



Foundation of Independent Financial Advisors

— April-May 2018 —

What's New?

RBI hikes Policy Rates for the first time in 4 years – How does it impact Debt Funds?

RBI hikes repo rate and reverse repo rate by 25 bps each, in its bi-monthly monetary policy review. This hike has been the first one in the last 4 years. The rate hike is expected to ease the upside risks to inflation, as RBI stays committed to restricting the inflation at 4% on a durable basis.

The increase in policy rates has pushed the yields up across the maturities. Since the prices of fixed income securities are inversely proportional to the interest rates, the same have consequently decreased. Accordingly, the portfolio of debt funds, especially long duration funds, has seen a reduction in the respective NAVs. Even the short-duration funds may have been impacted, but not to the extent of the impact long duration funds have seen. Future rate hikes during the current financial year cannot be ruled out and hence, it is suitable to invest in Credit Opportunities funds to gain from rating upgrades amidst improving economic outlook.

Monthly SIP Inflows

While the markets have been taking a break from the unidirectional uptrend, retail flows into the markets through Mutual Funds have been encouraging. The incremental monthly SIP inflows had touched all-time highs in the month of March. During the month of March 2018, an amount of Rs. 7,119 crores has been invested through SIPs which is 64% higher than the amount of Rs. 4,335 crores collected in March-17. Further, the total SIP contribution during FY 2017-18 was Rs. 67,190 crores, 53% higher than Rs. 43,921 crores collected during FY 2016-17. Even the data for the April 2018 has been encouraging with SIP contribution of Rs. 6,690 crores, as against Rs. 4,269 crores in April 2017 showing an increase of 58%.

Equity Market Performance during May 2018

While the equity markets had staged a decent recovery in the month of April 2018, the month of May 2018 saw the markets consolidating amidst developments in global and domestic political scenario. Even the corporate earnings had not been much encouraging, especially in the banking sector. Going ahead, while the high crude oil prices continue to pose pressure on the fiscal numbers, positive economic outlook poses an interesting investment opportunity for the investors too. As such, the investors may be advised to continue investing through Systematic Investment Plans (SIPs) amidst market volatility.

AUM Data - Investments in Mutual Funds

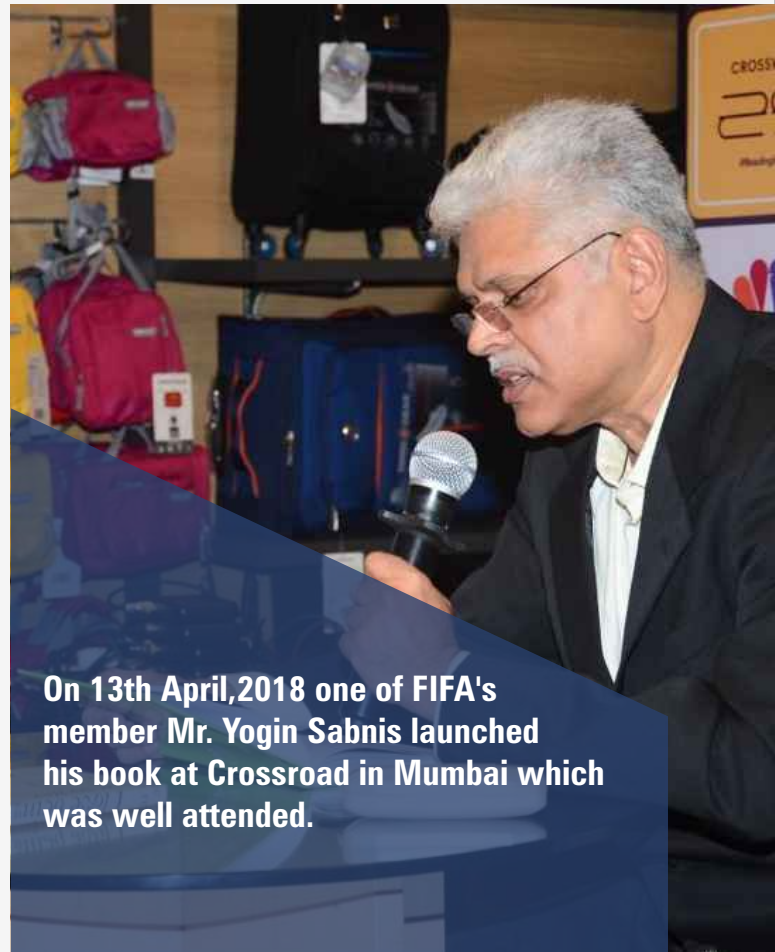
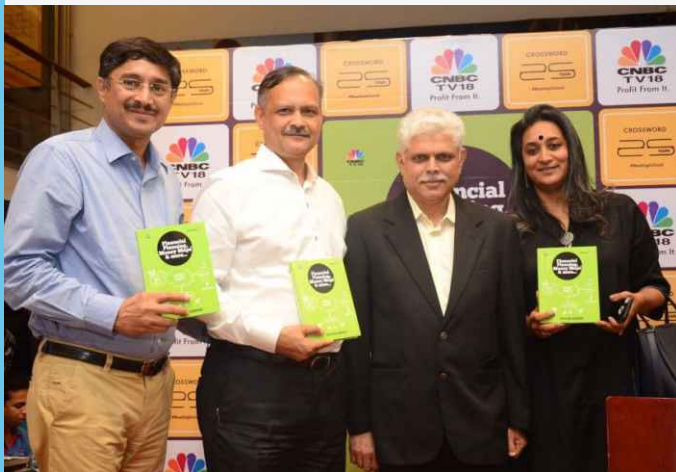
The financial year 2018-19 has started off well for the Mutual fund industry as the first month saw the AUM increase 6% from Rs. 21.36 lakh crores as at 31st March 2018 to Rs. 22.60 lakh crores as at 31st May 2018. As the markets remained in the consolidation phase, equity schemes (including arbitrage funds, balanced funds, and ELSS) saw net inflows of Rs. 14,736 crores during the month of May 2018 and total AUM under such schemes at May-18 end was Rs. 9.76 lakh crores. The healthy growth in the AUM for the industry reflects the emergence of mutual funds as a preferred investment vehicle, especially for the household savings.

