



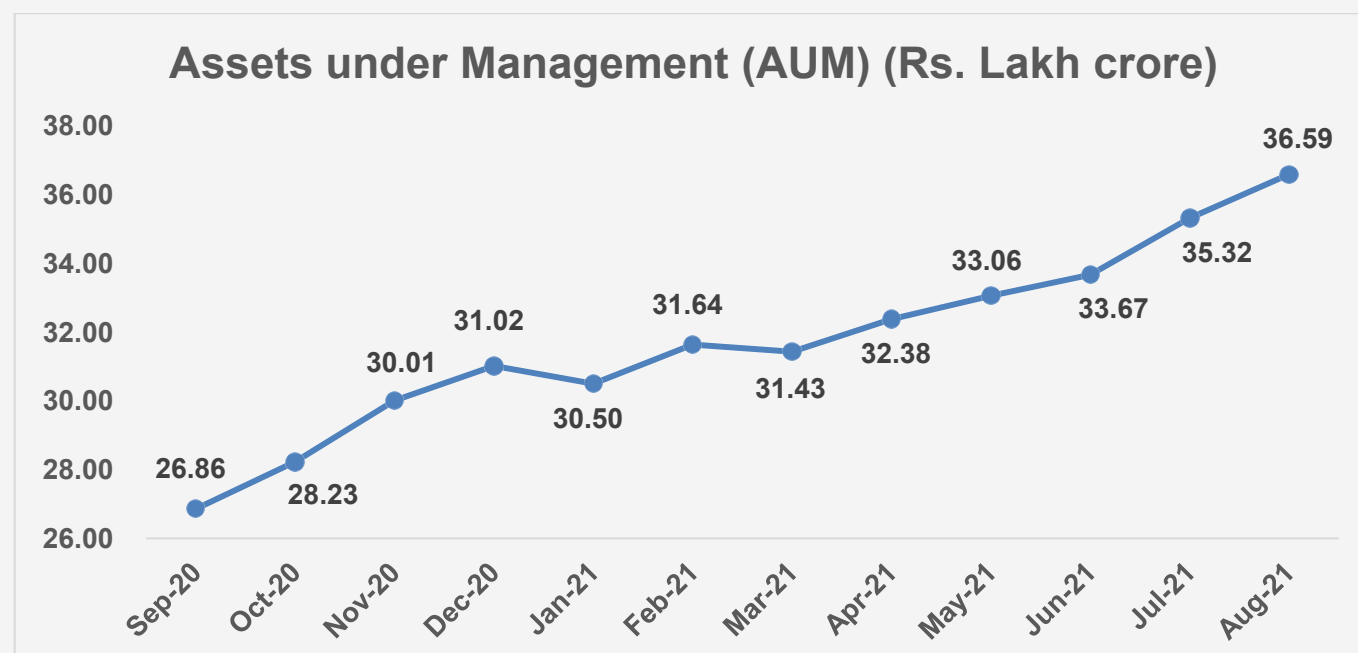
# FOUNDATION

## OF INDEPENDENT FINANCIAL ADVISORS

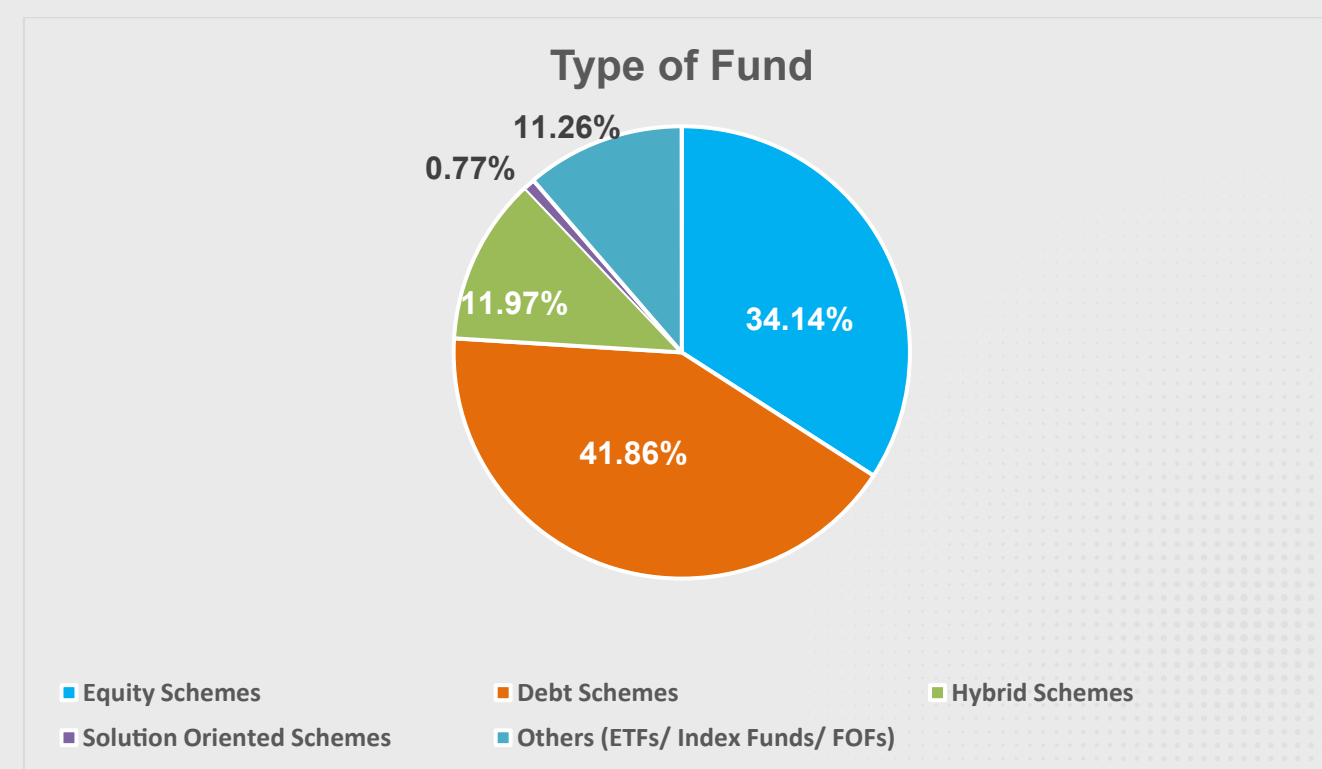
AUGUST 2021

# What's New?

