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Webinar: Building a High Impact Resume ............................................ Jan 26th 2015
Lessening the Midas effect

Finally, investor interest has turned to financial assets – a positive step towards sustainable economic growth

Indians are emotional people, and are emotional investors too. Assets such as gold and real estate are not only purchased as possessions and places to live in respectively but also double up as investments. The purchase of gold is considered auspicious during festivals, weddings and is also indicative of aid during tough times. A precious metal is considered a safe and good investment for the savings oriented cautious Indian consumer. Gold has stood the test of time and gold prices are believed to be forever on the rise. Similarly, purchase of land or houses are considered to be a sound investment. The assumption is that these real assets will last a lifetime, appreciate in value and assure higher returns.

Say hello to the Indian investor

In the last five years, the Indian investors have allocated a significantly larger chunk of their savings to physical assets such as gold and real estate. Statistics from CEIC indicate that in 2014, about a 2/3rd of Indians' household savings was spent on real assets. Investment in financial assets was low, about a 1/3rd and declining, a clear indication that savings mechanisms such as bank deposits, mutual funds, and equity markets were less than appealing to the Indian investors. Apart from the emotional angle various economic rationale have been attributed to this phenomena, principle one being that the inflation was high and real returns (returns less inflation) from financial assets were negative, driving investors to assets such as gold, land, real estate, etc.

This trend has changed decisively in favour of financial investments in the past year or so with investors seeing more value in them. If recent trends are any indication, 2016 could be a record year for inflow into domestic investment products such as mutual funds, insurance, etc. The percentage of Indian household savings going into financial assets has improved by nearly 100 bps in last one year. The last time we witnessed such euphoria was back in 2007 when the global equity markets were at all-time high.
The gap between spend on financial savings and physical assets is slowly declining – a good sign for the economy. Domestic savings into financial products will then become the source of capital for investments within the economy. This would then create a cycle where savings lead to investments and investments lead to better economic growth, which in turn will lead to more income and more savings. The income-savings-investment cycle starts working in favour of the domestic economy.

Address investor concern

This delicate balance between the shares of financial savings in the total household savings is the cornerstone or the key macro-economic factor on which the domestic investment management industry is based upon. The role of the investment management industry is important here; to promote and boost the increase in savings towards financial products and financial savings instruments. The investment industry has the task in hand of manufacturing financial products that appeal to the investing public so that they confidently shift away from gold, real assets. In order to win a larger share of the savings pool of Indian investors, the investment management industry will need to understand the Indian investors more closely, their primary concerns such as returns, liquidity, safety and security, etc. The onus is on the investment industry to develop products that meet the requirements of the investors, align business fundamentals to investors' interest. The investment management industry needs to continuously work towards creating value proposition and confidence in financial products. As savings of the Indian population move into the financial industry, not only will it directly benefit the investment management industry, but also the economy at large. In summary, a modern, competitive, developed investment management industry is critical to the economic development, growth and success of India.

Wish you all a very happy and prosperous 2016!!!

Jayesh Gandhi, MIM, CFA
President
Indian Association of Investment Professionals – India CFA Society
In Conversation with...

Vinay Bagri CFA co-founded www.antiqueshares.com, an advisory firm, focused on providing solutions to financial institutions/Banks on exit options on portfolios of non-traded and illiquid securities. The firm has now added shades of Private Equity; actively exploring investment opportunities in sectors like Life and Health Insurance, E-Commerce, Payment Banks etc. Prior to this entrepreneurial venture, he worked with Franklin Templeton and was instrumental in setting-up the Global financial data operations in India. Vinay is a Chartered Accountant and gained rich experience with Infosys as a domain expert in securities industry.

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

India is home to a start-up revolution, a tsunami of opportunities, and an enabling ecosystem that seeks to change the face of the nation, forever. The evolution of financial services industry in India is being led by financial awareness among aspirational young Indians and innovative financial products which promote financial planning and independence. The evolving regulatory landscape and stimuli from the state will further catalyze the growth and development of the industry and create a phalanx of professionals.

The CFA charter holder community has an exciting opportunity to be a part of this metamorphosis and play a pivotal role in the development of financial sector in India. We can witness several of our members branching out on their own, and providing independent and professional services in Research, Wealth management, investment advisory, AIF, PMS, Skill India etc. This trend is expected to further accelerate in years to come.

How did CFA charter help in enhancing your career objectives?

CFA program has provided me with the tools, perspectives and skills necessary to confidently navigate and contribute in my present role and past jobs. There is also deep commitment on continuing education and research and thought leadership on a wide variety of topics. One has to be a part of the CFA community to experience the warmth and camaraderie among the members. One can see new doors open, career opportunities emerge, great relationships being forged via our network of...
professionals. It is a different feeling of empowerment to be a part of a global community.

