INDIAN ASSET MANAGEMENT INDUSTRY

JUNE- 2023

sukhanidhi
INVESTMENT ADVISORS
Equity Research & Advisory Services

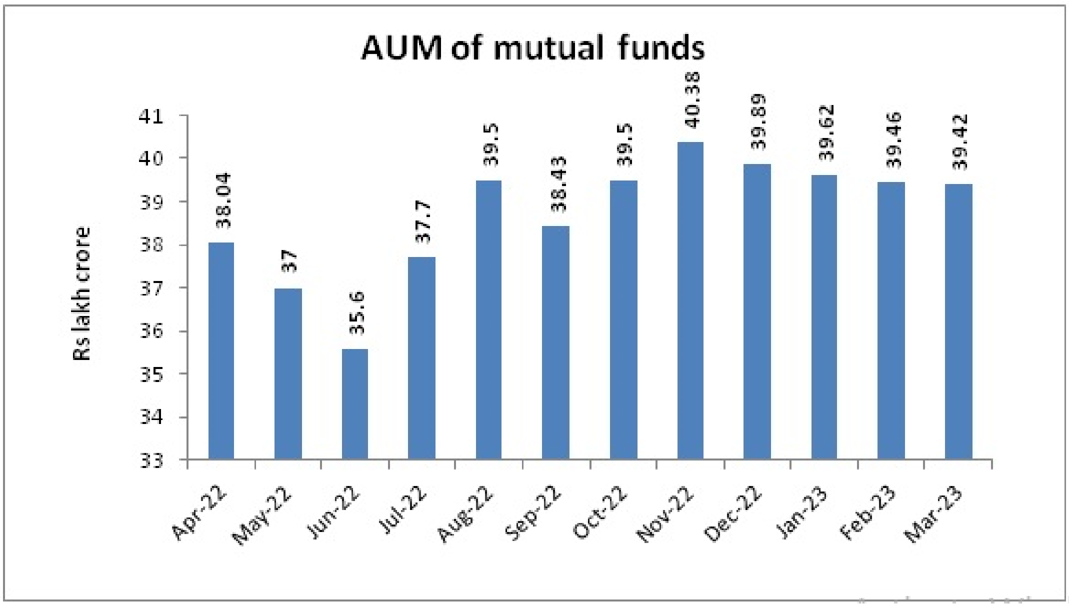
The Asset Management industry offers a comprehensive suite of saving and investment options across varied forms, including mutual funds, Alternate Investment Funds (AIFs), Exchange Traded Funds (ETFs) etc. In India, mutual funds are the most trusted investment instruments for retail investors and the largest component of the asset management industry. The industry is expanding its digital footprint and building better engagement with investors, with simple and intuitive platforms, biometric authentication, E KYC and simplified user journeys.

The Association of Mutual Funds in India (AMFI) is the association of all the Asset Management Companies of SEBI registered mutual funds in India. As of now, 43 Asset Management Companies that are registered with SEBI, are its members. The AMFI is dedicated to developing the Indian Mutual Fund Industry on professional, healthy and ethical lines and to enhance and maintain standards in all areas with a view to protecting and promoting the interests of mutual funds and their unit holders.

MUTUAL FUNDS:

After recording a highest figure in November month of FY23 at Rs 40.38 lakh crore, the cumulative net assets under management (AUM) of mutual funds started declining from December month. On month on month basis, AUM declined 0.10% to Rs 39.42 lakh crore at the end of March 2023 as compared to Rs 39.46 lakh crore at the end of February 2023.

However, AUM of Indian Mutual Fund Industry as on April 30, 2023 stood at Rs 41,61,822 crore. The total number of accounts (or folios as per mutual fund parlance) as on April 30, 2023 stood at 14.64 crore (146.4 million), while the number of folios under Equity, Hybrid and Solution Oriented Schemes, wherein the maximum investment is from retail segment stood at about 11.69 crore (116.9 million).



