



CRISIL Fund Monitor – Positive markets shore up equity assets

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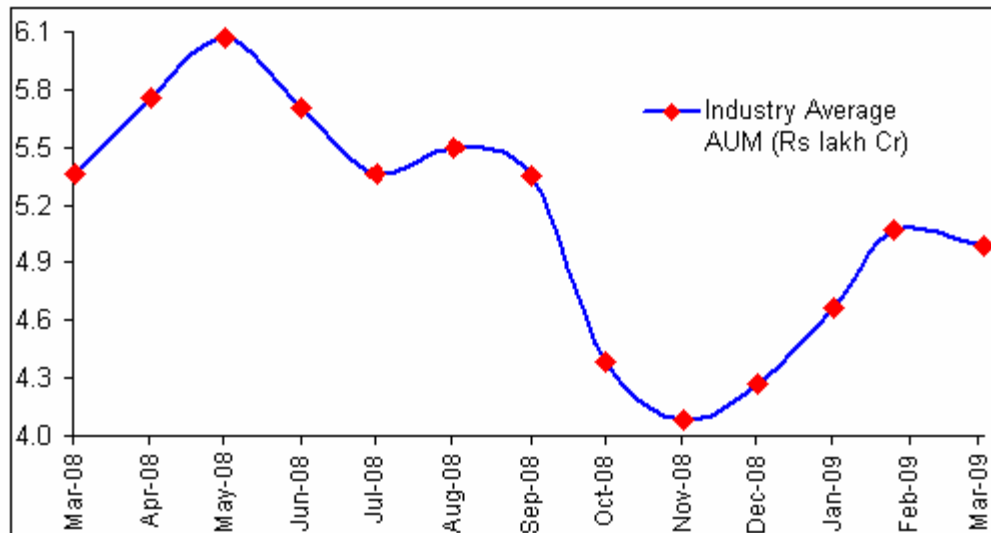
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CRISIL Mutual Fund Index Returns

CRISIL Index Returns in per cent	Tracks	1 month Returns		3-month Returns	1-year Returns
		Mar-09	Feb-09	Jan 09 to Mar 09	Apr 08 - Mar 09
CRISIL Fund-eX	Equity Funds	7.52	-4.23	-2.36	-37.12
CRISIL Fund-bX	Balanced Funds	6.50	-3.10	-1.55	-26.92
CRISIL MIPeX	Benchmark for Monthly Income Plans	1.13	-0.12	0.16	0.30
CRISIL MF-Gilt Index	Gilt Funds	-2.43	-1.96	-10.87	10.37
CRISIL Fund-dX	Long-Term Bond Funds	-0.44	-0.19	-2.70	8.24
CRISIL STBeX	Benchmark for Short-Term Bond Funds	0.13	0.93	1.90	9.79
CRISIL-LX	Liquid Funds	0.55	0.53	1.69	8.07

Chart 1 – Mutual Fund Industry Average Assets Under Management



Source – AMFI

1 lakh cr == 1 trillion

Mutual Funds' equity assets recorded a positive growth in March 2009 after declining for two consecutive months. This was on account of a sharp rebound in the Indian equity markets, with the S&P CNX Nifty registering over 9 per cent, its steepest rise in 17 months (since October 2007). Equity returns in March 2009, were driven by a sharp rise in metals stocks (up 24 per cent), oil and gas stocks (up 16 per cent) and automobile stocks (up 14 per cent). As per SEBI data, mutual funds were net buyers of equities in March 2009, purchasing equities worth Rs. 15 billion as against net sales of Rs. 15 billion in the previous month. Also, the net equity purchase in March 2009 was the highest since September 2008 (Rs. 23 billion net equity purchases).

The rise in equity assets happened even as the mutual fund industry's overall average assets under management (AUM) shrunk marginally from Rs. 5.02 trillion in February 2009 to Rs. 4.94 trillion in March 2009 (including fund of funds) - a 1.5 per cent or Rs. 77 billion month-on-month (m-o-m) decline - after witnessing three months of continuous growth. The month-end AUM witnessed a steep 18 per cent fall (Rs. 914 billion in absolute terms) with March end AUM at Rs. 4.17 trillion compared to Rs. 5.09 trillion in February 2009. Debt funds, including ultra short term debt funds, were the biggest losers, losing Rs. 622 billion in AUM, while liquid fund assets were down by Rs. 370 billion. Gilts funds showed a marginal AUM growth of Rs. 3 billion. Equities funds' AUM (including balanced category) was up by Rs. 76 billion.