## AUM Movement over the last 12 months



## AUM Composition as at 31st August 2021



## How has the AUM changed over the last month?

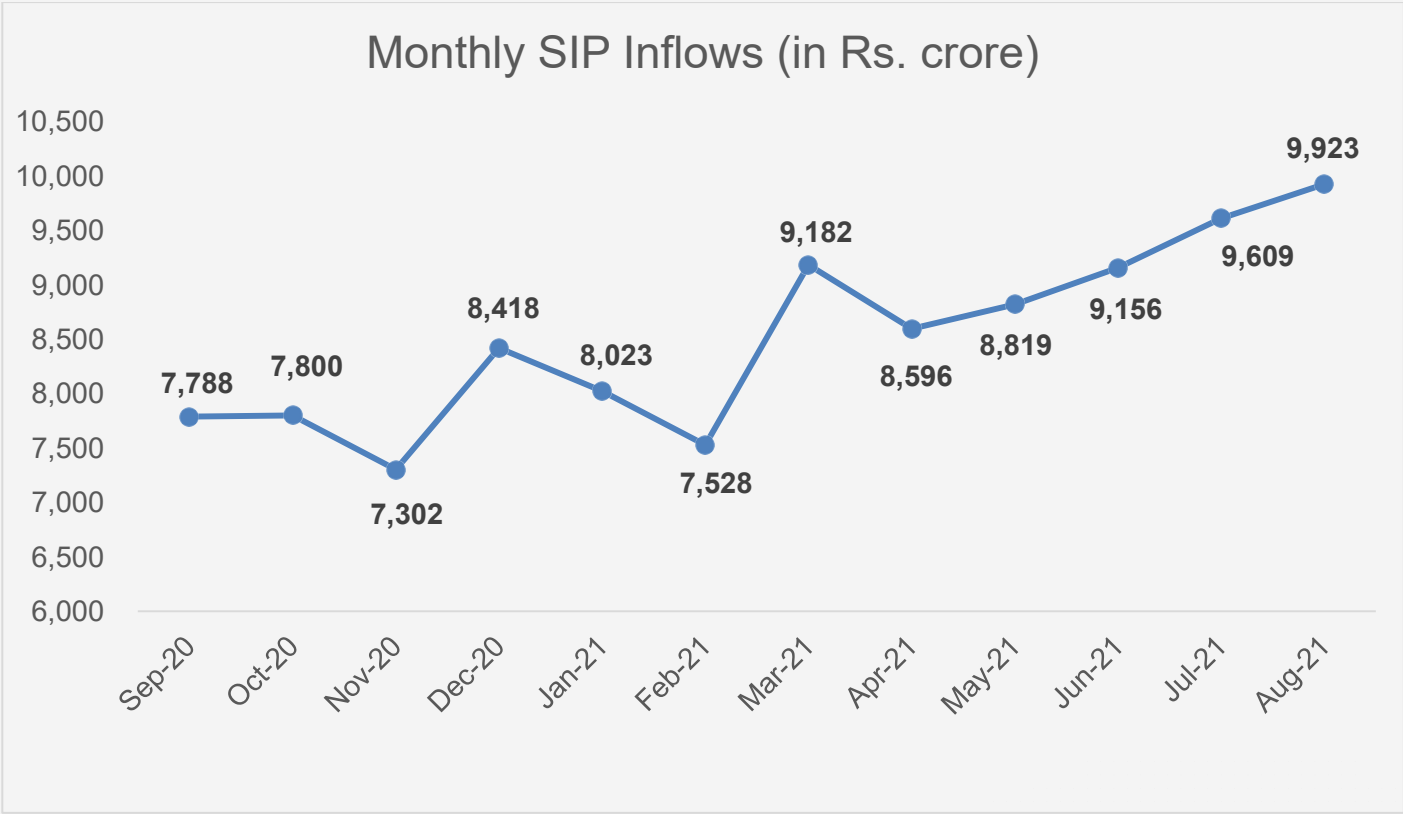
(All figures in Rs. Crore)

