

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 mutual fund industry's asset base rose to an all-time high of INR 15.63 lakh crores by end of August buoyed by the bullish trends in the markets leading to strong inflows in equity schemes. The Equity fund asset base is now inching close to the five lakh crore mark and is currently at INR 4.67 lakh crores.

FIAI held a series of meetings last month for the CAS Distributor Commission disclosure and the Distributor commission service tax issue with various Industry stakeholders. We also conducted our Board meeting for various important issues. FIAI and United Forum met up for discussions on the disclosure and Service tax issue. We also met up with SEBI on those issues and requested them to consider the suggested changes positively. FIAI will be holding its AGM this month and many important matters are slated for discussion in the meeting.

This month we begin a series of articles on the Alternate investments space in collaboration with CAIA Association Singapore. The series will cover the current themes in Alternate investments space and delve into deeper details of each alternate investment product category in detail in coming months.

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 AUGUST 2016


MF FUND FLOW SUMMARY	Net Inflow / (-Outflow) (In Rs. Crs.)							NFO Sales (Rs.Crs.)		
	AUGUST 2016				YTD (till Month)			AUG 2016		
	Open-E	Close-E	Intrvl	Total	FY 16-17	% Share	FY 15-16	Open	Close	Total
INCOME	34,263	-5,275	-532	28,456	111,202	50.89%	41940	0	1812	1812
LIQUID/MONEY MARKET	-13,182	0	0	-13,182	79,095	36.20%	58094	0	0	0
EQUITY	6,104	-2	0	6,102	16,580	7.59%	46855	0	0	0
BALANCED	2,733	0	0	2,733	8,553	3.91%	9587	0	0	0
OTHER ETFs	892	0	0	892	3,125	1.43%	-587	0	0	0
ELSS - EQUITY	422	-19	0	402	1,909	0.87%	1367	0	0	0
INFRASTRUCTURE DEBT	0	0	0	0	0	0.00%	230	0	0	0
FUND OF FUND (OVERSEAS)	-52	0	0	-52	-169	-0.08%	-179	0	0	0
GOLD ETFs	-51	0	0	-51	-462	-0.21%	-363	0	0	0
GILT	32	0	0	32	-1,341	-0.61%	1093	0	0	0
TOTAL	31,161	-5,296	-532	25,333	218,493	100%	158037	0	1,812	1,812

Source: AMFI / SEBI

Sorted by YTD Flow

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FUNDSCAPE OF INDIAN MF ASSETS UNDER MANAGEMENT

AUG 2016 AUM 
Rs.15,63,177

AUG'16 AUM % Change in

AUM Share

1 Yr

6 Mths

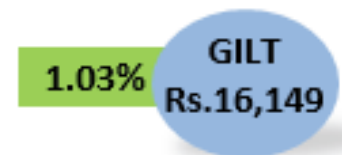
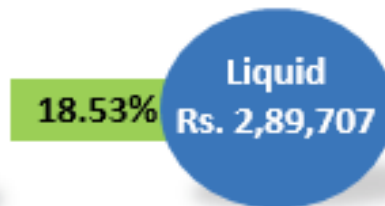
3 Mths

18.67%

22.73%

9.93%

Amount in Crs.



26.69% 23.13% 17.06%

-3.67% 22.39% -14.05%

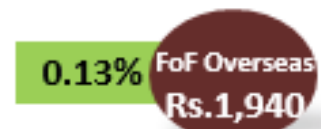
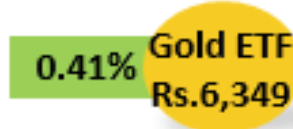
3.45% -7.61% 0.16%



