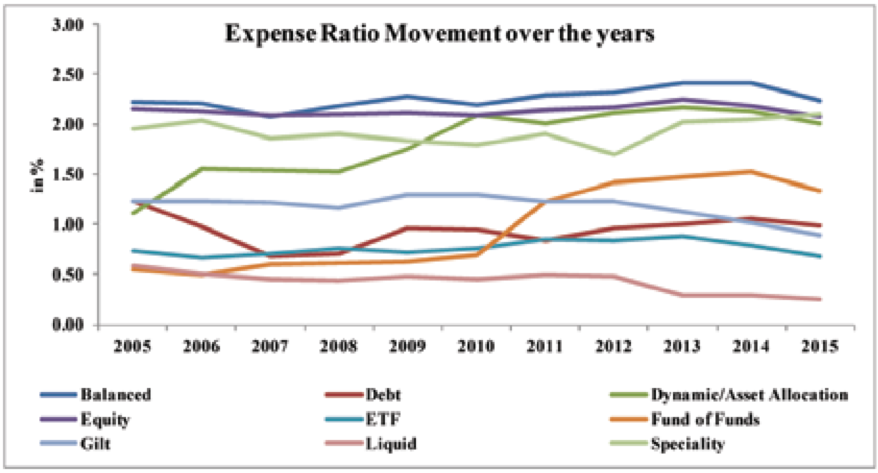


Chart : 2.6 *Source: ICRON Analysis*

While AMCs need to pass on their costs to investors to stay viable in their business, it is imperative that some restraint is used to ensure investor returns are not unduly eroded. SEBI has capped total expense ratio (TER) for actively managed equity and debt funds. For debt funds, the expense ratio allowed is 0.25 percentage points lower than equity funds. If AMCs are able to channelize funds from B15 cities they are allowed to charge additional TER of upto 30 bps on their average weekly net assets. As the mutual fund industry matures, the TER will emerge as a key contender in an investors' choice of funds. Deeper investor awareness will be a precursor to any regulatory leeway towards market determined expense ratios.

2.4 Industry-level changes

The post-credit crisis period led to increased regulatory scrutiny in all countries, including India. The recent SEBI directives and initiatives in the mutual fund space can be categorized into three broad clusters:

A. Protecting the interests of investors by

a. Introducing higher disclosures by AMC to promote transparency;

b. Implementing changes in commission structure to prevent mis-selling;

c. Merger of me-too schemes and denying approval to NFO issuances that do not comply with this norm;

d. Introducing easy-to-understand riskometer infographics in product brochures.

- The 'riskometer' with five levels of risks – low, moderately low, moderate, moderately high, and high. This replaces the colour coding method, which had only three levels - low, medium, and high.

B. Lowering cost and increasing reach by

a. Incentivizing the sale of direct plans through differentiated TER for areas other than T15;

b. Issuance of consolidated accounts statement;

c. Launch of MF utility portal and allowing investors to trade through a Common Account Number;

C. Safeguarding the health of the industry by

a. Mandating a compulsory increase in the capital base of AMCs from Rs 100 mn to Rs 500 mn by 2017;

b. Assessing the fixed costs of AMCs by proposing to analyze compensation details, of fund managers and senior management.

- Presently, mutual funds can spend a maximum of 2.5% of the AUM as expenses, which they recover from investors;

c. Conducting regular stress tests.

These initiatives have had a significant impact on the industry in terms of collections, customer acquisition, distributor network, product portfolio, etc.

