

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





The Indian mutual fund industry reached a big milestone last month when it crossed the 5 crore folio mark. There was an increase of 29 lacs folios in the first six months of the financial year. We hope this is just the beginning of a wider retail participation of the Indian investors in Mutual Funds in the markets as compared to the other investment avenues they are used to in past. The overall base of the Industry AuM has now crossed 16 lac crore mark ending at INR 16.11 lac crs as of end-September. The equity funds category saw a net inflow of INR 3700 crs last month.

FIAI conducted its AGM last month where majority of the members participated. The progress, events and representations done by FIAI were reviewed in the meeting and also the plan going forward and many important decisions on the trade body and Industry related matters were discussed and agreed. FIAI continue to keep the dialogue on the Distributor commission service tax issue with various Industry stakeholders and explored all possible options to resolve it.

SEBI came out with a consultative paper to amend its Investment Adviser Regulations 2013 on the Investment Advisory business. There are various path breaking changes suggested in the paper on the Advisory and Distribution side of the business. FIAI is engaging its members and Industry to give appropriate feedback back to SEBI on the paper.

FIAI conducted a session on alternate investing for its member by Ms. Joanne Murphy, Managing Director - Asia Pacific, CAIA who spoke on trends and happenings in the Global, Asia Pacific & Indian context. She is also writing on the subject in this edition of the Diary on the theme continuing with our second of the three part series on the Alternate investing.

As the festival season sets in, we wish all a very Happy Diwali and a prosperous new year going ahead!!!

Gurpreet Singh
Principal Consultant - FIAI

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

THE KEY OBJECTIVES OF FIAI ARE:

INDUSTRY DEVELOPMENT:

Promotion & development of the Financial Distribution Industry on professional, healthy and ethical lines.

INDUSTRY STANDARDS:

To ensure, promote and maintain a high professional and ethical standards in all areas of operation of financial intermediaries and their members and to enhance and maintain standards with a view to protecting and promoting their interests.

SUGGESTIONS:

Engaging with and proposing suggestions & initiatives to the industry players, associations and regulators for the growth of the industry.

TRAINING & EDUCATION:

Sharing of knowledge and giving a forum for enlightenment & exchange of ideas within the industry.

ENGAGING OTHER STAKEHOLDERS:

Actively engaging with certification bodies including NISM and FPSB for distribution to agree professional standards and accreditations for financial advisors in India and to drive its implementation across the intermediary fraternity.

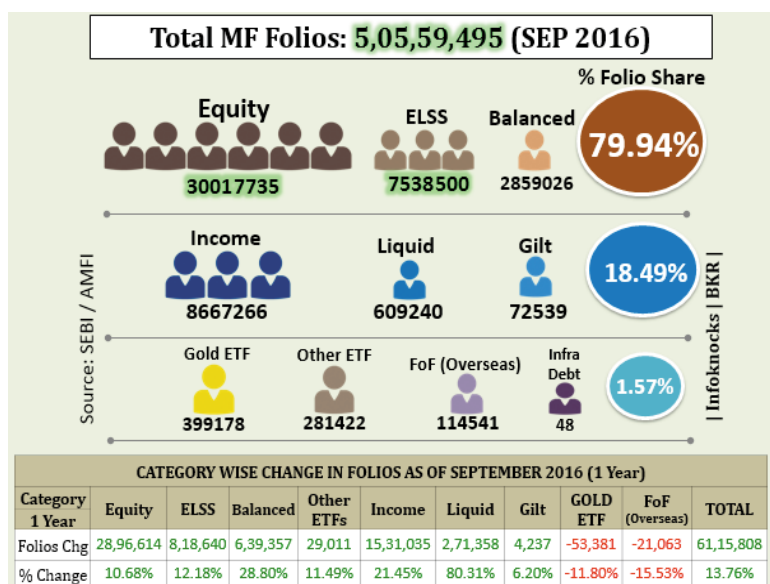
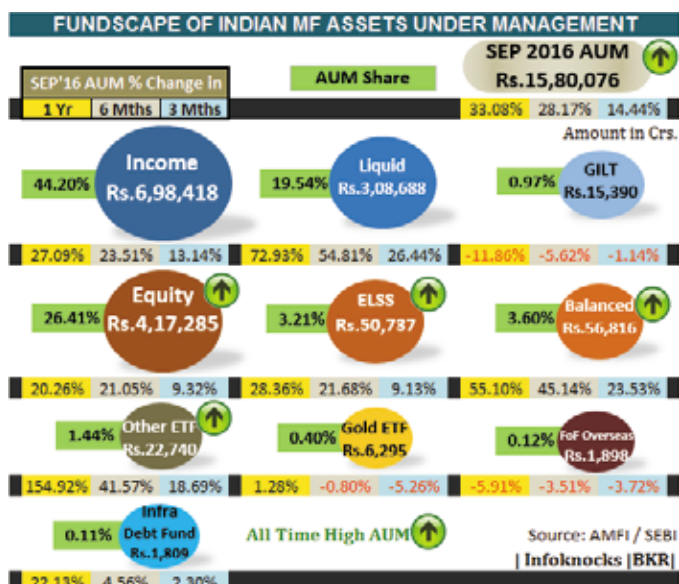
RECAP OF THE MF INDUSTRY FOR SEPTEMBER 2016

