6TH INDIA INVESTMENT CONFERENCE

Strategies for an Emerging Environment
15 January 2016, Taj Lands End, Mumbai

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Speaker Event: Dream With Your Eyes Open: An Entrepreneurial Journey by Ronnie Screwvala (Mumbai) ..................... Dec 11th
Greetings to all the members!

As you are aware, IAIP is celebrating 10 years as an organisation. This calls for much deserved celebrations on part of the members, volunteers and the leadership teams. It is also time for all of us to deliberate upon the key priorities and directions that we set for ourselves for the next decade. At the board level, we are constantly reflecting upon the issue with single minded focus on delivering member value across various initiatives viz., industry relations, events, advocacy, technology et al. We look forward to hearing your suggestions and ideas on these initiatives, as well as volunteering activity.

We have had series of events over the last few months and these shall continue, including the career focused series. The 9th AGM was held in the last week of September with useful interaction and interesting ideas from members. We are now gaining momentum for the 6th India Investment Conference which will be held on 15 January 2016 at The Taj Lands End, Mumbai. For more details and to register, please visit http://www.cfa.is/2016india. Avail of the early-bird discount before 15 December 2015.

Lastly, a quick reflection on the recent global market turmoil. India has been relatively better off given stronger macros and policy initiatives. A reflection of the same is also evident in the relative out performance of the Indian Rupee. That I believe, will go a long way to sustain growth for the economy and financial services industry.

Best wishes to all.

Amit Khurana, CFA
Director, Indian Association of Investment Professionals
Sanjay Parikh, CFA, has 24 years of experience across multinational and Indian conglomerates. Of the above, 15 years in financial services across life insurance and mutual funds. Currently, he is the Chief Operating Officer of Deutsche Asset Management.

How do you view the Asset Management industry with regards to scope, growth and job prospects? How can CFA charter holders take advantage of it?

The Asset Management Industry is poised to grow with the Government’s focus on financial inclusion and allowing pension monies to be invested in capital markets. With regulations allowing the launch of Alternative and Real Estate Funds, opportunities for CFA charter holders will increase manifold. CFA charter holders should identify these new sectors and get into them early which will enable them to shape the development of these sectors as well as increase their knowledge of the regulations.

How did CFA help in enhancing your career objectives?

As COO, I am a part of the Investment Committee of the Mutual Fund and the CFA charter enables me to effectively participate in the review of portfolio construction of schemes, their risk parameters, portfolio performance, etc. This knowledge is also key in the drafting of equity and fixed income investment policies.

How would you rate the CFA course with respect to content and structure including the pros and cons? Also include aspects which give CFA course an edge over other courses.

I did the CFA course over 2003 and 2005 and I was struck by the fact that the course is constantly evolving and includes contemporary thinking on markets and valuation by including recent essays of experts in investments. It is clearly the best course to do for investment professionals with its overall emphasis on investments, risk management, economics and statistics.

What guidance you would give to CFA aspirants?

For a career in Investments, the CFA charter is the qualification to aspire. However, more than the qualification, the knowledge and the ability to use the same in day to day investment decision-making is key. All CFA students should aim to understand the process completely and should continue to learn even after they earn their charter since the field keeps growing all the time.
In Conversation with...

S. Gopalakrishnan is CIO of ICICI Lombard General Insurance Company Ltd and has been responsible for the investment function from its inception in 2001. Prior to moving to the buy side, he had worked on the sell side in various capacities in equities research and sales. He was a part of BNP Paribas Equities as Director-Equity Sales and head of Equities of Institutional broking arm promoted by UTI.

How do you view the Insurance industry with regards to scope, growth and job prospects? How can CFA candidates take advantage of it?

P&C insurance is an evolved industry globally while it is still an evolving industry in emerging markets like ours. While it has a long history, the overall penetration is still very low here. Penetration is measured in terms of gross industry premium to GDP. Before the opening up of the sector to private enterprises, the penetration was around 0.60% of GDP which has moved to 0.80% currently. The penetration rate in China is around 1.7% of GDP -while in the US is over 4% of GDP. As the income levels increase, the penetration should also improve. So, this industry has an immense growth potential in an economy like ours. Insurance is also used as a tool in improving overall risk mitigation and financial inclusion of the underprivileged by the government, these measures will aid awareness and growth in the future.

CFA candidates/Charter holders can look at opportunities in various functions of the industry including underwriting, reinsurance, actuarial, risk management, product development, finance, MIS and investment function roles in back, mid and front offices. The best one can dream to achieve is what warren Buffet has achieved with his P&C insurance companies and the float the companies in this industry generate.

How did CFA help in enhancing your career objectives?

CFA programme body of knowledge is so comprehensive that it helped me in enriching my knowledge on almost all aspects of my job be it security analysis, valuation or evaluation of performance etc. I look at this as an opportunity to enhance knowledge in an organised manner besides getting membership of a highly acclaimed professional body guarding the integrity of the profession. Post qualification too the professional body gives ample opportunity to stay in tune with...
developments. Continuing education through various forums is available. There is ample networking opportunity with fellow professionals globally to get inputs or any introductions or any professional help.