Particulars	AUM as at 31-Jul-21	Net Inflows/ (Outflows)	Increase/ (Decrease) due to market movements	AUM as at 31-Aug-21
Equity Schemes	11,86,773	8,057	54,287	12,49,117
Debt Schemes	15,28,469	(5,408)	8,802	15,31,863
Hybrid Schemes	4,11,902	18,705	7,507	4,38,114
Solution Oriented Schemes	27,235	30	952	28,217
ETF/ FOF/ Others	3,77,474	11,592	23,068	4,12,134
<b>Total</b>	<b>35,31,853</b>	<b>32,976</b>	<b>94,616</b>	<b>36,59,445</b>

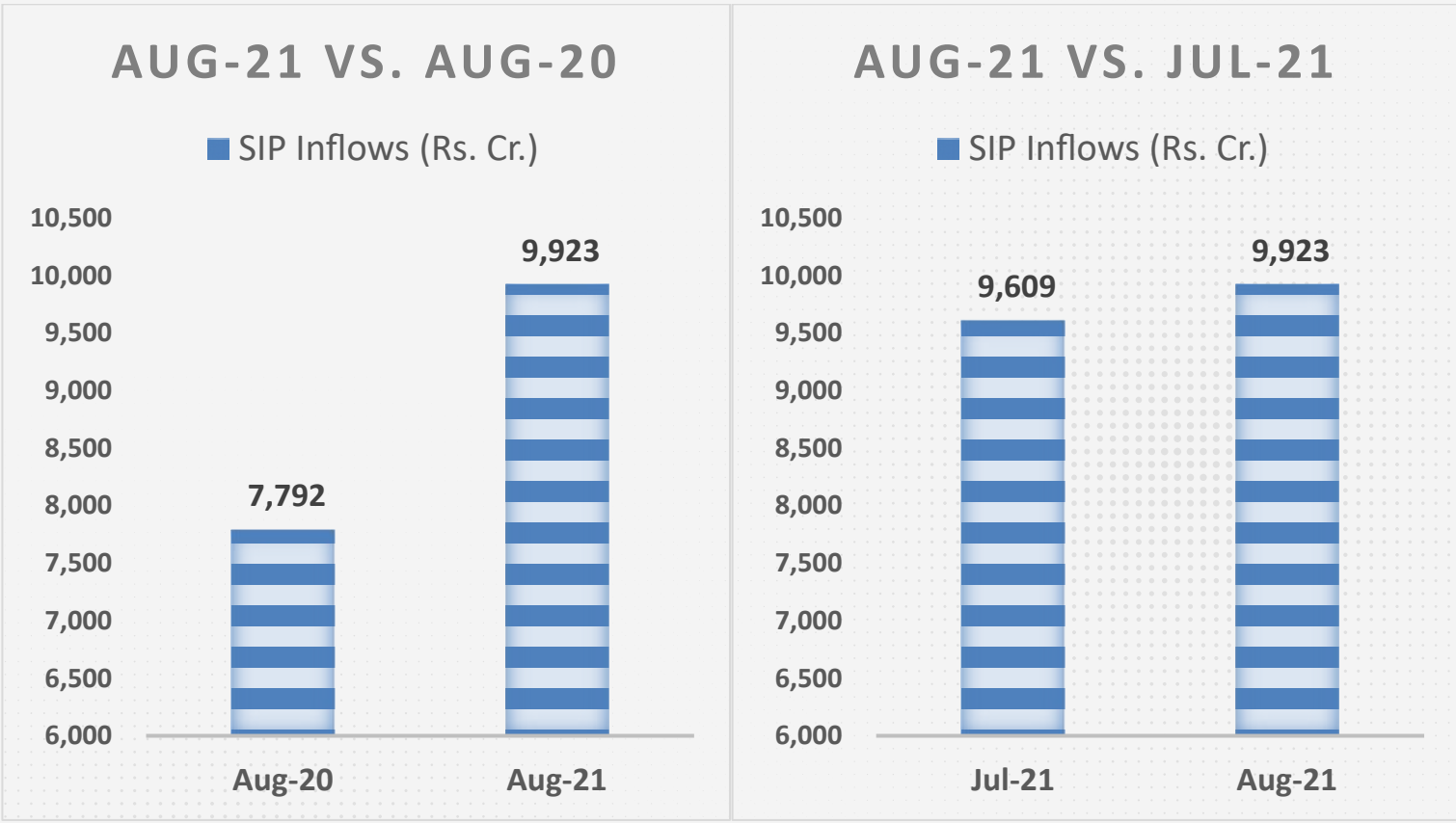
Source – Association of Mutual Funds in India (AMFI)