| MF FUND FLOW SUMMARY | Net Inflow / (-Outflow) (In Rs. Crs.) | | | | | | | NFO Sales (Rs.Crs.) | | |
|------------------------|---------------------------------------|---------------|-------------|---------------|------------------|-------------|--------------|---------------------|--------------|--------------|
| | SEPTEMBER 2016 | | | | YTD (till Month) | | | SEP 2016 | | |
| | Open-E | Close-E | Intrvl | Total | FY 16-17 | % Share | FY 15-16 | Open | Close | Total |
| INCOME | -7,900 | -2,851 | -273 | -11,024 | 100,179 | 42.71% | 15223 | 0 | 3852 | 3852 |
| LIQUID/MONEY MARKET | 19,630 | 0 | 0 | 19,630 | 98,725 | 42.09% | -2767 | 0 | 0 | 0 |
| EQUITY | 3,131 | 117 | 0 | 3,248 | 19,829 | 8.45% | 51869 | 330 | 118 | 448 |
| BALANCED | 3,275 | 0 | 0 | 3,275 | 11,828 | 5.04% | 11587 | 0 | 0 | 0 |
| OTHER ETFs | 1,533 | 0 | 0 | 1,533 | 4,658 | 1.99% | 1340 | 0 | 0 | 0 |
| ELSS - EQUITY | 511 | -16 | 0 | 495 | 2,404 | 1.02% | 1797 | 0 | 0 | 0 |
| INFRASTRUCTURE DEBT F | 0 | 0 | 0 | 0 | 0 | 0.00% | 230 | 0 | 0 | 0 |
| FUND OF FUNDS INVESTIN | -48 | 0 | 0 | -48 | -217 | -0.09% | -240 | 0 | 0 | 0 |
| GOLD ETFs | -77 | 0 | 0 | -77 | -539 | -0.23% | -420 | 0 | 0 | 0 |
| GILT | -961 | 0 | 0 | -961 | -2,303 | -0.98% | 2276 | 0 | 0 | 0 |
| TOTAL | 19,094 | -2,750 | -273 | 16,071 | 234,564 | 100% | 80895 | 330 | 3,970 | 4,300 |

Source: AMFI / SEBI

Sorted by YTD Flow

| Infoknocks | BKR |





Ms. Joanne Murphy,
Managing Director - Asia Pacific, CAIA

Globally, there are around 8,500 hedge funds, with about US\$3tn of assets. This number has remained broadly constant for the last four or five years. This masks a major shift, however, as the total asset base of the industry is increasingly concentrated in fewer managers; the top 10 managers globally manage well over 10% of global assets. More than 80% of hedge fund assets are in funds of more than US\$1bn. In effect, what's happening is that the hedge fund industry is consolidating in the same way that the conventional asset management industry has done over the last 20-30 years. Major investors need to deal with large asset management groups with consistent and resilient infrastructure, and non-specialist investors want to deal with brand names they recognise.

Increasingly, major hedge fund firms are, organisationally, looking like conventional asset management first, at the same time as conventional asset management firms are adding hedged or alternative product.

Other alternative asset classes such as private equity, commodities, infrastructure, and the like are gaining ground rapidly, but are still more likely to be found in institutional portfolios than retail.

We are well on the way to full integration of "alternatives" into the mainstream asset management ecosystem.

