



ASSOCHAM 14th MUTUAL FUND SUMMIT 2015

The Road Ahead for the Mutual Fund Industry

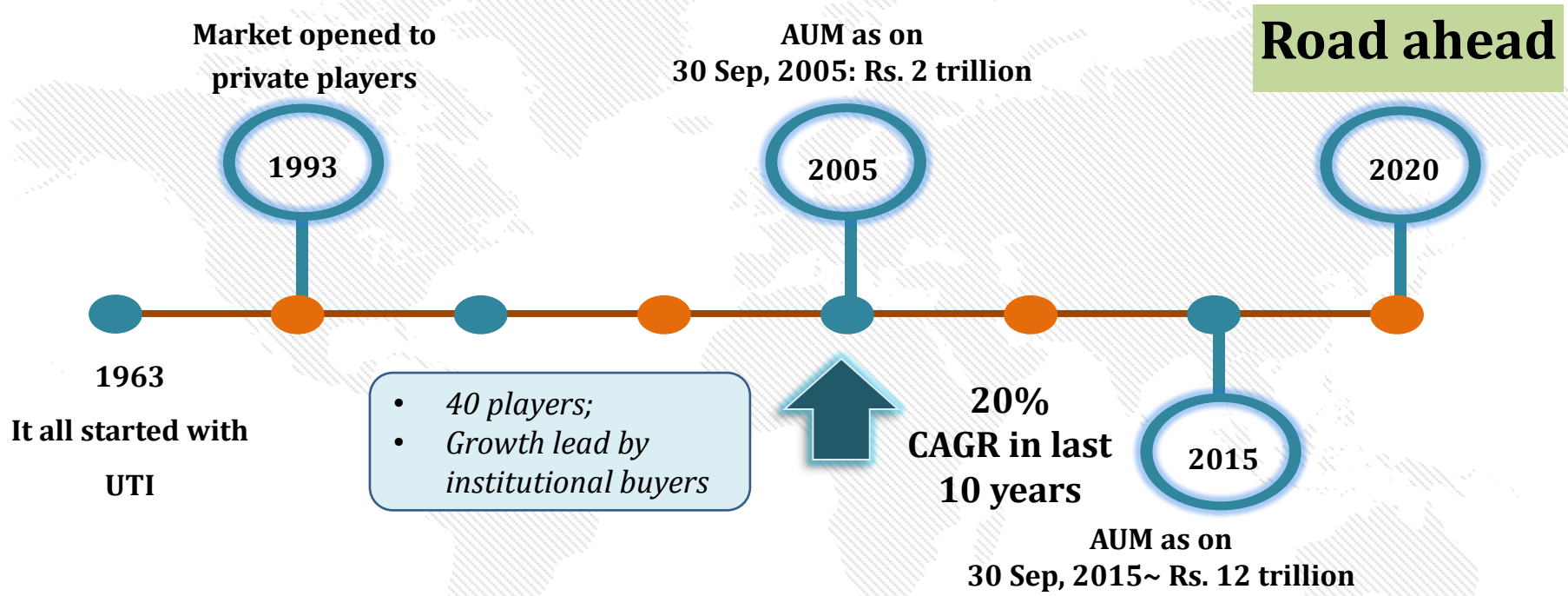
Focus: Individual Investors

ICRA Online Ltd

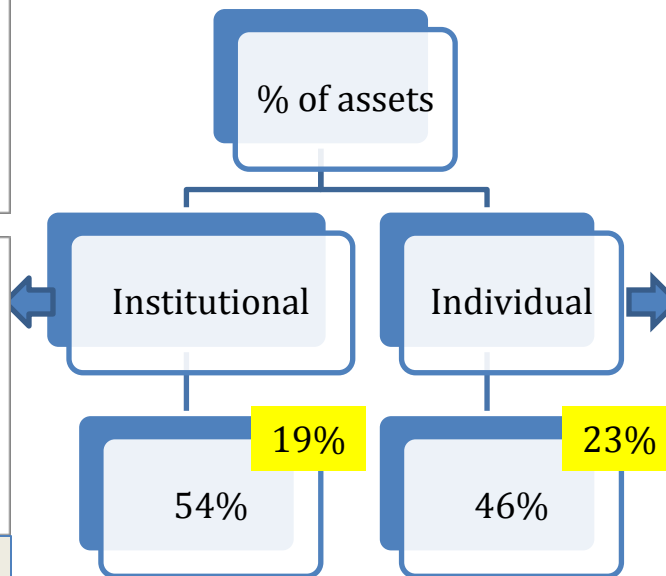
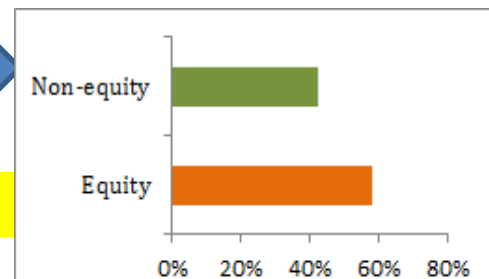
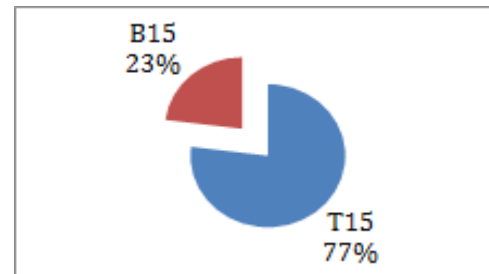
