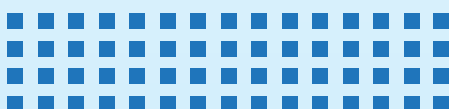


The emerging force of **Millennial Investors** is here to stay and grow



Foreword

It has been our great pleasure to be part of CII's flag-ship event for the Mutual Fund industry over the years. We thank CII for giving us the opportunity to release the report titled "The emerging force of Millennial Investors is here to stay and grow" during this 17th edition of the Mutual Fund summit.

The theme of the summit "Navigating Change: The Future of Mutual Funds" compelled us to look at our data repository on the segment which perhaps holds the future of the industry "The Millennials". As we gave shape to the data, the insights brought out many pleasant surprises about the new millennials' participation in mutual funds and the opportunities this segment holds. The staggering AuM of Rs.96,000 Crore of the new millennials is a singular dimension that can sum up the potential of this generation. We believe they can take the industry to its next tipping point. Hence the title "The emerging force of Millennial Investors is here to stay and grow".

The report focusses on the new millennials who have entered the Mutual funds arena in the last five years. It includes actionable insights for asset managers, intermediaries, advisors and service partners, covering several key areas. These insights emerge from (the millennials') demographics, preferences in investing, SIP trends, preference for intermediation and advisory services, diversification and stamina to stay invested.

The India story is the envy of the world, a country with the largest population of employed youth and a soon to reach average per capita income level of US\$3,000. Economies such as South Korea & Malaysia are relevant examples where this level of per capita income brought disproportionate increase in surplus available for investing in financial assets and for growing the capital markets. Influencing this internet 'digital native' generation, which relies on power of information, will need the right mix of technology to offer hyper-personalized products cutting across demographics to make Mutual Funds the first choice (and the most inclusive investment class).

We hope you will find the report useful and look forward to receiving your feedback and suggestions.

Anuj Kumar

Managing Director
CAMS



About the report

The study has been done for CAMS serviced Mutual Funds which have a market share of ~69% of the Indian MF industry. This includes ten of the top fifteen mutual funds.

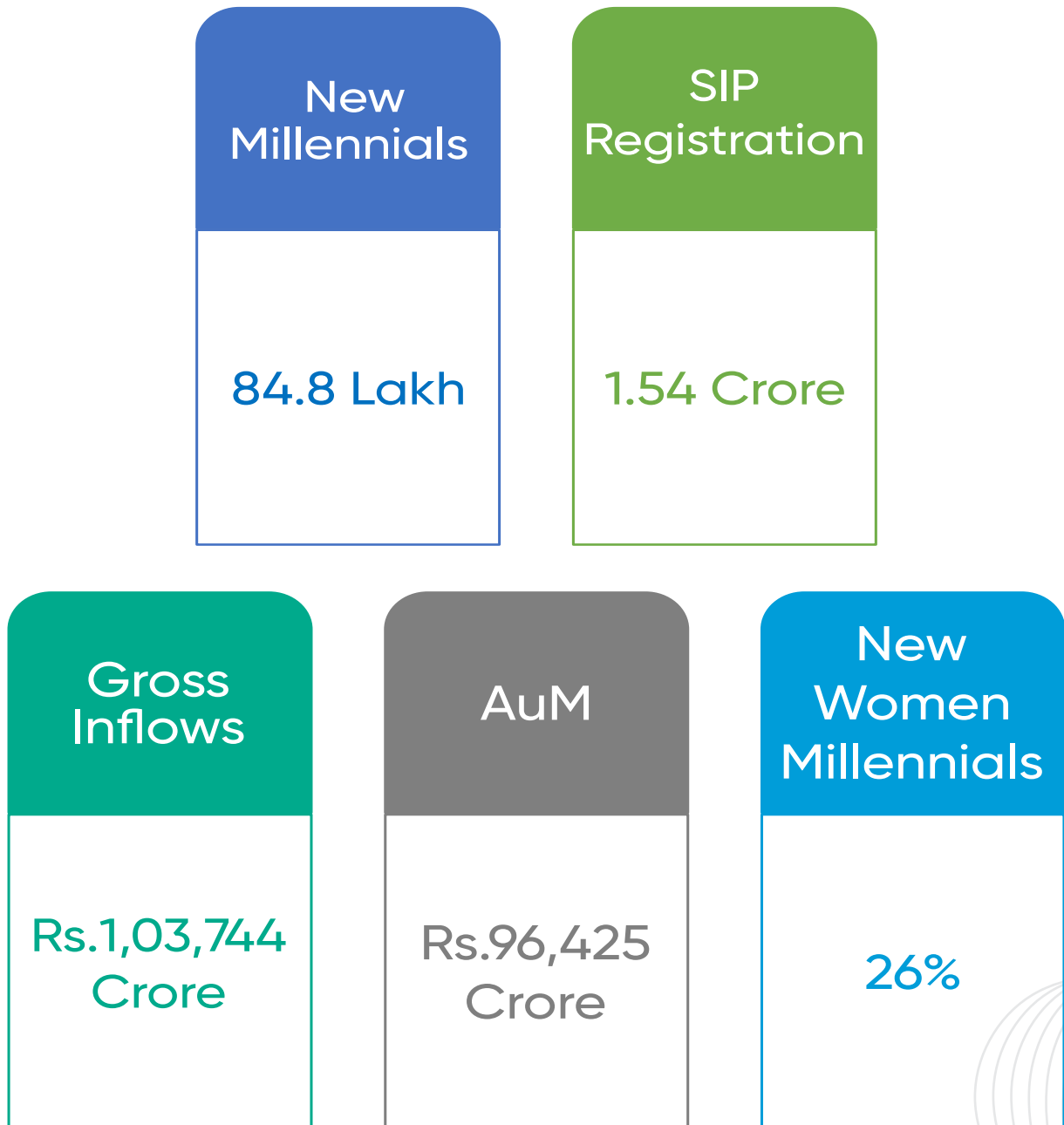
Millennials, also known as Gen "Y" are typically defined as those born between 1981-1996. Our study has classified individuals as Millennials based on the date of birth information provided while opening their Mutual Fund folios.

New investors who have opened their folio in demat mode are not included in this study due to limited data availability of these folios in the RTA system.

The intent of the report is to bring trends, behaviours and preferences and the insights thereof for a reasonably large (if not complete) universe to mutual fund managers and the ecosystem partners.



New millennial investors FY19-FY23 - A synopsis



Please note: While 84.8 lakh new millennials entered MF between FY19 to FY23, only 76.5 lakh made investment in this period. 8.3 lakh investors have remained as Prospect folios without investment and hence not included for further analysis.

Introduction

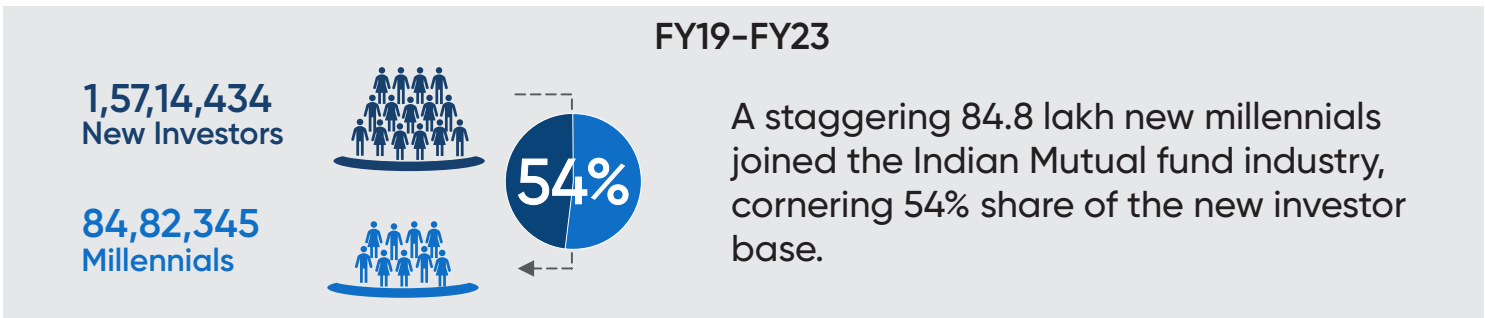
Mutual Fund industry witnessed a sharp increase in new investors starting FY2020 on the back of five key drivers viz. massive awareness campaigns, conducive market conditions, digital access, simplified KYC and concerted intermediation and advisory.



The sixth factor for the large influx of 1.57 Crore new investors during the five period FY19-FY23 is the Millennial effect.

