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Mutual Fund

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EQUITY MARKET OUTLOOK

Mr. Harshad Borawake
Head - Equity Research

As the economy opens up, we have seen corporate performance improving with market share gains for organized sector. The 3QFY21 results are better than expected and is resulting in earnings upgrades. Further, the government focus on fiscal expansion and capex spending augurs well to revive the long-anticipated private investment cycle.

The budget, in our view augurs well for the equity markets, given the growth-oriented approach. While there was no negative surprise on the tax front, we will continue to monitor the execution on disinvestment front.

We believe that India is at a cusp of multi-year growth revival given multiple drivers which will lead to mean reversion in growth rates. These include low interest rates, acceleration in manufacturing exports, buoyancy in rural sector, consolidation toward stronger players, etc. Overall, we expect strong growth both in GDP as well as Profit / GDP in FY22 and FY23. Corporate Profit to GDP (%) at a consensus level is estimated to increase from 2.2% of GDP in FY20 to about 4 % of GDP in FY23E.

- Key things to watch would be (a) oil price trend, (b) monsoon and (c) pace and timing of reversal of some of the easing done by central banks due to pandemic situation.

- The consensus estimates indicate ~22% earnings CAGR in FY20-23 period driven by financials, energy, IT and consumer sectors. Nifty now trades at ~17.5x FY23 EPS.

- We would advise investors to not to time the market and invest in a disciplined way in equities for the long-term within their earmarked asset allocation (based on one's risk profile). In the current market scenario, staggered investments through SIPs or STPs would remain the best ways to invest in equities.

To know more about the outlook, kindly refer to the note or view the video.

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DEBT MARKET OUTLOOK

Mr. Mahendra Jajoo
CIO - Fixed Income

Covid situation across the world has improved over the month. India which has election in multiple states and festive session managed to bring down number of cases which were raising during the start of month. We believe that in three months a large part of population will be vaccinated.

Market is worried the global selloff and surge in oil prices may prompt the RBI to reverse its stance to neutral in the coming months, with some even calling for hikes early next year. But, if we look at current situation India growth outlook seems at track and there is huge FPI inflows, inflation is back in RBI bracket. This give RBI extra room to maintain its accommodative stance.

In view of quick growth bounce back, the central bank is likely to consider normalisation of the policy, which it has already indicated by restoration of cash reserve ratio (CRR) as well as by announcing liquidity operations. The high-frequency indicators of the economy signal a bounce back. To support this, the Government announced large borrowings, and corporates are also expected to participate in this growth cycle thereby, creating a crowding-out effect. In summary, scaled-up borrowings by government and corporates may lead to rising yields and widening of spreads, proving a good opportunity for investors to lock in higher yields and attractive spreads.

To know more about the outlook, kindly refer to the note or view the video.

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ETF INSIGHTS

Mr. Siddharth Srivastava

Head - ETF Products

The year 2020 witnessed launch of new ETFs across the industry tracking various indices such as IT, theme such as ESG and general broad-based market indices till November 2020. Industry wide AUM of all the ETFs at the end of Nov 2020 stood at Rs. 246,909 Cr. showing rise of 35% from Dec 2019. Though ETFs have been in existence in India for 20 years, the growth in ETF actually can be witnessed in last 5-6 years. Some of the reasons which have contributed to rise in ETF AUM in India are:

- Governments use of ETFs as a preferred route for disinvestment has increased the participation of retail investors
- ETFs are being used by EPFO and private Provident Fund bodies to take exposure to the equity market
- Shrinking alpha in active fund space has made even an average investor aware about the benefit of plain vanilla ETFs like NIFTY, Sensex etc.
- Regulators measures such as categorization of funds along with benchmarking them against Total Return Index variants has improved the performance evaluation significantly.

Further what is exciting is to see rise in participation of retail investors in ETFs. For instance, no. of retail folios in ETFs other than gold stood at 2,41,883 in Sep 2015. This has increased at an annual rate of 47% per annum to 11,28,306 in Sep 2019. In last one year this has more than doubled to 27,78,796 folio in Sep 2020. It highlights that investor has adapted ETFs at much faster pace than most of us would have anticipated.

