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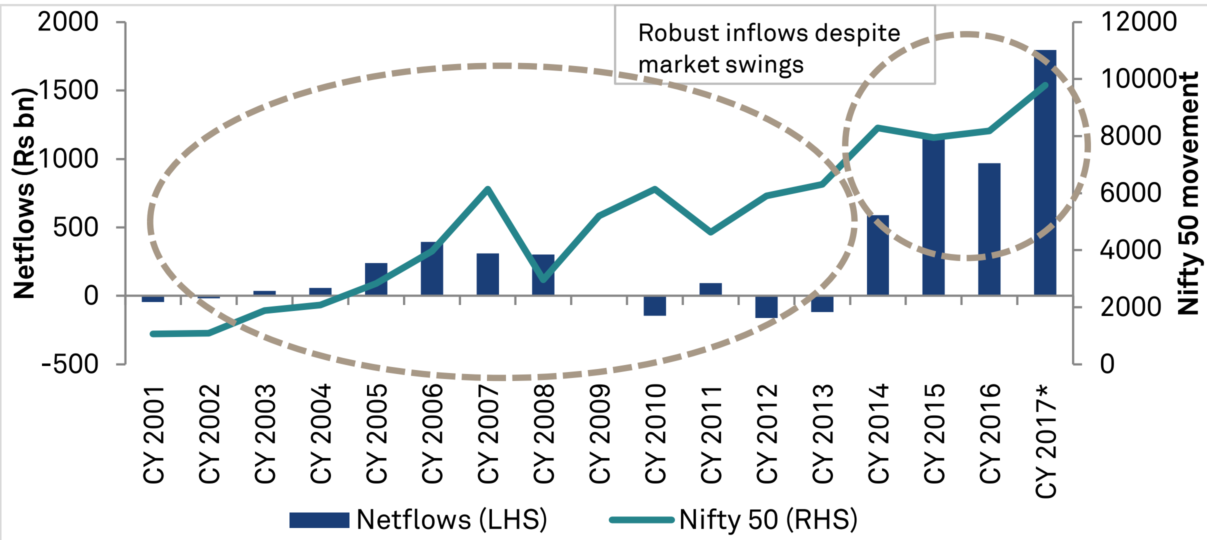
MF industry at Rs 20 trillion summit, asset tally doubles in last three years

Asset tally led by record investor participation in equity oriented MFs

The Indian mutual fund industry assets doubled in the last three years to cross the historic Rs 20.59 trillion summit in August 2017, and stand at Rs 20.40 trillion as of September 2017. The asset tally has been led by record investor participation in equity oriented mutual funds (includes equity, balanced and equity oriented exchange traded funds). Equity oriented funds saw uninterrupted (on consolidated basis) stream of inflows totaling at Rs 4.18 trillion in the 3-year period and Rs 4.53 trillion since May 2014 (start of the inflow rally), a far cry from yesteryears when market volatility used to dampen investor sentiment. These robust inflows coupled with mark to market gains has pushed the category assets by almost 2.8 times or 41% CAGR to record high of Rs 8.49 trillion as of September 2017. The recent spurt in growth of the category has propelled its share in total industry AUM to 42% from 32% a three years ago.

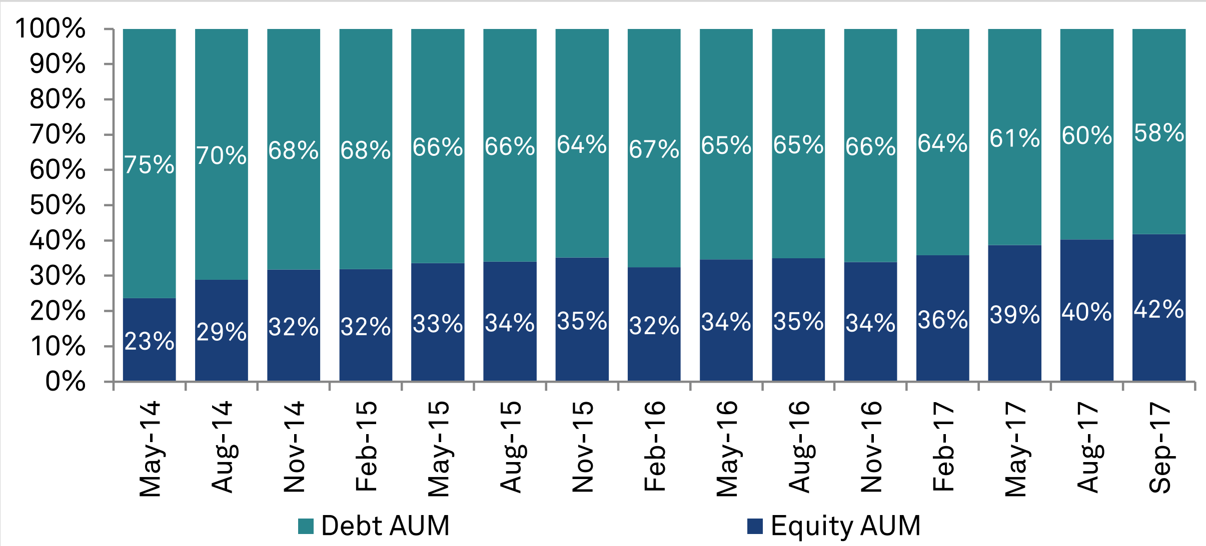
Chart 1 – Long term equity MF inflow and asset trend versus market movement (Nifty 50)