18.28% 20.75% 16.85%

22.79% 29.19% 17.53%

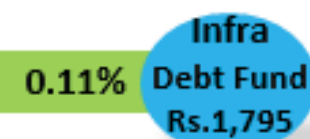
55.95% 31.03% 32.18%



202.63% 71.60% 32.31%

6.58% 4.14% -2.02%

-15.66% 3.35% -3.53%



All Time High AUM 

Source: AMFI / SEBI

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23.34% 18.70% 3.08%

RECAP OF THE MF GLOBAL ALTERNATIVE INVESTMENT SCENE - WHAT'S AVAILABLE, AND WHAT ARE CURRENT CLIENT PREFERENCES



Mr. Peter Douglas CAIA,

Principal - CAIA Singapore

“Alternative Investment” is no longer alternative. For many asset owners globally, a diverse portfolio of real estate, infrastructure, structured products, private equity, and hedge funds, is the new normal. The traditional 60:40 equity:bond portfolio is, if not dead, then at least looking mighty sickly.

Why?

Over US\$13tn (five times the GDP of India) of government and high quality debt globally, offers a negative rate of return. It guarantees its holders a loss if held to maturity. Think about this. For most investors, the lowest risk anchor of their portfolio is their investment grade bond allocation. But in 2016, that “low risk” anchor guarantees you a capital loss. How can that be low risk? And in a world where by far the dominant driver of equity prices is not fundamental value, nor index weighting, nor even momentum, but central bank action, it's nigh impossible to make any rational decisions about equity valuations (see how hedge fund performance, which depends on finding idiosyncratic and exploitable mispricings) has imploded over the last year or so). And finally, with securities price movements dominated by money-printing, it's impossible to achieve any real diversification within a portfolio of high-quality securities, whether bonds or equities.

So major asset owners are leaving their traditional asset allocation models in droves, and searching for investments that offer a reliable likelihood of positive nominal rates of return, that are not directly dependent on traded markets for their pricing, and whose price movements are sufficiently uncorrelated that they offer real diversification in a portfolio.

What investments make sense today, for a rational asset owner?

Infrastructure investment requires large capital investment; offers a consistent payback over long periods of time; is backed by real assets; and in a world of tightening capital requirements for banks, is harder for banks to finance. And to boot, much of it has great social and environmental characteristics. For long term investing institutions with defined liabilities, this is an excellent mix, and in some markets such as Australia and Korea, for example, up to 20% of long-term institutional money is invested in infrastructure.

Private equity also offers good long term returns. Importantly, although private equity offers similar fundamental risk-return drivers as any equity investment (it

is, after all, an investment in a small piece of someone else's company!), it's uncorrelated to public markets. And in today's world of high correlations and QE-driven markets, that's very valuable.

A rapidly growing sister to private equity is private credit. As vindictive regulation forces banks to pull back from anything but plain vanilla activities, many borrowers are looking to alternative sources of credit. Conversely, investors can, in effect, collect what was the banks' margin, for themselves. Although this takes expertise and some resource, become a liquidity provider to good quality borrowers can create a substitute for increasingly unsatisfactory public market credit portfolios.

Structured products allow investors to tailor the way they extract return, and what shape of risk they are comfortable with. Not only can this be helpful from a risk management perspective, it's a way for smart investors to create a volatility exposure that protects other parts of their portfolio.

Hedge funds, despite recent underwhelming absolute performance, are an effective way to access public securities markets with a mitigated risk profile. Over-simplifying, a typical hedge fund might offer 2/3 of the upside of a market investment with 1/3 the downside. Some of the more institutionally-targeted funds might aim to be almost market neutral with very low volatility, but consistent if small positive returns. While not exciting, this kind of risk-return profile can be very helpful to an institutional asset owner.

Putting all this together takes specialist expertise. One key advantage of these asset classes is that they have different, and asymmetric, risk/return profiles. That creates very powerful diversification benefits but also means that a conventional optimization approach to portfolio construction won't work. Allocators need training and experience, or unbiased specialist advice.

Next month, CAIA's Joanne Murphy will dig deeper into some of these asset classes, and explain how they work in an Indian context.

ACTION AT FIAI

MEETINGS

FIAI held a series of meetings last month for the CAS Distributor Commission disclosure and the Service tax issue with various stakeholders.