**How would you rate the CFA course with respect to content and structure, including pros and cons? Also include aspects which give CFA course an edge over other courses.**

The body of knowledge CFA program provides is very comprehensive. It is constantly updated with recent developments besides incorporating inputs from practitioners. It distinguishes itself with its body of knowledge on ethics and integrity of profession. Besides providing a body of knowledge, it also focuses on proper application of the same in practice. The focus on professional practice and the integrity of the profession it strives to maintain gives great degree of comfort to employers and industry while hiring CFA charter holders.

**What guidance you would give to CFA aspirants?**

One should approach the CFA program to enhance knowledge by reading the material and the curriculum in entirety rather than have an examination oriented approach. Working as well as studying for CFA, needs a balanced outlook in life. A disciplined approach to life is very important. One should inculcate the habit of reading regularly over time rather than trying to cover the subjects towards the end. As one assimilates knowledge, one should try to apply in practice. More importantly, one should take the professional ethics standard set out by the CFA very seriously and live by those standards from the very beginning. The ultimate reputation of the program is its conduct as opposed to just a body of knowledge. It is all about how is it practiced than what is just learnt.
Advocacy

IAIP strengthens its relationship with NSDL. To date, IAIP members have contributed six articles for Kaleidoscope, the financial newsletter from NSDL. These have been positively received by the community. For their upcoming issues, NSDL has requested articles on the following topics: Basics of stock markets, capital market/demat and various aspects of financial planning. Previously submitted articles can be viewed at

https://nsdl.co.in/publications/nest.php

We require volunteers for writing a brief 250 words blog on the above topics. Volunteers keen on contributing can drop an email to: advocacy@iaipirc.org

In an effort to continuously engage with regulators, the Advocacy committee has provide feedback on comment papers issued by RBI and Finance Ministry. Complete list of submissions can be accessed at

https://www.cfasociety.org/india/Pages/Submission.aspx

In September, Laurel Teo from SFMI and Iva Sladic of the Hong Kong office conducted a workshop using design-thinking approach. Advocacy committee members reviewed current activities, resources and upcoming projects. Retirement Security and Corporate Governance will continue to be a focus area for the society.

Members are welcome to drop any suggestions on partnerships, events, research projects, consultation papers etc. on matters related to investor education, corporate governance, retirement security and similar subjects.
Insights from IAIP Events

Asset Allocation in a Challenging Environment

Bangalore, June 27th 2015

Contributed by: Vivek Yadav

IAIP Bangalore hosted a topic that members considered the need of the hour – Asset Allocation in Challenging Environment presided by Dr. Rajan Govil, the co-founder of Marketnomix.

Dr. Govil began by talking about the key inputs for Asset Allocation i.e an analysis of key economic parameters to estimate expected returns for a final asset allocation. He also shared his perspective on the Global, and Indian Economies apart from his thoughts on the state of the global financial system. He expects global growth to slow down in the coming years unless there is a radical change in resource productivity curve, given that, enhanced productivity directly impacts growth alongside labor and capital. Some of the key issues he focused on during his engaging session:

Lack of Economic growth data availability on a Real-Time Basis

On the subject of asset allocation, he noted that several micro and macro factors influence investment decisions. In the case of a strategic asset allocation, it is advisable to balance one's portfolio once in a quarter and have time horizon of about 3 years. Since GDP numbers are not available on a real-time basis, one can look for regular indicators like 2 wheeler and/or diesel sales to estimate the level of economic activity.
Impact of cultural on Asset Allocation
He highlighted that specific asset classes such as gold, have sentimental value associated with it in countries like India. He believes that gold has no intrinsic value and its price is only determined by the demand for it, and that one should be cautious so as not to over invest in gold. Further, gold unlike foreign currency does not typically act as a counter balance for high inflation.

Inflation and its impact on Asset Allocation
Dr. Govil opined that the Central Bank's mandate to handle inflation, sans unemployment rate, does not have a scientific rationale. He also suggested that there is little evidence whether inflation-targeting countries have done better than non-inflation targeting countries. Further, he shared that it is advisable to not manage inflation and control exchange rates at the same time.

To read more: https://iaip.wordpress.com/2015/07/19/asset-allocation-in-a-challenging-environment/
Putting Investors First

Mumbai, July 8th 2015

Contributed by: Shreenivas Kunte, CFA

Putting investors first is a global initiative driven by investors and CFA charter holders around the world. The purpose of this initiative is to build a culture of trust and acknowledge the commitment of financial intermediaries for putting investor interests above all others.

NSDL, supported by the Indian Institute of Investment Professionals and the CFA Institute, hosted an event last week for emphasizing the responsibility that financial intermediaries in India have in their capacity as investment advisers. Also the Hindi and Gujarati versions of the statement of Investor Rights were launched during this session.

Mr. Prashant Saran, full time SEBI member graced the function as a chief guest. NSDL MD and CEO G. V. Nageswara Rao as a convener and host provided insight into some of the main challenges that Indian investors faced and the way forward. CFA Institute President and CEO Paul Smith, CFA, graced the occasion as a key note speaker. Following Mr. Smith, Mr. Navneet Munot, CFA, CIO SBI Mutual, had a panel discussion that included eminent industry experts like Mr. Dhirendra Kumar, Founder & Chief Executive Value Research, Ravi Varanasi, Chief-Business Development, NSE and Vijay Venkatram, MD, Wealth Forum as panelists.