*till September 2017

Source: AMFI, NSE

Chart 2 – Equity versus debt mutual fund share trend

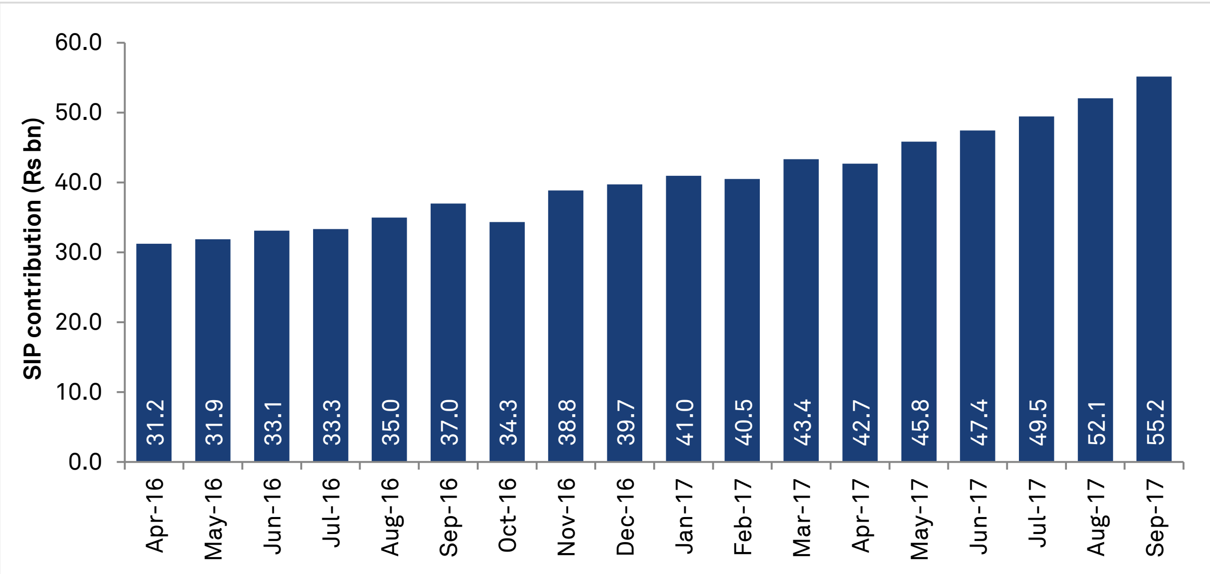


Source: AMFI

Sticky money in the form of SIP and pension money aid equity mutual funds

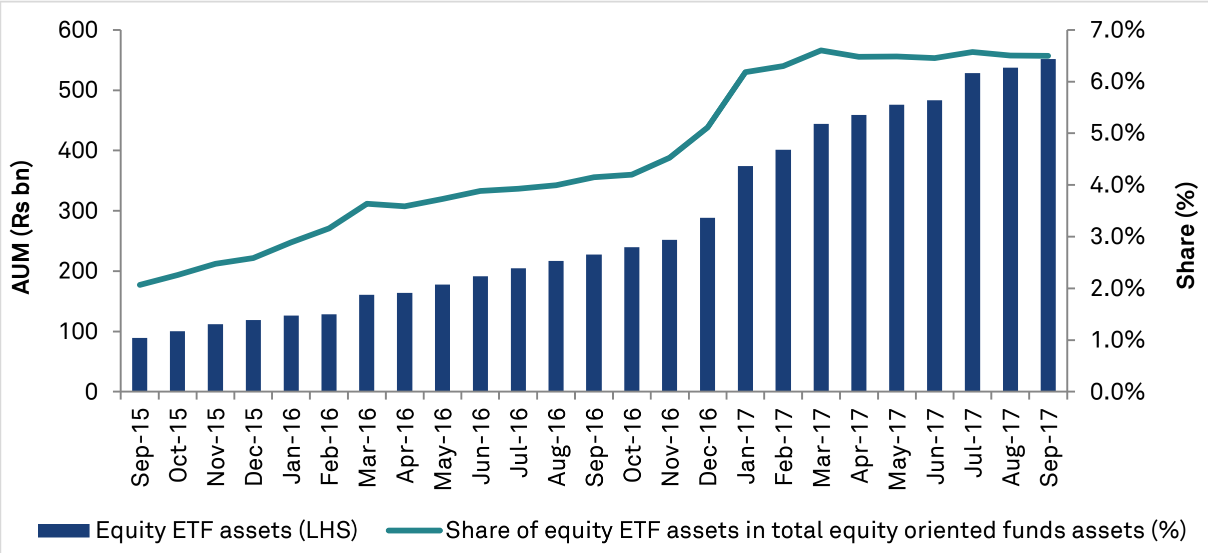
A positive trend of the industry inflows and growth has been the influx of robust sticky money in the form of strong systematic investment plans (SIP) money and introduction of pension money into equity oriented mutual funds. As per data disclosed by AMFI, the industry has been witnessing progressive increase in SIP