FOUNDATION OF INDEPENDENT FINANCIAL ADVISORS

FIFA

Foundation of Independent Financial Advisors

JUN 2019

What's New?

Market Performance during June 2019

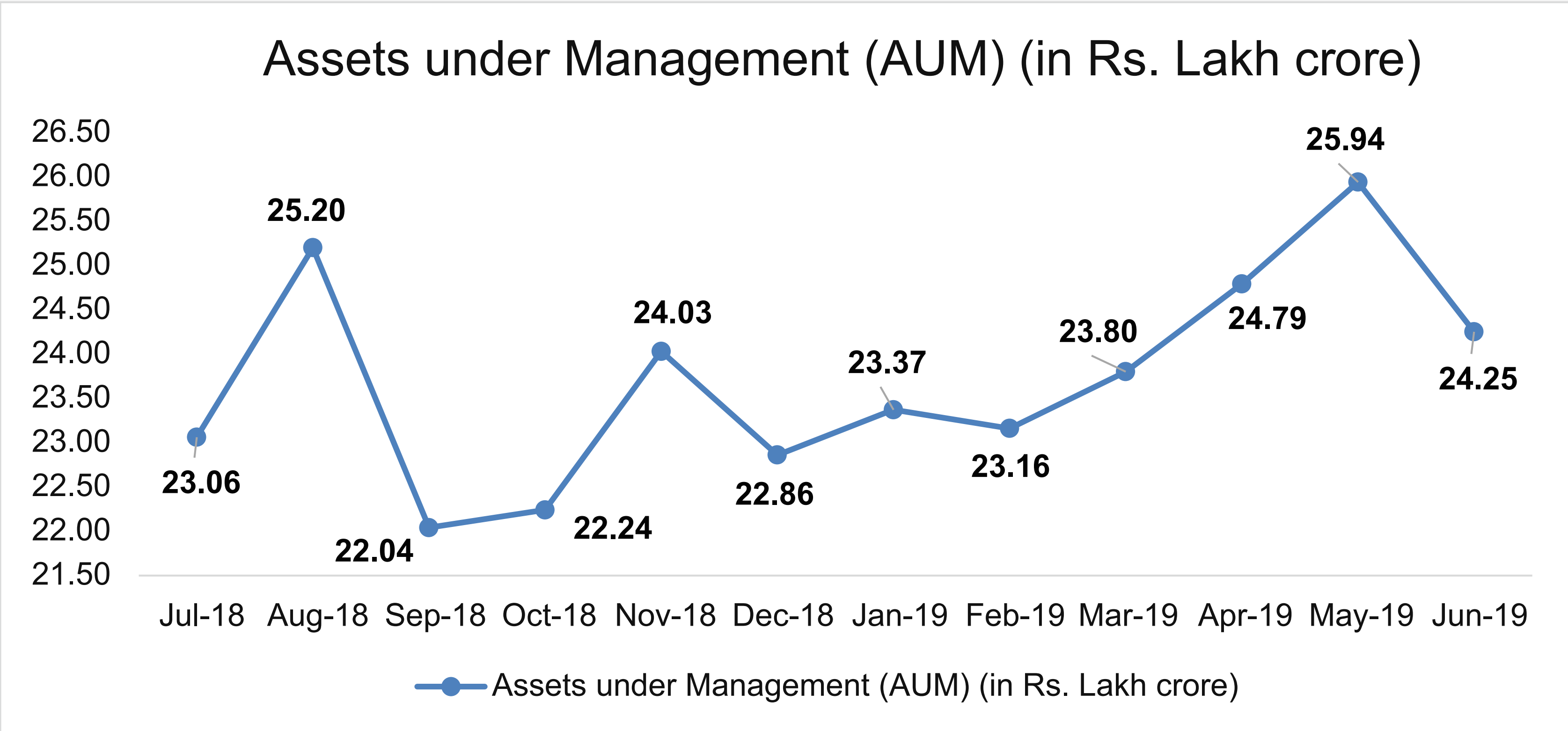
The benchmark indices, S&P BSE Sensex and NSE Nifty50, gave around 1% negative returns during June 2019. After the return of NDA Govt. to power in May 2019, the markets continued to consolidate in June 2019 on the back of rising crude oil prices, increasing risks of tariff wars and monsoon worries. Even at the domestic front, there seemed no immediate relief from the liquidity squeeze from the Reserve Bank of India coupled with the reduced growth forecast. However, healthy FII and DII inflows supported the markets along with positive domestic industrial production data

