

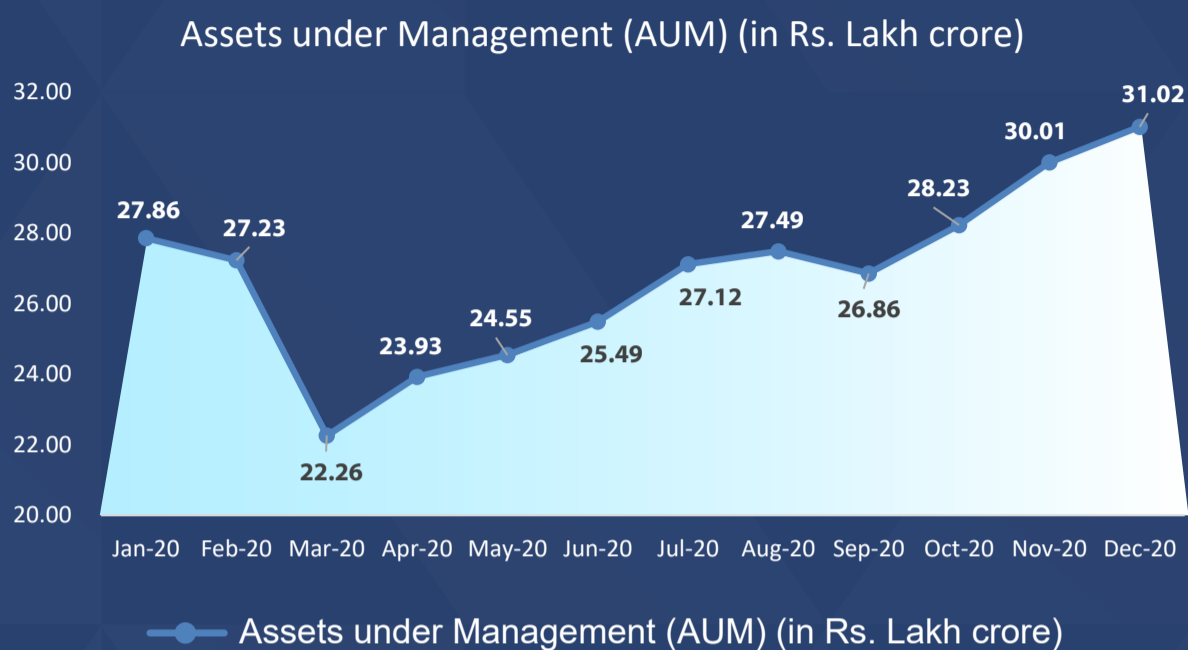


# Foundation of Independent Financial Advisors

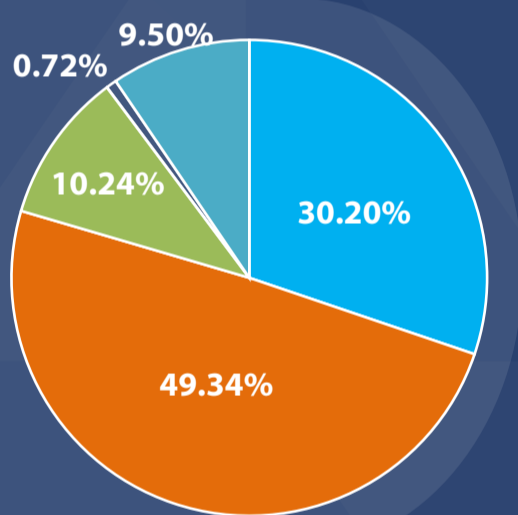
**DEC 2020**

# What's New?

## AUM Movement over the last 12 months



## AUM Composition as at 31st December 2020



### Type of Fund

- Equity Schemes
 ■ Soluton Oriented Schemes
 ■ Hybrid Schemes
- Debt Schemes
 ■ Others (ETFs/ Index Funds/ FOFs)

