Section I INDUSTRY SIZE
Industry QAAUM at Rs. 23.62 lakh crore in Q3FY19

After witnessing growth over past 20 consecutive quarters, the Industry Quarterly Average Assets Under Management (QAAUM) dipped in Q3FY19.

Retail participation, especially from B30 cities, remained strong during the period.

Significant increase in SIP contribution was also witnessed during the period.

QAAUM grows 6% YoY in Q3FY19
QAAUM of top two AMCs above Rs. 3 lakh crore

Top 10 AMCs

HDFC Mutual Fund
ICICI Prudential Mutual Fund
SBI Mutual Fund
Aditya Birla Sun Life Mutual Fund
Reliance Mutual Fund
UTI Mutual Fund
Kotak Mahindra Mutual Fund
Franklin Templeton Mutual Fund
Axis Mutual Fund
DSP Mutual Fund

Source: AMFI, ICRA Online Research

QAAUM (In Rs. Crore)

HDFC Mutual Fund
ICICI Prudential Mutual Fund
SBI Mutual Fund
Aditya Birla Sun Life Mutual Fund
Reliance Mutual Fund
UTI Mutual Fund
Kotak Mahindra Mutual Fund
Franklin Templeton Mutual Fund
Axis Mutual Fund
DSP Mutual Fund

QAAUM ≥ Rs. 3 lakh crore
QAAUM ≥ Rs. 2 lakh crore and < Rs. 3 lakh crore
QAAUM ≥ Rs. 100,000 crore and < Rs. 2 lakh crore

% Change QoQ

Dec-18
Sep-18

QoQ Growth (In %)
Growth at smaller AMCs in the range of ~33% to ~135%

✓ QAAUM of top 10 fastest growing AMCs (on YoY basis) came in the range of Rs. 100 crore – Rs. 2.65 lakh crore

✓ SBI Mutual Fund with a QAAUM of more than Rs. 2.64 lakh crore witnessed tremendous YoY growth of 28.78%
Private sector JVs (predominantly Indian) manage ~51% of Q3FY19 QAAUM

<table>
<thead>
<tr>
<th>Category</th>
<th>As a % of Q3FY19 QAAUM</th>
<th>QAAUM (In Rs. Crore)</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Q3FY19</td>
<td>Q2FY19</td>
</tr>
<tr>
<td>Bank Sponsored</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Joint Ventures - Predominantly Indian</td>
<td>12.1%</td>
<td>286,390</td>
<td>278,656</td>
</tr>
<tr>
<td>Joint Ventures - Predominantly Foreign</td>
<td>0.5%</td>
<td>12,257</td>
<td>13,564</td>
</tr>
<tr>
<td>Others</td>
<td>7.0%</td>
<td>166,185</td>
<td>175,907</td>
</tr>
<tr>
<td>Institutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indian</td>
<td>0.6%</td>
<td>13,973</td>
<td>21,064</td>
</tr>
<tr>
<td>Private Sector</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indian</td>
<td>20.7%</td>
<td>490,079</td>
<td>529,156</td>
</tr>
<tr>
<td>Joint Ventures - Predominantly Indian</td>
<td>50.9%</td>
<td>1,202,921</td>
<td>1,203,315</td>
</tr>
<tr>
<td>Foreign</td>
<td>6.9%</td>
<td>161,829</td>
<td>167,048</td>
</tr>
<tr>
<td>Joint Ventures - Predominantly Foreign</td>
<td>0.7%</td>
<td>17,647</td>
<td>19,721</td>
</tr>
<tr>
<td>Joint Ventures - Others</td>
<td>0.5%</td>
<td>10,756</td>
<td>22,700</td>
</tr>
</tbody>
</table>

Source: AMFI, ICRA Online Research

Note: QoQ – Q3FY19 vs Q2FY19; YoY – Q3FY19 vs Q3FY18
Section II | INVESTOR TRENDS
Corporates bet on debt categories and ETFs; retail investors prefer equity