FIFA Welcomes New Members

– April & May 2018

M TYPE	MEM. NO.	TYPE	NAME OF ORGANISATION / IFA	NAME OF MEMBER	LOCATION
Founder	F136	N.Indv	S.S. Broking House & Consultants Pvt.Ltd.	Sanjeev Mishra & Siddharth Anand	Uttarpradesh
Life	L149	N.Indv	S.S. Broking House & Consultants Pvt.Ltd.	Ashok Kumar Naredi	Jamshedpur
Life	L150	Indv	Rakesh Bahadur	Rakesh Bahadur	Allahabad
General	01491	Indv	Anand Puranik	Anand Puranik	Jabalpur
General	01492	Indv	Raman Khanna	Raman Khanna	Jabalpur
General	01493	Indv	Randhir Patley	Randhir Patley	Jabalpur
General	01494	Indv	Kanhaiya Lal Tolani	Kanhaiya Lal Tolani	Jabalpur
General	01495	N.Indv	Swastik Financial Consultants	Amit Chahal	Panchkula
General	01496	N.Indv	M.K. Financials	Manan Dinesh Porecha	Mumbai
General	01497	N.Indv	BMS Investments	Dishant Sahni	Jalandhar
General	01498	Indv	Vijaysinh Vilasrao Nimbalkar	Vijaysinh Vilasrao Nimbalkar	Navi Mumbai
General	01499	N.Indv	Pratik Ashutosh Mukasdar	Pratik Ashutosh Mukasdar	Nagpur
General	01500	N.Indv	Futurekonnnect Wealth Management Pvt.Ltd.	Bhupendra Singh	Deoria
				Kamlesh Singh	Deoria
General	01501	N.Indv	Meerja Investments Care	Kuldeep Baranwal	Mirzapur
				Saurabh Mishra	Bhadohi
General	01502	Indv	Rekha Bahadur	Rekha Bahadur	Allahabad
General	01503	Indv	Rajkumar Sharma	Rajkumar Sharma	Sambalpur
General	01504	Indv	Ajay Kumar Mohta	Ajay Kumar Mohta	Vizianagaram
General	01505	N.Indv	Vansh Capital	Rahul Madanraj Jaju	Pune
General	01506	Indv	Rekha Mahendra Gabhawala	Rekha Mahendra Gabhawala	Varanasi
General	01507	N.Indv	Yashaswini Financial Advisory Services	Amit Dolatrai Desai	Mumbai
General	01508	Indv	Nisha Rani	Nisha Rani	Ropar
General	01509	Indv	Amit Arora	Amit Arora	Bathinda
General	01510	N.Indv	EZY Wealth Management	Promila Kakar	Chandigarh
General	01511	Indv	Nimish Yashwant Thatte	Nimish Yashwant Thatte	Chiplun
General	01512	Indv	Harpreet Singh	Harpreet Singh	Mohali

Events



On 13th April, 2018 one of FIFA's member Mr. Yogin Sabnis launched his book at Crossroad in Mumbai which was well attended.



