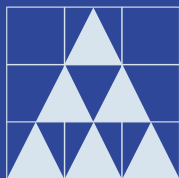


AMFI



For private circulation only

UPDATE

A Newsletter of The Association of Mutual Funds in India

July - September 2004 Vol : IV. Issue : II

FROM THE CHAIRMAN'S DESK

The second quarter July to September '04 presented a somewhat different picture. On a net basis, there has been an outflow, rather than an inflow as was recorded both in the previous quarter and in the corresponding quarter a year ago. This trend has continued in the month of October also. Thus, for the seven months April - October 2004 the net sales of Rs. 8,822 crores were 75 percent below that of last year's level of Rs. 35,965 crores.

The industry is concerned about this trend. There are several factors contributing to this. But the paramount factor is that households are not allocating their savings to the Mutual Fund schemes, particularly equity schemes.

The challenge, therefore of the industry is mainly this. How do we bring in more and more households' savings into the mutual fund schemes in general and in equity schemes in particular? We know every mutual fund is putting in place plans and strategies to promote sale of their schemes among households, but it is a task that will require sustained efforts over a period of time.

In the competitive environment in which we function today, when Government itself is mobilizing savings of the household at rates as high as 8 and 9 percent, it is indeed a challenging task for the Mutual Fund industry to garner savings from the household sector.

The record of performance and the standards of service are the twin strengths of our industry and on these strengths, the industry needs to build its household clientele.

With seasons greetings and wishing a prosperous new year.

Yours,

A handwritten signature in black ink, appearing to read 'A.P. Kurian', with a horizontal line underneath.

A.P.Kurian
November 11, 2004

SEBI UPDATE

Circulars issued by SEBI

Revised Format of Key Information Memorandum

(Circular number SEBI/MD/CIR No. 10/16521/04 dated July 28, 2004)

SEBI has prescribed a revised standard format of Key Information Memorandum (KIM) and has advised all the mutual funds to use the same. KIM is required to be updated by the Mutual Funds at least once in a year i.e. by April 30th of each financial year.

Central Database of Market Participants Regulations 2003

(Circular numbers MAPIN /Cir-23/2004 dated July 16, 2004 and MAPIN /Cir-37/2004 dated October 27, 2004)

SEBI vide its circular no. MAPIN /Cir-23/2004 dated July 16, 2004 informed that the specified intermediaries and their related persons should quote the Unique Identification Numbers (UIN) clearly on all secondary market transactions in lieu of Unique Client Code and also wherever applicable they should quote SEBI registration number along with UIN. Further, UIN should also be quoted on all correspondence, documents and reports sent to or filed with SEBI with effect from August 2, 2004.

SEBI vide its circular number MAPIN /Cir-37/2004 dated October 27, 2004 has stated that all resident investors not being a body corporate who enter into any securities market transaction (including any transaction in the primary market or secondary market in any listed securities and any transaction in units of mutual funds or collective investment schemes) of value of one lakh rupees or more, being specified investors, are required to obtain a UIN before March 31, 2005. And such specified investors shall not buy, sell or deal in any securities which are listed on any recognized stock exchange or in units of a mutual fund or a collective investment scheme or subscribe to securities which are proposed to be listed in any recognized stock exchange or units of a mutual fund or a collective investment scheme unless such specified investors have been allotted a UIN by March 31, 2005.

The Mutual funds are also required to report the status of compliance of this provision in all

Compliance Test Reports as well as Half Yearly Trustee Reports.

Unique client codes for Mutual Funds and FII

(Circular number SEBI/MRD/DoP/SE/Cir-35/2004 dated October 26, 2004)

SEBI has issued the above circular clarifying, that the MFs and FIIs will henceforth be required to enter the unique client codes pertaining to the parent MF and parent FII at the order entry level and do the allocation to the individual schemes of the MFs and sub accounts of the FIIs in the post closing session.