**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.**

The CFA course has completed more than 50 years, with members in over 140 societies across the globe. The sheer global reach with one language, one standard, and one community is unparalleled. The course has evolved to reflect its adoption, in both developed and developing markets. Another hallmark of this course is the symbiotic relationship it shares with the industry and its practitioners. As with every professional course, there is deep and rigorous study involved. Several new technical skills are acquired and appreciated while pursuing the program. A critical component of the course is its emphasis on Ethics and its application in real life situations. Another unique aspect of the CFA program is the requirement of relevant work experience towards appreciation and application of knowledge acquired while pursuing CFA program.

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

CFA is THE program for anyone seeking to make a career in the Investment or related industry. The canvas of the related opportunities has expanded to include Knowledge Processing Hubs, financial services, Analytics etc. Global integration of financial industry and operations has also opened myriad opportunities for CFA's. The program heavily draws from the experiences of its members, who are a part of the industry or in academics. A complete appreciation of the program is best had with an amalgam of theoretical knowledge and practical exposure.
In Conversation with...

Sonia Gandhi, CFA, is an Equity Sales Specialist. Currently on a sabbatical, her last job was as Director, Equities at Deutsche Bank. Prior to that she covered APAC client base at JP Morgan, BNP Paribas and Jardine Fleming. She serves in a volunteer capacity as Chair, Membership Committee at IAIP and also represents IAIP in the CFA Institute's global Society Brand Council. She is passionate about role of ethics in Investment Management and conducts workshops on ethics at universities and management institutes.

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

Investment Management is a highly challenging, competitive and rewarding industry, attracting the best talent available. The industry is poised to grow manifold and given the rapid pace at which it is constantly evolving, CFA charter holders are well positioned to contribute with their unique skill sets. Though more and more sell side analysts are now charter holders, it’s becoming an increasingly indispensable requirement for sales specialists as well. With increasing focus on trust, ethical dealings and efficiency, we are looking at a scenario where CFA charter holders will be the preferred choice of firms looking to stay ahead of the competition.

How did CFA charter help in enhancing your career objectives?

As an equity sales specialist, assisting clients to make investment decisions, I found the CFA curriculum extremely useful. It has equipped me with relevant tools, techniques and strategies to better understand, evaluate and support the unique requirements of different sets of clients.

I have also benefitted immensely from the expansive ethics curriculum in making better judgements in situations demanding ethical deliberations. The excellent continuing education opportunities, wide access to global network of professionals and the high quality conferences keep me at the leading edge of the developments taking place in the industry.

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.

CFA course content is thoroughly well researched and extremely well structured. Two key aspects that differentiate this course from others are:

A. CFA Institute does an absolutely brilliant job of keeping the curriculum relevant and current by seeking feedback directly from practicing investment management professionals, university faculty and regulators. This dynamic updating provides the course a unique edge in a constantly changing environment.

B. The curriculum's focus on ethics is another differentiating factor. I am yet to come across another comparable course which provides such a thorough grounding in the various aspects of ethics. One can really appreciate this focus in the present context of financial services/Investment management industry being ranked amongst bottom most in Industry trust rankings.

What guidance you would give to CFA aspirants?

CFA designation is not just another 'tick the box' exam to be added to one's CV. It's an investment in career progression and lifelong learning – and must be treated in the same spirit. One must make the most of the excellent study material to refresh and sharpen one's knowledge and apply the learnings at work. Many practitioners provide perspective in development of the curriculum, ensuring maximum value add for aspirants.
Insights from IAIP Events
Career Mentoring Workshop in Mumbai with Luis Moniz

Mumbai, Oct 30th 2015

Contributed by: Subash Iyer, CFA

IAIP was pleased to host Luis Moniz, FrontRunner Career Advisor, for an interesting career mentoring workshop in Mumbai. Luis is an Executive and Career Coach focused on developing middle and senior management professionals. The session was well received by the members.

Luis began the session explaining the typical lifecycle of a job. He broke it down into five stages explaining how the expectation, delivery from the company and individual changes at each stage. He urged participants to think beyond the brief specified in the job description and increase one's influence in an organisation. He spoke of how the job markets have evolved over the last few years noting that job cycles were getting shorter and churn rates increasing. He also mentioned that at the very core the job market functioned based on supply and demand dynamics.

Luis reviewed the resumes of three participants and shared feedback on general
best practices to follow while writing a resume. Some of the best practices include:

• Naming your resume as first name.last name.pdf. Do not include version names, industry specification etc. on the resume
• Sending a PDF version of the resume
• Ensuring that there are no grammatical mistakes or typos
• Getting the resume proof read by a trusted friend
• Not revealing unnecessary information such as address, marital status etc.
• Highlighting achievements at every job and not just your job description.
• Highlighting career progression within same company.
• Keeping the resume length a maximum of 2 pages.
• Highlighting recent achievements a lot more.

