

Common Voice of the Distribution Industry

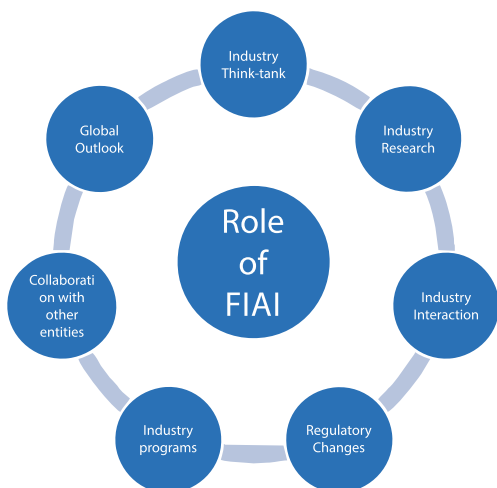
Get complete news & updates on the financial products distribution industry and the latest happenings at FIAI in our monthly newsletter - FIAI Diary





ABOUT FIAI

Financial Intermediaries Association of India (FIAI) was formed as a financial distributors' body to strengthen the cause, development, education and progress of the industry. FIAI's endeavour is to bring all the national & regional players like National Distributors, Banks and IFA Associations on one platform to pursue the industry development and education agenda.



Some of the key objectives of FIAI are to promote and develop the Indian financial intermediary industry on professional, healthy and ethical lines and to enhance and maintain standards in all areas of operations and to work towards protecting and promoting the interests of financial intermediary and their members

WELCOME MESSAGE

WELCOME

The month of May continued to see large inflows in Equity Mutual funds including the Arbitrage category of funds. The equity markets continue to tread in an uncertain territory due to various factors including corporates earnings not meeting market expectations, monsoon worries, global concerns leading to foreign investor outflows..

FIAI will be holding its largest and flagship event this month, **FIAI Distribution Conclave**. The Conclave event series is an attempt to bring the best of the minds in the financial world from Distribution community, Asset Managers, Insurers, opinion makers and all other stakeholders to discuss and chart out the growth agenda for the Industry. The punch line of the event is thus appropriately named Where the best minds meet.



The theme of this conclave is the Vision 2020 for Indian financial Distribution Industry. The theme is being discussed on the backdrop of release of the long awaited FIAI CRISIL Distribution Industry report titled **Indian Financial Distribution Industry at the cusp: Vision 2020**. The event will see the presence of all top stalwarts of the financial Industry & its stakeholders including Industry regulators, the top industry leaders from Distribution, AMC's & Insurance cos and eminent personalities from the Industry IFA associations, research & training organisations and media.

The recently imposed Service tax on MF Distributors commission got effective and is causing worries in the entire distribution community. FIAI is working rigorously with all stakeholders to work out solutions for resolving the issue. It held meetings and dialogues with Ministry of Finance, SEBI, AMFI and AMC's in that direction.

FIAI supported the Cafemutual Wealth Management conference as a Distribution partner.. the conference meant for the wealth managers saw leading practitioners and industry specialists who got together to learn from each other, network and share best practices for the wealth management Industry growth.

We hope to see you at the FIAI Distribution Conclave which will provide an opportunity for the financial industry to come together, to share, to network, to engage and to collaborate. Let the best minds meet and create a vision 2020 for the Distribution community!!!

Gurpreet Singh

Principal Consultant - FIAI

READING CORNER

IMPORTANCE OF FINANCIAL ADVISORS IN MUTUAL FUNDS



Mr. Leo Puri
Managing Director,
UTI Asset
Management Co. Ltd.

The mutual fund industry has come a long way over the last 51 years, since the inception of Unit Trust of India in 1964. The first Mutual Fund was conceptualised to enable channelisation of the savings of the small retail investors into the capital market. As in the case of the insurance industry, it was felt that MF industry required intermediaries to spread its wings across cities and

towns and provide the small investors an opportunity to invest in capital markets. The role of the Financial Advisors became more prominent as they became the bridge between the Investors and the Industry. As more Advisors entered into the profession, the reach of mutual funds widened.

