

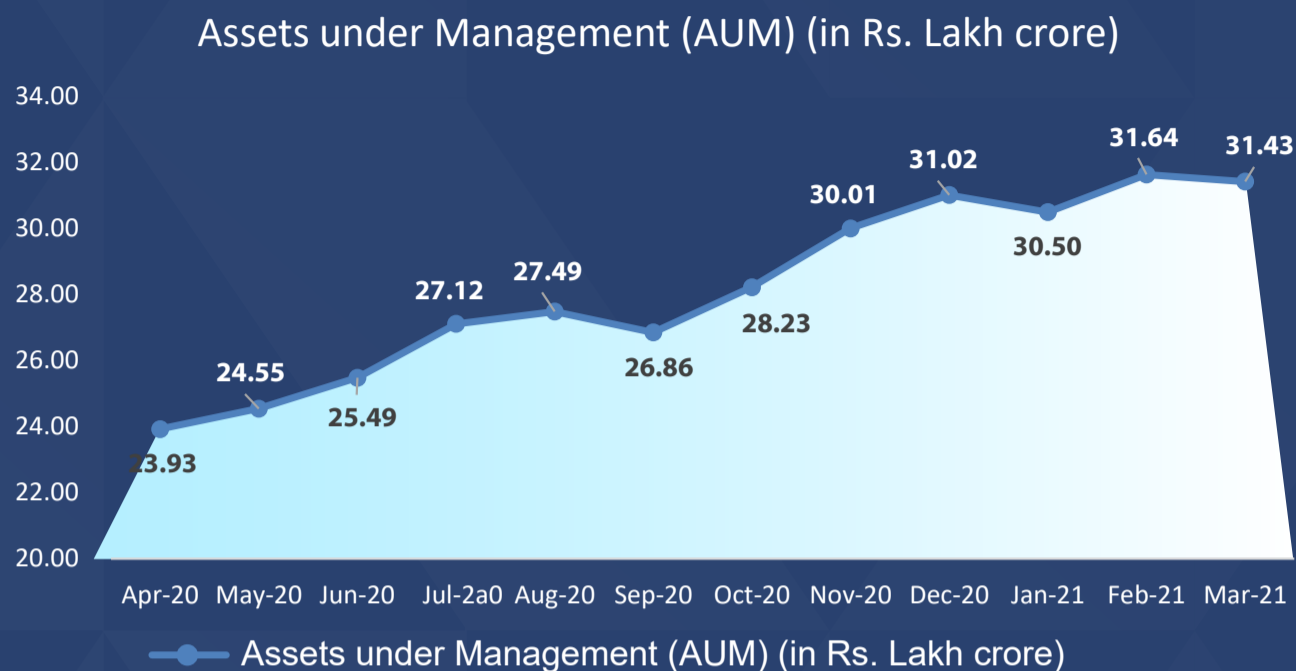


Foundation of Independent Financial Advisors

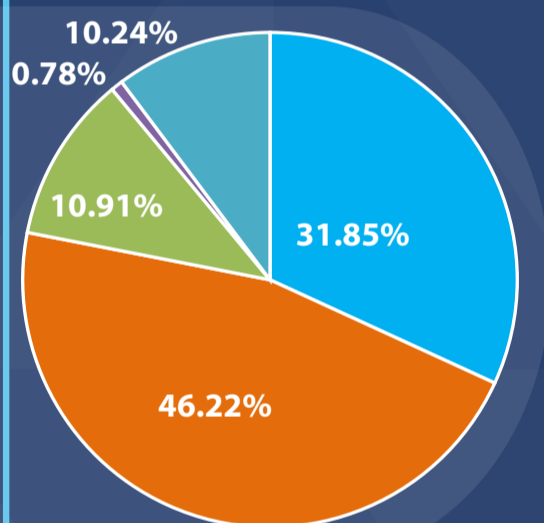
MAR 2021 —

What's New?

AUM Movement over the last 12 months



AUM Composition as at 31st March 2021



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?