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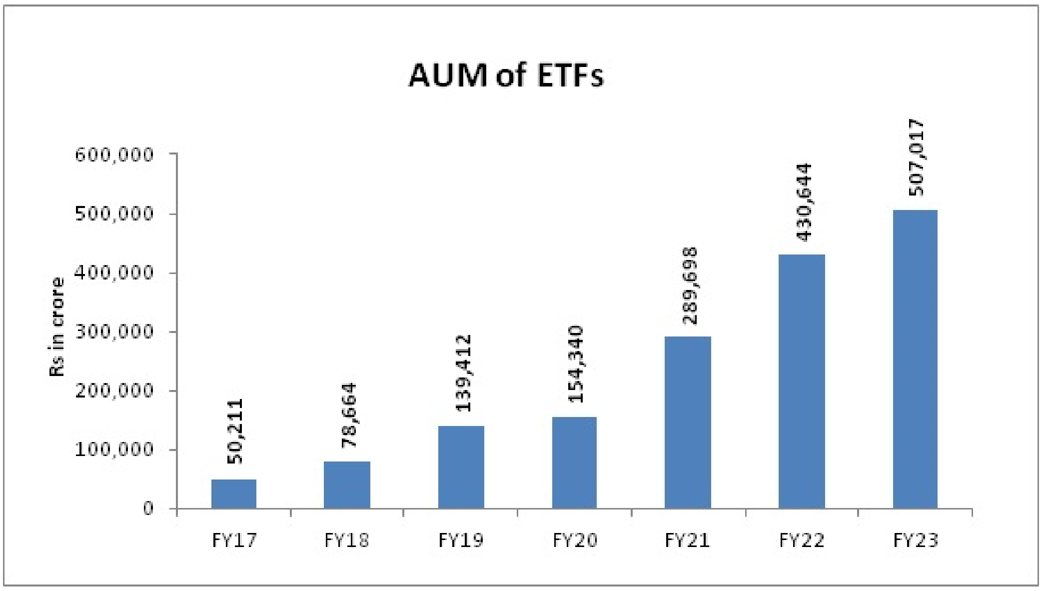
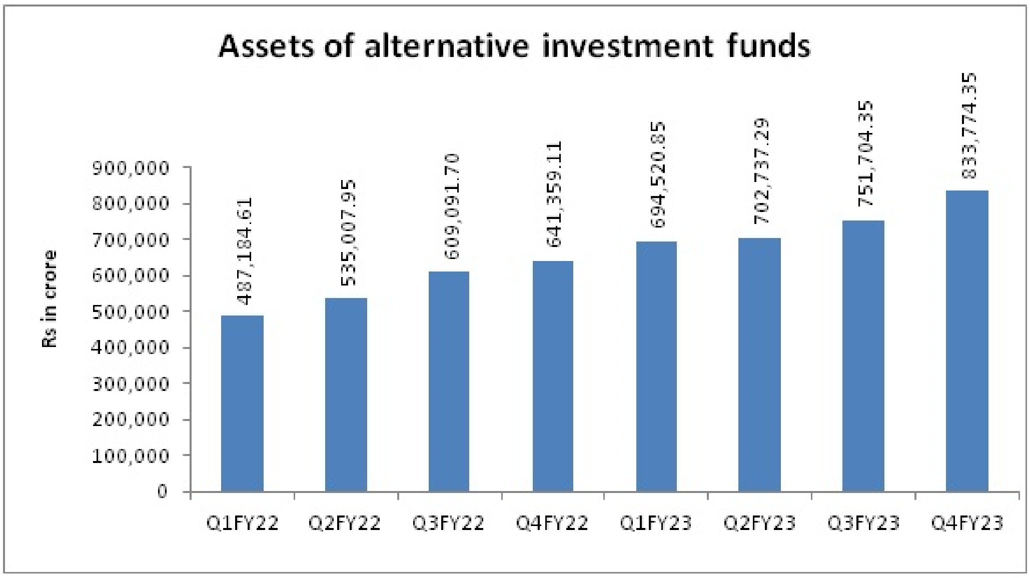
AUM OF ETFs :

