



Mutual Fund Screener

For the quarter ended Mar-17

ICRA Online Ltd
A Group ICRA company



ICRA ONLINE LIMITED
A Group ICRA Company

Mutual Fund Screener – What's Inside

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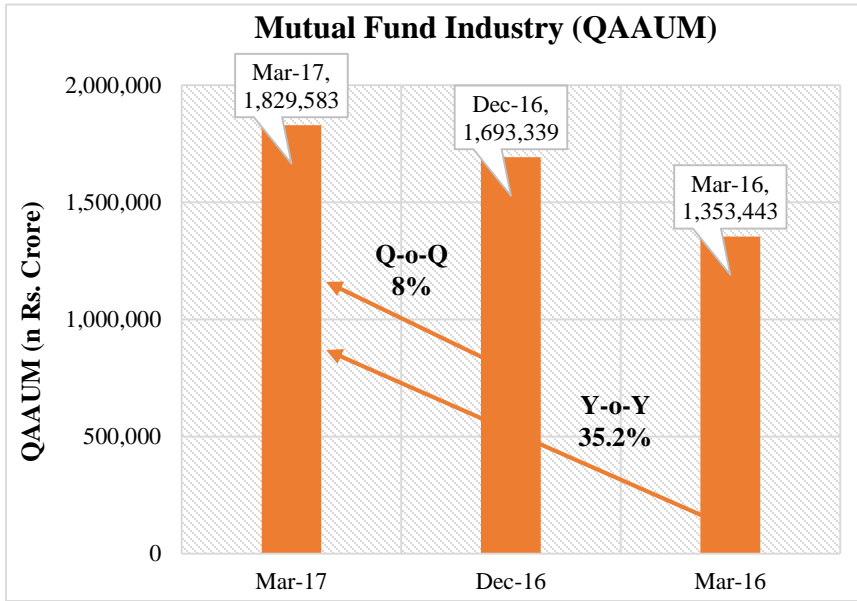
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Section I

INDUSTRY QAAUM



Industry QAAUM hits another high, Rs. 136,244 cr added in Q4FY17



Source: AMFI, ICRA Online Research; QAAUM – Quarterly Average Assets Under Management

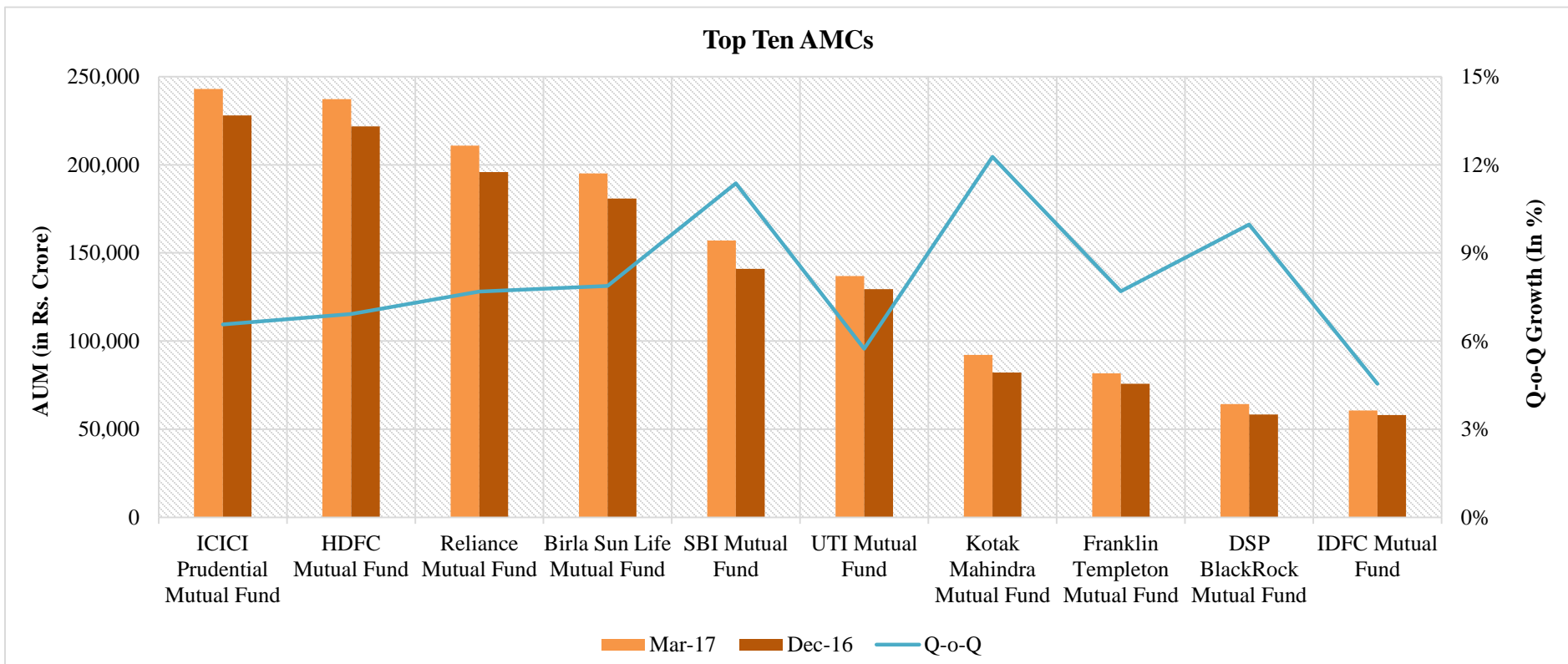
Growth in QAAUM for the Quarter Ended Mar-17	
AMCs	Range
Top 5	6% to 12%
Next 10	4% to 18%
Rest	-20% to 37%

Source: AMFI; ICRA Online Research. AMC list based on Mar-17 QAAUM

AUM of the mutual fund industry has increased five times in the last decade¹ and is expected to touch the magical figure of Rs. 20 trillion in CY17

- ✓ Industry QAAUM grew for the **14th** consecutive period in Q4FY17
 - ✓ The 8.05% Q-o-Q growth in QAAUM was driven by strong participation by retail investors, robust inflow in equity schemes through SIP, and mark to market gains