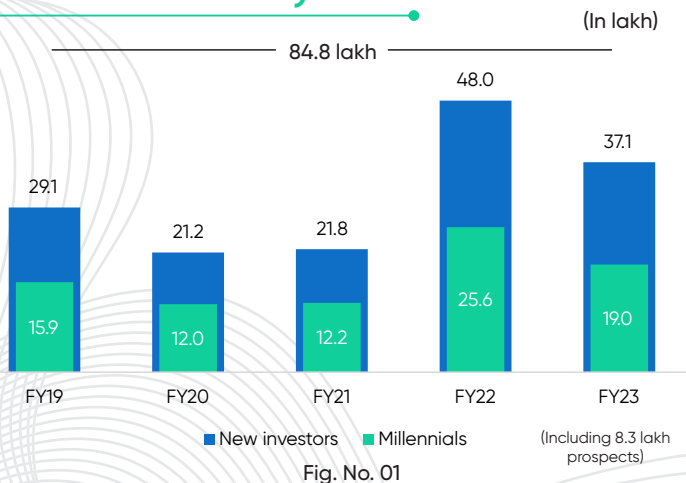


- Massive awareness campaigns
- Conducive market conditions
- Digital access
- Simplified KYC
- Concerted intermediation and advisory



How has the new millennial segment grown?

Growth over 5 years



Millennials have been the dominant segment among the new investors who entered mutual funds in the last five years with their share percentage peaking to 57% in FY20. The pandemic period stoked wider interest to help clock record high numbers with over 25 lakh millennials getting their first taste of CAMS serviced Mutual funds in FY22. Despite the market volatility and uncertainty through FY23, investors' confidence to enter mutual funds remained sound and millennials continued to make mutual funds their choice of investment for wealth creation.

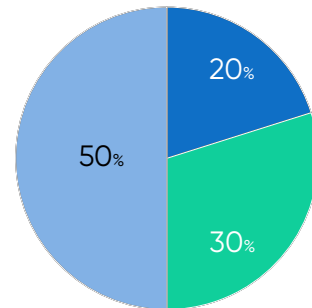
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What's the demographics of the new millennials?

Age Range

Even among the millennials, the folks born from 1991 to 1996 have steadily increased over the five-year period. This is a definitive pointer to the orientation of the younger millennials towards investing through professional fund managers. Product design, communication, marketing and digital teams need to align their strategy to this high potential, rapidly growing segment.

Millennial Investors #
84,82,345



■ 1981-1985 ■ 1986-1990 ■ 1991-1996

Fig. No. 02

Location Trend

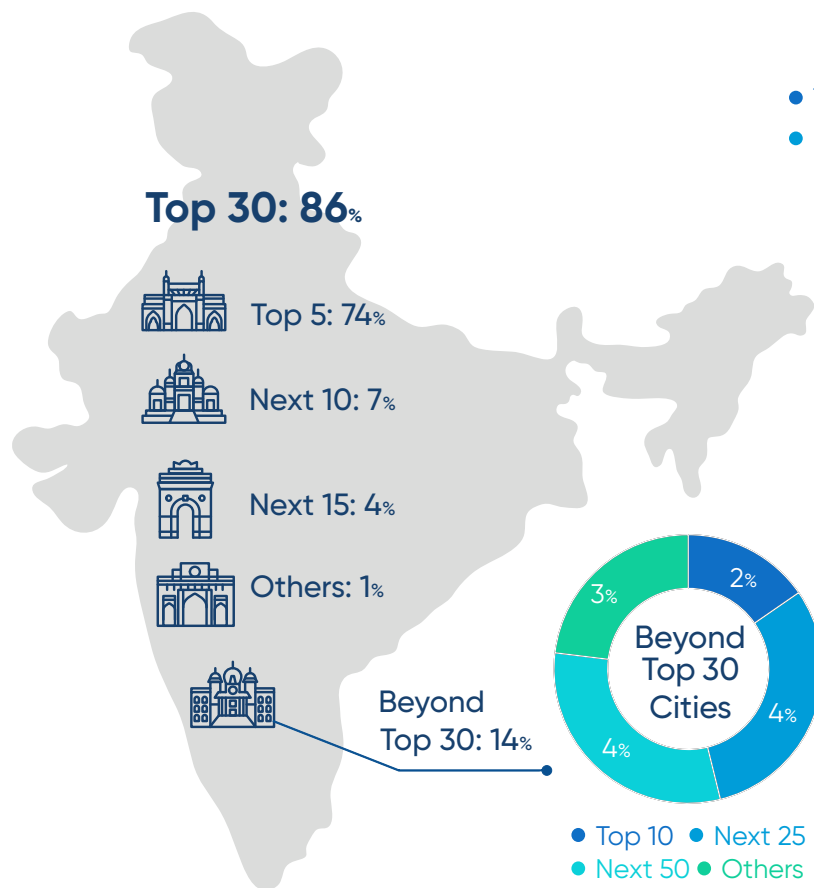
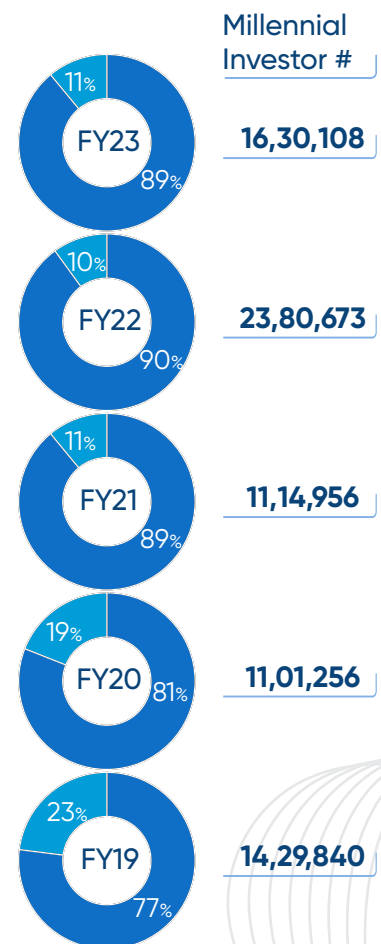


Fig. No. 03



Over 85% of the new millennial entrants coming from urban locations is perhaps predicated on the channels sourcing these investors. The correlation to the large base from urban cities can be seen in Fig. 03.

Pandemic's effect in B30 locations where digital is still nascent has slightly dampened the potential of the non-metro markets. Post pandemic increase seen in FY 22 and FY23 is a positive sign, thanks to MFDs getting back into action.

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Gender



Millennial Investors #

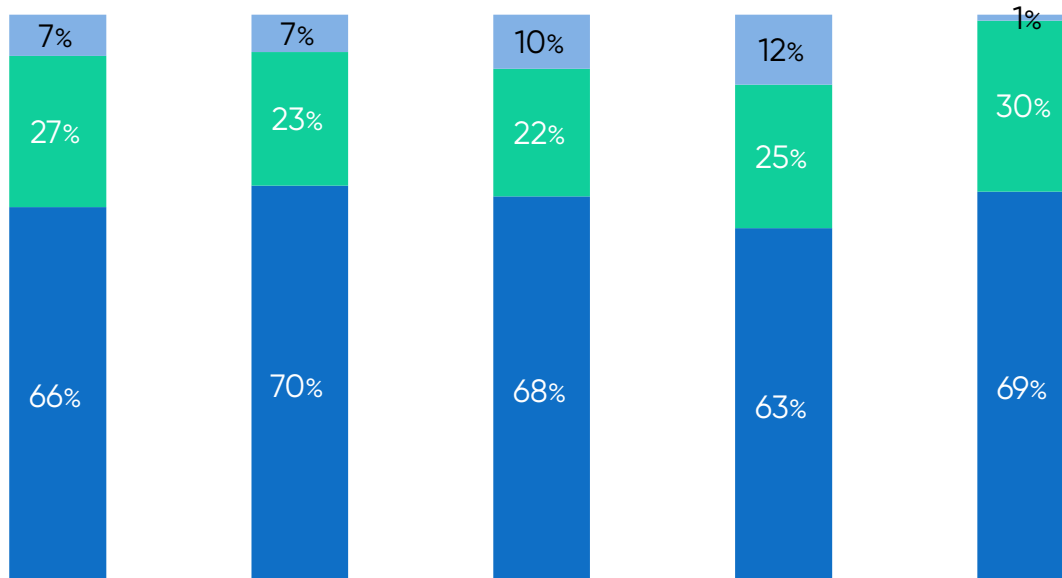
14,29,863

11,01,274

11,14,960

23,80,642

16,30,096



■ Male ■ Female ■ Not Available

Fig. No. 04

Progressive increase of women millennials making upto 30% of new millennial investors in FY23 is a great sign of financial independence and growing confidence of women to choose financial assets led wealth-creation, thus narrowing the gender divide in the traditionally male dominated investment space.

