

INDIA INVESTOR RISK REPORT 2023

**A study on how
Indian investors
comprehend risks
in mutual fund**



As the popular adage goes, *'the biggest risk in investing is not taking any risk'*, investment is about taking a well-informed risk than taking no risk at all.

This brings us to saying yes only to **#SochaSamjhaRisk**.

In the past decade, India has seen unparalleled growth in the number of investors entering mutual funds. As per the AMFI data, the AUM of the Indian Mutual Fund Industry has grown from ₹7.66 trillion as on August 31, 2013, to ₹46.63 trillion as on August 31, 2023 more than 6 fold increase in a span of 10 years. Total folios as on 31st Aug, 2023 stood at 15.42 crores.

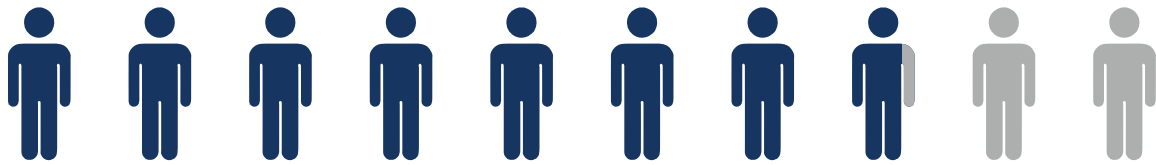
During June 2018 to June 2023, the average new folios added were 12.42 lakh accounts per month. In terms of mutual fund penetration, however, as of Aug 2023, this is just 6.5% of the total PANs allotted in the country (AMFI). The penetration is even lower in non-metro areas.

This data only indicates that there is tremendous growth potential especially for the mutual fund industry in India. It is, however, important that the growth is healthy and is achieved keeping the investors' interest uppermost in mind.



‘Mutual Fund investments are subject to market risks, read all scheme related documents carefully’.

Indians investing in mutual funds would have seen/ read this disclaimer many times. Over the past decade, the mutual fund industry has put enough emphasis on placing this prominently in all the communication about investing in mutual funds. But how many of them understand this disclaimer? Does anyone even look at it before investing? And what does an investor think of mutual fund investments?



78% of respondents wanted to understand more about market risks.

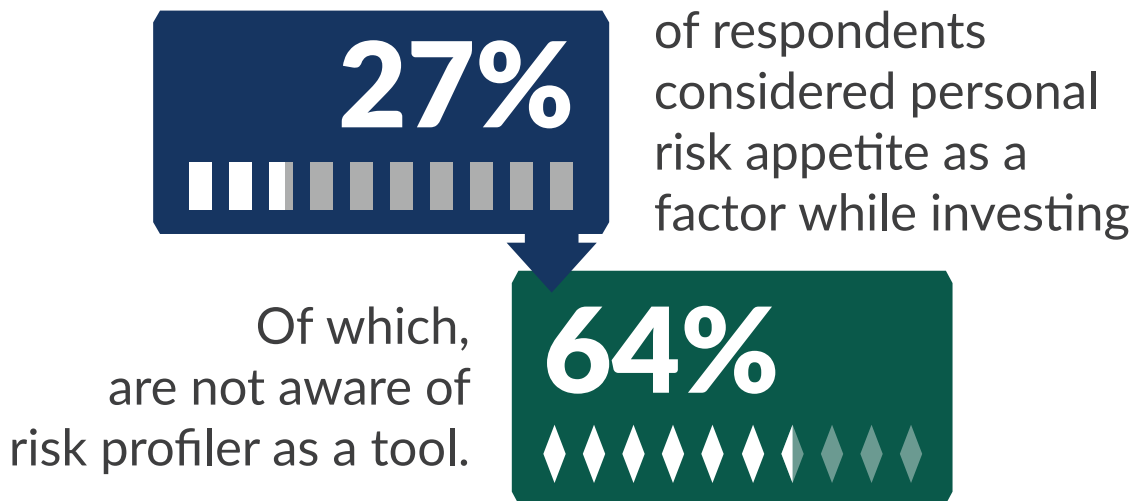
Past performance is still considered as a major factor in selecting a fund

Considering the past performance for choosing a mutual fund, is like driving while looking in the rear-view mirror. However, investors seem to be looking at this indicator as a deciding factor while selecting a fund.



of respondents still perceive past performance as a major indicator while investing in mutual funds.

Investors agnostic about their personal risk appetite



This indicates that investors know the importance of risk profiling but might not be aware of it as a tool for assessing personal risk. This might lead to a mismatch in personal risk with that of the fund risk. For example, a particular fund chosen for the short term might carry high risk and might not be the ideal one for the said risk profile.



Lack of confidence among investors in assessing risk

There was a huge willingness among investors to understand the risk profiler and make informed investment decisions. There may not, however, be enough awareness about those tools among investors.

Having said that, when we asked investors whether they gauged their risk-taking capacity before choosing a mutual fund to invest in and how confident were they about assessing their risk-taking ability accurately,

90%



of the total respondents felt that assessing risk appetite played a significant role in choosing the right mutual fund.

53%

investors said they were not very confident when it came to assessing their risk capacity while choosing a mutual fund.



There seems to be a gap between **knowing the risk profiler** and **understanding** how to use it.



Only **12%** of respondents who initially said that they were aware of the risk profiler and considered it crucial and claimed that they were either confident or somewhat confident in assessing their risk-taking ability, did know the meaning of a risk profiler.

