Sakthi Financial Services

# Weekly Newsletter

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BSE SENSEX 79,223.11 ↑1.25%

Nifty50 24,004.75 ↑1.53%

## HEADLINES

- 2024: Introduction of specialized investment fund, road towards uniform KYC and more
- HDFC Flexi Cap Fund turned Rs 1 lakh lumpsum investment into Rs 2 crore in 30 years
- NFO scorecard: 12 equity mutual funds offer over 20% in 2024
- Cosmea Financial Holdings receives Sebi approval to enter mutual fund business
- Sebi introduces Mutual Funds Lite framework for passively managed schemes
- Hyundai Motor, Swiggy, 2 other newly listed stocks to become largecaps. Ola Electric rides to midcaps

## Equity outlook 2025: MF industry experts bet big on government spending in 2025


Given the muted spending by the government in April-Sept 2025 (So far, the government has spent Rs.4.60 lakh crore, which is 42% of budgeted Rs.11 lakh crore for FY25 compared to the spent of 55% during the corresponding period last year), experts believe that the government's capex will focus on building infrastructure, boosting manufacturing and creating sustainable energy in the rest of the year.

While there is no major reason for the equity markets to head south, government capex and geo-political uncertainties will determine the course of market in 2025, believe experts.

**Let us hear from our market experts to know their equity outlook for 2025:**

**Deepak Ramaraju, Senior Fund Manager, Shriram Mutual Fund**

**What can happen in 2025?**

Overall, the global GDP growth improving to 3.3% in 2025, with India leading at 6.9%.

Resilient domestic demand in India and Indonesia, along with China's stimulus measures, supports strong growth in Asia. Global inflation is expected to ease further though geopolitical risks remain a concern. (Cont.)

During the last year, gold gained around 30% due to global uncertainties but is expected to remain rangebound in 2025. While silver, driven by industrial demand from sectors like electronics, renewable energy and electric vehicles may outperform gold this year.

Indian equities navigated a volatile year amid global and domestic challenges such as tighter liquidity and delayed government spending. However, a cut in Cash Reserve Ratio (CRR) by RBI, improved weather conditions and expected government spending in the second half of FY25 should boost consumption, industrial output and rural demand. The RBI has revised FY25 GDP growth to 6.6%, with recovery to 7.1% expected in April-Sept 2025.

**Sectors that can do well**

This year, FMCG, which has been impacted by urban consumption slowdown, could see a revival. It will be supported by attractive valuations and improved spending conditions.

IT and banks may benefit from rate cuts, boosting credit growth and discretionary spending.

**Fund categories you should consider**

More parts of the economy to do well as there are opportunities in majority of the sectors in the Indian economy. Government policies will be aimed at increasing the share of manufacturing in GDP which means that manufacturing sector is going to be an important sector for the upcoming year.

**Karan Doshi, Fund Manager Equity, LIC Mutual Fund**

**What can happen in 2025?**

December witnessed a rise in inflation, which curbed the customer spending. Further, the elections and monsoon slowed government capex. However, a robust recovery is anticipated in Oct 2024-March 2025, as new projects gain momentum.

India's economy is poised for a new growth cycle. The global shift toward supply chain diversification presents India with an opportunity to emerge as a key player, thanks to its young workforce, strategic location and improving infrastructure.

India's demographic advantage, rising productivity and globalization trends will support structural growth and the government's initiatives in infrastructure, digitalization and manufacturing further bolster the medium-to-long-term outlook, making India a strong contender in the global economy.

**Sectors that can do well**

Sectors that may benefit from India's structural growth trends, such as infrastructure, manufacturing, and consumption-driven sectors are worth considering for the medium to long term.

**Fund categories you should consider**

The fund recommendation will depend on the age factor, risk appetite, mindset and goals of the investment. Broadly, an investor can go for large cap funds, large and mid cap funds or the multi/flexi cap funds because these funds have a diversified approach to deal with the portfolio. Further, the investors with less risk appetite can also opt for aggressive hybrid funds.

(Cont.)

**R Janakiraman, CIO, Franklin Templeton Mutual Fund**

**What can happen in 2025?**

The US economy remains robust, with third quarter of calendar year 2024 GDP growth at 2.8%, supported by consumer spending, exports and government expenditure. Favorable tax policies and reduced regulations enhance corporate profit outlooks despite tariff challenges.

India's April-Sept FY25 GDP growth slowed to 5.4%, the lowest in two years. This slowdown is expected to be temporary, attributed to elections and government formation. Recovery in Oct 2024 – March 2025 is anticipated as the government pushes to meet budgeted spends. Rural demand shows green shoots, supported by increased government spending while urban demand softens.