Among the different modes of passive investments, investing through exchange-traded funds (ETFs) is the preferred choice for a large section of investors in India and over the years, there has been a steady rise in ETFs. The total AUM of exchange-traded funds (ETFs) reached Rs 5,07,017 crore as on March 31, 2023 as against Rs 4,30,644 crore as on March 31, 2022, with rising investments by investors. Out of total, AUM of Equity, Debt and Gold ETFs stood at Rs 3,97,082 crore, Rs 85,406 crore and Rs 22,737 crore respectively, while that of Silver ETFs stood at Rs 1,792 crore as on March 31, 2023.



ALTERNATIV INVESTMENT FUNDS :

The assets of alternative investment funds showed increasing trend in the whole financial year 2022-23 (FY23), with assets touching Rs 833,774.35 crore at the end of the January-March quarter (Q4FY23), a growth of 10.92 per cent as against Rs 751,704.35 crore in the previous quarter (Q3FY23). In Q2FY23, the assets of alternative investment funds stood at Rs 702,737.29 crore.



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RECENT DEVELOPMENTS :

AIF investors should not be given any differential treatment: SEBI

Capital markets regulator -- the Securities and Exchange Board of India (SEBI) has proposed that AIF (alternative investment fund) investors should not be given any differential treatment, which affects the economic rights of other investors. However, this should not apply in case of differential rights provided on terms with respect to the hurdle rate of return, performance-linked fee/additional return and management fee. In addition, the regulator is looking to provide clarity on the pro-rata rights of investors in an AIF scheme. AIF is a privately pooled investment vehicle, which collects funds from investors, for investing under a defined investment policy for the benefit of its investors.

With respect to the pro-rata rights of investors, the regulator has recommended that the rights of each investor should be maintained at pro-rata to their commitment to the scheme, in each investment of the scheme, while making an investment. Besides, the rights of each investor should be maintained at pro-rata to the investment made in the investee company, while distributing the proceeds of the investment. Further, the manager can charge a performance-linked fee as per the terms of the contribution agreement with each investor.

The regulator said 'while manager/sponsor may continue to have differential distribution to bear loss more than their pro-rata holding, the same is subject to the condition that the amount invested by the AIF in the investee company shall not be utilised directly or indirectly to repay any pending obligations to the manager/sponsor or their associates'. It added existing schemes of AIFs, which have adopted the priority distribution (PD) model, can continue with the existing investments, but should not accept any fresh commitment or make the investment in a new investee company.

It noted that AIFs with a priority distribution model may be misused to mask true asset quality, which may lead to the ever-greening of bad/doubtful assets and therefore, it might not be prudent to permit AIFs to adopt such a model. The regulator also said 'it is necessary to explicitly prohibit adopting of differential distribution model by AIFs and any such practice providing differential rights to investors which affect the pooling requirement of the investment vehicle'.

SEBI proposes uniform total expense ratio across mutual fund schemes

In a bid to bring in transparency in the costs charged to unitholders, SEBI has proposed a uniform total expense ratio (TER) across mutual fund schemes. At present, SEBI allows asset management companies to charge unitholders of mutual fund four additional type of expenses over and above the specified TER limits. These are brokerage and transaction costs, additional TER for distribution commission for inflows from B-30 (beyond top 30) cities, good and services taxes and addition expense for exit loads. The TER is a percentage of a scheme's corpus that a mutual fund house charges towards expenses including administrative and management.

It said ‘TER reflects the maximum expense ratio that an investor may have to pay and hence it should be inclusive of all the expenses permitted to be charged to an investor and the investor should not be charged any amount over and above the prescribed TER limits’. Noting the underlying principle that TER should be inclusive of all costs charged to an investor, it proposed that brokerage and transaction expenses may be included within the TER limit. Besides, all expenses and costs of investment including STT (Securities Transaction Tax) should be within the TER limit. Also, SEBI suggested that additional commission to distributors may continue for inflows from B30 cities. The distributors may be paid only for investment from new individual investors (new PAN) from B-30 cities at the industry level.

