Foundation of Independent Financial Advisors

SEP 2019

What's New?

Market Performance during September 2019

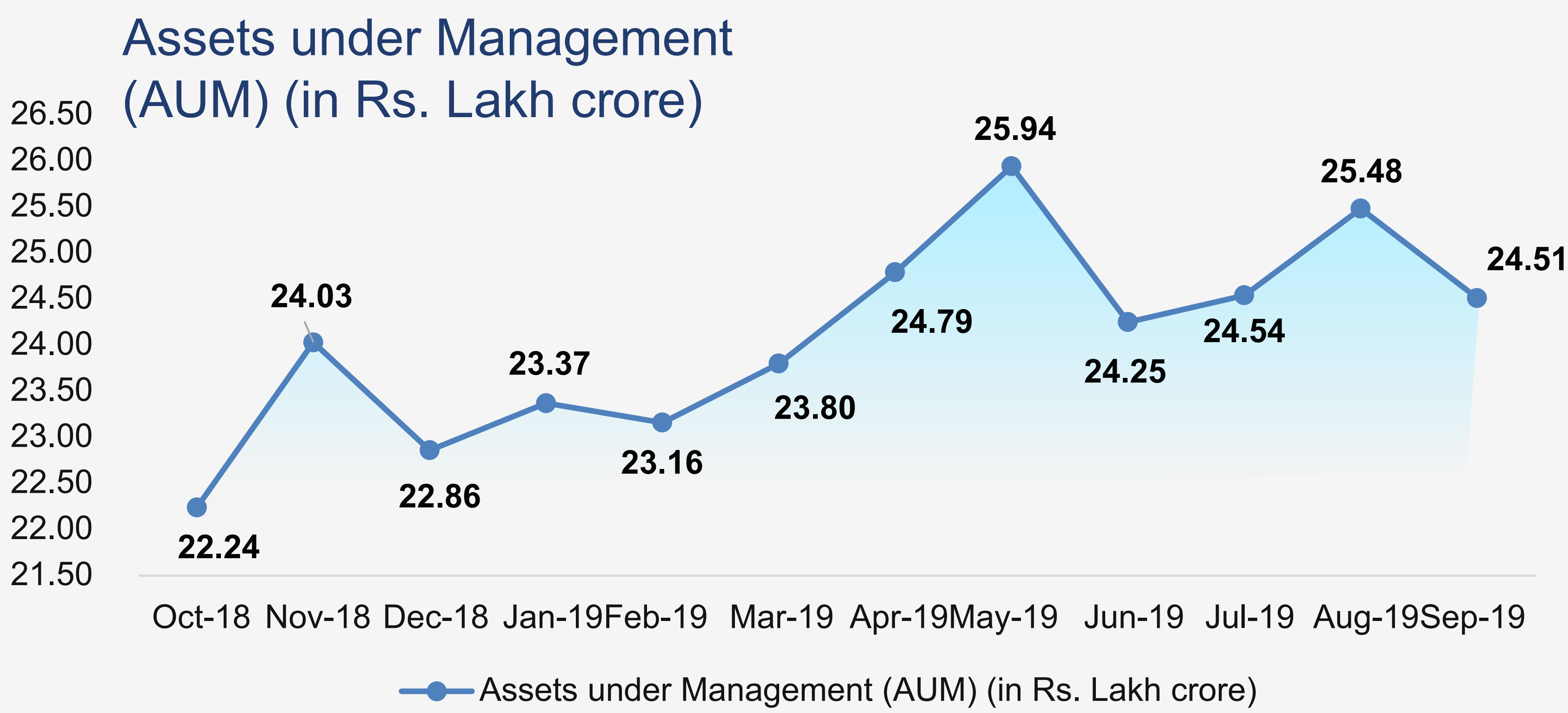
Indian markets continued to post negative monthly returns, as the benchmark indices, S&P BSE Sensex and NSE Nifty50, generated negative returns of 0.40% and 0.85% respectively during August 2019. The markets continued to stay volatile during the month on the back of escalation in US-China trade war, heightened Ind-Pak geopolitical tensions due to abrogation of Article 370 in J&K and the visible signs of economic slowdown due to lower GDP growth in Q1 2019-20. However, the market correction was moderated, as the Govt. seemed alert by taking some stern measures to push the economy back on the high growth track and to address the persisting issues in specific sectors. DII inflows almost matched the FII outflows, helping the markets to sustain heavy selling pressure.

