FIFA Perspectives

Dec 2014

Is it the right time to BOND with Equity & Debt?

With equity markets at all-time high and bonds also having seen a dramatic rally in spite of no rate cut by RBI, it's time to pause and reassess the current market dynamics.

To enable IFA to do so FIFA had organized an interactive session : Is it right time to BOND with Equity and Debt?' with the Fund Managers of Reliance Mutual Fund on 17th December 2014 at Reliance Mutual Fund , Elphinstone Road, Mumbai -400013. In addition a briefing of FATCA was also provided at the event.

FIFA Perspectives

Dec 2014

FIFA Events : Nov – Dec 2014

- FIFA partnered with CII for the 3rd Financial Distribution Summit on 18 December 2014 at Hotel Vivanta by Taj President, Mumbai.

- Structured products become flavour of the season from time to time, especially with HNIs. Further, in volatile times, strategies to combat volatility suddenly assume significance.

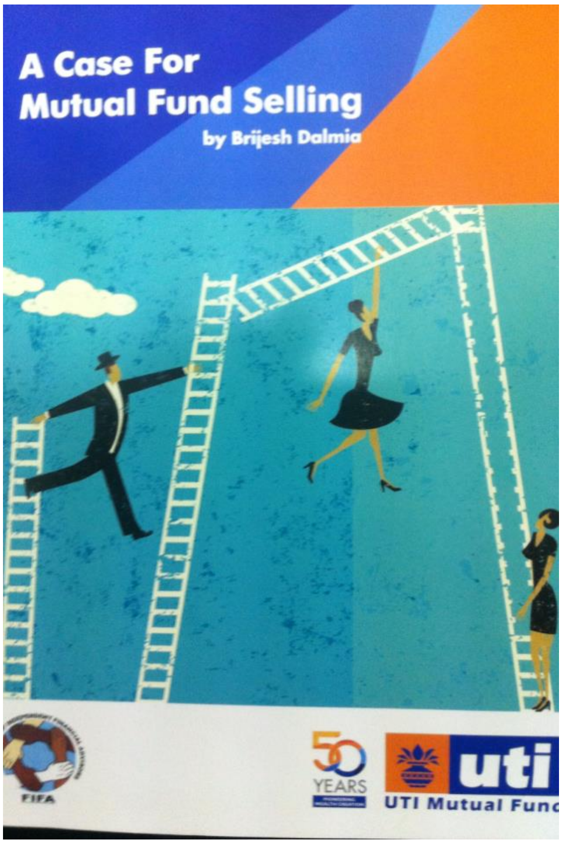
- FIFA had organized a Knowledge Sharing Session on both the above with Edelweiss AMC on 27th Nov 2014 and 5th Dec 2014 in Mumbai and Delhi respectively. The presentation by Edelweiss was on the structured products offered by them and on their Absolute Return Fund which deploys various strategies against market volatility.The speakers were Mr.Seemant Shukla- Head Sales & Business Development, Mr.Ashish Sahay – Fund Manager Equity

- FIFA is pleased to partner AIWMI's Second Annual - Alternative Investments Summit India 2014 in Mumbai and Bangalore on 1st Dec 2014 and 2nd Dec 2014 respectively

FIFA Perspectives

Dec 2014

Book Launch



As part of FIFA's objective to grow and develop the IFA community the Board in the beginning of this year had considered to take up the task of publication of books on various relevant topics.

The book titled "A Case for Selling Mutual Funds" has been written by FIFA's founder member and Director Mr. Brijesh Dalmia. FIFA hopes that this book is a step to increase the reach of Mutual Funds across the country by attracting new IFA's to the profession FIFA and making a large number of inactive ARN holders active. FIFA is thankful to UTI for publishing and launching the book in one of its event in Mumbai & Delhi on 14^{th}& 17^{th} November 2014. FIFA is also thankful to Mr. Brijesh Dalmia for having written and having agreed to have provided the content for free.

This journey might be a milestone event in FIFA journey to develop and grow the IFA community.

FIFA Perspectives

Dec 2014

What makes this one man army "Mr.Dependable"?