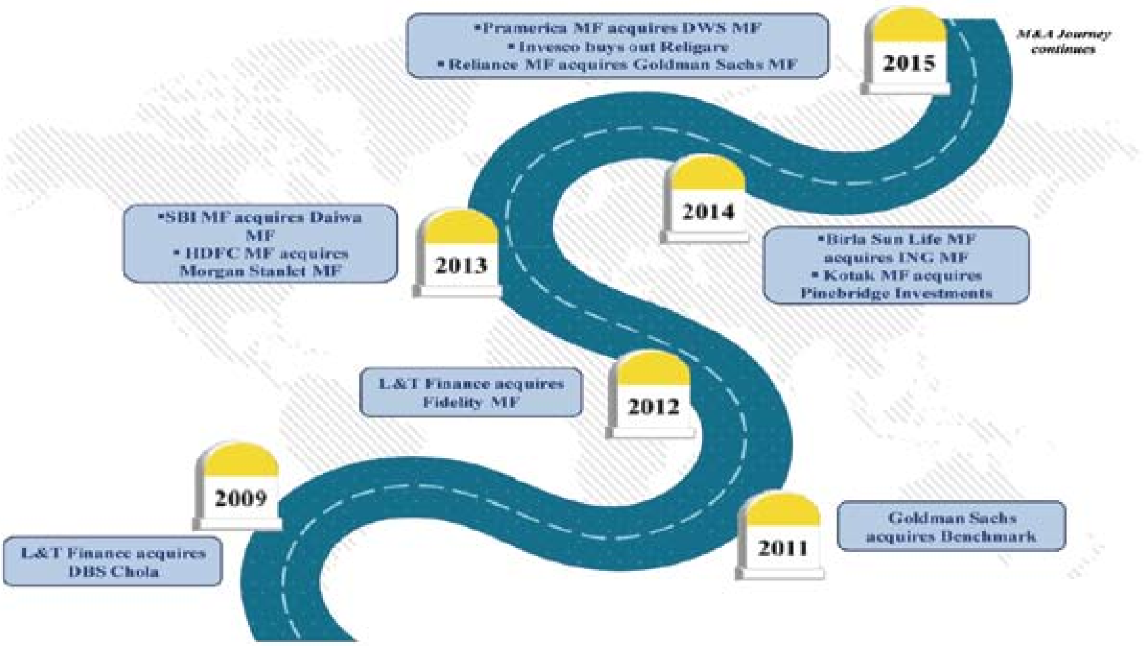
The other key change being witnessed is the M&A activity, with as many as 10 M&A in the last six – seven years. Some of the key triggers are –

1. Exit of non-serious and smaller players in the context of the SEBI directive to increase capital base and the larger players viewing this is an opportunity to expand through inorganic growth;

2. New entrants with a bullish outlook on India have adopted the M&A route as a quicker way to scale up operations;

3. Low profitability increased the vulnerability of smaller players.

Some of the recent M&A activities are represented in the infographic, and we expect to see more of this in the near future.



3.0 PERFORMANCE ANALYSIS

While the popularity of the mutual fund industry can be attributed to growing investor awareness, success of investor education campaigns, and an investor-centric regulatory regime, the most crucial factor that will decide the future course of the industry is its performance.

As of September 2015, the 10-year average return generated by Indian mutual funds across all fund types and asset classes is around 10.2%. Equity-oriented schemes have returned 13.8% and debt schemes, 7.9%.

3.1 Equity-oriented schemes

The success of this category is crucial for attracting individual investors as 83% of the asset pool for equity funds comes from them (Retail + HNI). As of September 2015, the average ticket size in equity schemes is Rs. 0.12 mn and the main investment objective is to generate superior returns. Mutual funds enjoy an especially important status in channelizing household savings to the capital market, where a lay investor is at a disadvantage in making informed investment decisions. This source of funds from the capital market is essential both from the perspective of meeting the need for funds, as also for efficient price discovery, which a larger pool of funds brings to the secondary market.

From an investor's perspective, over a long term investment horizon, equity funds in India have managed to generate positive real returns, after adjusting for inflation. At the same time, traditional asset classes such as gold and real estate have struggled with generating inflation adjusted returns. The Indian equity space also makes a strong case for active fund managed vis-à-vis the success of more passive forms of equity investment management seen elsewhere in developed markets. The trailing returns over the past 10-years across the average actively managed fund, relative to a broad benchmark such as the CNX Nifty 50 bear this out. The ELSS category is also an essentially actively managed space. Here again, funds have demonstrated positive inflation adjusted returns, as well as returns higher than benchmarks. There have been pockets of underperformance, where the active style of investment management has not justified the expenses charged for such fund management, this has led to some consolidation in the types of schemes managed within an asset management company, albeit at the behest of the regulator. Furthermore, funds which aim to diversify across economies, i.e. global funds have met with limited traction, as performance has been disappointing relative to domestic diversified funds. Currency fluctuations, as well as the better performance of Indian equities have meant that global funds are yet to achieve reasonable share of assets managed.

