

Mutual Fund Screener

For the quarter ended Dec-17



ICRA ONLINE LIMITED
A Group ICRA Company

Mutual Fund Screener – What's Inside

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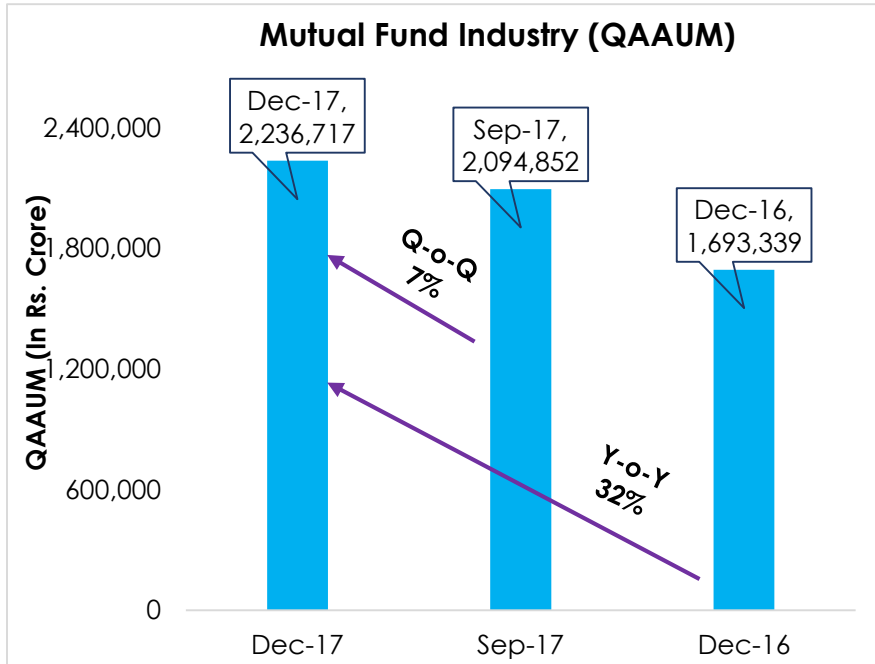
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Section I | **INDUSTRY SIZE**

Industry QAAUM up 7% - crosses Rs. 22 lakh crore



Source: AMFI, ICRA Online Research;

Note: QAAUM – Quarterly Average Assets Under Management

Rs. 141,865 crore added in Q3FY18

Growth in QAAUM for the Quarter Ended Dec-17

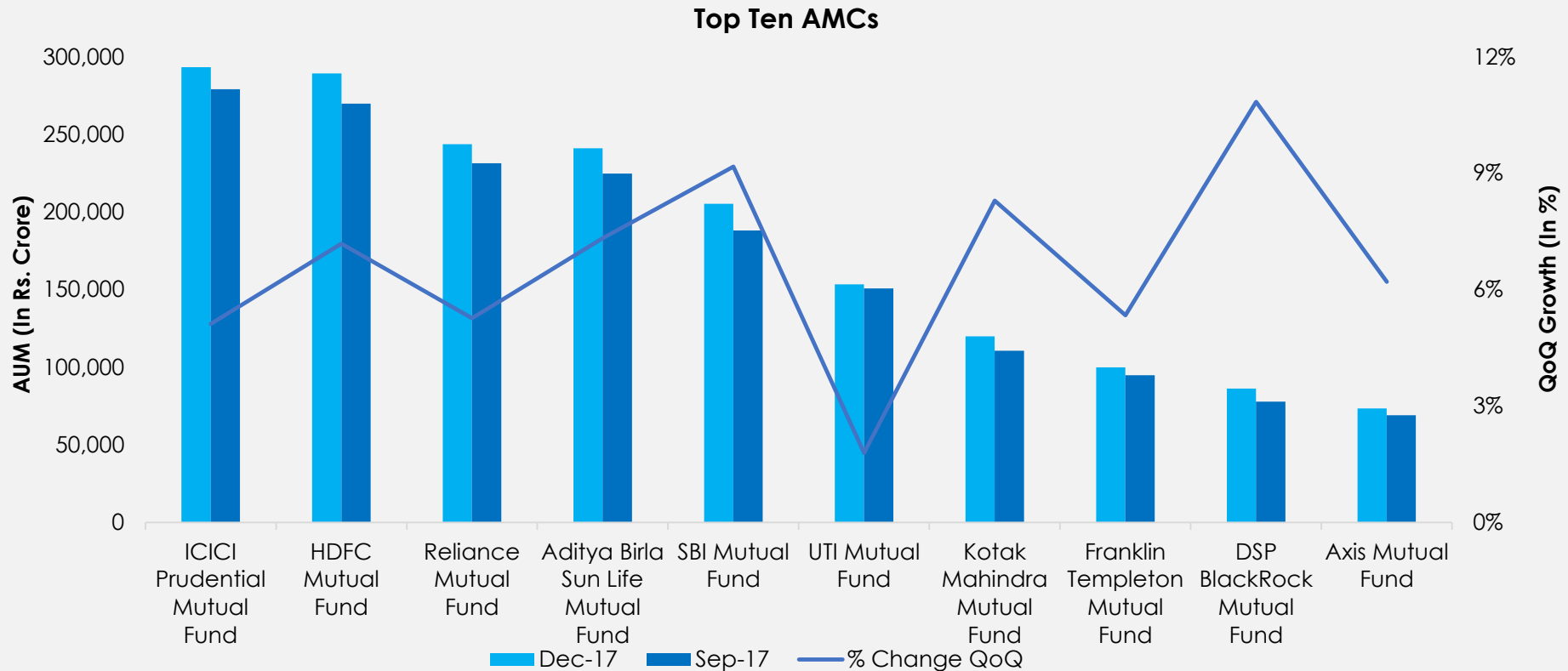
AMCs	Range
Top 5	5% to 9%
Next 10	-4% to 14%
Rest	-7% to 26%

Source: AMFI; ICRA Online Research

Note: AMC list as of Dec-17 QAAUM

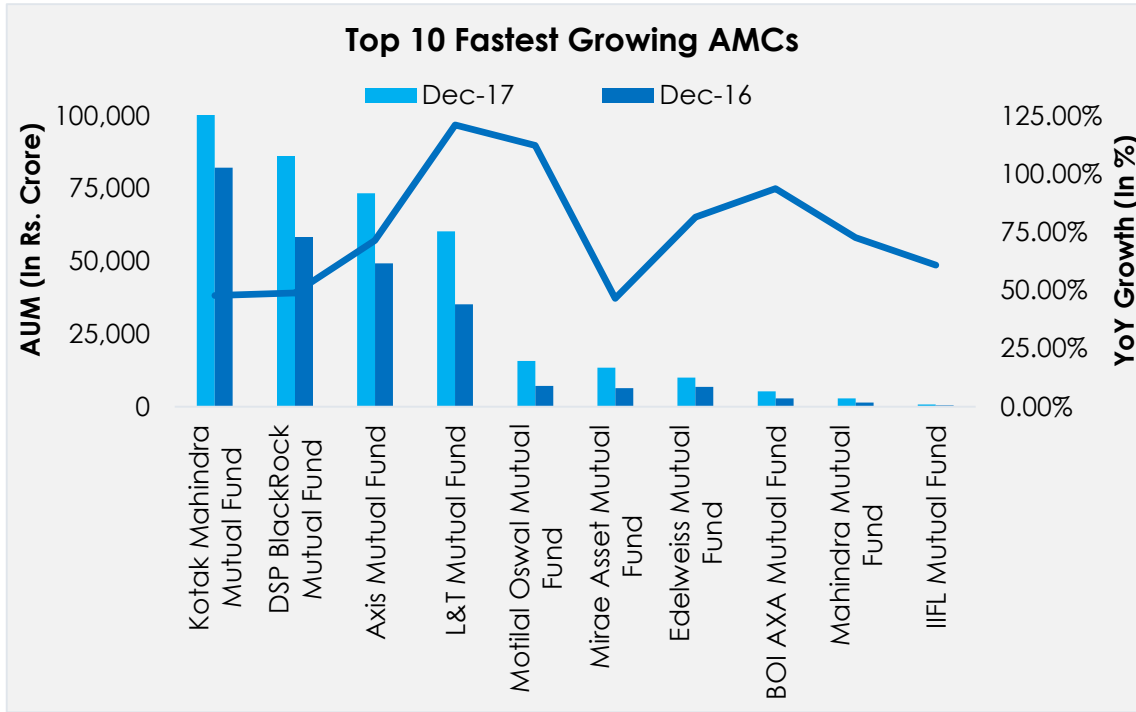
- ✓ Industry Quarterly Average Assets Under Management (QAAUM) grew for the **17th** consecutive quarter in Q3FY18
 - ✓ The 6.8% quarterly growth in industry assets was driven by sustained inflows in equity schemes through both lumpsum and Systematic Investment Plans (SIPs) and mark to market gains