S&P BSE Metals Index was the worst performer in August 2019 with negative returns of approx. 12% during the month, which can be attributed majorly to global trade developments. S&P BSE PSU Index and S&P BSE Bankex were another significant underperformers with -9% and -5% returns respectively during the month. S&P BSE Consumer Durables Index outperformed the markets and generated 5% returns for the month, as the investors flocked to the defensives during the month.

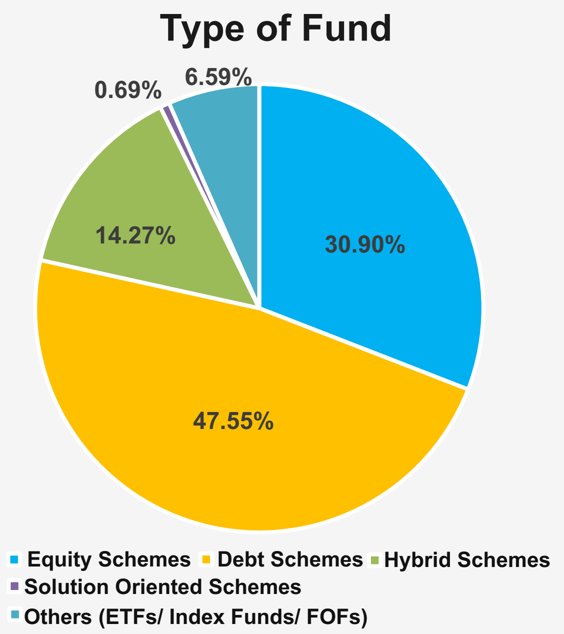
The 10-yr benchmark G-sec yield ended August 2019 at 6.56%, increasing by 19 bps during the month, as the signs of economic slowdown escalated the chances of fiscal slippages due to expected fiscal stimulus and lower GDP growth. Even while RBI has cumulatively reduced 110 bps in the policyrates during the year, the G-sec yields have moderated only by around 81 bps, reflecting only the partial transmission of the rate cuts. However, the credit spreads have moderated from 104 bps for 10-year benchmark papers for AAA credit rating at July end to 84 bps at August end. The trade war escalation between US and China along with FII outflows from Indian markets pushed the USD/ INR rates to Rs. 71.41 per USD at August-end, as against Rs. 68.78 per USD at July end.

While the slowdown in economic growth can be partially attributed to the global factors, the structural and cyclical issues in the NBFC sector have also contributed to it due to lower consumption growth. Govt. has taken several measures during the month in this regard including rollback of FPI surcharge on capital gains, consolidation in the Public Sector banking space, capitalization of PSBs, etc. In the first week of September 2019, RBI also made it mandatory for the banks to link retail home and consumer loans to external benchmarks, which will make the transmission of rate cuts easier and seamless. With the Govt. staying reactive to the Economy's demands, we can continue to be optimistic towards long term prospects of the economy, even while the markets can be volatile over short term. Further, with reasonable correction in the valuations, the investors can continue their SIPs in pure equity schemes, especially in Mid and small-cap schemes for long term.

