

AMFI



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U P D A T E

A Newsletter of The Association of Mutual Funds in India

December, 1998 Vol : I. Issue : II

From the Chairman's desk

The first issue of the AMFI Update, released in October, was well received by our members and others, linked to the mutual fund industry.

While we continue with our various initiatives, a significant step has been taken with the launching of AMFI's Advanced Training Programme for agents. We strongly believe that the enlightened support of market intermediaries is critical for the growth of our industry.

This issue of the Update not only brings you up to date on the latest developments in the last quarter of 1998, but also provides industry data for the quarter ended September. We are also happy to share with you some interesting and relevant data on the Mutual Fund industry in overseas markets.

Wishing you a joyful New Year.

Yours,

A.P. Kurian

SEBI UPDATE - A GROWING PARTNERSHIP

Meeting of AMFI Members with SEBI on Demat

SEBI convened a meeting of AMFI members on 3rd December to discuss the progress of Demat by Mutual Funds. Almost all the Mutual Funds' representatives attended this meeting which was presided over by Mr. D.R. Mehta, Chairman, SEBI. Mr. C. B. Bhawe, Managing Director, NSDL, Mr. Ashok Kacker and Mr. Pratip Kar, Executive Directors of SEBI were

also present. The Chairman took a review of each Mutual Fund's position with regard to demat and it was observed that the proportion of demat to total portfolio would be in the range of 75 to 100% for all Mutual Funds by end January '99. It was heartening to note that the Mutual Funds had effected cost savings to the extent of 80 to 85% as a result of the switch over to demat mode.

COMMITTEES UPDATE - A JOINT EFFORT

Committee on Non- Performing Assets

The committee, headed by Mr. Niamatullah, SBI Mutual, to evolve suitable guidelines for recognition and provisioning of Non-Performing Assets, has circulated its first draft to the members. Concurrently, AMFI has also requested two large funds to test the

recommendations of the committee on their existing portfolio, in order to ensure their suitability as well as practicability. Thereafter, the draft of the recommendations will be circulated to all the members.

VALUATION OF SECURITIES UPDATE

CRISIL has completed the development of a software to implement the new valuation policy. A demonstration was organised for the members on the software between 19th and 20th of November. CRISIL has installed the package at the members'

offices. Members have been requested to test run the package and value their portfolio using the new methodology. After getting the feedback from the members, the valuation committee will review and accordingly take a view on the final implementation date.

INITIATIVES UPDATE

Investor Awareness Committee (IAC) - Launches An Advanced Training Programme For Agents And Intermediaries

AMFI has taken a new initiative in the area of Investor Awareness. The Investor Awareness Committee (IAC) felt that as agents and intermediaries play a significant role in the decision making process of investors, it is very necessary that these intermediaries have proper and complete knowledge of Mutual Funds. Further, their selling skills need to be enhanced and updated. The IAC has thus worked out a detailed one day programme of Advanced Training.

The programme was inaugurated on Nov. 14, 1998 at Mumbai by Mr. Ashok Kacker, Executive Director, SEBI, who has complimented AMFI on its new initiative and has suggested that we should move towards the system of certification through proper training and examination. The sessions were taken by Mr. Ajai Kaul of Alliance Capital, Mr. Vivek Reddy of Kothari Pioneer and Mr. V. S. Sreenivasan, the co-ordinator of the programme. The opening and closing sessions were taken by the Chairman. There were 117 participants for the first programme who were given a training kit, comprising a hard copy of the slides along with the speaker's notes. This is perhaps the first time that a systematic training programme with a training kit is being conducted and that too at a nominal fee Rs. 100/- per participant. The response is indicative of the genuine desire on the part of the intermediaries for proper training. The feedback we received has been very encouraging and based on this experience, some of the sections have been further improved and a revised training kit is

being finalised for future use.

The second programme was on 28th November at Dadar, the third was on 12th December at Vile-Parle and the fourth on 19th December at Chembur, all in Mumbai. After completing Mumbai, we will be organising such programmes in other cities. In a specially convened meeting of Marketing Heads of all Mutual Funds held on 7th December at Mumbai, it was decided to prepare a panel of trainers from different Mutual Funds and identify important places and work out the future programme. With the active involvement of all Mutual Funds, we propose to cover all the important centres.