SEBI ADVISORY COMMITTEE ON MUTUAL FUNDS

The fifteenth meeting of the SEBI Advisory Committee on Mutual Funds, chaired by Mr. B. G. Deshmukh was held on September 23, 2004. Chairman AMFI, briefed the members on the status of the Mutual Fund Industry for the period April – August 2004.

The sixteenth meeting of the SEBI Advisory Committee on Mutual Funds, held on October 19, 2004 and the seventeenth meeting held on November 2, 2004 considered the various recommendations made by the Cadogan report on Indian Mutual Fund industry

MEETING OF CHAIRMAN SEBI WITH CEOs OF MUTUAL FUNDS

Chairman SEBI along with member and executive director incharge of Mutual Funds had a meeting with all the CEOs and Chairman AMFI on August 25, 2004. A detailed review of the Mutual Fund industry was done and issues concerning the industry were discussed.

MEETING WITH THE FINANCE MINISTRY

Chairman AMFI along with Mr. Milind Barve, Director, AMFI discussed with Ministry Officials on July 12, 2004, the implications of the budget proposals.

On August 3, 2004 Mr. Milind Barve on behalf of AMFI discussed with Ministry officials, the recommendations of the committee on Subordinate Legislation to cover various industries under the cost accounting norms.

Chairman AMFI alongwith Mr. Pankaj Razdan and Mr. Naval Bir Kumar participated in discussions on

Pension Reforms chaired by the Hon'able Finance Minister on August 17, 2004.

On September 10, 2004 Chairman AMFI alongwith Mr. Krishnamurthy Vijayan and Mr. Mrugank Paranjape met the officials of the Ministry of Finance regarding Securities Transaction Tax.

ANNUAL GENERAL MEETING OF AMFI

The Ninth Annual general meeting of AMFI was held on September 29, 2004 at Hotel Taj President, Mumbai. The meeting was attended by 26 out of 29 members.

After the regular agenda, in keeping with AMFI's tradition, Mr. G. N. Bajpai, Chairman SEBI, addressed the members followed by an interactive session with AMFI members. Mr. S. C. Das, Executive Director, SEBI also attended the session.

COMMITTEES / WORKING GROUPS

Working group on Investment in Bank Deposits

The final report of the working group, giving recommendations on various aspects of the investments in Bank Deposits has been presented to SEBI for its consideration.

NEW COMMITTEES AND WORKING GROUPS

Committee on operational risks and remedial measures

AMFI has constituted a committee to identify the operational risks and suggest measures to mitigate the same. The Chairman of the Committee is Mr. Pankaj Razdan of Prudential ICICI, with Mr. Milind Barve of HDFC, Mr. Alok Vajpeyi of DSP Merrill Lynch, Mr. S. V. Prasad of Birla Sun Life and Mr. Debashish Mohanty of UTI as its members.

Committee on Kelkar Committee recommendations

AMFI has constituted a committee on Kelkar Committee recommendations to formulate the industry response in respect of the same. The Committee is headed by Mr. S. V. Prasad of Birla Sun Life and the other members are Mr. Milind Barve of HDFC, Mr. Alok Vajpeyi of DSP Merrill Lynch, Mr. Sanjay Sachdev of Principal, Mr. Ajay Bagga of Kotak and Mr. A. K. Sridhar of UTI. The Committee is being assisted by Mr. Kanu Doshi an eminent Tax Consultant.

Working group on Mutual Fund Advertising Guidelines

A working group has been constituted to examine the existing guidelines on advertisement and suggest suitable modifications to make it an effective medium of communication with Mr. Ajay Bagga of Kotak as the convenor. The other members are Mr. Ashutosh Bishnoi of UTI, Mr. Vikram Akhauri of Principal and Ms. Kashmira Mathew of HSBC.

Working group on Statutory Accounts Format

A working group has been constituted, to give its recommendations on Statutory Accounts format and the related Statutory Advertisement. Mr. Milind Barve of HDFC is the Convenor and Mr. M. Sebastian of UTI, Ms. Sonal Barot of HDFC and Mr. Venkatesh Iyer of HSBC are its members.