Top 10 AMCs account for ~81% of QAAUM



Source: AMFI, ICRA Online Research

Smaller AMCs grow at a faster pace



Among the larger AMCs (QAAUM > Rs. 35,000 crore), Kotak Mahindra, DSP BlackRock, Axis, and L&T Mutual Fund have shown exceptional growth in assets

Source: AMFI, ICRA Online Research

QAAUM of six fastest growing AMCs below Rs. 20,000 crore

Private sector JVs (predominantly Indian) manage 55% of Q3FY18 QAAUM

Category		As a % of Q3FY18 QAAUM	QAAUM (In Rs. Crore)			Growth	
			Q3FY18	Q3FY17	Q3FY16	Year 1	Year 2
Bank Sponsored	Joint Ventures - Predominantly Indian	10.0%	222,784	153,304	109,921	45.32%	39.47%
	Joint Ventures - Predominantly Foreign	0.5%	11,085	10,785	9,255	2.78%	16.53%
	Others	7.5%	167,956	140,206	116,369	19.79%	20.48%
Institutions	Indian	1.0%	22,756	18,421	12,727	23.53%	44.74%
Private Sector	Indian	17.8%	399,041	285,452	221,604	39.79%	28.81%
	Joint Ventures - Predominantly Indian	54.8%	1,226,832	934,105	716,624	31.34%	30.35%
	Foreign	6.5%	144,893	111,775	98,460	29.63%	13.52%
	Joint Ventures - Predominantly Foreign	0.8%	17,877	13,538	13,512	32.05%	0.19%
	Joint Ventures - Others	1.1%	23,493	24,807	2,163	-5.30%	1046.65%

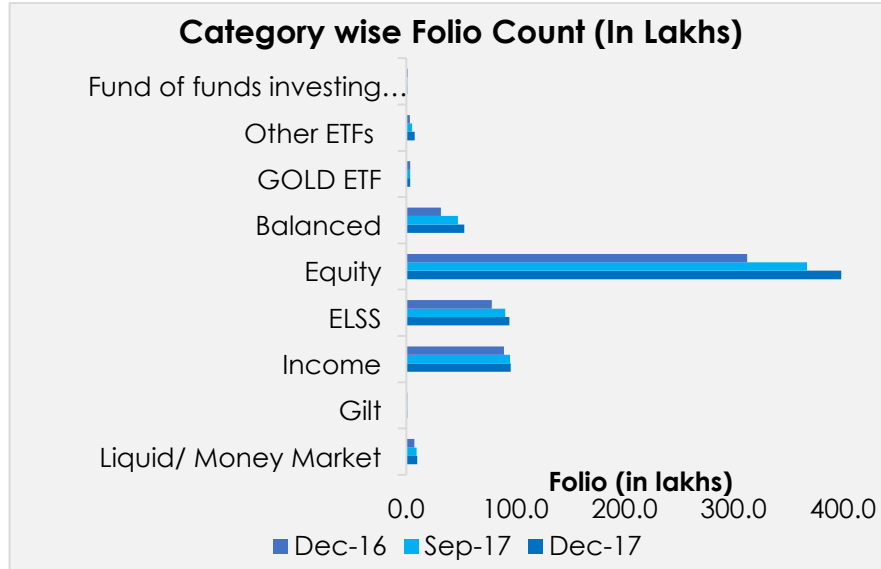
Source: AMFI, ICRA Online Research

Note: Represents change in contribution to total QAAUM from the year ago period
Year 1 – Q3FY18 vs. Q3FY17; Year 2 – Q3FY17 vs. Q3FY16

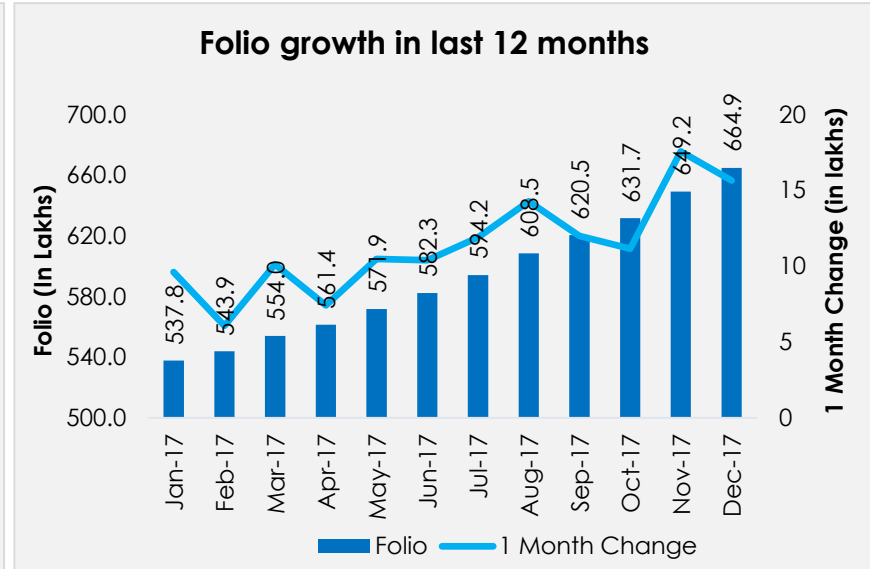
A close-up photograph of a person's hands holding a white piggy bank. The person is wearing a dark suit jacket with orange lapels. The piggy bank is a simple, stylized white pig with small black eyes and a snout. The background is dark and out of focus.

