

AMFI

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UPDATE

A Newsletter of The Association of Mutual Funds in India

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From the Chairman's Desk

All of us in the mutual fund industry today are experiencing a refreshing change - a change marked by all round progress. The industry has ably demonstrated the efficacy of professional money management, which has attracted the attention of investors, kindled their interest in the mutual fund schemes, generated desire to know more and finally led to the action of investing in mutual funds. Figures bear out this. During the first half of the current year April-September, 1999, sales at Rs. 19,381 crores were up by over 90 percent compared to the corresponding period last year. In a period of six months as many as 29 new schemes were launched, both conventional and non-conventional. The introduction of a non-assured monthly income scheme in an open end platform, the declaration of monthly dividends in an existing scheme, introduction of systematic withdrawal plans etc. reflect the product innovation that is taking place in the industry.

There is a new enthusiasm, a new wave. This is the time that the industry has to be deeply conscious of its responsibility to promote integrity and fairness, strict adherence to the regulatory provisions and code of ethics, transparency in disclosure and of course to perform efficiently.

The next update will be for the third quarter ending December 1999 which will be released only at the dawn of the new millennium. Let me take this opportunity to wish all the members, and well wishers a rewarding and fulfilling new year 2000.

Yours,

A. P. Kurian
29-10-99

SEBI UPDATE - A GROWING PARTNERSHIP

AMFI Board members along with Mr. S. V. Prasad, Mr. Ajay Srinivasan and Mr. Ajai Kaul had detailed discussion with Mr. Ashok Kacker, Executive Director, SEBI on the proposed amendments of Mutual Fund Regulation relating to investment limits etc., on August 5, 1999. The meeting was later addressed by Mr. D. R. Mehta, Chairman, SEBI.

On September 2, 1999 Chairman SEBI took a review meeting with the members of AMFI Board on the latest developments in the mutual fund industry. This meeting was attended by Mr. Ashok Kacker, Executive Director, SEBI.

AMFI has a continuing interaction with SEBI on matters relating to the mutual fund industry.

ADVISORY COMMITTEE ON MUTUAL FUNDS

SEBI has constituted an Advisory Committee on Mutual Funds with Mr. B. G. Deshmukh as the Chairman and the following are the members of the Committee :

- 1) President of the Institute of Chartered Accountants
- 2) President of Institute of Company Secretaries
- 3) Mr. S. K. Mitra, Managing Director, Birla Global Finance
- 4) Mr. Niamatullah, Managing Director, SBI Funds Mgmt. Ltd
- 5) Mr. Vikram Gandhi, Chief Executive Officer, Morgan Stanley Asset Management India Private Ltd.
- 6) Mr. Ajai Kaul, President & Country Manager, Alliance Capital Asset Management India Pvt. Ltd.
- 7) Mr. Vijay Advani, Chief Executive Director Templeton Asset Management India Pvt. Ltd.
- 8) Mr. Ajay Srinivasan, Managing Director Prudential ICICI AMC Ltd.
- 9) Mr. Basudev Sen, Executive Director Unit Trust Of India
- 10) Mr. Deepak Satwalkar, Managing Director HDFC

- 11) Ms. Zia Modi (Lawyer)
- 12) Prof. Ramesh Gupta
IIM- Ahmedabad
- 13) Mr. S. S. Bhandhari, Trustee
PNB Mutual Fund
- 14) Mr. A. P. Kurian, Chairman
Association of Mutual Funds in India
(AMFI)
- 15) Ms. D. N. Raval, Executive Director (Law)
SEBI
- 16) Mr. Ashok Kacker, Executive Director
(Mutual Fund) SEBI - Member Secretary

The first meeting of the Advisory Committee was held on August 12, 1999.

AMFI COMMITTEE UPDATE

Valuation of Securities

AMFI committee on Valuation made a presentation to SEBI committee on Accounting Standards headed by Mr. Y. H. Malegam. The presentation related to the valuation of non-traded debt securities as well as infrequently and thinly traded equities. AMFI's views and recommendations are being considered by the Malegam Committee on Accounting Standards.

Committee on Training and Testing Programme for Employees and Intermediaries - An Update

The preparation of workbook and question bank is in progress and soon the programme will be launched.