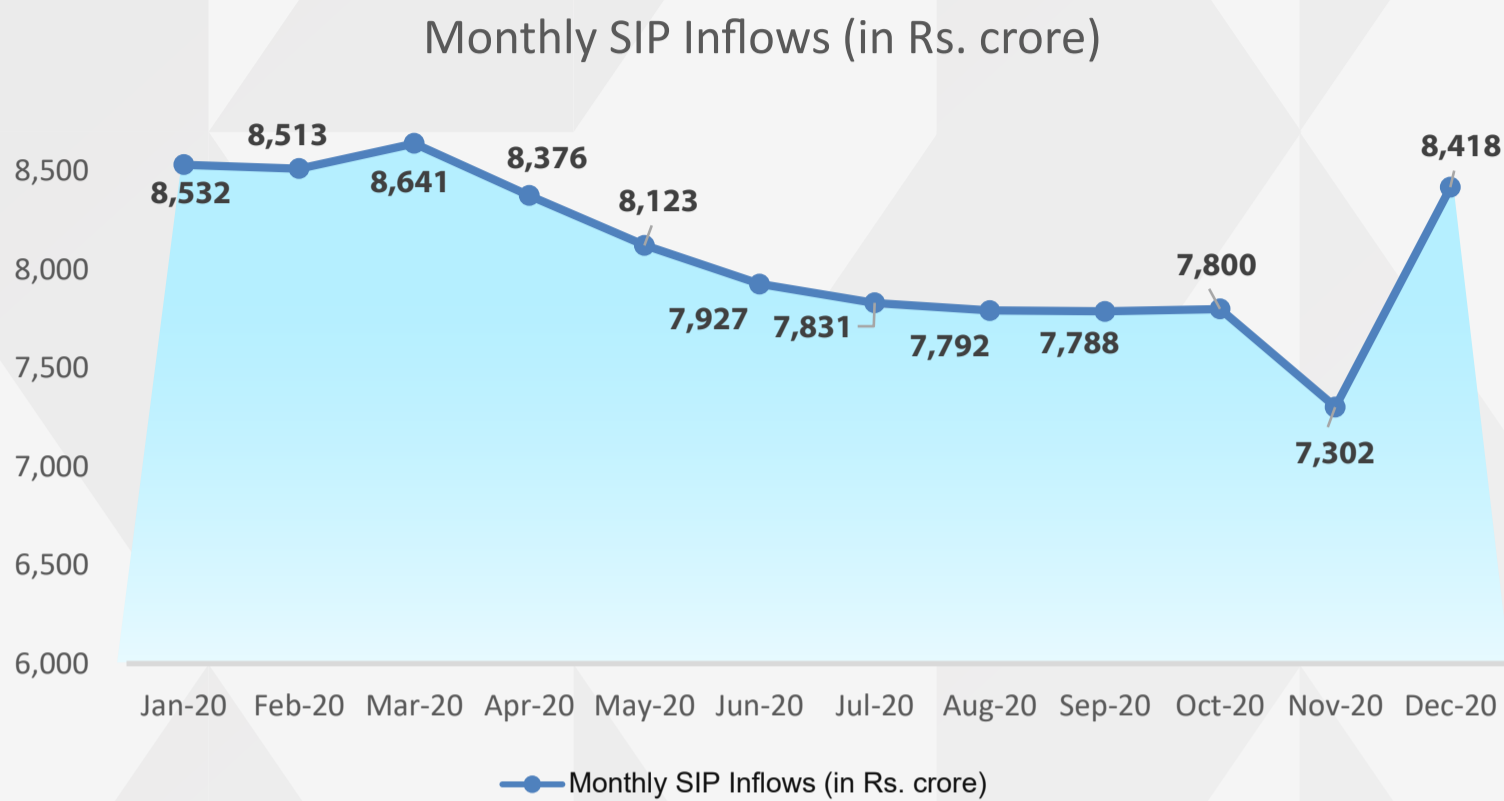
## How has the AUM changed over the last month?