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What is their investment type preference?

Asset Class Preferences

The choice of making the first investment in Equity funds has heightened in FY22 and FY23 although the market rally peaked in FY21. A possible explanation is pandemic period could have kept the segment in a cautious mode and the record performance of the market in FY 20-21 may have stimulated millennials to enter in FY 22 making an exuberant choice for equity. Watching these new investors' behaviour over the next 2 years will show their stamina to stay invested in a flat market scenario. Making Debt funds as the first choice to enter mutual funds holds promise to position debt schemes at appropriate times.

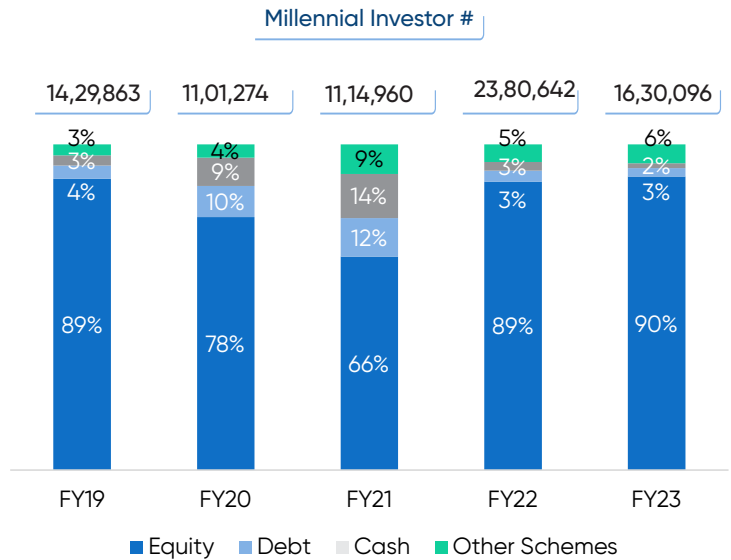


Fig. No. 05

Scheme Type Wise

Millennial Investor #

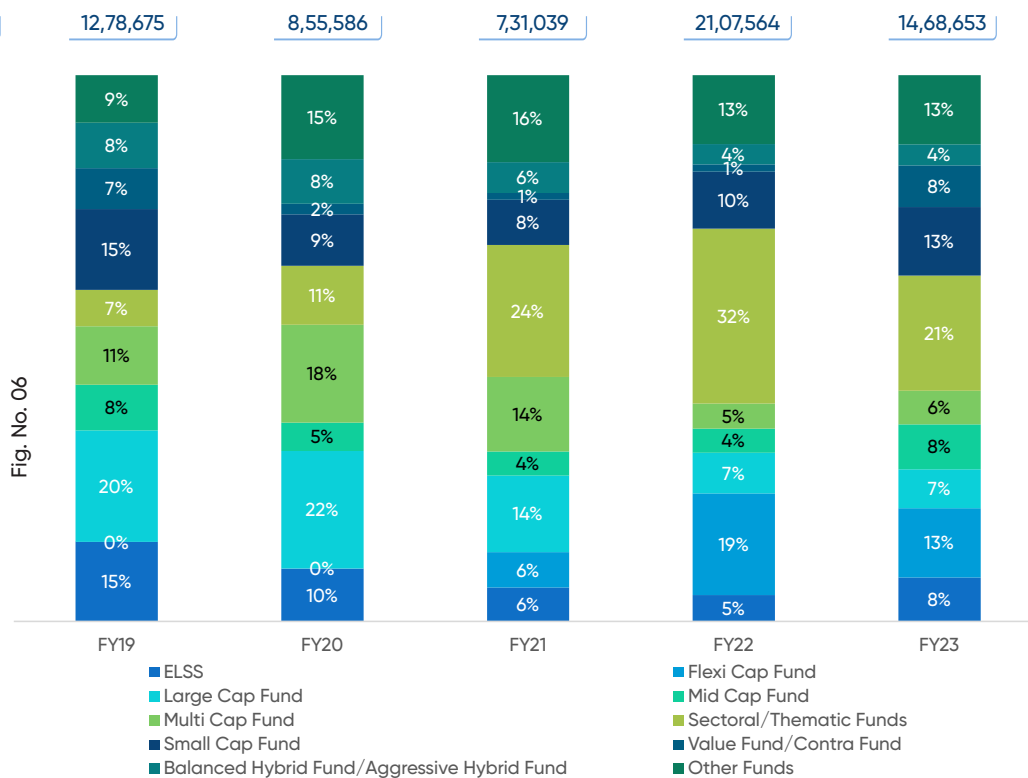


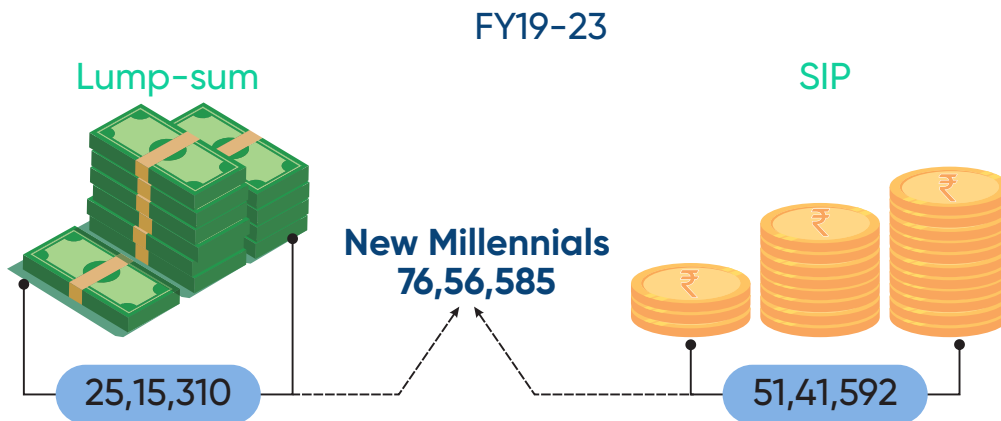
Fig. No. 06

Several interesting trends in scheme preference have emerged over the five-year period. Dispersion in scheme selection is perhaps due to varied forces at play viz. market position, intermediary and advisor guidance, influence of peer group and so on. Interestingly, Sectoral Funds have seen the largest share from new millennials with 21% of the base preferring this scheme type while large and small cap have a sizeable share.

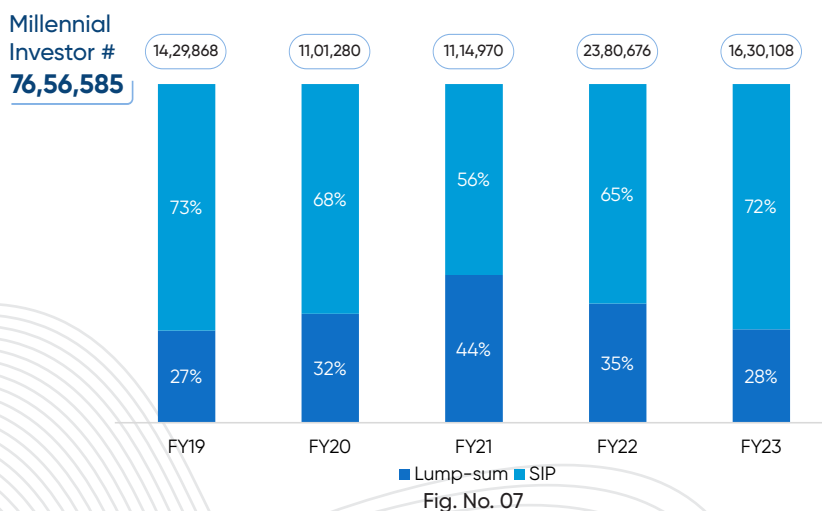
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How did they start investing?

First Investment Route – Lump-sum vs. SIP



SIP in equity schemes has been the preferred route to begin the investing journey for two-thirds of the new millennials. Interestingly, a third of new millennials have been convinced about making a lump-sum investment. Have investors who opted for lump-sum route to commence their journey subsequently start an SIP subsequently is an interesting point we have presented in Fig. 10.