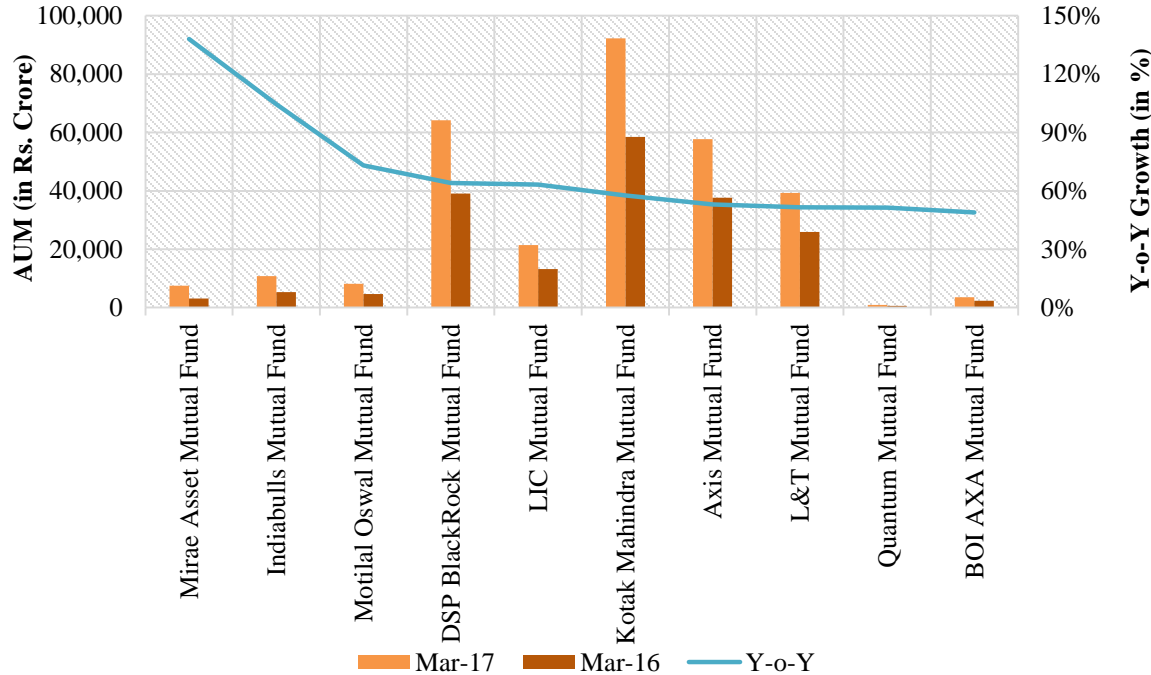
Top 10 AMCs account for ~81% of QAAUM



Source: AMFI, ICRA Online Research

QAAUM of three fastest growing AMC's below Rs. 15,000 cr

Top Ten Fastest Growing AMC's



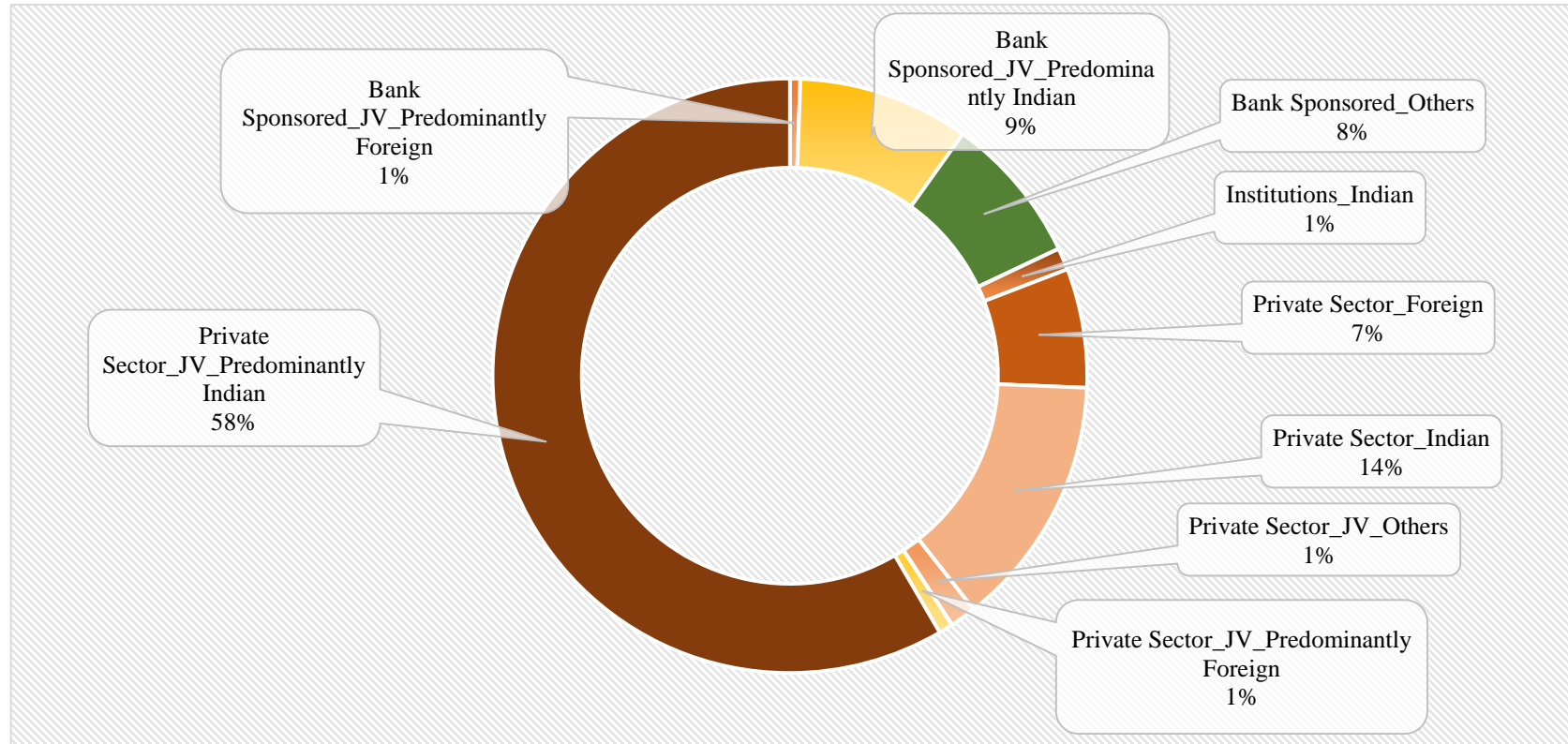
Among the larger AMC's (QAAUM > Rs. 35,000 crore), Kotak Mahindra, DSP BlackRock, Axis, and L&T Mutual Fund have shown exceptional growth in corpus in FY17

✓ Mirae Asset and Indiabulls doubled their corpus in the last one year and registered highest % change in QAAUM (Y-o-Y) of 138% and 104.6%, respectively

Source: AMFI, ICRA Online Research

Edelweiss AMC was not included in the list of top 10 fastest growing AMC's as its Y-o-Y growth of 312% was fuelled by the acquisition of JP Morgan AMC