Prashant Saran

Mr. Saran at the onset, highlighted the high regard he had for such investor events given that SEBI's primary mandate was in protecting investors. Mr. Saran summarized in his speech important takeaways from the national strategy on financial education.

For Mr. Saran, investor financial education had become a necessary life skill. According to Mr. Saran, there was a need to build basic awareness of the financial system and its linkages. Forming an understanding of the types of financial products and an appreciation of the time value of money are among some of the learning outcomes that he expected from investor education programs. For Mr. Saran, investor education programs would be required to target broader areas from housewives in remote villages to urban households. For Mr. Saran, every individual in India is a potential stakeholder. Mr.
Saran stressed the need to ensure financial literacy among those who were illiterate.

**G. V. Nageswara Rao**

Mr. Rao emphasized the need for financial education and touched upon the tool sets that would be play an empowering role in removing financial poverty. To Mr. Rao, just 32% of the savings in financial assets and 68% in physical assets was an unhealthy proportion for the well-being of India's financial markets. Mr. Rao pondered on ways to bringing more people into the financial savings network and for building vibrant and deep financial markets. He stressed on the need to build a framework for professionals that would encourage a culture for utmost fiduciary propriety and prevent frivolous short term practices such as miss-selling and overcharging on financial products.

Mr. Rao highlighted the need for a financial advisory culture based on longer term, portfolio/ holistic guidance to investors. In this context, Mr. Rao highlighted tool-sets that could aid investors. NSDL's latest consolidated account statements for example gave a broad portfolio visibility to investors. He looked at empowering investors with complete views of asset class balances and performances across different levels – from individuals to joint family owned. He wanted such portfolio centric consolidated reporting statements to be a conversational point between investment advisers and investors.

**Paul Smith, CFA**

Mr. Smith in his speech gave insightful perspectives and the state of affairs of the financial services industry. Mr. Smith drew attention on the slowly eroding values in the industry. He questioned as to why, compared to other industries, customer was not treated as a king in the financial services industry.

According to Mr. Smith undue focus on short termism and a product push approach had resulted in investors losing faith. He stressed that if financial service provided did not act in the best interests of their clients, regulators would step in with rules that would be seen as more invasive.
Mr. Smith stressed the need to focus on professional services rather than products. He emphasized the need to build a profession rather than a business for the ultimate benefit of the society. Mr. Smith highlighted the significant growth opportunity in Asia – a need to service a fast growing middle class. The opportunity was there to be shared provided service providers dreamt and worked on building for long term.

To read more:
https://iaip.wordpress.com/2015/07/18/putting-investors-first-2/
Career Advice Workshop...
Bengaluru, July 26th 2015
Contributed by: Aneek Saha, CFA

Where your talents and the needs of the world meet, therein lies your vocation.
The Bangalore Chapter welcomed Luis Moniz, Executive and Career Coach, Frontrunner Career advisors on July 26, 2015, to help members and candidate scale-up in their professional careers and effectively help participants derive the full value of the CFA Program® and the Charter. The participants found the interaction replete with actionable tips and strategies that one could use immediately to effectively plan and manage his / her career appropriately.

The four-hour long discussion touched on various points as summarized below:

Current Career Paradigm:
According to Reid Hoffman, the founder of Linked-in, one needs to plan like an entrepreneur while strategizing his professional career. One should persevere to be among the top 5% of performers in an organization; the axe generally doesn't fall on them even in the event of a downsizing. To achieve this objective, one should possess four essential characteristics / skills: Business savvy, technical knowledge, creative energy and hands-on approach to get work done.

Choosing the right role:
The one question that can help answer this question is: Do you enjoy your job?
Job Life Cycle Phases:
On an average an executive shifts his career seven times during his work-life. The lesser experienced population shift their career about three to four times during their first decade.

To read more: [https://iaip.wordpress.com/2015/08/13/career-advice-workshop/](https://iaip.wordpress.com/2015/08/13/career-advice-workshop/)
Is Infra Financing a Success in India?

Chennai, July 27th 2015

Contributed by: Meera Siva

In his talk to the Chennai chapter of IAIP on July 25 titled “Is Infra financing a success in India?” Venkataraman Rajaraman (Venkat), Director of Infrastructure and Project Finance, India Ratings & Research, gives an emphatic answer – in the negative. Venkat has been with India Ratings (a Fitch Group Company) since 2007. Earlier, he was a Sub Sovereign Fund – Municipal Finance Specialist at International Finance Corporation. Prior to that, he was Vice President – Resources at TN Urban Infrastructure Financial Services for over five years. Venkat is a Chartered Account, Cost Accountant and holds a Master of Science in Consultancy Management from BITS Pilani and a Bachelor of Commerce degree from D G Vaishnav College.