Note 1. Exchange Traded Fund (ETF) includes Gold ETF as well as Other ETFs
Note 2. High Net worth individuals are defined as individuals investing Rs. 5 lakh and above
Note 3. Data for the quarter ended Dec-18
Source: AMFI, ICRA Online Research
Total folio count reaches 8 crore in Q3FY19; 24.2 lakh new folios added

- As per SEBI data, total folio count at the end of Dec-18 was ~8 crore, up 3.1% from the previous quarter.
- Out of the 24.2 lakh new folios added in Q3FY19, 21.1 lakh were in the Equity category (including ELSS) followed by Liquid/Money market category.
B30 locations generate ~15% of industry assets in Dec-18

✓ The country's smaller towns or B30 (beyond top 30 cities) locations accounted for 15.1% of the total industry AAUM at the end of Dec-18 as against 14.7% in Sep-18

✓ Direct Plan and Associate Distributor each accounted for 19% of the total industry AAUM for B30 locations and Non-Associate Distributor accounted for 62% at the end of Dec-18

<table>
<thead>
<tr>
<th>AUM Garnered by Different Channels</th>
<th>Dec-18</th>
<th>Sep-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>T30</td>
<td>19%</td>
<td>17%</td>
</tr>
<tr>
<td>B30</td>
<td>62%</td>
<td>64%</td>
</tr>
<tr>
<td>Associate Distributor</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Direct Plan</td>
<td>45%</td>
<td>44%</td>
</tr>
<tr>
<td>Non-Associate Distributor</td>
<td>48%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Source: AMFI, ICRA Online Research
Industry registers net inflows in Q3FY19 as against net outflows in Q2FY19

<table>
<thead>
<tr>
<th>Category</th>
<th>Q3FY19</th>
<th>Q2FY19</th>
<th>Q3FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>FoFs Investing Overseas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Ets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gold Etf</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elss - Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gilt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquid/Money Market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balanced</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arbitrage Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure Debt Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: AMFI, ICRA Online Research

After registering net outflows in Q2FY19, net inflows came in at Rs. 40,937 crore in Q3FY19

Source: AMFI, ICRA Online Research
Equity funds (including ELSS) see fourth straight quarterly decline in net inflows

Net inflows from Equity including ELSS came in at Rs. 27,642 crore in Q3FY19 as against Rs. 28,999 crore in Q2FY19

Equity funds (including ELSS) witnessed lower net inflows in Q3FY19 vis-a-vis Q2FY19 as equity markets remained volatile
Section IV  SECTOR UPDATE
Top five sectors constitute ~53% of the total equity AUM

- AMCs continue to bet on Banks and Finance sectors with ~18% of total equity AUM residing there.
- Pharmaceuticals and Software sectors are largely export-dependent and were helped by the weakness in rupee.

Source: ICRA Online Research
Software sector sees highest YoY inflow growth in percentage terms

Source: AMFI, ICRA Online Research
Note: Only top 10 sectors considered
Section V

CATEGORY PERFORMANCE
79% of mutual funds under Equity category gave negative returns

Performance* of Equity-Oriented Mutual Fund Categories

- ✓ Performance of equity-oriented mutual funds remained dismal over the year. Under the Equity category, 79% of the funds gave negative returns while only 9% of the funds gave positive returns
- ✓ Weakness of the rupee against the greenback, banks’ management issues, liquidity concerns, and global trade war concerns kept markets under pressure
Volatility helped Arbitrage funds

Arbitrage funds were the outperformer amongst its peers in CY18 as domestic equity markets witnessed significant volatility over the year.