SEBI suggested that AMCs design their distribution commission policy with an intent to promote financial inclusion and reward inflows from B-30 cities. In this regard, AMCs can consider paying a higher percentage of commission for inflows from B-30 cities as compared to commission for inflows from T-30 (top 30) cities. Further, it proposed that the provision enabling charging of additional expense of 5 basis points for schemes having provision of exit load, may be discontinued. For more than 10 years AMCs have been permitted to charge additional expenses. The limits on TER have been proposed to be kept at AMC level and inclusive of all costs and expenses including GST on management fees, brokerage and transaction costs, B-30 incentive etc.

Considering that 20 per cent of the AMCs are presently managing around 75 per cent of the industry AUM and many of the small AMCs continue to be loss making entities, SEBI proposed revised TER slabs, ensuring small players are not at a disadvantage, and to encourage competition amongst AMCs of all sizes. The regulator has suggested that there should be uniformity in charging of each and every expense to the investor of regular plan and direct plan and the only difference between the TER of regular plan and direct plan should be the expenses towards distribution commission.

SEBI approves proposals to specify framework for AIFs to carry out valuation of investment portfolio

To provide guidance to Alternative Investment Funds (AIFs) towards a consistent and standardized approach for valuation of their investment portfolios, the SEBI has approved proposals to specify the framework for AIFs to carry out valuation of their investment portfolio; eligibility criteria of the independent valuer for valuing the investment portfolio of AIFs; that valuation of investment portfolio of Category III AIFs in unlisted securities and listed debt securities shall also be carried out by an independent valuer; and responsibility cast on managers of AIFs for true and fair valuation.

For ease of monitoring and administration by stakeholders and for the purpose of investor protection against operational and fraud risk, the Board approved mandating that all new schemes going forward and existing schemes of AIFs with corpus more than Rs 500 crore shall dematerialise their units by October 31, 2023. Existing schemes of AIFs with corpus less than Rs 500 crore shall dematerialise their units by April 30, 2024. To facilitate skill based approvals and to ensure objectivity in ascertaining eligibility for registration of AIFs, the Board approved a proposal to replace existing minimum experience requirement as an eligibility criterion for the key investment team of the Manager of the AIF with a comprehensive certification requirement. The said certification requirement is also being mandated for the compliance officer of the AIF.

To improve governance and transparency to investors with respect to transactions involving conflict of interest, the Board approved a proposal to mandate obtaining approval of 75% of investors by value, for buying or selling of investments potentially involving conflict of interest. The provision would cover transactions by an AIF, from or to, associates of AIF, or schemes of AIFs managed or sponsored by the manager or sponsor or their associates, or an investor who has commitment to the extent of more than 50% of the corpus of the scheme of AIF.

To provide flexibility to AIFs to deal with investments which are not sold due to lack of liquidity during the winding up process, the Board approved a proposal to allow AIFs to either sell such investments to a new scheme of the same AIF i.e., Liquidation scheme or distribute such unliquidated investments in-specie, in the prescribed manner and subject to approval of 75% investors by value. To ensure proper recognition and disclosure of true asset quality, liquidity, and fund performance of AIFs and their managers, the value of sale of such investments to the Liquidation Scheme or their in-specie distribution, shall be recognised as per norms specified by SEBI for capturing in the track record of the manager and for reporting to Performance Benchmarking Agencies.

OUTLOOK :

Increasing importance of financial savings among Indian households, ease of reach and transactions through digitization, coupled with rollout of UPI will help deepen the Asset Management industry penetration. The industry will have growth opportunities given the economy's significant long term growth potential and under penetration of mutual funds. Rising awareness about mutual funds through various initiatives and campaigns like 'Mutual Funds Sahi Hai' will also help bolster investors' sentiment about the benefits of investment.