AMFI ON OTHER COMMITTEES

Chairman AMFI alongwith Mr. A.K. Sridhar of UTI, Mr. Pankaj Razdan of Prudential ICICI, Mr. Milind Barve of HDFC, Mr. S.V. Prasad of Birla Sun Life, Mr. Vivek Pai of Templeton attended a Securities Market Infrastructure Leveraging Expert (SMILE) meeting on September 8, 2004.

Chairman AMFI attended the RBI Technical Advisory Committee (TAC) on Money, Foreign Exchange in Government Securities Markets meeting on September 17, 2004.

WELCOME TO NEW DIRECTORS

AMFI extends its warm welcome to Mr. S. V. Prasad, CEO, Birla Sun Life Asset Management Company Ltd., Mr. Ravi Mehrotra President, Franklin Templeton Asset Management (India) Pvt. Ltd. and Mr. Sanjay Sachdev Managing Director, Principal Asset Management Co. Pvt. Ltd. who have joined the Board of AMFI with effect from August 25, 2004.

INVESTOR AWARENESS PROGRAMME

Chairman AMFI addressed the investors at Mumbai, on August 19, 2004. This programme was organized by Canbank Mutual Fund. Chairman AMFI also addressed a similar meeting at Mysore on September 27, 2004, organized by Wise Intermediary Services Pvt. Ltd.

Chairman AMFI spoke on 'Mutual Funds – An Overview' at 'Investrix' an annual financial event organized by K.J. Somaiya Institute of Management Studies and Research Mumbai on October 30, 2004.

CONFERENCES AND SEMINARS

The Indian Gold Convention 2004 was held in Mumbai at Hyatt Regency, on August 20-21, 2004. Chairman AMFI addressed the participants on 'Opportunities for Gold in Mutual Fund Portfolio'.

The Associated Chambers of Commerce and Industry of India (ASSOCHAM) jointly with AMFI and UTI AMC Pvt. Ltd. conducted its 3rd National Summit on August 21, 2004 at Kolkatta. The theme for the summit was 'Wealth Creation with Mutual Funds'. Mr. G.N.Bajpai, Chairman SEBI, delivered the keynote address, while Chairman AMFI delivered a special address and Mr. S. C. Das, Executive Director SEBI, gave the valedictory speech.

AMFI organized a meeting with Investors' Associations on 'Mutual Fund Industry Update' on August 27, 2004 where CRISIL made a presentation on the performance of Mutual Funds.

The Federation of Andhra Pradesh Chambers of Commerce and Industry organized a national seminar on 'Investment Opportunities in Mutual Funds' on August 28, 2004 at Hyderabad. Chairman AMFI, delivered a special address at the seminar.

The BSE Training Institute conducted an International workshop on Commodity Trading during October 3-7, 2004 at Mumbai. Chairman AMFI, addressed the participants on 'Road map for Commodities Mutual Funds'.

Launching of Money Market Fund at Sri Lanka

Chairman AMFI was the Guest of Honor on the occasion of the launching of the first Money Market Mutual Fund by National Asset Management Limited (NAMAL) Colombo, Sri Lanka on September 1, 2004. He made a presentation on 'Money Market Mutual Funds – The Indian Experience' and also discussed with the regulator and the industry officials on the developments of the Indian Mutual Fund Industry.

XVIII Annual Assembly of International Investment Funds Associations

XVIII Annual Assembly of the International Investment Funds Associations was hosted by the Brazilian Association of Investment Banks (ANBID) at Rio de Janeiro, Brazil from October 15-22, 2004. Chairman AMFI attended the conference. This is a conference of all the investment funds associations across the world and was attended by representatives from around 29 countries. The theme

of the conference was 'Reputation is our most important Asset'. The conference discussed several issues such as strengthening Best Practices, work of IOSCO, educating investors, communicating with investors, regulatory developments etc.