Mutual fund net outflows were also on similar lines with income funds witnessing the maximum net outflows of Rs. 624 billion followed by liquid funds at Rs. 370 billion. The overall industry net outflows were thus close to Rs. 1 trillion in the month. The large scale redemptions from fixed income funds were driven by banks paring holdings and corporates redeeming to meet advance tax payments. The withdrawal by banks could have been primarily to enhance capital adequacy levels at the financial year end. This is because investments in mutual funds attract a higher capital charge for banks as compared to investing in other short term avenues like treasury bills and collateralized borrowing and lending obligations (CBLOs). A considerable portion of the redeemed amount is, however, expected to be reinvested back in debt and liquid funds in April, on account of easier liquidity conditions.

Table 1 – Trend of fund flows and AUM category wise

Rs billion	Net Inflow/(Outflow)		Month End AUM		
	Mar-09	Feb-09	Mar-09	Feb-09	Difference
Income Funds	-623.81	199.33	1973.43	2595.17	-621.74
Equity Funds	5.44	4.27	1062.44	1010.04	72.40
Balanced Funds	-0.39	-0.22	106.29	102.93	3.36
Liquid / Money Market Funds	-369.91	149.06	905.94	1275.91	-369.97
Gilt Funds	4.82	-5.39	64.13	61.35	2.78
Gold ETF Funds	-0.23	-0.25	7.36	7.81	-0.45
Other ETFs	-1.68	-5.94	6.60	8.08	-1.48
Fund of Funds Investing Overseas	-1.21	-0.57	26.81	25.41	1.40
Total	-986.97	340.29	4173.00	5086.70	-913.70

Source - AMFI

Increasing Polarisation in Mutual Fund AAUMs

A closer analysis of the AAUM trend in the mutual fund industry shows increasing polarisation of AAUM. In March 2009, the top five AMCs had a 58 per cent share of the industry's assets, which was up from the 52 per cent recorded in March 2008. Similarly, the share of the top 10 AMCs in industry assets rose to around 80 per cent in March 2009 vis-à-vis 73 per cent a year ago. At the same time, the 10 smallest AMCs have a 0.85 per cent share of the industry's assets under management as compared to 2.3 per cent in March 2008.

HDFC Mutual Fund tops asset growth in absolute terms

HDFC Mutual Fund topped in asset growth in absolute terms, with a rise of Rs. 11 billion in AAUM over the month while Kotak Mutual Fund registered the second highest growth in AAUM of over Rs. 9 billion. In percentage terms, Baroda Pioneer Mutual Fund witnessed the steepest growth for the second consecutive month, up 31 per cent from Rs. 8.65 billion in February 2009 to Rs. 11.32 billion in March 2009. Religare Mutual Fund followed with an 11 per cent growth in AAUM, from Rs. 54.24 billion in February 2009 to Rs. 60.23 billion in March 2009. Among the weaker performers, Edelweiss Mutual Fund's AAUM fell over 27 per cent to Rs. 223 million while Tata Mutual Fund reported a Rs. 23 billion decline in AAUM to Rs. 170 billion. Overall, only 12 out of the 35 fund houses reported positive growth in AAUM.

Reliance Mutual Fund continues to top the AAUM charts

Reliance Mutual Fund continued to top the AAUM chart with average assets of Rs. 810 billion. This figure, however, was marginally lower by 0.81 per cent over the previous month. HDFC Mutual Fund retained its second position, reporting an increase of around 2 per cent in average assets, from Rs. 569 billion in February 2009 to Rs. 580 billion in March 2009. ICICI Prudential Mutual Fund, which saw its average assets dip by around 4 per cent to Rs. 515 billion, stood third. UTI Mutual Fund and Birla

Sun Life Mutual Fund followed with an AAUM of Rs. 488 billion and Rs. 471 billion, down 1 per cent and 3 per cent, respectively. Barring HDFC Mutual Fund, the top five fund houses witnessed declines in AAUM.