(All figures in Rs. crore)

Particulars	AUM as at 30-Nov-20	Net Inflows/ (Outflows)	Increase/ (Decrease) due to market movements	AUM as at 30-Nov-20
<b>Equity Schemes</b>	8,88,497	(13,121)	61,430	9,36,806
<b>Debt Schemes</b>	15,11,709	13,840	5,534	15,31,083
<b>Hybrid Schemes</b>	3,10,572	(5,932)	12,932	3,17,572
<b>Solution Oriented Schemes</b>	21,274	(29)	1,038	22,283
<b>ETF/ FOF/ Others</b>	2,68,852	8,209	17,671	2,94,732
<b>Total</b>	<b>30,00,904</b>	<b>2,967</b>	<b>98,605</b>	<b>31,02,476</b>

Source– Association of Mutual Funds in India (AMFI)

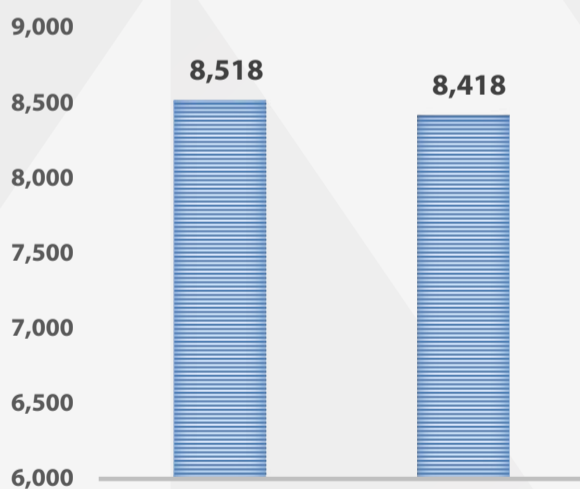
## SIP Trends



## Growth in SIP Inflows

### NOV-20 vs. NOV-19

■ SIP Inflows (Rs. Cr.)

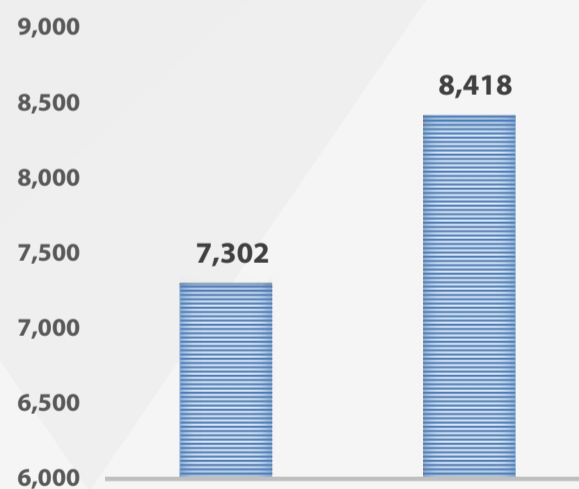


Dec-19

Dec-20

### Nov-20 vs. Oct-20

■ SIP Inflows (Rs. Cr.)



Nov-20

Dec-20

# FIFA WELCOMES NEW MEMBERS

Memb Category	Memb No.	Type	Organisation	Member Name	Location
Founder	F164	N.Indv	ARA Management Solutions Pvt Ltd	Shreedhara B R	Bangalore
General	O2321	Ind	Sujay Sadanand Thakur	Sujay Sadanand Thakur	Chiplun
General	O2322	Ind	Alok Vashishth	Alok Vashishth	Solan
General	O2323	Ind	Anita Mihir Mehta	Anita Mihir Mehta	Ahmedabad
General	O2324	Ind	Sonal Vipul Shah	Sonal Vipul Shah	Ahmedabad

**On 11th Dec, 2020, FIFA had conducted zoom session.**

**Topic : “Understanding Banking And It's Impact / Relevance On The Investing World”**

**Speaker : Dr. Uma Shashikant**

**This session was attended by more than 315 participants.**

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

**Please find the link/ path of the recording.**

**<https://www.fifaindia.org/uploads/audios/member/Understanding%20Banking%20And%20Its%20Impact%20Relevance%20On%20The%20Investing%20World%20by%20Dr%20Uma%20Shashikant.mp3>**

**On 28th Dec, 2020, FIFA had conducted zoom session.**

**Topic : “Managing Conviction”**

**Speaker : Mr. Shyam Sekhar**

**This session was attended by more than 250 participants.**

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

**Please find the link/ path of the recording.**

**<https://www.fifaindia.org/uploads/audios/member/Shyam-Sekhar-Managing-Conviction.m4a>**

## **Points from Mr. Shyam's session**

1. Financial services is a profession- so our performance should be measurable. Deciding prospective actions based on retrospective decisions is not the best strategy for an investor, therefore a professional offering guidance and service is much needed. Our job has no com-

parison since technology is only an enabler but human face and touch is necessary. That essentially is our OPPORTUNITY. Financial Planner, Insurance Advisor, MFD, RIA, Realtor are some of our roles.