The concept of mutual funds was, and in some areas still is, not clear. Mutual Funds are thought by many as an investment avenue for only a short term horizon, with returns related to the movements in stock markets and dependent on timing of investment. Investors often compare mutual funds with insurance, bank fixed deposits and other types of non-financial assets like Gold and Real Estate. I feel this is where the role of the Financial Advisor comes in. The Financial Advisor has to provide 'advice' to the investor and guide him in the process of investment, enabling wealth creation over a period. He has to create a life time investment plan for the investor, instead of product by product investment approach.

This calls for a shift in the mindset, a move from what has been often called, from being a 'Chemist' to being a 'Doctor' who prescribes products based on the need of the investor rather than providing products that are

easily available. I feel that over the last few years, a subtle change in the orientation of the Advisors is happening and they are becoming more of 'Doctors'. However, the same needs to be speeded.

Another aspect is on costing - on a 'per transaction basis with the investor' or 'life time costing'. This means that instead of looking at each transaction, the Advisor should consider the benefit derived from advising an investor for a lifetime and the benefit thus derived. An investor well advised and served is likely to come back to the Advisor for all his future investment needs and thus adequately compensate him.

The long term policy for Mutual Fund industry, articulated by SEBI, visualises sustainable growth, increased mobilisation of household savings, enhancing the reach and financial inclusion. The policy also talks of role of various stake holders in achieving the objective. In my view, the industry can achieve its goal of enhancing the reach significantly by expanding the base of intermediaries. The Regulatory thought has been to create more Investment Advisors, who will not require to be remunerated by the Manufacturer but will charge the investor directly. The concept is picking up with nearly 300 investment advisors registering themselves as 'Investment Advisors' with SEBI.

In conclusion, I feel that there is a large opportunity for deepening the penetration of mutual funds, with a number of positive factors prevailing in the financial markets. Namely,

- The current optimism prevalent in the markets with the next wave of reforms and growth
- Increase in the penetration of mutual funds as part of the household savings
- Increase in Retail investor participation in capital markets
- Growing level of awareness for mutual funds through Media & investor camps
- Efforts taken by the AMCs & the Distribution community.

However, this will require the Financial Advisors as well as the Fund Houses to have the focus, dedication and the resolute belief that mutual funds are the best vehicle for long term investment needs of the investors.

ACTION AT FIAI

Suggestions papers submitted

Besides various meetings and discussions, FIAI submitted various formal papers & letters to resolve the Distribution Industry issues and some FIAI updates to the Regulator. This included Letter to SEBI on the Service Tax issue, FIAI's Quarterly newsletter for SEBI

and Letter to Ministry of Finance on the Service tax issue. Some of these representations suggested ways and means in which the current issues can be addressed in a constructive manner.

About the FIAI Distribution Conclave



The Biggest
Financial Distribution
Industry Event Of India



FIAI Distribution Conclave is an opportunity for the financial industry to come together on one platform and to discuss the long term vision, development and how to address challenges being faced by the Financial Distribution Industry. The highlight of this event is the unveiling of a FIAI commissioned report on Indian financial distribution industry titled Indian Financial Distribution Industry at the cusp: Vision 2020 done by CRISIL.

Message from the FIAI Board:

The FIAI Distribution Conclave is an event of the entire financial products distribution industry in India. The event will see the presence of all top stalwarts of the Industry & its stakeholders including Industry regulators, the top industry leaders from Distribution, AMCs & Insurance cos and eminent personalities from the Industry IFA associations, research & training organisations and media. This is an invitation to those associated with the industry to come together, to share, to network, to engage and to collaborate. Kindly block your date today and join us at the FIAI Distribution Conclave.