Section II | **INVESTOR TRENDS**

MF industry adds 44.4 lakh folios in Q3FY18



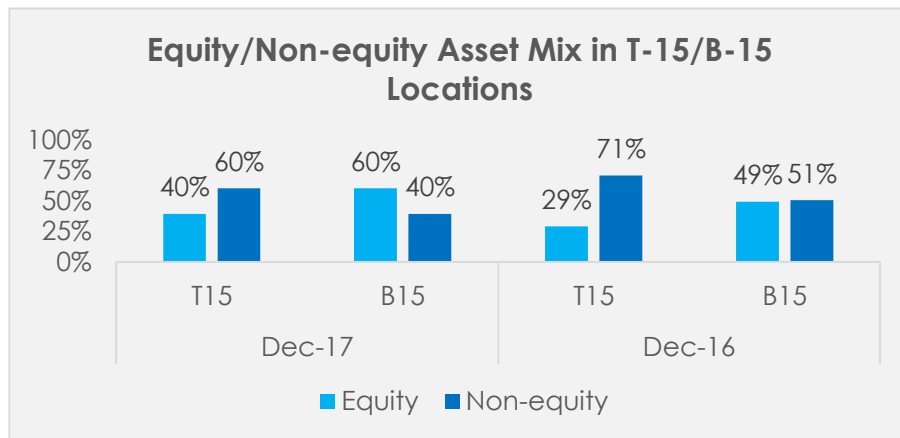
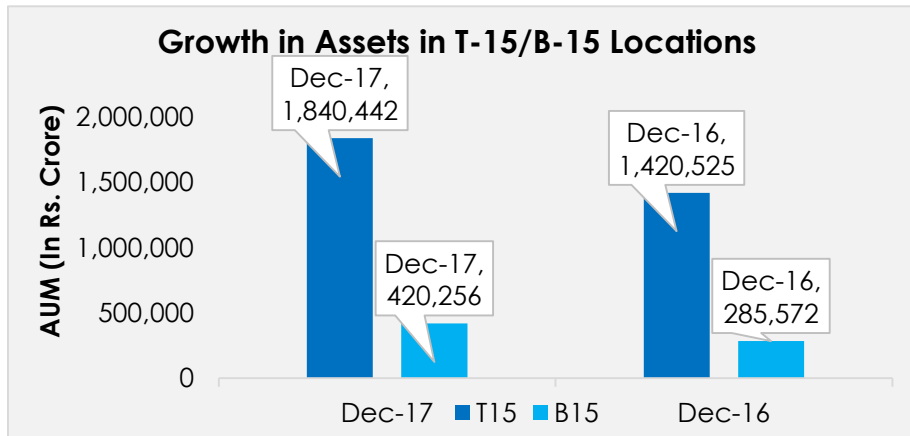
Source: AMFI, ICRA Online Research



Source: SEBI, ICRA Online Research

- ✓ As per data from SEBI, total folio count at the end of Dec-17 stood at 6.6 crore, 7.2% higher than the previous quarter
- ✓ The mutual fund industry added close to 44.4 lakh new folios in Q3FY18 out of which 35.1 lakh were in the Equity category (including ELSS)

B-15 locations generate 19% of industry assets in Dec-17



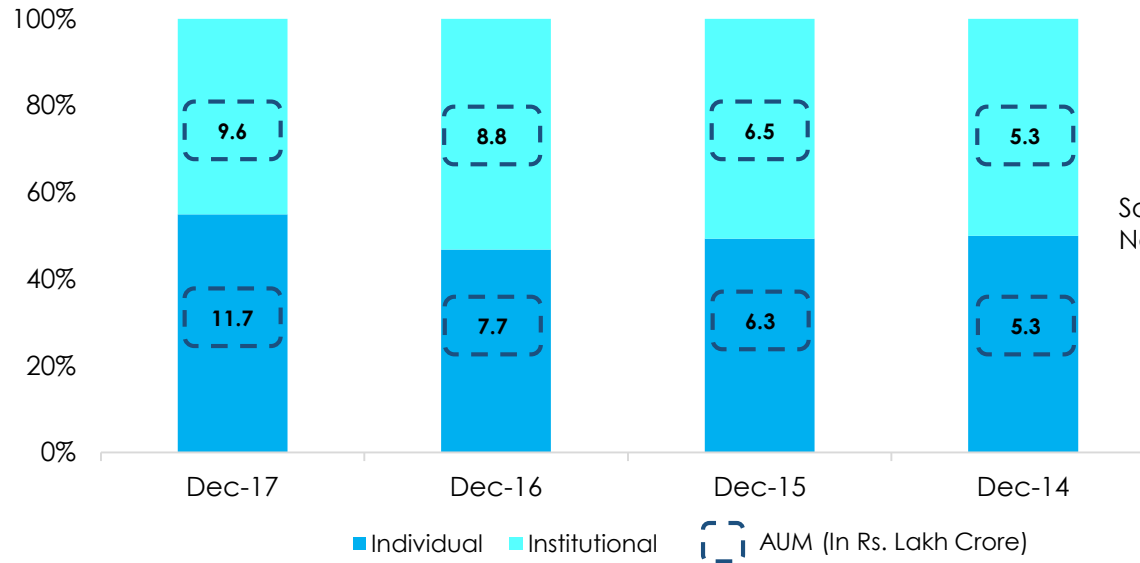
AUM Garnered by Different Channels				
	Dec-17		Dec-16	
	T-15	B-15	T-15	B-15
Associate Distributor	6%	16%	6%	13%
Direct Plan	45%	20%	45%	25%
Non-Associate Distributor	49%	64%	50%	62%

Source: AMFI, ICRA Online Research

- ✓ The country's smaller towns or B15 (beyond top 15 cities) locations accounted for 18.6% of the total industry AUM at the end of Dec-17
- ✓ In the last 12 months, B15 towns have witnessed AUM growth of 47.2% or Rs. 1.35 lakh crore to reach Rs. 4.20 lakh crore

Individual investors form a bigger portion of industry assets; institutional category growing at a slightly slower rate

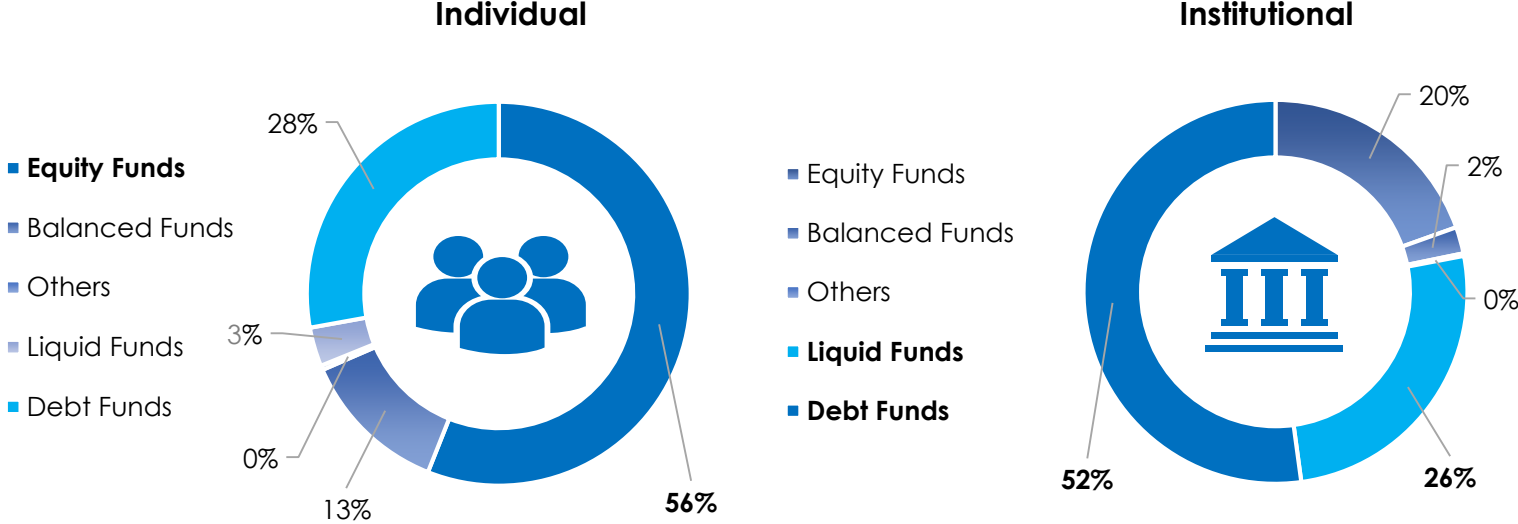
Individual and Institutional Investor Composition