Source: ICRA Online Research;
Note: *Compound Annualized returns; Data as of Dec-18
Long term funds outperform short term peers in Q3FY18

Gilt funds were the standout performer in Q3FY18 which can be attributed to plunge in global crude oil prices and fall in domestic inflationary pressures.
Section VI

INDUSTRY INSIGHTS
Debt categories including Liquid and Money market funds constitute 54% of mutual fund assets

Equity category makes up nearly 42% of the asset base

ETFs yet to catch up with its share remaining below 5%

Note 1. AAUM excludes Fund of Funds Scheme (Domestic)
Note 2. Equity includes ELSS and Balanced schemes
Note 3. Debt includes liquid/money market, Gilt, FMP, Debt (assured return) Infrastructure Debt Funds and Other Debt Schemes
Note 4. Data is an average of contribution for Oct-Nov and Dec-18

Source: AMFI, ICRA Online Research
Maharashtra continues to constitute the highest share in mutual fund investments

Top 5 states contribute ~70% of mutual fund assets

Top 10 State-wise Contribution

- Maharashtra (41%)
- New Delhi (10%)
- Karnataka (7%)
- Gujarat (7%)
- West Bengal (5%)
- Haryana (5%)
- Tamil Nadu (5%)
- Uttar Pradesh (4%)
- Rajasthan (2%)
- Telangana (2%)
- Others (13%)

Note 1. Data is an average of contribution for Oct-Nov and Dec-18
Source: AMFI, ICRA Online Research
FPIs turn bullish while MFs continue to retain faith in the Indian growth story

FPI/FII & Mutual Fund Investment Trends in Equity Markets

Source: ICRA Online Research
### Instrument allocation pattern in debt segment

<table>
<thead>
<tr>
<th>Instrument Type</th>
<th>Dec-18</th>
<th>Sep-18</th>
<th>Jun-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond/Debenture</td>
<td>39.0%</td>
<td>37.0%</td>
<td>40.5%</td>
</tr>
<tr>
<td>CP</td>
<td>1.6%</td>
<td>38.8%</td>
<td>37.1%</td>
</tr>
<tr>
<td>CD</td>
<td>12.8%</td>
<td>9.8%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Gilt</td>
<td>1.8%</td>
<td>3.1%</td>
<td>4.2%</td>
</tr>
<tr>
<td>SDL</td>
<td>0.5%</td>
<td>0.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>T Bill</td>
<td>2.2%</td>
<td>3.0%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Others</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>REITs &amp; InvITs</td>
<td>1.3%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td></td>
<td>2.9%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

Source: ICRA Online Research
Average maturity trend in last one year

Average Maturity Trends in Corporate Bond Fund, Dynamic Bond, Gilt Fund, Gilt Fund with 10 Year Constant Duration

Source: ICRA Online Research
The Securities and Exchange Board of India (SEBI) has permitted mutual funds to create segregated portfolios for stressed debt securities and eased listing norms for start-ups. The new facility, known as side pocketing, involves separation of distressed or illiquid assets from healthier securities in a debt mutual fund portfolio. The move aims at insulating debt schemes from major erosion in their net asset values in the event of a default. Also, SEBI has allowed clubbing of investment limits for foreign portfolio investors and introduced custodial services for commodities derivatives market.

SEBI has asked fund houses to upload their daily scheme performance data on AMFI website. The returns will be for 1-year, 3-year, 5-year, 10-year and since inception time periods. Additionally, AMCs will also have to upload 7 days, 15 days, 1 month, 3 months and 6 months performance of overnight funds, liquid funds, ultra-short duration funds, low duration funds, and money market funds on the portal. The returns will be calculated based on previous day’s NAV.
Regulator remains vigilant (2 of 2)

Reporting norms revised for mutual funds

- SEBI has revised reporting norms for mutual funds. The new Monthly Cumulative Report (MCR) will capture details such as no. of folios in each scheme, gross inflows, net inflows/outflows, net AUM, average AUM and so on. AMCs will have to do such reporting at scheme level. The revised MCR is in line with the categorization and rationalization of mutual fund schemes that aims to eliminate duplication in offerings across schemes within the fund house. The new report directs fund houses to put one scheme in each category.

Fund houses to disclose investment and advisory fees and other expenses

- With immediate effect, SEBI has asked fund houses to disclose investment and advisory fees and other expenses along with the gross commission of distributors. Hence, now the half yearly consolidated account statement (CAS) will have two more columns for the disclosure of management fees and other expenses along with the gross commission paid to distributors. SEBI has yet not clarified if such disclosures will be in percentage terms or absolute terms.

Source: Media Reports
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