To read more:  
https://iaip.wordpress.com/2015/10/30/career-mentoring-workshop/
Insights from IAIP Events

Credit scoring in India – On a fast track

Chennai, Nov 3rd 2015

Contributed by: Meera Siva

One's credit score is his/her passport to get a loan but the largest credit database in India has only 300 million people. So what about the financial inclusion and credit access to the rest? Flip the question around, this can offer a huge potential to lending institutions if they can figure out how to rate the credit worthiness of those without a credit score.

It is these problems and possibilities that Ranjit Punja, co-founder of CreditMantri, a start-up in the digital credit marketplace elaborated on. In his talk on October 29, 2015 to the Chennai chapter of IAIP, he touched on the evolution in consumer credit segment in India and offered a sneak peek on what advances lay ahead in this exciting space. Ranjit was born and brought up in Chennai and has an MBA from the University of Wisconsin. He is an avid runner and has completed four New York City Marathons.

Ranjit, a veteran of 23 years at Citibank has a wide experience in credit and collections, having worked at multiple locations across the globe. In his last assignment with Citibank he managed consumer bank collections across 53 countries outside the USA. Creditmantri was co-founded along with two other ex-Citibank executives and has raised Series A funding earlier this year.

In his candid talk, Ranjit mentioned, lenders need to answer four questions when assessing credit worthiness. One, is the borrower real (can be answered through KYC documents). Two, is the person reachable (contact information helps). Three, ability to repay (A lot of information – ranging from salary, nature of employment, other assets and liabilities – can be evaluated for this assessment).

Last – and the trickiest of the questions – is the willingness of the borrower to repay. Credit score which is on past repayment record, is viewed as an indicator in determining this. But in the absence of credit score, lenders may have to do a lot of ground work or just decide not to take any risks.

However, with a lot of information available digitally, we can triangulate on credit worthiness based on data from multiple sources. GPS in phones can be used to establish address. A LinkedIn account with say 50 connections that includes people from the stated place of work provides confidence on employment data even
without a payslip. Bank transaction details based on SMS logs, purchase and returns records from e-commerce sites and wallets also provide a wealth of data to analyse and draw intelligent credit conclusions on.

These could help extend credit access to those without prior credit history, but may be credit worthy. Also, many NBFCs have a lot of data on credit history on their clients. These can also be tapped by intermediaries to lower the cost of borrowing. Online finger printing and checking with databases such as Aadhar can speed up loan processing.

The work done by entities such as CreditMantri play an important role in evaluating credit files with 'thin' credit history. Through ingeniously tapping multiple data points, a credit-score like estimate can be arrived at that can aid decision-making. Making credit assessment possible for individuals – who were previously thought to be in the credit blind-spot area – helps promote financial inclusion.

To read more:  
https://iaip.wordpress.com/2015/11/03/credit-scoring-in-india-on-a-fast-track/
Insights from IAIP Events
Ethics in Investment Management

Bengaluru, Nov 21st 2015

Contributed by: Aneek Saha, CFA

We had an interesting interaction with Shankar Jaganathan, Founder & CEO Cimplyfive and Shriram Subramaniam, Founder InGovern Research Services, on 21st November 2015 in Bengaluru on “Ethics in Investment management”. Shankar brought in the philosophical perspective and started by posing the question: Who is a professional?

A professional according to the general informal definition is a person who is paid for work. A successful professional is one who is paid a lot for work and an amateur is one who may work for pleasure, not really for a pay-check. Further, he observed the difference between restriction and restraint – restriction meaning that someone prevents us from doing something while restraint means that we don't do something on our own accord.

Shankar moved onto ethics which comes from the word ethos, meaning something that is inherent. Customs come from what people think one should do, while law is applicable when one is causing damage to others.
Three Types of Contracts:

After a brief introduction to what Ethics means in the modern era, Shankar combined the above concepts of a professional, restraint, ethics and law. He stated that broadly, there are three types of contracts:

1. The first is buyer beware contract where the seller is not saying anything about the product. It is the buyer's responsibility to take the call. Buyer beware is a contract among equals, each one is for himself and trust is not necessary.

2. The second is contract of good faith which is also a contract of equals but where trust is a prerequisite. Examples are a prospectus or insurance. If there is a mistake, the offending party can be sued.