Source: AMFI, ICRA Online Research;
 Note: Data used is month end AUM
 Individual investors include Retail and HNI
 Institutional investors include Corporates, Banks/FIs and FIIs

- ✓ In the last four years, total assets attributable to individual and institutional investors grew at a CAGR of 30.5% and 22.2%, respectively

Individual investors continue to favour equity funds; institutional investors prefer debt-oriented funds



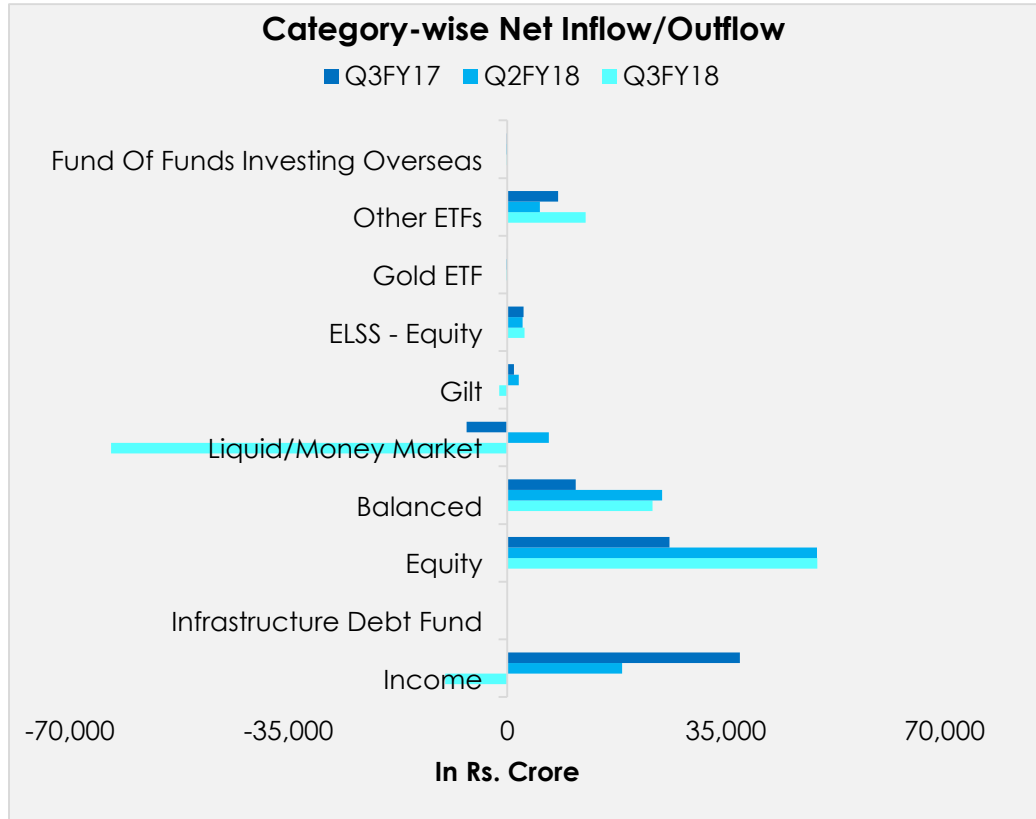
Source: AMFI, ICRA Online Research
 Note: Data pertains to month end AUM of Dec-17
 Equity Funds include ELSS and Other ETFs
 Debt Funds include gilt funds
 Others include other ETFs and Fund of funds investing overseas

✓ At the end of Dec-17, equity funds formed 56% of the total asset base of individual investors, while debt-oriented funds made up 78% of the portfolio of institutional investors of which liquid schemes constituted 26%

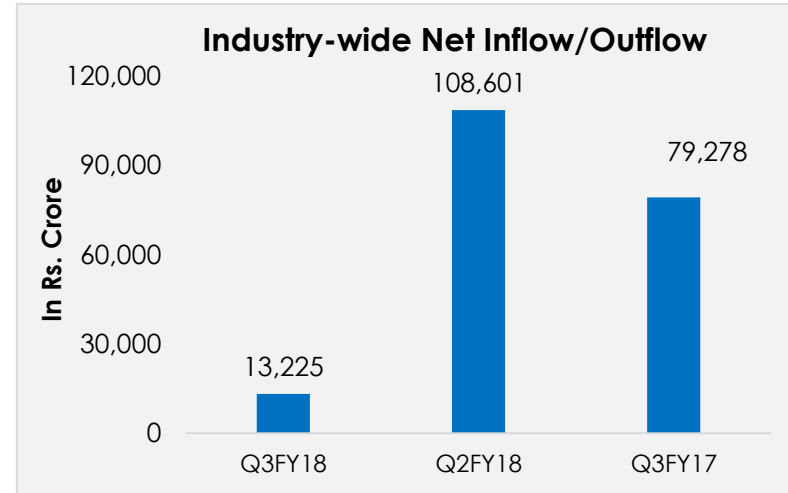
Section III

INFLOW OUTFLOW ANALYSIS

Investors pour over Rs. 50,000 crore in equity mutual funds in Q3FY18



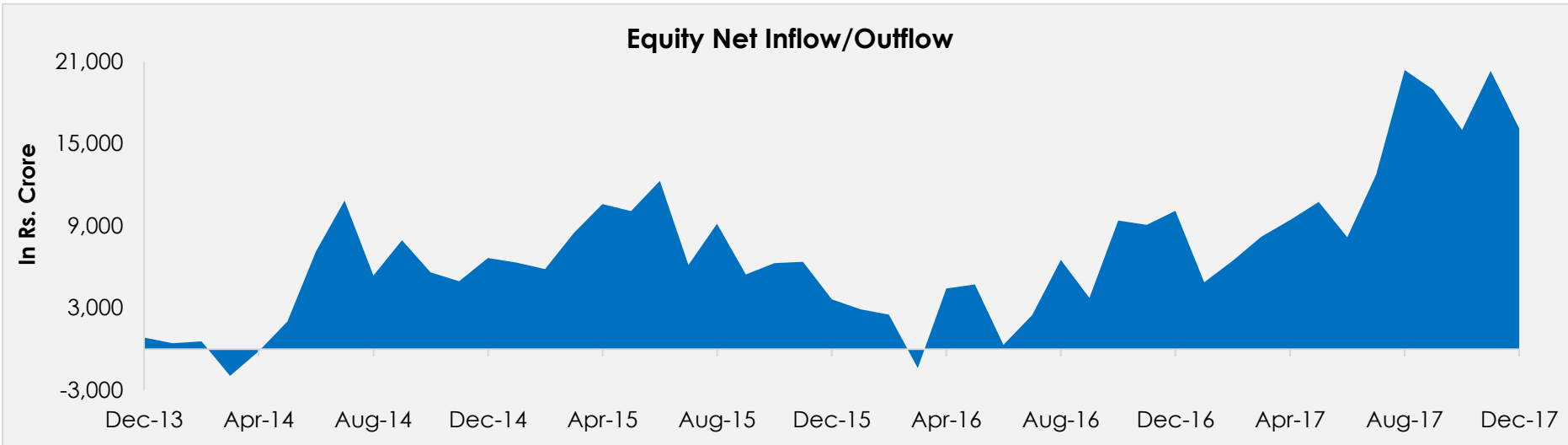
Source: AMFI, ICRA Online Research



Source: AMFI, ICRA Online Research

Investors preferred Equities (including ELSS) and Balanced funds over Income and Liquid funds, which could be due to low yields on money market and fixed income securities