General Membership Meeting of AMFI Members.

In order to formulate AMFI's views for presentation to SEBI on several aspects such as call money, stock-wise limit for investment, rationalisation of load, additional management fee, associates of AMC/ Mutual Fund investing in schemes, Voting Policy, Accounting Issues, Standard Offer Document, etc., AMFI organised a general meeting of members and discussed various issues. Based on the views expressed by the members, AMFI will be presenting the industry's views to SEBI. It is proposed to have more such meetings to promote interaction among members.

Admission of Members

We welcome IL&FS Asset Management Co. Ltd., our youngest member into the family of AMFI. Today we have 34 members.

AMFI Website

The AMFI website continues to receive a good response from people across various countries. During

September and October, 2262 people accessed the website of AMFI of which 34% were from India, around 49% from U.S and the rest from other countries.

AMFI representatives meet Chairman, CBDT and Finance Secretary, Govt. of India

Mr. A.P. Kurian, Chairman, AMFI, Mr. K.N. Atmaramani of Tata Mutual Fund and Mr. R.K. Gupta

of H.B. Mutual Fund called on Mr. Ravikant, Chairman, CBDT on December 21, 1998 and reiterated AMFI's suggestions on tax matters already presented to Govt. in April, 1998. Later, on the same day, the AMFI team met Mr. Vijay Kelkar, Finance Secretary and had a very fruitful discussion. He has shown keen interest in the industry and has assured to support it

MUTUAL FUND INDUSTRY DATA

The data for the second quarter July-September is presented in Tables 1 and 2.

The highlights are:

- 50% growth in Sales during the Second quarter.
- 6 new schemes launched which collected Rs. 1,491 crores accounting for 24.5% of the sales during the quarter.

- Existing schemes mobilised Rs.4,602 crores contributing 75.5% of the sales during the quarter.
- Redemptions went up by 86% to Rs. 5,124 crores.
- The total assets under management were Rs.67,862 crores.

MUTUAL FUND INDUSTRY ABROAD

For the information of our members and other readers, we have compiled some data on Mutual Funds abroad. The data relate to what is known abroad as open-end investment companies which is the same thing as

open-end Mutual Funds. The assets under management in the 34 countries as at end of March '98 are presented in Table - 3.

NEWS UPDATE

Indian Merchants' Chamber (IMC) - Seminar on "Road Map for Investors in India"

AMFI was actively associated with IMC for a seminar organised by them on the 25th November at Mumbai. Mr Pratip Kar, Executive Director, SEBI, spoke on Efficiency of Capital Market and Dr. Sadhak of LIC Mutual Fund talked on the "Fundamentals of Wealth Creation". The sessions on Mutual Funds were taken by Mr. K. N. Vaidyanathan of Morgan Stanley and Mr. A. P. Kurian, Chairman - AMFI. It was a well attended seminar.

CII Conference on Indian Capital Markets - Towards sustained growth

AMFI Members participated in the above conference held on December 21-22, 1998 at New Delhi. The session on Mutual Funds was chaired by Mr. A.P. Kurian, Chairman, AMFI. Mr. Vijay Advani of Templeton made a presentation on 'An offshore view from onshore'.

Association of Mutual Funds in India

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MUTUAL FUND DATA FOR THE QUARTER JULY - SEPTEMBER 1998

TABLE 1 - SALES, REDEMPTIONS AND NET ASSETS

Rs. Crores

Name of Mutual Fund	No of Schemes Launched during the Quarter	Sales for all Schemes				Redemptions for all Schemes		Total Assets Under Mgmt As on 30.9.98
		From New Schemes	From Existing Schemes	Total for the Quarter	Total for Year to Date	For the Quarter	Year to Date	
A Unit Trust of India	2	1,361	2,949	4,310	6,471	3,220	4,197	56,722
B Bank Sponsored (6)	0	0	1	1	115	207	445	4,543
C Institutions (3)	1	54	97	151	343	250	316	1,915
D Private Sector								
I INDIAN (6)	0	0	533	533	1,460	517	1,556	795
II Joint ventures - Predominantly INDIAN (7)	3	76	628	704	1,227	689	1,050	1,981
III Joint ventures - Predominantly foreign (8)	0	0	394	394	552	241	309	1,906
Total (di+dii+diii)	3	76	1,555	1,631	3,239	1,447	2,915	4,682
Grand total	6	1,491	4,602	6,093	10,168	5,124	7,873	67,862