3. The third is contract of professional ethics, which is a contract among un-equals such as a doctor and patient, a lawyer and client etc. Here the stronger looks out for the weaker and trust is the essential premise

Under most circumstances, Investment professionals fall in the contract of
professional ethics. There are instances when an investment bank is selling derivative contracts to corporations – this may fall under buyer beware contract since the corporation is a sophisticated entity, typically is knowledgeable about the product and has a team to review contracts.

Other professionals such as Doctors also function under a code of professional ethics – they manage the information advantage they possess and help their clients, always prioritizing the client's interest ahead of theirs. These professionals are deemed to be performing a service to society and rewards typically are commensurate to the role played.

A thought experiment:

In ancient Rhodes there is a famine, and a merchant loads his ship with grain and decides to sail for Rhodes. Should he tell the inhabitants of Rhodes that other ships are also coming? Which would mean that the price of grain would fall. Secondly if one has a house and there are termites in the house due to which one decides to sell it, should one tell the prospective buyers that there are termites in the house? The solution of these problems according to Shankar is doing the right thing, keeping in mind that ones future reputation depends on taking the right step.

To read more:
Insights from IAIP Events

CFA Charter Felicitation Ceremony in Mumbai

Mumbai, Nov 24th 2015

Contributed by: Jainendra Shandilya, CFA & Shreenivas Kunte, CFA

The 10th Mumbai charter felicitation ceremony was held at Sunville, Worli, Mumbai. The event was flagged off by Sunil Singhania, CFA and member on Board of Governors, CFA Institute, who congratulated the newly successful charter holders and also those who passed level III exams. Sunil spoke on the future of financial services industry and the value of ethics in the industry. He encouraged charter holders to always put investors first in their dealing with clients. Sunil endeavoured to speak impromptu – “Mann ki Baat” as he put it – instead of using the long speech he had prepared for the occasion.

Paul Smith, CFA and President, CFA Institute took to the podium next. Paul welcomed the new charter holders and their family members and elaborated on how the future belonged to the new charter holders. Paul asked the new charter holders to make the maximum use of their newly acquired knowledge and skills that. Jayesh Gandhi, President IAIP spoke next – primarily on the various benefits available to charter holders and congratulated them on achieving this milestone. He spelt out details on the benefits available to charter holders including the regular events organized by the IAIP and various other speaker events including the
flagship program of the CFA Institute, i.e. the India Investment Conference. He encouraged the newly joined charter holders and level III pass outs to attend the upcoming India Investment 2016 in January. Such events, Jayesh explained, allowed members to derive more in terms of membership value. India Investment Conference in particular would allow members to experience international quality speakers and to network with a number of distinguished professionals in the financial markets.

Finally, Vidhu Shekhar, country head, CFA Institute shared his views and reviewed some of the important milestones that IAIP has witnessed so far. Vidhu, encouraged young charter holders to visit the CFA India office at BKC in Mumbai. Trophies/mementos were distributed to charter holders by Sunil Singhania, Paul Smith, Vidhu Shekhar, Jayesh Gandhi and other senior IAIP Volunteers.

To read more:
5th Dec 2015, the most memorable and awaited day of my life. This was the biggest event ever attended by me where I was felicitated by Jayesh Gandhi, CFA – President IAIP & Senior Portfolio Manager Birla Sunlife AMC and Ravi Gautham, CFA – Senior Vice President and Director, Northern Trust, both chief guests at the CFA Charter Felicitation Ceremony in Bengaluru. Jayesh introduced IAIP, a local society of CFA Institute, providing insights into what actually the society does and the key benefits for its members. Ravi advised that CFAs should keep themselves updated with the global developments in the investment profession and should not get carried away by the laurels he or she has earned.

CFA pass outs and CFA charter holders were felicitated by giving certificates and mementos. Many came on the podium to share their experiences during their CFA journey. It was inspiring to realize that in spite of multiple obstacles, my fellow pass outs and charter holders displayed grit, determination and dedication which
enabled them to reach where they are today. One of the stories mentioned which I would never forget is about the farmer and his donkey. This story gives a message that one may face many challenges in life, however one should consider each trouble as a steppingstone, never stop and never give up. I should not forget to mention Abhishek Agarwal who is a role model for everyone. He cleared CA, CFA and CS at a single shot, despite his vision problem. There was a huge round of applause for him.

The only sad thing was the female to male ratio in the hall was low. I believe the CFA Institute should come up with initiatives so that the women participation in this program increases. I appreciate the hard work put up by the IAIP volunteers for the organizing the award ceremony. The venue (ITC Windsor) and the food were excellent and I enjoyed my day thoroughly. Kudos to the IAIP Bangalore team. I would like to end my note with a famous quote, which says, “Always believe in yourself, have faith in your abilities and have confidence in your own powers to be successful and happy”.