The Committee had a joint meeting with the Committee on Certification of Agents and a report on the policy and procedures for certification of agents is being finalised.

NEWS UPDATE

AMFI organised on July 26, 1999 a lecture on Credit Risk Management for Debt Funds by Dr. Edward I Altman, Max L Heine Professor of Finance at the Stern School of Business, New York University who has done pioneering research on Credit and Fixed Income Securities. Mr. P. S. Subramanyam, Chairman, Unit Trust of India presided over the meeting. This was a good opportunity for the fund managers to interact with an eminent academician of international repute.

AMFI had its Annual General Meeting of its

members on July 28, 1999. The Annual General Meeting was addressed by Mr. D. R. Mehta, Chairman, SEBI, Mr. P. S. Subramanyam, Chairman, Unit Trust of India and Mr. Ashok Kacker, Executive Director SEBI. There was a useful and interesting discussion with SEBI Chairman on several aspects relating to the mutual fund industry.

SEBI had sent a delegation to United States in the second fortnight of September, 1999 for a study of the latest developments in the mutual fund industry. Mr. Ashok Kacker, Executive Director, SEBI led this delegation which consisted of Mr. P. K. Nagpal, Division Chief (Mutual funds), SEBI, Shri Krishna Mohan, Division Chief (Legal), SEBI, Shri M. M. Kapur, Executive Director, Unit Trust of India, Shri S. K. Mitra, Director, Birla Mutual Fund, Shri Niamatullah, Managing Director, SBI Mutual Fund and Shri A. P. Kurian, Chairman, Association of Mutual Funds in India. The team had detailed discussion with Securities Exchange Commission (SEC), National Association of Securities Dealers (NASD), a law firm Dechert Price & Rhoads, Investment Company Institute (ICI) equivalent to AMFI and three large mutual funds - Alliance, Morgan Stanley and Merrill Lynch. The study visit was very educative and extremely useful.

LAUNCHING OF AMFI MONTHLY

In our effort to disseminate up to date information on the Indian Mutual Fund Industry, AMFI has taken a new initiative of releasing monthly data on sales, redemption and assets under management from the month of July, 1999 onwards.

All our monthly as well as quarterly updates are available on our website www.amfiindia.com

INVESTOR EDUCATION

In a seminar organised by Interconnected Stock Exchange of India Ltd. on October 9, 1999 at Vashi, Navi Mumbai, Mr. A. P. Kurian, Chairman, AMFI made a presentation on "Benefits of Mutual Fund and its Advantages to Retail Investors".

AMFI's booklet 'Making Mutual Funds Work For You' has been sent to nearly 72,000 Chartered Accountants all over the country. We have received very encouraging response from them. Many have appreciated AMFI's work of publishing a useful booklet and distributing it to the investors.

AMFI WEBSITE

During the second quarter, AMFI website was visited by about 4300 people and as in the past half of the visitors were from abroad. We get lots of queries, which are replied promptly and we do get encouraging comments too.

MUTUAL FUND INDUSTRY UPDATE

- **Mutual Funds allowed to invest in ADR/GDR's**

Mutual funds are now permitted to invest in ADR/GDR upto 10% of the net assets managed by them as on the date of the last audited balance sheet, subject to a maximum of \$50 million per mutual fund.

- **New Investment Limits**

SEBI Board has approved the following amendments to the Mutual Fund Regulations relating to Investments :

- 1] **Investments in Equity or Equity related Investments**

Investment in such securities of a single company is limited to 10% of the NAV of a scheme. This limit is not applicable to index funds or sector specific schemes.

- 2] **Investment in rated debt securities**

Investment in rated, investment grade debt securities of a single issuer is limited to 15% of NAV of the scheme which can be extended to 20% of the NAV of the scheme with prior approval of the Board of AMC and Board of Trustees.

- 3] **Investment in unrated debt securities**

Investment in unrated and below investment grade debt securities of a single issuer not to exceed 10% of the NAV of a scheme. Further, investment in such debt instruments of all the issuers in a scheme not to exceed 25% of NAV subject to approval of Boards of AMC and Trustee Company. These limits are not applicable to the investment in government securities and money market instruments.

