

## Motilal Oswal AMC Unveils Results of 2<sup>nd</sup> Edition of Investor's Survey on Passive Funds in India 2024

- The survey highlights growing popularity of passive funds among Millennials and Gen Z, with their contribution at 46-48%.
- Passive funds' combined AUM rose to over INR 11 trillion by September 2024, marking a 1.5x increase year-on-year.
- Survey consists of over 3,300 mutual fund investors and highlights key trends about awareness, understanding and acceptance of passive funds in India.

**Mumbai, November 12, 2024:** Motilal Oswal Asset Management Company (MOAMC) has released the 2<sup>nd</sup> Edition of Investor's Survey on Passive Funds in India 2024, titled ***The Rise of Passive Power: Transforming India's Investment Landscape***, offering a comprehensive look at the surge of passive investment strategies in India. As passive funds continue to reshape the financial landscape, their appeal among investors and distributors has reached unprecedented levels. Fuelled by favourable regulatory support, rapid technological advances, and a growing awareness among Indian investors, passive funds have experienced remarkable growth, with Assets Under Management (AUM) soaring from INR 7 trillion in September 2023 to over INR 11 trillion by September 2024—a striking 1.5x increase in just one year.

*"India's mutual fund industry is witnessing a strong growth trajectory, with both active and passive strategies playing vital roles in portfolio building. While passive funds have seen accelerated adoption—especially among younger investors seeking simplicity and cost efficiency—active funds remain indispensable for those seeking to capture opportunities through in-depth market insights and strategic expertise. At Motilal Oswal AMC, our goal is to provide a suite of products that aligns with varied investor goals. As our industry evolves, we will keep launching new products supporting wealth creation through active and passive investments"* said, **Mr Prateek Agrawal, MD & CEO, Motilal Oswal Asset Management Company.**

**Elaborating on the growth of Passive fund in India, Mr. Pratik Oswal, Chief of Passive Business, Motilal Oswal Asset Management Company said,** *"Passive fund as an investment avenue has growth 1.5X in last one year cementing the awareness among the mutual fund investors. Interestingly Index fund has been a popular choice among the Millennials and Gen Zs compared to Gen X and Boomers. Moreover, the approach is dramatically different from active with relaxed style of investing keeping long term investment horizon where the holding period is more than three years. The future for passive fund is anticipated to be great as our survey reports a potential 15% increase in allocation towards passive funds. Overall, 2024 has been a great year for passive funds and we anticipate continuing the momentum with strategic allocation advisory."*

The survey, based on insights from more than 3,300 mutual fund investors, highlights the evolving understanding, preferences, and trends in passive fund adoption. Below are the key insights:

### Investor Insights

#### 1. Awareness and Understanding:

- An overwhelming 98% of mutual fund investors are aware of passive funds, though many (58%) have only a basic conceptual understanding.
- Index funds lead in popularity, with 74% of investors choosing them (43% exclusively index funds, 31% both ETFs and index funds).

#### 2. Investment Choices by Demographics:

- Index funds are more popular among Gen Z and Millennials, with 46-48% of investors under 43 favouring them, compared to 35% among Gen X and Boomers.
- Sectoral indices remain a top choice, with a marked preference for Indian sectoral indices over commodities and smart beta funds among younger and middle-aged investors.

### 3. Investment Behaviour:

- Social media and self-research play a significant role in guiding passive fund investors, whereas active investors rely more on friends and financial advisors.
- Passive fund investors typically review their portfolios quarterly, a more relaxed approach than active investors who prefer monthly reviews.
- 82% of investors have a long-term investment horizon for passive funds, planning to hold for more than three years.

### 4. Portfolio Composition:

- 40% of passive fund investors allocate 10-30% of their portfolios to passive funds, with 80% of investors having increased their allocation in the past year, especially among Gen Z.
- On average, investors hold 8-9 funds, with 71% holding 1-10 passive funds.

### 5. Future Allocation:

- Investors anticipate a potential 15% increase in their allocation towards passive funds in the near future.

## Distributor Insights

The survey also reveals important insights into distributor perspectives and approaches to passive funds. According to the Motilal Oswal survey, only 38% of distributors consider themselves experts in passive funds, suggesting a potential area for increased knowledge and growth within this group. When it comes to benchmark preferences, 82% of distributors favour broad Indian indices like Nifty 50 and Nifty Midcap, while investors show a stronger inclination toward sector-specific indices, such as Nifty IT and Nifty Bank, highlighting a difference in approach between distributors and investors.

The survey further indicated that, in selecting passive funds, distributors focus primarily on performance, tracking error, and liquidity as their top criteria. A significant 77% of distributors include factor or smart beta funds in their offerings, valuing these products for their potential to generate enhanced returns compared to traditional index funds.

Additionally, at present, distributors allocate an average of 10% of their portfolios to passive funds, with plans to increase this allocation by an additional 5% over the next year. Greater support in identifying suitable products is cited as a key factor that could further drive the adoption of passive funds among distributors.

The yearly report underscores the accelerating momentum of passive funds within India's investment landscape and highlights the shift in both investor and distributor perspectives. As passive funds become a cornerstone in Indian portfolios, Motilal Oswal's findings point to a future where passive investing plays an increasingly dominant roll.

**About Motilal Oswal Asset Management Company:** Motilal Oswal Group possesses a legacy in equities for over 3 decades. Motilal Oswal Asset Management Company Ltd. (MOAMC) is registered with SEBI as the Investment Manager for Motilal Oswal Mutual Fund. It was incorporated on

November 14, 2008. It provides Investment Management and Advisory Services to investors based within and outside India and has Mutual Funds, AIFs and Portfolio Management Services business.

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