To read more: https://iaip.wordpress.com/2015/12/14/charter-felicitations-ceremony-bengaluru/
Insights from IAIP Events

Dream with your eyes open: An Evening Talk with Ronnie Screwvala

Mumbai, December 16th

Contributed by: Kunal Sabnis, CFA

“Dream with your eyes open and feet on the ground!” – Ronnie Screwvala

The Mumbai chapter of IAIP hosted Ronnie Screwvala on 11th December for an event titled 'Dream with your eyes open'. The event was structured in the form of a talk show hosted by Sonia Gandhi, CFA. Ronnie, post his very successful stint with UTV, has focused on three major business segments: Sports, focused on kabaddi, moto sports and football; Education, focused on niche skill development through online medium and Swades, focusing on empowering rural India.

Ronnie started with detailing his journey as an entrepreneur and also shared his thoughts about entrepreneurship. He opines that most people who want to venture into entrepreneurship hold themselves back due to fear of failure but missed opportunities should also be considered as failure. In India, families are also unlikely to be supportive since venturing into own business is looked upon as a
result of lack of stable job opportunities and poor education which will lead to income uncertainty and below average life style (at least in the initial years).

To be an entrepreneur, passion, curious mind, clarity of thought and willingness to work hard are most essential. Effective communication and good listening skills are also important. Domain expertise can be achieved over time as long as the above skills are present. Citing multiple setbacks in his initial years, he mentioned that humour and laughter are also critical traits. An entrepreneur should also have self-confidence and conviction in his pursuit. He has to inspire his colleagues and respect them. It is important to instil cohesive work culture and direct communication between key personnel.

Initially, Ronnie didn't know what he wanted but one thing was clear – he wanted to be an entrepreneur. His experience of theatre and media improved his communication skills and instilled the importance of collaborative work. He believes that one should have multiple plans during the planning stage but once a plan is made, he/she should stick to it even when the going gets tough. During difficult times, an entrepreneur has to focus with rigour and in a laser-sharp manner. Ronnie believes in constant need to innovate, adapt and improve on what is already achieved.

To read more: https://iaip.wordpress.com/2015/12/16/dream-with-your-eyes-open-an-evening-talk-with-ronnie-screwvala/
Like every year, there were several contenders. I salute Aung San Suu Kyi, 'the lady' of Myanmar. She joins the league of outstanding leaders who change the fortunes of a nation.

My heart goes to Hajj pilgrims who lost their lives in Mecca. Mount Everest melted with pain to see Nepalese children under debris. Disasters like Storm Desmond, Chennai floods and heat-wave in Pakistan expose the dark side of our uninhibited growth. Finding traces of water on Mars is good but let's find ways to keep our cities livable. The COP21 team at Paris deserves the award for their efforts to save the future generation from Mother Nature's fury.

The pugmarks of terrorism became visible across the world map. The beautiful Paris suffered a barbarous attack. It made Russia's Putin a strange ally of west. But remember, all their enemies aren't common. Attacking with drones and killing a few leaders and many soldiers sporadically can't defeat a radical and contagious ideology. Al-Qaeda yesterday, ISIS or Boko Haram today. Middle-east and North Africa is a minefield. Ousting them from Syria is possible but preventing a re-assembly in Afghanistan later may become 'Mission impossible'.

Blood stains on Eiffel Tower are helping resurgence of nationalists like Marine Le Pen. Political economy will make it difficult for Angela Merkel to remain an Angel for refugees. Europeans won't build a 'Grand Budapest hotel' for them. Probability and consequences of a Brexit or Grexit are unknown but a re-think on Schengen could create an existential threat for EU.

Events in Greece made me understand why anything not easily understood is called 'Greek'. I loved Varoufakis, their biker finance minister. Draghi's ECB has done “whatever it takes” but pumping more gasoline can't fix a weak engine.

The year saw central banks taking divergent paths. “Will she, won't she” was the mother of all debates in financial markets. Janet Yellen finally moved out of zero bound. Don't get Fed up, question hounding next year will be – none more, some more or a lot more (rate hike).
The rise of nationalist fervor and treaties like TPP and bilateral deals don't augur well for future of globalization. The spirit of one universal market can reboot the sputtering global trade.

China sneezed, emerging markets caught a cold but commodity producers contracted pneumonia. Emerging markets saw their economies, asset values and currencies submerging. Democracies and economies have their self-correcting mechanisms. There are signs of cleansing political winds in countries like Argentina, Brazil and Venezuela. Commodity prices and corporate profits are bottoming. Bargain-hunters, draw out your fishing nets.