AUM Movement over the last 12 months



AUM Composition as at 30th September 2019



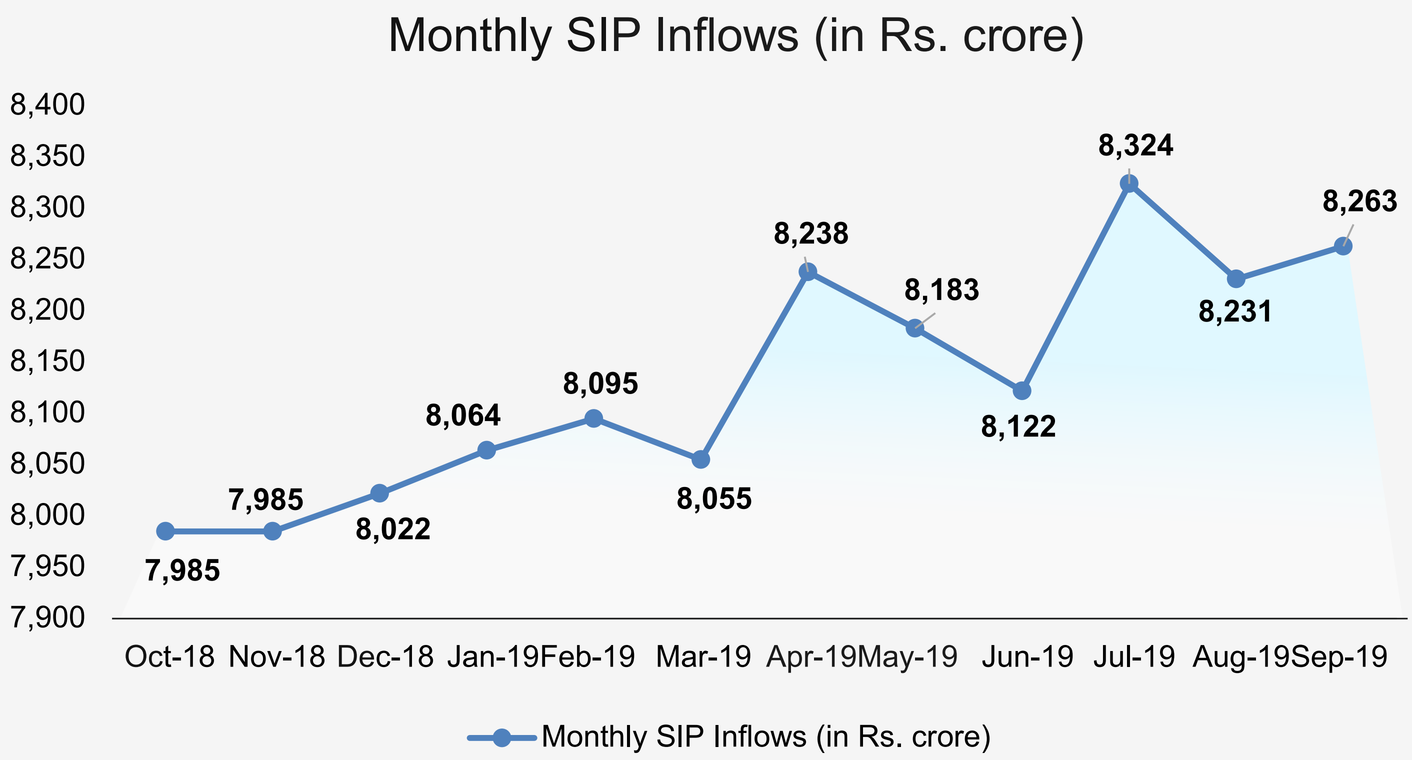
How has the AUM changed over the last month?

(All figures in Rs. crore)

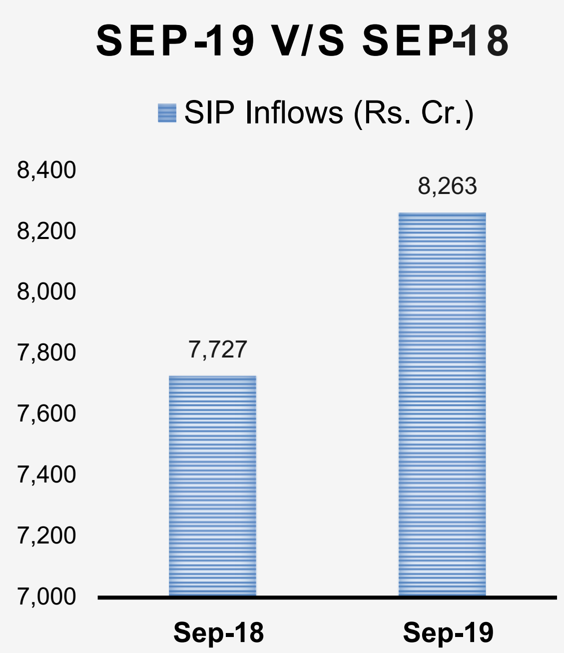
Particulars	AUM as at 31-Aug19	Net Inflows/ (Outflows)	Increase/ (Decrease) due to market movements	AUM as at 31-Sep19
Equity Schemes	7,16,209	6,479	34,473	7,57,161
Debt Schemes	13,22,366	(1,61,958)	4,973	11,65,381
Hybrid Schemes	3,38,710	2,028	8,864	3,49,602
Solution Oriented Schemes	16,384	140	492	17,016
ETF/ FOF/ Others	1,53,925	1,521	6,180	1,61,627
Total	**25,47,594**	**(1,51,790)**	**54,983**	**24,50,787**