The consensus estimates for Nifty's FY25 earnings growth have been revised to 5-10%, down from 15%. As a result, FY26 growth is projected at 13-15%.

**Sectors that can do well**

Banks and the financial sector look promising as the valuations versus growth equation is favorable.

**Fund categories you should consider**

Investors should consider diversified equity funds and rebalance their portfolio to take advantage of volatility ahead.

**Satish Mishra, fund manager, Tata Mutual Fund**

**What can happen in 2025?**

Talking about the performance of the industry in December, Satish said that December was a volatile month for Indian equity markets. It was driven by global and domestic factors. The US Federal Reserve cut rates by 25 bps but highlighted higher inflation risks, tempering expectations for rate cuts in 2025.

While on the domestic front, weaker GDP growth and the RBI's downward revision of its growth forecast dampened sentiment.

For January, key triggers may include quarterly earnings starting mid-month and anticipation around the Union Budget, focusing on fiscal policies and government spending.

Trump's policy actions, the US stance on inflation versus growth and geopolitical tensions will also play a major role in determining the performance of the markets.

**Sectors that can do well**

Sectors like financial services, the EMS (electronics manufacturing services) segment, digital marketplaces, and IT could do relatively better.

**Fund categories you should consider**

Medium-term outlook for Indian equity markets remains positive, supported by a strong economic growth trajectory and policies aimed at boosting manufacturing and investments. Midcaps and small caps, with their higher earnings growth potential, are likely to outperform over the next three to five years as India's investment-to-GDP ratio rises.

## 2024: Introduction of specialized investment fund, road towards uniform KYC and more

2024 was quite an eventful one for the Rs.68 lakh crore MF industry.

While the industry reached many new milestones in terms of net equity inflows, gross SIP inflows and AUM, there were many developments and announcements that can significantly change the MF industry in the future. Let us look at a few notable highlights from the year gone by.

**Specialized investment fund is all set for launch** - SEBI recently introduced a new asset class called Specialized Investment Fund (SIF). SIFs are a product class that has more flexibility than a regular mutual fund scheme and lower ticket size than PMS and AIFs. The minimum investment amount for investors in SIF is Rs. 10 lakh. This asset class will have TER structure like mutual funds and will be subjected to single issuer limits.

**Entry of more passive players** - SEBI notified the "Mutual Fund Lite" (MF Lite) regulations, which aim to make the entry of passive fund players easy. Simply put, entities who want to launch only passive products need not comply with the entire MF regulations.

**Offering digital KYC now becomes compulsory** - Fund houses started facilitating digital KYC or eKYC facilities on the homepage of their respective websites. Through this facility, fund houses basically redirect investors to their respective KYC registration agency (KRA) website based on their PAN details.

**Soon uniform KYC will be a reality** - SEBI asked KYC registration agencies (KRAs) to upload verified KYC details of all capital market investors in Central KYC Records Registry (CKYCRR) starting from August 1, 2024. While KYC data of new clients has to be uploaded within 7 days of validation of the KYC status, details of existing clients will have to be uploaded in CKYCRR system within six months i.e. January 31, 2025.

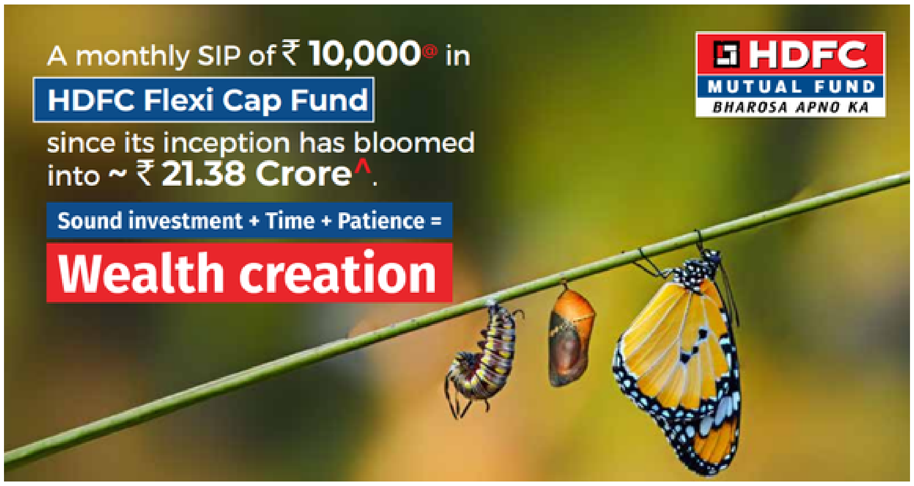
**Tax googly** - The government increased the short-term capital gains (STCG) tax on equity funds from 15% to 20% and the long-term capital gains (LTCG) tax on equity funds from 10% to 12.5%. However, the government increased the exemption limit on LTCG from Rs.1 lakh per annum to Rs.1.25 lakh per annum. That means, LTCG is applicable on gains exceeding Rs.1.25 lakh per annum.