# What's New?

## SIP Trends



## Growth in SIP Inflows





# What's New?

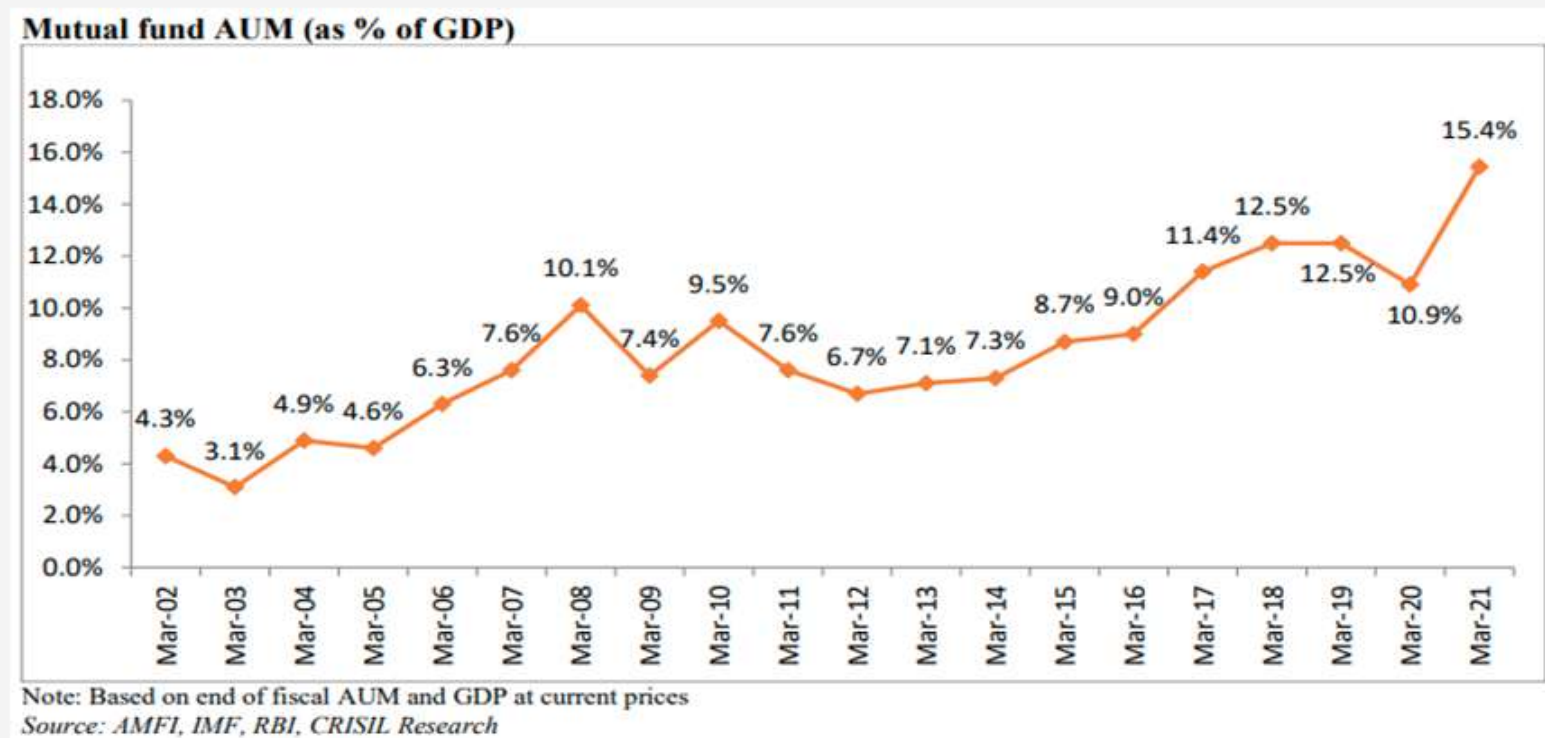
Saarthi Zaroori Hai™

## AUM to GDP ratio rises sharply in FY 2021, hits a new peak

Mutual fund AUM to total bank deposits ratio also surges to a new high of 21.3%.

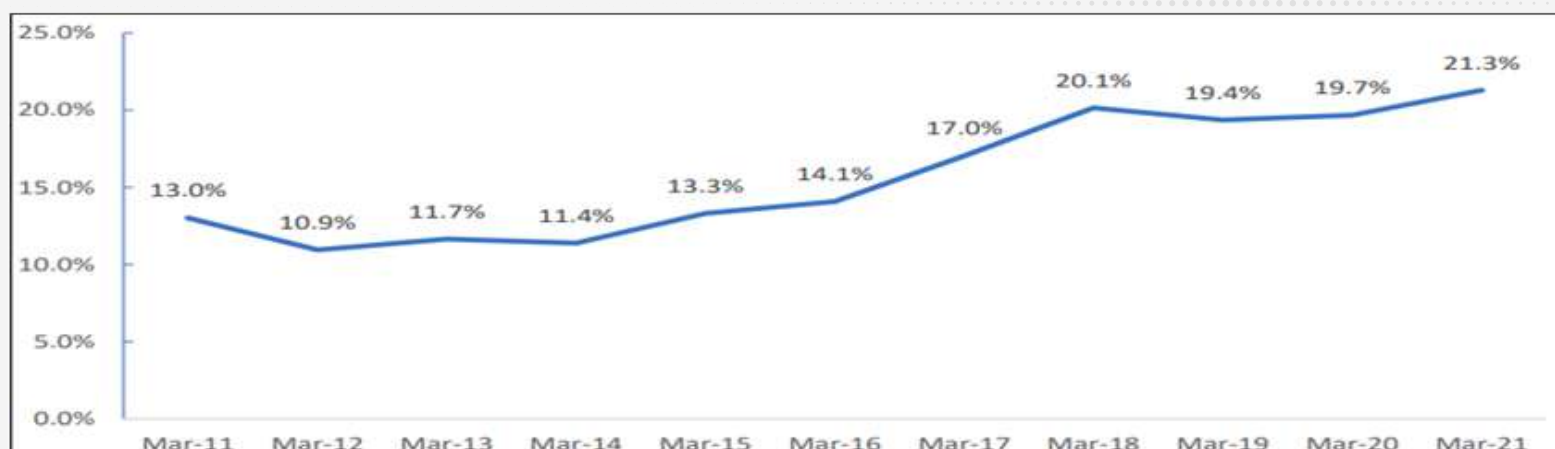
The mutual fund AUM to GDP ratio touched a record high of 15.4% in FY 2021 on the back of a stellar rally in stock markets and a 7.3% decline in India's GDP during the period, shows Prudent Corporate Advisory's draft IPO papers.

In FY 2020, the ratio had plummeted to a 3-year-low of 10.9% mostly due to the Covid-induced crash in the stock market in March 2020. Before the pandemic hit, the AUM to GDP ratio had risen for 6-straight financial years and made a peak of 12.5%.



## Mutual fund AUM (as a % of total banking deposits)

Mutual fund AUM as a percentage of total bank deposits also made a new peak of 21.3% in FY 2021.



