Sakthi Financial Services

Weekly Newsletter

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BSE SENSEX 81,510.05 ↑ 1.57%

Nifty50 24,610.05 ↑ 1.38%

Headlines

- Rs 6k SIP to Rs 5 cr corpus! Tata Mutual Fund scheme
- Be careful of this new online scam: Scamsters impersonate as CIO
- Rs 1 cr from MF! Rs 10k SIP in THESE 3 tax saver ELSS mutual funds can make mountain of a corpus
- 30% of SIP AUM has longevity of over 5 years
- Beat volatility with multi-cap funds
- Investing ₹6,000 a month since inception in this mutual fund would have grown to ₹1.1 crore in 20 years
- A uniform KYC process can be a big boost to the MF industry

MF industry crosses AUM milestone of Rs.68 lakh crore in November

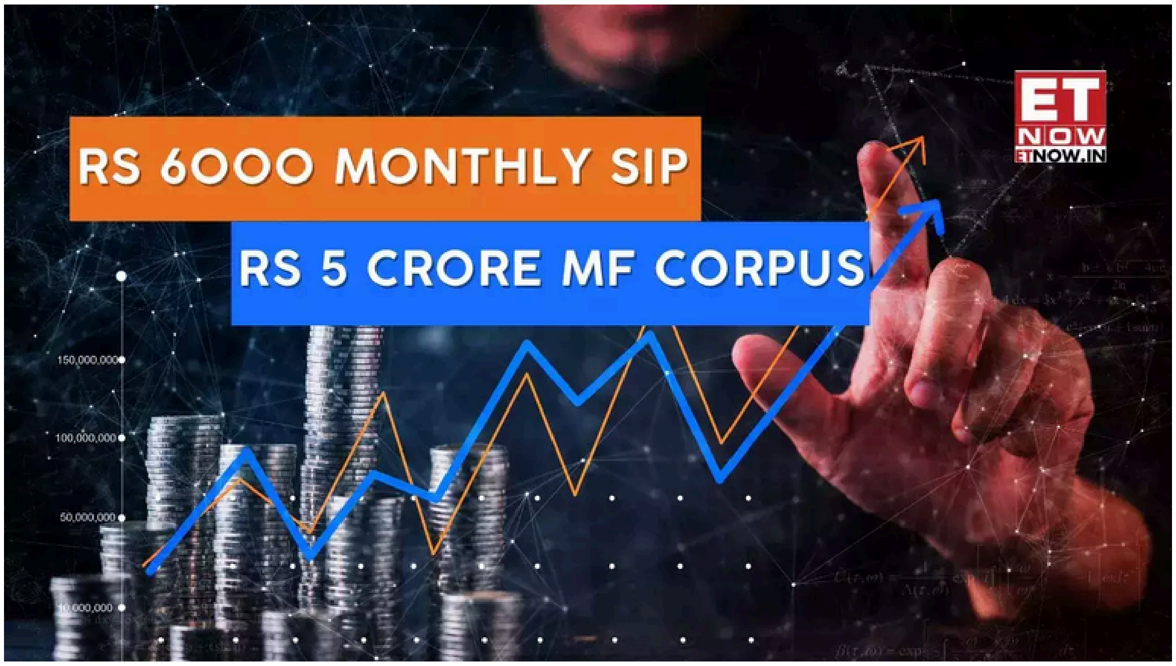
The average AUM of the mutual fund industry has reached an all-time high of Rs. 68.08 lakh crore in November 2024 as against Rs. 67.25 lakh crore in October 2024. Venkat Chalasani, Chief Executive, AMFI said, “Defying a tumultuous month in the equity market, the mutual fund industry's assets reached a new pinnacle of Rs 68.08 lakh crore, driven primarily by robust inflows into growth-/equity-oriented schemes. The unwavering monthly SIP inflows remained above Rs 25,000 crore in November."

Let us look at the key highlights of the month gone by:

- The number of folios is at an all-time high at 22.08 crore in November 2024, which was 21.65 crore in October
- The open-ended schemes have folio count of 22.02 crore compared to 21.59 crore folios in October
- The total number of folios in the debt schemes have declined by 2 lakh to 68.50 lakh from 70.50 lakh in October. On the other hand, the number of folios in equity schemes have gone up by around 30 lakh folios to 15.40 crore compared to 15.10 crore folios in October
- Net inflows in equity funds have declined by 14% to Rs. 35,940 crore compared to the net inflow of Rs. 41,890 crore in October
- Debt funds have witnessed net inflows of Rs. 12,900 crore
- In November, hybrid funds have recorded net inflows of Rs. 4,120 crore as against net inflows of Rs. 16,860 crore in October largely due to outflows from arbitrage funds

New SIP registration declined last month. However, the industry has managed to add 10 lakh new SIP accounts in November. As a result, the total number of SIP accounts is 10.22 crore in November.