Majority of the sectoral indices ended June 2019 in negative territory, with S&P BSE Oil & Gas Index slipping around 6% during the month due to rising crude oil prices. On the other hand, the investors flocked the defensive FMCG/ Consumer Durables sector amidst market volatility, which helped the investors generate 6% returns during the month.

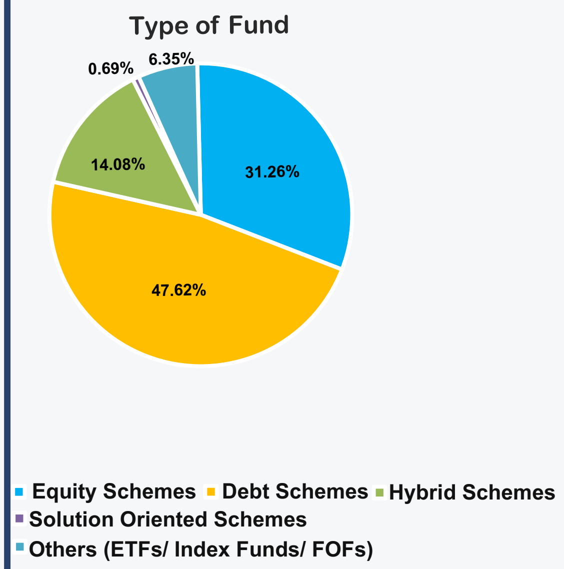
The 10-yr benchmark G-sec yield declined by 15 bps on the back of 25bps rate cut announced by the Monetary Policy Committee (MPC) of Reserve Bank of India (RBI) during the month and closed at 6.88% at month-end. On the other hand, while the CPI inflation rose to a seven-month high of 3.05% in May 2019, it continues to be less than RBI's target of 4%. However, the month was shadowed by the credit defaults by one of the Housing Finance Companies and also by one of the travel companies. As such, the credit spreads continued to be at elevated levels. The Indian currency was also supported by FII/ FPI investment inflows and ended the month at Rs. 69.02 per USD as against Rs. 69.69 per USD at May-19 end.

With the monsoons had a delayed start, it is showing encouraging signs in terms of its onset to different parts of countries. While the increased surcharge on Super-Rich has dampened the market sentiments due to its expected impact on FPIs investing through trust/ AOP route, the reduced corporate tax rate for Companies with turnover less than Rs. 400 crores is favorable from most of the small cap and mid-cap companies. The Budget has also taken few measures for NBFC sector to infuse liquidity into the markets. While there is optimism all around with regards to the Indian economy, the markets continue to stay at expensive valuations, as the current P/E Ratio for both the benchmark indices is significantly higher than the 10-year average. As such, the clients may continue to invest in the large-cap and multi-cap schemes, aiming at long term wealth creation. Long term SIPs can also be continued in mid-cap and small-cap schemes, owing to relatively better valuations and the recent underperformance by the sector.