Note: QAAUM for mutual funds considered | Source: RBI, AMFI, CRISIL Research

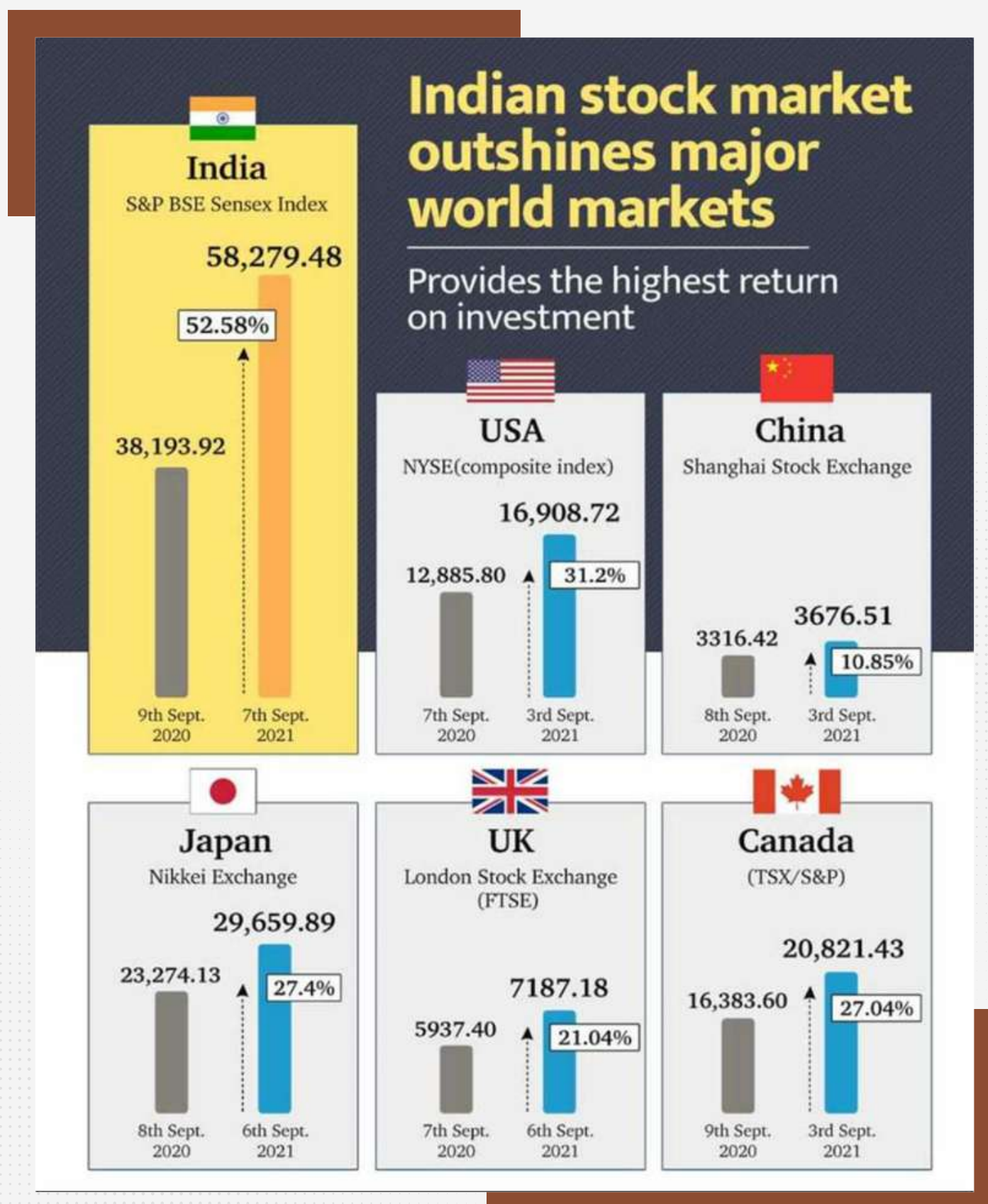
The document noted that despite the good growth numbers in FY 2021, the industry is still far behind global penetration levels and has ample space to register double digit growth in AUM every year.

"In the long term, i.e. between March 2021 and March 2026, the overall industry's AUM is projected to sustain a high growth trajectory of 11-13% CAGR, reaching Rs 57 trillion," the document said.