This shift where investors want to add ETFs in his portfolio along with active funds is largely because of consistent underperformance of large-cap funds. While some of the active funds have done well, but overall at an aggregate industry level, performance is lagging, which has made investor cautious about the cost that is being levied. The simplicity of the product is what makes ETFs more appealing. Apart from simplicity, the low cost, tradability feature, transparent portfolio, focused exposure and accessibility in terms of an investor sitting in UK taking exposure to Indian markets and vice-versa has contributed to the rise and popularity of ETF. Globally today ETFs are preferred route of investment vehicle if somebody wants to capture and get benefitted from particular theme such as ESG, cloud computing, robotic and artificial intelligence etc. More and more ETFs are being adopted to take smart-beta exposures.

Going ahead in the domestic market if alpha continues to shrink specially in the large-cap segment, we may witness quick adoption of ETFs among the investors. Further, the pandemic has accelerated the need to diversify one's portfolio beyond the home bias. In such cases ETFs become an excellent tool to take exposure in the foreign market. However, with the rise and usage of ETFs it becomes critical for asset managers to facilitate smooth functioning of the ETFs with continuous market making via Authorized Participants on the exchange.

Source: Bloomberg as on December 2020.

KEEP REGULATORY UPDATES

Mr. Ritesh Patel
Head - Compliance, Legal, Risk & Company Secretary

Regulatory updates: March 2021

Over the last 8-9 months, SEBI has been working relentlessly to streamline the ever-evolving Mutual Fund space. Here are some of the important regulatory updates which you and your investors should be looking forward to:

a. Assigning investors' data to be of prime importance, SEBI has been very sensitive about Data Privacy relating to investors information and its possible mis-use of the same. Thus, to protect the investors' data being mis-used by the AMCs, SEBI has restricted sharing of investors' data to any of its internal group entities managing multiple business and products & services of group companies shall not be cross-marketed. Further, Mobile applications or websites owned by RTAs/ digital platforms etc., shall not be promoted to such investors who are not acquired/ managed by them directly.

b. Daily NAV, scheme portfolio and other scheme related details needs to be provided in a standard format on the websites of the digital platforms involved in transactions in units of mutual funds. The standardised format shall soon be shared with all digital platforms by AMFI.

c. With a view to increase disclosure of debt and money market securities on AMFI and AMC website the time lag has now been reduced from 30 days to 15 days.

d. To maintain uniformity and parity amongst all transactions, in a major change which will be revolutionary for the Mutual Fund Industry would be the realization-based NAV for all schemes irrespective of any value. While presently for debt and equity funds (except liquid and overnight funds), NAV was applicable for the same day for value of applications less than Rs.2 lakhs; with effect from February 1, 2021, this will change wherein closing NAV of the day shall be applicable on which the funds are available for utilization, irrespective of the size and time of receipt of such application.

e. In order to clarify to the investors that, under divided option of a Mutual Fund, certain portion of his capital (Equalization reserve) can also be distributed as dividend, the Regulator has issued a circular to re-name the dividend option of the schemes from April 1, 2021. Thus, the name of the dividend option of schemes shall undergo the following changes:

- **i.** Dividend Payout option to be renamed as Payout of Income distribution cum capital withdrawal option.
- **ii.** Dividend Re-investment option to be renamed as Reinvestment of Income distribution cum capital withdrawal option.
- **iii.** Dividend Transfer Plan option to be renamed as Transfer of Income distribution cum capital withdrawal plan.

f. To ensure that accountability and responsibility is enshrined to the persons responsible for managing investors funds, SEBI introduced a 'Code of Conduct' for Fund Managers and Dealers as they are the ultimate and final piece of the returns-jigsaw puzzle. The Code ensures, inter alia, to strive for highest ethical and professional standards to enhance the reputation of the markets; act honestly in dealings with other market participants; not indulge in any unethical business activities or professional misconduct involving dishonesty, fraud or deceit or commit any act that could damage the reputation of the organisation or the mutual fund industry; not indulge any act or practice which results in artificial window dressing of the NAV; not favour one scheme over another for the purpose of security allocation, transfer of benefits (profit/loss) or any valuation gain/ loss. This will surely go a long way in protecting the interest of the investors and thus building a long solid road for the development of the mutual fund industry.