About FIAI CRISIL Distribution Industry report:

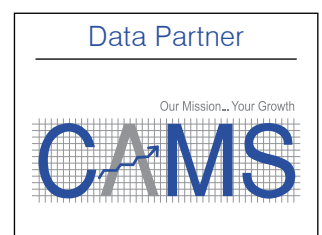


At 21%, India's household savings rate is one of the highest in the world. However, unlike in many developed nations, a significant portion of this money is channelled into non-financial assets -- primarily real estate and gold. Since liberalisation in the early 1990s, India's financial market has grown by leaps and bounds but the wealth management industry has been confined to a very small set of mostly affluent investors. Not a conducive situation to wealth creation in a country where over half the population is below the age of 30.

At the heart of this issue is the financial distribution business, whose penetration and development has been inhibited by lack of financial awareness, operational inefficiencies and lack of incentives for investors and distributors. This report details the financial distribution industry and the outlook for it based on secondary research and primary interactions with a large number of stakeholders. It draws up a picture of the industry taking into account its size, structure, penetration levels, geographical reach and trend analysis. It also considers various macroeconomic factors, technology trends, investor preferences and regulatory developments to identify the growth drivers/ opportunities and challenges/ obstacles.

Both FIAI and CRISIL are convinced policymakers, stakeholders and industry watchers alike will find this a handy document for keeps.

Partners for the Event



INDUSTRY UPDATES

KEY DEBT MARKET INDICATORS

DATA FOR MONTH: JUNE 2015

Benchmarks	As on 31-May-15	As on 30-Apr-15	As on 28-Feb-15	Change (Month)	Change (Quarter)
364 Day Tbill (Primary)	7.90%	7.90%	7.90%	0.00%	0.00%
5-year Benchmark	7.88%	7.81%	7.71%	0.07%	0.17%
10-year Benchmark	7.86%	7.74%	7.70%	0.12%	0.16%
30-year Benchmark	7.96%	7.87%	7.77%	0.09%	0.19%
91 day Bank CD	8.25%	8.35%	8.55%	-0.10%	-0.30%
Annualised 1-yr AAA spreads	0.36%	0.64%	0.16%	-0.28%	0.20%
Annualised 5-yr AAA spreads	0.38%	0.40%	0.44%	-0.02%	-0.06%
5-yr OIS	7.19%	7.05%	6.78%	0.14%	0.41%
Bank Rate	8.50%	8.50%	8.75%	0.00%	-0.25%
RBI LAF-Repo rate	7.50%	7.50%	7.75%	0.00%	-0.25%
RBI LAF-Reverse Repo rate	6.50%	6.50%	6.75%	0.00%	-0.25%
Foreign Exchange Reserve(\$ bn)	351.87	343.00	327.88	8.87	23.99
Brent Crude Oil (\$/bbl)	63.77	54.81	46.91	8.96	16.86
Gold (\$/oz)	1180.25	1187.00	1260.25	-6.75	-80.00
US Fed Funds Rate	0.25%	0.25%	0.25%	0.00%	0.00%
US 10-yr Gilt	2.03%	1.92%	1.64%	0.11%	0.39%
CRR	4.00%	4.00%	4.00%	0.00%	0.00%

Source: Various (BSE, NSE, SEBI)

DOMESTIC MARKETS - KEY INDICES

Returns % as on 31 May, 2015.

Indices	Close	1 month	3 month	1 years	3 years	5 years	10 years
S&P BSE Sensex	27,828.44	3.03	-5.54	14.91	19.76	10.94	15.39
CNX Nifty	8,433.65	3.08	-5.84	16.65	19.68	11.17	15.12
S&P BSE 100	8,550.51	2.75	-5.62	16.41	20.09	10.75	15.21
S&P BSE 200	3,532.73	3.14	-4.60	19.70	20.86	10.88	14.89
CNX 500	6,959.85	3.11	-4.66	19.94	21.20	10.91	14.35
CNX Mid Cap	13,180.75	3.87	-1.06	29.97	24.14	11.48	15.74
S&P BSE Small Cap	11,280.57	3.08	-3.08	26.99	20.81	8.42	10.09
S&P BSE Midcap	10,716.09	2.88	-1.61	31.00	26.09	12.16	12.61
CNX Nifty Junior	19,875.35	3.58	-0.41	28.13	27.67	13.34	16.36

Source: BSE & NSE. Returns are calculated on absolute basis for less than one year and on CAGR basis for one year or more.

