

**AMFI**

For private circulation only

# UPDATE

A Newsletter of The Association of Mutual Funds in India

July - September, 2000 Vol : I. Issue : IX

## *From the Chairman's Desk*

In many countries mutual fund is positioned as an appropriate vehicle for all types of retirement savings programme as it offers professional management and diversification, choice of low cost investment with different risk-return characteristics, transparency and disclosure and mark to market accounting and regularly published net asset values. The Mutual Fund Industry is thus used for retirement savings-direct saving by individuals as investment vehicles for pension funds.

In US for eg. mutual funds accounted for US \$ 2.5 trillion or 20 percent of the total US retirement market and this US \$ 2.5 trillion in mutual fund retirement plan assets represented 36 percent of all mutual fund assets at year end 1999. The recently held XIVth International Investment Funds Conference attended by mutual fund associations of 35 countries world over, reiterated the benefits of allowing mutual funds to be used in promoting pension schemes.

In this background and in the context of the urgent need for developing a pension fund industry in India, it is important to empower and enable the Indian Mutual Fund Industry to offer retirement savings schemes. A beginning has to be made and the needed regulatory and fiscal clearances have to come through so that the mutual fund industry which is today well established with standards matching with international levels and operating within the framework of a strict regulatory environment, could play its role. Further, the entry of mutual funds in the pension industry with regulated exposure in capital market instruments would also give the much needed depth to our market. AMFI has made a proposal in this regard to the Government and we await a positive response.

Yours,

A. P. Kurian

14-11-2000





### SEBI UPDATE

- Mutual Funds have been permitted to invest in Venture Capital Funds upto five percent of schemes' corpus in case of open-end schemes and upto 10% of the schemes' corpus in case of close-end schemes.
- SEBI has issued detailed guidelines for valuation of securities and for identification and provisioning of NPAs. The guidelines have been made effective as under:
  1. Guidelines for identification and provisioning of NPAs effective from October 16, 2000.
  2. Guidelines for valuation of non-traded/ thinly traded equity and equity related securities effective from October 16, 2000
  3. Guidelines for valuation of non-traded and thinly traded debt securities effective from December 1, 2000\*
- \* AMFI software package on Bond Valuation developed by CRISIL has since been modified on the lines of the Guidelines and the same is being installed at all AMCs' office to enable them to switch over to the new methodology from December 1, 2000
- SEBI has also issued circulars to all Mutual Funds in the matter of recording of Investment decisions by Mutual Fund.

#### Mutual Fund Advisory Board Meeting

AMFI representatives attended the Mutual Fund Advisory Board Meeting held on October 16, 2000. The major proposals cleared by the Advisory Board relate to the period of initial offer, treatment of

unclaimed amount, expenses chargeable to mutual funds, prior approval for investment in unrated debt instruments, format for disclosure of portfolio, availability of balance sheet of AMCs etc.

### AMFI MUTUAL FUND TESTING AND CERTIFICATION PROGRAMME

This programme launched in July 2000 has been well accepted by the Industry. More than 4700 copies of the workbook have been sold and the number of agent distributors and employees taking the test has been increasing. However, we all need to continue our efforts to motivate the agent distributors.

#### Workshop on Testing Programme

The UTI Institute of Capital markets has taken the initiative of organising two-day workshop for agent distributors on the testing programme. The workshop covered all the topics. Two such programmes have been conducted and the Institute of Capital Markets would be organising more such programmes.

One of the distributing companies Birla Sun Life Distributors Ltd., launched a novel training and motivational programme with the objective of ensuring its channel partners to get certified. This programme was designed in the fashion of quiz for teams of participants followed by panel discussion. This programme covered more than 300 participants from different cities.

Some mutual funds have taken different initiatives to promote the testing programme. For instance, Kotak Mahindra Mutual Fund has started training workshops to prepare the distributors for the certification programme. This training workshop



is being conducted across the country to cover over 500 distributors. J.M. Mutual Fund promotes this programme by reimbursing its distributors the cost of the workbook and the testing fees.

AMFI appreciates these initiatives on the part of its members and would request others to take such initiatives so that the agent distributors are motivated to take the test and get themselves certified.

#### COMMITTEE UPDATE

##### **Committee on Training through Internet for AMFI Mutual Fund Testing Programme**

A committee under the Chairmanship of Shri B. G. Daga of Unit Trust of India and with Shri Alok Vajpayee of DSP Merrill Lynch, Shri Rajiv Vij of Templeton, Shri Krishnamurthy Vijayan of J. M. and Shri D.C. Anjaria, Consultant as members has been constituted to examine the proposals received from various agencies offering training facilities through internet for AMFI Mutual Fund Testing Programme and to evolve proper guidelines in respect of the same.

##### **AMFI Committee on Real Estate Mutual Fund**

A report submitted by the committee has been circulated to all the members for their suggestions/comments.

##### **Training Programme**

Four more sessions of half-day each were conducted by AMFI Chairman on concept and working of mutual funds for the Executives of Stock Holding Corporation India at Mumbai.