AMFI CERTIFICATION AND REGISTRATION PROGRAMME

AMFI Certification is being continued and as on date 43,475 persons have successfully cleared the test. During the quarter 1606 candidates have passed the online test at the six NSE centers and 3042 were successful in the written test held across 60 cities.

As on October 31, 2004, 26,808 agent distributors have registered with AMFI, of these 22,095 are individual distributors, 1,765 are corporate distributors, and 2,948 are corporate employees. The details of the AMFI registered Mutual Fund Agent Distributors are available on the AMFI website.

MUTUAL FUND INDUSTRY

Second quarter July – September 2004

The second quarter data are presented in tables 1 to 6

- 26 new Schemes were launched in the quarter and a sum of Rs.6,382 crores was mobilised. Of this, Rs. 2,618 crores was mobilized under the income funds, Rs 1,133 under the growth category and Rs.2,491 under the Liquid/ Money Market Funds.
- Sales for the quarter stood at Rs 2,18,367 crores as against Rs. 1,40,274 crores for the corresponding quarter last year representing an increase of 56 %.
- Redemptions at Rs 2,26,966 crores were 79 % higher than the redemptions of Rs. 1,26,970 crores of the corresponding quarter last year.
- Thus on a net basis, there was an out flow of Rs. 8,599 crores as compared with a net inflow of Rs. 13,304 in the corresponding quarter last year.
- The Assets Under Management as on September 30, 2004 stood at Rs.1,53,108 crores as against Rs.1,21,778 crores as at the end of the corresponding quarter last year.
- Data on sales, repurchase and Assets Under Management of Fund of Funds are given in Table 5.
- Table-6 gives data on Assets Under Management for each of the Asset Management Companies.

MUTUAL FUND DATA FOR THE SECOND QUARTER JULY- SEPTEMBER 2004

TABLE - 1

(Rs. in crores)

	Category	No. of Schemes Launched	SALES - ALL SCHEMES				REDEMPTIONS ALL SCHEMES		Total Assets under MGMT. As on 30-09-04
			During the Quarter	From New Schemes	From Existing Schemes	Total for the Quarter	Total for the year to Date	Total for the Quarter	
A	BANK SPONSORED (4)	3	194	22474	22668	43773	24335	45406	28148
					9444	18004	8955	16294	22995
B	INSTITUTIONS (2) @	-	-	3107	3107	7782	3808	7689	4555
					4805	9384	4358	7518	6218
C	PRIVATE SECTOR								
	(i) INDIAN (9)	6	1125	61938	63063	123492	65940	119557	28514
					34955	61829	30732	54408	18032
	(ii) JOINT VENTURES - PREDOMINANTLY INDIAN (4)	6	1273	38688	# 39961	# 79934	43321	79473	30167
					32991	64336	29952	55743	28456
	(iii) JOINT VENTURES - PREDOMINANTLY FOREIGN (10)\$	11	3790	85778	89568	168817	89562	159156	61724
					58079	107784	52973	94047	46077
	TOTAL C (i+ii+iii)	23	6188	186404	# 192592	# 372243	198823	358186	120405
					126025	233949	113657	204198	92565
	GRAND TOTAL (A+B+C)	26	6382	211985	# 218367	# 423798	226966	411281	153108
					140274	261337	126970	228010	121778

Notes:

- 1 Data is provisional & hence subject to revision.
- 2 Figures in **RED** denote figures for corresponding period of last year.
- 3 @The number of Institutions has come down to 2 following the take-over of all schemes of IL & FS Mutual Fund by UTI Mutual Fund effective July 5 , 2004.
- 4 \$ The number of Joint Ventures - Predominantly Foreign has gone up to 10 due to the addition of ABN Amro Mutual Fund
- 5 # The Sales for the quarter & Cumulative Sales Total for the year to date has been revised downward to the extent of Rs. 21 Crs. due to a revision effected by one of the funds in the figure reported for month of August 2004.