Board Meeting

FIAI conducted its Board meeting for various important issues including firming up new Board member appointment.

United Forum of IFA Associations meeting

FIAI and United Forum met up for discussions on how we can proceed on the disclosure and Service tax issue. We also met up with experts to take their views on these issues.

SEBI Meeting

Both the teams also met up with SEBI on the issues and requested them to consider the suggested changes positively.

FIAI AGM

FIAI AGM is scheduled for September 28th. Many existing and new Association matters are planned to be discussed and agreed.

INDUSTRY UPDATES

KEY ECONOMIC INDICES

DATA FOR MONTH: 31st August, 2016

Indices	As On 31-Aug-16	As On 30-Aug-16	As On 30-Aug-16	Change (Month)	Change (Quarter)
364 Day Tbill	6.69%	6.72%	6.93%	-0.03%	-0.24%
91 Day Tbill	6.55%	6.56%	6.82%	-0.01%	-0.27%
10-year Benchmark (7.59% 2026)	7.11%	7.16%	7.46%	-0.05%	-0.35%
3 Months Certificate Of Deposit (CD)	6.60%	6.60%	7.18%	0.00%	-0.58%
3 Months Commercial Paper (CP)	6.92%	7.15%	8.05%	-0.23%	-1.13%
AAA Corp Yields - 1 Yr	7.80%	7.95%	8.48%	-0.15%	-0.68%
AAA Corp Yields - 3 Yrs	7.91%	8.10%	8.47%	-0.19%	-0.56%
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)	366.77	365.75	363.43	1.02	3.34
Brent Crude Oil (\$/bbl)	48.31	42.69	49.65	5.62	-1.34
Gold (\$/oz)	1309.25	1342.00	1212.10	-32.75	97.15
US Fed Funds Rate	0.50%	0.50%	0.50%	0.00%	0.00%
US 10-yr Gilt	1.58%	1.49%	1.85%	0.09%	-0.27%
CRR	4.00%	4.00%	4.00%	0.00%	0.00%

Source: Various (BSE, NSE, SEBI)

DOMESTIC MARKETS - INDICES

% Returns as on 31st August, 2016.

Key Indices	30-Aug-16	1 Month	3 Months	1 Years	3 Years	5 Years	10 Years
S&P BSE Sensex	28452.17	1.43	6.69	8.25	15.18	11.28	9.29
NIFTY 50	8786.20	1.71	7.67	10.22	17.10	11.93	9.91
S&P BSE 100	9021.45	1.87	9.00	11.09	18.31	12.25	10.12
S&P BSE 200	3768.60	2.07	9.46	11.88	20.24	12.83	10.42
NIFTY 500	7490.65	2.19	10.09	12.31	21.50	13.15	10.31
NIFTY FREE FLOAT MIDCAP 100	15370.85	4.05	15.63	17.70	32.62	16.07	13.57
S&P BSE SmallCap	12648.79	2.75	13.52	15.29	34.56	12.14	8.15
S&P BSE Midcap	13217.31	4.39	16.29	23.13	32.29	16.07	10.66
NIFTY NEXT 50	23005.65	2.44	16.69	14.48	29.90	18.16	14.50

Source: BSE & NSE.

FOREX (Currency movements against INR)

Source: bloomberg.com

	31-Aug-16	31-Jul-16	31-May-16	31-Aug-15	% Change (Month)	% Change (Quarter)	% Change (Year)
1 US\$	66.96	67.02	67.26	66.48	0.09%	0.45%	-0.72%
1 Euro	74.62	74.27	74.79	74.50	-0.47%	0.23%	-0.16%
100 Yen	64.89	64.69	60.40	54.75	-0.31%	-6.92%	-15.63%
1 Pound	87.69	88.30	98.65	102.31	0.70%	12.50%	16.67%

Source: bloomberg.com

GLOBAL MARKETS INDICES

% Returns as on 31st August, 2016.