97% of C
Are either confident or somewhat confident in assessing their risk-taking ability

87% of respondents said either of the 3 things when they heard the disclaimer:

- Makes me know more
- Afraid to invest
- Can't understand



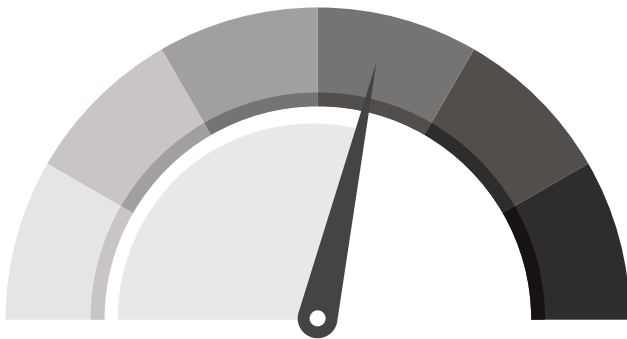


The appetite to know more about risk in general and their own risk profile in particular is quite high among the investors.



A better understanding of risk-o-meter but still a long way to go

The second important tool to assess risk is a risk-o-meter. A risk-o-meter is an indication of the risks associated with mutual fund schemes. As a result, it is critical to determine the risk of the fund and invest in the most appropriate fund that suits your personal risk profile.



61%

of the respondents were not aware of what risk-o-meter indicates.

Out of the respondents who were not aware of risk-o-meter, **68%** of them had responded saying they checked it before investing.

However, there seemed to be a huge gap in checking the risk-o-meter and really understanding what it did and how to use it as a deciding factor in choosing a mutual fund scheme.

Investors are willing to understand risk-o-meter

Respondents said that the risk-o-meter was helpful in making informed decisions but need more help in understanding it.

66%



Clearly, there was an increased level of willingness to understand the risk-o-meter and use it before selecting a fund.

Aligning personal risk capacity with that of fund's risk



of respondents who considered personal risk appetite as crucial or thought this was one of the factors while investing,



Of these respondents were not aware of risk-o-meter and



were not aware of risk profiler as a tool to assess their risk capacity.

This exposes an investor to the risk of a mismatch in the portfolio which an investor should aim to avoid and understand both aspects well.

Only **16%** of respondents who said that they are aware of the risk-o-meter and considered it helpful in making informed decisions and claimed that they check the risk-o-meter before making an investment, know the meaning of a risk-o-meter.



This insight gave us the confidence that we were on the right track with our **#SochaSamjhaRisk** initiative directed at investor education.



Investing is a lot more behavioral

Oftentimes, mainly influenced by market noise, investors tend to redeem their investments even though they are aware of the importance of long-term investing and the power of compounding. The AMFI data (as of June 30, 2023) revealed that 15.6% of equity assets do not stay invested even for more than 6 months; 10.9% of equity assets stay invested for 6-12 months and 22.2% equity assets stay invested for 12-24 months. In total 48.7% equity investors stay invested for 2 years or less.

The survey by Axis Mutual Fund in 2022 mapped investor returns with fund returns to evaluate the impact of churning on both over several years - for equity, hybrid and debt funds. The findings of the study had indicated that investor returns were significantly lower than both, point-to-point fund returns as well as systematic investment returns for all the three categories. Clearly, excessive, and frequent churning had dented investor returns. Further, stopping longterm SIPs in response to shortterm market corrections defeated the very purpose of SIP, causing lasting harm to the portfolio as investors did not benefit from compounding.

The Power of Embracing Risk

While the mutual fund industry continues to grow, enabling investors to make informed decisions is our combined responsibility. Even if we intuitively know that investors are today more aware of these risks than they were a few years ago, it is important that the investors are made aware of the risks involved in investing, among other things, in mutual funds as also, their own appetite to undertake that risk. To that end, the survey threw light on some great insights which we take as a starting point to educate and empower investors to navigate their investment journey effectively. This will ensure that as the investor base of the mutual fund industry grows and spreads across the length and breadth of the country, the growth is healthy and beneficial to the investors as well as the country.

Furthermore, investments are still largely 'behaviourally' influenced, making it even more important to shape this attitude into an aware, educated, and well-informed skill set.

To fill in this gap, Axis Mutual Fund recently announced the launch of its latest initiative ***#SochaSamjhaRisk across Bharat.***

The campaign not only aims at creating awareness about risks in mutual fund investments but is also becoming the enabler to help investors achieve their dreams.



Data as on 31st August 2023. Source: AMFI, Axis Mutual Fund Research

This is an investor education and awareness initiative by Axis Mutual Fund. Investors have to complete one-time KYC process.

Visit www.axismf.com or contact us on customerservice@axismf.com for more information. Investors should deal only with Registered MFs, details of which are available on www.sebi.gov.in – Intermediaries/ Market Infrastructure Institutions section.

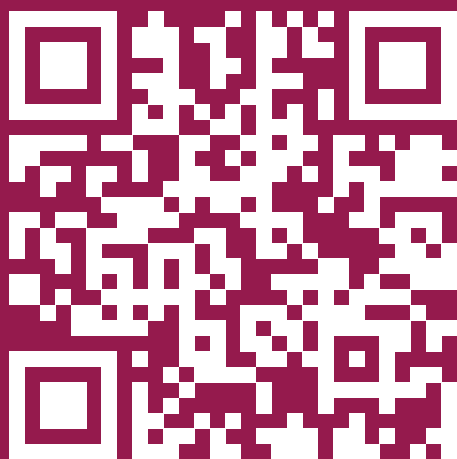
For any grievance redressal, investors can call us on **1800 221 322** or write us at customerservice@axismf.com or register complaint on SEBI Scores portal at <http://scores.gov.in>.

Note on methodology: With the objective of mining insights on investor's perspective and understanding of risk, Axis Mutual Fund conducted a PAN India survey with existing investors via email where 1740 investors actively participated. The survey consisted of 9 questions on two of the important tools for assessing risks in mutual fund – Risk-o-meter and Risk profiler.

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read all scheme related documents carefully.**