**Standard process to deal with transmission of units on death of MF investors** - AMFI issued common standard operating procedure (SOP) for AMCs, RTAs and RIAs to streamline the process of transmission of units on death of MF investors. With effect from January 1, when a nominee reaches out to a mutual fund company or a registrar to report the demise of an investor, it will get updated across all fund houses. There will be no need to reach out to another RTA or AMCs to update the demise of an investor.

**No more junkets and sales contest** - AMFI reiterated that AMCs cannot pay any fee or consideration to MFDs other than trail commission that too in monetary terms only. In addition, AMCs cannot offer any gift voucher or electronic gadget to their distribution partners for achieving sales targets. AMFI asked fund houses not to conduct training programs for MFDs in exotic locations like foreign countries and popular tourist destinations. Instead, AMCs should look at doing such programs in centrally located and logistically convenient locations within the country.

**New players in the MF Industry** - While OldBridge MF has started its operation in 2024, two new fund houses Angel MF and Unifi MF have received the final approval in 2024.

## HDFC Flexi Cap Fund turned Rs 1 lakh lumpsum investment into Rs 2 crore in 30 years




HDFC Flexi Cap Fund, an open-ended dynamic equity scheme investing across largecap, midcap, and smallcap stocks, has successfully completed 30 years.

Since its inception on January 1, 1995, the fund has demonstrated its ability to generate long-term wealth for investors, delivering a CAGR of 19.13%. (As on November 29, 2024).

A ₹1,00,000 investment at the inception would have grown to around ₹1.88 crore, outperforming its benchmark, the NIFTY 500 TRI, by ₹1.52 crore.

HDFC Flexi Cap Fund remains one of the longest-running schemes in the Flexi Cap category. Its strategy emphasises bottom-up stock selection, risk management, and diversification across sectors and market capitalisations.

Navneet Munot, MD & CEO of HDFC AMC, and Roshi Jain, Senior Fund Manager, highlighted the fund's approach to wealth creation and long-term value for investors.

While the fund has delivered robust long-term returns, investors should note that past performance does not guarantee future results. Investments in mutual funds, especially equity-linked savings schemes, are subject to market risks and volatility.

The fund's investment strategy revolves around a bottom-up approach to stock selection with focus on quality companies at reasonable valuations. The idea is to select strong companies with growth drivers in the medium to long term. After a considered evaluation of the industry and business cycle and the positioning of a company within that sector, a risk-adjusted position is taken in the portfolio, said the release.

"HDFC Flexi Cap Fund's journey over the past three decades is a testament to our disciplined investment philosophy and unwavering commitment to investor wealth creation. The fund has navigated various market cycles and emerged stronger each time, reflecting the resilience of our investment processes. This milestone reinforces our focus on delivering long-term value to our investors," said Navneet Munot, MD & CEO, HDFC AMC.

"We take great pride in helping investors create wealth through this Fund. Our consistent focus on identifying high-quality businesses with sustainable growth drivers has enabled us to create wealth for our investors. As we move forward, we remain committed to our goal of delivering better risk-adjusted returns through a balanced and diversified approach," said Roshi Jain, Senior Fund Manager, HDFC AMC.

## NFO scorecard: 12 equity mutual funds offer over 20% in 2024

Around 12 new equity mutual funds have offered over 20% return in 2024. Around 71 new funds were launched in the said period.

Note, we considered only pure equity schemes for analysis including sectoral and thematic funds.

WOC Pharma and Healthcare Fund, the topper among all new funds launched, delivered 37.22% since its inception. The scheme was launched on February 6. The next three schemes in the list were from Motilal Oswal Mutual Fund.