2. Having information and being informed are different things. How to manage conviction based in an era of information overload and regulation is the key. Advice based on interest rates, perception of duration, STP investing are some of the areas where we need to be convincing. Invest client money as if it is our own.

3. Manage expectations of investors which may be unrealistic. Periodic reviews and re-setting expectations is key to maintaining good relationships. Risk tolerance profiling and setting expectations are complementary activities.

4. Listen to the client and then match his expectations with possibilities of returns. Manage your own bias, adapt, and prepare in order to service client expectations. Give a broad range of solutions and then fine tune those in line with client risk appetite. Slowly increase risk appetite of investors to include equity, mid cap or small cap schemes but be sure to specify 18% is not realistic expectation.

5. Asset allocation products is the kindergarten of asset allocation. We have to create asset allocation strategies at our own level. Gold, International Equity, REITS should be offered to a discerning client. Don't just manage returns, offer solutions to their problems. Be superior to robo advisors or bank managers in terms of creative solutions to their problems.

6. Presentation should be nuanced, valuable, easy template for understanding data, transparent manner. Not just reporting but creating opportunity for you get more business. Premiumise your business by offering service in excess of charges.

7. Next step is to consolidate our services and partnerships between RIA MFD and CFP will be essential in future.

8. Set more realistic expectations in equity and debt. Set longer and moderate goals in order to cement relationships. Ensure your conversations are written to act as proof between you both. Move away from past performance

9. How to manage various cycles of boom and bust? Reviews of 1 year should be avoided, but 3-5-10 performance reviews will be more indicative of performance and expectations. Block of time for investment returns should be defined initially so that he remains invested for a longer period of time.

10. We are custodians and conviction builders and not just transaction managers to take our Profession to the next level. We are no longer in a business but we are in a Profession!

# Changes about Mutual Funds effective from January 2021

Recent changes pertaining to mutual fund investments as effective from January 2021 are as below:

## 1. Renaming the Dividend Option of Mutual Fund Schemes

A mutual fund can declare dividends only out of the realized profits. Further, once the dividend is distributed, the scheme's NAV (Net Asset Value) also gets reduced proportionately. This contrasts with the dividend declared on equity shares by the companies, wherein dividend income is seen as an additional income source. There is a clear need to differentiate between dividend income from equity shares and mutual funds. To convey such distribution, SEBI has now mandated mutual funds to rename the dividend option of mutual fund schemes as "income distribution cum capital withdrawal."

## 2. Asset Allocation Pattern of Multi-cap funds

While earlier multi-cap funds enjoyed the flexibility to invest across different market capitalization segments with a minimum of 65% equity investment, SEBI had notified the revised asset allocation pattern for such funds. As per the new asset allocation pattern, such funds must invest at least 25% each in large-cap, mid-cap, and small-cap securities. Thus, the minimum equity investment required for such funds is 75%. This was done to diversify the investment portfolio of such funds across different market capitalization segments instead of fund managers following a specific investing bias. The revised asset allocation pattern was effective from 1st January 2021, and the mutual funds were given another one month to align with the revised asset allocation pattern.