4] Investment in unlisted shares

Investment in unlisted shares is restricted to a maximum of 10% of the NAV and 5% of the NAV of close end and open end schemes respectively.

5] Investment in the listed securities of group companies

Investment in listed securities of the group companies of the sponsor is restricted to 25% of the NAV of any single scheme.

● Other amendments approved by SEBI Board

- 1) Unit holders to be informed by way of individual communication and through advertisement in the newspapers with the option to exist at the prevailing NAV without any exit load in case of change of control and fundamental attributes of open end scheme. However, no such changes allowed for a period of one year from the date of allotment of units.
- 2) Mutual funds to disclose at the time of declaration of half yearly/yearly results, the details of transactions with Associates regarding underwriting obligation in respect of issue of associate companies, including devolvement if any, subscription to the issues led, managed by associate companies, subscription to equity or debt issue on private placement basis where sponsor or its associate companies are arranger/manager.
- 3) Code of conduct for AMC and the Trustee to include certain clauses pertaining to integrity, due diligence, fairness in dealings etc.
- 4) AMC allowed to carry out portfolio management activities subject to certain conditions.

R. S. BHAT AWARD

- Investment Research and Information Services (IRIS) has constituted performance awards in memory of the founder Chairman of Unit Trust of India Mr. R. S. Bhat .

The following awards were presented by Mr. D. R. Mehta, Chairman, SEBI at Mumbai at a function on September 3, 1999.

Best Income Scheme - Birla Income

Best Growth Scheme - Birla Advantage

Best Balanced Scheme - Alliance '95 Fund

Best Mutual Fund - Birla Mutual Fund

The winners were selected by a panel headed by Mr. I. G. Patel, former Governor of Reserve Bank of India.

MUTUAL FUND INDUSTRY DATA

A] SECOND QUARTER :- JULY - SEPTEMBER 1999

The second quarter - July - September 1999 data are presented in Tables 1,2,3. The following are the highlights:

- 13 new schemes were launched which collected Rs.952 crores and the existing schemes collected Rs.9,667 crores taking the total collection to Rs.10,619 crores as against Rs.8,762 crores collected in the first quarter.
- The redemptions were Rs.8,025 crores as against Rs.4,362 crores in the last quarter.
- The total assets under management were Rs.85,487 crores.

B] HALF YEAR DATA :- APRIL-SEPTEMBER 1999 (TABLE 1)

- The half year data indicates that the sales at Rs. 19,381 crores were up by 90% over the corresponding period last year.
- Redemption went up by 57% to Rs. 12,387 crores.
- Assets under management at Rs. 85,487 crores were up by 26%

C] ASSETS UNDER MANAGEMENT

- We have introduced a new Table presenting data on assets under management classified according to category of schemes - Table 4

D] NEW SCHEMES LAUNCHED

This is also a new addition - Table 5 presents the schemes launched during the first six months of the current year classified according to the category of schemes.

MUTUAL FUND DATA FOR THE SECOND QUARTER : JULY - SEPTEMBER, 1999

TABLE - 1

(Rs. In crores)

Category	No of Schemes Launched	Sales - All Schemes				Redemptions All Schemes		Total Assets Under Mgmt. As on 30.09.99
		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	27	2835	2862	6786 6471	2728	4644 4197	63113 56722
B Bank Sponsored (6)	1	16	167	183	607 115	345	499 445	6140 4543
C Institutions (4)	3	244	72	316	457 343	485	651 316	2691 1915
D Private Sector								
I Indian (6)	—	—	996	996	1819 1460	885	1422 1556	1794 795
II Joint ventures - Predominantly Indian (7)	3	151	2899	3050	4501 1227	2002	2754 1050	5309 1981
III Joint Ventures - Predominantly Foreign (10)	5	514	2698	3212	5202 552	1580	2417 309	6440 1906
Total (I+II+III)	8	665	6593	7258	11531 3239	4467	6593 2915	13543 4682
Grand Total (A+B+C+D)	13	952	9667	10619	19381 10168	8025	12387 7873	85487 67862

Notes: (1) Assets under management of Unit Trust of India at book value. (2) Data is provisional & hence subject to correction. (3) Figures in brackets denote number of funds. (4) Figures in Red denote amount for corresponding period, last year.

