

**AMFI**

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# UPDATE

A Newsletter of The Association of Mutual Funds in India

April, 1999 Vol : I. Issue : III

## From the Chairman's Desk

The Mutual Fund Industry has entered into a new phase characterised by launch of new innovative products, new investors joining the funds and many funds recording encouraging performance. The efforts undertaken in the last few years- evolution of an appropriate and industry friendly regulatory framework, upgrading standards, disclosures, transparency and diligent and skillful investment management have all started producing results. Professional journalism and regular dissemination of NAV data and other information on mutual funds have generated growing interest among investors and now, with the encouraging budget proposals, which will give an added impetus, the mutual fund industry is poised for a robust growth. AMFI is indeed thankful to SEBI, the Government and Reserve Bank for the recognition and encouraging support the industry is getting from them and AMFI stands committed to develop the industry on healthy lines.

Let the new fiscal 1999-2000 bring in new records and new cheers for the industry.

Yours,

*A. P. Kurian*

## **SEBI UPDATE- A GROWING PARTNERSHIP**

AMFI Board Members had a meeting with SEBI team headed by Shri Ashok Kacker, Executive Director on February 2, 1999 and AMFI presented the industry's views on the following subjects:

- 1) Associate of AMC/Mutual Fund investing in Mutual Fund Schemes
- 2) AMC not to charge fees on its own investments in the fund.
- 3) Stock wise limits for investments
- 4) Accounting issues.
- 5) Nomination facility for unitholders of mutual funds.
- 6) Registration of shares by companies in the name of mutual fund or its scheme.
- 7) Abridged Offer Document: Scope for further condensation.
- 8) Review of Voting Policy and Procedure.

On other subjects like general approval for launch of pension/retirement plans, AMFI members had discussions with SEBI officials.

## **COMMITTEE UPDATE- A JOINT EFFORT**

### **Committee on Non-Performing Assets.**

The draft report has been circulated to all members and after taking into consideration the feedback from the members the report will be finalised.

### **Committee on Advertising Norms**

The draft of the report has been sent to all members for their comments and suggestions.

### **Committee on Certification of Agents of Mutual Funds**

Selling of mutual funds, a sophisticated financial product is a serious and responsible business and that is why in many countries such as USA, there is the system of certification of agents and there are regulations and rules governing the agents and brokers.

We also need to evolve a proper system of certification of agents and brokers. In order to study all the relevant aspects connected with the subject, a Committee with Shri R. G. Sharma of LIC Mutual Fund as Chairman has been appointed. Shri S. K. Mitra of Birla Mutual Fund and Shri K. N. Vaidyanathan of Morgan Stanley Mutual Fund and Shri Girija Pande of ANZ Grindlays Bank are the members.

## **VALUATION OF SECURITIES UPDATE**

The policy for valuation of non-traded debt securities formulated by the AMFI Valuation Committee has been circulated to all members along with the software package. It will be run on a parallel basis with the existing system from April 1999 and after a fund wise review and harmonising any discrepancies, a uniform valuation methodology will be adopted by all members of AMFI from October, 1999.

### **INITIATIVE UPDATE**

The Advanced Training programme initiated in November, 1998 in Mumbai was conducted in the cities of Chennai, Hyderabad, Bangalore, Calcutta and Delhi in the months of February-March 1999. In these centres the programme was organised in association with distribution companies viz. Birla Finance distributors and Tata Finance on a cost sharing basis for the benefit of the sub-brokers and agents of these companies. So far AMFI has trained 833 agents through 15 programmes.

The second phase of the training programme has just started. Based on the feedback received, we have compressed the programme for half a day and the fee has been kept at Rs.50/- per participant. It is hoped that all mutual funds as well as distribution companies will make use of this programme and over a period of time, there will be a good number of trained agents in the country.

### **ADMISSION OF MEMBERS**

We welcome ING Investment Management India (Pvt) Ltd, our youngest member of the family of AMFI. With ING we have 35 members now.

### **AMFI WEBSITE**

AMFI Website was visited by 22008 during November, 1998 to February, 1999. Of these 37% were from India, 35% from US and the rest from other countries.

### **AMFI WELCOMES THE BUDGET PROPOSALS AND MAKES ITS REPRESENTATIONS**

AMFI is happy and thankful to the Government that some of its recommendations have been accepted by the Government. The tax proposals would certainly give a boost to the mutual fund industry. AMFI had a consultation with all its

members on the implications of the Budget proposals.

On the applicability of the reduced rate of capital gains tax, AMFI has represented to the Government to make it applicable to units of all mutual fund schemes whether listed or not.

### **MONEY MARKET MUTUAL FUNDS (MMFS) ALLOWED CHEQUE FACILITY**

AMFI conveys its appreciation and thanks to the Reserve Bank of India for allowing money market mutual funds to offer cheque writing facility to investors through a tie-up with a bank. This is a development in the right direction and will further encourage growth of Money Market Funds.