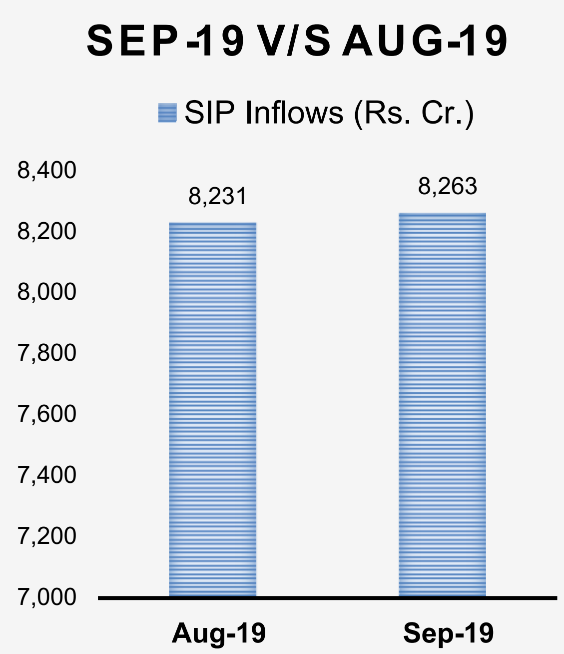
Source- AMFI

SIP Trends



Growth in SIP Inflows





FIFA Welcomes New Members

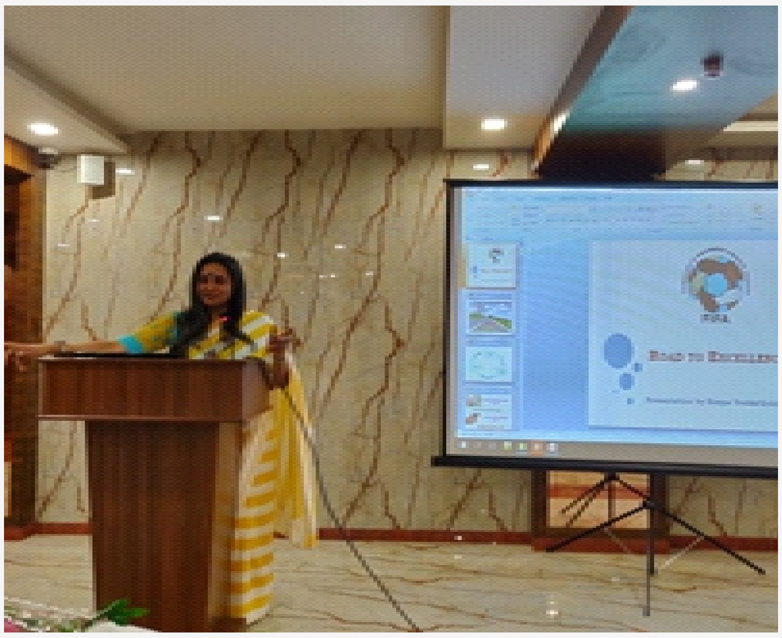
Mem Type	Mem No.	Type	Member / Organization	Location
General	O2080	Ind	Moti Lal Sahu	Jabalpur
General	O2081	Ind	Samarjeet Singh Chauhan	Jabalpur
General	O2082	Ind	Hinen Vimalbhai Shah	Ahmedabad
General	O2083	N.Indv	Margin Money	Ahmedabad
General	O2084	Ind	Chintan Gunvantlal Parikh	Ahmedabad
General	O2085	Ind	Hardik Dineshbhai Doshi	Ahmedabad
General	O2086	Ind	Rushit Nitinkumar Shah	Ahmedabad
General	O2087	N.Indv	Ajmera Investor	Ahmedabad
General	O2088	Ind	Rajendra Kashinath Tarte	Vadodara
General	O2089	Ind	Purvi Hiren Joshi	Vadodara
General	O2090	N.Indv	Ujit Finserv Pvt Ltd	Vadodara
General	O2091	N.Indv	W2D Wealth Managers	Vadodara
				Vadodara
General	O2092	N.Indv	Sahyog Investment Consultant	Ahmedabad
General	O2093	Ind	Purushottam Govind Prabhu	Fatorda
General	O2094	Ind	Bhargav Navneetrai Desai	Valsad
General	O2095	Ind	Hiren Umed Shah	Mumbai
General	O2096	Ind	Manpreet Singh Chawla	Mohali
General	O2097	Ind	Ronakkumar Rasiklal Gandhi	Ahmedabad
General	O2098	Ind	Rohan Pankajbhai Gandhi	Savarkundla

Events

Mr Kirtan Shah of Axis Mutual Fund conducted session on Debt Market on 6th Sept 2019 in Vadodara, which was attended by many IFAs.