DOMESTIC MARKETS - KEY SECTORAL INDICES

Returns % as on 31 May, 2015.

Indices	Close	1 month	3 months	1 year	3 Years	5 years	10 years
S&P BSE Auto	19,079.79	4.06	-4.24	31.64	29.13	20.25	21.01
S&P BSE Bankex	21,511.65	2.29	-6.40	26.88	25.55	15.68	19.04
S&P BSE FMCG	7,847.38	3.15	-1.95	16.41	20.02	20.09	20.66
S&P BSE Healthcare	16,900.30	4.41	5.14	63.71	36.24	24.31	19.97
S&P BSE Metal	9,728.35	-0.74	-7.90	-20.86	-1.27	-7.76	6.16
S&P BSE Oil & Gas	9,643.21	4.78	-0.65	-11.16	8.33	-0.57	12.08
S&P BSE Realty	1,537.68	-2.25	-15.35	-18.83	-0.88	-12.56	NA
S&P BSE TECK	6,122.23	5.63	-4.48	26.74	23.20	14.69	13.38
CNX Consumption	3,476.85	5.70	1.78	23.83	23.93	17.38	NA
CNX Infra	3,220.85	2.10	-4.47	1.85	13.81	0.41	8.74
CNX Media	2,108.20	2.68	-5.45	8.04	22.37	6.26	NA
CNX Dividend Oppt	2,046.15	3.80	-4.57	4.24	12.53	10.29	NA

Source: BSE & NSE. Returns are calculated on absolute basis for less than one year and on CAGR basis for one year or more.

GLOBAL MARKETS – KEY INDICES

Returns % as on 31 May, 2015.

Indices	As On 31-May-15	1 month	3 months	1 year	3 Years	5 years	10 years
Shanghai Composite (China)	4,611.74	3.83	38.23	126.15	24.86	12.43	16.34
Nikkei 225 (Japan)	20,563.15	5.34	9.22	40.53	34.09	16.21	6.19
Nasdaq (USA)	5,070.03	2.60	1.24	19.50	21.53	17.96	9.23
Hang Seng (Hong Kong)	27,424.19	-2.52	10.19	18.81	13.78	7.07	7.10
S&P BSE Sensex (India)	27,828.44	3.03	-5.54	14.91	19.76	10.94	15.39
Dow Jones Ind Avg (USA)	18,010.68	0.95	-1.52	7.74	13.30	12.45	5.49
All Ordinaries (Australia)	5,774.95	0.02	-2.55	5.50	11.81	5.42	3.40
Bovespa (Brazil)	52,760.48	-6.17	3.41	2.97	-1.07	-3.13	7.08
FTSE 100 (UK)	6,984.43	0.34	0.63	2.04	9.51	6.24	3.39
RTS Index (Russia)	976.48	-5.32	8.17	-24.64	-7.91	-6.57	3.74

Source: bloomberg.com. Returns are calculated on absolute basis for less than one year and on CAGR basis for one year or more. Sorted on basis of 1 Year returns.