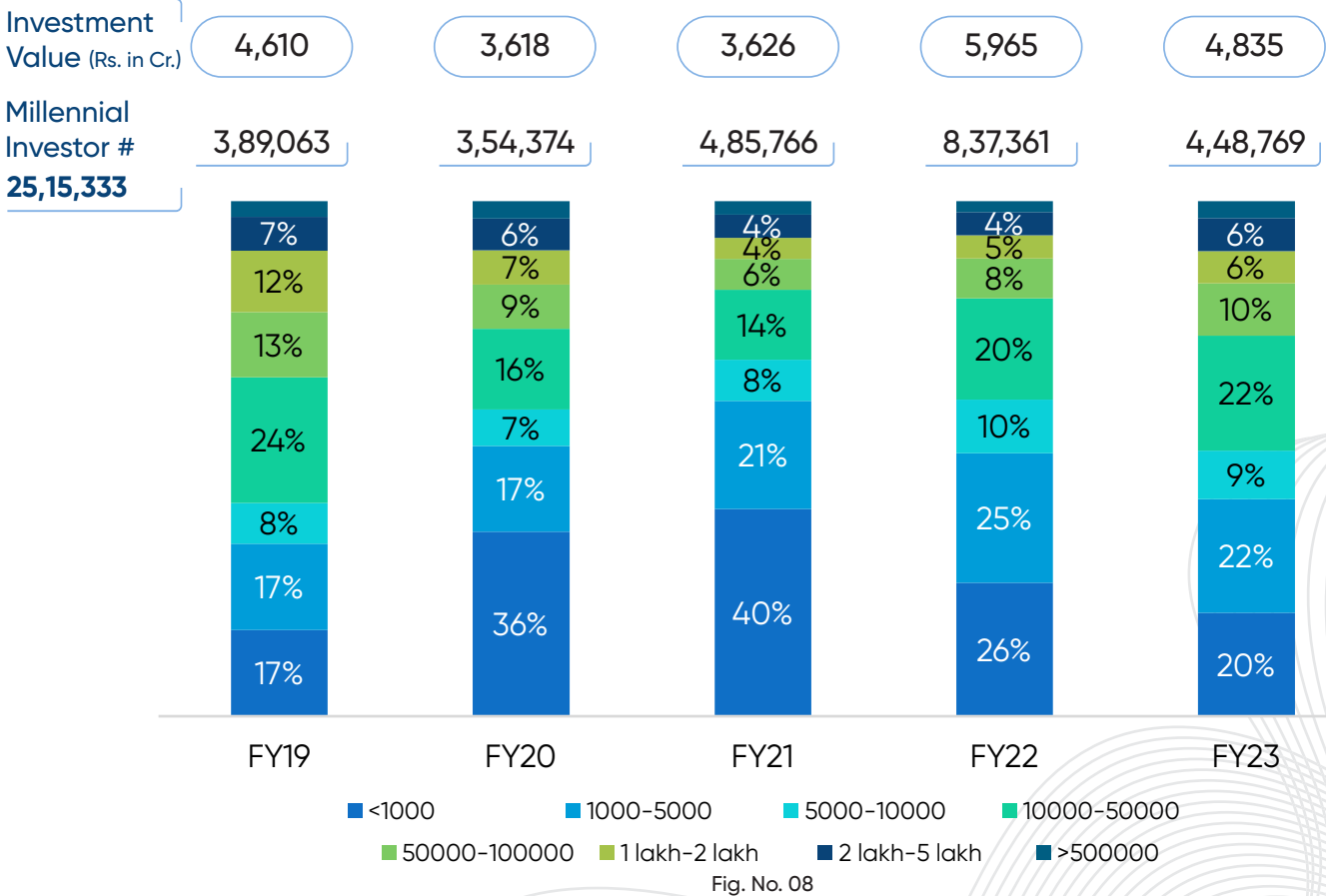


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First Investment via Lump-sum

25 lakh millennials have chosen lump-sum route for their first investment.

While the maximum number of millennials entering at lower slabs of <Rs.1,000 and Rs.1,000-5,000 slab is intuitive, the potential in the Rs.10,000-50,000 slab is to be noted, as about 20% of new millennials have entered with this sizeable investment. Gross sales via first investments from these investors has garnered about Rs.4,500 Crore on an annual basis.



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First Investment via SIP

51.4 lakh millennials of the 76.5 lakh have chosen the SIP route for their first investment.

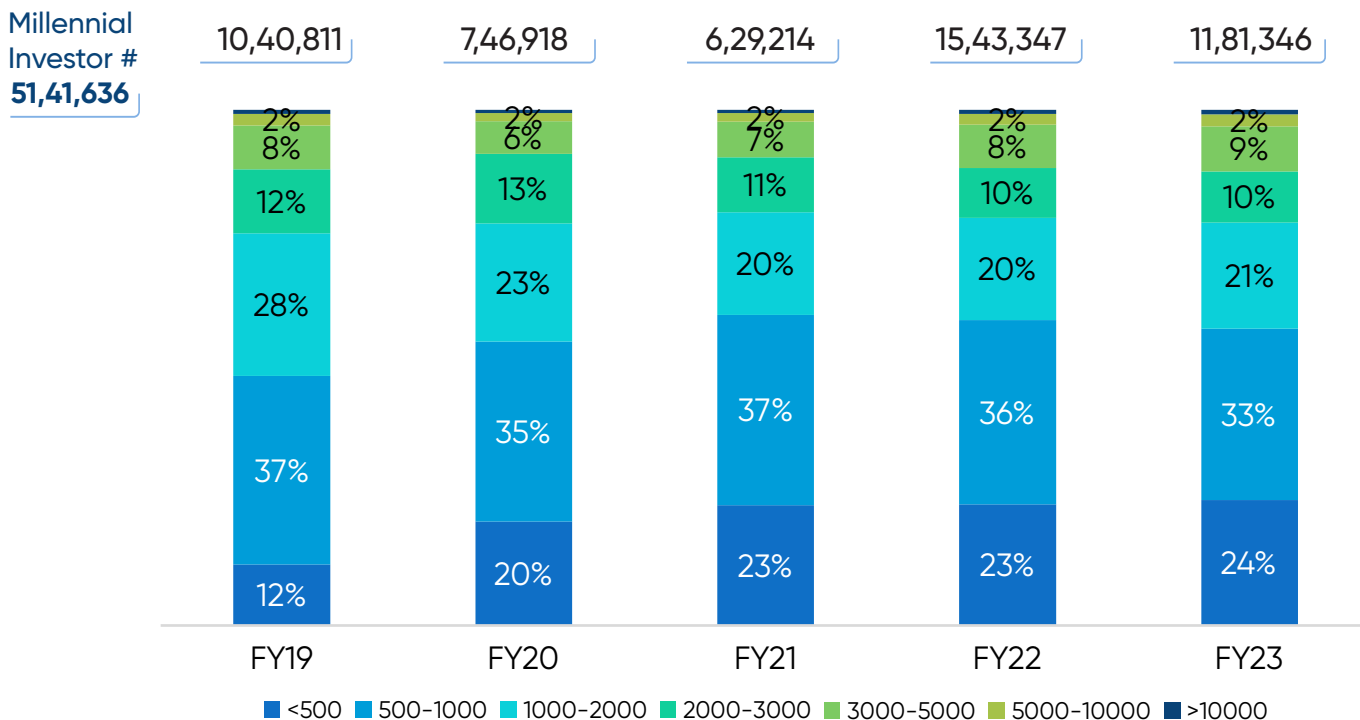


Fig. No. 09

While the mass of new millennial entrants has chosen sub Rs.1000 slab for their SIP commitment, over 22% of the fifty-lakh plus new entrants are in >Rs.2,000 slab.

Are they expanding & diversifying their portfolio?