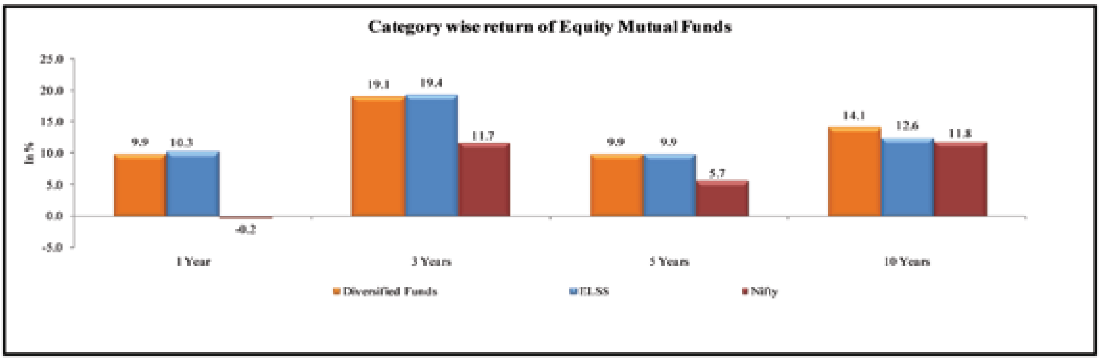


Chart3.1 *Source: ICRON Analysis*

Note: Returns as on 30-Sep-2015,

Less than 1 year Absolute returns, Greater than 1 year Compound Annualized returns

3.2 Debt-oriented schemes

The industry has met with limited success in attracting retail investors to the debt fund category. Institutions looking for liquidity management are the primary investors within this category.

A case for dynamically managed fixed income funds has emerged with the changes in interest rates in the current economic environment. Since the start of 2015, RBI has cut interest rates six times, totaling 125 bps.As a result, in the last one year, dynamic bond funds have fetched 10%-12% returns, higher than conventional long-term or short-term bond funds. However, there is a large range of returns delivered by dynamic bond funds and the volatility in interest rates has been both, an opportunity and a challenge for fund managers. This performance trend is evident within the Gilt fund category as well, and there has been a revival of investor interest in such funds, with a wide range of underperformance and high performance.

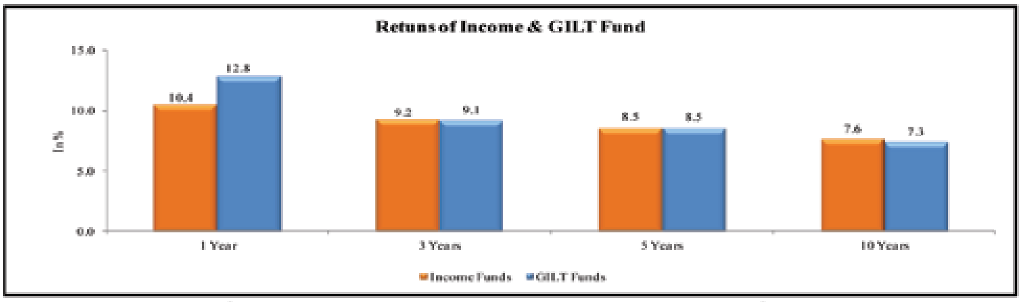


Chart3.2 *Source: ICRON Analysis*

Note: Returns as on 30-Sep-2015, Less than 1 year Simple Annualized returns, Greater than 1 year Compound Annualized returns

Liquid and other short-term funds have served their purpose of liquidity management in the last 10 years.The category sees the lowest participation from individual investors, at just 8% of AUM as of September 2015, as retail investors continue to prefer bank deposits. There is considerable fund flow across these categories within the short-term, in line with the dynamic shifts of the yield curve at the shorter-end. In the recent past there has been significant alpha generated by fixed income plans, however, given the close-ended nature of these funds, the price of higher performance comes with a price of illiquidity.

At the short and medium end of the yield curve there have emerged a few new products such as credit opportunity funds. The success of such funds is entirely dependent on a deepening bond market, as investors and fund managers look for newer sources of generating alpha.