Venkat points out a few key problems that continue to plague the road development sector ever since the National Highway Authority of India (NHAI) started giving out contracts in a big way in 2004-05. For one, there are ownership issues in the structure of the entity created. The winning contractors form a special purpose vehicle that was debt funded to the tune of 75 per cent; but the other portion held by the promoter also had substantial promoter-level borrowing. So effectively the promoter stake was only 10-15 per cent. And after earning their mark-up, they had less incentive to remain committed.

Second, project completions have not been easy due to land acquisition issues. Nearly 75 per cent of the projects – originally set to complete in three years – are stuck due to various approval delays. So the carefully laid out cash flows from tolls have not come to pass, impacting debt servicing.

Three, toll revenue estimates for the projects were very optimistic. For instance, traffic growth was projected at 13 per cent annually – a very high rate. And importantly, this was not based on any measured data but only on wishful thinking.

Four, the bidding process for many of the road projects were very aggressive. One way to measure competition in bidding is seeing the spread between the lowest and highest bid. In many projects, the difference was several times wider – indicating bidders undercutting prices.

Five, the winning bids gave up a large share of revenue – up to 45 per cent – to NHAI. Add to this the fact that NHAI’s claim on revenue is senior to bank interest
payment; this leaves banks in an unenviable situation.

Six, banks are not the best funding source for such long-term projects with an operational life of many decades. The interest rate set by banks was reset every year and in many cases rates shot up from 8 per cent to 15 per cent over an 8-10 year period. This stresses the interest coverage ratio, especially when revenue does not ramp up.

Seven, there are also risks if the borrower tries to tap other funding sources such as bonds. Interest payment on the bonds may not happen on time as the project may not complete on time, or the revenue may be uneven.

So what's the solution? Venkat suggest that a deep debt market with various instruments – tenors, risk appetite, payment structures – is a must to support the funding needs of the infrastructure sector. And the step taken by NHAI to give banks the priority in revenue claims in select projects should help. Collecting traffic data – similar to the extensive data available for toll roads in countries such as Australia – would help formulate realistic assumptions. Banks can also consider restructuring the debt dues. One option may be to categorize 80 per cent as senior debt and 20 per cent as subordinate. This will help improve the interest coverage from 0.9 times currently for many developers to a more comfortable level of 1.2 times.

To read more: https://iaip.wordpress.com/2015/08/25/is-infra-financing-a-success-in-india/
Indian Association of Investment Professionals – Bengaluru, had an interesting session on The Goods & Services Tax (GST), wherein K. Baskar, Director, Indirect Taxation, Deloitte, gave insights into proposed legislation and benefits. The implementation of the GST could decrease paperwork, increase compliance and potentially bump up the GDP of the country by 1.4%. The following is a brief overview of the event.

The Current Tax Structure:
Indirect taxes, comprising of excise duties, customs and service tax, accounts for 60% of India's total tax collections. The Central Government levies taxes that include the Excise duties, Customs duties, Central sales tax and Service tax. The taxes levied by the States include VAT, Luxury Tax, Electricity duty, Entertainment tax, Entry tax and Octroi.

A quick synopsis of the major taxes:
• Excise duties are implemented on manufacture of goods in the country and the standard tax rate is 12.5%.
• Customs duty is applicable on all products that are imported or exported.
from India.

- Service tax which is charged on the provision of services and has a flat rate of 14%. At present, 118 services are deemed taxable i.e. almost all services are taxable.
- VAT (Value Added Tax) is a form of indirect tax imposed only on goods sold within a particular state, which essentially means that the buyer and the seller needs to be in the same state.
- CST (Central Sales Tax) is a form of indirect tax imposed only on goods sold from one state to another state.

Challenges:

There are a number of problems with the present regime of taxes. A few major challenges faced by assesses include:

- There are no provisions to set-off State VAT against Central levies such as service tax, excise duty etc. and vice versa.
- Certain transactions such as sale of software taxed as both, goods & service.
- There are challenges in valuing the 'product' portion and 'services portion' in a composite transaction
The Race for Gold: Current state and Future Prospects

Mumbai, August 28th 2015

Contributed by: Kunal Sabnis, CFA

In the midst of the global turmoil led by Chinese currency devaluation, issues of sluggish growth and falling commodity prices have become profound. To decode this, IAIP, in association with National Stock Exchange (NSE) organised a panel discussion on Aug 28, titled 'The Race for Gold: Current State and Future Prospects'. The eminent panel consisted of Sudheesh Nambaith, Senior Analyst – South Asia and UAE, Precious Metals – GFMS; Keyur Shah, CEO – Precious Metals Business, Muthoot Pappachan Group; Bhargava Vaidya, Proprietor – B.N. Vaidya & Associates; Sanjeev Agarwal, CEO – Gitanjali Exports Ltd. and Chirag Sheth, Chief Research Consultant, South Asia – Metal Focus. Manisha Gupta, Editor – Commodities & Currencies, ET NOW moderated the panel discussion.

Excerpts...

Manisha started the discussion commenting on the recent drop in gold prices owing to falling demand, 10% import duty and 80:20 import scheme which was eventually scrapped.