Subsequent Investments

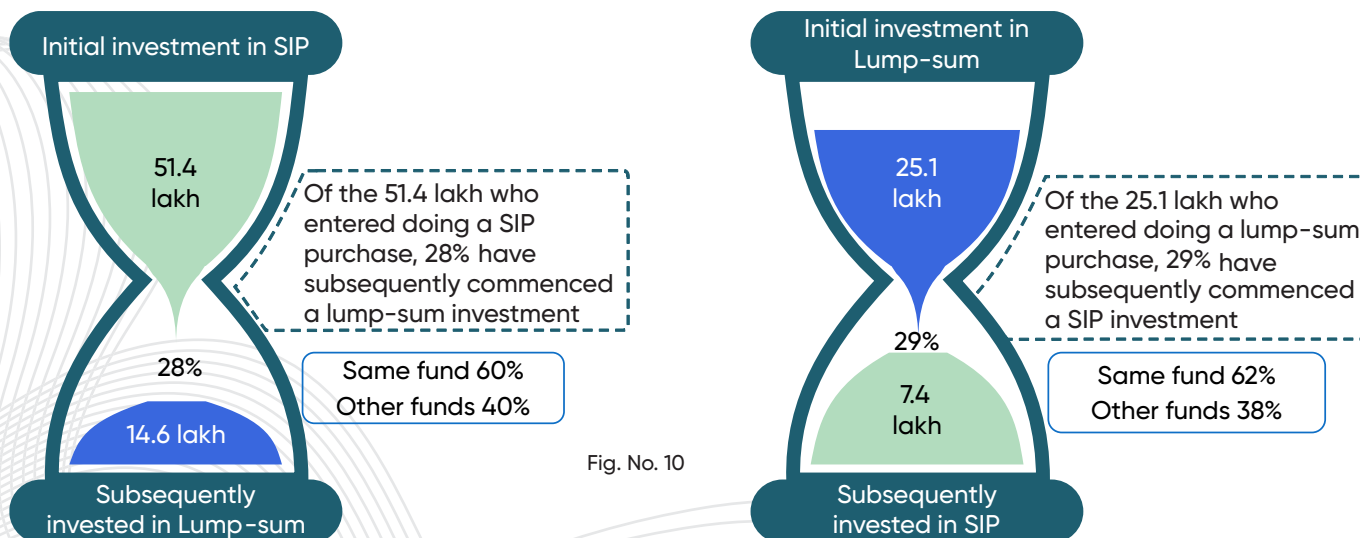
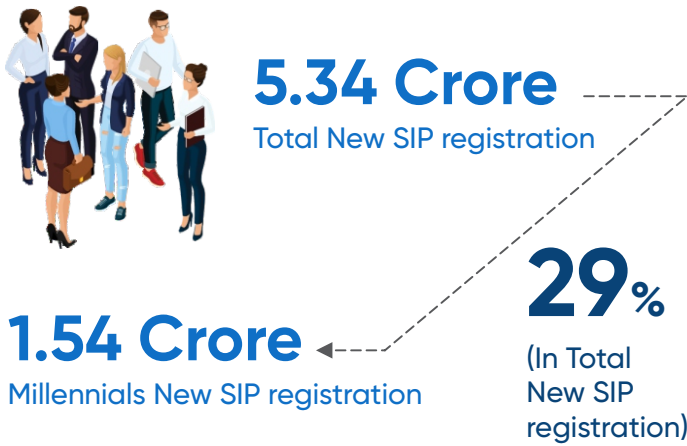


Fig. No. 10

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SIP Registration Trend FY19-FY23

Millennials have added 1.03 crore SIPs during the five year period in addition to the 51 lakh SIPs made as initial investment. This cumulative 1.54 Crore SIPs are 29% of the total 5.3 crore SIPs registered across segments between FY19-FY23.



Investors' conviction to grow their MF portfolio is best evidenced when they start new SIPs (a long-term commitment) and when they begin to diversify across fund houses and asset classes. Adding 1.03 Crore SIPs is an evidence of this conviction.

SIPs have become the strong foundation to lead growth for the equity segment of the MF industry and the acceleration that began in early FY21 has been sustained.

Share of SIPs from new millennials in the overall SIP registration in CAMS serviced Funds has seen a staggering growth from 19% in FY19 to nearly 33% in FY23.

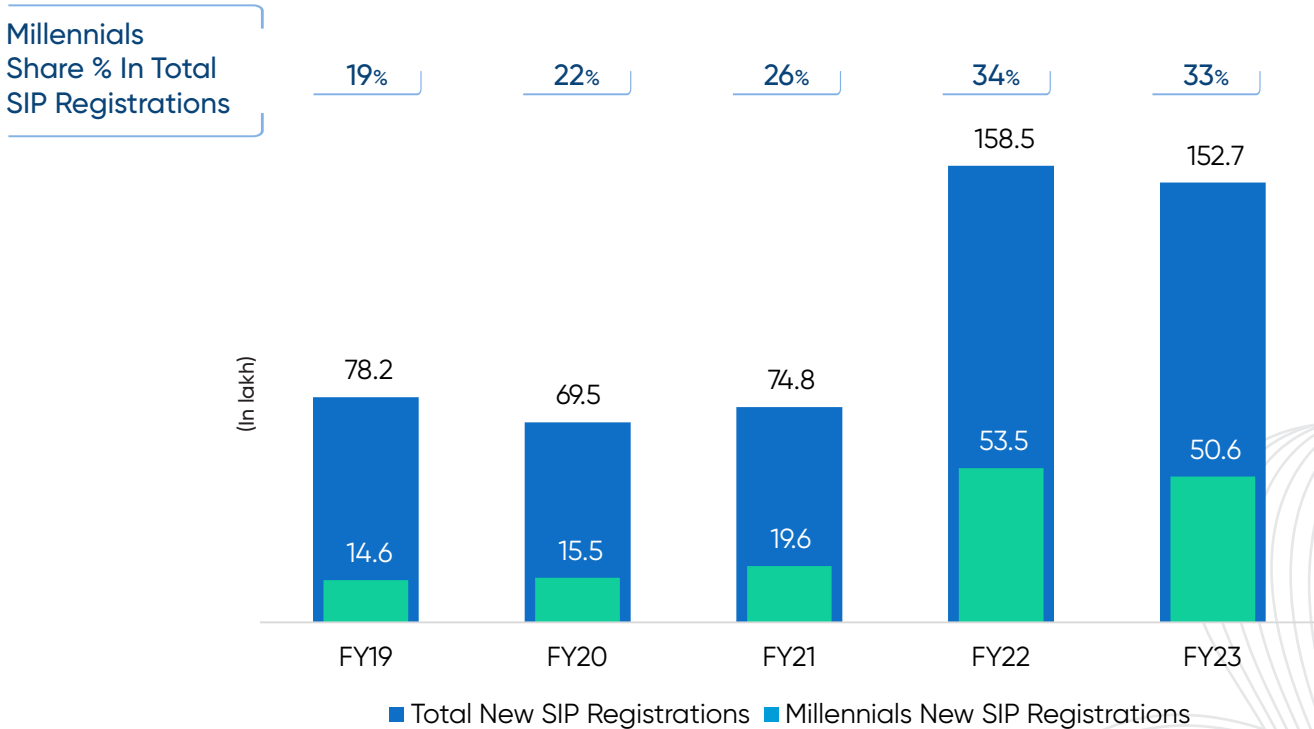


Fig. No. 11

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SIP Additions

A deep dive into the millennials' preference for SIPs brought unexpected and interesting insights. The 10.4 lakh (refer Fig. 09) millennials who began their journey in 2018-19 added 4.2 lakh SIPs in the same year and 21.2 lakh SIPs over the next four years. Cumulatively 36 lakh SIPs have been added across the five-year period by this 10.4 lakh millennials.

Similar trends is seen from this community who have entered in the subsequent years as well.

This points to a substantial and growing base of investors having a second or third SIP and some even having multiple SIPs.

	FY19					FY20					FY21					FY22					FY23					New SIPs				
FY19	14,64,284					11,18,790					11,06,206					32,22,182					23,04,487					14,64,284				
FY20	4,36,069					4,53,932					8,15,770					11,74,102					5,84,710					15,54,859				
FY21	3,98,252					6,12,416					5,17,189					11,74,102					23,04,487					19,58,390				
FY22	7,02,011					4,82,197					5,17,189					11,74,102					23,04,487					53,52,379				
FY23	5,84,710					4,82,197					5,17,189					11,74,102					23,04,487					50,62,685				
Total	35,85,326					26,67,335					24,39,165					43,96,284					23,04,487					1,53,92,597				

Fig. No. 12

Diversification Across Fund Houses

Millennials going beyond the fund house they started the journey in is evidencing a very encouraging trend with about 43% expanding their exposure to more than one fund house.