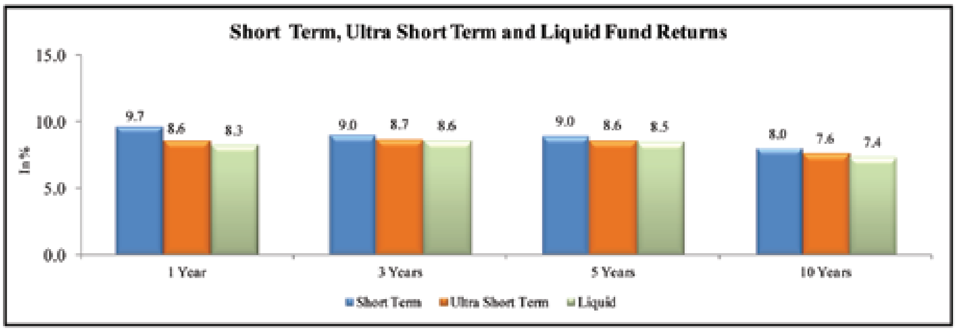


Chart3.3 *Source: ICRON Analysis*

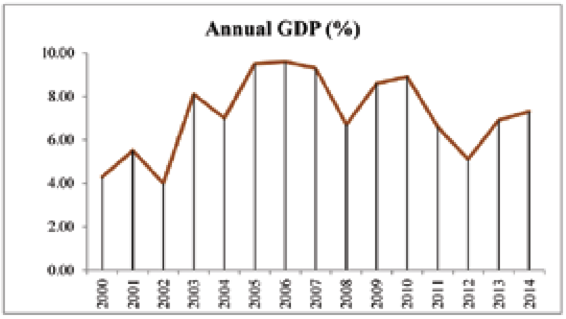
Note: Returns as on 30-Sep-2015, Less than 1 year Simple Annualized returns, Greater than 1 year Compound Annualized returns

4.0 GROWTH DRIVERS

Apart from registering AUM growth, the last few years has seen the industry demonstrate growth on other fronts including increase in individual investors, serving hitherto un-served markets, etc. Interplay across three critical factors has culminated in this increase, with the key growth drivers being:

a. Improvement in key economic parameters

An improvement in the economic environment over the last 3-4 years has helped all categories of mutual fund investors to increase their investment in mutual funds. Increase in personal income fuelled by growth in GDP has led to an improvement in the surplus available for household saving. Indian households saving pattern has for the first time in 15 years shown a decline in savings in physical assets, and the same has been channelized to financial assets.



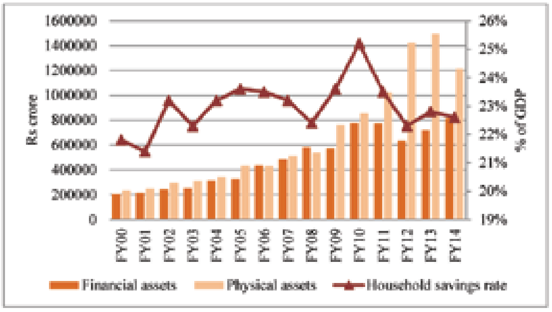


Chart4.1 *Source: RBI, ICRON Analysis*

While Indian households have always shown a preference for bank and non-bank deposits, FY15 household financial savings data reveal a declining trend in bank and bank-deposits, yet again for the first time in 15 years. There is an 11% decline from FY12 level and a corresponding increase in other financial assets (note: level of currency has remained constant during the period).