#### INVESTOR EDUCATION AND SEMINARS

Investor Education programme jointly organised by UTIICM and AMFI was conducted at Pune, Chandigarh, Patna, Mumbai and Jaipur.

Chairman AMFI participated in the National Seminar on developing the pension fund industry in India organised by FICCI on August 17, 2000 at Delhi.

A seminar on "Mutual Funds - Steering Investors through the crisis" organised by Merchants' Chamber of Commerce, Calcutta on September 8, 2000 was addressed by Shri A. P. Kurian, Shri Jeremy Beswick of Birla Sunlife Mutual Fund, Shri Nikhil Khattau of Sun F&C Mutual Fund and Shri V. P. Chaturvedi of Cholamandalam Mutual Fund.

Shri A. P. Kurian addressed a seminar on Mutual Funds at the N. L. Dalmia Institute of Management, Mumbai.

#### NEWS UPDATE

##### **Welcome to Shri S. V. Prasad, President, Zurich India AMC (I) Ltd.**

Shri S. V. Prasad, President, Zurich India Mutual Fund has joined the Board of AMFI in place of Shri R. G. Sharma of LIC Mutual Fund who has resigned from the Board on his superannuation.

#### SIXTH ANNUAL CONFERENCE ON MUTUAL FUNDS

The Sixth Annual Conference on Mutual Fund Industry was organised on October 5, 2000. This was sponsored jointly by UTI, UTIICM and AMFI. The conference was inaugurated by the Hon. Finance Minister Shri Yashwant Sinha and the

keynote address was delivered by Shri Bimal Jalan, Governor, Reserve Bank of India. Shri D. R. Mehta, Chairman, SEBI and Shri P. S. Subramanyam, Chairman, Unit Trust of India also spoke on the occasion. Prof. Jayant Varma, Member SEBI Board delivered the valedictory address.

The theme of the conference was "Mutual Fund: The New Frontiers". There were three technical sessions covering subjects such as Harnessing Technology for Mutual Funds, Risk Management for Mutual Fund Portfolios, Institutional Activism and Role of Mutual Funds. The conference was attended by more than 200 participants from various fields of Finance sector.

Chairman AMFI while proposing vote of thanks, urged upon the Hon. Finance Minister to consider favourably the proposal submitted by AMFI for enabling mutual funds to offer pension schemes as there is an urgent need for such a scheme for the benefit of the community.

#### **XIVTH INTERNATIONAL INVESTMENT FUNDS CONFERENCE (IIFC)**

For the first time India was represented in this conference which was held at Luxembourg on October 17 & 18, 2000. A team consisting of Shri A. P. Kurian, Chairman AMFI, Shri Krishnamurthy Vijayan of J.M Mutual Fund and Shri H. Shriram of Prudential ICICI Mutual Fund attended this conference. This is an annual event held at different places for exchange of ideas and views on investment fund industry. This year, representatives from 35 countries from all over the world participated. Apart from reviewing the countrywise status of the industry, the two important topics discussed were the dynamics of distribution and the benefits of allowing investment funds to be used

in pension schemes. The final declaration of the conference was on the subject of allowing investment funds to be used for promoting pension schemes.

#### **AMFI IN OTHER COMMITTEES**

Shri A. P. Kurian, Chairman AMFI has been inducted as a Member of the Governing Council of the UTI Institute of Capital Markets. He has also been appointed as a member of the Board of the National Stock Exchange.

#### **AMFI WEBSITE**

During the quarter 6351 persons visited the website of which 52% were from abroad. Encouraged by the increasing number of persons visiting the AMFI website, AMFI is revamping its website by redesigning the coverage and content.

#### **MUTUAL FUND INDUSTRY**

The second quarter - July-September, 2000 data is presented in tables 1, 2, 3 and 4.

- During the quarter nine new schemes launched collected Rs. 1,109/- crores of which Rs. 810 crores were from Income Schemes, while growth and balanced schemes mobilised Rs.156 crores and Rs. 143 crores respectively.
- Total funds mobilised during the quarter were 19,878/- crores which were higher by 87% compared to corresponding period last year.
- Redemptions at Rs. 19,680/- crores however registered a sharp rise of 148 percent over the corresponding period last year.
- Assets under Management at the end of the quarter were Rs. 97,462/- crores-an increase of 21% over the corresponding period last year.