### **NEWS UPDATE**

The Dave Committee on Collective Investment Scheme has submitted its report to SEBI. Shri A. P. Kurian Chairman was a member of this committee. The Chairman also attended other committee meetings such as Market Making Committee, Committee on Par Value and the Working Group on De Mat. SEBI has nominated the Chairman to the recently formed Accounting Standards Committee.

The Indira Gandhi National Open University (IGNU) has constituted an expert group to design the curriculum for a post graduate course on Capital Market which will have a separate section on Mutual Funds. Chairman attended a meeting of this Expert Group. A dialogue has been initiated with IGNU for undertaking an educational programme on Mutual Funds.

In the National Convention on Investor Protection

at Ahmedabad organised by Consumer Education Research Centre on 10th April, 1999, the session on Mutual Funds was chaired by Shri P.S. Subramanyam, Chairman, Unit Trust of India. Chairman AMFI made a brief presentation on the Performance of Mutual Funds and Regulatory Frame Work.

### MUTUAL FUND INDUSTRY DATA

The data for third quarter October - December 1998 is presented in tables 1, 2 and 3.

#### The highlights are:

- Sales during the quarter were lower at Rs.5,021 crores as compared to Rs.6,093 crores last quarter.
- 5 new schemes were launched which collected

Rs.1,997 crores, accounting for 40% of the sales.

- Existing schemes mobilised Rs.3,024 crores forming 60% of the sales.
- Redemptions were substantially higher at Rs.8,984 crores as against Rs.5,124 crores last quarter.
- Assets under management at the end of the quarter were Rs.65,828.

#### Association of Mutual Funds in India

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### MUTUAL FUND DATA FOR THE QUARTER OCTOBER - DECEMBER, 1998

TABLE 1 - SALES, REDEMPTION AND NET ASSETS

Rs. Crores

| Name of Mutual Fund                            | No of Schemes Launched during the Quarter | Sales for all Schemes |                       |                       |                        | Redemptions Under all Schemes |                            | Assets Under Mgmt As on 31.12.98 |
|--|---|-----------------------|-----------------------|-----------------------|------------------------|-------------------------------|----------------------------|----------------------------------|
|  |   | From New Schemes      | From Existing Schemes | Total for the Quarter | Total for Year to Date | Total For the Quarter         | Total for the year to Date |                                  |
| A Unit Trust of India                          | 2   | 1,951                 | 886                   | 2,837                 | 9,308                  | 6,981                         | 11,179                     | 54,339                           |
| B Bank Sponsered(6)                            | 1   | 35                    | 2                     | 37                    | 152                    | 121                           | 566                        | 4,508                            |
| C Institutions(3)                              | -   | -                     | 31                    | 31                    | 374                    | 74                            | 390                        | 1,993                            |
| D Private Sector                               |   |                       |                       |                       |                        |                               |                            |                                  |
| I Indian(6)                                    | -   | -                     | 939                   | 939                   | 2,399                  | 877                           | 2,433                      | 778                              |
| I Joint Ventures - Predominantly Indian (7)    | -   | -                     | 656                   | 656                   | 1,883                  | 527                           | 1,577                      | 2,224                            |
| III Joint Ventures - Predominantly Foreign (8) | 2   | 11                    | 510                   | 521                   | 1,073                  | 404                           | 713                        | 1,986                            |
| Total (I+II+III)                               | 2   | 11                    | 2,105                 | 2,116                 | 5,355                  | 1,808                         | 4,723                      | 4,988                            |
| Grand Total (A+B+C+D)                          | 5   | 1,997                 | 3,024                 | 5,021                 | 15,189                 | 8,984                         | 16,858                     | 65,828                           |

- Notes :
- Assets under management of Unit Trust of India at book value and includes net income. For others at market value.
  - Data is provisional hence subject to correction.
  - Figures in brackets denote no. of funds.

**TABLE 2 - SALES DURING THIRD QUARTER - OCTOBER - DECEMBER, 1998 :**  
**TYPE AND CATEGORY WISE ANALYSIS - ALL MUTUAL FUNDS**

**2.1 New Schemes Launched**

Rs. Crores

|                  | Open End       |           | Close End      |          | Assured Returns |              | Total          |              |
|------------------|----------------|-----------|----------------|----------|-----------------|--------------|----------------|--------------|
|                  | No. of schemes | Sales     | No. of Schemes | Sales    | No. of schemes  | Sales        | No. of schemes | Sales        |
| Income Schemes   | 3              | 46        | -              | -        | 2               | 1,951        | 5              | 1,997        |
| Growth Schemes   | -              | -         | -              | -        | -               | -            | -              | -            |
| Balanced Schemes | -              | -         | -              | -        | -               | -            | -              | -            |
| ELSS             | -              | -         | -              | -        | -               | -            | -              | -            |
| <b>Total</b>     | <b>3</b>       | <b>46</b> | <b>-</b>       | <b>-</b> | <b>2</b>        | <b>1,951</b> | <b>5</b>       | <b>1,997</b> |