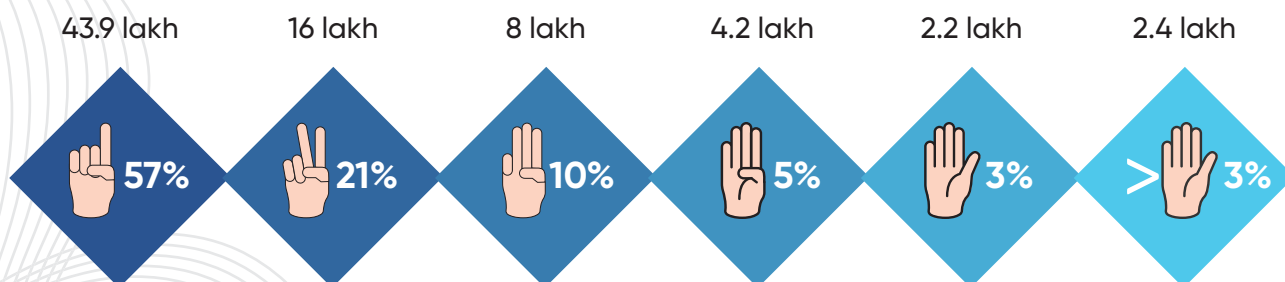


Fig. No. 13

Please note: While 84.8 lakh new millennials entered MF between FY19 to FY23, only 76.5 lakh made investment in this period. 8.3 lakh investors have remained as Prospect folios without investment and hence not included for further analysis.

Who is sourcing them and from where?

Distributor Category

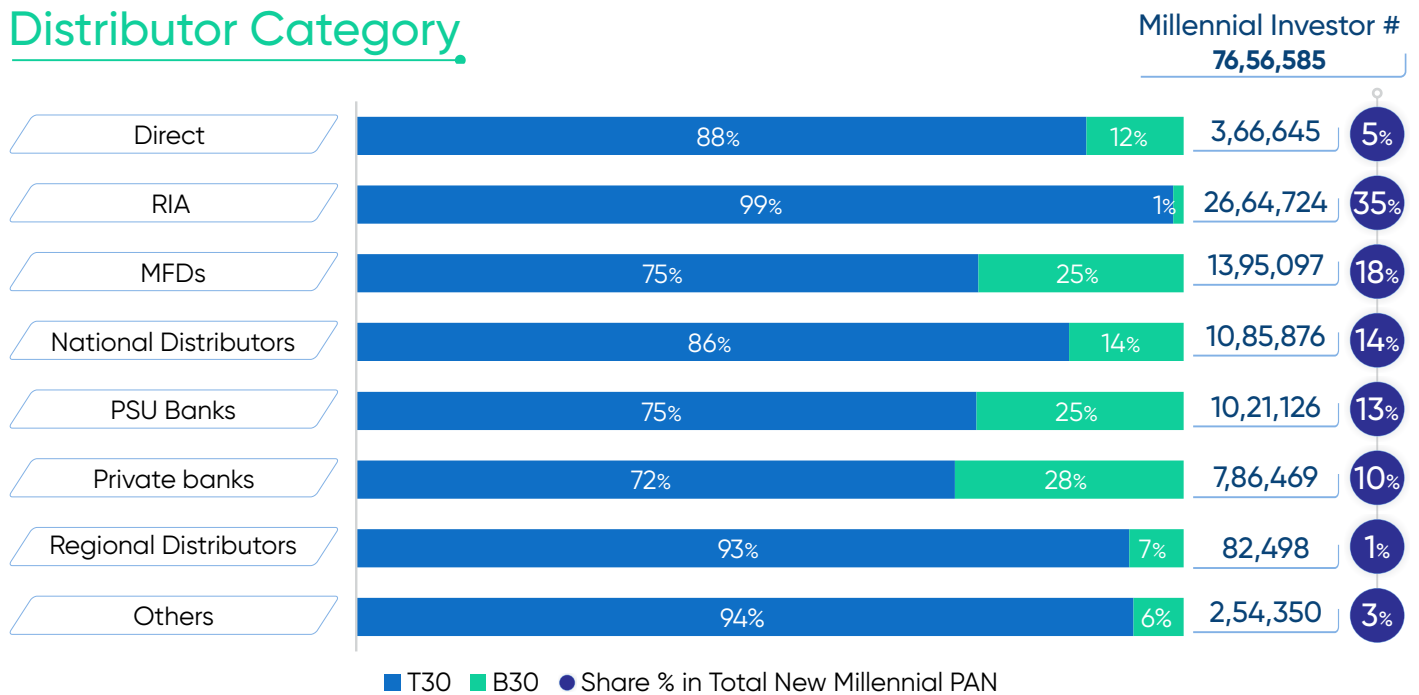


Fig. No. 14

In sharp contrast to the intuitive conclusion that millennials are likely to go the Do-it-Yourself (Direct) way, 95% of millennials have chosen advisors or distributors to begin their MF journey. The relevance of intermediation and advice is very much intact.

The acceleration of RIAs to tap the millennial segment by providing slick, digital apps for seamless journeys has paid off. About 35% of the new millennials have been sourced by RIAs and this has skewed the share of urban cities. MFDs performance in T30 was punctuated during the pandemic but they continue to champion the growth of mutual funds in both T30 and B30 markets.

Muted performance by private banks in the last five years with only 10% share is an area of opportunity.

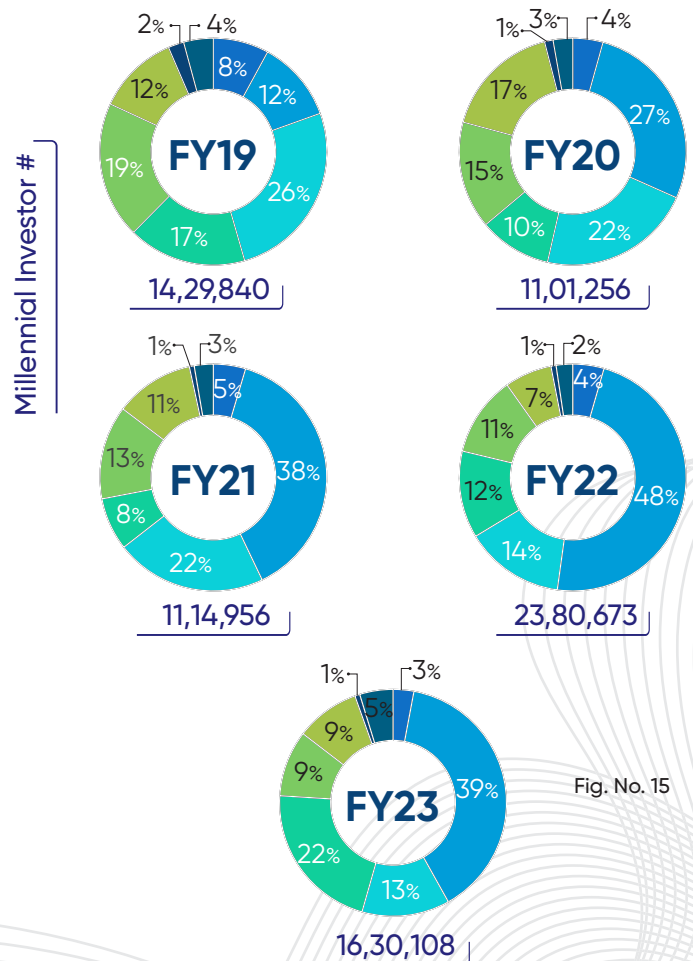


Fig. No. 15

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How rapid is digital adoption?

The segment is often called the internet generation and hence their preference to opt for digital convenience is natural. However, the intermediation channel's readiness to support digital is an equally important aspect and this is evidenced with nearly 25% of new millennials coming via paper mode.