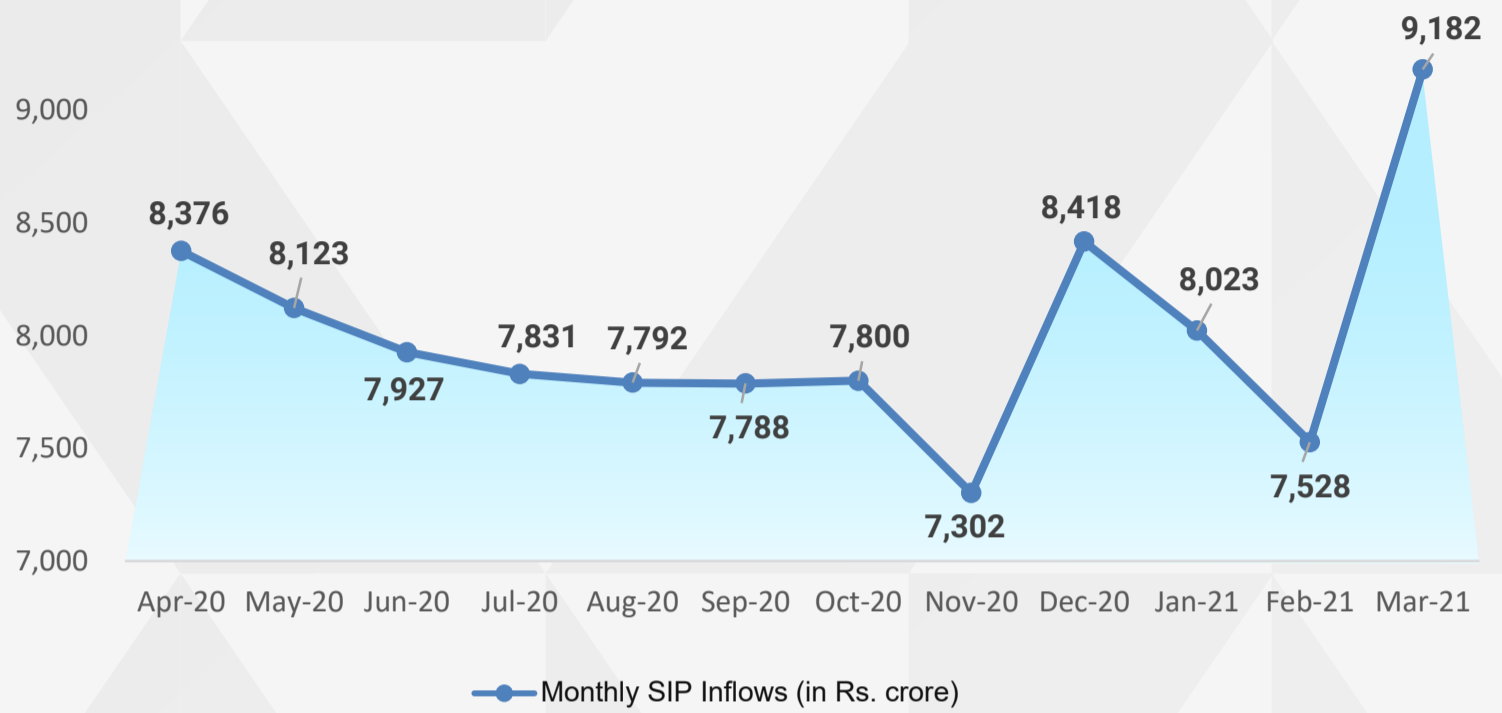
(All figures in Rs. crore)

Particulars	AUM as at 28-Feb-21	Net Inflows/ (Outflows)	Increase/ (Decrease) due to market movements	AUM as at 31-Mar-21
Equity Schemes	9,86,642	7,376	7,103	10,01,121
Debt Schemes	14,99,618	(51,623)	4,688	14,52,683
Hybrid Schemes	3,38,215	6,210	(1,468)	3,42,957
Solution Oriented Schemes	24,068	93	216	24,377
ETF/ FOF/ Others	3,15,571	8,197	(2,142)	3,21,626
Total	31,64,114	(29,747)	8,397	31,42,764

Source– Association of Mutual Funds in India (AMFI)