SALES DURING SECOND QUARTER : JULY - SEPTEMBER, 1999 - TYPE AND CATEGORY WISE

TABLE 2

2.1 New Schemes Launched

(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	2	196	-	-	1	27	3	223
Growth	4	222	-	-	-	-	4	222
Balanced	-	-	-	-	-	-	-	-
Liquid	-	-	-	-	-	-	-	-
Money market	-	-	-	-	-	-	-	-
Gilt	5	456	-	-	-	-	5	456
ELSS	1	51	-	-	-	-	1	51
Total	12	925	-	-	1	27	13	952

2.2 Existing Schemes

	Open End		Close End		Assured Return		Total	
	No. of schemes	Amount	No. of Schemes	Amount	No. of schemes	Amount	No. of schemes	Amount
Income	36	2288	29	-	39	-	104	2288
Growth	55	1444	39	-	-	-	94	1444
Balanced	12	1660	6	-	-	-	18	1660
Liquid	12	1967	-	-	-	-	12	1967
Money market	6	1502	-	-	-	-	6	1502
Gilt	2	798	-	-	-	-	2	798
ELSS	7	3	55	5	-	-	62	8
Total	130	9662	129	5	39	-	298	9667

2.3 Total of all Schemes

	Open End		Close End		Assured Return		Total	
	No. of schemes	Amount	No. of Schemes	Amount	No. of schemes	Amount	No. of schemes	Amount
Income	38	2484	29	0	40	27	107	2511
Growth	59	1666	39	-	-	-	98	1666
Balanced	12	1660	6	-	-	-	18	1660
Liquid	12	1967	-	-	-	-	12	1967
Money market	6	1502	-	-	-	-	6	1502
Gilt	7	1254	-	-	-	-	7	1254
ELSS	8	54	55	5	-	-	63	59
Total	142	10587	129	5	40	27	311	10619

REDEMPTION / REPURCHASE DURING SECOND QUARTER : JULY - SEPTEMBER, 1999 - TYPE AND CATEGORY WISE

TABLE 3

(Rs. in crores)

	Open End	Close End	Assured Return	Total
Income	978	35	33	1046
Growth	1520	467	-	1987
Balanced	795	7	-	802
Liquid	1721	-	-	1721
Money market	1710	-	-	1710
Gilt	533	-	-	533
Elss	22	204	-	226
Total	7279	713	33	8025

ASSETS UNDER MANAGEMENT AS ON 30TH SEPTEMBER, 1999 - TYPE & CATEGORY WISE

TABLE 4

(Rs. in crores)

	Open End	Close End	Assured Return	Total
Income	15298 32269	7023 2907	19086 14236	41407 49412
Growth	7753 5057	9770 8681	- -	17523 13738
Balanced	20359 475	1057 1294	- -	21416 1769
Liquid	1267 301	- -	- -	1267 301
Money market	622 193	- -	- -	622 193
Gilt	967 -	- -	- -	967 -
ELSS	287 160	1998 2258	- -	2285 2418
Total	46553 38455	19848 15140	19086 14236	85487 67831

* Figures in Red denote Asset under Management as on 30.9.98

* Previous period figures are revised wherever necessary.

NEW SCHEMES LAUNCHED DURING APRIL - SEPTEMBER 1999

TABLE 5

Open end - Income	: ING Income PNB Debt LIC Bond Fund Alliance Monthly Income Plan IL & FS Bond Fund	Open end - Gilt	: Dundee Sovereign Trust Templeton India Govt. Securities Fund Tata Gilt Fund Prudential ICICI Gilt Fund
Open end - Growth	: GIC D'Mat ING Growth Magnum Umbrella Fund Tata Life Sciences & Technology Fund IDBI Index I-nit IL & FS Growth & Value Fund	Open end - ELSS	: Kothari Pioneer Tax Shield '99 Prudential ICICI Tax Plan
Open end - Balanced	: DSP - Merrill Lynch Balanced Fund PNB Balanced Fund Prudential ICICI Balanced Fund Birla Balanced Fund	Open end - Liquid	: PNB Liquid Fund
		Open end - Money Market	: Magnum Insta Cash Plan
		Close end - Assured Return	: UTI Monthly Income Plan '99 (I) UTI Monthly Income Plan '99 (II)

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