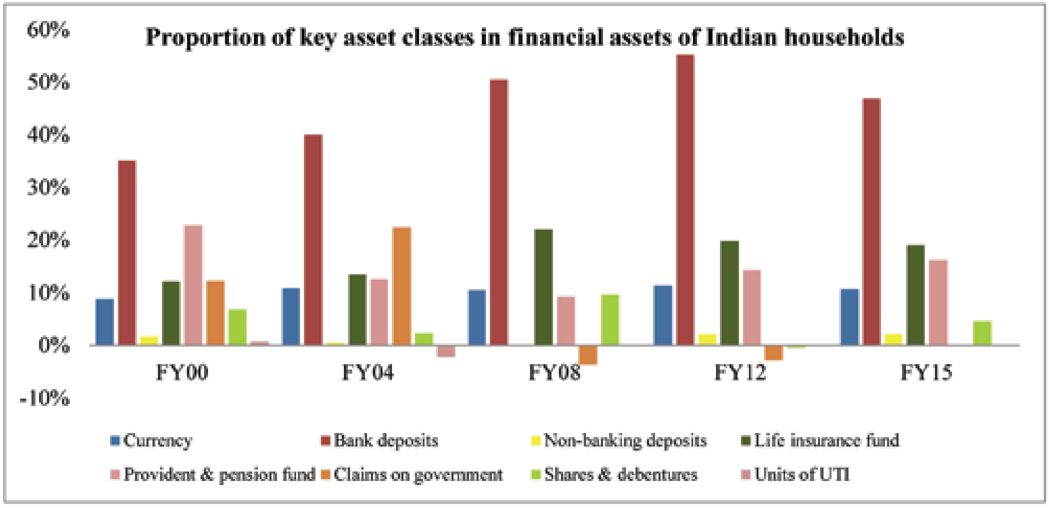


Chart4.2 *Source: RBI, ICRON Analysis*

Indian markets have demonstrated a high correlation between market performance and equity inflows. Improving stock market performance in the last 24-30 months has resulted in stronger equity inflows which is visible in the growth of demat accounts over the last 12-18 months as well as rise in equity assets of mutual funds.

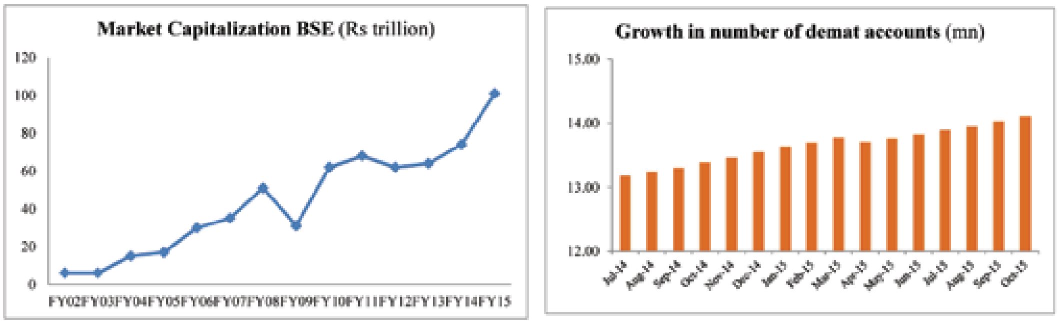


Chart4.3 *Source: BSE, NSDL, ICRON Analysis*

The rise in household savings, as well as the shift away from physical assets to financial assets and the subsequent substitution from bank deposits to equity, mutual funds, insurance, etc augurs well for the industry. Analysis of historical data reveals that equity mutual funds have outperformed other asset classes in the long-run.

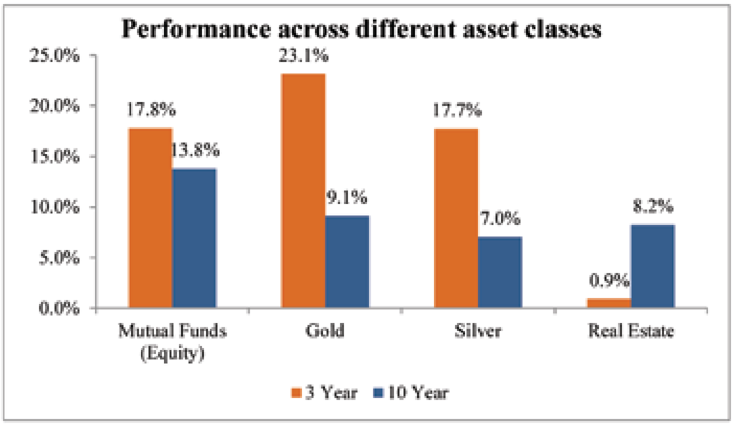


Chart4.4 *Source: Reuters Eikon, NHB, ICRON Analysis*

b. Aligning product, promotion and distribution

Awareness creation and growing emphasis by AMCs on advising individuals to invest through the SIP route appear to have yielded results. The SIP count increased from 6.2 million in March 2014 to 7.3 million over the 12-month period. Larger number of SIPs from B15 reflects the efficacy of IAP as well as the higher commission paid to distributors for B15 sales. The average value of SIP has also increased from Rs 2000 to Rs 2600.