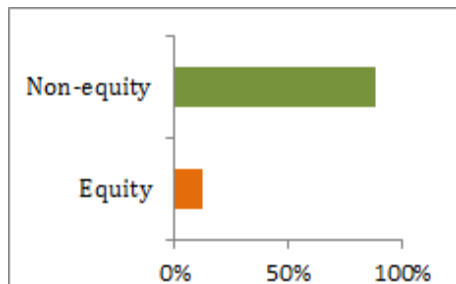
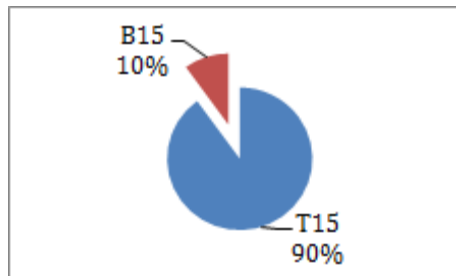
A Group ICRA company



Tomorrow will not be 'more of the same'



Patterns in buying behaviour

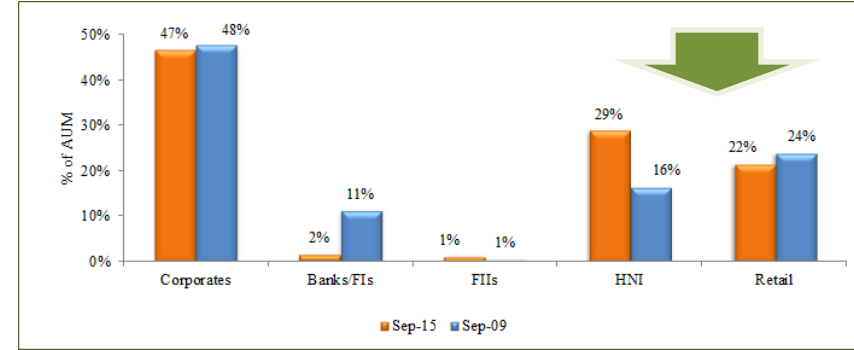
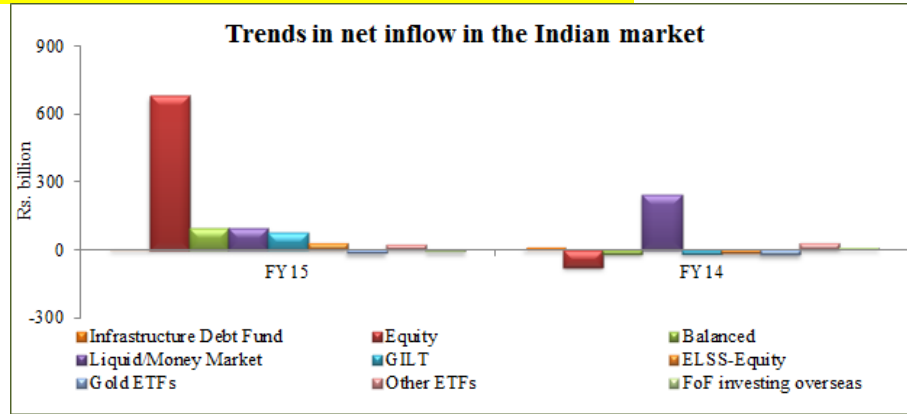