Sudheesh Nambaith, Senior Analyst – South Asia & UAE, Precious Metals – GFMS
Gold, a household saving instrument, has withstood the test of time and has played an instrumental role in uplifting communities during times of crisis through either monetising or availing a loan. Due to this, government has to take holistic view of gold as a saving instrument and the increase of LTV from 60% to 75% was a move in the right direction. Sudheesh does not expect further curbs on gold by the government since imports are at a comfortable level. He believes that INR 26,000/- is a good level to invest in gold considering further yuan depreciation will put pressure on the rupee, making gold expensive domestically. Gold, a leading indicator for commodities, has already made a bottom and other commodities will follow suit. He further stated that Indians should also look at investing in Platinum.

**Bhargava Vaidya, Proprietor – B.N. Vaidya & Associates**

Gold is a store of value and Indians personally hold a lot of gold which makes it less essential for the government to hold large quantity of gold reserves. Gold bonds and monetisation are steps in the right direction but government's decision to promote gold coins was surprising. Sovereign bonds will be very beneficial since they are expected to earn 2% on gold that today remains idle. Hallmarking has infused trust in gold investment and gold should be a part of everyone's portfolio. SEBI-FMC merger will be a game changer for gold investing since mutual funds will be allowed to invest in commodities. Bhargava expects 3-4% annualised return in gold going forward.
To read more: https://iaip.wordpress.com/2015/09/04/the-race-for-gold-current-state-and-future-prospects/
Do Independent Directors Provide a valuable service to shareholders?

Mumbai & Bengaluru, September 4th & 7th 2015

Contributed by: Chetan Shah, CFA

IAIP had the privilege of hosting Kasper Meisner Nielsen, Ph.D, Academic Director and Associate Professor of Finance, The Hong Kong University of Science & Technology, Hong Kong for its speaker events in Mumbai and Bengaluru on September 4th and 7th. The topic on whether Independent Directors (ID) provide valuable service to shareholders was well received by the members. Excerpts of the events are reproduced below.

Changing face of Indian Boards

India adopted the best practices for corporate governance and board from the developed economies like the USA following malpractices at companies like WorldCom, Enron etc. Some of these imposed by SEBI for listed companies are:

- 1/3rd directors on the board to be IDs if Chairman is Independent else 50%.
- Term of 5 years for IDs. Maximum of two terms.
- Mandatory Audit Committee with at least 1 financially literate person.
- At least 1 woman on board.
For the later the firms comply with the regulations but majority of woman directors are either wife or siblings or daughter from the family behind the firm. Kasper was of the opinion that shutting down aligning of interests by not allowing stock options to IDs, limiting sitting fees, or replacing fees with commissions are retro steps. According to Nielsen the ideal provision in the Indian law related to independent director should be, “there should be minimum of one man and one woman” in the prescribed norms. Probably, Nielsen did not want the board to be fully dominated by fair sex!

One common question in mind of investors in India is whether in family controlled firms are IDs really independent? Here promoters are majority investors and carry majority risks. So Kasper wonders whether it really matters. However, sensible promoters tend to get independent views.

To read more:  https://iaip.wordpress.com/2015/09/19/do-ids-service-shareholders/
New Studies on Funds' Use of Options for Managing Volatility

Mumbai & Kolkata, September 16th & 19th 2015

Contributed by: Chetan Shah, CFA

IAIP was pleased to conduct a speaker session on Funds' use of Options in Mumbai and Kolkata on September 16th and 19th. And what a better person than Mathew Moran, VP, CBOE (Chicago Board Options Exchange). Matt shared the brief chronology of when various options were introduced and the insights from various studies conducted on the use of options by funds in managing volatility and results thereon. The event was well received by the members.

According to Goldman Sachs papers on mutual fund use of options in 2012 & 2014 at least 196 funds having size of $460bn used options at the end of 2013. The most popular strategy being short or write call (64%), short/write Put (22%), long/buy puts (8%) and long/buy calls (6%). About 47% of short positions had a maturity of 30 days or less while about 40% of long options positions had a maturity of 30 days or less. Over the 5-year ending March 4, 2014, the funds that used options had higher returns, lower volatility, and higher risk-adjusted returns than their peer funds that did not use options.

A study in January 2015 by Keith Black, CFA and Edward Szado, CFA show how the number of funds using options have increased from 10 in 2000 to 119 by end 2014. It provides various statistics right from the annual & average monthly returns, standard deviations, maximum drawdowns, Skew, Kurtosis, Sharpe ratio, Jensen's Alpha etc. Not only is the returns of PUT & BXY higher than S&P500, the standard
deviation and maximum drawdowns in 2008 too are far better (kindly refer to the presentation). PUT stands for CBOE S&P 500 PutWrite Index and involves strategy of buying treasury bills and selling cash-secured put options on the S&P500 index. BXY, CBOE S&P500 2% OTM BuyWrite Index, involves purchasing stocks in the S&P500 index and selling each month index options 2% out-of-the-money.

A Russell Investments Study on Capturing the Volatility Premium through Call Overwriting (2012) illustrates how call overwriting can provide income generation – more by writing short tenure options than longer dated as well as selling ATM options than OTM – and a cushioning effect on downside. This outcome is achieved by selling insurance to the marketplace in the form of call options and capturing the volatility risk premium embedded in these options. It goes without saying that call writing strategies will underperform long-only equity funds in bullish or very bullish equity markets.

