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'Distributors are the face of our industry'

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Our brand is created by superior fund performance, distributor engagement and good customer service. So we will continue to engage with distributors as a means to build our brand with investors, says Sunil Subramaniam, CEO, Sundaram Mutual Fund.

As a CEO, what are your key priorities?

My priority is to continue to build on the retail business. Our parent Sundaram Finance has an excellent track record of dealing with retail investors over a long period of time. At Sundaram MF, around 3.5 million investor folios have been opened in our company's existence. Today we have around 1.3 million active folios. Some investors exited by booking profits while others, who mainly entered the market at the wrong time did not have such a positive experience. We would like to re-establish connect with both these types of investors and grow our retail franchise. We are not so concerned about the pecking order in terms of AUM. As the only fund house based out of South, we want to be a very well-known player in this market with a significantly higher market share. We have a track record of being a profitable AMC for the last ten years. We want to continue to grow strongly while making profits and providing value to investors consistently. Our focus will remain primarily on customer service. We believe that fund performance is also a part of customer service because they are investing with us in order to make returns.

In the light of falling commissions, how do you propose to grow your retail business? Some distributors have shifted focus away from retail…

The relative attractiveness of acquiring a new client has gone down for IFAs, especially after the ban on entry loads. It is not that IFAs are ignoring retail clients. It is also partly because retail investors who have entered the market at the wrong time and burnt their fingers. They are now reluctant to re-enter the equities space and getting these investors back in mutual funds is proving to be tough for distributors. However, many IFAs are now increasingly beginning to view customer acquisition (even from the retail segment) from a long term perspective and are asking for a trail only model. These IFAs use the SIP model for acquiring retail investors and it works well as it is a win-win-win proposition for all stakeholders.

On the other hand, banks do not incur any additional cost in acquiring retail clients because they are already engaging with their customers in alternative products such as deposits, insurance, home loans, personal loans etc. Besides, they have a presence across the country. Similarly, national distributors (NDs) have multiple branches spread across the country. NDs also sell multiple products to retail investors and mutual fund is also an important product for them.

Also, our sponsor Sundaram Finance has a wide presence across the country which helps us acquire retail investors.

We will look to grow our retail business from all the above channels.

You have been with Sundaram with 10 years now. How have you seen the fund house evolve? Is it in a much stronger position now?

I joined as the head of retail sales. When I joined Sundaram MF we were managing around Rs. 2,300 crore (Rs. 1,600 crore in equity and the remaining in debt) from about 2,000 odd distributors.

Today, we have established ourselves both on the equity and fixed income side. We manage/advise about Rs. 10,000 crore of equity assets across mutual fund and portfolio management and above Rs. 13,000 crore in fixed income assets. Our Sundaram Mid Cap Fund has been among the top three funds in terms of returns over a ten year period while the SMILE fund has been among the top in a shorter time horizon.

We have been successful in growing our business through new fund launches, including one of the industry's largest retail NFOs (Rs. 2,782 crore from over 5 lakh investors). Our recent Micro cap NFOs have returned over 75% as dividend to investors in about a year of launch.

We also had a partnership with BNP Paribas for some time during which we got a lot of international exposure. After the partnership was called off, we opened an office in Singapore with an Accredited Investor (AI) license from the Monetary Authority of Singapore. We have since launched two international funds (Sundaram International Mid Cap Fund and Sundaram Global Brand Fund) through which we raised Rs. 300 crore. Besides, we have launched a World Brand Fund for our Indian investors. Thus, we have been able to establish an international business without a foreign partner.

You raised the minimum investment ticket size in some of your thematic schemes? Does increasing the minimum investment size minimize the chances of mis-selling?

We have started a host of initiatives in order to curb mis-selling. For instance, one of the initiative is 'Customer Call Back'. We have a program of calling and checking with investors if they understood the nature and suitability of the product they have bought. Another initiative is the raising of ticket sizes. Sector funds are risky and retail investors who invest small sums in such funds may not understand that such funds can underperform for some periods of time. Many retail investors enter when such funds have outperformed, which may not be the right time to enter a cyclical theme. Thus, we raised the minimum investment ticket size to Rs. 1 lakh to signal to retail investors that they are higher risk funds. However, retail investors can still enter them through the SIP route.

You launched a slew of closed end funds last year. Are you planning to launch some more closed end funds?

We launched these funds with a particular purpose and strategy. We felt that the Indian economy was on the cusp of recovery. The closed end structure was intended to help fund managers buy and hold stocks. This has paid off very well. The first set of closed end funds have paid out around 75% dividends so far. Since we had a consistent investment strategy across our fund house, during this phase even our open end funds have performed well. This year we may not launch as many funds as we did last year unless we have a compelling theme.

How are you engaging with distributors?

If you look at the proportion of equity assets coming from IFAs, we get close to 40% equity AUM from IFAs and almost 8,000 IFAs get commission from us every month. Viewed from this IFA centric angle we are one of the largest AMCs in India.

So the wellbeing and growth of the IFA segment is very close to our heart. One initiative that we did last year was on their personal health front. People usually hesitate to go for a check up on their own. So we conducted health camps across the country for our IFAs - through which we offered free health checkup for them. They were given a comprehensive health report at the end of the same. This initiative was very well received by the community.

We have set up an in-house dedicated team which, apart from coming up with similar initiatives will also look at ways to engage with distributors beyond the commercial and transactional perspective. One of the thoughts we have on this front is to how we can start helping IFAs in the area of their business development.

What are the challenges which are unique to your fund house?

We compete in a market space where many of our competitors have a higher mindshare given their parentage of either a large bank or a large industrial house with a pan–India presence. While a significant proportion of our business comes from markets all over the country, given that our sponsor is a highly respected name more focused in the South we do face the challenge of our brand awareness being less than others in many other geographic markets.

How will you go about creating awareness about your brand?

We are not planning any advertising blitzkrieg. Our brand is created by superior fund performance, distributor engagement and good customer service. Distributors are the face of this industry. So we will continue to engage with distributors as a means to build our brand with investors.

What is your roadmap for Sundaram MF for the next two years?

We manage more than Rs. 10,000 crore in equities across mutual funds, PMS and international products. We aim to grow this business by 25% per annum. On the fixed income side, 16 of the top 20 industrial houses invest in our fixed income products. We have created a dedicated institutional sales team to grow this business. Besides, we have also been closely engaging with the leading banks and NDs and through them launched a slew of fixed income products targeting medium and high net worth individuals. We will continue to give thrust in this space and in the next two years I expect fixed income business to grow at a faster pace. Apart from this, we also want to grow our international business on an all-round basis both on an out-in, an in-out and a global perspective.