- Direct route: 60%
- Ticket size:
 - Rs 14mn - Rs 130mn
- Holding period: Low

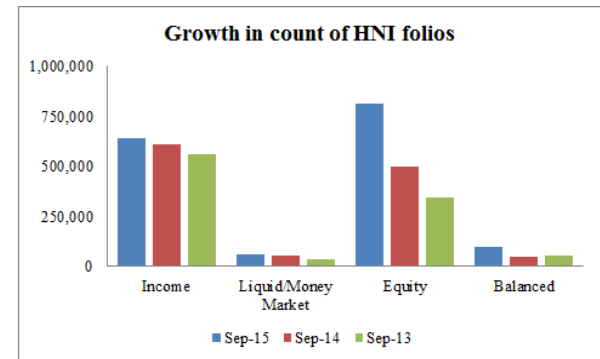
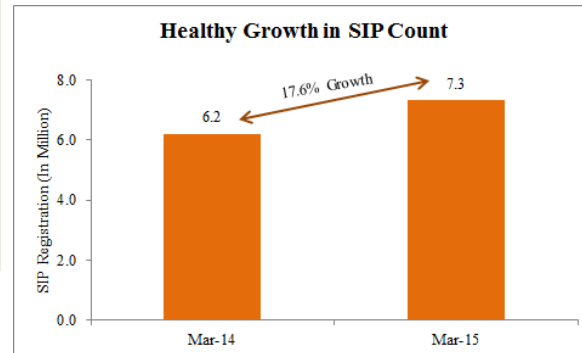
- Direct route: 11% - 15%
- Ticket size:
 - Rs 0.06mn - Rs 2.1mn
- Holding period: High

Key trends in last 12m – #1 - individual investors

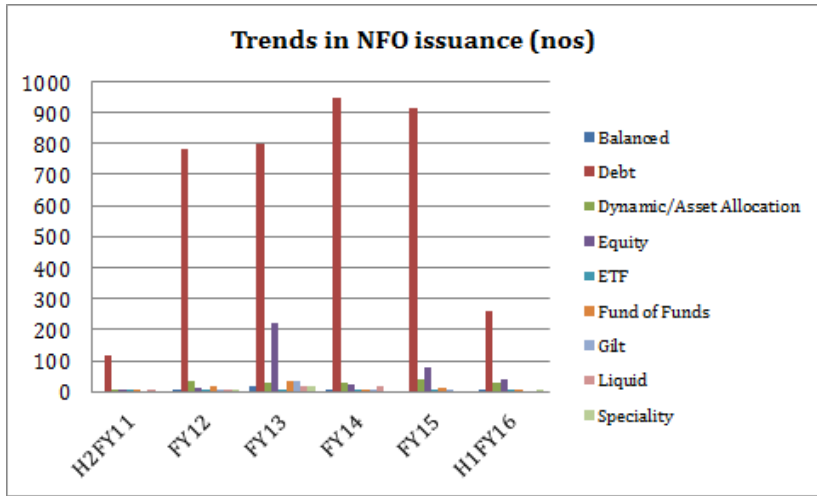
High inflow in equity schemes



- Rising share of B15
- Investor Awareness Programme – 10K/yr
- Commission structure – incentivize B15 sales

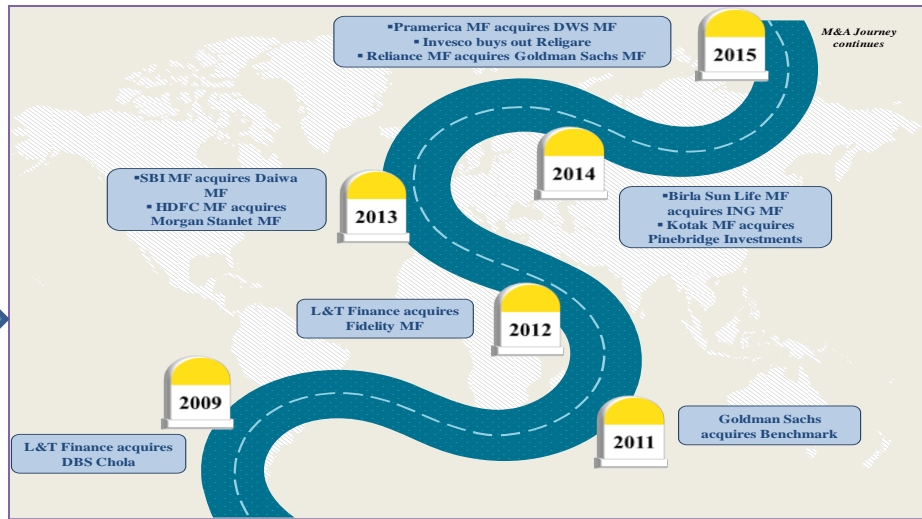


Key trends in last 12m - #2 - changes driven by regulation and market forces



• Rationalize and consolidate me-too schemes

• SEBI directive on networth of Rs 500 mn by 2017;
 • Players bullish on India seeking to grow through inorganic route or existing players using M&A to gain capabilities (e.g retail reach)