SALES DURING THE QUARTER JULY-SEPTEMBER 2004 - TYPE AND CATEGORY WISE

TABLE -2

2.1 * New Schemes Launched

(Rs. in crores)

	Open end		Close end		TOTAL	
	No.of Schemes	Amount	No.of Schemes	Amount	No.of Schemes	Amount
INCOME	14	2618	1	140	15	2758
GROWTH	8	1133	-	-	8	1133
BALANCED	-	-	-	-	-	-
LIQUID/MONEY MARKET	3	2491	-	-	3	2491
GILT	-	-	-	-	-	-
ELSS	-	-	-	-	-	-
TOTAL	25	6242	1	140	26	6382

2.2 Existing Schemes

(Rs. in crores)

	Open end		Close end		TOTAL	
	No.of Schemes	Amount	No.of Schemes	Amount	No.of Schemes	Amount
INCOME	118	28577	7	^ 3425	125	30948
GROWTH	128	5434	2	-	130	5434
BALANCED	34	489	2	-	36	489
LIQUID/MONEY MARKET	36	172792	-	-	36	172792
GILT	30	1259	-	-	30	1259
ELSS	20	9	19	-	39	9
TOTAL	366	208560	30	3425	396	210931

Notes: The change in number of existing schemes is because of the maturity and reclassification of some of the existing schemes.

^ Amount mobilised by new plan launched under existing scheme

2.3 Total of All Schemes

(Rs. in crores)

	Open end		Close end		TOTAL	
	No.of Schemes	Amount	No.of Schemes	Amount	No.of Schemes	Amount
INCOME	132	31195	8	3565	140	34760
GROWTH	136	6567	2	-	138	6567
BALANCED	34	489	2	-	36	489
LIQUID/MONEY MARKET	39	175283	-	-	39	175283
GILT	30	1259	-	-	30	1259
ELSS	20	9	19	-	39	9
TOTAL	391	214802	31	3565	422	218367

***New Schemes :**

Open End Income : BOB MIP Fund, BOB NRI FUND, BOB Children Fund, Chola Income Plus, Chola Floating Rate, Kotak Floater Long Term Scheme, Reliance Floating Rate Fund, Kotak Opportunities Fund, Birla Dynamic Bond Fund, HDFC Multiple Yield Fund, ABN Amro Monthly Income Plan, ABN Amro Flexi-Debt Fund, ING Vysya Select Debt Fund & Principal Floating Rate Fund Flexible Maturity Plan.

Open End Growth : JM Auto Sector Fund, JM Healthcare Sector Fund, Sundaram India Leadership Fund, Prudential ICICI Discovery Fund, Chola Midcap Fund, HDFC Core & Satellite Fund, ABN Amro Equity Fund & ING Vysya Domestic Opportunities Fund.

Open End Liquid : ABN Amro Floating Rate, ABN Amro Cash Fund & Principal Floating Rate Fund Short Term Maturity Plan.

Close End Income : Grindlays Fixed Maturity Plan

TABLE - 3
REDEMPTION / REPURCHASE DURING THE QUARTER JULY - SEPTEMBER 2004
TYPE AND CATEGORY WISE

(Rs. in crores)

	Open End	Close End	Total	Net inflow/ (outflow)
INCOME	36836	2494	39330	(4570)
GROWTH	7227	2	7229	(662)
BALANCED	781	116	897	(408)
LIQUID/MONEY MARKET	177215	0	177215	(1932)
GILT	2244	0	2244	(985)
ELSS	18	33	51	(42)
TOTAL	224321	2645	226966	(8599)

TABLE - 4
ASSETS UNDER MANAGEMENT AS ON 30TH SEPTEMBER 2004
TYPE AND CATEGORY WISE

(Rs. in crores)

	Open End	Close End	Total	% to Total
INCOME	50657	2817	53474	35
	69037	* 429	69466	57
GROWTH	24229	1381	25610	17
	15426	1204	16630	14
BALANCED	3782	643	4425	3
	3065	729	3794	3
LIQUID/MONEY MARKET	62982	-	62982	41
	22845	-	22845	19
GILT	5009	-	5009	3
	7441	-	7441	6
ELSS	524	1084	1608	1
	514	1088	1602	1
TOTAL	147183	5925	153108	100
	118328	3450	121778	100

Note: Figures in RED denote amount for corresponding period, last year.