Slowdown, Collapse, Crisis, Downfall and Bubble are the top suggestions of the Google search-box on typing “Chinese economy”. Just glance at the might of BAT (Baidu, Alibaba, Tencent) before Betting on imminent collapse of Dragon. It is undergoing a painful but powerful transformation, perhaps, the way a dragon changes its skin. Deadweight of investment and credit-led bubble is bursting to give birth to a consumption and services led economy. Pundits predicted Renminbi to devalue to 7/$. A currency war unleashed could have as dramatic consequences as 7th episode of Star Wars. This is their SDR moment: Special status for currency by IMF, Drawing a new Silk route and asserting its Right in South China Sea. China at crossroads between 'an awakened force' or a shattered empire was a strong contender.

To read more: https://iaip.wordpress.com/2015/12/29/person-of-the-year-2015/
Climate Shock is a scientific and economic analysis of the effect of rising global warming caused by increasing carbon dioxide in the atmosphere. The temperature of earth is gradually rising and by some estimate it may increase by 6 degree Celsius by 2100 and no one exactly knows what the consequences of that will be. One thing is clear, the rising temperature of the globe will lead to higher sea water level, more ice melting at the arctic and hence many more disasters like hurricane Katrina that rocked the coasts of New Orleans in 2005.

Climate shocks keep appearing in one form or the other. The casualty, however, is always humans and the habitations. In the USA, hurricane Sandy killed 147 and displaced 375,000; Irene killed 49 and displaced over 2.3 million. In 2013 in Philippines, typhoon Haiyan killed over 6000 and displaced over 4.0 million people. In 2003 in Europe, summer heat wave killed over 70,000. The list goes on and will probably be on; yet, the message is not being heard loud and clear.

During the pre-industrial times the amount of carbon dioxide in the atmosphere was around 375,000 part per million (ppm), which as of now is close to 400,000 ppm. If the trend of global warming continues, by 2100, the average temperature of the earth's surface will rise by 3.6 degree Celsius as per the estimate of International Energy Agency (IEA). Camels will once again walk on the territory of Canada as they did some 4.5 million years ago. Climate changes are being caused by individual actions and its effects are being felt by everyone globally. Carbon dioxide, once emitted, remains in the atmosphere and they trap heat, a phenomenon called greenhouse effect. We have lost half of the arctic sea ice by area and three quarters by volume. What does it mean to us? Ice being white in colour reflects the sunlight and hence reduces earth's temperature. Melted ice, formed into water, start absorbing heat and here lies the problem. Due to ice melting at arctic, the sea level is rising and will rise further because of excess heat absorbed by water caused due to loss of ice. We are in a global bath tub where emissions caused by
humans by burning fuel, coal etc. are entering through the faucet. There is, however, a problem. The emissions can't escape fully as more emissions are entering and clogging the drain. Floods are now more frequent than it used to be few decades earlier. The amount of carbon dioxide had reached 400,000 in the Pliocene – a period over three million years ago and this was not caused by humans, rather by natural variations and that led to average surface temperature being warmer by 1-2.5 degree Celsius than today and sea level rising by over 20 meters. This period also saw Camels in Canada and the days are not very far for the history to repeat. Some of the rising levels of carbon dioxide find themselves in oceans and cause the water to be more acidic. One possible outcome of this is disappearance of many marine organisms – a not very desirable consequence.

To read more:
Book Reviews

Misbehaving – The Making of Behavioral Economics

Author: Richard H. Thaler
Publisher: WW Norton & Company
Kindle Price: INR 622.25, Hard cover price: INR 1397, Pages: 432
Reviewer: Jainendra Shandilya, CFA

Misbehaving is about the journey of behavioural economics from its origin, recognition as an independent discipline, and the growing acceptance of this subject by the policy makers of developed countries. Richard Thaler, the author and Professor of University of Chicago, is a known behavioural economist/scientist who has put in over three decades of his research into this book. Misbehaving was one of the six books shortlisted for McKenzie FT Business book of 2015, and true to its reputation, it mesmerizes readers with umpteen number of experiments/trial conducted to analyse human behaviour. The author promises the readers full of entertainment and excitement, and advises them to stop reading the moment they don't find it interesting. To a great extent, this claim is true but for somewhere in the middle of book. It is, however, prudent to read the book from the beginning till end; some of the best things are towards the end.

Prof. Thaler set question paper on economics for his class and noticed that the average score was 72 out of 100 marks. This was not well received by the students. Next time, he changes the maximum score to 137, keeping the level of difficulty little tougher, and the average changes to 96 and the class has no complaint about the question paper. The author is perplexed and realizes that to the rational economists this is a case of misbehaving, as the percentage average score is almost the same in both cases. The whole book is a serious attempt in finding out the reasons why humans' behaviour departs from rational behaviour postulated by economists. Ordinary humans cannot optimize contrary to what economists expect the rational people to do. “Does a family, that have a choice of thousands of options in a grocery store, optimize”, asks the author? Does a manufacturer employ marginal productivity theory when hiring workers?