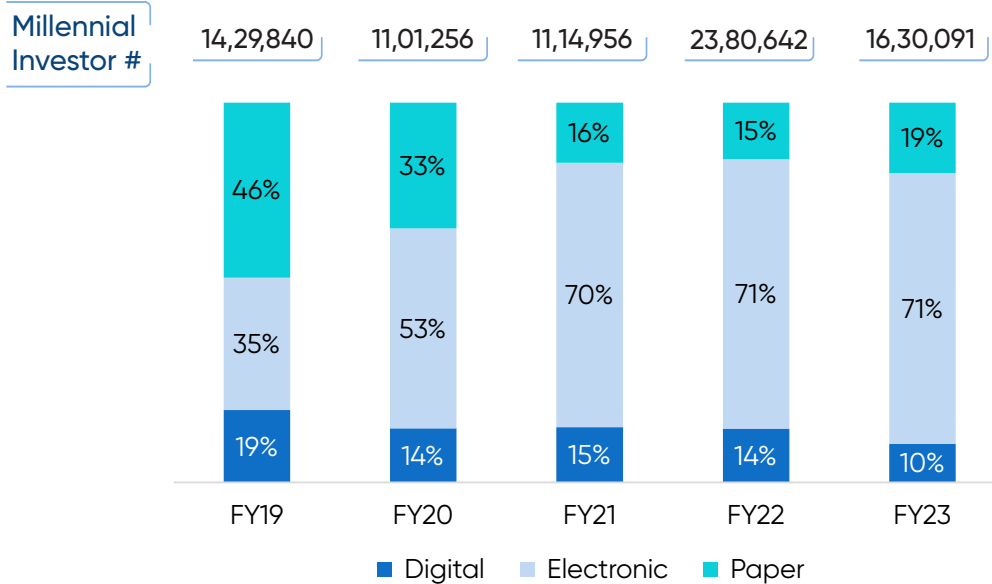


Fig. No. 16

Urban vs. Other Locations

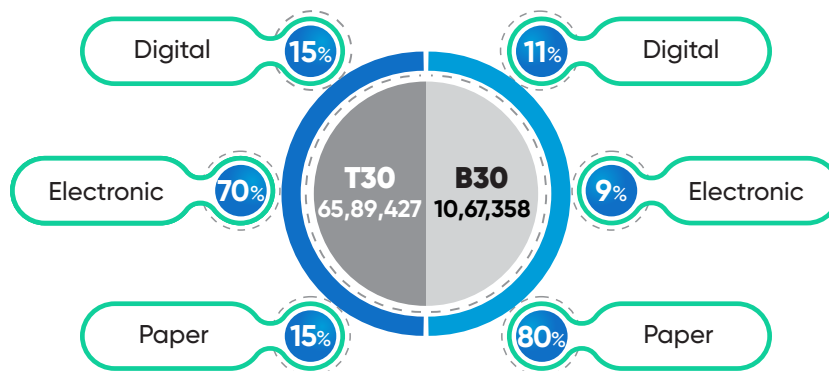


Fig. No. 17

Intermediated vs. Direct Investors

With RIAs bringing the largest number of new millennials, straight through processing via CAMS RTA systems have gained over the years to corner 70% share. Digital refers to website, mobile apps and partner apps of AMCs and CAMS which support DIY investors and intermediaries. MF Central is an emerging digital channel in FY23.

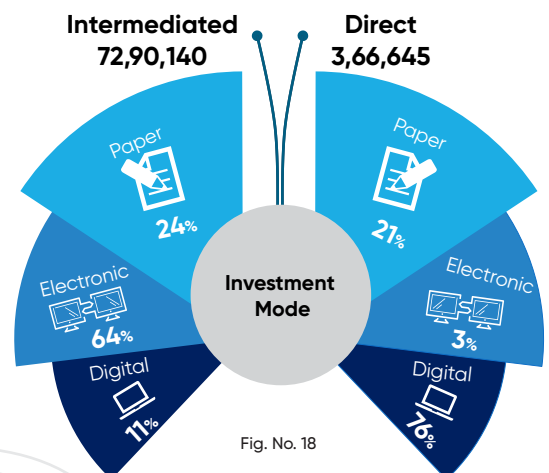


Fig. No. 18

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How much did they invest?

Gross Inflows



Rs. 1,03,744 Cr.

Cumulative inflows FY19-FY23

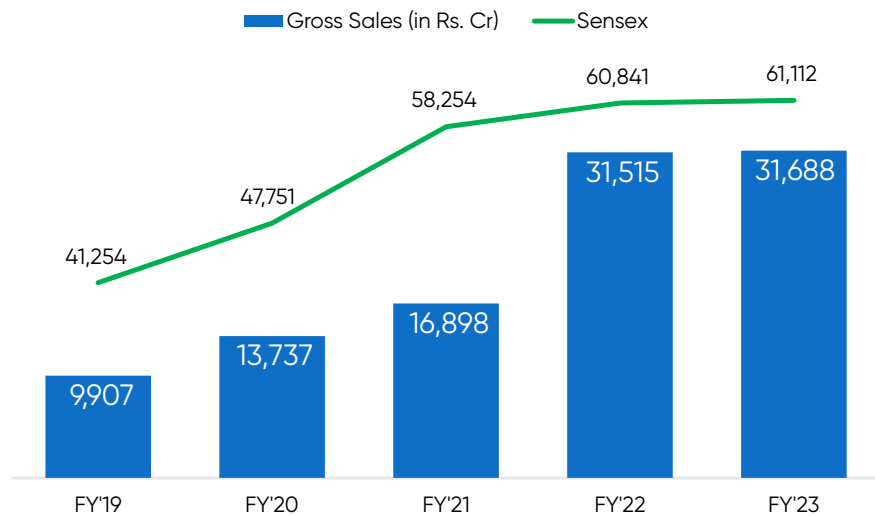


Fig. No. 19

Gross inflows from millennials is no small number with the last two years ringing in over Rs.30,000 Crore.

Similarly, equity schemes clocking ~Rs.65,000 Crore across five years is noteworthy to distribution channels who remain subdued in their share of wallet from this segment.

Asset class wise Gross Sales

Rs.65,145 Cr

Equity

Rs.18,905 Cr

Debt

Rs.13,661 Cr

Cash

Rs.6,033 Cr

Other

Total Gross Inflows
(in Rs. Cr)

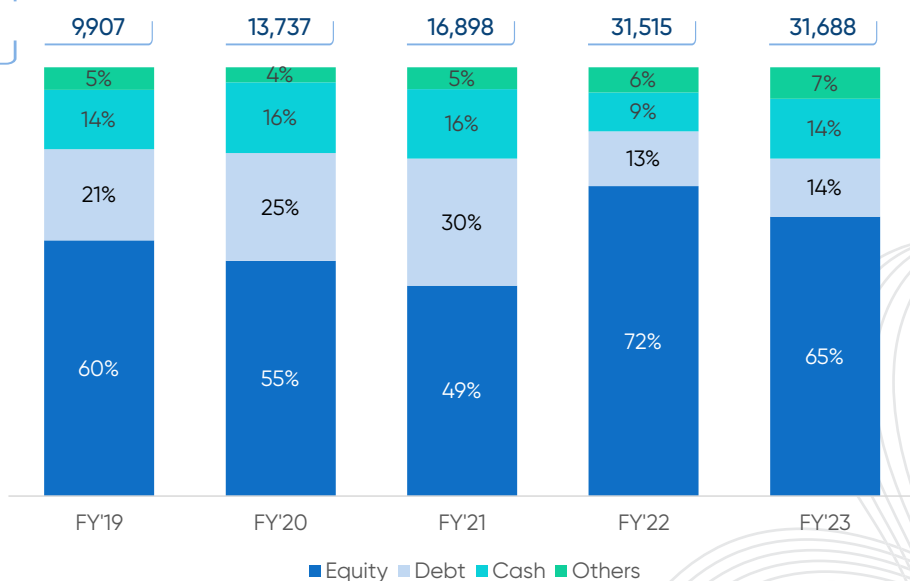


Fig. No. 20

Equity includes Growth / Equity schemes and Hybrid schemes | Debt includes Income / Debt schemes |
Cash includes Liquid, Money market and Overnight schemes | Others include Other schemes and solution oriented schemes

Please note: While 84.8 lakh new millennials entered MF between FY19 to FY23, only 76.5 lakh made investment in this period. 8.3 lakh investors have remained as Prospect folios without investment and hence not included for further analysis.