Despite the volatility owing to geo-political reasons and inflation, investor base is expected to rise with confidence in the growth of the Indian economy. The businesses are adopting new innovative technologies which will raise the level of competition in the sector and will lay the foundation for the industry to become consumer-focused, agile, and innovation-led. Besides, the SEBI's continuous efforts to develop an investor friendly ecosystem through various policies will further improve growth of AIFs and mutual funds over the years and will bring transparency in business transactions.

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A LITTLE ABOUT OURSELVES

Why We Started?

After speaking with hundreds of investors, we discovered that while most investors recognise the importance of investing in equities, many lack the time, knowledge, or necessary resources to evaluate stocks or construct a long-term equity portfolio. As a result, people risk their savings on a companies based only on the recommendations of relatives, friends, brokers, or any business channel, and end up losing their hard-earned money.

And after such instances, we realised the need for professional advice and decided to start the first equity research and investment advisory firm in Hubballi-Dharwad to assist individual investors across India with the sole purpose of offering unbiased, high-quality, fundamental, and affordable equity investment advice to create serious wealth over long-term.

Who We Are?

We are the first equity research and investment advisory firm based in North Karnataka and have 12 + years of experience in equity research and advising High Net worth Individuals (HNI's), Ultra High Net worth Individuals (UHNI's) and NRI's across India and the globe.

What We Do?

We help individual investors in generating inflation-adjusted, risk-adjusted, and tax-efficient returns and create sustainable wealth over the long term by recommending a high-quality direct equity (shares) portfolio.

What We Don't Do?

- Momentum trading
- Debt investments
- Derivatives (Futures & Options)
- Technical analysis
- Timing the market
- Over-diversifying
- Hedging
- Nonsense

What We Expect From Investors?

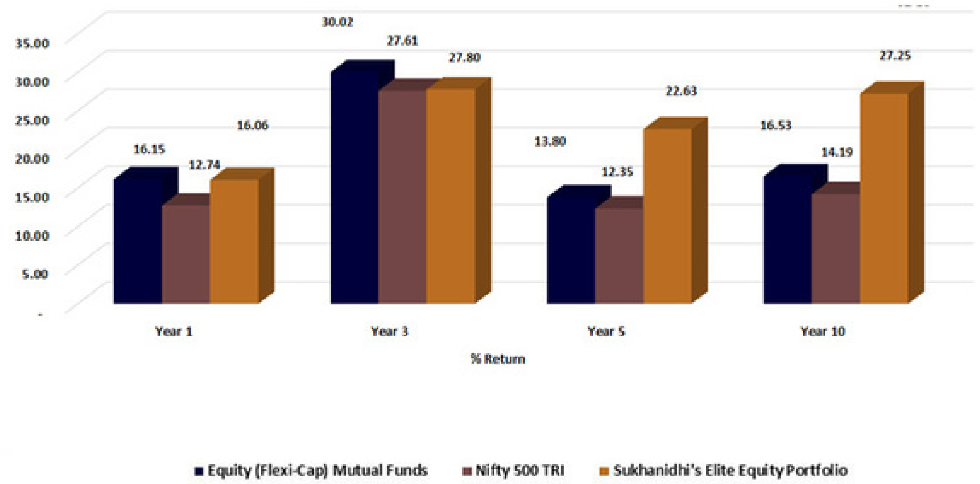
- A minimum commitment period of 5 years or more.

Why Sukhanidhi?

At Sukhanidhi, You Are Assured Of

- Excellence in our advisory services
- Objectivity and unbiased advice
- Credibility: we are SEBI-registered investment advisors
- Low cost: only fixed fees – no performance fees.
- Peace of mind: we uphold your trust with safeguarding your investments and offering our services at reasonable fees

Comparative performance analysis of **Flexi-Cap Mutual funds** vs **Nifty 500 TRI** vs **Sukhanidhi's Portfolio**