Private sector joint ventures (predominantly Indian) manage 58% of QAAUM



Source: AMFI, ICRA Online Research, data pertains to Mar-17

Section II

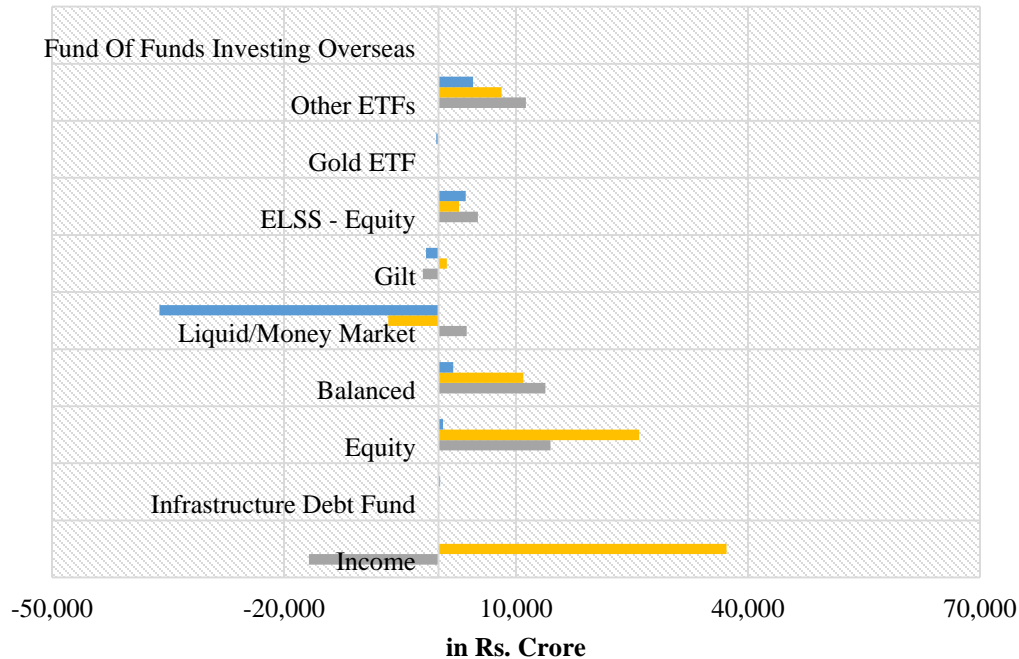
INFLOW OUTFLOW ANALYSIS



Investors poured in Rs. 3.4 lakh crore in mutual funds in FY17

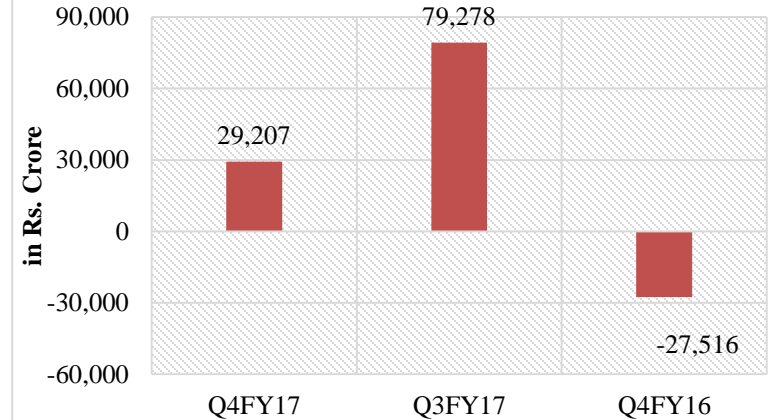
Category-wise Net Inflow/Outflow

■ Q4FY16 ■ Q3FY17 ■ Q4FY17



Source: AMFI, ICRA Online Research

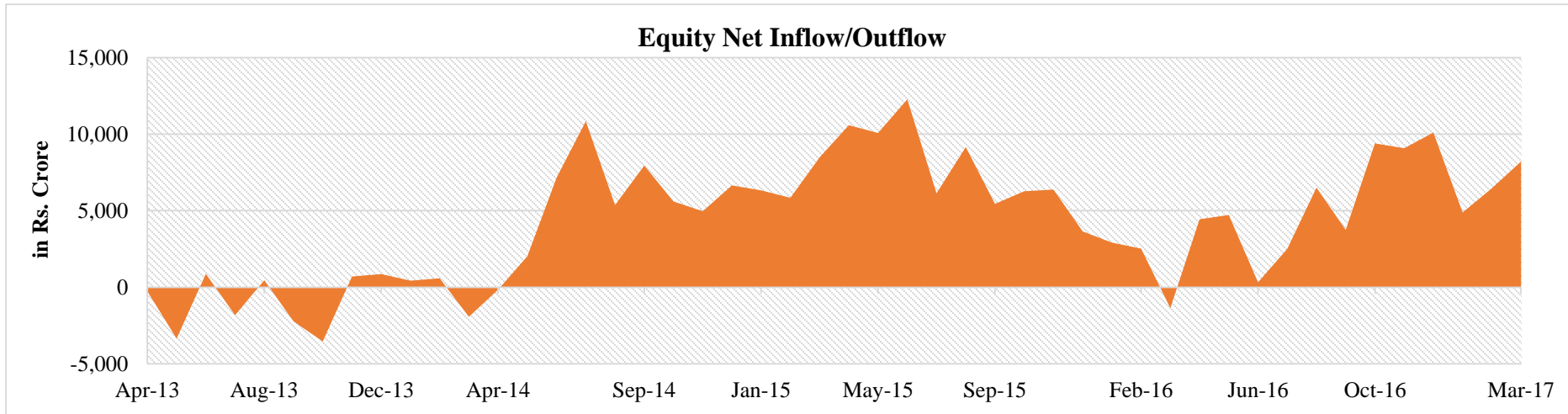
Industry-wide Net Inflow/Outflow



Source: AMFI, ICRA Online Research

In Q4FY17, net inflows remained positive in all categories except Income, Gilt, Gold ETF and FoFs investing overseas

Robust retail participation leads to high infusion in equity funds



Source: AMFI, ICRA Online Research; Equity includes ELSS funds

- ✓ Equity funds (including ELSS) saw net inflow of Rs. 19,558 crore in Q4FY17 vis-à-vis Rs. 28,576 crore in Q3FY17
- ✓ In FY17, total inflow in the category has been Rs. 70,367 crore with net inflows in every month
- ✓ On an average ~6.3 lakh SIP accounts were added every month in FY17; average ticket size - Rs. 3,200 per account
- ✓ In FY17, Rs. 43,921 crore was collected through the SIP route