Sadashiv Phene, Mumbai

What makes an investor choose an advisor or a money manager and stick with him through the rollercoaster ride that markets take him on? What begets trust in the eyes of an investor? A simple one word answer : dependability. Mr.Dependable - a joint initiative between Religare Invesco and Wealth Forum - aims to help you explore all the dimensions of what it takes to be seen by investors as Mr.Dependable, and thus build your financial advisory practice on a robust foundation of trust. After all, dependability is finally what money management is all about.

In the Advisor Insights series of Mr.Dependable, we profile advisors who embody the spirit of Mr.Dependable. Advisors who are sharply focused on the 4 pillars of dependability - consistency, integrity, responsiveness and diligence - and who have built their practices based on trust earned through being dependable.

Sadashiv Phene is one of Mumbai's most successful individual advisors. Few others in this profession would perhaps fit the description of "one man army" better than Sadashiv. He individually serves over 1000 families in Mumbai, covering over 3000 retail clients, and has built up an AuM of close to Rs.300 crores over 20 years in this profession.

What makes Sadashiv Phene "Mr. Dependable"? Why do his retail clients stay with him through market cycles, in the most competitive market place in the country, where investors have the widest choice of advisors? Sadashiv talks about what has helped him establish lasting relationships with his clients and made him Mr. Dependable for them.

To know more about the 4 pillars of dependability, **Click Here**

Consistency has two dimensions for me

I have been in this advisory business from over 20 years - before the private sector MFs became popular. Right from the era of NBFC deposits, UTI, LIC, post office schemes to today, I would say one thing that I have followed consistently, which has helped my clients avoid blunders and which has built my reputation among my clients is the fact that I have always tried to keep my clients away from following the herd into red hot flavours of the season kind of investment avenues. There was a time when some NBFCs promised absurd rates of interest, lot of people went in, and many of them folded up. Then came the Unit 64 fiasco, where so many people invested purely on faith, with little else backing it up.

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Then came the era of PSU bank promoted mutual funds. We had funds from CanBank MF, IndBank MF and so on which were quoting at a premium to NAV during the Harshad Mehta days. My clients were naturally very interested to know more about these "promising" investment alternatives. Whether you call it a 6th sense or whatever, when I see too much excitement about an investment product which does not look logical on first sight, I always tend to stay away from the opportunity. Better to miss it when you are uncomfortable rather than knowingly risk client money when you are not fully convinced. This policy is what I have consistently followed for over 20 years.

After the CanBank and IndBank MF fiascos of Harshad Mehta days, came the Morgan Stanley issue. I saw huge lines of people waiting to submit applications, but again, I decided to stay away because I could not understand the logic. I decided it would be better to wait for a while to see how this thing would work and then look at it subsequently. Then came the tech bubble - here again, I stayed away from these funds as I could not understand what was going on. When the infra boom happened, despite being at that time among the largest retail IFAs in Mumbai, I had practically no exposure to these funds. Then came the gold fund boom, where everybody was recommending gold funds at what we later came to know was the top of the gold market. Again, you call it some 6th sense or whatever, I asked my clients to stay away from the fad of the season. If I look back at what has consistently helped me and my clients, it is this steadfast discipline of ensuring that I don't join the herd just because there is a herd, and the herd must be right.

One point that I must say is that in this journey, although I kept asking clients to stay away from these hot ideas of the season, not everybody listened. Some invested anyway, they burnt their fingers. I stayed with them through this process, and helped them come out of these difficult situations. When they saw me by their side even when they didn't take my advice, they realized two things - one, that they can depend on me and two that my advice was sensible. That's what builds the dependability factor in the eyes of the client. Sound advice is a must, but staying with your clients through difficult times is even more important. Consistency is about both these dimensions, for me.

If you ask me today what I am asking my clients to stay away from, its closed ended funds. I don't understand the need for them, and so I don't recommend them. I also don't recommend FMPs at all. I think open ended debt funds are doing a good job. Over the last 3 years, despite FMPs being the flavor, I have zero exposure. I have been an advocate of managed debt funds and I think that has paid off for my clients as they have outperformed FMPs.