AUM Movement over the last 12 months



AUM Composition as at June 2019 End



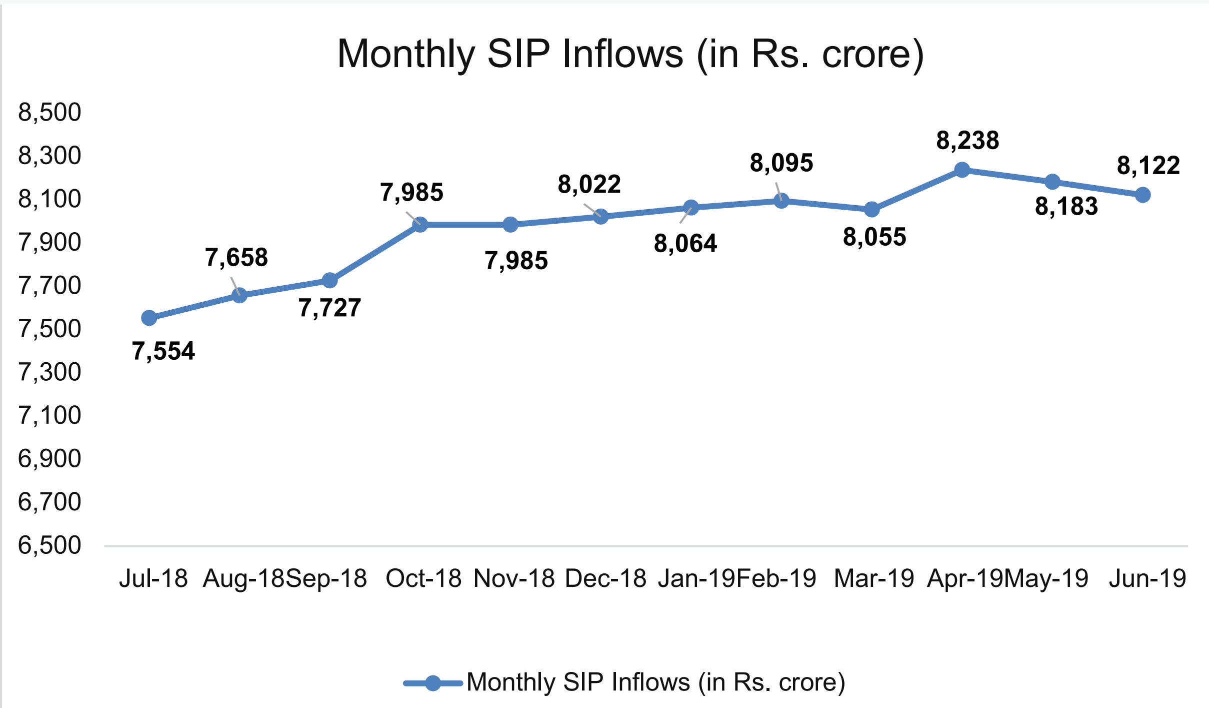
How has the AUM changed over the last month?

(All figures in Rs. lakh crore)

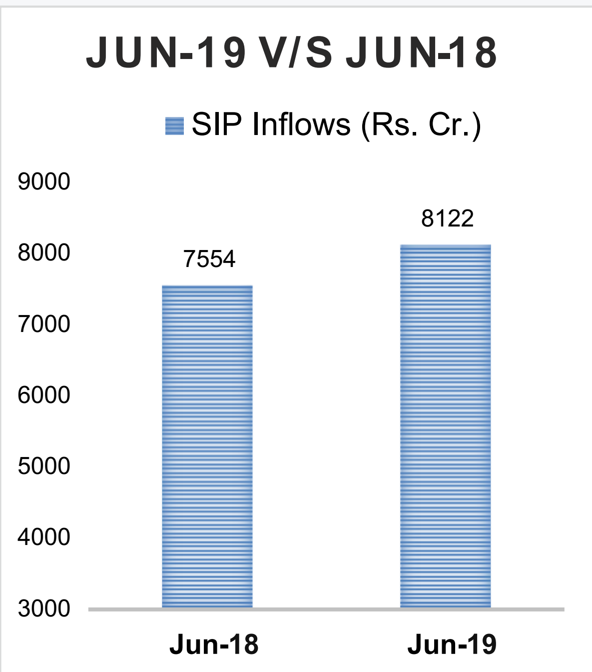
Particulars	AUM as at 31-May-19	Net Inflows/ (Outflows)	Increase/ (Decrease) due to market movements	AUM as at 30-Jun19
Equity Schemes	7,59,026	7,367	(8,393)	7,58,001
Debt Schemes	13,26,112	(1,73,766)	2,382	11,54,729
Hybrid Schemes	3,42,538	863	(1,956)	3,41,445
Solution Oriented Schemes	16,932	137	(267)	16,802
ETF/ FOF/ Others	1,48,952	5,584	(472)	1,54,064
Total	**25,93,560**	**(1,59,814)**	**(8,705)**	**7,58,001**