**MUTUAL FUND DATA FOR THE SECOND QUARTER JULY - SEPTEMBER, 2000****TABLE - 1****(Rs. in crores)**

	No of Schemes Launched	Sales - All Schemes				Redemptions All Schemes		Total Assets Under Mgmt. As on 30.9.2000
		During the Quarter	From New Schemes	From Existing Schemes	Total for the Quarter	Total for the Year to Date	Total for the Quarter	
A Unit Trust of India	1	40	3982	4022	7793	3865	6035	64521
				2862	6795	2625	4541	58354
B Bank Sponsored (6)	-	-	566	566	937	2926	3234	3819
				183	607	345	499	6140
C Institutions (4)	-	-	193	193	731	310	949	2912
				316	457	485	651	2691
D Private Sector								
I Indian (6)	4	734	3443	4177	6438	3440	5457	3468
				996	1819	885	1422	1794
II Joint Ventures - Predominantly Indian (7)	1	37	4390	4427	8467	4199	7215	8861
				3050	4501	2002	2754	5309
III Joint Ventures - Predominantly Foreign (10)	3	298	6195	6493	14066	4940	10785	13881
				3212	5202	1580	2417	6440
Total (I+II+III)	8	1069	14028	15097	28971	12579	23457	26210
				7258	11522	4467	6593	13543
Grand Total (A+B+C+D)	9	1109	18769	19878	38432	19680	33675	97462
				10619	19381	7922	12284	80728

## NOTES :

1. Assets Under Management of Unit Trust of India also at Market Price. (2) Unit Trust of India figures excludes Venture Capital, Offshore Funds & Development Reserve Fund. (3) Figures in brackets denote number of funds. (4) Data is provisional & hence subject to change. (5) Figures in RED denote amount for corresponding period, last year which have been revised in some cases to make it comparable.

**SALES DURING THE QUARTER JULY-SEPTEMBER, 2000 - TYPE AND CATEGORY WISE****TABLE 2****2.1 New schemes launched during the quarter****(Rs. in crores)**

	Open End		Close End		Assured Return		Total	
	No.of schemes	Amount	No.of Schemes	Amount	No.of schemes	Amount	No.of schemes	Amount
Income	4	770	-	-	1	40	5	810
Growth	2	156	-	-	-	-	2	156
Balanced	2	143	-	-	-	-	2	143
Liquid/Money Market	-	-	-	-	-	-	-	-
Gilt	-	-	-	-	-	-	-	-
ELSS	-	-	-	-	-	-	-	-
Total	8	1069	-	-	1	40	9	1109

**2.2 Existing schemes****(Rs. in crores)**

	Open End		Close End		Assured Return		Total	
	No.of schemes	Amount	No.of Schemes	Amount	No.of schemes	Amount	No.of schemes	Amount
Income	49	3567	28	306	36	91	113	3964
Growth	88	3558	19	-	-	-	107	3558
Balanced	24	2020	6	3	-	-	30	2023
Liquid/Money Market	21	8245	-	-	-	-	21	8245
Gilt	16	965	2	-	-	-	18	965
ELSS	15	14	64	-	-	-	79	14
Total	213	18369	119	309	36	91	368	18769

**2.3 Total of all schemes****(Rs. in crores)**

	Open End		Close End		Assured Return		Total	
	No. of schemes	Amount	No. of Schemes	Amount	No. of schemes	Amount	No. of schemes	Amount
Income	53	4337	28	306	37	131	118	4774
Growth	90	3714	19	-	-	-	109	3714
Balanced	26	2163	6	3	-	-	32	2166
Liquid/Money Market	21	8245	-	-	-	-	21	8245
Gilt	16	965	2	-	-	-	18	965
ELSS	15	14	64	-	-	-	79	14
<b>Total</b>	<b>221</b>	<b>19438</b>	<b>119</b>	<b>309</b>	<b>37</b>	<b>131</b>	<b>377</b>	<b>19878</b>

**NOTE :**

The number of schemes has undergone a change in view of the change over to the new source of data viz. Monthly Cumulative Report.

**REDEMPTION / REPURCHASE DURING THE QUARTER JULY - SEPTEMBER 2000****TABLE 3****(Rs. in crores)**

	Open End	Close End	Assured Return	Total
Income	3937	109	579	4625
Growth	3993	1417	-	5410
Balanced	490	740	-	1230
Liquid/Money Market	6867	-	-	6867
Gilt	1045	-	-	1045
ELSS	32	471	-	503
<b>Total</b>	<b>16364</b>	<b>2737</b>	<b>579</b>	<b>19680</b>

**ASSETS UNDER MANAGEMENT AS ON 30TH SEPTEMBER 2000****TABLE 4****(Rs. in crores)**

	Open End	Close End	Assured Return	Total
Income	18513	6623	21132	46268
	15291	5185	19086	39562
Growth	12062	6630	-	18692
	7063	7546	-	14609
Balanced	22416	265	-	22681
	20359	1057	-	21416
Liquid/Money Market	3820	-	-	3820
	1889	-	-	1889
Gilt	2399	56	-	2455
	967	-	-	967
ELSS	392	3154	-	3546
	287	1998	-	2285
<b>Total</b>	<b>59602</b>	<b>16728</b>	<b>21132</b>	<b>97462</b>
	<b>45856</b>	<b>15786</b>	<b>19086</b>	<b>80728</b>

**NOTE:**

Figures in RED denote amount for corresponding period, last year which have been revised to make it comparable.

**Association of Mutual Funds in India**

1218 - B Wing, Dalamal Towers, Free Press Journal Marg, Nariman Point, Mumbai 400 021.

Tel.: 232 4524 / 232 4525.

E-mail : amfi@bom5.vsnl.net.in.

Website : <http://www.amfiindia.com>