# What's New?

According to it, the growth will be driven by six major factors:

- Pick-up in corporate earnings following stronger economic growth
- Higher disposable income and investable household surplus
- Increase in aggregate household and financial savings
- Deeper regional penetration as well as better awareness of mutual funds as an investment vehicle
- Continuous improvement in ease of investing, with technological innovations and expanding internet footprint
- Perception of mutual funds as long-term wealth creators, driven in part by initiatives like 'Mutual Fund Sahi Hai' campaign





# What's New?

## Did You Know?

**Sensex at 53000 or at 80000 or much much higher!**

**Just see for the first time ever amazing data about Indian Equity Markets**

1. BSE completed 40 years
2. There were around 10,000 trading days in last 40 years.
3. Observations on regular basis and positive and negative returns occurrences.

Frequency	Positive	Negative
Daily	53% time	47% time
Weekly	56% time	44% time
Monthly	61% time	39% time
Quarterly	64% time	36% time
Yearly	72% time	28% time
3 years	89% time	11% time
5 years	96% time	04% time
10 years	100% time	

Bse Sensex delivered 15.5% CAGR returns over last 40 years.

Decade' returns dispersion

Period	1980-1990	1990-2000	2000-2010	2010-2020
CAGR	21.6%	14.3%	17.8%	8.8%

BSE Sensex returns 15.5%. Add 1.4% average dividend yield of 1.4% of last 40 years. At 16.9% compounding the value of BSE is actually around 80,000 level

Longest period without returns was from 1994 till 2003. 9 years in total.

Since 2002 in last 18 years NO single 7 years rolling returns were without returns. This means since 2002 if you ever invested and kept money for minimum period of 7 years then you would have never lost money.

Disclaimer: Mutual Fund investments are subject to market risks, read all scheme related documents carefully. Last performance is not indicative of future returns.

Source: FIFA, July 2021

For information purpose only

# FIFA Welcomes New Members

Member Category	Member No.	Type	Organisation	Member Name	Location
General	O2344	Ind	Manish Aggarwal	Manish Aggarwal	Rewari

On 6<sup>th</sup> August 2021, FIFA had conducted zoom session.

**Topic : "International markets & It's impact on India - Valuations & Correlations"**

Speaker : Mr. Navneet Munot, MD & CEO, HDFC AMC Ltd

This session was attended by more than 187 IFA's

On 14<sup>th</sup> August 2021, FIFA had conducted zoom session in coordination with MIFAA

**Topic : SIP Strategy**

Speaker : Mr. Sanjay Khatri

This session was attended by more than 51 IFA's

On 27<sup>th</sup> August 2021, FIFA had conducted zoom session.

**Topic : Building Your Own TCS, (Thousand Crore Strategy)**

Speaker : Mr. Ashish Goel

This session was attended by more than 266 IFA's

Recording of the webinar has been uploaded on the FIFA Website.

Please find the link / path of the audio recording.

<https://www.fifa-india.org/uploads/audios/memer/Ashish-Goel-session-on-27th-August-2021-Building-Your-Own-TCS-Thousand-Crore-Strategy.mp3>

Please find the link / path of the video recording.

<https://youtu.be/IfSGODcbdNU>



# Market Update – August 2021

## Equity Markets Update

Equity markets resumed their bullish uptrend in August 2021, as the markets touched their fresh all-time high levels. The benchmark indices, S&P BSE Sensex and NSE Nifty50, generated around 9% returns for the investors during the month. This was primarily fueled by the sustained inflows from Domestic Institutional Investors (DIIs) on the back of encouraging vaccination numbers and healthy GST collection figures. With a resurgence in the economic activity, the Technology and Power indices were the top gainers during the month, while there was some weakness in the realty and metal space.

## Debt Market Update

The debt markets were relatively stable during August 2021, as the 10-year benchmark yields continued to trade within a narrow range and ending the month at 6.22% as against 6.20% on July 2021 end. However, the credit spreads for AAA-Corporate issuers further moderated to 58 bps as of August 31, 2021. Considering the fading hopes of further rate cuts, long-duration funds may not be a prudent choice in an increasing rate scenario. Instead, the investors may consider investing in floater funds or short-duration funds to stay relatively insulated from the interest rate risk.