To read more: https://iaip.wordpress.com/2015/09/21/funds-use-of-options/
IAIP held its Ninth Annual General Meeting on September 24th 2015 to adopt the financial statements, to reappoint auditor, to re-appoint directors, to apprise members of the various activities carried out by IAIP amongst others. All the resolutions were passed unanimously by the members present. Members also discussed about FCRA (Foreign Contribution Regulation Act).

Like in the past members provided some valuable feedback and suggestions to the board in increasing brand awareness among the employers so as to improve job opportunities, providing membership value by negotiating with publishers to discounted subscription rates, increasing financial literacy etc.

To read more: https://iaip.wordpress.com/2015/09/30/iaip-9th-agm/
Greece continued to dominate the headlines with events taking a dramatic turn every few hours. Its citizens voted against the creditor's proposal and gave an upper hand to the Syriza party's government for negotiating a better deal. Post referendum results, market opinion has swung towards a much greater possibility of a debt default and eventual exit of Greece from the Eurozone. Our base case is still that authorities in Europe would try hard to ensure Greece stays within the Euro zone. This is based on our assessment of geopolitical compulsions and less on pure economic rationale. Markets have witnessed some volatility, though; there have not been any signs of a major contagion effect as of now. There could be some complacency; however, we believe it is market's faith in the central banks capacity particularly of European Central Bank (ECB) that is likely to use its monetary firepower in case of any unforeseen event.

Chinese policy makers seem to be taking desperate measures to combat the crash in Shanghai equities since June. The meteoric rise in market was fuelled by leveraged trading and retail speculation and the government seems to be worried about potential fallout on the economy of a crash in equities. This signals the underlying vulnerabilities of the Chinese economy. Looking at the world, we remain confident that broadly commodity prices are likely to remain soft. This is positive for India.

On ground, most of the economic indicators continue to show improvements. The outlook on inflation remains optimistic with softer global commodity prices and proactive supply side policy response. While the industrial output is yet to revive, there are signals of bottoming out. The rain gods are smiling towards a better agri-throughput. RBI announced a 25 bps rate cut and managed partial transmission of the same. There are signs of pick up in Government spending.

Prime minister's vision for “Next India” has four critical props – economic diplomacy, efficient governance, ease-to-do-business and a distinct civilizational identity. There has been steady progress so far on each of these count, be it Jan-Dhan-Yojana, Digital India, Direct Benefit Transfer of subsidies, fair and
transparent resource allocation framework, Housing-for-All, Make-In-India, Clean-India, Yoga, Women empowerment and initiatives against Money-Laundering. Some of these initiatives will go a long way in creating building blocks for a “Next India” that thrives on transparency, efficiency and inclusive growth.

We believe this phase of transformation would gradually envelope parallel economy into mainstream economy with core asset creation. We further feel that financialization of assets would accelerate more from hereon. These make for a structural story for Indian equities from a pure demand perspective. The domestic investments are positive for a year now and accelerating – providing a counterbalance to the foreign outflows witnessed in the phase of global uncertainties.

To read more: https://iaip.wordpress.com/2015/07/10/market-outlook-4/
Does CFA charter help in switching careers?

Mumbai, July 10th 2015

Contributed by: Nitin Shrivastava, CFA, VP, S-Ancial Global Solutions

There is often a debate on whether and how earning a CFA charter can help somebody in switching the careers. Well, in my case it has proved to be right.

Being an engineering graduate with post-graduation in marketing management, till about eight years back, I was into technical sales of electronic components and semi-conductors. It was then, I decided to switch my career to finance – into equity research.

Though it may seem total shift, it was not that difficult considering my analytical skills and my prior experience — of dealing with corporates and OEMs to understand their business. Fortunately, I got a break with one of the brokerage firms as a mid-cap analyst during the boom period of 2007. However it was short lived as the great financial crisis that followed meant that brokerages laid off people and some of them even had to shut shop. With just around 2 years' relevant experience and market conditions being bad, it was difficult for me to get another job in equity research. As I did not wanted to leave the finance industry, I took up the job with financial media house as an analyst and markets reporter.

It was then that I decided to enroll for the CFA program so as to sharpen by finance and investment management knowledge. After all, the CFA designation earns you a great deal of respect and trust apart from providing a chance to advance the career. I knew it would be a tough task but at the same time believed that it was the only way for me to prove myself to the world. At the same I was very much aware that just by earning a charter, getting a job in the investment profession once again was not assured.

The first step towards earning CFA charter is to just go out and register yourself for the CFA program. Unless you have registered for the program and paid the fees, the motivation to study does not come. After all you have invested a pretty good amount!!

The next thing is to chalk out a study schedule and consistently read and go through the CFA program curriculum. As the CFA program curriculum covers almost all the aspects and topics related to investment management and capital markets, it helped me to gain more insights that helped me in my job that I was doing then.

The program is not just about earning the coveted CFA designation. The best part of being a CFA member or candidate is the chance to interact with other investment
professionals through the local CFA society. I used the opportunity to network and develop contacts with several experienced people who guided me on my career path. The several workshops and events that local CFA society (IAIP in my case) conducted also helped me to sharpen my skills.