Maximize Returns & Reduce Your Expenses with Elite Equity Portfolio

Here is why our portfolio is better than equity mutual fund and index fund

Description	Flexi-cap MF		Nifty 500 (Index Fund)	Sukhanidhi's Portfolio
	Regular	Direct	Direct	Elite Equity
Lumpsum Investment (Rs)	50,00,000	50,00,000	50,00,000	50,00,000
Fees/Charges (in % Pa)	1.75%	1.00%	0.40%	1.00%
Fees/Charges (in Rs Pa)	87,500	50,000	20,000	50,000
5-Years CAGR Returns (in %)	13.80%	15.07%	12.35%	22.63%
Value of Investement at the end of 5th Year (in Rs)	95,43,088	1,00,87,431	89,48,980	1,38,66,078
Difference in Corpus	-43,22,990	-37,78,647	-49,17,098	-
Total Expenses / fees in last 5 years	-4,37,500	-2,50,000	-1,00,000	-2,50,000
Net Gains/Loss at the end of 5th year	-47,60,490	-40,28,647	-50,17,098	1,36,16,078

NOTE: All returns are in CAGR and the investment time horizon considered as 5 years (July 2018 to June 2023) comparision between sukhanidhi's portfolio vs mutual funds vs index funds. Sukhanidhi's portfolio is built on quality investing strategy. To know more about

*Note: Our elite equity portfolio has generated a 23.44% CAGR (excluding dividend and bonus) in the last decade (10 years) as on July 2018 to June 2023 . However, to be conservative, we are expecting around 15% CAGR(excluding dividend and bonus). There is no guarantee of returns and it is subject to prevailing market conditions.

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What Our Client Say?

Dr.Naveen H.C.
Prosthodontist Implantologist
Hubballi

Investing in equities has never been my cup of tea due to lack of knowledge and time constraint. It has been 4 years now that I have been associated with Mr. Vinayak Savanur. Since then, with his help, I have begun Investing in on equity shares portfolio for the next 20 years to take care of my after retirement expenses.

When I met him for the first time, he listened to each and every query of mine patiently and took me through the entire process they follow, from stock selection to portfolio construction in detail. Only then I found that Mr. Vinayak's way of approaching the stock market Is very simple, safe, sensible. and I got convinced.

I would definitely recommend Sukhanidhi investment Advisors to anyone. Especially middle-aged practicing doctors like me. To utilize Mr. Vinayak Savanur's knowledge and expertise to plan their retirement well in advance and build a fool proof long-term equity portfolio.

Sanjot Shah
Director
Manickbag Automobiles Private Limited,
Hubballi

I have got experience from Sukhanidhi investments. The suggestions given by them are good and I am satisfied

CA Narasimhan Elangovan
Partner
KEN & Co., Chartered Accountants,
Bengaluru

Professional and well researched approach. Recommended for those who want to build wealth over long term! Great job Vinayak and team.

Satish Shenoy
General Manager
Samsung India Electronics pvt ltd,
Mumbai.

A Good Methodology to filter best stocks to invest and easy to approach makes sukhanidhi team class apart; Thanks for your good service. Keep it up!!

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INVESTMENT ADVISORS
Equity Research & Advisory Services

Mamata Kulkarni
Texas, USA

Folks, its high time you get in touch with Sukhanidhi to fatten your wallets. Mr. Vinayak Savanur, a very knowledgeable financial advisor, patiently understands your concerns and accordingly guides you in reaching your financial goals. It has been a great pleasure to work with Mr. Savanur. The passion and dedication to his expertise was clear to see. We saw great results and we would strongly encourage others to work with Sukhanidhi! holding the investment for long periods, which is actually the prerequisite to get long term Compound returns from Equity investments. After coming in contact with SUKHANIDHI, after studying their methods in detail, I have now invested in their SUKHANIDHI ELITE EQUITY PORTFOLIO with a long term horizon of 5 to 15 yrs, with 3 different goals in sight, with the intention to withdraw the money as each life goal approches during the future 15 yrs of my life.

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EQUITY HELPLINE!

Have Questions About Investing in Stocks(Shares)?

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VINAYAK SAVANUR
FOUNDER & CIO

https://sukhanidhi.in/