Robust retail participation leads to high infusion in Equity funds



Source: AMFI, ICRA Online Research

Note: Equity includes ELSS funds

- ✓ Equity funds (including ELSS) saw net inflow of Rs. 52,397 crore in Q3FY18 vis-à-vis Rs. 52,025 crore in Q2FY18. Cumulative inflow into these funds surged 178% to Rs. 152,312 crore in CY17 from Rs. 54,875 crore in CY16
- ✓ As per data from AMFI, SIP contribution for Q3FY18 stood at Rs. 17,736 crore as against Rs. 11,291 crore in Q3FY17, a growth of 57% from the year-ago period

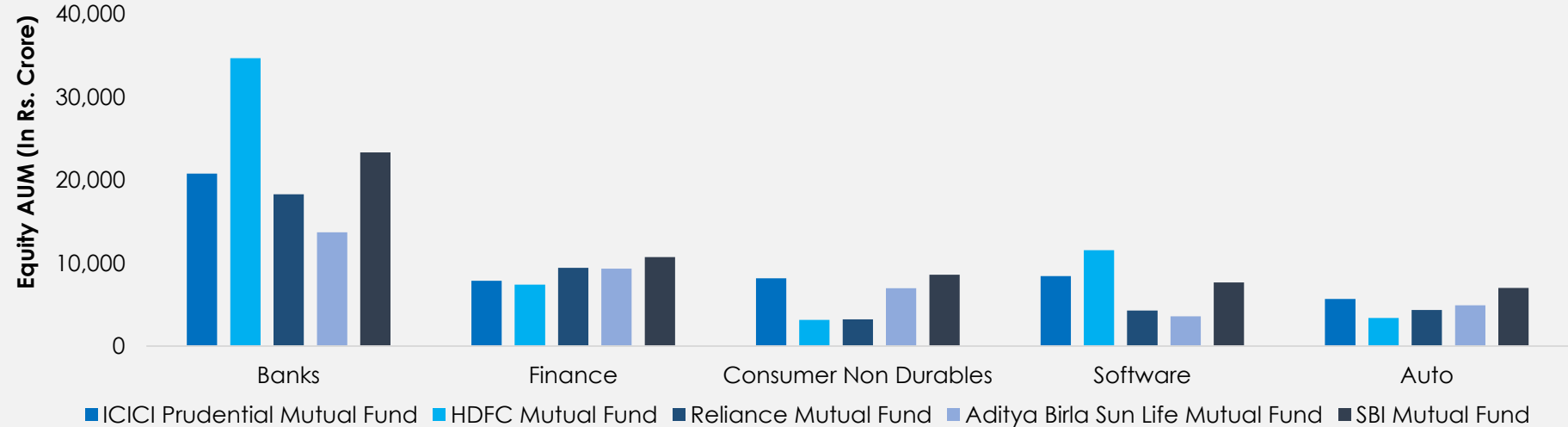
Section IV

SECTOR UPDATE



MFs continue to bet on Banks with more than 20% exposure

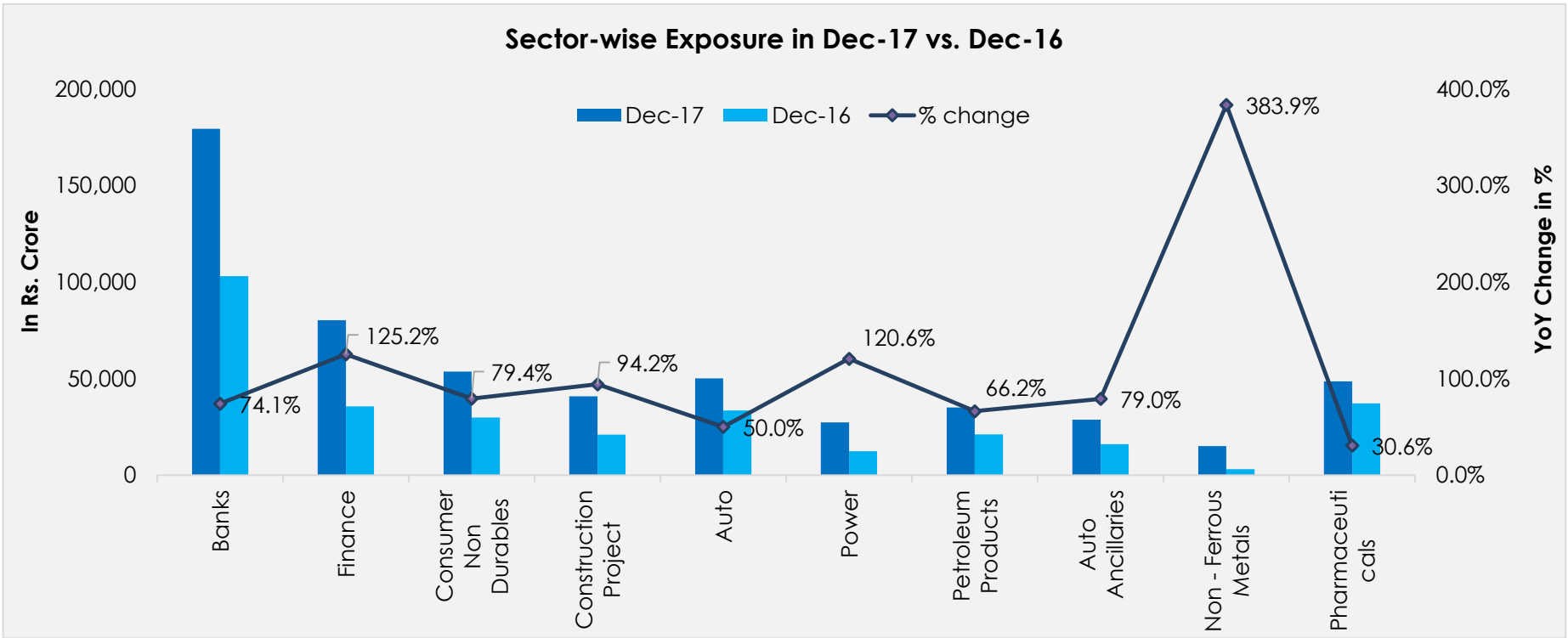
Equity Exposure of Top 5 AMCs in Top 5 Sectors (Dec-17)



Source: AMFI, ICRA Online Research

- ✓ Top five sectors constituted close to 48% of the total equity AUM
- ✓ Over the year, three out of the top five sectors witnessed more than 50% increase in exposure (Finance ~125%, Consumer Non Durables ~79% and Banks ~74%)