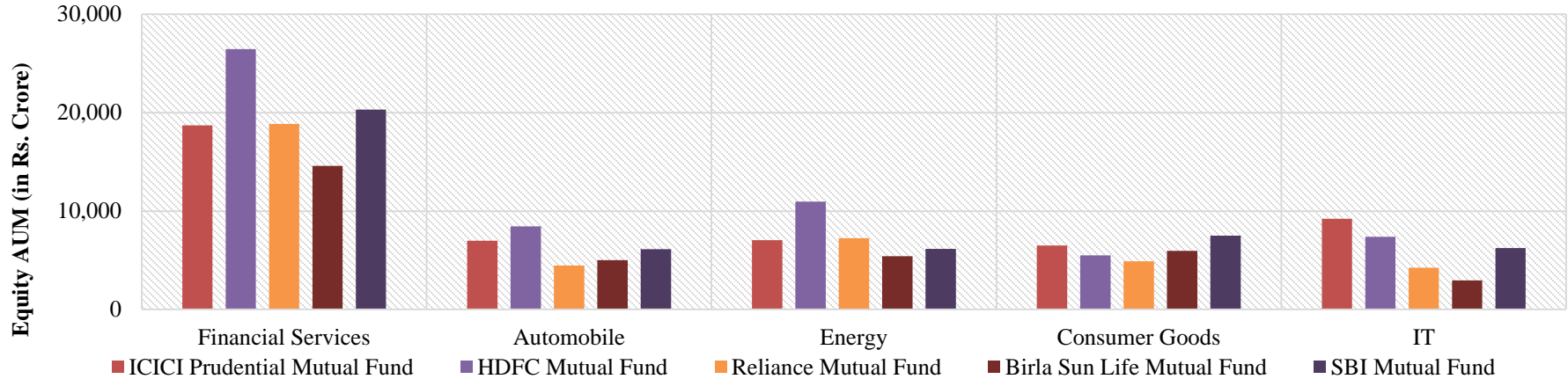
Section III

SECTOR UPDATE



Top five sectors constituted ~65% of the total equity AUM

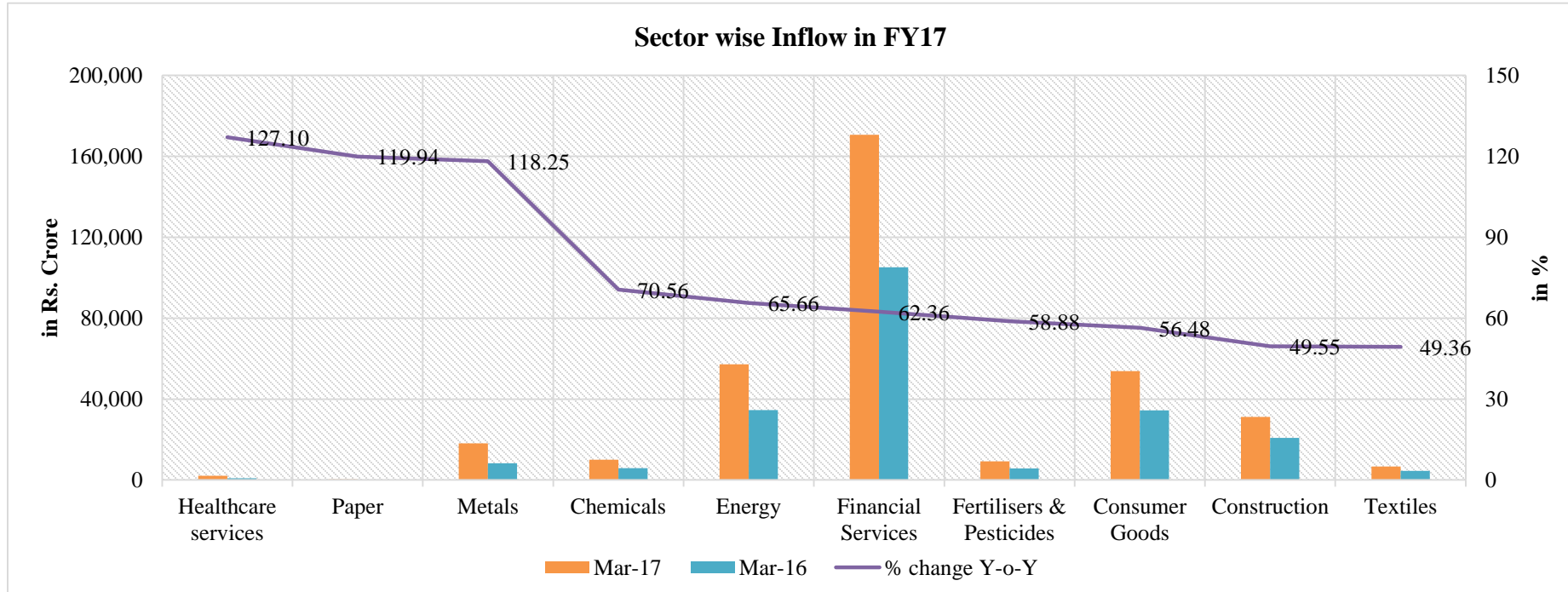
Equity Exposure of Top Five AMCs in Top Five Sectors (as of Mar-17)



Source: AMFI, ICRA Online Research

- ✓ Financial Services remained the most preferred sector; constituted more than 28% of the equity AUM
- ✓ In four out of the top five sectors, mutual funds increased their exposure by more than 45% from last year; only IT saw a tepid increase of ~8% in its exposure
- ✓ Inflows to the Financial Services sector grew more than 62% Y-o-Y

Some of the less popular sectors more than doubled their exposure



Source: AMFI, ICRA Online Research, net-inflow has been calculated using the market value of the holdings

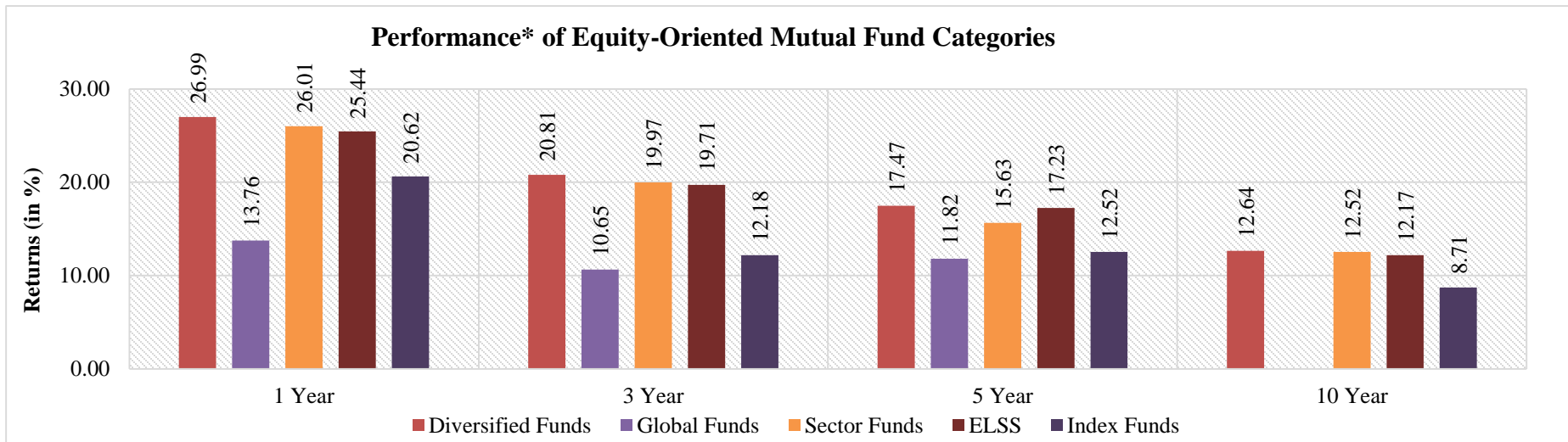
✓ In percentage terms Healthcare Services, Paper, and Metals saw the highest AUM growth

Section IV

CATEGORY PERFORMANCE



All Equity-Oriented categories posted positive returns



Source: ICRA Online Research; Data as of Mar-17

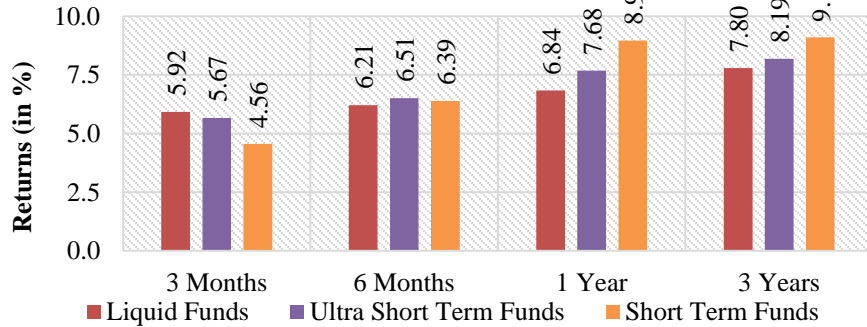
*Compound Annualized returns

Key drivers:

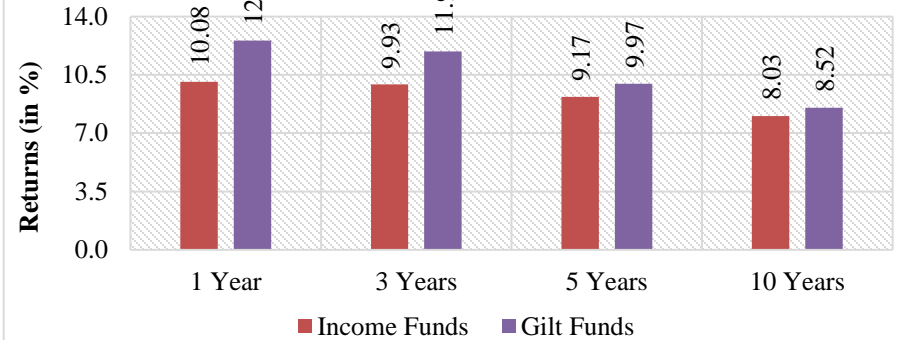
- ✓ Benchmark indices, Sensex and Nifty, surpassed the 29,000 and 9,000 marks, respectively
- ✓ Outcome of state assembly elections held in five states
- ✓ Government moving closer towards launching the long-awaited GST

Long-Term Debt funds continue to outperform

Performance* of Short-Term Debt Oriented Categories



Performance* of Long-Term Debt Oriented Categories



Source: ICRA Online Research; Data as of Mar-17; *Compound annualised returns for periods ≥ 1 year; Simple annualised returns for < 1 year

Key drivers:

- ✓ Easy liquidity conditions in the country post demonetisation
- ✓ Expectations that the U.S. Fed will follow a gradual rate hike
- ✓ Doubts regarding the U.S. President's ability to increase infrastructure spending and implement tax reforms