Global Indices	31-Aug-16	1 Month	3 Months	1 Year	3 Years	5 Years	10 Years
All Ordinaries (Australia)	5643.97	6.28	6.17	-0.66	3.87	4.63	1.31
Dow Jones Ind Avg (USA)	18432.24	2.80	3.71	4.20	5.95	8.70	5.12
FTSE 100 (UK)	6724.43	3.38	7.73	0.42	0.52	2.95	1.27
Hang Seng (Hong Kong)	21891.37	5.28	3.91	-11.14	0.01	-0.49	2.58
Nasdaq (USA)	5162.13	6.60	8.10	0.66	12.49	13.37	9.46
Nikkei 225 (Japan)	16569.27	6.38	-0.58	-19.51	6.63	11.00	0.70
S&P BSE Sensex	28051.86	3.90	9.55	-0.22	13.19	9.04	10.07
Bovespa (Brazil)	57308.21	11.22	6.30	12.67	5.91	-0.52	4.45
Jakarta Composite (Indonesia)	5216.00	3.97	7.80	8.61	4.20	4.78	14.46
KLSE Composite (Malaysia)	1653.26	-0.05	-1.16	-4.06	-2.30	1.31	5.86
PSE Composite (Phillippines)	7963.11	2.14	11.23	5.47	6.25	12.07	12.79
RTS Index (Russia)	928.16	-0.28	-2.23	8.07	-10.93	-13.93	-5.01
Seoul Composite (S. Korea)	2016.19	2.33	1.11	-0.69	1.75	-1.12	4.50
SET (Thailand)	1524.07	5.47	8.50	5.83	2.31	6.10	8.22
Shanghai Composite (China)	2979.34	1.70	1.40	-18.68	14.33	1.98	6.33
Straits Times (Singapore)	2868.69	0.98	1.06	-10.42	-3.80	-2.10	1.61
Taiwan Weighted (Taiwan)	8984.41	3.67	7.24	3.68	3.48	0.78	3.36

Source: bloomberg.com

INSTITUTIONAL ACTIVITY

Net Investment (Rs. Crores).

	JULY-2016			01-Jan-16 to 31-Aug-16		
	Debt	Equity	Total	Debt	Equity	Total
FIs	-2,624.87	9,071.32	6,446.45	-7,348.20	40,849.80	33,501.60
Mutual Funds	4,092.90	2,716.90	6,809.80	2,17,181.70	12,245.70	2,29,427.40

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	88,47,809	40,55,570	39,79,874	75,697	8,78,767
i	Liquid/ Money Market	52	5,71,581	38,98,460	38,60,395	38,066	2,44,128
ii	Gilt	41	64,690	1,698	2,900	-1,202	15,568
iii	Debt (other than assured return)	1,736	82,11,490	1,55,412	1,16,579	38,833	6,17,303
iv	Debt (assured return)	0	0	0	0	0	0
v	Infrastructure Development	7	48	0	0	0	1,768
B	Growth/ Equity Oriented Schemes	474	3,66,40,396	38,338	28,860	9,478	4,28,212
i	ELSS	60	74,06,541	2,251	1,029	1,222	46,493
ii	Others	414	2,92,33,855	36,087	27,831	8,257	3,81,719
C	Balanced Schemes	28	26,22,051	6,752	3,010	3,742	45,992
D	Exchange Traded Fund	61	6,95,475	5,295	3,677	1,618	25,804
i	GOLD ETF	13	4,18,765	10	238	-228	6,644
ii	Other ETFs	48	2,76,710	5,285	3,438	1,847	19,159
E	Fund of Funds Investing Overseas	29	1,18,660	74	168	-94	1,971
Total (A+B+C+D+E)		2,428	4,89,24,391	41,06,030	40,15,589	90,441	13,80,747

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.

Registered office: Navjivan Society, Office No. 1209, Building No. 3, Lamington Road, Mumbai - 400 008.
Website: www.fiai-india.org

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



Financial Intermediaries Association of India

MEMBERS



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