Rs 6k SIP to Rs 5 cr corpus! Tata Mutual Fund scheme



Having a compulsory lock-in period of 3 years, the mutual fund scheme from Tata fund house is an open-ended equity linked tax saving scheme (ELSS). It has the dual advantage of Tax Benefit under Section 80C of the Income Tax Act and the opportunity to catch the long-term upside potential of the Indian equity market.

Launched in 1996 on March 31, a mutual fund scheme by Tata Mutual Fund has managed to grow investors' wealth multifold.

The MF scheme has assets under management worth a whopping Rs 4,680 crore, as on October 31, 2024. Since its launch, the scheme has delivered 18.73 per cent returns. The scheme in focus here is Tata ELSS Tax Saver Fund, which along with savings, also let investors save tax up to Rs 1.5 lakh during a financial year. The mutual fund scheme is benchmarked against NIFTY 500 TRI index and has beaten it in terms of returns.

Tata ELSS Tax Saver Fund Returns

In the last one year, the tax saver MF scheme has delivered 28.66 per cent return while 17.52 per cent return in the last 3 years. The scheme's return in the last 5 years stand at 18.11 per cent while 15.02 per cent in the last 10 years.

Had someone invested Rs 6000 month via SIP in the scheme, their money would have seen a massive growth. Their total corpus would have swelled to Rs 5,09,56,777, with annualised return of 18.7 per cent, in the last 28 years i.e. since the scheme's launch in 1996. Of the Rs 5 crore corpus, Rs 20,16,000 would have been the amount invested across 28 years.

Be careful of this new online scam: Scamsters impersonate as CIO

HSBC Mutual Fund has recently issued a clarification regarding a fake WhatsApp group, created by an individual falsely depicts to be associated to Venugopal Mangat, CIO, HSBC MF. The fund house has asked the investors not to entertain any requests from a WhatsApp group called '85-HSBC Global Academy' as it is trying to deceive the public.

The fund house said, "Please note that neither Mr. Venugopal Manghat, in his personal or professional capacity, nor HSBC Asset Management (India) Private Limited, its employees, Directors, or any affiliated group companies, are associated with this WhatsApp account or its activities. We want to make it clear that we disclaim any responsibility for any losses, damages, or liabilities arising from such fraudulent activities. We urge investors, distributors, their clients to stay vigilant and not fall victim to such scams. HSBC Mutual Fund and HSBC Asset Management (India) Private Limited are not affiliated with this unauthorized WhatsApp group or any claim made by it." The fund house has also advised investors to only rely on HSBC's official channels including its WhatsApp accounts, official website and social media channels for any information related to their products.

Rs 1 cr from MF! Rs 10k SIP in THESE 3 tax saver ELSS mutual funds can make mountain of a corpus

ELSS Mutual Fund Schemes to Invest In: Who wouldn't want to save money and tax both at the same time? Investors for whom both are a priority, ELSS mutual fund schemes can be a good option. These are equity funds that invest a major portion of their corpus into equity or equity-related instruments.

In addition, ELSS mutual funds are also called tax saving schemes as they offer investors a tax exemption of up to Rs 150,000 from their annual taxable income under Section 80C of the Income Tax Act.

ET NOW Digital has identified 3 such mutual fund schemes that have helped investors grow their corpus multifold. These schemes are Tata ELSS Tax Saver Fund, DSP ELSS Tax Saver Fund, and Quant ELSS Tax Saver Fund. A monthly SIP of Rs 10,000 in these funds grew to over Rs 1 crore.

Here's a look at the how many years it took for the ELSS funds to grow Rs 10,000 SIP to Rs 1 crore corpus.

Tata ELSS Tax Saver Fund – Regular plan of the mutual fund scheme has managed to grow the Rs 10,000 monthly SIP into a corpus of Rs 1,05,36,692, with an annualised return of 15.65 per cent, in 18 years.

DSP ELSS Tax Saver Fund - Regular plan of the mutual fund scheme has managed to grow the Rs 10,000 monthly SIP into a corpus of Rs 1,24,10,546, with an annualised return of 17.14 per cent, in 18 years.