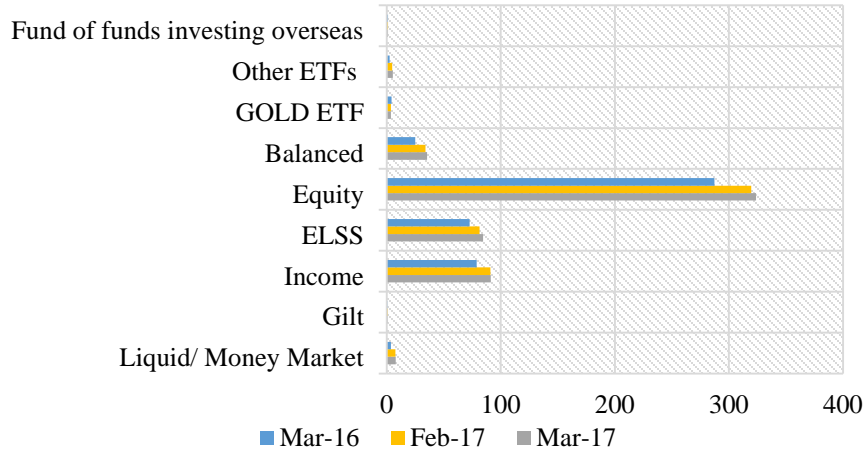
Section V

INDUSTRY INSIGHTS



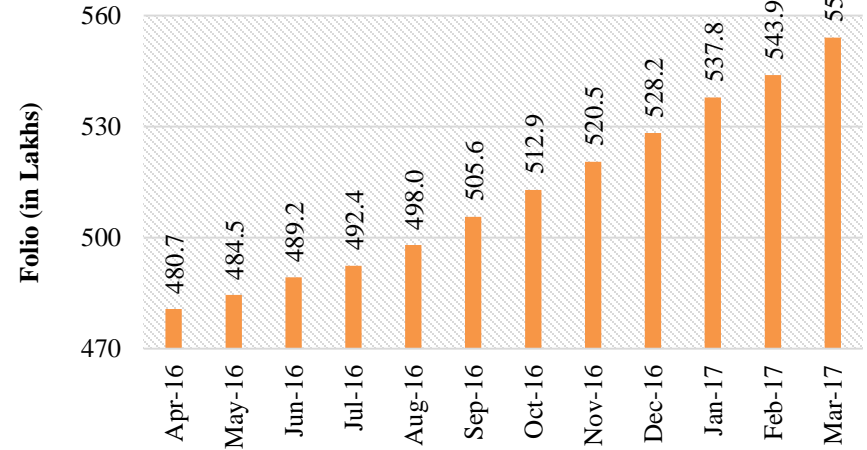
Mar-17 witnesses highest monthly folio addition in FY17

Category-wise Folio Count (in Lakhs)



Source: AMFI, ICRA Online Research

Folio Growth in FY17



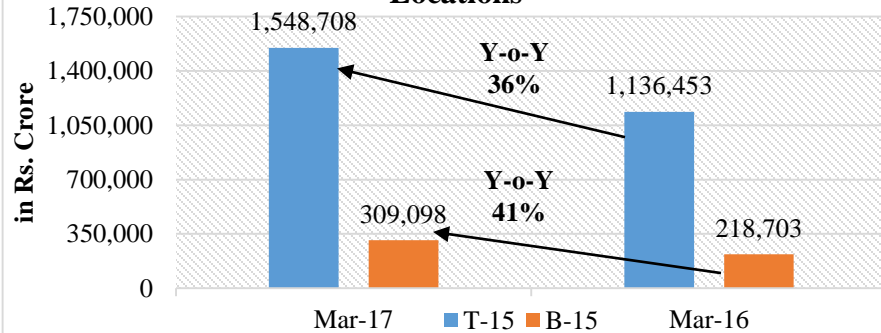
Source: SEBI, ICRA Online Research

- ✓ As per SEBI data, 10.1 lakh folios were added in Mar-17; total folio count reached 5.54 crore, 1.9% higher than Feb-17
- ✓ The ELSS category drove the increase; 3.2 lakh folios were added in the month
- ✓ The folio count for the Liquid category more than doubled in FY17, suggesting retail investors are looking at this route for surplus cash deposit

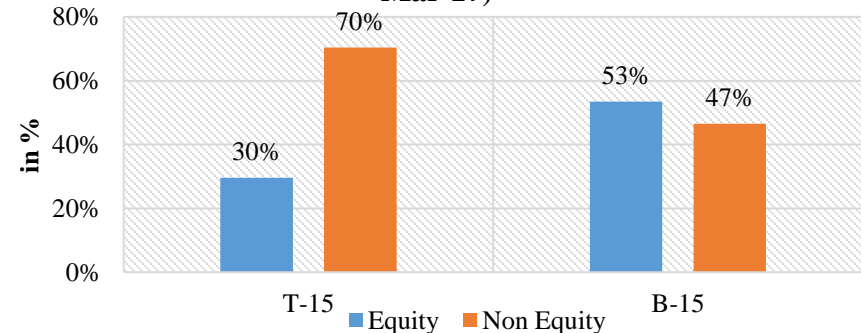
B15 locations generate 17% of industry AUM in Mar-17



The Rate of Growth in Assets for T-15/B-15 Locations



Equity Participation in T-15/B-15 Locations (as of Mar-17)



AUM Garnered by Different Sources

	Mar-17		Mar-16	
	T-15	B-15	T-15	B-15
Associate Distributor	6%	13%	5%	11%
Direct Plan	46%	22%	41%	24%
Non-Associate Distributor	48%	64%	54%	66%

- ✓ Activity beyond the top 15 cities (referred to as B-15) has increased in recent years, suggesting expansion of the investor base
- ✓ Improved distribution and regulatory changes to the fee structure have helped in increasing participation in smaller places

