

Indian Chamber of Commerce organises its 15th Mutual Fund Summit

The session emphasises on Asset and Wealth Management 4.0 Embracing Exponential Changes

Kolkata, 9th March 2024: Indian Chamber of Commerce (ICC) organises its 15th Mutual Fund Summit to discuss Asset and Wealth Management 4.0 embracing exponential changes, through the experts. The session witnessed valuable insights from Amarjeet Singh, Whole Time Member, SEBI; Venkat Nageshwar Chalasani, Chief Executive, AMFI; Brij Bhushan Agarwal, Vice President, Indian Chamber of Commerce; Kailash Kulkarni, CEO, HSBC Mutual Fund, India; Hemant Daga, Co-Founder and CEO, Neo Asset Management; and Atanu Sen, Chairman, ICC National Expert Committee- BFSI, Former MD and CEO, SBI Life Insurance Co Ltd and Former Deputy MD, State Bank of India.

While delivering the welcome speech, Vice President, Indian Chamber of Commerce, Mr. Brij Bhushan Agarwal, said, "Over the past two decades, this sector has witnessed remarkable growth, becoming a crucial avenue for asset management, channeling the savings of millions into equity and debt instruments. In January 2024, the industry experienced a significant surge in Assets Under Management (AUM), reaching approximately INR 52.9 lakh crore, reflecting a notable month-to-month rise of around 3.5%, primarily fueled by systematic investment plans (SIPs) indicating increasing retail participation. In this rapidly evolving financial landscape, technology, particularly digitalisation, is playing a transformative role with the industry leveraging techniques like artificial intelligence and machine learning to enhance customer experience and streamline investment processes. With technology and data advancements, personalised investment advice tailored to individual goals is becoming the norm alongside a growing trend towards passive investing driven by preferences for lower-cost options. Regulatory bodies like the Securities and Exchange Board of India (SEBI) are actively engaged, introducing frameworks such as "MF Lite" for passive funds to reduce compliance burdens and foster market confidence. Recent regulatory measures including scheme categorisation, rationalisation and the introduction of Total Expense Ratio (TER) aim to enhance transparency and protect investor interests. As investors diversify portfolios and explore alternate asset classes, the industry is poised to expand offerings. As the industry evolves, collaboration between stakeholders and regulators will be key to ensuring sustainable growth and investor protection."

While commenting on the Mutual Fund Policy and Supervision, Mr. Amarjeet Singh, Whole Time Member, SEBI, said "In the realm of the mutual fund industry, there has been notable growth, underscoring a compelling narrative. It's imperative to emphasise key points to underscore their significance, with a particular focus on the often-overlooked aspect of supervision, crucial for maintaining market integrity. While industry trends remain visible, the supervisory efforts undertaken by entities are equally vital yet less conspicuous. Over the period from March 2020 to January 2024, the number of unique investors in the mutual fund industry surged from approximately 2.92 crores to nearly 5 crores, indicating an annual growth trajectory of approximately 15%. Noteworthy is the significant contribution from regions like West Bengal, mainly Kolkata. Although Kolkata may not rank among the top 30 cities targeted for market penetration, its AUM contribution ranks among the top five cities, comprising 3.6% of the total. However, given the substantial population size of Kolkata or

West Bengal, there exists room for further enhancement in their mutual fund investment contribution, highlighting the potential for greater penetration and market development. While acknowledging past achievements, it's essential to identify opportunities for improvement and continued growth, particularly in regions like Kolkata, West Bengal."

While speaking on Inspiring Practices for Mutual Fund and Supervision, Mr. Venkat Nageshwar Chalasani, Chief Executive, AMFI, stated, "The mutual fund industry has experienced remarkable expansion, witnessing assets under management (AUM) surge to approximately 54 lakh crores by February 2024, a substantial rise from 10,00,000 crores in 2014. Our primary objective is to sustain this growth trajectory, targeting the engagement of 10 crores or more investors in the industry. Currently, retail investors' savings exhibit diversification, with 44% allocated to real estate, 22% to gold, and the remaining 34% to financial instruments, among which mutual funds capture only around 2%. To reach our goal, we aim to increase this share to 5%, potentially reaching 100 lakh crores soon. Sustainable growth necessitates disciplined investment and a well-regulated market with investor protection at its core. The Indian mutual funds industry emphasises regulatory oversight to safeguard investors supported by initiatives such as stringent regulatory processes and compliance guidelines. While celebrating our achievements, our primary focus remains on nurturing sustainable growth and ensuring investor protection. With the collaboration of regulators and industry stakeholders, we hold confidence in the future trajectory of the mutual fund industry in India."

Discussing Deeper Dive on Debt Mutual funds, Mr. Kailash Kulkarni, CEO, HSBC Mutual Fund, India, stated, "Despite India's substantial bank deposits exceeding approx. 202 lakh crores compared to mutual funds, with only 25% of that, the majority of fixed income savings, at approx. 13.8 lakh crores, still gravitate towards bank deposits. This trend is influenced by our sales approach, which tends to prioritise equity investments, inadvertently steering investors away from fixed income perceived as safer. To bridge this gap, a diverse range of fixed-income products tailored to different risk profiles is necessary, including liquid products for short-term needs, shorter-maturity products for stability, and longer-maturity products for higher returns. The opportunity in the bond market is significant, with the proposal from HSBC Mutual Fund's fixed-income CIO suggesting India could attract \$100 billion in fixed-income investments promptly. As of March 2024, there's substantial potential for growth in the fixed income market by diversifying offerings and aligning them with investors' risk profiles, thus tapping into an untapped market and fostering significant growth in the mutual fund industry."

Discussing the Growth & Value Interest, Mr. Hemant Daga, Co-Founder and CEO, Neo Asset Management, stated, "Understanding our own preferences and risk tolerance is crucial before making investment decisions, as there's no one-size-fits-all approach. Equity investing fundamentally involves betting on the future performance of a stock, aiming to identify those with growth potential that exceeds market expectations. Conversely, value investing seeks stocks trading at a discount to their intrinsic value, relying on metrics like low price-to-earnings and price-to-book ratios, although the definition of value evolves over time. Data analysis is crucial, as evidenced by our examination of the Indian markets over the past 24 years, where nearly 50% of the time, the market presented opportunities to buy stocks at attractive valuations. Ultimately, investing is a blend of data analysis, emotional intelligence and confidence. Historical data provides insights but considering market dynamics and

evolving trends is essential. As we navigate the complexities of growth versus value investing, remaining adaptive and informed is key."

While delivering the vote of thanks, Mr. Atanu Sen, Chairman, ICC National Expert Committee-BFSI, Former MD and CEO, SBI Life Insurance Co Ltd and Former Deputy MD, State Bank of India, said, " Reflecting on Kolkata's remarkable transformation in attitude towards investing, traditionally marred by stigma and perceived risks in ventures such as stock markets, I commend visionaries like Mr. Varun Mukherjee of the Indian Chamber of Commerce for pioneering efforts that reshaped perceptions. Today, there's a noticeable surge in equity investments, surpassing 16% growth in recent years, alongside traditional avenues like bank deposits and insurance funds. Drawing from my extensive experience across banking, insurance and fund management sectors, I recognise the significance of tailored education and awareness campaigns such as those championed by Hampshire, in shaping investor behaviour. The digital infrastructure's expansion in India further democratises investing with mutual funds playing a pivotal role in fostering confidence and diversification. As we navigate growth and value investing realms, understanding individual risk profiles becomes paramount and mutual funds offer reliable wealth creation avenues tailored to diverse needs. We should persevere in collaboration and innovation endeavours, driving sustainable growth in the financial landscape."