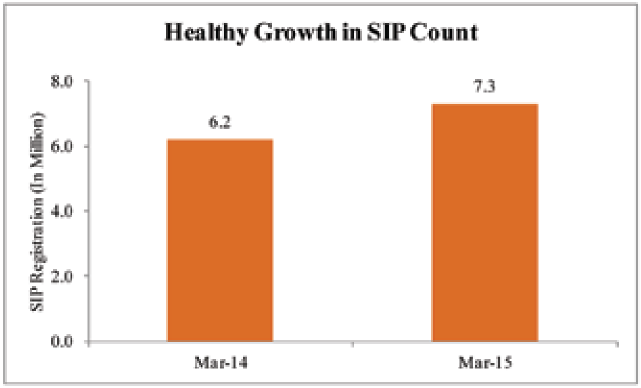


Chart4.5 *Source: ICRON Analysis*

c. Regulatory and technology enablers

Using technology to sell direct plans through mobile apps as well as launch of the MF Utility portal has made sale possible on a 24*7 basis and made the presence of an intermediary redundant. Acceptance of E-KYC by some AMCs and using technology to do the In-Person Verification has also made the transactions easier.

An increase in GDP as well as good stock market performance over the last two – three years provided investors and especially retail investors with an opportunity to use mutual funds to create wealth. The shift in preference from traditional savings channels to mutual funds and other assets has been made possible due to the awareness building exercises undertaken by the AMCs, demographic shift in customer base as well as availability of products that match the needs of the customers. This has been accentuated by the roll-out and subsequent customer adoption of initiatives that leveraged technology and the interplay amongst all these factors helped in the growth of the industry.

5.0 GAME CHANGERS

We expect to witness the coming together of multiple factors in the near future, whose combined power has the potential to catapult the Indian industry to greater heights. These game changers span multiple domains, and the key ones are listed below:

1. Demographic dividend –India is a young nation with 605 million people below the age of 25. International Labour Organization has predicted that by 2020, India will have 116 mn workers in the age group of 20-24;
2. Increase in the number of HNI and ultra HNI – A recent study by Kotak Wealth Management has predicted the increase in the number of ultra HNI from current levels of 137,000 to 348,00 in 2020, along with a corresponding rise in networth from Rs 128 trillion to Rs 415 trillion;
3. Any positive outcome of the evaluation underway of the proposal of using e-commerce platforms to sell mutual funds when seen in the context of 1bn mobile subscribers and 400 mn Internet users;
4. The opening of 190 million Jan Dhan bank accounts in 15 months through e-KYC and mobilization of Rs 27,000 crore (about 37% accounts are zero balance accounts) makes it imperative to evaluate the usage of this route to sell mutual funds;
5. Any positive outcome on the decision to use Aadhar as E-KYC for mutual funds and other financial assets would have a huge impact in increasing the catchment area;
6. Granting of approval to 11 payment banks that will be allowed to sell third-party mutual funds should help increase the market size;
7. Usage of big data and analytics and using data-driven models for improving offerings and customer engagement.

These seven factors are powerful when seen in isolation, and if they were to act in tandem, they have the potential to transform the industry.

6.0 THE ROAD AHEAD

The industry has utilized the last couple of years productively in capacity building initiatives by augmenting its technology platform as well as awareness building programmes and thus creating markets where none existed earlier. Technology can be put to dual use – both for acquiring customers and meeting compliance requirements in a cost-effective and time-efficient manner. These new customers are expected to be more from the individual investor segment with higher preference for equity schemes, which will have a positive impact on the profitability.

The game changers are expected to supplement this trend further.

1. The demographic shift towards a younger workforce that is more aligned with technology will provide the industry with a larger customer base;

2. The expected growth of HNIs augurs well for the industry, especially in the context of the ticket size of their investment and preference for equity;

3. If e-commerce platforms are allowed to sell mutual funds coupled with simpler e-KYC process, this would open up a larger market for mutual funds;

4. Replicating the model adopted for Jan Dhan savings accounts as well as using the payment banks to sell mutual funds, could lead to further increase in the customer base;

5. Using analytics and data-driven models would help to retain and mine the customers better;

6. Deploying technology to build gamification models for customer engagement would resonate better with the young and technologically savvy customer base.

US retail investors and the country's investment framework have helped the US mutual fund industry to emerge as the global leader. The fruition of the game changers would also enable the transformation of the Indian mutual fund industry to operating model that is more focused on the individual investor, and thereby enable it to move towards its goal of Rs 20 trillion profitable AUM by 2020.

