

# ‘Active and passive funds can co-exist in a client’s portfolio’

## Indian mutual fund industry in 2042

Over the past 20 years, the industry has grown by a compounded annual growth rate (CAGR) of 20 per cent per annum, while the equity AUM has increased by a CAGR of 29 per cent per annum. Even if we consider a conservative growth rate of 15 per cent CAGR over the next 20 years, we may see an industry growth of around 14 times by the year 2042.

Another aspect that is expected to change for a country as vast as India is the number of AMCs and distributors increasing from the current levels.

## Evolution of investors’ views about mutual funds

Investors now consider mutual funds as long-term savings and investment tools and not as speculative, short-term bets. This is also demonstrated by the increase in the SIP book for the industry. In April 2016, the monthly SIP trigger for the industry was ₹3,122 crore, with one crore SIP accounts. As of August 2022, the monthly SIP trigger for the industry was

₹12,693 crore, with 5.72 crore SIP accounts. The CAGR growth in the SIP book and SIP accounts was 25 per cent and 31 per cent, respectively.

While, as an industry, we have evolved in the last 20 years, there are still areas for improvement. Client onboarding can be simplified further by having a uniform KYC across banking, insurance, stock broking and mutual funds. There can be increased simplicity in product

communication. As an industry, we should communicate to investors the value of staying invested for a longer period of time.

## Shift in AMCs’ strategy towards passives

We believe active and passive funds can co-exist in a client’s portfolio. The percentage allocation can vary based on the client’s preference. However, whether it is an active or passive fund, investors and distributors should be careful about the risks involved in complex and sophisticated products. In a developing market like India, we believe it is possible to generate alpha over the benchmark over a long period.

## Rapid-fire questions

- **One AMC (other than your own) that you admire the most:** Mirae Asset Mutual Fund for the way it built up its business over time and also for recovering brilliantly from a challenging situation
- **Key advice to your younger self:** Start investing yesterday.
- **One investing mantra that you never ditch:** Don’t invest in anything I don’t understand.
- **Your personal asset allocation:** About 93 per cent of my investments are in equities, of which 99 per cent would be in equity mutual funds. About 7 per cent would be in debt mutual funds. Nothing in gold or real estate. ☑



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