Quant ELSS Tax Saver Fund - Regular plan of the mutual fund scheme has managed to grow the Rs 10,000 monthly SIP into a corpus of Rs 1,29,94,596, with an annualised return of 17.56 per cent, in 18 years. It has emerged as the winner among the three. The scheme was launched in April 2000 and delivered 15.75 per cent returns since then.

Motilal Oswal Mutual Fund discontinue SIPs and SIP Top-Ups in two international funds

Motilal Oswal Mutual Funds has announced the discontinuation of new SIPs registrations and SIP Top-Ups for the Motilal Oswal S&P 500 Index Fund and Motilal Oswal Nasdaq 100 Fund of Fund till further notice.

The changes will be effective from the close of business hours of December 10. The fund house informed its unitholders about these changes through a notice-cum-addendum. Motilal Oswal S&P 500 Index Fund and Motilal Oswal Nasdaq 100 Fund of Fund are international funds. Further, the existing SIPs & SIPs registered till the closure of business hours of December 10, 2024, will remain unchanged. The current restrictions on lump sum investments, Systematic Transfer Plans (STPs), and Switch-ins will continue to apply as before. There will be no restrictions on redemptions, Systematic Withdrawal Plans (SWP), and Switch-outs. This addendum forms an integral part of SID and KIM of the relevant Scheme(s) of MOMF.

30% of SIP AUM has longevity of over 5 years

An analysis of SIP AUM of the MF industry reveals that the largest proportion of SIP AUM is in duration of 'over 5 years'.

Of the total SIP AUM of Rs.13.81 lakh crore, Rs.4.02 lakh crore or 29% of the total SIP AUM is invested for over 5 years in September 2024.

On the other hand, 22% of the SIP AUM has longevity of less than a year. The data shows that Rs.3 lakh crore of the SIP AUM has longevity of up to a year.

Further analysis shows that this is largely due to direct plan SIP AUM.

But let us first at the table to know more:

SIP Duration (Total)	SIP AUM 2024 (In Rs. crore)	Percentage of Total AUM
> 5 years	4,02,311.64	29.12
4 years up to 5 years	1,32,007.05	9.55
3 years up to 4 years	1,30,300.32	9.43
2 years up to 3 years	1,78,117.90	12.89
1 year up to 2 years	2,38,457.30	17.26
Less than 1 year	3,00,509.75	21.75
Total AUM	13,81,703.95	

Direct plan

The majority of SIP AUM in direct plans has longevity of less than a year. The industry data shows that over 30% of the total SIP AUM in direct plan or Rs. 83,400 crore has been active for less than a year. SIP AUM with longevity of over 5 years accounts for 18% of the total SIP AUM.

Regular plan

Regular plan SIP assets have a better longevity compared to direct plan SIP AUM. The data shows that 32% of total SIP AUM in regular plan has stayed invested for over 5 years. On the other than, 20% of the total SIP in regular plan has a longevity of less than a year.

Here's a table below showing the data for regular AUM:

SIP Duration - Regular Plan	SIP AUM 2024 - Regular Plan (In Rs. crore)	Percentage of Total AUM - Regular Plan
> 5 years	3,51,481.07	31.82
4 years up to 5 years	1,08,664.51	9.84
3 years up to 4 years	1,04,560.62	9.47
2 years up to 3 years	1,38,886.68	12.57
1 year up to 2 years	1,83,994.24	16.66
Less than 1 year	2,17,070.38	19.65
Total	**11,04,657.50**	

MFDs should focus on educating their regular plan investors, especially during the current market situation, about the importance of staying invested through market cycles rather than chasing short-term gains. This will help prevent panic withdrawals when the market eventually corrects.

The MFD community needs to actively target the younger investor segment, as they are the ones rapidly shifting towards direct plans. This may involve developing better communication methods and actively targeting the informed young investor, who has great earning potential - by Experts.

Beat volatility with multi-cap funds

As markets are volatile, investing in multi-cap funds can help mitigate risks and position the portfolio for higher long-term returns. A multi-cap strategy ensures that investors are not overly concentrated in any single segment.

The average one-year returns of the top 15 funds in the past one year is 34%. While Axis Multicap Fund has given returns of 40% in one year, returns of LIC MF Multicap Fund and Baroda BNP Paribas Mutual Fund were at 38%. Over a three- year period, Nippon India Multi-cap fund has yielded 27%, followed by Kotak Multicap at 26%.