CRISIL equity oriented indices top monthly returns

Among CRISIL indices, equity oriented indices topped the monthly returns chart in line with the positive sentiment in the stock markets. CRISIL Fund-eX, which tracks diversified equity funds, posted the highest monthly gain of 7.5 per cent in March 2009 followed by CRISIL Fund-bx (tracks balanced funds), up 6.5 per cent over the previous month. CRISIL MIPEX (benchmark for monthly income plans) posted 1.1 per cent returns while CRISIL STBEX (benchmark for short-term bond funds) and the CRISIL-LX (tracks liquid funds) gained 0.13 per cent and 0.55 per cent, respectively, over the previous month. However, CRISIL MF-Gilt Index (tracks gilt funds) ended down 2.4 per cent while the CRISIL Fund-dX, which tracks long-term bond funds, shed 0.44 per cent on account of rising yields. Over a 3-month time frame, CRISIL STBEX, CRISIL-LX and CRISIL MIPEX gave positive returns of 1.9 per cent, 1.7 per cent and 0.16 per cent, respectively. Further, over a 1-year time frame till March 31, 2009, all debt indices gave close to double-digit returns namely, CRISIL MF-Gilt Index (10.4 per cent), CRISIL STBEX (9.8 per cent), CRISIL Fund-dX (8.2 per cent) and CRISIL-LX (8.1 per cent).

Kotak Global Emerging Market Fund tops equity schemes by 1-month returns; JM Auto Sector Fund tops sectoral funds returns for second consecutive month

Kotak Global Emerging Market Fund (an international fund) topped the 1-month return chart among equity schemes with a 14.6 per cent gain in March 2009 followed by Templeton India Equity Income Fund (another international fund) with 13.7 per cent gains. Of the over 300 equity schemes analysed, over one-tenth of the schemes beat the 9.3 per cent returns given by the S&P CNX Nifty in March 2009. JM Auto Sector Fund led in the sectoral funds category with 10.2 per cent monthly returns followed by Reliance Pharma Fund with 9.2 per cent gains.

SEBI expresses discomfiture over complex mutual fund products

Among key mutual fund regulations, SEBI expressed its discomfiture with mutual fund schemes associated with equity-linked debentures (ELD) and constant proportion portfolio insurance (CPPI) structures, stating that these products were too complex for the lay investor. SEBI also gave portfolio managers an extension of three months from the stipulated deadline of February 10, 2009 to comply with its directive of segregating the clients' shares and maintaining them separately.

AMFI suggests two-way load structure for selling mutual fund products

The Association of Mutual Funds in India (AMFI) suggested a two-way load structure for selling mutual fund products to investors, comprising variable load and without load - Plan A and Plan B. Under Plan

A, a variable load or commission could be charged depending upon the service or advice rendered by the distributor, whereas under Plan B there would be no load or commission charged to investors, with the AMC compensating the distributor. AMFI is also reportedly considering a common platform for mutual funds, which would enable investors, distributors, and registrar and transfer agents (RTAs) to access and transact the products of all fund houses. An AMFI committee is working on finalising this system. Further, RBI has once again extended the deadline for banks to stop lending to mutual funds (over six months lending) to June 30, 2009.

Committee on Investor Awareness and Protection

A panel headed by Pension Fund Regulatory & Development Authority (PFRDA) Chairman D Swarup was set up by the Department of Economic Affairs, Ministry of Finance, as some of the regulators believe that investors were unable to make an informed decision due to the fragmented nature of various segments of the financial sector. The panel comprises representatives of RBI, SEBI, IRDA and the finance ministry. The committee would examine the issue of regulating investment advice, including regulations thereof, by various financial sector regulators in the larger context of investor awareness and protection.

Other Developments

Bharti Enterprises has planned to exit its mutual fund joint venture with French major AXA (Bharti is a minority partner in the mutual fund joint venture). The fund house may, in turn, induct a partner from the banking industry to strengthen its distribution capabilities. On another front, the Election Commission directed the PFRDA to go ahead with the launch of the New Pension Scheme (NPS) from May 1, 2009. PFRDA had earlier deferred the April 1, 2009 launch of the scheme for non-government employees keeping in view the Model Code of Conduct during the run up to the general elections.

About CRISIL FundServices

CRISIL FundServices is India's leading provider of fund evaluation and research to the Indian Mutual Fund industry. Widely acknowledged as the industry standard, CRISIL FundServices is the official provider of valuation tools and market benchmarks. Through its innovative analytics, benchmarks and analytical tools, CRISIL FundServices has played a significant role in shaping investor confidence and facilitating the introduction of best practices in the Mutual Fund industry.

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