inflows cumulating Rs 732 billion in past 18 months ended September 2017. Further introduction of investment into equity by the Employee Provident Fund Organisation (EPFO), the biggest retirement manager in the country, through equity oriented exchange traded funds (ETFs) since August 2015 have also aided the industry and category growth. Equity oriented ETF assets have risen by almost eight times to Rs 552 billion since then.

Chart 3 – SIP trend into mutual funds



Source: AMFI

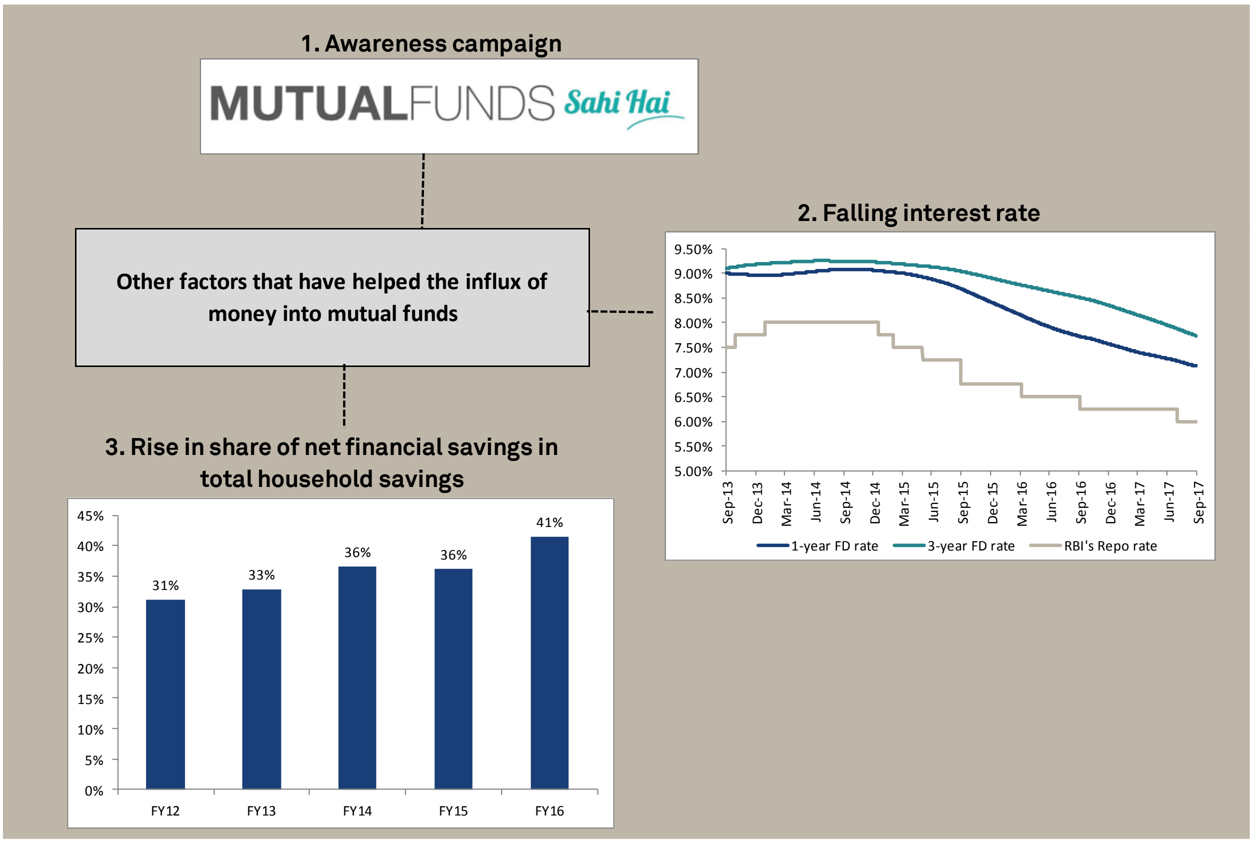
Chart 4 – ETF asset trend and share in industry assets



