



# Mutual Funds

“The mutual fund industry has to take the more difficult and long-term sustainable route of gathering assets from individual investors by providing them value-added financial planning service.”  
**Association of Mutual Funds in India**

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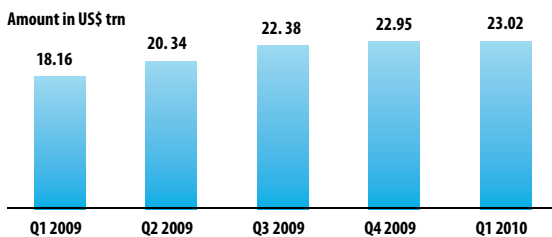
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### Introduction

The mutual fund industry holds roughly 17 percent of the primary financial assets worldwide. After witnessing redemption pressures in 2008-09, the industry saw revival of investor interest in 2010, post-global crisis. Mutual fund assets worldwide increased by 0.3 percent to \$23.02 trillion at the end of the first quarter of 2010, according to the survey released in August 2010 by International Investment Funds Association. In total, mutual funds worldwide had \$104 billion in net outflows in the first quarter of 2010, compared with \$77 billion in net inflows in the fourth quarter of 2009.

### Mutual Fund Assets Worldwide



Source: www.ici.org

In the first quarter of 2010, 55 percent of mutual fund assets worldwide were in the US, 32 percent in Europe, and 12 percent in Africa and the Asia-Pacific region. At the end of the first quarter of 2010, the number of mutual funds worldwide stood at 65,971 and 44 percent of assets were held in equity funds. The asset share of debt funds was 25 percent and that of balanced/mixed funds 10 percent. Money market fund assets represented 21 percent.

The total net assets of mutual fund industry in some of the mature markets are given in the table.

	Total Net Assets of Mutual Funds		in US\$ bn
	2008	2009	% growth
USA	9,603	11,120	16
France	1,591	1,805	13
UK	504	729	45
Australia	841	1,198	42
Japan	575	660	15
China	276	381	38
India	62	130	110

Source: www.ici.org

### Indian Mutual Fund Industry

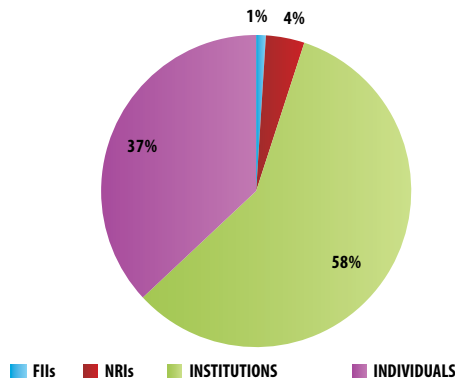
India is among the fast growing markets for mutual funds. All mutual funds put together recorded a net inflow of Rs 830 billion in 2009-10. The net inflows/outflows from April 2010 to July 2010 are shown below.

Month	Net inflows/outflows (in Rs bn)
April 2010	1,859.55
May 2010	-629.60
June 2010	-1,194.49
July 2010	316.54

Source: SEBI Bulletin, August 2010

Institutional investors hold a major chunk of AUMs in the Indian mutual fund industry, as shown in the graph.

### Investor Mix



Individual investors held 37 percent of the AUMs at the end of March 2008. In FY08, 7.7 percent of the gross household savings were invested in mutual funds, whereas 55 percent of household savings were held in banks, 18 percent in insurance, and 10 percent in currencies, as per RBI estimates.

SEBI has scrapped the entry load charges levied by Mutual Funds. From September 1, 2010 it is mandatory for Mutual Funds to comply with “Know Your Distributors” (KYD) procedures. SEBI is strengthening the mutual fund distribution system to prevent cases of mis-selling by mutual fund distributors, ensuring that the product is consistent with risk appetite, investment objective, and affordability of the investor.

The mutual fund industry in India could grow at a tremendous pace if it can reach out to the rural markets through financial inclusion initiatives.

Contributed by M Ravindran

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