### NFO scorecard: Over 20% return since inception

| Scheme Name | Since inception return | Inception date |
|---|---|---|
| WOC Pharma and Healthcare Fund | 37.22% | February 6, 2024 |
| Motilal Oswal Multi Cap Fund | 36.78% | June 18, 2024 |
| Motilal Oswal Large Cap Fund | 31.33% | February 6, 2024 |
| Motilal Oswal Business Cycle Fund | 29.47% | August 27, 2024 |
| Bandhan Innovation Fund | 28.76% | April 30, 2024 |
| Baroda BNP Paribas Innovation Fund | 28.31% | March 5, 2024 |
| Kotak Technology Fund | 25.65% | March 4, 2024 |
| WOC Special Opp Fund | 24.47% | June 4, 2024 |
| Edelweiss Technology Fund | 23.41% | March 5, 2024 |
| Canara Rob Manufacturing Fund | 22.90% | March 11, 2024 |
| DSP Multicap Fund | 20.92% | January 30, 2024 |
| TRUSTMF Flexi Cap Fund | 20.50% | April 26, 2024 |

*(Returns as on Deceber 31, 2024)*

Table: ET Online • Source: ACE MF

Around 37 equity mutual funds offered returns between 0.04% to 19.9% since their respective inception date. Around 21 funds have given negative returns since their inception.

SBI Automotive Opportunities Fund lost the most of around 6.17% since its inception in June. Edelweiss Business Cycle Fund lost 6% since its inception.

Two schemes based on manufacturing themes lost 5.74% each. These schemes were Baroda BNP Paribas Manufacturing Fund and Mahindra Manulife Manufacturing Fund launched in June. Kotak Special Opportunities Fund and Kotak Transportation & Logistics Fund lost 0.49% and 0.32% respectively since their inception. SBI Quant Fund lost the lowest of around 0.16% since its inception. The scheme is a relatively new entrant and was launched on December 26.

We considered all equity schemes launched in 2024. We considered regular and growth options. We calculated the performance of these schemes since their respective inception.

Note, the above exercise is not a recommendation. The exercise was done to find how new schemes have fared in 2024.

One should not make investment or redemption decisions based on the above exercise. One should always consider risk appetite, investment horizon, and goals before making any investment decision.

## Cosmea Financial Holdings receives Sebi approval to enter mutual fund business

Cosmea Financial Holdings (CFH), promoted by Sam Ghosh, has received approval from the Securities and Exchange Board of India (Sebi) to sponsor a mutual fund. Cosmea filed its application with Sebi in May and has six months to complete the registration formalities under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.

The approval marks a significant milestone in Cosmea's journey to expand its presence in India's rapidly growing financial markets, according to a press release.

The group is set to invest Rs 200 crore in its asset management company, with a focus on Quant and Smart Beta strategies to cater to the evolving needs of Indian investors. It has also entered into a distribution agreement with WisdomTree, a global ETF and ETP sponsor managing assets exceeding USD 100 billion.

Cosmea currently manages and advises assets worth Rs 1,000 crore across its capital market businesses, including broking & distribution, wealth management, and advisory. The group recently expanded its footprint by acquiring a CAT III Alternate Investment Fund (AIF) license and a fund management entity license in GIFT City, the release said. With ambitious plans to achieve assets under management (AUM) of Rs 15,000 crore within three years, Cosmea aims to leverage its expertise in technology-driven growth through its SuperApp, physical distribution network, and strategic partnerships.

## Sebi introduces Mutual Funds Lite framework for passively managed schemes

Market regulator Securities and Exchange Board of India (Sebi) on Tuesday introduced the Mutual Funds Lite (MF Lite) framework for passively managed mutual funds schemes. The existing regulatory framework for mutual funds is uniformly applicable for both active and passive MF schemes and does not differentiate on the applicability of provisions related to entry barriers including net worth, track record and profitability. Under Phase- 1 of implementation of the MF Lite Framework, passive funds based on only domestic equity passive indices with collective assets under management (AUM) of Rs 5,000 crore and above as on December 31 of each Financial Year, will be covered.

All G-Sec/ T-bills/ SDL based domestic target maturity debt passive funds will be covered along with domestic constant duration passive funds with collective AUM exceeding a threshold of Rs 5,000 crore and above as on December 31 of each Financial Year. SDL is State Development Loan, which is a bond issued by a state government. Apart from this, all gold ETFs, silver ETFs and fund-of-funds (FoFs) based on only gold or silver ETFs will be covered.