Integrity goes beyond disclosures

In my experience, what clients look for in terms of integrity is not commission disclosures and such information. It is about trust in the advisor that he will not recommend something that he knows is not suitable to them. Over the years, as I kept telling clients to stay away from frothy ideas where there was a lot of business momentum, and that advice proved right, a reputation automatically builds up about the integrity of advice that I offer. When things blow up, which I asked clients to stay away from, it not only reinforces their trust in me, but also is a big source of referrals for me.

Responsiveness goes much beyond responding to calls

My business is always face-to-face, there is no remote advice. I am always available to my clients, and I always meet them with their families when we take investment decisions. Being there for clients when they need me most is what I think responsiveness is all about. And, in my experience, being responsive to client needs very often is also about anticipating needs - many times, which have never been articulated.

Having been in this business for long, there is one thing I have realized. There are stated needs and goals and then there are the unstated ones. We will discuss various goals and plan for them. We make investments as per those time horizons. And then suddenly, there will be a desire to buy a car, which will threaten to throw plans out of gear. Even in the previous meeting, there would have been no mention about plans to buy a car - but suddenly, it becomes the most important thing for the family to acquire now. For many retail investors, buying a car and funding it tends to be a big financial decision. This is where out of experience, some amount of anticipation helps. Apart from whatever are the articulated goals, I always keep aside some investments in debt schemes for such sudden expenses. This is not a contingency fund - this is

What makes this one man army "Mr.Dependable"?

sudden bursts of discretionary spending. By creating the portfolio in a manner that can cater to such impulses, you are enabling the client to chase these pleasures even while you protect the long term plans. When you provide a solution to them that enables them to go ahead with such plans without destabilizing long term goals, they realize the value you add in their lives. Responsiveness, for me, goes beyond responding to their needs - its about anticipating their needs. That's when you build the dependability factor.

Being there when they need me most is what matters. In some cases, when clients had emergencies, I have dipped into my own resources to help them out and then get redemptions done in a sensible manner. These are retail clients, where the requirements may not be very large. Obviously, this cannot be done for big clients. But, the point is that clients know that they can turn to me and I will get them a solution in their hour of need.

There's another aspect which I think I should share here. I met with a life threatening accident in 2007 and was bed ridden for months. My wife realized that the best way to cure me is to get me back on my feet as soon as possible, going out there and meeting my clients again. Thanks entirely to her diligent efforts, I got back on my feet faster than any doctor thought I could. I was back doing what I love - meeting my clients. My brother helped immensely during this difficult period. When my clients saw that I was back again in their midst instead of settling down for a quite life that many thought I would opt for, I guess from their point of view, it reinforced the fact that they can entirely depend on me.

Diligence is about understanding every client individually

I serve around 1000 families in Mumbai, but despite this, I always meet my clients face to face, understand their requirements, anticipate some potential requirements that are not articulated, and then recommend investment products that I think are suitable for them. I do not try to follow a "one-size-fits-all" approach at all, which may be tempting in the retail world to execute.

Second, as I mentioned before, when recommending products, I keep things simple and avoid fads. When I understand a product fully and have high personal conviction in it, I am able to recommend it confidently. Maybe it's a 6th sense, but I have been lucky that I have been able to avoid blunders that would have proved costly to my clients and therefore to me. Avoiding pitfalls is probably more important in building trust and credibility and therefore dependability, than identifying the next big winner.

FIFA Perspectives

Dec 2014

What makes WiseInvest a "Dependable" firm to its 8500 clients?

Hemant Rustagi, WiseInvest Advisors, Mumbai

What makes an investor choose an advisor or a money manager and stick with him through the rollercoaster ride that markets take him on? What begets trust in the eyes of an investor? A simple one word answer : dependability. Mr.Dependable - a joint initiative between Religare Invesco and Wealth Forum - aims to help you explore all the dimensions of what it takes to be seen by investors as Mr.Dependable, and thus build your financial advisory practice on a robust foundation of trust. After all, dependability is finally what money management is all about.

In the Advisor Insights series of Mr.Dependable, we profile advisors who embody the spirit of Mr.Dependable. Advisors who are sharply focused on the 4 pillars of dependability - consistency, integrity, responsiveness and diligence - and who have built their practices based on trust earned through being dependable.