g. The Regulator also introduced the much awaited 'flexi-cap' category in Equity schemes, where Fund managers could allocate assets in any large, mid or small market capitalization based on prevailing market conditions which was then different from a multi-cap category which was introduced in order to truly reflect the name and then allocate assets equally to all three market capitalization limits, which was (35% in each large, mid and small caps).

h. One major change which the Investors should look out for is the change in the parameters of Risk-o-meter. SEBI reviewed the risk-o-meter parameters and have introduced an additional level of risk which is 'Very High Risk' for a mutual fund scheme. The proposed risk-o-meter guidelines will have a more scientific approach in terms of defining the risk level which will be based on scheme characteristics and the portfolio. Risk-o-meter shall be evaluated on a monthly basis and Mutual Funds/AMCs shall disclose the Risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular scheme. In order to uniformly implement this across the Industry, AMFI has assigned this task of calculating the risk parameters for Funds participating in this exercise to ICRA Analytics. The same has been effective from January, 2021.

i. In a recent circular issued in March, the regulator has brought out various changes and issued clarifications on various provisions in the Regulations. As per the circular, the Annual report of the AMC has to be displayed on the website of the mutual funds. Also the restriction on participating in private placement of equity has been waived off. Further, with respect to disclosure of performance, the additional benchmarks have been modified so as to ensure greater clarity to the investors. The Offer documents shall now be updated twice in a year instead of on an annual basis. The timelines for dispatch of Consolidated Account Statement (CAS) have been revised wherein Monthly CAS to be issued on or before 15th of succeeding month and half-yearly CAS to be issued on or before 21st day of succeeding month.

PARTNER WALL OF FAME

Mr. Rushubh Shah

Midas Finance - Mumbai

Our main goal is to create, manage and transfer wealth for our clients.

In Einstein's words, "compound interest is the eighth wonder of the world" because: "The real route to riches is to set aside a portion of your money and invest it so that it compounds over many years.

That's how you become wealthy while you sleep. That's how you 'make money your slave' instead of 'being a slave to money'. With this mantra and to make sure everyone we connect with get to make the most of compounding, laid the foundation of Midas Finance.

At Midas Finance our main goal is to create, manage and transfer wealth for our clients. Equity is perceived as a gambling machine. One major core purpose of ours is to clear this filter and help people invest in equity. We started our journey in 2016 and will successfully complete 5years on 4th February 2021. At Midas Finance, we have a process of onboarding a client. A thorough presentation is given to client so that we can align their life goals with investments. Their understanding and approach towards market and financial behavior is given a prime importance. We are managing almost 200+ families.

During this covid times a proper attention was given to maintain liquidity for clients at the same time because Markets were at a discount we a little aggressive approach was taken for 10year + goals. Post covid clients have understood the importance of having liquidity and also they expect a lot of things to be done online and digitally. A quick approach by Mirae Asset and other during covid to help investors invest online really helped to sustain and create more wealth.

Mirae Asset MF was the first AMC we empaneled with. The goal is to enhance this relationship and create wealth for all.

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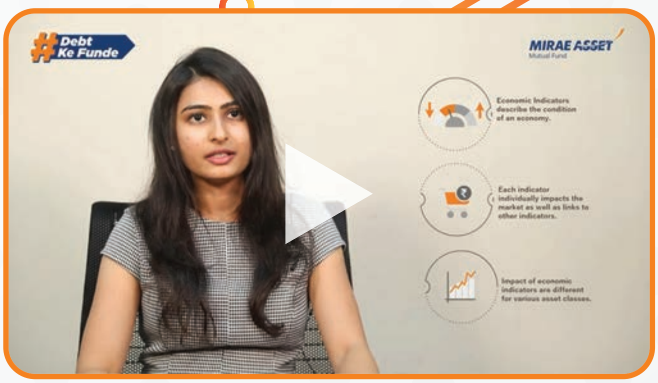

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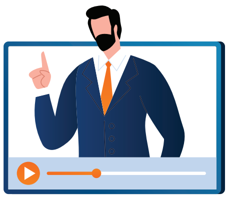

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