Key trends in last 12m - #3 - fund performance

✓ 10-year average return



Equity

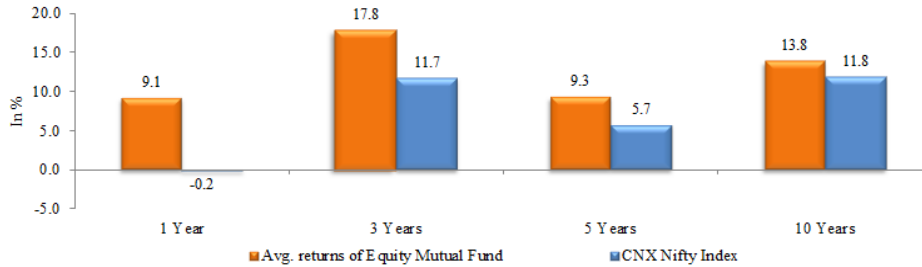
13.8%



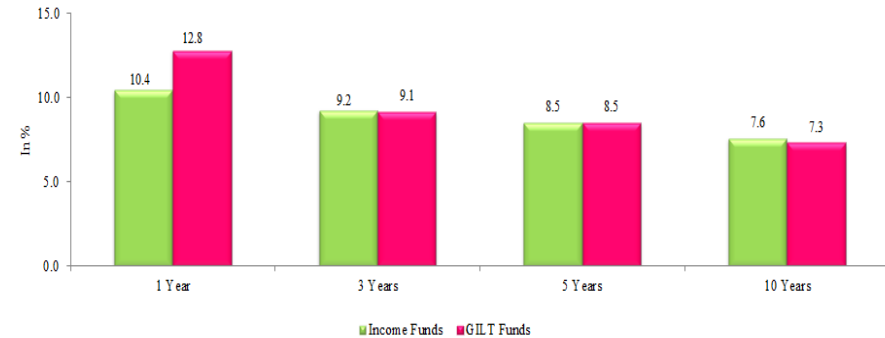
Debt

7.9%

Avg Return of Equity Mutual Fund vis-a-vis Benchmark



Returns of Income & GILT Fund

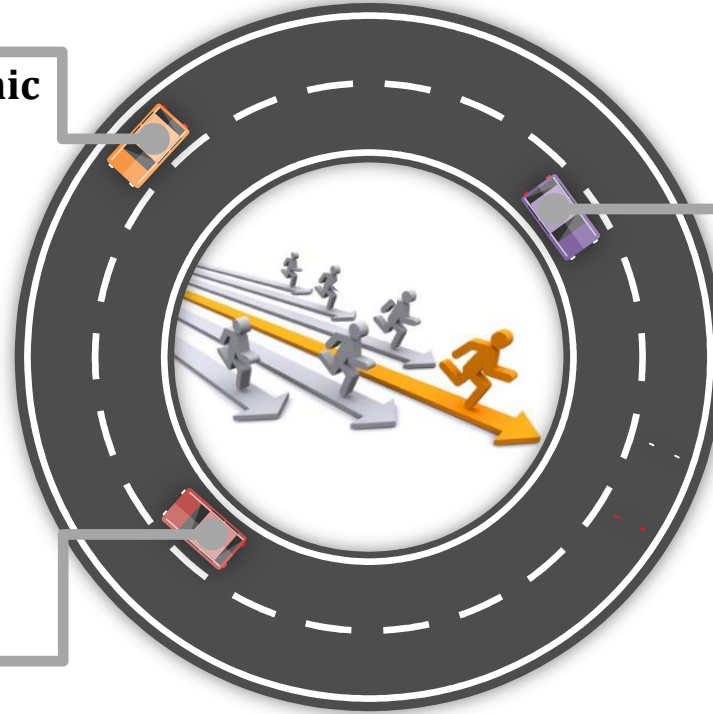


- Total Expense Ratio has remained within the mandated range;
- As market matures, TER will emerge as key decision variable for investors