Optimise risks

By mandate, these funds invest a minimum of 25% each in large-cap, mid-cap and small-cap stocks, while maintaining a 25% buffer to invest across market caps. This enables the fund manager to optimise returns while managing risks Multi-cap funds provide a more balanced option to investors as compared to mid-cap and small-cap funds. And at a time when the valuations of mid-cap and small-cap stocks in general are elevated, multi-cap funds provide a balanced option to invest. The diversified exposure allows investors to benefit from opportunities across market segments, especially in volatile market conditions. Investors should evaluate the fund manager's strategy for mitigating risks by adjusting allocations based on market cycles, such as increasing large-cap exposure during downturns for stability or tilting toward mid- and small-caps during recoveries.

Investing period

Multi-cap funds are suitable for investors seeking capital appreciation with moderate risk, provided they maintain a longer investment horizon to allow for compounding and to weather cyclical impacts. These funds are exposed to cyclical risks due to their diverse allocation across large, mid, and small-cap stocks.

What to keep in mind

Before investing in multi-cap funds, investors should evaluate the fund's composition to ensure it complements their existing portfolio without creating overexposure to specific sectors or market caps. They should consider the fund's expense ratio, risk-adjusted returns, and consistency in outperforming benchmarks. It is important to consider the fund's strategy for navigating economic cycles, handling downturns, and capitalising on market recoveries to achieve consistent returns.

Investors must take note that bigger isn't always better. So, if a fund's assets under management is too high, the manager might struggle to deploy the money effectively, potentially missing smaller but high-growth opportunities.

Multi-cap funds may rebalance their portfolios based on market dynamics. Investors must review the fund's rebalancing strategy and monitor its performance regularly. Investors must also note that the diversification benefits should be weighed against the inherent risks associated with exposure to mid- and small-cap segments.

Investing ₹6,000 a month since inception in this mutual fund would have grown to ₹1.1 crore in 20 years

When you invest in a mutual fund scheme, the returns keep getting added to the corpus, thus letting it grow faster in the later years vis-a-vis initial years. The overall corpus, therefore, jumps at a rate faster than it did in the first few years. The faster pace of growth of a scheme's AUM in the later years is also known as 'compounding'.

This is so potent a tool of investing that it is also referred to as 'magic' by some of its proponents. In other words, if you stay invested in a stock or mutual fund scheme over a long period of time, the returns keep piling up, thus indicating a considerable jump over a long period of time.

Here, we handpick one mutual fund scheme to demonstrate the power of compounding. We share details of Tata Equity PE Fund which is a value mutual fund launched on June 29, 2004.

What is a value fund?

Value mutual fund is a scheme that follows a value investment strategy with at least 65 percent in the stocks. Value funds identify stocks that are currently undervalued but are expected to perform well over time as the value is unlocked, as per the definition given by the Sebi.

If someone had invested ₹6,000 via SIPs (systematic investment plan) every month in this mutual fund scheme over a period of time, the returns would have been quite impressive. As the table below reveals, an investment of ₹6,000 in Tata Equity PE fund grows to ₹77,722 in a span of one year while the total investment stands at ₹72,000.

Investing ₹6,000 via SIPs across tenures

Tenure	Corpus (Rs)	Investment (Rs)
1 Year	77,722	72,000
3 Years	3,21,022	2,16,000
5 Years	6,70,659	3,60,000
10 Years	15,85,748	7,20,000
Inception	1,10,79,448	14,70,000

More about the scheme

Its key constituent stocks are HDFC Bank, BPCL, Coal India, Kotak Mahindra Bank, Wipro, Radico Khaitan, ITC, NTPC and ICICI Bank. It has an AUM of ₹8,738 crore and has delivered a CAGR of 19.12 percent since launch. The fund has an exit load of 1.00% and an expense ratio of 1.78%.

A uniform KYC process can be a big boost to the MF industry

A lot has been happening from the regulator's end in the world of mutual funds. The regulatory approach has always been at the forefront of big developments in the mutual fund industry with the introduction of the New Asset Class being the latest example.

Discussing some of the biggest challenges and developments, four stalwarts of the industry: Dhirendra Kumar, CEO, Value Research, D P Singh, Deputy MD & Joint CEO, SBI MF, Monika Halan, Writer & Author and Venkat N Chalasani, Chief Executive, AMFI engaged in an insightful discussion at the Cafemutual Confluence 2024. Prem Khatri, Founder & CEO, Cafemutual moderated this session. Here are some highlights of the discussion.