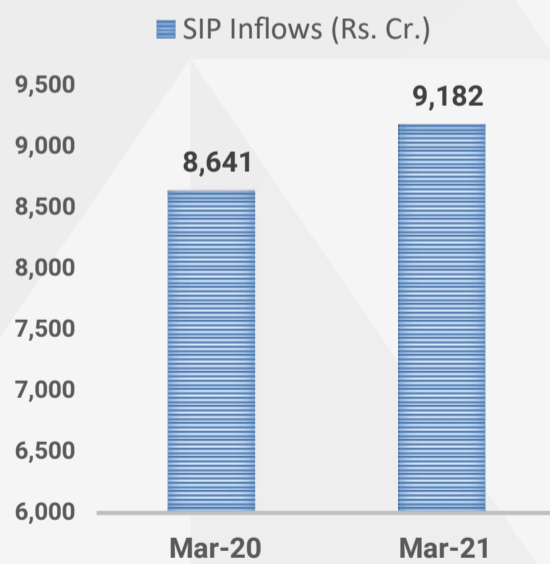
SIP Trends

Monthly SIP Inflows (in Rs. crore)

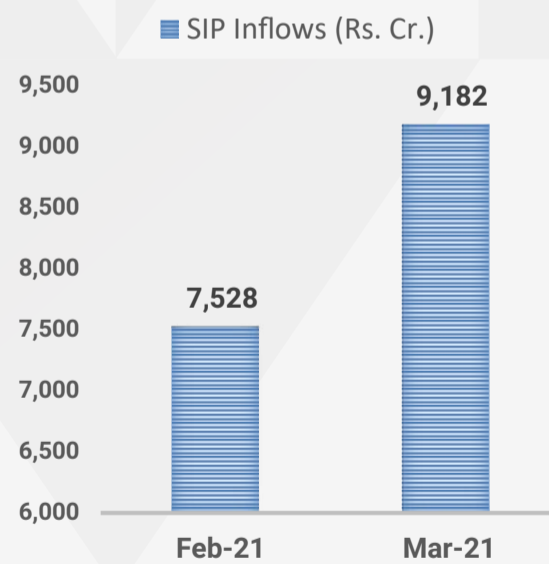


Growth in SIP Inflows

MAR-21 VS. MAR-20



MAR-21 VS. FEB-21



FIFA WELCOMES NEW MEMBERS

Memb Category	Memb No.	Type	Organisation	Member Name	Location
General	O2329	Ind	Anilkumar Naurangrai Agarwal	Anilkumar Naurangrai Agarwal	Thane
General	O2330	Ind	Gautam Kumar	Gautam Kumar	Garhwa
General	O2331	Ind	Isidorio Caetano Fernandes	Isidorio Caetano Fernandes	Mumbai
General	O2332	Ind	Raghuram Kudli	Raghuram Kudli	Shimoga

On 12th March, 2021, FIFA had conducted zoom session.

Topic : Index And Passive Investing

Speaker : Ms. Uma Shashikant

This session was attended by more than 92 IFA's.

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/Uma-Shashikant-session-12th-Mar2021-Index-and-Passive-Investing.m4a>

On 18th March 2021, FIFA had submitted a letter to SEBI "Feedback to SEBI's Consultation Paper on Accredited Investor dated Feb 24th, 2021"

On 22nd March 2021, FIFA had submitted a letter to AMFI Chairman, Mr. Nilesh Shah and also to ARN Committee regarding the "Breach of SEBI Circular w.r.t Direct Client Communication by CAMS"

On 26th March, 2021, FIFA had conducted zoom session.

Topic : Building A Team To Scale Up

Speaker : Mr. Pallav Bagaria

This session was attended by more than 190 IFA's.

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/Mr-Pallav-Bagaria-session-on-26th-March-2021Building-A-team-to-ScaleUp.mp3>

Changes in Valuation Norms for Bonds issued under Basel III Norms

SEBI had made certain changes to the valuation norms of bonds with specific features vide Circular No. SEBI/HO/IMD/DF4/CIR/P/2021/032 dated 10 March 2021. Such bonds included bonds issued under the Basel-III framework comprising AT-1 (Additional Tier-1) Bonds and Tier-2 Bonds. While AT-1 bonds are bonds issued without any specified maturity date, commonly referred to as perpetual bonds, Tier-2 bonds refer to the bonds that are subordinated to the issuer entity's regular unsecured bonds.

To give an exit window to the investors in perpetual bonds, such bonds may carry the call and/or put options that may provide an option to the issuer/ investor for such bonds' maturity after completing specified periods. As per the prevailing regulatory framework to make such bonds eligible to be classified as Tier-1 capital, a call option for such bonds' redemption may be provided by banks after five years from the issue date, while NBFCs (Non-Banking Financial Companies) may provide such a call option post expiry of 10 years.