INSTITUTIONAL ACTIVITY

Source: SEBI

	May-2015			01-Jan-15 To 31-May-15		
	Debt	Equity	Total	Debt	Equity	Total
FII	-8,504.00	-5,768.48	-14,272.48	37,610.40	42,425.10	80,035.50
Mutual Funds	17,388.80	4,176.70	21,565.50	220,453.50	20,288.80	240,742.30

FOREX

Currency movements against INR

Source: bloomberg.com

	31-May-15	30-Apr-15	28-Feb-15	31-May-14	% Change (Month)	% Change (Quarter)	% Change (Year)
1 US\$	63.82	63.42	61.83	59.10	-0.63%	-3.12%	-7.40%
1 Euro	69.85	70.53	69.28	80.33	0.97%	-0.82%	15.00%
100 Yen	52.02	53.53	51.85	58.10	2.90%	-0.33%	11.69%
1 Pound	98.63	97.98	95.42	98.91	-0.66%	-3.25%	0.28%

MUTUAL FUND MONTHLY DATA

Amount in Rs. Crore (Source: SEBI)

TYPE		AS ON 30TH APRIL 2015			FOR APRIL 2015 MONTH (RS. CR.)		
		No. of Schemes	No. of Folios	AUM \$ (Rs. Cr.)	Sale (Rs. Cr.)	Purchase (Rs. Cr.)	Net Sales (Rs. Cr.)
A	Income/ Debt Oriented Schemes (i+ii+iii+iv)	1318	7,186,208	797,508	937,032	1,036,508	99,476
i	Liquid/ Money Market	52	319,101	266,722	885,215	986,807	101,592
ii	Gilt	45	65,669	14,739	687	851	164
iii	Debt (other than assured return)	1214	6,801,390	514,628	51,130	48,620	-2,510
iv	Debt (assured return)	0	0	0	0	0	0
v	Infrastructure Development	7	48	1,418	0	230	230
B	Growth/ Equity Oriented Schemes (i+ii)	438	31,981,381	345,129	4,842	15,426	10,584
i	ELSS	55	6,530,016	38,337	415	594	179
	Others	383	25,451,365	306,791	4,427	14,833	10,406
C	Balanced Schemes	26	2,025,861	27,015	545	1,728	1,183
D	Exchange Traded Fund (i+ii)	47	708,846	14,222	1,183	535	-649
i	GOLD ETF	13	471,766	6,818	80	10	-70
ii	Other ETFs	34	237,080	7,404	1,104	525	-579
E	Fund of Funds Investing Overseas	31	144,295	2,491	54	28	-26
Total (A+B+C+D+E)		1860	42,046,591	1,186,364	943,656	1,054,225	110,568

Cafemutual Conference



Cafemutual Conference on Wealth Management targeted at wealth managers was held on June 4 in Mumbai. The conference was focused on bringing fresh ideas to wealth managers to help them grow their business and advance their careers. The conference agenda had topics based on extensive

interaction with leaders from the top banks and NDs and focused on developing insights on business development, practice management and client relationship management. The event saw leading practitioners and industry specialists who got together to learn from each other, network and share best practices. FIAI was the Distribution partner for the event



BECOME A FIAI MEMBER

FIAI invites all National Distributors, Banks and IFA Associations to become its members to be able to successfully pursue the objectives of the body in interest of the entire industry & distributors at national level.

Membership Benefits

- ▶ FIAI provides an excellent opportunity to participate in the process of building a think tank that puts forth well-researched and independent points of view on topic relevant to the financial products distribution / advisory practice.
- ▶ Members will be able to suggest and participate in building of the research subjects and the underlying reports.
- ▶ Members will get access to the updates of regulatory and business changes.

- ▶ The FIAI members will be privy to our reports immediately prior to submission with regulatory bodies.
- ▶ Members will have the opportunity to engage with eminent people and organisations through a range of events.
- ▶ Members will be able to reach remote areas by the use of the planned FIAI regional/ zonal offices.
- ▶ FIAI will undertake services for promotion of financial business of its members and the development of the securities market.
- ▶ FIAI will undertake studies /surveys on important matters and access to such report will be helpful for the business practices of its members.

Registration Process

To become a member, kindly contact us...



CONTACT FIAI

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Suggestions & feedback:

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Financial Intermediaries Association of India

MEMBERS