On introduction of New Asset Class by the regulator

Dhirendra feels that this will protect investors from falling prey to unregulated schemes. He also thinks that NAC can potentially offer benefits of PMS with tax efficiency of mutual funds. However, he also asked the investors to wait for 3-5 years to invest in NAC to make sure that the perceived benefits materialize.

On measures by SEBI, which have changed the course of the MF industry

Dhirendra picks the measures to increase fee transparency and product disclosures like risk-o-meter and voluntary disclosure like factsheets. DP believes that the ban of upfront commissions was a blessing as it was a tool of mis-selling. He also picked the 'Mutual Fund Sahi Hai' campaign for increasing the trust and respect for mutual funds. He also said the B30 incentive was an important regulatory decision, which led to the growth of the MF industry in small cities and towns.

On uniformity in KYC norms

Monika said that the problem lies in the KYC norms of banking and other parts of the finance industry. She thinks that CKYC did not work as it was not authenticated and only the Ministry of Finance can solve this problem.

Dhirendra said that the compliance of KYC norms with the PMLA act is making the process complicated. He also added that if there is no additional KYC requirement in MFs for people with bank accounts, it can be a big boost for the MF industry as the non-uniformity in the working of KYC process is making new client onboarding difficult.

On the future of regulations

Monika lauds the regulators for allowing innovations to happen in the MF industry and introducing them at the right time. She also added that India is at the start of a big wave of growth of the Indian economy.

DP pointed to the fact that currently a bank account can be opened only with Aadhaar but for investment in mutual funds, PAN is also required. This makes PAN-Aadhaar linkage essential leading to practical issues as the names on both are different for many people. He also said that the increase in cash limit from Rs. 50,000 to Rs. 2 lakh can increase volumes in the industry.

(Cont.)

On MFs moving towards passives

DP Singh said that the new investors are coming who do not have the habit of taking advice and are moving towards index funds. He added that passives allow AMCs to get more investors in the market.

Dhirendra said that SEBI allows only one fund in each equity and debt category for active funds while there is no such rule for index funds.

On how MFDs can stay relevant

Dhirendra emphasized that technological development is necessary for MFDs to stay relevant. He warned that if MFDs do not embrace technology, they will become obsolete dinosaurs in the next 5 years. He also added that the latest technology offers great opportunities but is also the biggest threat for distributors. He advised MFDs to keep winning the trust of clients and staying relevant to be their top priorities. if MFDs do not embrace technology, they will become obsolete dinosaurs in the next 5 years. He also added that the latest technology offers great opportunities but is also the biggest threat for distributors. He advised MFDs to keep winning the trust of clients and staying relevant to be their top priorities.

Mutual fund SIP inflows cross Rs 25,000 crore mark for second straight month in November

The monthly mutual fund SIP crossed the Rs 25,000 crore mark for the second consecutive month, standing at Rs 25,320 crore in November, compared to Rs 25,323 crore in October.

The number of SIP accounts reached an all-time high of 10,22,66,590 in November 2024, up from 10,12,34,212 in October and 9,87,44,171 in September.

The retail mutual fund folios (Equity + Hybrid + Solution-Oriented Schemes) also hit an all-time high of 17,54,84,468 in November, compared to 17,23,52,296 in September.

The retail AUM (Equity + Hybrid + Solution-Oriented Schemes) stood at Rs 39,70,220 crore in November, compared to an AUM of Rs 39,18,611 crore in October.

The number of new SIPs registered in November 2024 stood at 49,46,408, compared to 63,69,919 in October. The SIP AUM was Rs 13.54 lakh crore in November 2024.

The AAUM for November 2024 was Rs 68.04 lakh crore, compared to Rs 68.50 lakh crore in October 2024. Mutual fund folios reached an all-time high of 22,08,14,387 in November.

The mutual fund assets under management (AUM) registered a marginal growth of 1% and stood at Rs 67.81 lakh crore as of November 30, 2024, compared to Rs 66.98 lakh crore in October.

“Defying a tumultuous month in the equity market, the mutual fund industry's assets reached a new pinnacle of Rs 68.08 lakh crore, driven primarily by robust inflows into growth- and equity-oriented schemes. The unwavering monthly SIP inflows remained above Rs 25,000 crore in November, showcasing investors' long-term vision and commitment to their financial goals, despite short-term market fluctuations. The industry's ability to attract consistent SIP flows is a vote of confidence in its capacity to deliver value to investors over the long term,” said Venkat Chalasani, Chief Executive, AMFI.

NFO (New Fund Offer)

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