Note : 1. * - Net Assets of Unit Trust of India at Book Value For others at Market Value. 2. *-Data is provisional and subject to a few corrections for some inconsistencies. 3. * - Figures in brackets denote number of fund organisations.

TABLE 2 - SALES DURING SECOND QUARTER - JULY-SEPT. 1998
TYPE AND CATEGORY WISE ANALYSIS - ALL MUTUAL FUNDS

2.1. New Schemes

Rs. Crores

	Open Ended Schemes		Close Ended Schemes		Assured Returns		Total	
	No.	Sales	No.	Sales	No.	Sales	No.	Sales
Income	0	0	2	114	2	1,361	4	1,475
Growth	2	16	0	0	0	0	2	16
Balanced	0	0	0	0	0	0	0	0
ELSS	0	0	0	0	0	0	0	0
Total	2	16	2	114	2	1,361	6	1,491

2.2. Existing Schemes

Rs. Crores

	Open Ended Schemes		Close Ended Schemes		Assured Returns		Total	
	No.	Sales	No.	Sales	No.	Sales	No.	Sales
Income	31	4,433	17	0	46	0	94	4,433
Growth	31	133	47	0	2	0	80	133
Balanced	11	36	9	0	0	0	20	36
ELSS	0	0	58	0	0	0	58	0
Total	73	4,602	131	0	48	0	252	4,602

2.3. Total Schemes

Rs. Crores

	Open Ended Schemes		Close Ended Schemes		Assured Returns		Total	
	No.	Sales	No.	Sales	No.	Sales	No.	Sales
Income	31	4,433	19	114	48	1,361	98	5,908
Growth	33	149	47	0	2	-	82	149
Balanced	11	36	9	-	-	-	20	36
ELSS	-	-	58	-	-	-	58	-
Total	75	4,618	133	114	50	1,361	258	6,093

TABLE 3 - REDEMPTIONS/REPURCHASES FOR QUARTER JULY-SEPT 1998

Rs. Crores

	Open-end	Closed End	Assured Returns	Total	Redemptions During Previous Quarter	Total Redemptions Year to Date
Income Schemes	1,997	1,427	891	4,315	1,958	6,273
Growth Schemes	338	235	0	573	590	1,163
Balanced Schemes	44	113	0	157	31	188
ELSS	0	79	0	79	170	249
Total	2,379	1,854	891	5,124	2,749	7,873

INTERNATIONAL MUTUAL FUNDS
ASSETS OF OPEN END INVESTMENT COMPANIES AS ON MARCH 31, 1998

(In Millions US \$)

Country	No. of Funds	Assets Management Under	Total	Country	No. of Funds	Assets Management Under	Total
AUSTRALIASIA			442,600	Norway	235	13,606	1,739,913
Australia	619	53,360		Poland	32	574	
Hongkong	798	74,295		Portugal	172	18,865	
Japan	4,955	288,891		Spain	1,562	194,712	
New Zealand	614	7,086		Sweden	344	53,151	
Taiwan	166	18,968		Switzerland	303	62,024	
EUROPE				United Kingdom	1,436	272,487	
Austria	644	47,719		LATIN AMERICA			
Belgium	504	40,176		Argentina	202	5,793	
Czech Republic	52	378		Brazil	1,611	123,010	
Denmark	229	15,448	Chile	96	3,764		
Finland	84	4,244	NORTH AMERICA				
France	5,909	530,651	Canada	1,068	228,107		
Germany	758	160,169	United States	7,011	5,013,687		
Greece	167	26,111	AFRICA				
Hungary	59	1,258	South Africa	156	15,573		
Ireland	260	22,520	Total			7,439,880	
Italy	639	275,820					

Source : ICI International Fund Survey, ICI Washington.