To read more: https://iaip.wordpress.com/2015/07/10/does-cfa-charter-help/
In a world with a population of over 7 billion where 2.5 billion individuals have no access to bank accounts or other formal financial services, Bill Gates sees this as a big opportunity for technological innovation. No wonder he has said: “Banking is Necessary. Banks are Not.” Bill Gates' quote sums up the growing irrelevance of banks in an urban consumers day to day life and the challenges faced by banks in the 21st century.

There will always be a need for financial services. However, the developed world is waking up to a new idea that traditional i.e. high cost banking, which has not evolved for more than century, might not be the best way to carry out financial transactions. This has resulted in the emergence of new, low cost, non-bank technological companies – called 'FinTech' startups – that are capable of providing financial services. The barriers to entry into financial services are now lower than ever before and FinTech companies are using cheaper and more efficient technology to challenge the profitability of the traditional banking model.

FinTech startups are attracting capital from traditional VC funds and from corporates as varied as Google, MasterCard and Intel to name a few. Global investments in these startups have increased by 14x in the last six years. During these six years, FinTech start-ups have raised $13.7 billion in 2014 through 821 deals from $930 million raised in 2008. Silicon Valley is still the heart of FinTech startups, which accounts for one-third of all global FinTech financing and 20% of all deals.

Broadly FinTech companies can be classified into sub-sectors such as Lending, Cryptocurrencies, Payments, Personal Finance etc. For the brevity of this article we will restrict ourselves to Lending FinTech. Lending has been the core banking product ever since the pawnshops' existence, much before banks were founded. Later, with the help of sophistication and technology, banks replaced pawnbrokers. While pawnshops are still in the business of lending, they are now considered to be the last resort of the borrower. But now these borrowers have another alternative in the form FinTech companies which operates a marketplace platform, where any individual at his own discretion can lend to another borrower (peer to peer lending,
P2P).
To read more: https://iaip.wordpress.com/2015/07/13/banking-is-necessary-banks-are-not/
In Asia it is difficult for an analyst to come out with “Sell” rating on a listed company for fear of backlash from the company's founders and management. Consequently, financial reporting manipulations, though analyzed and discussed in-house, rarely get reported in print or come to the attention of the general public. Under such backdrop, it is commendable that authors Chin-Hwee Tan and Thomas R. Robinson have taken the step of publishing on the important topic of detecting financial statement irregularities in the Asian region. There are many popular books covering financial irregularities amongst the listed corporations in the developed economies of the US and Europe. But hardly any on corporates in this part of the world. Howard Schilit, author of Financial Shenanigans, has written the forward for this book.

After presenting a framework for analysis the authors show how to detect earnings management and overstatement of financial positions, earnings, and operating cash flows. Each chapter begins with a brief description of the financial statement under consideration and its interaction with the other statements, which is beneficial to both beginners and professionals. This is followed by checklists for conducting analysis, along with case studies involving companies that in some cases have been formally accused, but not necessarily found guilty of, manipulating their reported results.

Each case study begins with a company overview, a chronology of events, warning signs, and key lessons for investors. Most refer to research findings of firms that specialize in detecting financial misreporting, such as Muddy Waters, Glaucus, Citreon and others. The case studies convey a sense that such firms and their clients – the short sellers who act on their findings – fulfill a very important role in the capital markets. Their activities, instead of being frowned upon, should be encouraged as a means of keeping fraudulent practices in check.

Chapter 6, “Evaluating Corporate Governance and Related Party Issues,”
highlights the problems associated with interlocking ownership and directorships in Asia, excessive compensation, personal use or expropriation of assets, lack of transparency, and auditor independence. The case of a coal company P1 Coal (name changed for this review) shows how blatantly 90% of its ownership in its primary operating subsidiary S1 Coal (name changed for this review) was secretly transferred to its chairman. Later, 49% of S1 Coal was transferred to unrelated & independent Trust owned by an investment bank (C1 Trust). These transactions were neither disclosed to the shareholders nor their permission/approval sought. SEC, on February 22nd 2012, publicly announced they were charging its Chairman & CEO for (1) failure to disclose transfer of P1's 90% stake in S1 to Chairman and later selling 49% of that stake to C1 Trust (2) fraud by both Chairman and CEO in forging letter from C1 and (3) defrauding investors into believing they were investing in a Chinese coal business, when it was in fact an empty shell company.

Common size analysis and comparisons with peer groups are key elements of the authors' analysis. One lesson that emerges from these investigations is that excessively high gross or operating margins should raise a red flag. A good illustration of why this is so is provided by another Chinese's company L1 (name changed for this review). By transferring a large portion of its staff expenses to company X1, L1 raised its margins far above those of its industry peers. As of March 31, 2010 X1 employed 80% of L1's 4,258 workers. Management repeatedly claimed that X1 was an unrelated party. This deception continued until Citreon Research reported that L1's legal staff was signing off on X1's administrative filings and that the two companies were located in the same office building and using the same email server.