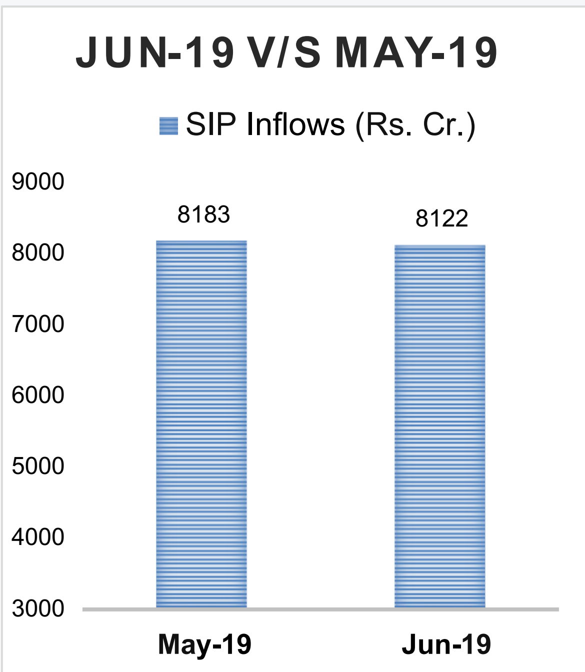
Source-AMFI

SIP Trends



Growth in SIP Inflows





FIFA Welcomes New Members

M TYPE	MEM. NO.	TYPE	Member/Organization	LOCATION
Trustee	T6	N.Indv	Edge Corporate Services Pvt Ltd. Yogendra Khanna upgraded from Founder to Trustee on 29th June 2019)	Mumbai
			Lalit Gianchandani upgraded from Founder to Trustee on 29th June 2019	Mumbai
Patron	P1	Indv	Prescient Financial Solutions. Sangeeta S Jhaveri upgraded from Founder to Patron on 21st June 2019	Mumbai
General	O2005	Ind	Vinay Gupta	Jammu
General	O2006	Ind	R Kesavan	Madurai
General	O2007	Ind	Manish Prabhakar Ganorkar	Nagpur
General	O2008	Ind	Malay Mahesh Shah	Nagpur
General	O2009	Ind	Kapil Subhash Gandhi	Nagpur
General	O2010	Ind	Dhruv Gupta	Ludhiana
General	O2011	Ind	Anand Sharma	Jhalawar
General	O2012	Ind	Santosh Dinkar Khekale	Nagpur
General	O2013	Ind	P Ayyappan	Madurai
General	O2014	Ind	A S Kannappan	Madurai
General	O2015	Ind	Mamta Atin Sheth	Jamnagar
General	O2016	Ind	Sheth Wealth Management	Ahmedabad
General	O2017	Ind	Tejas Hareshbhai Desai	Surat
General	O2018	Ind	Vasundhara Dipak Khandake	Satara
General	O2019	Ind	Devang Ashok Sonawane	Navi Mumbai
General	O2020	Ind	Sunil Hastimal Jain	Mumbai
General	O2021	Ind	Parag R Doshi	Navi Mumbai
General	O2022	N.Indv	Integrated Wealth Management Pvt Ltd	Mumbai
				Mumbai
General	O2023	Ind	Harpreet Singh	Amritsar
General	O2024	Ind	Suniket Ashokrao Savant	Vadodara
General	O2025	Ind	Rajesh Kumar Jain	Rohtak
General	O2026	Ind	Manish Yashvantrai Buvaria	Rajkot
General	O2027	Ind	Girish Kodashettar	Bangalore
General	O2028	Ind	Zehera Mecklai	Mumbai
General	O2029	Ind	Kumaresh B S	Madurai
General	O2030	Ind	E Kabilan	Madurai
General	O2031	Ind	A Irudayam	Madurai
General	O2032	Ind	V Jeyakumar	Madurai
General	O2033	Ind	Kalpana Aggarwal	Ambala Cantt
General	O2034	Ind	Pankaj Singh	Ambala Cantt
General	O2035	Ind	Pankajkumar Bholidas Patel	Himatnagar
General	O2036	Ind	C V R N Rao	Hyderabad
General	O2037	Ind	Chandra Sekhar Maddipatla	Hyderabad