The mutual fund industry has been valuing such bonds considering the date of such call option as the maturity date, assuming that the issuer will exercise such a call option. However, SEBI provided that such perpetual bonds be valued considering the tenor to be 100 years. As an immediate impact, such bonds' valuation was expected to be impacted adversely due to the increased duration and the prevailing yield curve in the Indian debt markets.

However, SEBI clarified vide Circular No.: SEBI/HO/IMD/DF4/CIR/P/2021/034 dated 22 March 2021 that the deemed maturity tenor will be increased in a phased manner for such bonds. Such bonds shall carry deemed maturity tenor of 10 years till 31 March 2022, 20 years till 30 September 2022, 30 years till 31 March 2023, and 100 years from 1 April 2023 onwards. With the Macaulay duration for such bonds issued under Basel III framework calculated based on such deemed maturity, the immediate impact of the earlier change in valuation norms has been moderated.

As an attempt to recognize a credit event earlier, SEBI has also clarified that in case an issuer entity does not exercise the call option for any of the ISIN issued towards such bonds, all the bonds issued by such entity will be considered with the maturity of 100 years for AT-1 bonds and contractual maturity for Tier-2 bonds for valuation and calculation of Macaulay Duration. Additionally, mutual funds have been directed to monitor if the non-exercise of the call option has been due to financial stress or otherwise. In case the reason is financial stress or any other adverse news, the same must be reflected suitably in the valuation of such bonds. AMFI has also been requested to issue valuation norms for such bonds issued under Basel III framework which are expected shortly.

Market Update – March 2021

Equity Markets Update

On the back of strong global cues, equity markets continued their streak, and both the benchmark indices increased by around 6% returns during the month. The economic recovery was also visible with healthy Auto sales and strong GST collections, which further fueled bullish sentiments. However, rising infections across the country along with rising debt yields in India and across the Globe partially pulled strings for the bulls.

Debt Market Update

The US Treasury yields have continued to increase during the month due to an increase in inflation and the USD 1.9 trillion stimulus package's announcement by the US President. In India, the Central Bank's sustained efforts to control the yields have shown some results at the longer end of the curve and the 10-year benchmark G-Secs ended March 2021 with a 6 bps decrease at 6.16%. The credit spreads for AAA-rated 10-year bonds were almost flat QoQ at 70 bps as of March 2021, leading to an effective borrowing rate for such entities for 10-year tenor at 6.86%.

Mutual Fund Industry Update

Equity funds witnessed inflows after few consecutive months of fund outflows, and such inflows were not restricted to a single category of equity schemes. Instead, several categories enjoyed more than Rs. 1,000 crores of monthly inflows in March 2021, including mid-cap funds, sectoral/ thematic funds, flexi cap funds, ELSS, etc. Passive investing also continued to be in the trend, as such schemes attracted more than Rs. 8,000 crores of inflows in a single month. Due to the cyclical redemption of debt schemes, the AUM of the Mutual Fund industry reduced to Rs. 31.43 lakh crores as compared to Rs. 31.64 lakh crores in February 2021. The monthly SIP inflows were at a record-high of Rs. 9,182 crores in March 2021, which is also expected to have a partial spill-over impact of February investments. However, even after considering around Rs. 500 crores towards such spill-over, the monthly inflows can still be considered higher.

Currency Update

Indian currency continued with its month-end nervousness, as it became volatile during the last two days of the month. It ended the month at Rs. 73.11/ USD at March 2021 end in comparison to Rs. 73.04 as of February 2021 end. However, the currency movements have been rather steep post the year-end in April 2021 with the USD/INR rate crossing Rs. 75/USD in early April itself.

Quiz

- Q.1 - With effect from 1 April 2021, mutual fund schemes cannot hold more than 10% of their debt portfolio in debt instruments with special features.
- A) True B) False
- Q.2 - Mutual fund schemes with AUM of less than Rs. 100 crores are allowed a higher ceiling of Total Expense Ratio (TER).
- A) True B) False
- Q.3 - The NAV of an International Equity Fund is disclosed in foreign currency and not Indian Rupees.
- A) True B) False
- Q.4 - What is the lock-in period under the Equity Linked Savings Schemes (ELSS)?
- A) One year B) Two year
C) Three year D) Five year
- Q.5 - The interest rate risk increases with the increase in the duration of the debt fund.
- A) True B) False

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

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 & RIAs, especially about your journey in 2020

Mail to response@fifaindia.com

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