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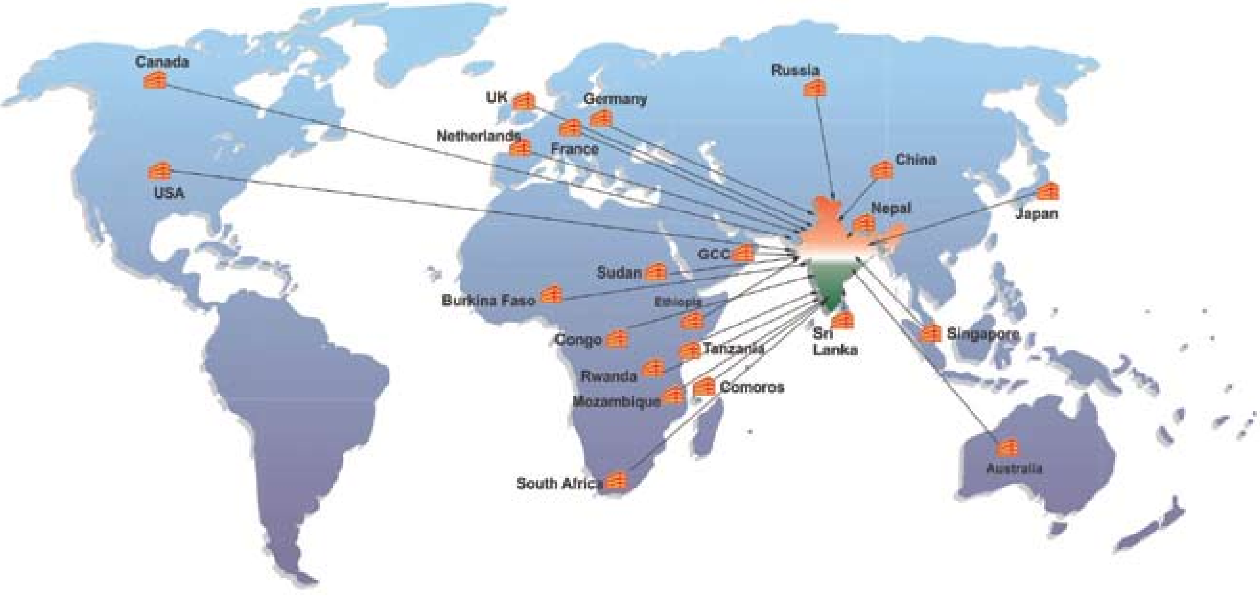
ASSOCHAM OVERSEAS OFFICES



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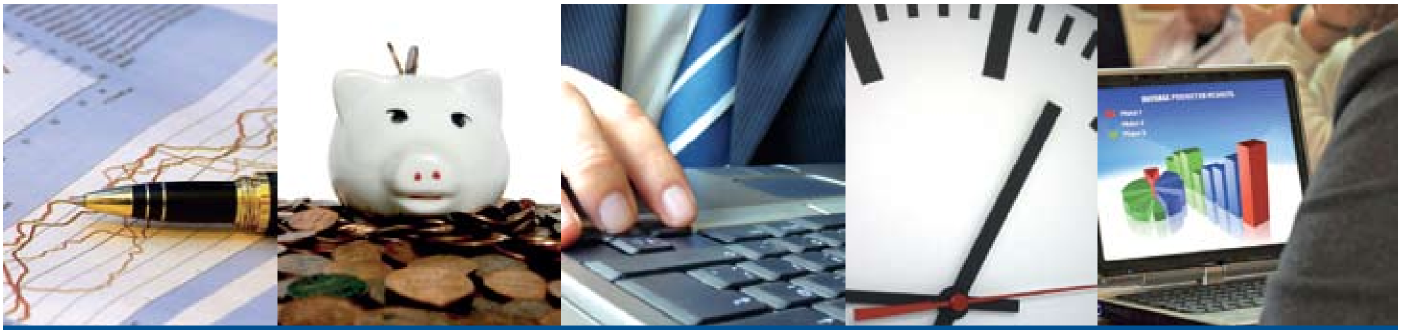
ASSOCHAM International Department



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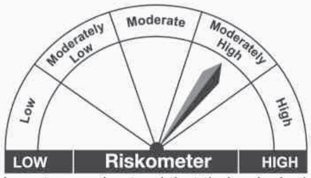
*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.



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