FIFA in association with Invesco Mutual Fund conducted learning session in Ahmedabad on 1st June 2019, which was attended by many IFAs.

Mr Srinivas Rao Kasinathuni conducted session on Debt Market on 11th June 2019 in Visakhapatnam in coordination with Mr Kirtan Shah of Axis Mutual Fund which was attended by many IFAs.


Mr Srinivas Rao Kasinathuni conducted session on Debt Market on 12th June 2019 in Vijaywada in coordination with Mr Kirtan Shah of Axis Mutual Fund which was attended by many IFAs.


Mr Dhruv Mehta was invited for the Pre-Budget discussion organised by the Financial Markets Division, Department of Economic Affairs, Ministry of Finance. Pre-budget discussion / agenda have been uploaded on the website :www.fifaindia.com under home page / download section.

Mr Milind Shah conducted session on Debt Market on 24th June 2019 in Ahmedabad in coordination with Mr Kirtan Shah Axis of Mutual Fund which was attended by many IFAs.

Mr Pratik Shah conducted session on Debt Market on 25th June 2019 in Bharuch in coordination with Mr Kirtan Shah of Axis Mutual Fund which was attended by many IFAs.

Mr Bihag Bhavsar & Smit Shah conducted session on Debt Market on 26th June 2019 in Valsad in coordination with Mr Kirtan Shah of Axis Mutual Fund which was attended by many IFAs.

On 29th June, 2019 Ms. Roopa Venkatkrishnan was addressing Gwalior Association which was attended by many IFAs.

Recent Regulatory Changes

SEBI, in its board meeting held on 27th June 2019, considered various issues concerning capital markets and a summary of the significant decisions taken thereon is as below:

Risk Management Framework of Liquid Funds

To add a liquidity cushion to the fund, liquid schemes shall be mandated to hold at least 20% in liquid assets such as Cash, Government Securities, T-bills, and Repo on Government Securities. Further, liquid and overnight schemes shall not be permitted to invest in Short Term Deposits, debt and money market instruments having structured obligations or credit enhancements. This decision is presumed to have been made considering the recent credit defaults on structured obligations linked with a major Corporate group.

Exit Load on Liquid Schemes

Liquid schemes have been a preferable parking space for surplus funds, especially for corporates as they did not have any exit load considerations and no minimum investment period. However, it has been decided that a graded exit load shall be levied on investors of liquid schemes who exit the scheme up to 7 days. This may shift the investors from liquid funds to overnight funds. However, retail investors investing in liquid funds for maintaining their emergency fund corpus may continue to do so, as the exit load will be applicable for an investment period of less than seven days only.

Investment by Mutual Funds in Listed Securities

only - Mutual Fund schemes shall be mandated to invest only in listed NCDs and the same would be implemented in a phased manner. Further, all fresh investments in Commercial Papers (CPs) shall be made only in listed CPs pursuant to the issuance of guidelines by SEBI in this regard. Even for the equity investments by mutual funds, any investments in unlisted companies have been restricted, and all fresh investments in equity shares by Mutual Fund schemes are allowed to be made only in listed or to be listed equity shares.