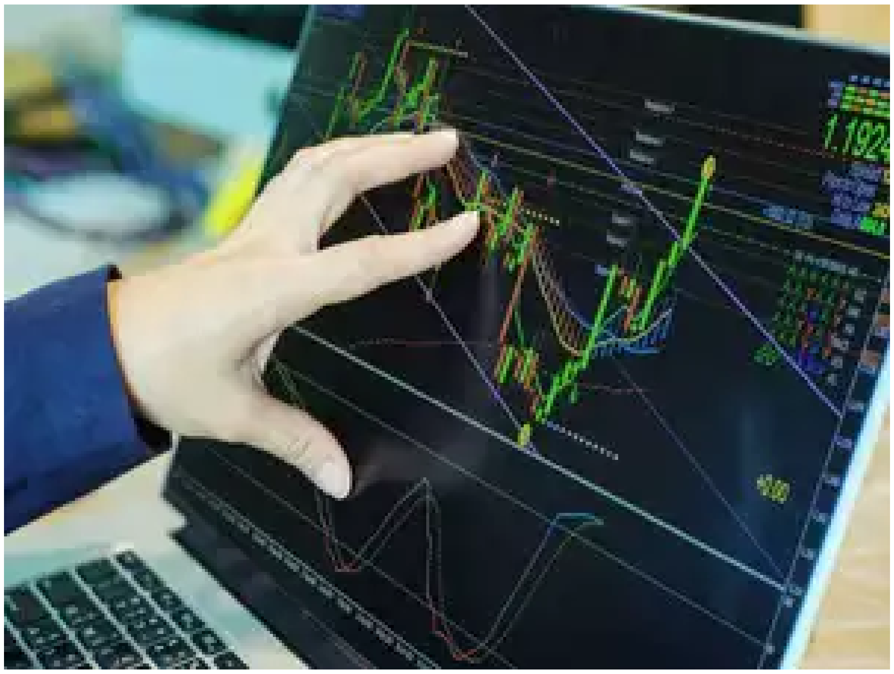
The capital markets regulator has also brought those overseas ETFs and FoFs which have single underlying overseas passive fund. The underlying overseas benchmarks should comply with the MF Lite framework.

All FoFs investing in more than one index shall not be covered under the MF Lite framework under the phase 1 of implementation, the Sebi circular said.

Sebi had formed a working group to study and recommend a relaxed regime for passively managed MF schemes. The recommendations were later deliberated in the Mutual Funds Advisory Committee (MFAC). Following this, the market watchdog amended SEBI (Mutual Funds) Regulations, 1996 through its December 16, 2024 notification.

The provisions of this circular will come into effect from March 16, 2025.

## Hyundai Motor, Swiggy, 2 other newly listed stocks to become largecaps. Ola Electric rides to midcaps



Newly listed stocks Hyundai Motor, Bajaj Housing Finance, Swiggy and NTPC Green are among 11 stocks that will make entry to the big boys' club or the largecap category, come February, as per the latest categorisation unveiled by the Association of Mutual Fund in India (AMFI).

While Swiggy and NTPC Green Energy were listed in November, Hyundai Motor made its stock exchange debut in October and Bajaj Housing in September.

The classification comes for H1CY25 and also includes CG Power, Rail Vikas Nigam (RVNL), ICICI Prudential, Polycab India, Indus Towers, Cummins India and Naukri operator Info Edge.

Meanwhile, stocks which will move from largecap to midcap are Adani Total Gas, NHPC, IDBI Bank, Shree Cements, Union Bank of India, Bharat Heavy Electricals, Canara Bank, Jindal Steel & Power, IndusInd Bank, Mankind Pharma and Apollo Hospitals Enterprises.

AMFI's market-cap cut-off for the large-cap segment is now Rs 1 lakh crore up from Rs 84,000 crore in June 2024.

Nuvama in a note called this move a "spectacular" and one driven by the current market momentum. "With the ongoing bull-run, these thresholds are continuously breaking records, setting new highs with every semi-annual review," the note said.

The mid-cap threshold is set to surge to Rs 33,200 crore, up from Rs 27,500 crore in June 2024.

The largecaps comprise top 100 stocks and account for 62.1% of the market though this number has come down slightly from July's 63.6%. Mid-caps i.e. from 101-250 are on the rise, making up 19.6%, up from 18.2% in the July review. As for the smallcaps i.e. 251 and beyond, the representation has grown modestly to 18.3% from July's 18.2%.

"The market's growth trajectory continues to shift, making this period a fascinating one for domestic investors," Nuvama said.

The categorisation will come into effect from February 1, 2025.

However, the investors should know that the change in categorisation does not lead to incremental inflows or outflow. The active mutual fund managers keep an eye on the list while taking fresh/modifying positions in stocks in different categories of schemes.

Other new listings Waaree Engineering, Premiere Energies, Vishal Megamart and Ola Electric will make their way into the midcap category.

# Weekly Newsletter



## NFO (NEW FUND OFFER)


Sources:- Economictimes, Moneycontrol, SEBI, AMFI, Cafemutual, Livemint, Business Standard etc.