Source: AMFI

ETFs other than gold as disclosed by AMFI

Other factors that have helped the influx of money into mutual funds include a) increasing investor awareness campaign being carried out by the industry b) easing interest rates in fixed income avenues thus increasing appeal of capital market products c) investors preferring financial assets in place of physical assets.

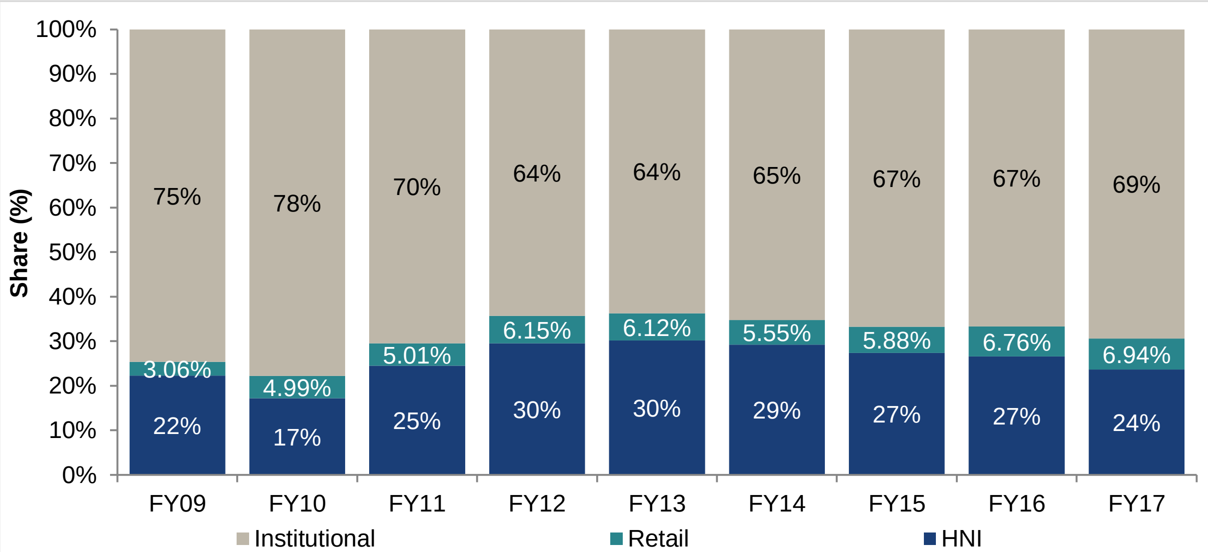


Source: AMFI, MOSPI, CRISIL Research

Debt oriented funds continue to support the industry growth

Debt oriented funds which form major pie (58%) of total industry AUM, posted growth of 22% CAGR to reach Rs 11.84 trillion in the past three years ended September 2017. Though the category has been dominated by the institutional investors (69%), individual investors (HNIs and retail) have been steadily increasing their investments in debt oriented funds from 25% in FY09 to 31% in FY17. During the same period, share of retail debt AUM has more than doubled from 3% to 7%.

Chart 5 – Investor-wise breakup of debt oriented funds' AUM



Source : AMFI

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CRISIL Limited: CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai – 400076. India

Phone: + 91 22 3342 3000 | Fax: + 91 22 3342 3001 | www.crisil.com

/company/crisil @CRISILLimited /CRISILLimited /user/CRISILLimited