Prudential limits governing investments in debt and money market instruments

To reduce the sectoral concentration risk, the cap on the sectoral limit of 25% shall be further reduced to 20%. The additional exposure of 15% to HFCs shall be restructured to 10% in HFCs and 5% exposure in securitized debt based on retail housing loan and affordable housing loan portfolios. Further, the total investment by a Mutual Fund scheme in debt and money market instruments having credit enhancements and on investment by Mutual Fund scheme in such debt securities of a particular group, as a percentage of the debt portfolio of the respective scheme has been prescribed to be restricted to 10% and 5% respectively. Further, the mutual fund schemes must ensure an adequate security cover of at least four times for investment in debt securities having credit enhancements backed by equities directly or indirectly.

Valuation of Money Market and Debt Securities by Mutual Funds

To reflect the true and fair value of the portfolio, the valuation of debt and money market instruments based on amortization shall be dispensed with completely, which was erstwhile still available for investments with short term maturity as specified. Accordingly, all the debt securities will be valued basis mark to market, irrespective of the remaining maturity.

Disclosure of Encumbrances to the Equity Shares

Promoters shall be required to separately disclose detailed reasons for encumbrance whenever the combined encumbrance by the promoters and persons acting in concert (PACs) crosses 20% of the total share capital in the company or 50% of their shareholding in the company. Further, the promoters are also required to disclose the completeness of such disclosures made to the Stock exchanges by making a declaration to the audit committee and to the stock exchanges on a yearly basis, that they along with PACs, have not made any encumbrance directly or indirectly, other than already disclosed, during the financial year.

Framework for Issuance of Differential Voting Rights (DVR) Shares

SEBI has also approved the framework for issuance of DVR shares as below:

a) A tech company (as per the definition in Innovators Growth Platform) having superior voting rights shares (SR shares) would be permitted to make an initial public offering (IPO) of only ordinary shares to be listed on the Main Board.

b) Such SR shares must be issued to the promoters/ founders holding an executive position in the Company.

c) The SR shareholder should be a part of the promoter group whose collective net worth does not exceed Rs. 500 Crores, excluding the investment of SR shareholders in the shares of the issuer company.

d) The issue of such SR shares must have been authorized by a special resolution passed at a general meeting of the shareholders, and such shares have been held for at least six months before the filing of Red Herring Prospectus (RHP).

e) The rights of such SR shares must also be within the broad range of voting rights in the ratio of minimum 2:1 to maximum 10:1 compared to ordinary shares.

f) Considering the prescribed framework for DVR shares, the issue of fractional rights shares by existing listed companies shall not be allowed henceforth.

Quiz

Q.1 - An additional tax deduction of Rs. 50,000 has been proposed for Equity Linked Savings Schemes (ELSS).

A) True B) False

Q.2 - Liquid funds will attract an exit load for the units held for less than 7 days.

A) True B) False

Q.3 - Overnight funds are required to be mandatorily redeemed one day after the investment.

A) True B) False

Q.4 - ETF stands for:

A) Equity Trading Features B) Exchange Traded Fund

C) Everytime Trading Fund D) Entry to Funds

Q.5 - Debt funds other than gilt funds cannot invest in Government securities.

A) True B) False

Ans. Q.1 - B), Q.2 - A), Q.3 -B), Q.4 - B), Q.5 -B),

All Members are requested to update their email IDs and cell numbers on telegram and database. Also, please provide the GST Number. All those Members who have not paid the Annual Fee are requested to do so at the earliest for both 2017-18 & 2018-19.

Your contribution towards this newsletter is solicited. Please share your views on events that you at your end.

Mail to response@fifaindia.com

Editor: Nisreen Mamaji