Hemant Rustagi's WiseInvest Advisors is one of Mumbai's most successful advisory firms, with 3 branches across the city serving 8500 clients through a team of over 40 members, managing over Rs. 600 crores of client assets. How does Hemant ensure that all WiseInvest clients who interact with any of his 40 team members, get the same high quality advice and service that he would personally give? What makes WiseInvest Advisors a "Dependable" firm to its 8500 clients? What does it take for an advisor to instill these 4 pillars of dependability across his firm? Read on as Hemant shares with us what it takes to build a firm that embodies the spirit of "Mr.Dependable".

Let me begin by saying that the four pillars that are being highlighted here - consistency, integrity, responsiveness and diligence - are indeed the four aspects that are absolutely vital for the kind of profession we are in. We are dealing with people's hard earned money, we are dealing with money that they are saving up to realize their dreams - so the level of responsibility on us is huge - and unless we embrace all these 4 qualities, we will not be able to do justice to the task we have taken up.

Consistency : Need to be consistent on all three aspects of client servicing

We strongly believe that we need to be consistent - across the firm - in everything we do for our clients - from the recommendations we make, to the portfolio reviews we conduct to the client servicing that we offer. When we tell our clients that they need to be consistent in their approach towards investments, and not to get swayed by news and events and such like, we need to first set an example and be consistent ourselves in everything we do for them. In order to ensure consistency across the firm on all three aspects - recommendations, reviews and service - we have created processes for each aspect, we have created and documented work flows and we have invested in infrastructure to help us execute these processes.

We have a group of seniors who conduct research, short-list funds for our recommendation list and work with RMs to prepare all client recommendations. RMs need to discuss this with this core group before communicating to clients. Our endeavour is that any client who walks into any of our 3 offices, will get the same kind of recommendations for his needs and circumstances - irrespective of which office he goes to. Our RMs are not permitted to recommend schemes that are outside of our recommendation list. The only exceptions are when a client himself wants to take an independent decision on buying a scheme outside our recommendation list - in which case we carry out his instructions on an execution basis.

We have consistently adopted asset allocation as the key portfolio strategy. We have refrained from the practice of seeing short term trends - like a likely cut in interest rates or a possible midcap rally - and rush to clients saying why don't you put some money into duration funds or midcap funds. Our philosophy has always been that investment decisions should be based on needs and requirements and not short term direction of markets. At the same time, clients do like to occasionally take advantage of certain market moves or developments. The way we practically balance these two, is to first ensure that monthly contributions towards plans being executed do not get compromised in any way. Over and above this, many clients have some lumpsum amounts that are available from time to time. These lumpsums are what can get directed towards tactical calls, if required, to create some alpha.

Workflows really help streamline client servicing. Markets can go up and down, and portfolio values can move in tandem - but client service cannot go up and down. We have an operations manual prepared for the firm. This covers every process in the firm - right from what to do when a mail or call comes in from a client. Any new joinee is given the manual and is attached to an experienced person for a month, before he or she is given any independent responsibilities. We have appointed an independent internal auditor to confirm compliance with processes and controls in back office, advisory and marketing.

All RMs have to document all client interactions in a central database. This really helps maintain not just a trail of all interactions, but also provides seamless transfer from one RM to another, should such a need arise due to a transfer or employee turnover or other reasons. For clients, nothing is more irritating than having to go through a familiarization process all over again with a new advisor. Maintaining a record of all interactions helps avoid much of this hassle for clients. For the new RM, by going through the records for the last year or two, he gets a fairly good idea of client expectations, which he can then gear up to deliver seamlessly.

All this requires appropriate infrastructure. We have invested in appropriate software and in teams that ensure that we maintain the required level of consistency in all aspects of serving our clients.

Integrity : instilling similar values and ethics in the entire team is the challenge

Lets understand this very clearly. In our profession, many of us believe that investors come to us because they see us as knowledgeable advisors who can guide them through the complexities of markets and products and help them earn healthy returns on their savings. That may well be true, but a client stays with you only on account of your integrity. Even if some clients may not fully understand the nitty gritties of products and markets, they can sense who is working for them and who is working for themselves.