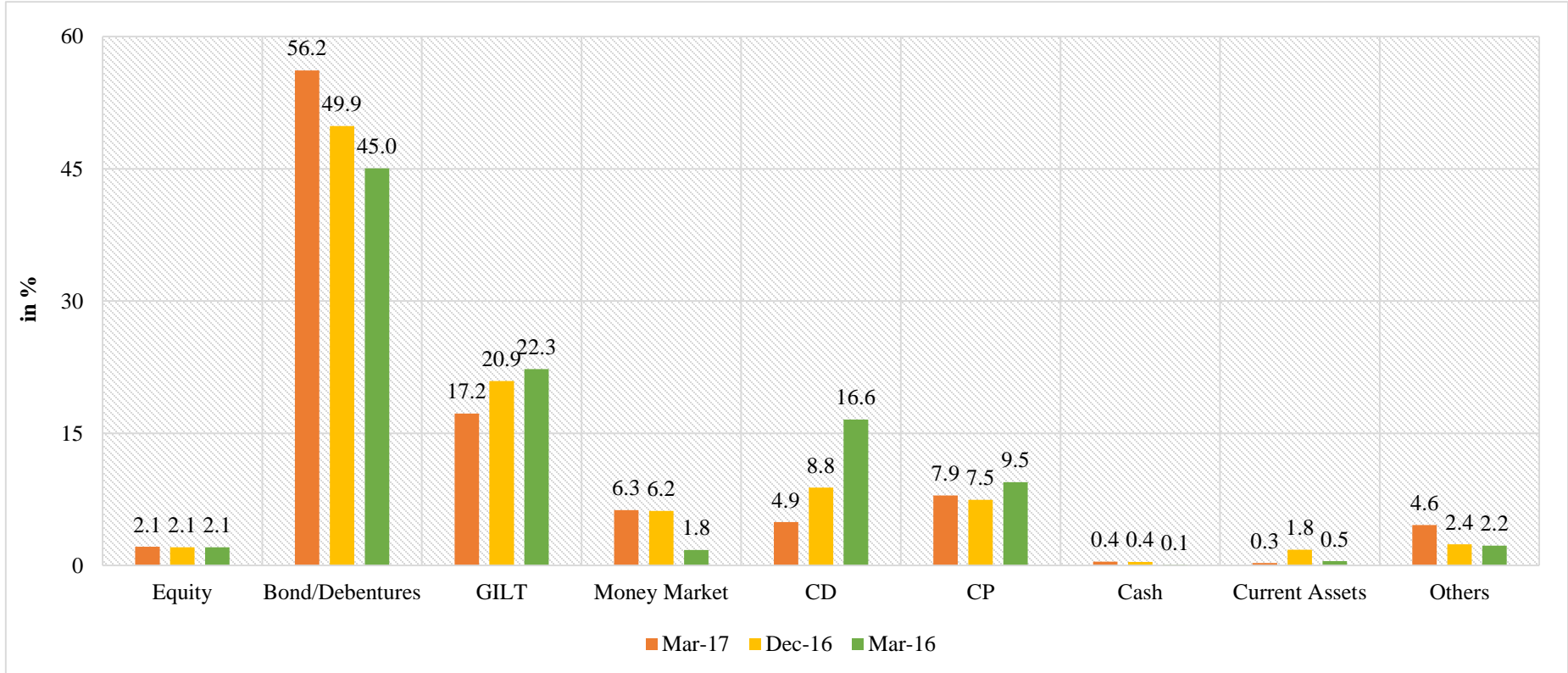
Source: AMFI

Liquidity analysis of last 12 months

	Mar-17	Feb-17	Jan-17	Dec-16	Nov-16	Oct-16	Sep-16	Aug-16	Jul-16	Jun-16	May-16	Apr-16
Equity	2.4	2.3	2.4	2.6	2.2	2.2	1.8	1.9	1.7	1.7	1.8	2.0
Speciality	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Gilt	0.1	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Liquid	16.3	19.5	18.7	16.2	16.7	17.4	17.0	18.9	20.1	19.0	20.3	21.0
Balanced	0.2	0.3	0.3	0.3	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
ETF	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5
Fund of Funds	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Dynamic/Asset Allocation	0.3	0.3	0.4	0.3	0.2	0.3	0.3	0.3	0.3	0.2	0.3	0.2
Debt	5.6	8.7	8.2	8.2	8.8	9.1	8.3	9.5	9.5	9.3	9.5	10.0

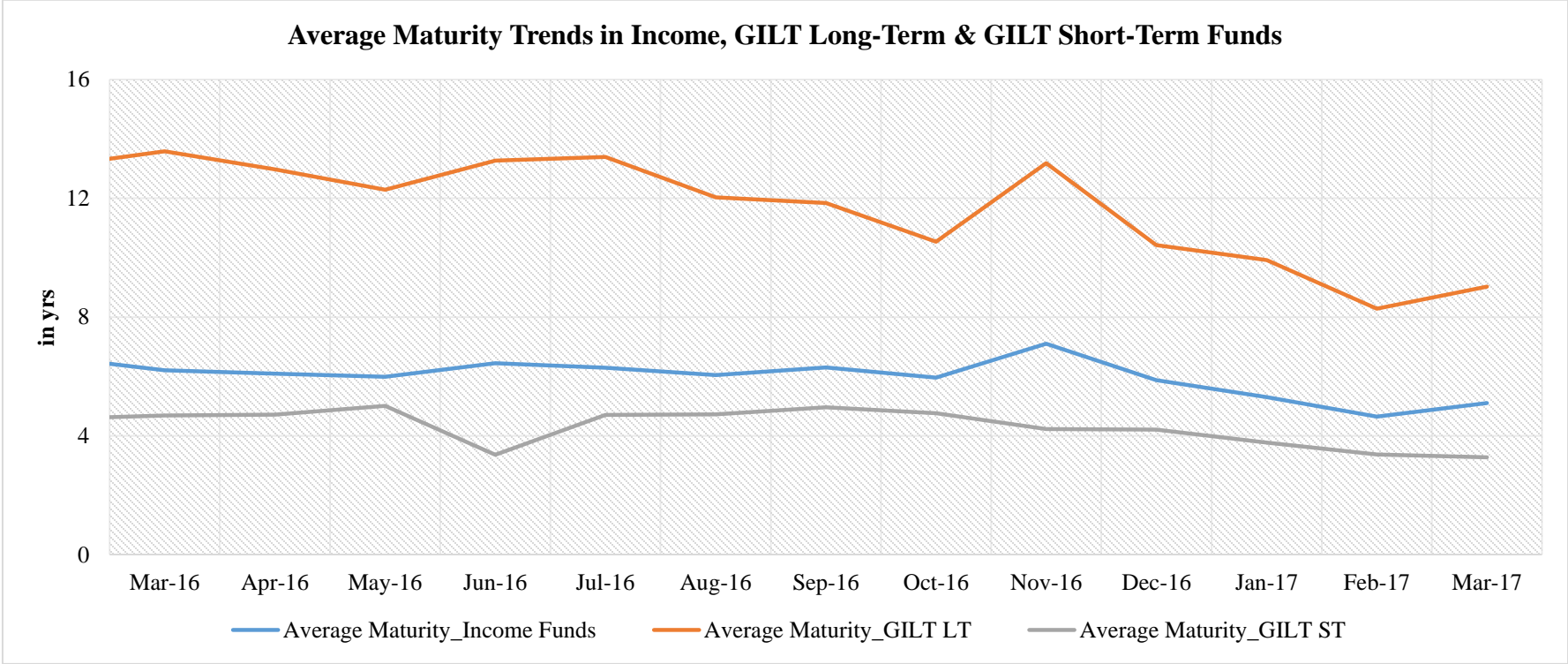
Source: ICRA Online Research

Instrument allocation pattern in debt segment



Source: ICRA Online Research

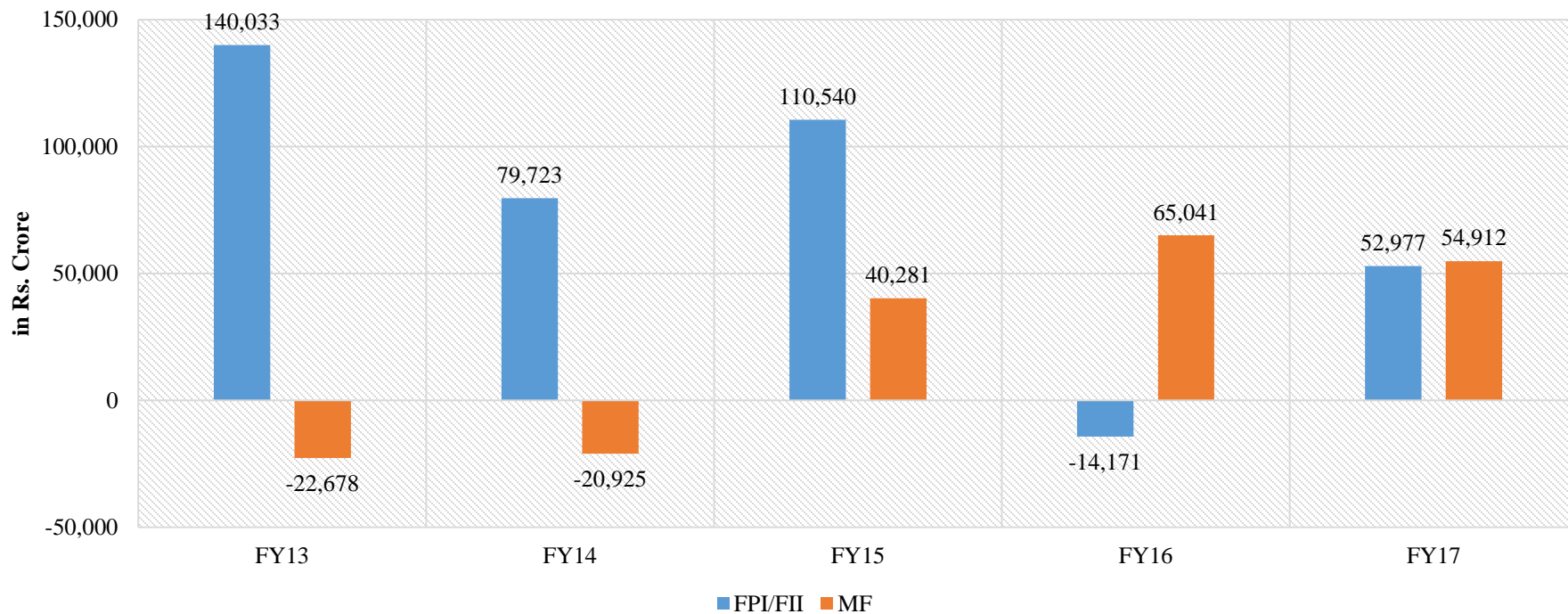
Average maturity increased post demonetisation on rate-cut expectations; eased as RBI maintained status-quo