**2.2 Existing Schemes**

|                  | Open End       |              | Close End      |          | Assured Returns |          | Total          |              |
|------------------|----------------|--------------|----------------|----------|-----------------|----------|----------------|--------------|
|                  | No. of schemes | Sales        | No. of Schemes | Sales    | No. of schemes  | Sales    | No. of schemes | Sales        |
| Income Schemes   | 31             | 2,775        | 19             | -        | 48              | -        | 98             | 2,775        |
| Growth Schemes   | 33             | 238          | 47             | -        | 2               | -        | 82             | 238          |
| Balanced Schemes | 11             | 11           | 9              | -        | -               | -        | 20             | 11           |
| ELSS             | -              | -            | 58             | -        | -               | -        | 58             | -            |
| <b>Total</b>     | <b>75</b>      | <b>3,024</b> | <b>133</b>     | <b>-</b> | <b>50</b>       | <b>-</b> | <b>258</b>     | <b>3,024</b> |

**2.3 Total of all Schemes**

|                  | Open End       |              | Close End      |          | Assured Returns |              | Total          |              |
|------------------|----------------|--------------|----------------|----------|-----------------|--------------|----------------|--------------|
|                  | No. of schemes | Sales        | No. of Schemes | Sales    | No. of schemes  | Sales        | No. of schemes | Sales        |
| Income Schemes   | 34             | 2,821        | 19             | -        | 50              | 1,951        | 103            | 4,772        |
| Growth Schemes   | 33             | 238          | 47             | -        | 2               | -            | 82             | 238          |
| Balanced Schemes | 11             | 11           | 9              | -        | -               | -            | 20             | 11           |
| ELSS             | -              | -            | 58             | -        | -               | -            | 58             | -            |
| <b>Total</b>     | <b>78</b>      | <b>3,070</b> | <b>133</b>     | <b>-</b> | <b>52</b>       | <b>1,951</b> | <b>263</b>     | <b>5,021</b> |

Note : Number of Schemes redeemed not available.

**TABLE 3 - REDEMPTIONS/REPURCHASES FOR QUARTER OCTOBER TO DECEMBER, 1998**

Rs. Crores

|                  | Open End     | Close End    | Assured Returns | Total        |
|------------------|--------------|--------------|-----------------|--------------|
| Income Schemes   | 6572         | 700          | 893             | 8,165        |
| Growth Schemes   | 218          | 436          | -               | 654          |
| Balanced Schemes | 24           | 57           | -               | 81           |
| ELSS             | -            | 84           | -               | 84           |
| <b>Total</b>     | <b>6,814</b> | <b>1,277</b> | <b>893</b>      | <b>8,984</b> |

## PERFORMANCE OF MUTUAL FUNDS

Based on the published Value Research Data a summary analysis of performance of Equity

Funds for the year 98-99 is presented in Table 4.

**TABLE 4 - PERFORMANCE OF EQUITY FUNDS-  
SUMMARY ANALYSIS FOR YEAR ENDED MARCH 31, 1999**

**Movement of BSE Sensex March 31, 1999 (3739) Over March 31, 1998 (3892) (-)3.9%**

|   | Open end        | Close end       | Equity Linked Savings Scheme |
|---|-----------------|-----------------|------------------------------|
| 1) No. of Funds   | 26              | 33              | 59                           |
| 2) No. of Funds Outperforming BSE Sensex                | 21              | 25              | 44                           |
| 3) Of which No. of Funds recording growth               |                 |                 |                              |
| 1-25 percent  | 6               | 13              | 23                           |
| 26-50 "   | 6               | 3               | 10                           |
| 51-75 "   | 4               | 5               | 3                            |
| 76-100 "  | 4               | -               | 3                            |
| Above 100 "   | 1               | -               | 2                            |
| 4) No. of Funds recording decline of less than (-) 3.9% | -               | 4               | 3                            |
| 5) No. of Funds Underperforming BSE Sensex              | 5               | 8               | 15                           |
| 6) Range of Decline                                     | (-)4% to (-)23% | (-)6% to (-)25% | (-)6% to (-)27%              |

Source : Based on data published in the Financial Express Dated April 10, 1999

**The following conclusions emerge:**

- |   |  |
|---|--|
| <p>1 For the year 98-99, 21 out of 26 (80 percent) Open end Equity Funds outperformed the BSE sensex and only 5 funds under performed the index.</p> <p>1 15 out of 21 funds that outperformed the index gave a return varying from 26 percent to</p> | <p>above 100 percent.</p> <p>1 In respect of close end funds, 25 out of 33 (76 percent) outperformed the index and only 8 funds underperformed</p> <p>1 44 out of 59 (about 75 percent) of the Equity Linked Saving Schemes outperformed the index and only 15 funds underperformed.</p> |
|---|--|