Although according to SEBI there are now 235 registered alternative investment funds in India, it's still hard for clients in India to construct a portfolio of

alternative investments, due to the (current – it'll change!) lack of suitable vehicles. However, there are some good lessons to be learnt from the alternative investment approach, that'll make client portfolios more resilient. And from a professional perspective, advisors who have studied alternative investment techniques will be superbly placed to benefit as the market opens up.

Indian investors

Many clients may have real estate investments. Surprisingly (to them!) this is an anchor to many alternative investment portfolios. The combination of illiquidity, regular yield, and relative resilience to short-term shocks, makes real estate very attractive. It's a genuinely non-correlated asset, and what's more, it's one of the few ways that non-professional investors can introduce leverage into their portfolios. So, when reviewing client portfolios, always be aware of any real estate investment within the mix. Even if the client doesn't necessarily see this as part of their portfolio mix... it is, and it's important.

Private equity is a cornerstone of many professional investors' portfolios, and can offer good, uncorrelated returns but at the expense of three to seven year lockups, and structures only available to sophisticated investors. But "private equity" is really only a shorthand for investing in shares in companies, outside a stock market. While this requires research and a keen awareness of risk, it's something that any reasonably savvy middle income investor could do, with some help from their advisor.

Infrastructure investment is typically a big-ticket investment, outside the reach of individuals, but an awareness of the sums flowing to infrastructure investment these days might encourage your clients to look more closely at investing in the shares of promoters of energy, transportation, and other infrastructure-heavy industries, whose cost of capital is likely to fall.

Finally, don't forget gold! While bank interest in India means that there's still a yield on cash, that's not the case in much of the developed world. Gold, the "barbarous relic" (so called as it generates no yield) may well regain some of its shine for sophisticated global investors as its zero yield begins to compare favourably with other traditional stores of value such as cash and government bonds. Your clients holdings of gold, far from being a cultural anachronism, may soon appear to be prescient alternative investments!

Alternative investments aren't a fad. They are today's reality for investment professionals.

ACTION AT FIAI

SESSION ON ALTERNATE INVESTING



A very interesting session on Alternate Investing was organised by FIAI in the month of September. Ms. Joanne Murphy, Managing Director - Asia Pacific, CAIA spoke on



trends and happenings in the Global, Asia Pacific & Indian context.

FIAI AGM



FIAI's AGM for year 2016 was held last month. Most of the FIAI member representatives attended and participated actively in the AGM. Last years' and last few months progress, events and representations done by FIAI were



reviewed in the meeting. The going forward plan and many important decisions on the trade body and Industry related matters were discussed and agreed.

FIAI WAS DISTRIBUTION PARTNER TO CAFEMUTUAL CONFLUENCE 2016



Over 350 delegates comprising CEOs and senior AMC officials, advisers, national distributors, bankers, participated in the fifth edition of Cafemutual Confluence 2016 event held in Mumbai recently. Themed 'Today's vision, Tomorrow's reality', the event was attended by some of the eminent speakers from India and abroad.

One of the interesting highlights of the event was a panel discussion on the topic 'Preparing for the distribution landscape' in which industry stalwarts Kartik Jhaveri, MD, Transcend Consulting, Mimi Parthasarathy, MD, Sinhasi Consultants, Neeraj Choksi, Jt. MD, NJ India, Satheesh Krishnamurthy, SVP & Head - Affluent Business (Wealth Management & Private Banking) Axis Bank, Sharad Singh, Founder & CEO, Investza came together to discuss the



dynamics of distribution.

EY Cafemutual report on, 'Mutual Funds: Ready for the next leap' on the MF industry was also unveiled at the event. Raj Raghunathan, Prof at University of Texas spoke on the topic, 'Can money buy happiness?' He said that we have a higher chance of mastering a skill if we focus on doing what we instinctively enjoy. A panel of India's top investment minds comprising Amit Tripathi, CIO-Debt, Reliance Nippon Life AMC, Anoop Bhaskar, Head-Equities, IDFC MF, Navneet Munot, ED & CIO, SBI MF, Prashant Jain, ED & CIO, HDFC MF and S Naren, ED & CIO, ICICI Pru MF shared their views on what lies ahead for the Indian markets. Neeraj Shah of ET Now moderated this panel.