Source: ICRA Online Research

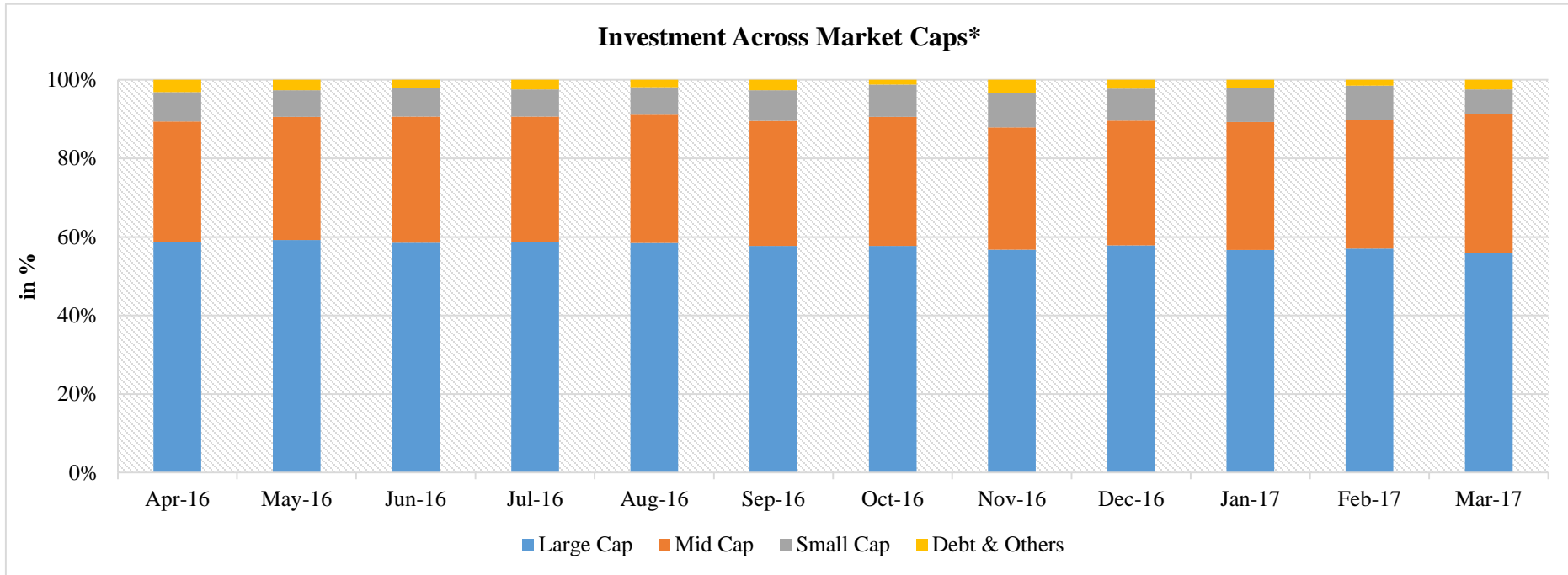
FY17 saw mutual funds match FII inflows

FPI/FII & Mutual Fund Investment Trends in Equity Markets



Source: ICRA Online Research

Large Caps command the largest share of assets



Source: ICRA Online Research

**On the basis of MFI market cap classification, only equity diversified funds were considered for analysis*

Section VI

SEBI INVESTOR SURVEY (SIS) 2015



SEBI conducted its fourth investor survey

- ✓ SEBI Investor Survey 2015 (SIS 2015) is the fourth in a series of periodic studies conducted/sponsored by SEBI to quantify actions and perceptions of retail investors
- ✓ The survey aims to collect information on socio-economic parameters, savings and investment behavior, reasons for non-investment in securities market and relation of risks with investment behavior
- ✓ This iteration of the study has the largest breadth and depth, covering more than 200,000 households in the listings exercise and more than 50,000 households in the final survey across cities and villages in all states and Union Territories (except Lakshadweep)
- ✓ Total number of respondents were 50,453, of which 36,756 were urban respondents and 13,697 were rural respondents

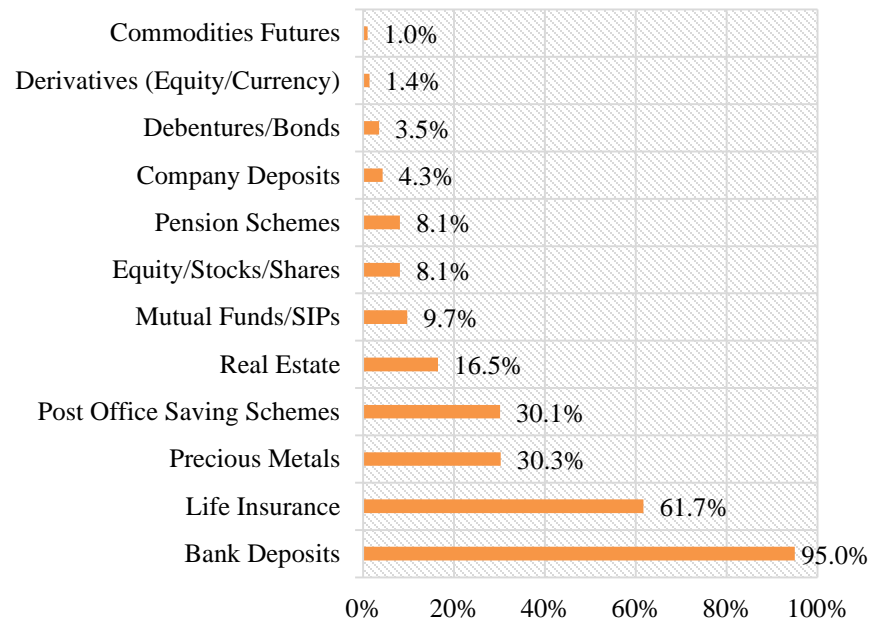


Bank deposits remain the most preferred investment and savings vehicle among urban respondents

Household Awareness of Investment Instruments

	Mutual Funds	Equities	Debentures	Equity/Currency Derivatives	Commodity Futures
Awareness	28.4%	26.3%	13.1%	10.4%	9.5%
Investor Awareness	84.6%	79.4%	48.2%	33.6%	29.2%
Non-Investor Awareness	18.7%	17.1%	7.0%	2.4%	6.1%