Being personally high on integrity is one thing, getting all team members to embrace the same values is quite another challenge. We have today a team of 15 RMs, 15 people in our back office and then we have office assistants. Each one of them, and in particular client facing members like our RMs, must embrace the same ethics and values that I did when we set up the firm. That's really what is important.

What we try and do is take away the environmental factors that can induce an RM to not do what is right for the client at all times. So, the first thing is the product selection aspect. Since RMs cannot recommend any product outside our recommended list, any external influences that may tempt him to recommend specific products outside our recommended list, cannot play a part. When we make our central recommendation list, since I come from the industry and am quite familiar with the lacunae as well as benefits of various products, we have a clear set of dos and don'ts. We for example do not see value in closed ended funds, since open ended variants are more investor friendly. I think, for example, that open ended funds can do a much better job than capital protection funds. We, as a rule, avoid NFOs unless there is a new theme that we believe makes sense for our clients. Take for example the new category of Equity Income funds. If you believe the category makes sense, you recommend an NFO of a good fund house. NFOs that are me too's are avoided by us. You must appreciate

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media's influence on clients' minds. Clients read about high commissions on closed ended funds, on NFOs etc. When they see that here is a firm that does not recommend such products to them, it only enhances the perception of our firm in their eyes.

Second aspect that influences an RM to think about himself rather than his client is target pressure. We don't give any targets to any of our RMs. I firmly believe that I cannot say that we will always do the right thing for the client at all times and then turn to my RM and say, "I don't care how you do it, but I want so much of sales from you this month." At the same time, we do want our RMs to be accountable for performance, and we do have a business to run. What my RMs are accountable for is that every one of their clients must be happy with us. If an RM is handling 100 clients, the only thing we track is how well he is serving his 100 clients and how many of them are happy with us. If an RM ensures that he is serving his clients well, he will get referrals from them, and as we know, in this business, a referral from an existing client means 80% of your sales effort is done. I consider every WiseInvest client as my brand ambassador in the market - if we keep them happy, they will give us enough referrals to keep our business running and growing smoothly. So, the way I try to drive performance of my RMs is not how much business they get, but from how many clients they get referrals. If an RM is serving 100 clients and gets referrals from 70, he is doing his job well. That's the way I look at it.

Responsiveness : its about being there for your client when they need you most

If you are a quality advisory firm, there are some things which are given. Responding to queries within a particular turn around time, monitoring client portfolios at an agreed frequency - these are all given. To me, responsiveness is about being there for your client when he needs you most. Few years ago, we did not have an online portfolio tracking service, but used to send portfolio statements on a monthly basis. Right through the 2008-2009 crash, when portfolio were looking terrible, we continued sending statements every month without fail and continued meeting clients regularly, to address their concerns, to give them the confidence to go through those turbulent times. In times of market panic, investors who redeem are more often those who did not have an advisor sitting by their side, giving them the courage and confidence to ride through volatility.

Diligence : are you on the same side of the table as your client or opposite?

There are two angles to diligence, in my view. One is regulatory - which is to do with disclosures, ensuring product suitability, providing information and so on. The other aspect is what the client expects in terms of diligence. The client simply expects you to be on his side of the table and not the opposite side. He does not see you as a seller of products but somebody who will help him select the right ones for him. If we have to be on his side of the table, we must first put aside our own biases and look only at what is right for him. I cannot superimpose my likes and dislikes - I need to be able to see what is in his best interests. I need to be able to look at all available options in the market and make an informed choice of what is right for him - not necessarily what I like the most. That, according to me, is diligence.

FIFA Perspectives

Dec 2014

FIFA welcomes its new members

Nov-14

M Type	Name of Organisation/ IFA	Representative(s) NAME	CITY
Ordinary	Kumar M Gandhi	Kumar Gandhi	MUMBAI
Ordinary	Tanna Mahesh Sagar	Tanna Sagar	Mumbai

Dec-14

M Type	Name of Organisation/ IFA	Representative(s) NAME	CITY
Ordinary	Brij Mohan	Brij Mohan	NEW DELHI
Ordinary	Blue-chip Investments	Deepak Ramchandra	MUMBAI
Ordinary	R. Venkataraman	R. Venkataraman	Thane