INDUSTRY UPDATES

KEY ECONOMIC INDICES

DATA FOR MONTH: SEPTEMBER 2016

| Indices | As On 30-Sep-16 | As On 31-Aug-16 | As On 30-Jun-16 | Change (Month) | Change (Quarter) |
|--------------------------------------|--------------------|--------------------|--------------------|-------------------|---------------------|
| 364 Day Tbill | 6.58% | 6.69% | 6.86% | -0.11% | -0.28% |
| 91 Day Tbill | 6.52% | 6.55% | 6.71% | -0.03% | -0.19% |
| 10-year Benchmark (7.59% 2026) | 6.81% | 7.11% | 7.45% | -0.30% | -0.64% |
| 3 Months Certificate Of Deposit (CD) | 6.50% | 6.60% | 6.75% | -0.10% | -0.25% |
| 3 Months Commercial Paper (CP) | 6.60% | 6.92% | 7.75% | -0.32% | -1.15% |
| AAA Corp Yields - 1 Yr | 7.70% | 7.80% | 8.49% | -0.10% | -0.79% |
| AAA Corp Yields - 3 Yrs | 7.77% | 7.91% | 8.49% | -0.14% | -0.72% |
| Bank Rate | 7.00% | 7.00% | 7.00% | 0.00% | 0.00% |
| RBI LAF-Repo rate | 6.50% | 6.50% | 6.50% | 0.00% | 0.00% |
| RBI LAF-Reverse Repo rate | 6.00% | 6.00% | 6.00% | 0.00% | 0.00% |
| Foreign Exchange Reserve(\$ bn) | 370.76 | 367.76 | 363.17 | 3.00 | 7.59 |
| Brent Crude Oil (\$/bbl) | 48.93 | 48.31 | 50.06 | 0.62 | -1.13 |
| Gold (\$/oz) | 1322.50 | 1309.25 | 1320.75 | 13.25 | 1.75 |
| US Fed Funds Rate | 0.50% | 0.50% | 0.50% | 0.00% | 0.00% |
| US 10-yr Gilt | 1.59% | 1.58% | 1.47% | 0.01% | 0.12% |
| CRR | 4.00% | 4.00% | 4.00% | 0.00% | 0.00% |

Source: Various (BSE, NSE, SEBI)

DOMESTIC MARKETS - INDICES

% Returns as on 30th September - 2016

| Key Indices | 30-Sept-16 | 1 Years | 3 Years | 5 Years | 10 Years |
|-----------------------------|------------|---------|---------|---------|----------|
| S&P BSE Sensex | 27865.96 | 6.54 | 12.87 | 11.11 | 8.39 |
| NIFTY 50 | 8611.15 | 8.33 | 14.51 | 11.74 | 9.15 |
| S&P BSE 100 | 8863.71 | 9.73 | 15.70 | 12.15 | 9.22 |
| S&P BSE 200 | 3719.56 | 10.96 | 17.69 | 12.89 | 9.54 |
| NIFTY 500 | 7394.85 | 11.27 | 18.97 | 13.20 | 9.48 |
| NIFTY FREE FLOAT MIDCAP 100 | 15413.10 | 18.70 | 30.11 | 16.79 | 12.63 |
| S&P BSE SmallCap | 12780.80 | 15.97 | 32.73 | 13.18 | 7.57 |
| S&P BSE Midcap | 13166.68 | 21.92 | 29.75 | 16.52 | 9.85 |
| NIFTY NEXT 50 | 22908.00 | 16.82 | 26.91 | 18.46 | 13.41 |

Source: BSE & NSE.

FOREX (Currency movements against INR)

Source: bloomberg.com

| | 30-Sep-16 | 31-Aug-16 | 30-Jun-16 | 30-Sep-15 | % Change (Month) | % Change (Quarter) | % Change (Year) |
|----------------|-----------|-----------|-----------|-----------|---------------------|-----------------------|--------------------|
| 1 US\$ | 66.62 | 66.96 | 67.52 | 65.58 | 0.51% | 1.35% | -1.56% |
| 1 Euro | 74.75 | 74.62 | 75.01 | 73.80 | -0.17% | 0.35% | -1.27% |
| 100 Yen | 66.05 | 64.89 | 65.91 | 54.80 | -1.76% | -0.21% | -17.03% |
| 1 Pound | 86.42 | 87.69 | 90.52 | 99.53 | 1.47% | 4.74% | 15.17% |