On 6th Sept 2019 "Individual Financial Advisors Association Jabalpur" celebrated their 100 monthly association meeting which was attended by many IFAs and AMC members with their families.

On 7th Sept, 2019 Ms. Roopa Venkatkrishnan conducted "Knowledge Sharing Session" in Bhuj which was attended by many IFAs.



On 15th Sept, 2019 Mr. Ashish Modani conducted "Knowledge Sharing Session" in Nashik which was attended by many IFAs.

On 20th Sept, 2019 "Financial Advisor Association Mathura" had conducted their Annual Event which was attended by many IFAs.

On 26th Sept, 2019 Mr. Sanjay Khatri conducted "Knowledge Sharing Session" in Amreli which was attended by many IFAs.

On 27th Sept, 2019 Mr. Sanjay Khatri conducted "Knowledge Sharing Session" in Jamnagar which was attended by many IFAs.

On 28th, 2019 Mr. Sanjay Khatri conducted " Knowledge Sharing Session" in Bhuj which was attended by many IFAs.

On 28th Sept, 2019 Mr Dhruv Mehta making presentation about FIFA to IFA Galaxy in Chennai.

Short Story

From Katherine Hepburn

Once when I was a teenager, my father and I were standing in line to buy tickets for the circus. Finally, there was only one other family between us and the ticket counter. This family made a big impression on me. There were eight children, all probably under the age of 12. The way they were dressed, you could tell they didn't have a lot of money, but their clothes were neat and clean. The children were well-behaved, all of them standing in line, two-by-two behind their parents, holding hands. They were excitedly jabbering about the clowns, animals, and all the acts they would be seeing that night. By their excitement you could sense they had never been to the circus before. It would be a highlight of their lives. The father and mother were at the head of the pack standing proud as could be. The mother was holding her husband's hand, looking up at him as if to say, "You're my knight in shining armor." He was smiling and enjoying seeing his family happy. The ticket lady asked the man how many tickets he wanted? He proudly responded, "I'd like to buy eight children's tickets and two adult tickets, so I can take my family to the circus." The ticket lady stated the price.

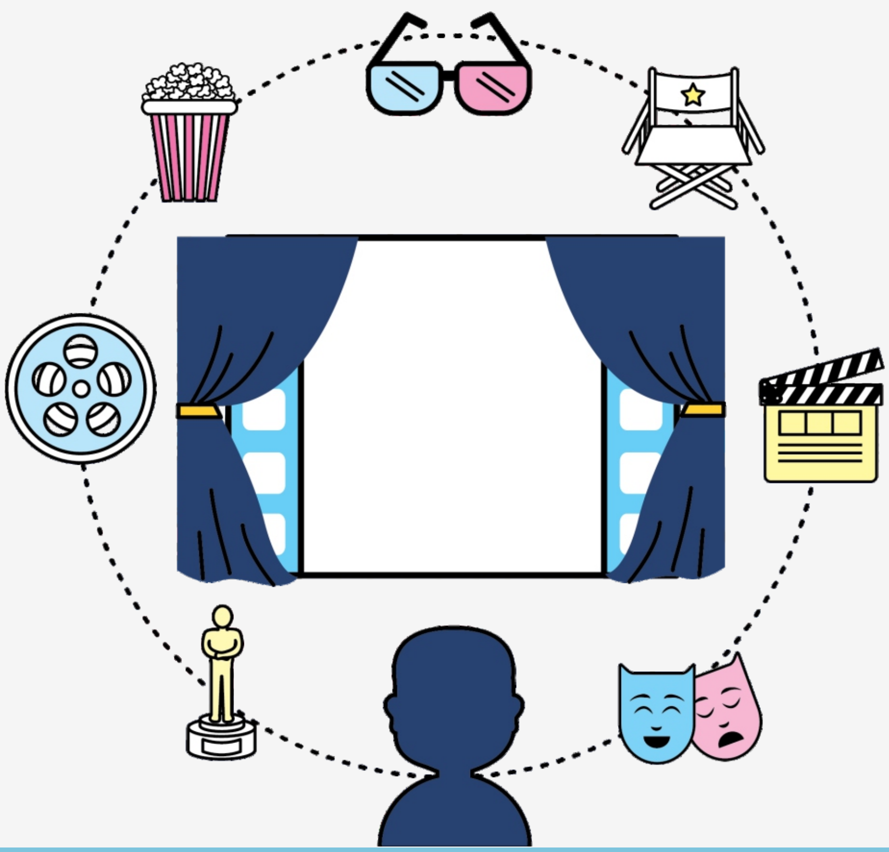
The man's wife let go of his hand, her head dropped, the man's lip began to quiver. Then he leaned a little closer and asked, "How much did you say?" The ticket lady again stated the price. The man didn't have enough money. How was he supposed to turn and tell his eight kids that he didn't have enough money to take them to the circus? Seeing what was going on, my dad reached into his pocket, pulled out a $20 bill, and then dropped it on the ground. (We were not wealthy in any sense of the word!) My father bent down, picked up the $20 bill, tapped the man on the shoulder and said, "Excuse me, sir, this fell out of your pocket." The man understood what was going on. He wasn't begging for a handout but certainly appreciated the help in a desperate, heart breaking and embarrassing situation. He looked straight into my dad's eyes, took my dad's hand in both of his, squeezed tightly onto the $20 bill, and with his lip quivering and a tear streaming down his cheek, he replied; "Thank you, thank you, sir. This really means a lot to me and my family." My father and I went back to our car and drove home. The $20 that my dad gave away is what we were going to buy our own tickets with.