Growth Drivers

A

Improvement in Key Economic Parameters



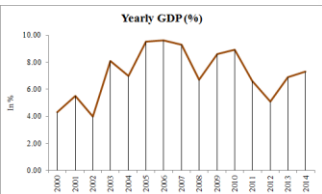
Aligning Product, Promotion & Distribution

C

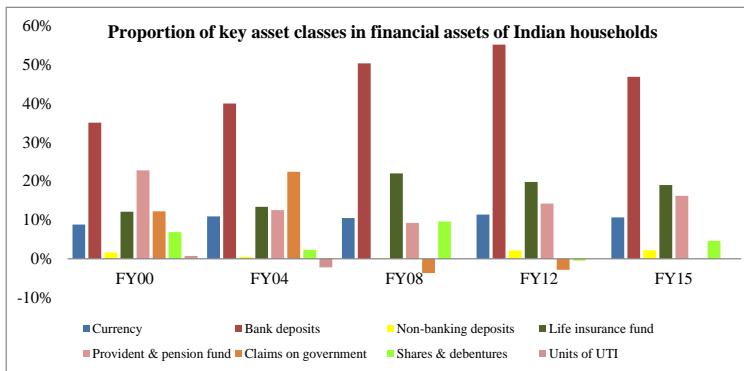
Regulatory & Technology enablers

B

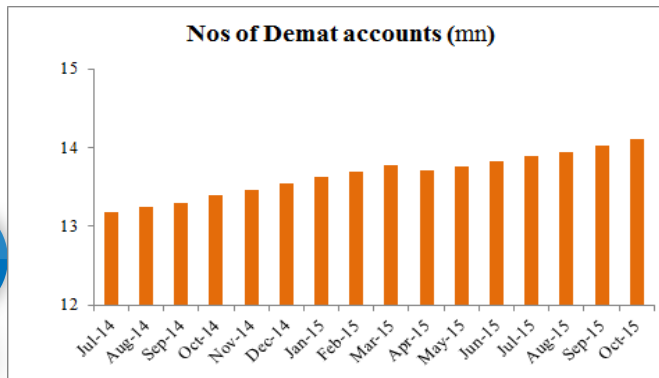
Growth Drivers ... Trends in savings



Rising GDP growth

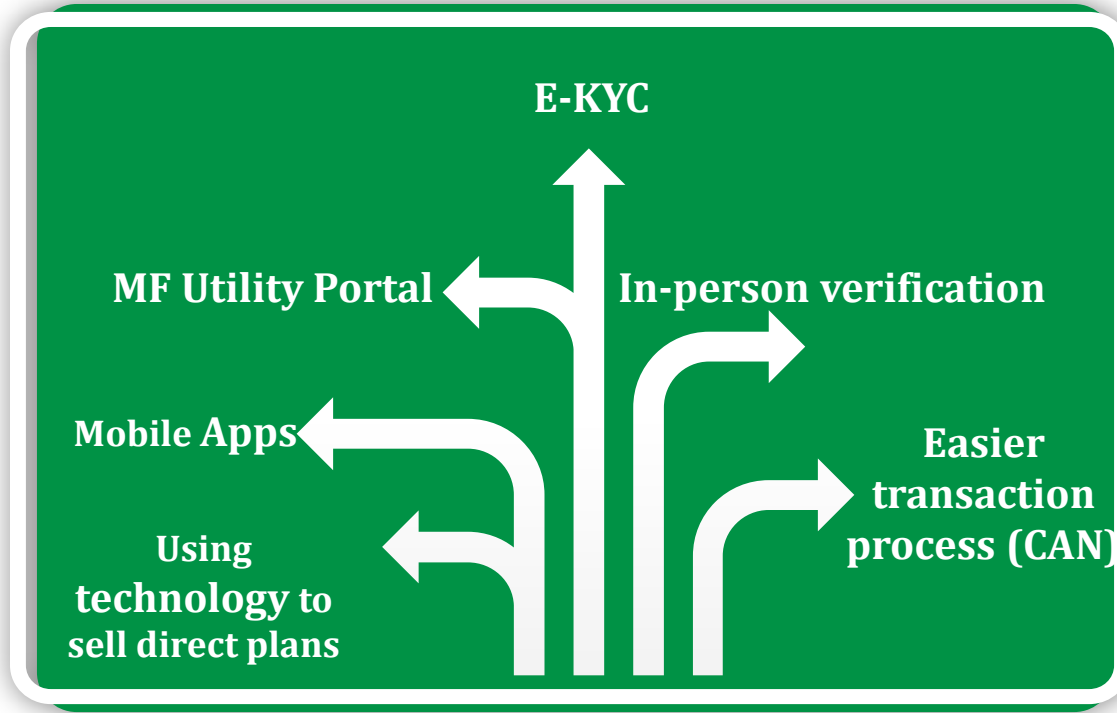


- Rise of financial assets in household savings basket;
- Shift away from FD to other financial assets.