People don't want to part with what they already have compared to what they can
have with the same amount of money. This is an endowment bias and in large number of experiments conducted by Thaler, his subjects have demonstrated this bias. People show different risk appetite for gain compared to the same amount of loss. They are more risk averse when it comes to gains compared to when they are in loss. The loss hurts more than the same amount of gain gives pleasure and this is what is called loss aversion in behavioural economics. According to Thaler, there are two kinds of utilities when dealing with human behaviour; one is acquisition utility and the other is transaction utility. When you buy something which you value more, this is acquisition utility; when you buy something at a lower price or of higher quality, this is transaction utility. Two cases in points are of Macy's and JC Penney. Macy's tried to reduce the use of coupons that allowed customers discount, and it miserably failed in its attempt. It had to return to its previous coupons program by the holiday season of the same year after realizing that its sales had plummeted. JC Penny, on the other hand, abolished coupons and started a scheme called everyday low price. In the process, JC Penny abolished prices ending with .99 and charged full price instead. It was true that customers were not paying different prices under both practices, the sales of JC Penny, like Macy's, plummeted and it led to ouster of its CEO Johnson. This misbehaviour by the customer is due to transaction utility. The author applied his knowledge of behavioural economics in practical business application. In Ithaca, a little town, there was ski resort known by the name Greek Peak. The resort was in serious financial difficulty and badly needed to increase revenue or decrease debt. The increased revenue could come only at the expense of high price which could lead to customers shifting to some nearby ski resorts, which appeared to provide better amenities. Thaler adopted the practice of gradually increasing the ticket price to resort so as not to create any backlash by the customers. The resort also had a racecourse which was chargeable to customers.

To read more:
The book – Culture and Prosperity by Professor John Kay, one of the leading British economists today, is an excellent read. In this book, the professor has tried to find the answer to a very relevant question of this age: why are some countries rich and others poor? Why does a school teacher in Switzerland and a farm worker in Sweden earn much more in salaries than a programmer in Russia and an accountant in India. Why do centrally planned economies experience low productivity and economic performance while market economies generally do well (which was the reason for the collapse of the Soviet Union). And more importantly why do rich countries continually remain rich over time and would be rich in the future and the poor countries remain poor. While this is the basic question this book has dealt with, there are a lot of other issues and concepts covered in this book related to economics that make this book interesting and relevant.

The primary reason for the prosperity of nations that John has discussed is specialization and comparative advantage. Referring to Adam Smith's pin factory, where the output and productivity of a pin factory multiplies when people specialize in different tasks related to manufacturing pins as compared with when the entire pin is made by one single person, Kay states that in developed countries, jobs are highly specialized. Hence people become experts at their jobs and their productivity is world class. This coupled with the intensive use of machinery in developed nations is a reason for the high outputs and consequent high salaries that the workers enjoy.

This also draws upon the principle of competitive advantage, absolute and relative. John gives the example of a painter and a cook in France. The painter paints and gives some of his paintings to the cook in return for food. The painter could cook himself and the cook could paint his own pictures but that would be sub-optimal
(absolute competitive advantage). Even if the painters could cook better than the professional cook, still both parties would gain if the painters stuck to his vocation and the cook prepared the meals (relative competitive advantage). So the question companies should ask is not who is the best person for the job, but rather what can each worker do best? Rich nations tend to trade more both internally and with other countries. Similarly successful companies stick to their core competence and outsource the rest.

John also explains why socialist economies like the Soviet Union and China performed so poorly under central planning. The reason was lack of coordination. In central planning, all decisions were taken by a centralised committee which on many occasions was unaware of what the ground realities were. Dissent was stifled, workers were generally forced to comply with the decisions of the central leadership without being asked for their opinion and this resulted in gross mismanagement of resources. Indeed there was excess production of certain goods and shortages of other. For example, Russia produced excess steel, but most of it was put to rust. Industries couldn't produce, because of lack of inputs. And Prof Kay says that this is not the problem with poor planning. In any centrally planned system, the problem of overproduction and underproduction would occur, because economics is a complex system and fool-proof planning isn't possible. In free market economies on the other hand, the adjustment of prices to supply and demand would act as an invisible hand instructing participants to increase production of certain goods and cut back on others.

To read more:
https://iaip.wordpress.com/2015/12/14/culture-and-prosperity/
Book Reviews

The Aspirational Investor: Investing in the Pursuit of Wealth & Happiness

Author: Ashvin B. Chhabra
Publisher: Penguin Books Ltd
Price: INR 699, Pages 240
Reviewer: Srinivasa Sharan, CFA

Moving Beyond Asset Allocation – Where is your wealth located?