Although we didn't get to see the circus that night, we both felt a joy inside us that was far greater than seeing the circus could ever provide.

That day I learnt the value to Give. The Giver is bigger than the Receiver. If you want to be large, larger than the life, learn to Give.

Only if you Give you can Receive more. The Givers heart becomes the Ocean, in tune with the Almighty - The Source

Love has nothing to do with what you are expecting to get - only with what you are expecting to give which is everything.



Beat the slowdown by investing smartly

Some good stocks are pulling up certain indices, but most mutual fund schemes are staring at losses.

Articles by
RISHABH PARAKH

The economic slowdown and a volatile stock market are making a lot of investors nervous. Many mutual fund investors are wondering whether they have made a mistake by investing in equity mutual funds. Some investors are asking around whether they should stop their SIPs in equity mutual funds. Some others are feeling depressed after comparing the negative returns offered by equity schemes with decent returns offered by fixed deposits, debt schemes, PPF, and so on. The fainthearted are contemplating selling their equity mutual funds.

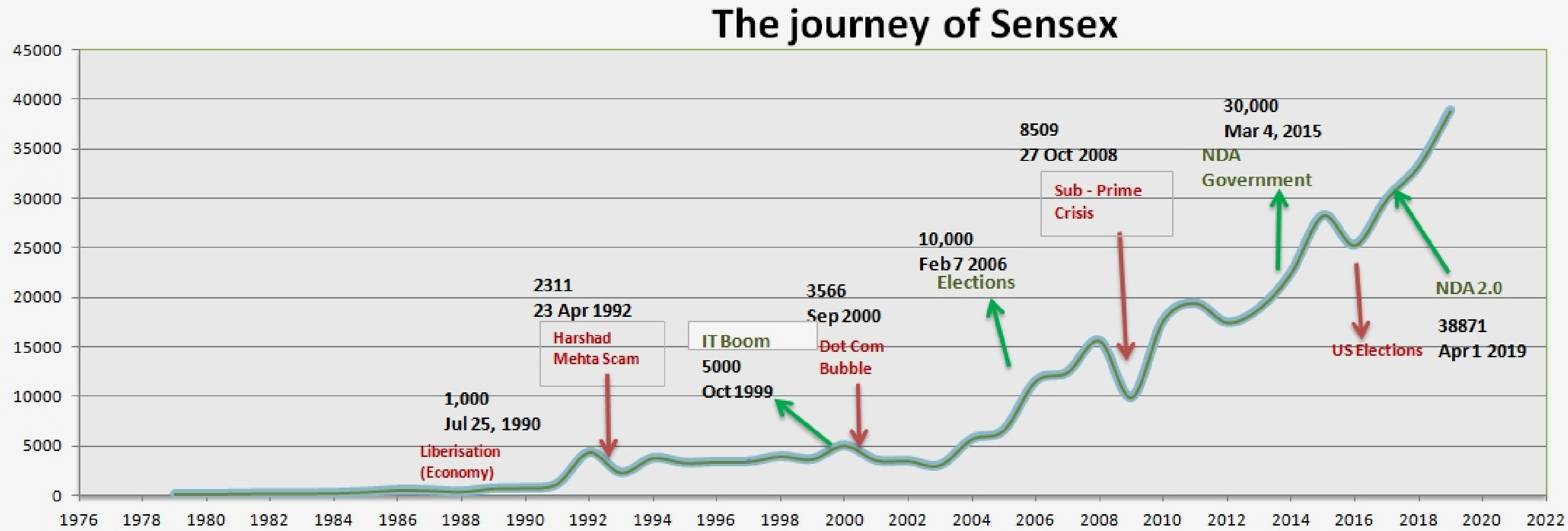
Since the peak of January 2018, NSE Mid-cap index has corrected around 25 percent, whereas the small cap index has corrected around 40 percent. The Nifty, on the other, is up 6 percent for the same period. Some good stocks are pulling up certain indices, but most mutual fund schemes are staringat losses.