- Also, MF investor a/c rose to 42.8 mn in Jun-15 from 39.5 mn in Mar-14
- 99% accounts are that of individual investors

Growth Drivers ... Regulatory & Technology enablers

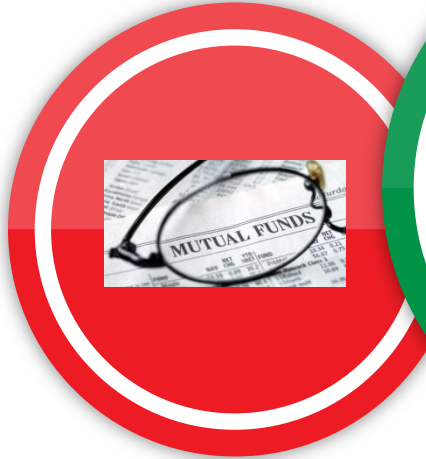


Growth Drivers ...

Engagement with all classes of investors

Whatsapp, Mobile apps, Social media

Investor Awareness Programme



HNI & Ultra HNI – tailored events

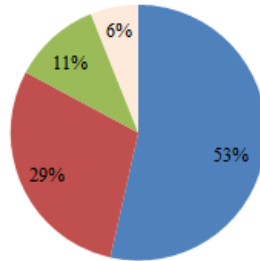


Individual investors lead the growth globally

Total global AUM at
\$33.4 trillion

% of global mutual fund assets (Dec-14)

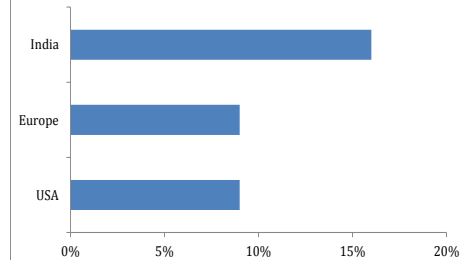
■ USA ■ Europe ■ Africa & Asia Pacific ■ Other Americas



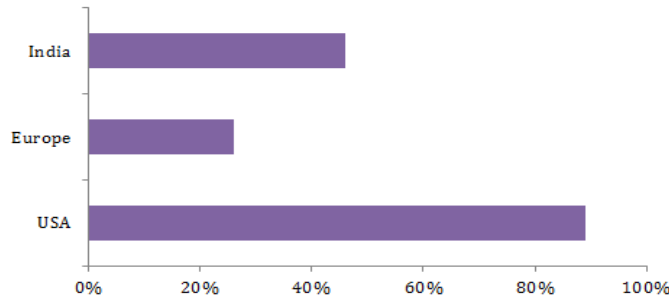
Indian AUM is
0.5% of Global
AUM

Higher growth

5-year CAGR%

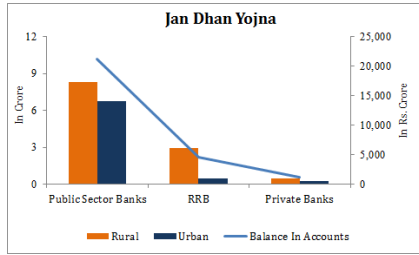


% of individual investors



- **Retail investors** in **U.S.** for retirement corpus and savings;
- **Institutional clients** like insurance and pension companies are main buyers of MF in **European** region (underlying clients – individual investors)

Game Changers



Jan Dhan Yojna

Payment Banks



Big data Analytics

Increase in HNI and Ultra HNI



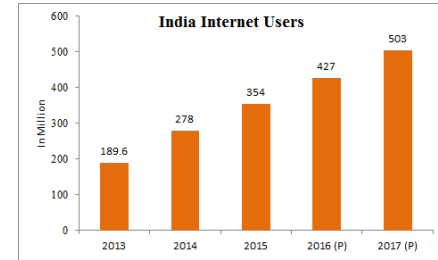
Aadhaar as KYC



E-commerce platforms



Demographic Dividend



The Road Ahead

Technology can be put to dual use – both for acquiring customers and meeting compliance requirements in a cost-effective and time-efficient manner.



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.

Rs. 20 trillion AUM

2020



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

Focus has been on capacity building in last few years

2015

Thank You

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