On 6th April, 2018 Roopa Venkatkrishnan had a well attended, thought provoking interaction and a practical Knowledge Session with IFAs in Jabalpur.



Mr. Ashish Goel conducted a Knowledge Growth Sharing Session on Saturday, 12th May 2018 in Chandigarh, which was very well attended by IFAs from Northern Region.



**On 30th May, 2018
Mr. Dhruv Mehta, Chairman &
Roopa Venkatkrishnan had a meeting
with Mr. Jean-Pierre, Secretary-General of
CONVENTION OF INDEPENDENT FINANCIAL
ADVISORS (CIFA) Headquartered in Geneva.**



During the Board Meeting held on 3rd March, 2018 Mr. Lovai Navlakhi's resignation from the Board was placed before the Board of Directors and was approved. Mr. Sanjay Khatri was appointed as New Director.

Terminology

Four Terms you must know about when you read the RBI Monetary Policy

RBI announced an increase in Repo and Reverse Repo Rate in its monetary policy review on 6th June 2018, while keeping CRR and SLR requirements broadly unchanged. If you are just wondering what these terms mean, we will decode these for you.

Repo Rate

Repo rate is one of the major policy rates which are used by Reserve Bank of India (RBI) to control the supply of money in the economy. It is the rate at which RBI lends money to commercial banks in case of any need. RBI increases repo rate at times when it wants to restrict inflation and control the money supply in the economy, as higher rate discourages the banks to borrow.

Reverse Repo Rate

While the equity markets had staged a decent recovery in the month of April 2018, the month of May 2018 saw the markets consolidating amidst developments in global and domestic political scenario. Even the corporate earnings had not been much encouraging, especially in the banking sector. Going ahead, while the high crude oil prices continue to pose pressure on the fiscal numbers, positive economic outlook poses an interesting investment opportunity for the investors too. As such, the investors may be advised to continue investing through Systematic Investment Plans (SIPs) amidst market volatility.

Cash Reserve Ratio (CRR)

It specifies the percentage of total demand and time liabilities of the bank which are to be kept in cash with RBI. The current rate of CRR is 4%. In simpler words, this would mean that all the banks need to keep Rs. 4 out of every Rs. 100 deposited by the public into the bank including savings accounts, current accounts, fixed deposits etc. RBI makes use of CRR to drain excess liquidity from the economy or put in an additional supply of money. When CRR is lowered, the money supply increases in the economy as the mandatory cash requirement decreases. This money supply can be used by the banks for further lending. On the other hand, a higher CRR results in lower money supply in the economy. RBI does not pay any interest on the money so deposited in compliance with CRR requirements

Statutory Liquidity Ratio (SLR)

To maintain the sufficient liquidity in the balance sheets of the banks, RBI prescribes them to maintain a minimum SLR which can be maintained by investing in liquid assets like cash or gold or SLR securities including govt. securities, state development loans etc. This is also prescribed as a percentage of total demand and time liabilities of the bank in line with the CRR requirements. RBI can achieve the same purpose of managing the money supply in the economy through SLR.

Quiz

- Q.1 - NAV of mutual funds is disclosed on monthly basis
A) True B) False
- Q.2 - Monetary Policy Committee of RBI, which takes decisions in respect of Monetary Policy, consists of total 6 members.
A) True B) False
- Q.3 - Closed ended funds cannot be traded on stock exchanges before the scheme maturity date.
A) True B) False
- Q.4 - AUM stands for:
A) Assets Under Management B) Amount Under Mutual Funds
C) Amount Unutilized in Mutual Funds D) Assets Under Mutual Funds
- Q.5 - Capital Gains from redemption of ELSS will always be considered long term.
A) True B) False

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

FIFA Bulletin

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Mr. Lovai Navlakhi's resignation from the Board was placed before the Board of Directors and was subsequently approved.

Mr. Sanjay Khatri was appointed as New Director.

All those Members who have not paid the Annual Fee are requested to do so at the earliest for both 2017-18 & 2018-19.



We invite Members to solicit new Membership and invite viewers to register as Members. For details and registration forms, please visit FIFA Website: www.fifaIndia.org
Your contribution towards this newsletter is solicited. Please share your views on events that you attend. Mail to response@fifaIndia.com
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