Banks and Finance sectors see highest increase in exposure*



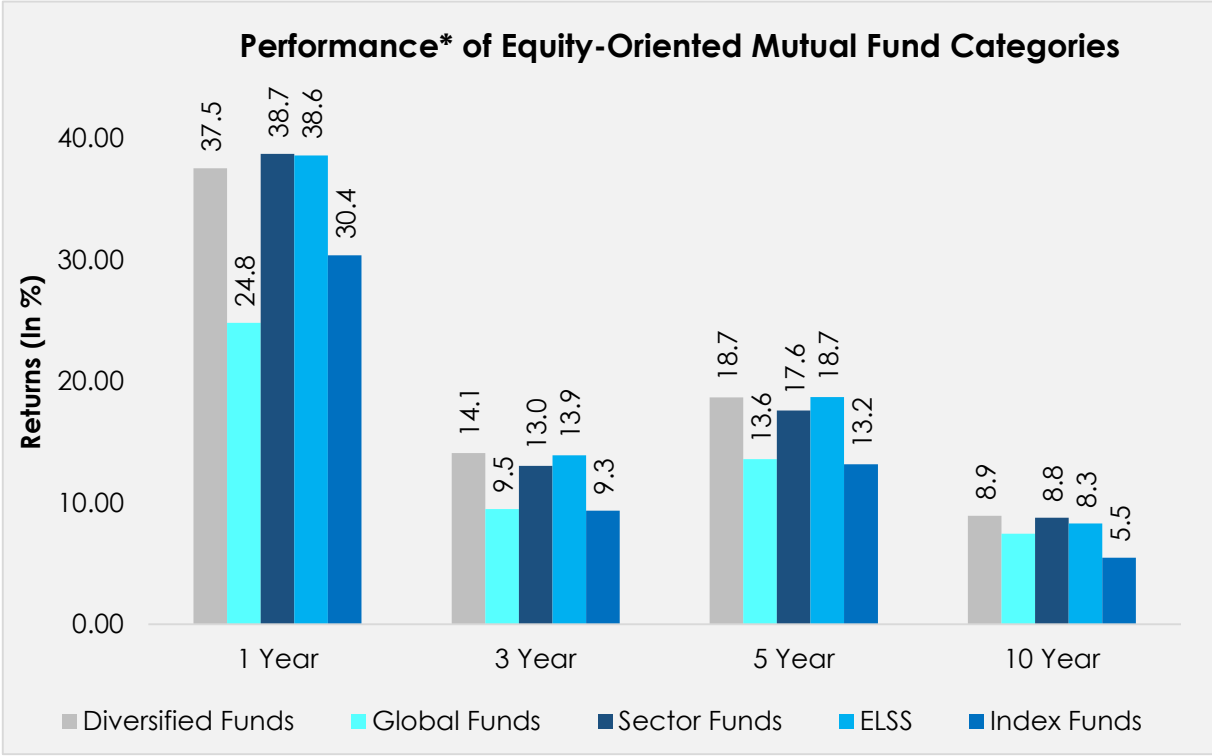
Source: AMFI, ICRA Online Research
 Note: Only top-10 sectors considered
 *Increase in exposure is in absolute terms

Section V

CATEGORY PERFORMANCE



Equity-oriented mutual funds continue to find favour

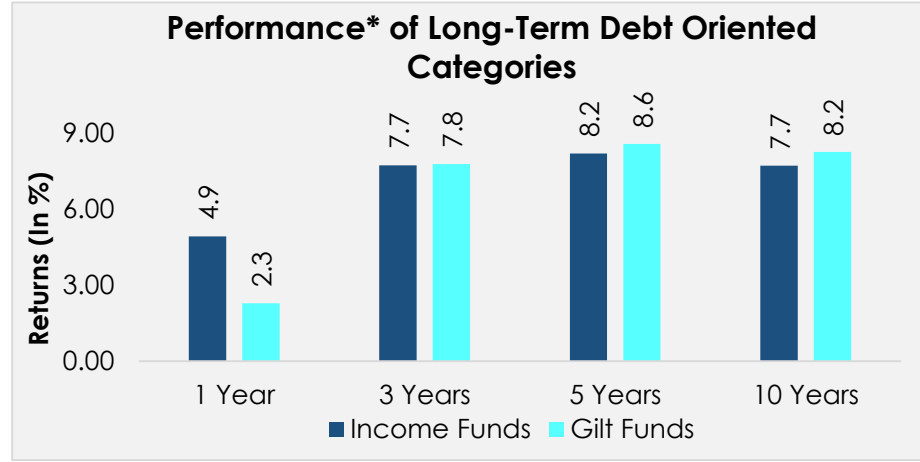
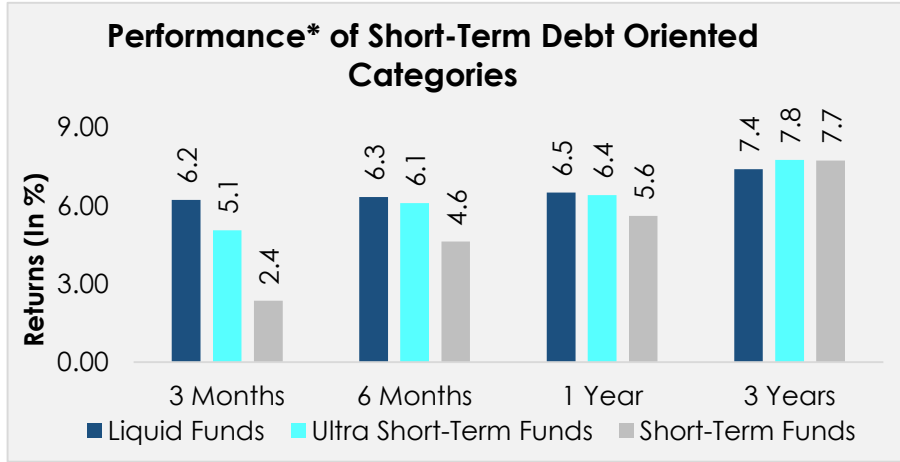


Key drivers:

- ✓ Benchmark indices at lifetime high - S&P BSE Sensex and Nifty 50 gained 28% and 29%, respectively in CY17.
- ✓ Implementation of GST Act
- ✓ Recapitalisation package for banks
- ✓ Upgrade of India's position in World Bank's "Ease of doing business" list
- ✓ Sovereign rating upgrade by Moody's

Source: ICRA Online Research
 Note: *Compounded annualized returns
 Data as of Dec-17

Short term and long term categories post subdued returns



Source: ICRA Online Research

Note: *Compounded annualised returns for periods ≥ 1 year; Simple annualised returns for < 1 year

Data as of Dec-17

Key drivers:

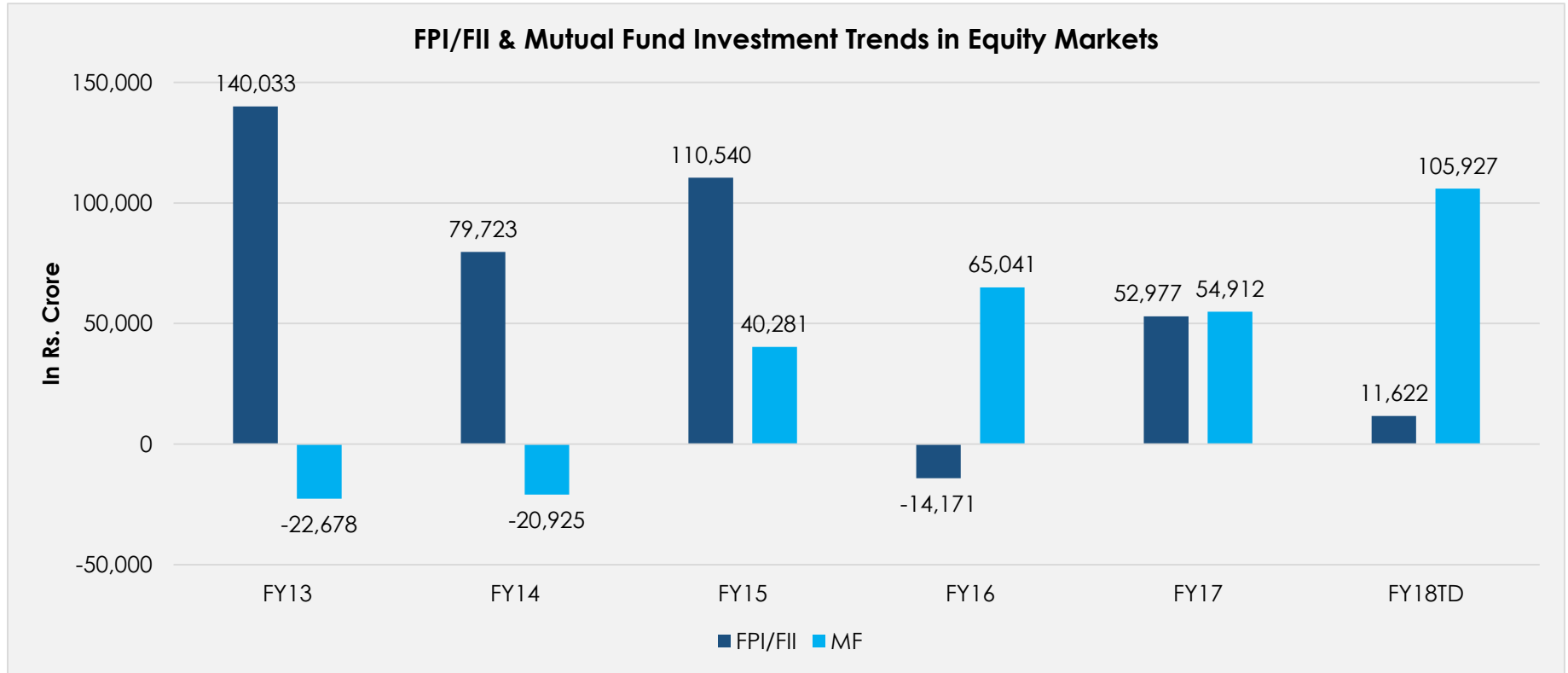
- ✓ Government's announcement of hiking its fiscal year borrowing amount raised investors' concern over overshooting of the deficit target
- ✓ Increase in domestic inflationary pressure restricted MPC from lowering interest rates
- ✓ Increase in global crude oil prices



Section VI

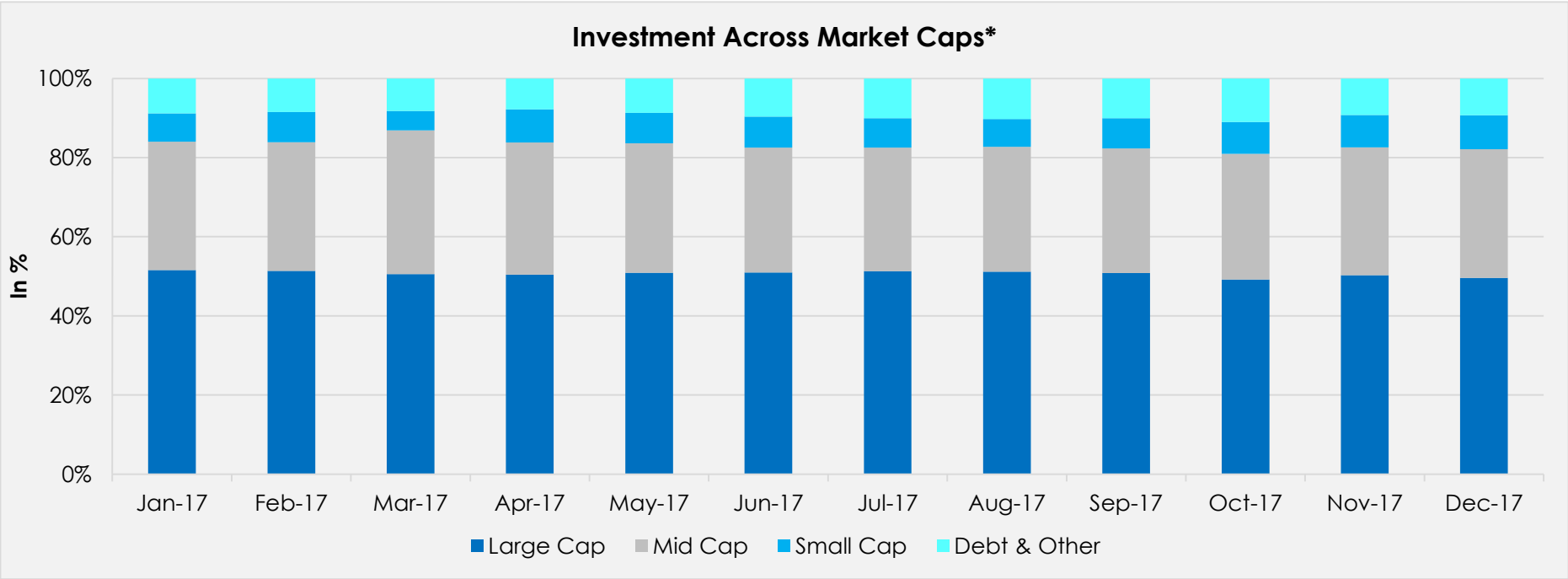
INDUSTRY INSIGHTS

Equity MF inflows continue to drive the domestic equity markets



Source: ICRA Online Research

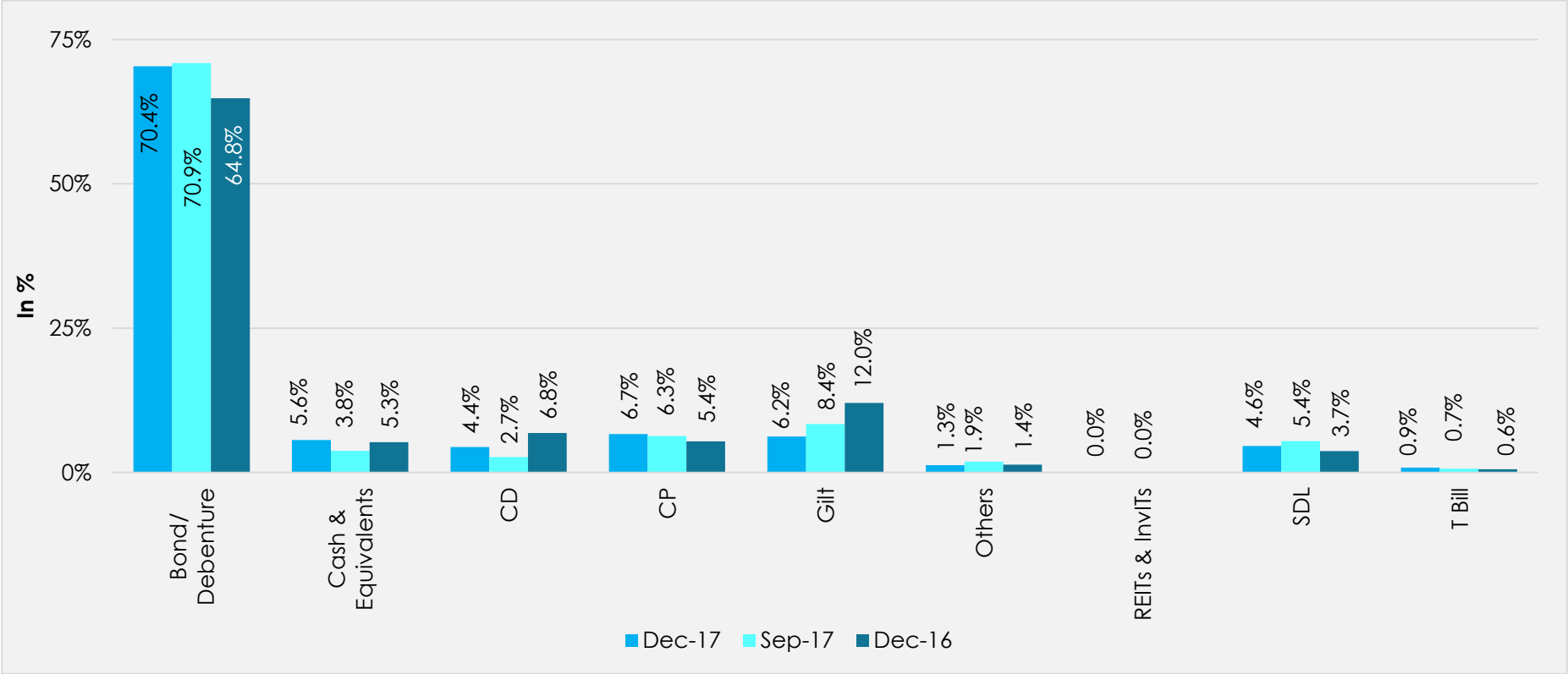
Large Caps command the largest share of assets