'Wealth does not buy Happiness but more importantly provides choices and opportunities'. 'Investing is not about beating the markets. It should be about your life's goals: be it achieving safety for your family, a better life for your children, starting or expanding a business or creating wealth. Unfortunately, today we are often preoccupied with the wrong priorities – like increasing returns at all costs or finding the next star fund manager.' These are two of the many statements that stand out in Ashvin Chhabra's book, which is built on more than 10 years of research and is a furtherance of his paper 'Beyond Markowitz'. He outlines and details the 'Wealth Allocation' framework and focuses on moving beyond Asset Allocation. He encourages investors to meet three needs – need for financial security, need to maintain standard of living and finally the need to pursue aspirational goals (wealth, positive impact and legacy).

Before getting into a detailed discussion of the 'Wealth Allocation' framework, Chhabra notes three important aspects – People and their individual behavioural biases, Markets and their significant volatility and unpredictability, and Wealth in terms of Safety, Security and Aspirational goals.

Three distinct buckets for easier investment decisions

Chhabra's Wealth Allocation framework combines modern portfolio theory teachings with behavioural finance to recommend simple yet powerful solutions to help investors achieve easier decisions. His approach calls for three distinct buckets – Safety bucket (Limits loss of wealth yet yields below market returns), Market bucket (for risk adjusted market returns) and the Aspirational bucket (targets above market returns yet carries risk of loss of capital). Under the framework, risk allocation must precede the selection of assets, investments and managers.
On bucket portfolio benchmarking, Chhabra states that the safety bucket should be benchmarked with zero return after inflation, the market bucket benchmarked in accordance with Modern Portfolio Theory (MPT), and the Aspirational portfolio benchmarked to outperform standard market indices and where personal expertise may count.

In terms of the asset classes, Chhabra recommends that an individual's primary home (net of any home loans), Insurance, Cash, Short term government bonds be allocated to the Safety bucket while Stocks, Bonds and Alternative Investments (those used for hedging purposes) be allocated to the Market bucket. Finally, Angel Investments, stock options, leveraged investments in real estate, single manager hedge funds and opportunistic call options are to be allocated toward the Aspirational bucket.

Importantly, private businesses, concentrated stock & Executive options (which may be treated different if hedged) belong in the Aspirational bucket.

**Wealth allocation framework strategies**

What I find interesting about Chhabra's book is that he also explores the degree to which differences in individual asset attributes and holding rationale could result in allocating this asset in different buckets. Physical gold for instance may be held in the safety bucket, a gold fund in a market bucket and a large position in the aspirational bucket. Similarly, a primary home may be allocated to the safety bucket, a rental property in the market bucket while a large and/or leveraged real estate investment will go into the Aspirational bucket. Cash can be held in the safety bucket but may also form part of the market bucket as an opportunistic asset. Chhabra also evaluates other assets including Hedge Funds, Private Equity, Currency trading and Human Capital along these lines.

To read more:  
[https://iaip.wordpress.com/2015/12/14/the-aspirational-investor/](https://iaip.wordpress.com/2015/12/14/the-aspirational-investor/)
Career Insights

3 Tips to Preserve Your Sanity During a Holiday Job Search

Although many people take a break from their job searches during the holiday season, companies continue to hire new employees year-round. Simply Hired's October 2015 data reports 4.5 million jobs available across the US. This represents a nearly 11% increase over the number of open positions in January 2015.

If you are considering a search, this is a good time to throw your hat in the ring. January is typically the month with the highest surge in job searches, and getting a jump on the competition is always a strategic move.

While job searching during the holidays is a fine strategy, it may make a personally and professionally chaotic time even more hectic.

To read more:

3 Tips for Interviewing the Interviewer

Interviewing for a job feels kind of like dating—the excitement, the nervousness, the prospect of life-changing possibilities. But unlike dating, interviewing can feel emotionally one-sided, especially if you are new to the dance. It may seem like those in the interviewers' chairs are the ones who hold all the cards. Sometimes in your efforts to impress them, you may forget that you have power in this conversation: what you think of the organization and the staff that facilitates the meeting matters, too.

You are not the only one being interviewed here. You are doing that very same reconnaissance to see if you can be happy at this organization and in this role, so take full advantage of the opportunity. Ask your questions and be aware of any red flags you notice about the staff, the company or the position. Viewing the meeting as an equal exchange between interested parties will boost your confidence and calm your nerves.

To read more:
http://www.simplyhired.com/blog/jobsearch/interviews/3-tips-interviewing-job-interviewer/
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 iaip-communications@india.cfasociety.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 to the Programming, Events & 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 under “About Us” tab click on the “Committees” button.