To read more: [https://iaip.wordpress.com/2015/08/27/detecting-financial-irregularities/]
Career Insights

Getting Bad Job Offers? Here's What You're Doing Wrong.
When you're trying to escape a toxic work environment or making a career change, sometimes any job offer is a good enough offer. The rest of the time, however, you have certain financial expectations for your next career move.

If you keep getting job offers that simply aren't good enough, you need to dig deep to figure out why. Here are four questions you can ask yourself to troubleshoot the bad offers you receive and improve the offers you receive in the future:

Are we in a recession?
Whether you track trending economics or not, the national economy plays a role in how many companies will be able to hire you and what salary they'll be able to offer. Just look at how hiring trends in your field played out in New York Times' collection of recession charts.

Read more at: http://www.simplyhired.com/blog/jobsearch/job-search-tips/bad-job-offer/

Should You Take the Job When You Only Have One Offer?
If you only have one job offer, how do you decide whether to accept or decline? There is no universally correct answer to this difficult decision. Rather, the answer varies on a case by case basis. First off, you have an offer – congratulations. A company is impressed enough that it thinks you would add value, which is a testament to your skills and abilities.

To accept or not to accept? That is the question.
How do you decide? The best tool you can utilize in your decision-making process is a pro and con list that will invite self-reflection. Write these thoughts on paper, as opposed to keeping them in your head. Now is the time to consider your motives, goals, likes and dislikes, as well as your career path.

Read more at: http://www.simplyhired.com/blog/jobsearch/job-search-tips/take-job-one-offer/
On a lighter note

Capitalism Explained

TRADITIONAL CAPITALISM
- You have 2 cows.
- You sell 1 and buy a bull.
- Your herd multiplies, and the economy grows.
- You sell them and retire on the income.

AMERICAN CAPITALISM
- You have 2 cows.
- You sell 3 of them to your publicly listed company, using letters of credit opened by your bank, then execute a debt/equity swap with an associated general offer so that you get all 4 cows back, with a tax exemption for 5 cows. The milk rights of the 6 cows are transferred via an intermediary to a Cayman Island company secretly owned by the majority shareholder who sells the rights to all 7 cows back to your listed company. The annual report says the company owns 8 cows, with an option on 1 more. Sell 1 cow to buy influence with a new president of the United States, leaving you with 9 cows. No balance sheet provided with the release. The public buys your bull.

FRENCH CAPITALISM
- You have 2 cows.
- You go on strike because you want 3 cows.

JAPANESE CAPITALISM
- You have 2 cows.
- You redesign them so they are one-tenth the size of an ordinary cow and produce 20 times the milk.
- You then create clever cow cartoon images called Cowkimon and market them worldwide.

Read more at: http://www.callput.co/trading-jokes-and-humour/
Announcements and Credits

Feedback/Request for Articles
Please send feedback or interesting articles like book reviews, humor, lighter reading, personal experiences etc. to be covered in the Newsletter to: kunal.sabnis@gmail.com or communication@iaipirc.org

Join and update your profile
Join and update your profile on the society portal at www.iaip.in. Join IAIP member group on LinkedIn and Facebook by searching for Indian Association of Investment Professionals.

Real time updates at Wordpress (iaip.wordpress.com)
Brief notes as well as select photographs of almost all the events since January 1st 2011 are posted on iaip.wordpress.com. The updates on events are posted soon after the events take place, making it possible for people who haven't been able to attend an event to remain updated. It also has new sections on Advocacy, Book Reviews, expert views on “ExPress” etc. Kindly visit the same and don't forget to provide us your feedback.

Events
Now you could register for the forthcoming event on the www.cfasociety.org/India page by clicking on the Events tab and Event Registration (www.cfasociety.org/India/Pages/EventRegistration.aspx). Kindly send in suggestions on topics around which you would like us to organize events. Members, having access to insightful speakers are requested to come forward and help in facilitating events around them. This will enhance value to the member community. Please email the same to the Programming, Events and Networking committee members: anil.ghelani@dspblackrock.com or jitendra.marchino@jpmorgan.com or secretary@india.cfasociety.org

Want to Volunteer?
IAIP is always looking to increase member participation and provide networking opportunities. You are most welcome to volunteer for our society to make it more vibrant. It will offer you with an opportunity to interact with members and the investment community, CFA charter holder community and keep in touch with the latest developments in the financial industry. It also provides a good platform for developing leadership skills. It is also an excellent forum for giving back to our profession.
To understand more and join one of the committees reach out to any of us or Volunteer Committee or Mansi at secretary@india.cfasociety.org
You could also fill in the form on the website www.cfasociety.org/india under Membership tab and Volunteer option.

**Be a Volunteer/Committee Member of IAIP Technology Committee**

IAIP Technology Committee plays a vital role, as it collaborates with other IAIP committee in all technological initiatives and smooth functioning of IAIP. IAIP wish to involve more new volunteers and take new initiatives in the Technology Committee. Thus, it is seeking applications from IAIP members to become a part of its Technology Committee.


For the complete list of committees and its active volunteers kindly visit page [www.cfasociety.org/india](http://www.cfasociety.org/india) under “About Us” tab click on the “Committees” button.