In such a scenario, many Investors tend to panic; they think they are losing the money they have invested. This runs counter to the logic of long-term equity investing. So, before you press the panic button and think of redeeming your funds, answer these questions:
1) Have your financial goals changed?
2) Are you just a year or two away from your goal?
3) Do you need money to overcome a financial emergency?

If the answer to these questions is a big "no", you should stop worrying. There is a quote from the famous businessman Jack Ma: "Today is difficult, tomorrow will be more difficult, but the day after tomorrow will be beautiful." I believe this quote is applicable for investing too. Whenever you stay patient and invest for the long term with careful financial planning, your investments are bound to yield good returns.

The past, present and (may be) future

Look at the following chart to see the returns the Sensex has given over the last 39 years since its inception. You may note that there are a lot of ups and downs in the market over the short term, but in the long term, the market has consistently given good returns. Dips in the market have happened in the past, are happening right now, and will happen in the future too.



It is only natural to start worrying about your money in a troubled economic scenario. But you should not overlook the big picture. The Sensex was at 1,000 points in 1990. It reached 40,000 in 2019. Currently, the market bellwether is hovering around 37,000. So, keep in mind that equity investments will give the best results over a long period. And market dips are an inherent part of equity investing. Just have patience.

Tackle the slowdown

Rather than pressing the panic button, use the current slowdown as an opportunity to make money. It's a good time to review your investments and diversify your portfolio. If you play your cards well, you can create wealth. Here are some points to help you.

1) Investing for the long term does not mean that you ignore whatever is going on in the market and continue investing with no modification to your plans. Assess the market conditions by linking it to you r financial planning and current investments and redefine the path to your financial goals, if needed.

2) If you have some extra money at this point, you can consider investing in good equity mutual funds or quality stocks.They will be available at a lower price, and you can create a larger corpus at a lower price. Since the company or the fund hasn't changed, sooner or later, the schemes that have invested in a strong fundamentally sound businesses will rise again.

3) Mutual fund SIPs are the way to go. Make sure to continue your regular monthly investments (SIPs) in times of market slowdown. This is the best time for SIPs to work in your favour because of the rupee cost averaging benefit. If you are looking towards lump sum investments, use the STP (systematic transfer plan) method. This will help you to invest systematically and beat market volatility.

4) Market slowdown is a good time for you to check and correct your expectations from the stock market for the next couple of years. A return of 15 percent or more on the basis of past performance may not be a realistic expectation in the next few years. You need to realign your portfolio expecting returns accordingly.

5) A good approach in the next 6 to 8 months can be to invest gradually in mid cap funds. This category has corrected a lot recently. You can invest in these funds gradually through SIPs or STPs right now. However, keep in mind that the experience of a mid-cap investor in the next couple of years might not be the same as an investor in the last couple of years. Slowly getting into this space can help you make more money. If you feel that you don't want to take the risk of going completely with mid-cap investments, you can invest in a mix of multi-cap and index funds.