## Mutual Fund Industry Update

The uptrend in the mutual fund AUM (Assets Under Management) continued unabated, with the total AUM touching fresh all-time highs of Rs. 36.59 lakh crores. This comprises around 42% in debt schemes, 34% in equity schemes, 12% in hybrid schemes, and 12% in other schemes, including ETFs, index funds/ Fund of Funds, etc. The mutual fund industry saw net inflows of Rs. 32,976 crores during the month across different schemes. The inflows were dominated by hybrid funds, as the investors sought a balanced approach for fresh investments amidst market highs. The monthly SIP inflows fell slightly short of Rs. 10,000 crore mark, but still at an all-time high of Rs. 9,923 crores during August 2021. SIP AUM stood at Rs. 5.27 lakh crores as of August 31, 2021, as the industry witnessed around 25 lakh fresh SIP registrations. [Data source: Association of Mutual Funds in India – AMFI]

## Currency Update

The Indian Rupee appreciated significantly against the Greenback US Dollar, as the month ended at Rs. 73.15 per USD, as against Rs. 74.39 per USD as of July 31, 2021. This was on the back of the dovish comments from the Fed Chairman, Jerome Powell, at the Jackson Hole Symposium, which led the market to believe that the interest rate hikes and tapering of the stimulus will be decided separately. Indian Rupee also strengthened on the back of steady inflows into debt markets and IPOs. However, the markets continue to be watchful of any rate hike signal from the Global Central Banks.



## An Introduction

Balanced Advantage Funds turned out to be the flavor of the month, as the net inflows into the category were around half of the net inflows into all the mutual fund industry. Out of the aggregate net inflows of Rs. 32,976 crores into mutual funds during August 2021, Balanced Advantage Funds saw net inflows of Rs. 16,571 crores. While this was predominantly due to one large NFO in the category, the emerging preference of the retail investors to invest in Balanced Advantage Funds may be attributed to the prevailing higher market levels in the equity markets. This article aims to demystify Balanced Advantage Funds as an investment option.

## What are Balanced Advantage Funds?

As per the SEBI Guidelines on categorizing mutual fund schemes, a Balanced Advantage Fund is a fund wherein the equity and debt allocation is managed dynamically. Such allocation is generally managed based on the relative valuations of the respective asset class, which is determined as per different valuation models. As such, the investment portfolio's asset allocation is not skewed towards any specific asset class or clouded with any investment bias but instead managed objectively. When the equity valuations are lower, the fund's share of equity increases, allowing the investors to capitalize on the lower valuations. In contrast, when the equity valuations are higher and expensive, the fund will tend to lower the equity allocation by liquidating the equity investments. This helps in the realization of the profits so earned by the scheme. Effectively, such funds adopt a 'buy low and sell high' investment strategy.

Owing to its inherent benefits, these funds are the most popular hybrid funds with an aggregate AUM of Rs. 1.41 lakh crores with 32% share [data source: Association of Mutual Funds in India – AMFI].

## Why invest in Balanced Advantage Funds?

It is always advised not to put all your eggs in the same basket and instead stay diversified across asset classes. Balanced advantage funds can help investors have a diversified investment portfolio within a single mutual fund scheme. However, as important it is to stay diversified across asset classes, it is equally important to stay true to the prudent asset allocation strategy.

While the investors may also manage asset allocation by maintaining a prudent proportion of equity and debt schemes, balanced advantage funds make the process convenient and automatic. This is because the fund management team manages asset allocation within the investment portfolio based on the relative valuations of debt and equity. Such an arrangement also helps the investors avoid tax incidences that may be attracted while manually rebalancing the investment portfolio. This is because the internal rebalancing of the investment portfolio does not impact the investor's tax incidence, which occurs only when the investor has redeemed the investment.



Q1 – Balanced Advantage Fund must invest at least 25% each in equity and debt.

a) True (b) False

Q2 – No entry load can be charged on investment in equity schemes.

a) True (b) False

Q3 – Risk-o-meter of the primary benchmark index is also required to be disclosed by mutual funds along with the risk-o-meter of the mutual fund scheme.

a) True (b) False

Q4 – The due date for salaried individuals with gains from equity shares during the year 2020-21 has been extended from 31st July 2021 to \_\_\_\_\_.

- (a) 31<sup>st</sup> August 2021
- (b) 30<sup>th</sup> September 2021
- (c) 31<sup>st</sup> December 2021
- (d) 31<sup>st</sup> March 2021

Q5 – A SIP cannot be discontinued before the expiry of the SIP registration period.

a) True (b) False

All Members are requested to update their email IDs and cell numbers on telegram and database. Also, please provide the GST Number. All those Members who have not paid the Annual Fee are requested to do so at the earliest.

Your contributions for our monthly newsletter is requested. Please share any stories/original articles/events that you may be conducting. Our readers will be very motivated to hear about fellow MFDs and RIAs onward journey especially during 2021.

Mail to: [response@fifaindia.org](mailto:response@fifaindia.org)

Editor: Nisreen Mamaji