* Non Assured Income Schemes Rs. 304 Crs. + Assured Income Schemes Rs. 115 Crs.

TABLE - 5
DATA ON FUND OF FUNDS JULY - SEPTEMBER 2004

(Rs. in crores)

	No. of Schemes	Sales	Redemption	Assets under Management as on 30.9.2004
Fund of Funds	11	986	566	1272

Note: Fund of Funds is a scheme wherein the assets are invested in the existing schemes of mutual funds and hence, the figures indicated herein are included in tables 1 to 4 and 6. Data on fund of funds is given for information only.

TABLE - 6
ASSETS UNDER MANAGEMENT AS ON SEPTEMBER 30,2004

(Rs. in crores)

Sr. No.		Name of the Asset Management Company	Assets under Management
A		BANK SPONSORED	
	1	BOB Asset Management Co. Ltd.	385
	2	Canbank Investment Management Services Ltd.	1626
	3	SBI Funds Management Ltd.	5913
	4	UTI Asset Management Company Pvt. Ltd	20224
		TOTAL A	28148
B		INSTITUTIONS	
	1	GIC Asset Management Co. Ltd.	225
	2	Jeevan Bima Sahayog Asset Management Co. Ltd.	4330
		TOTAL B	4555
C		PRIVATE SECTOR	
	(i)	INDIAN	
	1	Benchmark Asset Management Co. Pvt. Ltd.	112
	2	Cholamandalam Asset Management Co. Ltd.	1321
	3	Escorts Asset Management Ltd.	111
	4	J.M. Capital Management Pvt. Ltd.	3595
	5	Kotak Mahindra Asset Management Co. Ltd.	5379
	6	Reliance Capital Asset Management Ltd.	9933
	7	Sahara Asset Management Co. Pvt. Ltd.	333
	8	Sundaram Asset Management Company Ltd.	1748
	9	Tata Asset Management Private Ltd.	5982
		TOTAL C(i)	28514
	(ii)	JOINT VENTURES - PREDOMINANTLY INDIAN	
	1	Birla Sun Life Asset Management Co. Ltd.	8982
	2	Credit Capital Asset Management Co. Ltd.	146
	3	DSP Merrill Lynch Fund Managers Ltd.	6004
	4	HDFC Asset Management Co. Ltd.	15035
		TOTAL C(ii)	30167
	(iii)	JOINT VENTURES - PREDOMINANTLY FOREIGN	
	1	ABN AMRO Asset Management (India) Ltd.	1533
	2	Alliance Capital Asset Management (India) Pvt. Ltd.	1951
	3	Deutsche Asset Management (India) Pvt. Ltd.	2588
	4	Franklin Templeton Asset Management (India) Pvt Ltd.	18493
	5	HSBC Asset Management (India) Private Ltd.	5970
	6	ING Investment Management (India) Pvt. Ltd.	1342
	7	Morgan Stanley Investment Management Pvt. Ltd.	1281
	8	Prudential ICICI Asset Management Co. Ltd.	14842
	9	Principal Asset Management Co.Pvt. Ltd	4343
	10	Standard Chartered Asset Mgmt Co. Pvt. Ltd.	9381
		TOTAL C(iii)	61724
		TOTAL C (i+ii+iii)	120405
		TOTAL (A+B+C)	153108

Association of Mutual Funds in India

106, Free Press House, Free Press Journal Marg, Nariman Point, Mumbai 400 021

Tel.: 5637 3907 / 5637 3908 / 2283 6738 / 2283 6739. Fax: 2283 6795

E-mail : amfi@bom5.vsnl.net.in Website : <http://www.amfiindia.com>