Source: ICRA Online Research

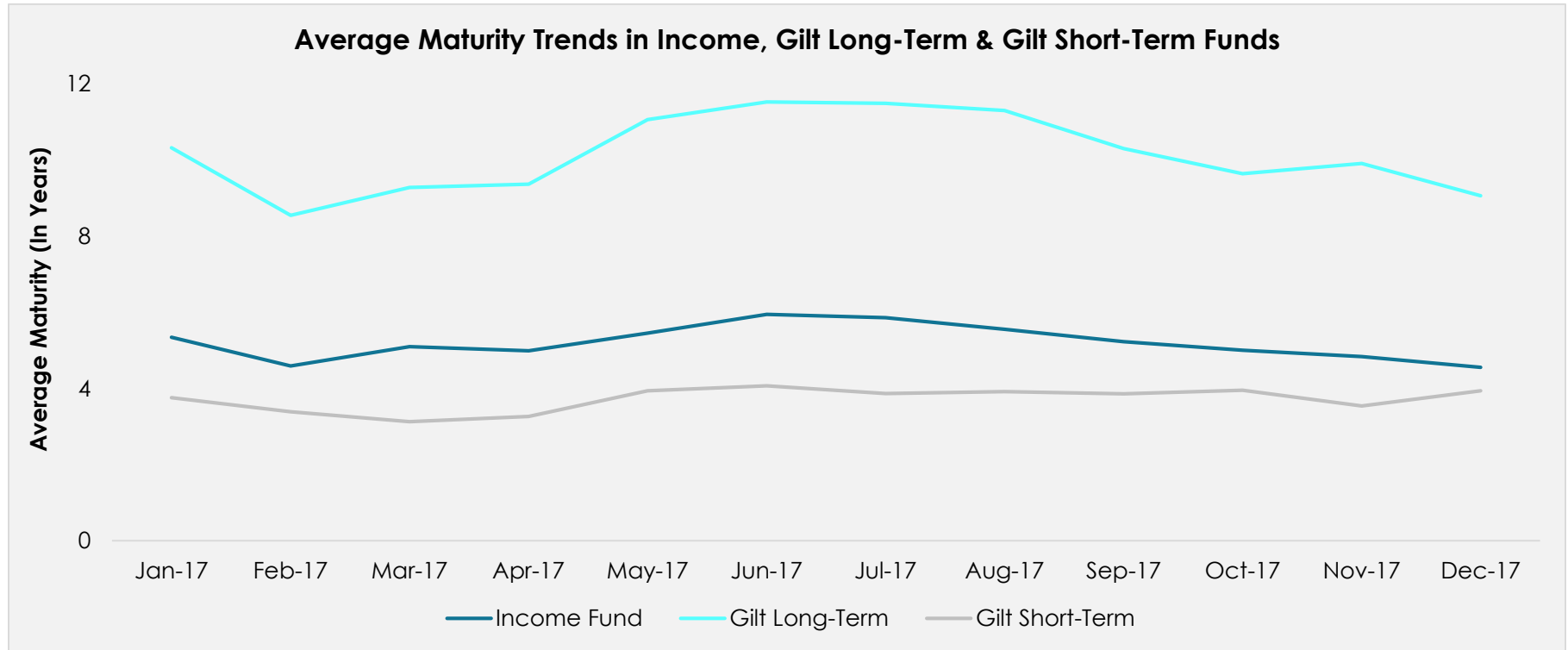
Note: *Classification of market cap as per MFI Explorer, only equity diversified funds were considered for analysis

Instrument allocation pattern in debt segment remains consistent



Source: ICRA Online Research

Average maturity for Income and Gilt funds remains consistent



Source: ICRA Online Research

Note: Categorisation of Income and Gilt funds as per MFI Explorer



Section VII

| **AMFI PROPOSALS**

Budget Proposals from AMFI

AMFI has shared 17 direct tax and 11 indirect tax proposals with Finance Ministry

Direct Tax Proposals

- Introduction of debt linked savings scheme (DLSS)
- Taxation on listed debt securities and debt mutual funds to be aligned
- Alignment of tax treatment of retirement/pension schemes of mutual funds and NPS
- Threshold limit in equity oriented MF schemes to be lowered to 50% from 65%
- [More](#)



**Proposals
submitted by AMFI**

Indirect Tax Proposals

- Transaction between head office and branch of AMC should not be treated as supply
- Eligibility of credit with respect to spill-over of expenses from mutual fund scheme to AMC
- Availability of input tax credit against exit load levied by mutual fund schemes
- [More](#)



Section VIII

REGULATORY UPDATE

Regulator remains vigilant (1 of 2)



SEBI provides scheme categorisations

- In an effort to end duplication of schemes, SEBI categorised MF schemes under five different heads - equity, debt, hybrid, solution-oriented and others. It also clarified on market capitalisation norms for equity funds, instruments allowed for investments for corporate bond fund and credit risk funds



SEBI directs to adopt TRI to benchmark schemes

- SEBI directed mutual fund houses to adopt Total Return Index (TRI) to benchmark schemes as it is a more appropriate way to measure the performance of such financial products



SEBI lays out approach for selection of benchmark

- With the objective of enabling investors to compare the performance of a scheme vs an appropriate benchmark, SEBI decided that the selection of a benchmark for a mutual fund scheme shall be in alignment with the investment objective, asset allocation pattern and investment strategy of the scheme

Source: SEBI

Regulator remains vigilant (2 of 2)



SEBI caps cross-shareholding in mutual funds to 10%

- To avoid “potential conflict of interest”, SEBI capped the cross-shareholding in mutual funds to 10%. Hence, a sponsor of a mutual fund, its associate and/or its group company and its AMC through the schemes, or otherwise collectively, may not be allowed to have 10% or more stake in AMCs / Trustee Companies of any other mutual funds



SEBI lays out tenures of independent trustees, independent directors, auditors

- In order to strengthen the governance structure of mutual funds, SEBI put in place a framework for the tenure of independent trustees, independent directors as well as auditors

Source: SEBI

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