## 3. Semi-annual Review of Classification of Shares into different Market Capitalisation Segments

Association of Mutual Funds of India (AMFI) publishes securities' classification into large-cap, mid-cap, and small-cap on a half-yearly basis. The list is published for the period ending June and December every year. Mutual funds are allowed one month to align their portfolio with the updated list, and accordingly, the new list applies from February 2021 to July 2021. As per the latest list published by AMFI, the cut off for the large-cap securities is Rs. 28,900 crores. Such cut-off criteria for mid-cap stocks is Rs. 8,389 crores while the stocks with a market capitalization less than Rs. 8,389 crores are to be classified as small-caps. The six stocks included in the large-cap segment are Yes Bank, Gland Pharma, Adani Enterprises, PI Industries, Jubilant Foodworks, and Hindustan Agro. Similarly, the stocks which were transferred to the mid-cap category from the large-cap category are Concor India, NMDC, MRF, United Breweries, GIC of India, Bank of Baroda, and Max Healthcare. Stocks that have been upgraded to the mid-cap category from the small-cap category are Laurus Labs, Indiamart InterMesh, Dixon Technologies, Navin Fluorine, AstraZeneca Pharma, Deepak Nitrite, Bombay Burmah, Suven Pharma, P&G Healthcare, Granules India, and Persistent Systems.

Additionally, the new NAV applicability criteria as per the availability of funds to the mutual funds, which were applicable from 1st January 2021 earlier, were deferred by one month. Ac-

cordingly, it will be applicable from 1st February 2021. As per the revised criteria, the day-end NAV of the day should have been applied to the investment transactions when the funds were credited to mutual funds' accounts. Earlier such rule was applicable only for liquid and overnight funds and the investment transactions over a specified threshold.

# Market Update - November 2020

## Equity Markets Update

Indian equity markets gained further to reach fresh all-time highs during December 2020, and both the benchmark indices, NSE Nifty50 and S&P BSE Sensex, generated around 8% returns for the investors. The steady decrease in Covid-19 infected and active cases coupled with Covid-19 vaccine rollout news in other countries spurred optimism in the markets. This was further helped by the upward revision of the economic growth forecasts by different agencies. Further, almost all the major global indices in different countries, including the US, Germany, France, Japan, South Korea, etc., gave positive returns to the investors during the month.

## Debt Market Update

Debt markets have continued to stay in a narrow range, reflecting further consolidation amidst equity market rally and economic recovery. The benchmark 10-year G-sec yield decreased by one bps during the month to close the month at 5.90%. The lower cost of borrowing for the Govt. in the form of lower yields and further, the lower cost of funds for Corporates is further expected to fuel the economic growth over the coming quarters. The excess system liquidity has been instrumental in maintaining the credit spreads at moderate levels across the tenors and credit ratings. The credit spreads for AAA-rated 10-year bonds were at 61 bps as of Dec-20 end.

## Mutual Fund Industry Update

Even while the investors continued to take the money out from equity funds and hybrid funds, the industry AUM closed the month at all-time monthly highs at Rs. 31.02 lakh crores. Passive schemes, including ETFs/ FoFs/ Index funds, etc., have also continued to attract incremental inflows of more than Rs. 8,200 crores. SIP inflows have also stayed strong and staged a sharp rebound from Rs. 7,302 crores in November 2020 to Rs. 8,418 crores in December 2020.

## Currency Update

With the economic recovery reflecting a smart rebound, the Indian Rupee continued the appreciation journey against the US Dollar in December 2020 to reach Rs. 73.07 at the year-end. While the first quarter of the year saw sharp depreciation of INR against USD, the steady appreciation during the second half of the year has helped the currency stay strong with a moderate depreciating trend. However, the Indian Rupee has depreciated against all the other major currencies, viz. GBP, Euro, JPY, SGD, etc., during the month.

# Quiz

- Q.1 - If the SIP payment bounces from a bank account due to insufficient funds, the SIP is automatically cancelled.
- A ) True                                  B ) False
- Q.2 - Flexi-cap funds must invest at least 75% of their net assets in domestic companies' equity shares.
- A ) True                                  B ) False
- Q.3 - Mutual funds can invest in IPOs only as anchor investors.
- A ) True                                  B ) False
- Q.4 - Asset Management Companies of which of the following mutual funds is not currently listed on stock exchanges?
- A ) HDFC Mutual Fund                                  B ) Edelweiss Mutual Fund  
C ) Nippon India Mutual Fund                                  D ) UTI Mutual Fund
- Q.5 - Long Term Capital Gains (LTCG) on International Equity Funds is exempt up to Rs. 1 lakh in a year.
- A ) True                                  B ) False

Ans. Q.1 - B), Q.2 - B), Q.3 - B), Q.4 - B), Q.5 - B),

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 2020.

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

Editor: Nisreen Mamaji