



Association of Mutual Funds in India

35P/ MEM-COR/76/ 2021-22

December 10, 2021

Dear Members,

Re : SEBI circular dated October 27, 2021 on Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes - list of benchmark indices intended to be used by AMCs as 1st tier benchmarks in respect of Equity, Thematic & Sectoral Funds

Further to our trailing email no. 35P/ MEM-COR/72/ 2021-22 dated December 02, 2021, we had referred the matter to Sub-Committee of Equity CIOs (comprising of Mr. Navneet Munot, Mr. S. Naren, Mr. Anoop Bhaskar, Mr. Vetri Subramanian & Mr. Harsha Upadhyaya) with a request to review the list of Tier 1 benchmark indices for all Equity oriented schemes particularly Thematic and Sectoral Funds as also look into the queries received from a few AMCs and provide guidance in the matter.

The sub-committee, after detailed deliberations, has recommended as follows -

A. Review of list of Tier 1 benchmark indices for equity-oriented schemes particularly Thematic / Sectoral Funds

a. Equity Schemes:

- i. Tier 1 benchmarks should be the broad indices to have wide coverage.
- ii. Flexi Cap Fund (no change), Dividend Yield Fund and Value Fund/Contra Funds to have diversified broad benchmark indices, namely, Nifty 500 and S&P BSE 500 as Tier 1 benchmarks, and second tier benchmark can be the Style Benchmarks.
- iii. For Midcap Funds – Nifty Midcap 150 or S&P BSE Midcap 150 to continue as tier1 benchmark (No Change).
- iv. For ELSS - NIFTY 500 or BSE 500 to remain as tier1 benchmark (No change)

b. Thematic / Sectoral Funds:

- i. In respect of Thematic funds, as per the SEBI circular, the scheme has to have a single benchmark. But, the indices for thematic funds could have combinations of two or more indices depending upon the characteristics of the fund. For example, in respect of housing, transportation, Infrastructure, manufacturing, natural resources and new energy etc.
- ii. All fund houses should engage with their index providers to convert their respective customized benchmarks into public benchmarks on a priority basis.
- iii. For Quant Funds / Minimum variance Fund - broad benchmark in line with the investment universe.
- iv. For Solution-oriented category – Broad Market Benchmark wherever available or bespoke to be created for schemes - AMC is free to choose as per category.
- v. For schemes which have multiple themes/sectors/asset classes, a combination of publicly available benchmarks may be used.
- vi. For Business Cycle / Special Situation theme, BSE 500 TRI or NSE 500 TRI is recommended as Tier1 benchmark.
- vii. For Infrastructure category: the Index providers to be asked for an individual stock weight capped index based on the current Nifty Infrastructure Fund. All Infrastructure category funds would have this as a Tier 1 benchmark.

As such, for Infrastructure funds it is recommended to allow the AMCs to continue with the existing benchmarks and then transition to the capped Infrastructure index as soon as it is

made available by the index providers (who are expected to come out with customised capped infra index soon). This is in order to avoid funds having to make multiple changes.

We have apprised SEBI of the above recommendations of the Sub-Committee, and are in the process of publishing / updating the changes (as shown in the table below) on AMFI website.

			EXISTING		REVISED	
Sr.No.	Category	Fund Category	NSE Tier 1 mark	S&P BSE Index	NSE Indices	S&P BSE Index
24	Equity	Dividend Yield Fund	NIFTY Dividend Opportunities 50	S&P BSE Dividend Stability TRI	Nifty 500	S&P BSE 500
25	Equity	Value Fund/ Contra Fund	NIFTY500 Value 50	S&P BSE Enhanced Value TRI	Nifty 500	S&P BSE 500
65	Equity	Pioneering innovation *			IISL Kotak India Pioneering Innovations Index **	N. A.
66	Equity	Transportation & Logistics *			UTI Transportation & Logistics Index **	N. A.

** Thematic Funds ** These two indices shall be considered as broad benchmark indices for the respective themes, and would be applicable for the respective thematic funds across the industry.*

All other Tier 1 indices notified / published earlier remain unchanged.

Members are advised to take note of the above for necessary action / implementation, wherever applicable.

B. As regards queries received from certain AMCs, the sub-committee, after deliberations, has provided specific guidance / recommendations (which also we have shared with SEBI, along with the AMC queries). We are in the process of responding to the concerned AMCs individually / separately, for necessary action.

As regards specific queries w.r.t. FOF schemes received from certain AMCs, the sub-committee was of the view that it would not be possible to give any recommendation w.r.t. the specific queries, considering that FOF scheme has typically multiple asset classes & multiple class indices may become an issue. As per SEBI circular, in case a FoF scheme invests in multiple schemes, then Broad Market Index shall be applied. As such, we have requested SEBI, if SEBI could provide guidance in respect of the specific queries received w.r.t. FoFs from these AMCs. This is for the kind information of the members.

With regards,

Sincerely,

B. M. Kini
Dy. Chief Executive