6) Investing in Nifty 50, or Junior Nifty, that is the second set of top 50 stocks in the Indian market can also be a good option. This will make your investments a part of the top 100 companies in India and reduce your expenses as well. Also, this would work well in present times, given the fact that it would be difficult for a large-cap fund manager to constantly beat the returns of index funds post Sebi's categorisation of mutual fund schemes.

Finally, the key is to focus on creating and having a realistic financial plan, which you need to stick to, irrespective of any temporary or short term market movement. Follow your investment strategies, especially in times of market volatility. And always remember that equity investments are only suitable for long term, more than five or ten years. And not making rash decisions and staying invested is the key to wealth creation.

(Rishabh Parakh is a personal finance strategist and Chief Gardener at Money Plant Consultancy)

Review of Investment Norms and Risk Management Framework for Debt Funds

SEBI recently issued two circulars reviewing risk management framework for liquid and overnight funds and investment norms for mutual funds for investment in debt and money market instruments dated 20th September 2019 and 1st October 2019, respectively. Here is a summary of the changes prescribed under these circulars:

1. Investment in Liquid Assets – To cushion the liquidity position of the liquid funds, such funds have been mandated to invest a minimum of 20% of its net assets in liquid assets, which include Government Securities, T-bills and Repo on Government Securities. This provision has been made effective from the start of next financial year onwards, i.e. from 1st April 2020.

2. Restriction to invest in Short Term Bank Deposits – SEBI had earlier issued a circular prohibiting the parking of funds in short term deposits of such banks, which had itself invested in that mutual fund scheme. However, mutual funds were free to park the surplus funds pending deployment in short term deposits of other banks. SEBI has now restricted liquid Funds and overnight Funds to park funds pending deployment in short term deposits of scheduled commercial banks with immediate effect.

3. Restriction to Invest in Debt Securities with Structured Obligations – This provision is being seen as a fallout of the recent corporate defaults by major Corporate group. To mitigate such risks, liquid funds and overnight Funds have now been restricted to invest in debt securities having structured obligations (SO rating) and/ or credit enhancements (CE rating). However, such funds can still invest in debt securities with government guarantee

4. Exit Load on Liquid Funds – To encourage the investors to stay invested for more extended periods, mutual funds have now been allowed to exit load in liquid funds for investments less than seven days. This provision is effective from investments made on or after 20th October 2019.

5. Changes in Cut-off time – The cut-off timings for applicability of Net Asset Value (NAV) for liquid and overnight funds have now been modified to 1:30 PM, as against 2 PM earlier. This change will also be effective from 20th October 2019.

6. Restriction to Invest in Unlisted Debt Instruments – SEBI has now restricted mutual funds to invest in unlisted debt Instruments including commercial papers (CPs), other than (a) government securities, (b) other money market instruments and (c) derivative products such as Interest Rate Swaps (IRS), Interest Rate Futures (IRF), etc. which are used by mutual funds for hedging. However, mutual funds can invest in unlisted plain vanilla Secured Non-Convertible Debentures (NCDs) with monthly coupon payments, upto a maximum of 10% of the debt portfolio of the scheme. This restriction is stipulated to be implemented in phased manner, and mutual funds shall reduce the exposure to such instruments to 15% by 31st March 2020 and 10% by 30th June 2020. Further, the existing investments in unlisted debt securities as on the date of the circular shall be grandfathered, and any fresh investments will be made only in listed NCDs till the scheme complies with the threshold criteria.

7. Restriction to Invest in Unrated Debt Instruments – Mutual fund schemes have now been restricted to invest more than 5% of their net assets in unrated debt and money market instruments, other than (a) government securities, (b) other money market instruments and (c) derivative products such as Interest Rate Swaps (IRS), Interest Rate Futures (IRF), etc. Further, such investments must only with the prior approval of the Board of AMC and the Board of Trustees.

Quiz

Q.1 - Returns from Equity Linked Savings Schemes (ELSS) are taxable at the rate of 15%.

A) True   B) False

Q.2 - Cut-off timings for investment in liquid funds has been changed to 3 PM, instead of 2 PM earlier.

A) True   B) False

Q.3 - AMFI classifies the stocks into different market capitalizations on half-yearly basis.

A) True   B) False

Q.4 - Exit load can be levied in liquid funds for investment only upto ___ days.

A) 5   B) 14

C) 30   D) 7

Q.5 - Equity oriented mutual funds schemes must invest at least 65% of the Assets under Management (AUM) in equity and equity related securities.

A) True   B) False

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

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

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