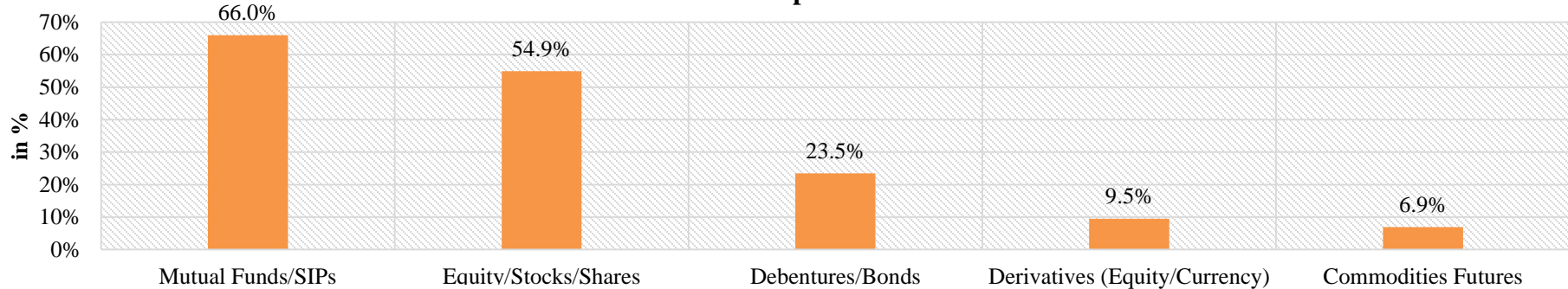
Investment and Savings Vehicles Used by Survey Respondents



N1 = 36,756 (all urban respondents); Respondents could check multiple options

Mutual funds emerged as the most favored market-linked instrument among urban investors

Preferred Investment Avenues for Respondents with Financial Investments



N2 = 5,356 (all urban investors). Respondents could check multiple options

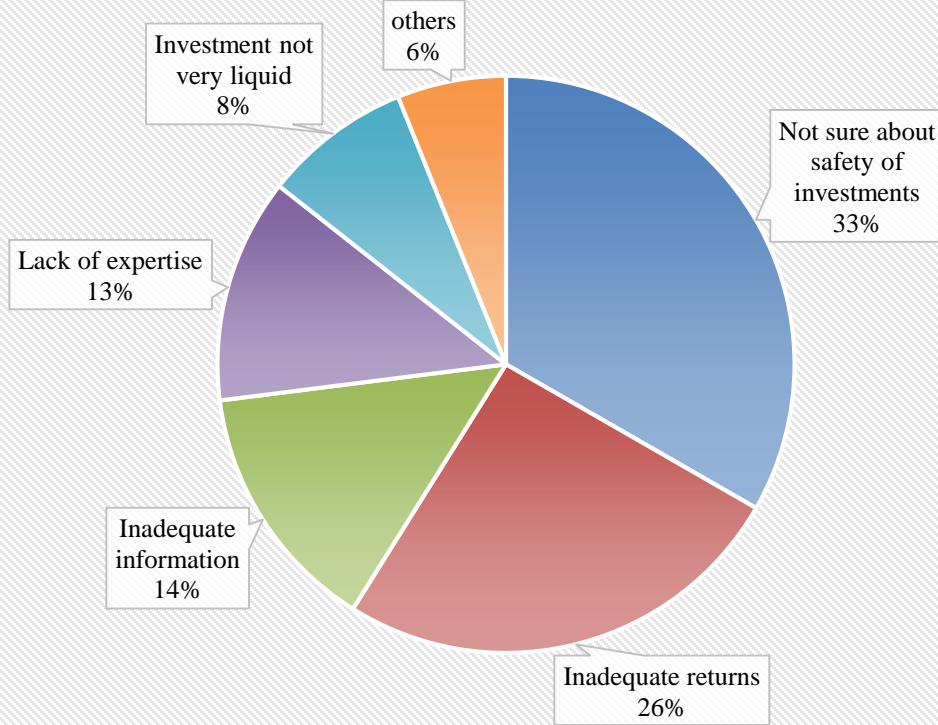
Survey findings:

- ✓ **42%** of the mutual fund investors are regular investors
- ✓ **60%** prefer the SIP route
- ✓ **88%** are aware of online platforms, although the option is not used frequently
- ✓ **24%** use exchanges and platforms offered by stock exchanges
- ✓ **58%** claimed to continue with their investment even during market volatility
- ✓ **25%** would hold onto their investments beyond three years

Out of 36,756 urban respondents, 5,356 or ~15% were actual investors in market-linked instruments

Risk aversion and inadequate returns keep urban investors away from mutual funds

Why Do Households not Invest in Mutual Funds?



- ✓ Sustained and widespread mutual fund information dissemination in India has ensured that information availability is no longer a concern
- ✓ Potential investors are not aware of the superior risk adjusted returns of mutual funds and seem to consider savings and investment instruments independently instead of calculating their optimal weights in a diversified portfolio

N2 = 5,356 (all urban investors). Respondents could check multiple options

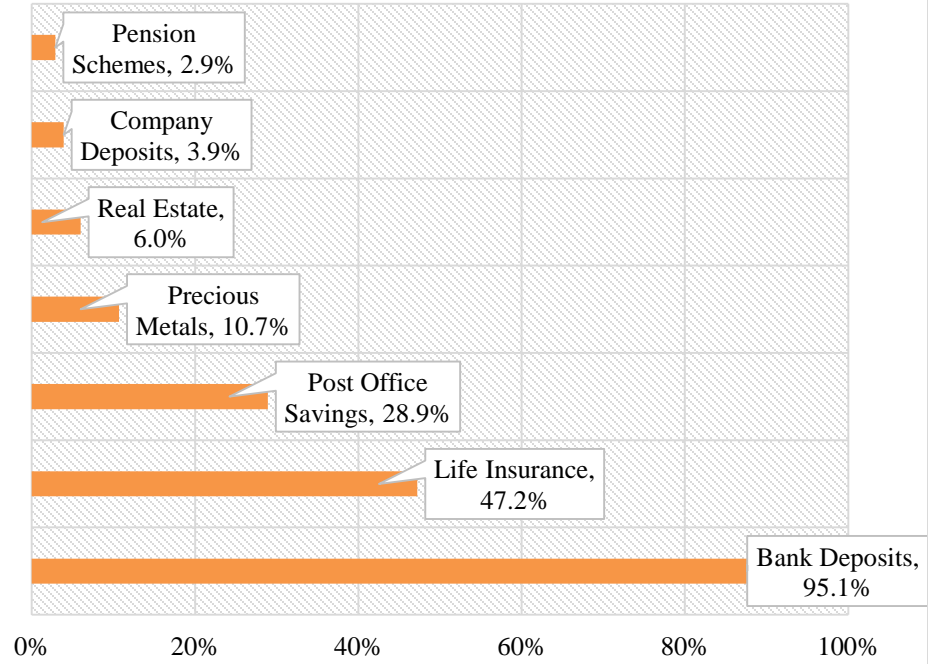
Despite a high savings propensity, rural respondents avoid securities markets

Out of 13,697 rural respondents, mere 32 or 0.23% were actual investors in market-linked instruments, possibly due to a lack of awareness

Survey findings:

- ✓ Almost all respondents were aware of bank deposits
- ✓ 88% and 76% were aware of life insurance and post office savings, respectively
- ✓ 1.4% were aware of mutual funds and equities
- ✓ Less than 0.5% were cognizant of futures, derivatives, or debentures

Instruments for Savings and Capital Formation Used by Rural Households



N3=13,697 (all rural respondents)

Section VII

REGULATORY UPDATE



Regulator remains pro-active during the quarter



SEBI allows mutual funds to invest in REITs and InvITs

- SEBI has allowed mutual funds to invest in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) to make these investment tools more attractive for investors. As per the norm, no mutual fund under all its schemes shall own more than 10% of units issued by a single issuer of REIT and InvIT



SEBI reviews advertisement guidelines of mutual funds

- Regarding advertisement of the mutual fund scheme performance, SEBI has instructed asset management companies to advertise their returns in terms of Compounded Annualized Growth Rate (CAGR) for the past one year, three years, five years, and since inception. However, where the scheme has been in existence for less than one year, past performance shall not be provided. A point-to-point returns chart on a standard investment of Rs. 10,000 must be given to help investors understand the scheme better

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