Diversification across asset classes

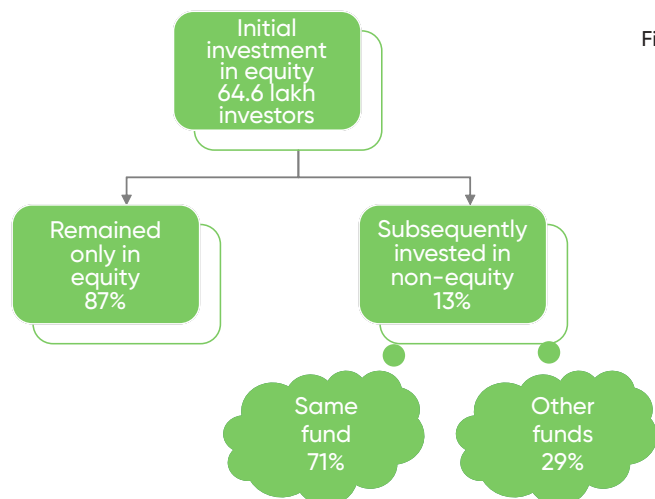
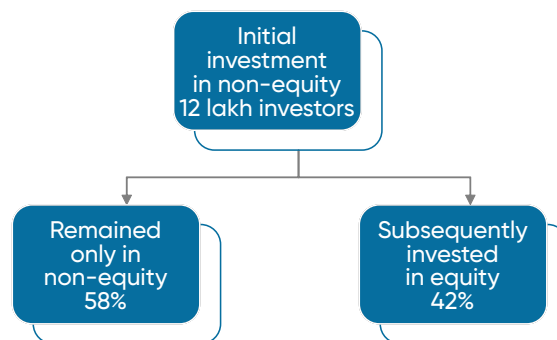


Fig. No. 21



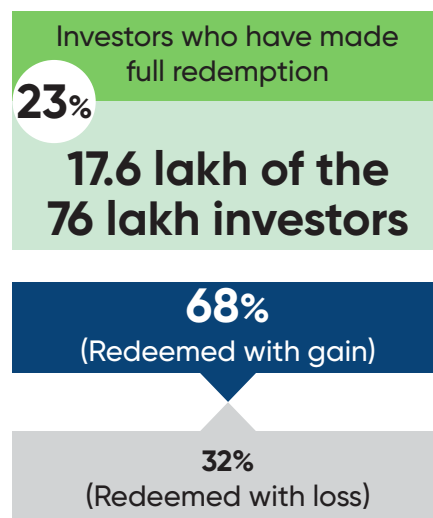
Diversification is more pronounced with investors who entered through non-equity schemes evidencing cross-sell opportunity for equity schemes.

What are the redemption & SIP cancellation trends?

Redemption Trend



Fig. No. 22



Millennials testing the mutual fund waters for the first time have seen the unprecedented event of the pandemic and are going through the first market cycles and a global recessionary trend.

As with all segments, the new millennials have also cancelled SIPs during the tenure.

Of the 76.5 lakh new millennials who entered Mutual Funds, about 17.6 lakh investors have exited during the course of the five years, redeeming their portfolios in full.

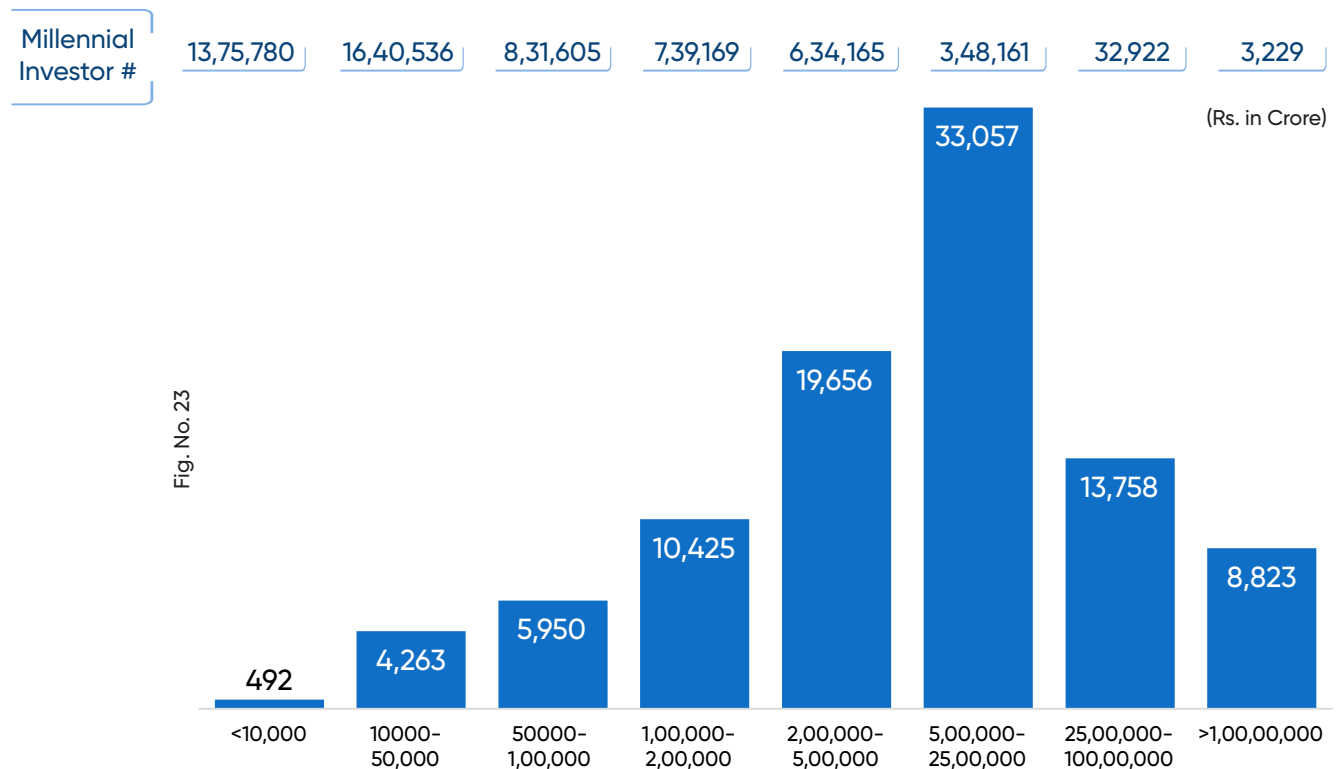
Going back to the 12 lakh investors who redeemed with gain is an opportunity.

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What is the new millennials' portfolio size?

At the end of five years, the 76 lakh base of millennials stands at 56 lakh, with about 17.6 lakh investors having redeemed their investment in full. The AuM of Rs.96,425 Crore of these 56 lakh millennials is a true testament of their growing trust and confidence for mutual funds as a long-term route to wealth creation.

Sixteen lakh (30 %) of the 56 lakh base having an AuM ranging Rs.10,000-50,000 Crore and 25 lakh millennials having an AuM base of >Rs.50,000 augurs well for the industry. Growing these segments with simple steps such as SIP auto top up of 10% every year will bring in sizeable AuM.



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Conclusion

Mutual funds becoming the choice for over 85 lakh millennials is a great testament for preference of professional fund management and the AuM of Rs.96,000 Crore shows the promise and power of the segment. AMC's, Intermediaries, Advisors and CAMS have the responsibility to give these investors a superior experience as they traverse the journey. Potential in B30 locations remains under-tapped where Banks can intensify their efforts to grow the market. Benefits of SIP have been well bought by the millennials subscribing to 1.5 Crore SIPs during the last five years. Retaining the SIPs and growing them even in small nuggets year on year is the low hanging opportunity for growing the AuM, given the remaining horizon in their working life.

About CII

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering Industry, Government and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, with around 9,000 members from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 300,000 enterprises from 286 national and regional sectoral industry bodies.

For more than 125 years, CII has been engaged in shaping India's development journey and works proactively on transforming Indian Industry's engagement in national development. CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, livelihoods, diversity management, skill development, empowerment of women, and sustainable development, to name a few.

As India completes 75 years of Independence in 2022, it must position itself for global leadership with a long-term vision for India@100 in 2047. The role played by Indian industry will be central to the country's progress and success as a nation. CII, with the Theme for 2022-23 as Beyond India@75: Competitiveness, Growth, Sustainability, Internationalisation has prioritized 7 action points under these 4 sub-themes that will catalyze the journey of the country towards the vision of India@100.

With 62 offices, including 10 Centres of Excellence, in India, and 8 overseas offices in Australia, Egypt, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with 350 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community.

Confederation of Indian Industry

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About CAMS

CAMS is India's largest technology platform and service partner to Mutual Funds with an aggregate market share of approximately 69% based on Mutual Fund average assets under management ("AAuM"). The Company has grown its market share from ~61% in March 2015 to ~69%, based on AAuM serviced. Its Mutual Fund clients include ten of the fifteen largest Mutual Funds. The Company is the market-leading platform and service partner to Alternative Investment Funds and portfolio managers serving over 300 funds with full-stack digital and fund administration services. CAMSPay is the primary Payment services provider for Mutual Funds and several NBFCs. Services to insurance companies and eInsurance services are provided via the subsidiary CAMSRep. The company has recently launched Account Aggregator service CAMSinserv, a path-breaking initiative for consent-based data sharing. Central Record-keeping services for National Pension System is similarly a newly launched service. CAMS serves over three hundred financial institutions across Capital markets and BFSI sector.

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Confederation of Indian Industry

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