Source: bloomberg.com

GLOBAL MARKETS INDICES

% Returns as on 30th September - 2016

| Global Indices | 31-Sept-16 | 1 Year | 3 Years | 5 Years | 10 Years |
|----------------------------|------------|--------|---------|---------|----------|
| Dow Jones Ind Avg (USA) | 18308.15 | 12.43 | 6.56 | 10.90 | 4.60 |
| FTSE 100 (UK) | 6899.33 | 13.82 | 2.21 | 6.11 | 1.47 |
| Hang Seng (Hong Kong) | 23297.15 | 11.76 | 0.63 | 5.78 | 2.88 |
| Nasdaq (USA) | 5312.00 | 14.97 | 12.09 | 17.07 | 8.93 |
| Nikkei 225 (Japan) | 16449.84 | -5.40 | 4.40 | 13.59 | 0.20 |
| Bovespa (Brazil) | 58367.05 | 29.53 | 3.70 | 2.21 | 4.82 |
| Shanghai Composite (China) | 3004.70 | -1.57 | 11.38 | 4.96 | 5.54 |

Source: bloomberg.com

INSTITUTIONAL ACTIVITY

Net Investment (Rs. Crores).

| | SEPTEMBER-2016 | | | 01-Jan-16 To 30-Sep-16 | | |
|--------------|----------------|-----------|-----------|------------------------|-----------|-------------|
| | Debt | Equity | Total | Debt | Equity | Total |
| FIs | 9,789.36 | 10,443.25 | 20,232.61 | 2,441.50 | 51,292.90 | 53,734.40 |
| Mutual Funds | 59,604.20 | 1,518.10 | 61,122.30 | 2,76,785.90 | 13,763.80 | 2,90,549.70 |

Source: SEBI.

MUTUAL FUND MONTHLY DATA

Amount in Rs. Crore (Source: SEBI)

| Type | No. of Schemes | No. of Folios | Funds mobilized | Repurchase/Redemption | Net Inflow (+ve)/Outflow (-ve) | Net Assets as on June 30, 2016 |
|---|----------------|--------------------|------------------|-----------------------|--------------------------------|--------------------------------|
| A Income / Debt Oriented Schemes | 1,836 | 89,04,000 | 55,70,912 | 53,97,262 | 1,73,650 | 9,88,585 |
| i Liquid/ Money Market | 52 | 4,93,312 | 53,38,769 | 52,46,492 | 92,277 | 3,00,995 |
| ii Gilt | 41 | 66,574 | 2,124 | 3,497 | -1,373 | 15,875 |
| iii Debt (other than assured return) | 1,736 | 83,44,066 | 2,30,019 | 1,47,274 | 82,746 | 6,69,933 |
| iv Debt (assured return) | 0 | 0 | 0 | 0 | 0 | 0 |
| v Infrastructure Development | 7 | 48 | 0 | 0 | 0 | 1,782 |
| B Growth/ Equity Oriented Schemes | 473 | 3,68,46,743 | 50,756 | 38,772 | 11,985 | 4,50,533 |
| i ELSS | 60 | 74,37,769 | 2,932 | 1,425 | 1,506 | 49,064 |
| ii Others | 413 | 2,94,08,974 | 47,824 | 37,346 | 10,478 | 4,01,469 |
| C Balanced Schemes | 28 | 26,83,639 | 9,816 | 3,995 | 5,820 | 49,994 |
| D Exchange Traded Fund | 64 | 6,85,164 | 6,752 | 4,930 | 1,822 | 26,948 |
| i GOLD ETF | 13 | 4,09,782 | 15 | 426 | -411 | 6,499 |
| ii Other ETFs | 51 | 2,75,382 | 6,737 | 4,504 | 2,233 | 20,449 |
| E Fund of Funds Investing Overseas | 29 | 1,17,648 | 105 | 222 | -117 | 2,037 |
| Total (A+B+C+D+E) | 2,430 | 4,92,37,194 | 56,38,340 | 54,45,180 | 1,93,160 | 15,18,097 |

Source: SEBI

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

Communicaton Address: AWFIS Business Centre, 1st Floor, Poddar Chambers, Mathuradas Mill Compound, Lower Parel, Mumbai - 400 013.

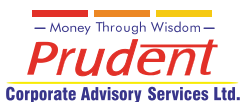
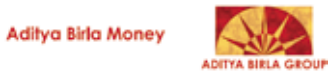
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Suggestions & feedback: Email: info@fiai-india.org



Financial Intermediaries Association of India

MEMBERS



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