“The underlying principles of sound investment should not alter from decade to decade, but the application of these principles must be adapted to significant changes in the financial mechanisms and climate.”

- Benjamin Graham
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From the IAIP Board

A decade of existence has infused a fine blend of maturity and youthfulness into processes, culture and activities of our society. We have evolved and grown exponentially over the years, from a handful of members. Every year, several young and bright charter holders join the society, seeking to continuously learn, network and shape the society by volunteering. Their commitment and energy makes us feel younger than ever before. The emergence of this theme can be witnessed at our chapters across the country. They are becoming fountainhead of opportunities to network and connect with like-minded professionals, construct and deliver programs which adapt to the local needs.

To better serve and support our members several new initiatives are underway. Communication is being revamped; New Volunteer Management System has been implemented. Policies are undergoing review and revision. All this and much more would not have been possible without the support and guidance from our counterparts at CFA Institute India. As I write, we continue to work together on several new initiatives which will emerge in weeks and months ahead.

The first quarter of 2016 has been satisfying and is somewhat a reflection of partnerships that have been nurtured over time. The Indian Investment Conference 2016 was a sell-out with record attendance, sponsors and partners. It was ranked amongst the best Investment conference held by various societies across the world. Preparations have started to make IIC 17 even bigger. Stay tuned.

The Investment Research Challenge (IRC) 15-16 has had another banner year with record number of B-Schools participating. The IRC team is now a well-oiled machine which organizes this competition over 6 months, coordinating with companies, mentors, judges, students, sponsors to meet strict timelines.

Partnerships are and will continue to play an important role in our activities. They amplify the reach and relevance of the events we plan, content we create. In the past, we partnered with professional associations, Industry associations, regulators, stock exchanges to co-host conferences/ seminars/ roundtables and other allied activities. This trend is expected to pick-up momentum going forward.
CFA Charter is putatively the gold standard and the ubiquitous media campaign (underway), featuring our colleagues from IAIP, has generated great interest and excitement in the financial industry.

Expect a slew of exciting offerings from the society and we look forward to you being a part of it.

Vinay Bagri, CFA
Director, Indian Association of Investment Professionals – India CFA Society
In Conversation With...

Seshadri Nathan Krishnan, CFA has been working with EY LLP – Global Talent Hub division since April 2013. He currently leads the Transaction Advisory Services team supporting MENA region based in Kochi, Kerala and specializes in valuation. He is also the co-founder of a consulting firm with focus in South India and has worked in the past in US and Kuwait for private equity, investment banking and consulting firms focused primarily in the middle market segments. Seshadri started his career in India as a Chartered Accountant in 1999 and moved to corporate finance in 2000. He became a Charter holder in 2006 and has been a member of Washington D.C and Kuwait societies in the past. Seshadri volunteers for the CFA institute in various roles and has associated with India Investment Research Challenge for IAIP since 2011.

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

Finance/Investment management industry is going to grow well in the future. The industry is becoming more complex due in part to dual forces of regulation and disruptive innovation. The growing complexity implies that there are more opportunities for specialist professionals to add value. The opportunities will not be limited to traditional areas of investment management, investment banking or banking; new opportunities will open up in fintech and compliance. In the EY network, I see this trend reflected in job profiles. Additionally, India is a growing market with its own special needs. There will be a lot more demand for professionals as the local market grows.

How did CFA help in enhancing your career objectives?

I became a Charter holder in 2006 when I was working in corporate finance in the United States. I was applying the concepts as I was studying for the CFA exams and the outcomes were eye-opening almost all the time. Later when I moved to Kuwait, I was able to handle challenging consulting projects with ease just because of the knowledge gained from CFA exams. The charter has added great value to my personal brand as well. I have not had to search for a job since 2010; employers have found me (Thanks partly to LinkedIn, but mostly to the CFA charter). My services are highly valued by my colleagues due in most part to the charter. On top of this I
find the commitment to ethics from the profession to be a great ethical compass for my job performance; it keeps me pointing to the “true north”. The discussion in the profession on ethics remains relevant to current issues facing the professionals. The icing on top of the charter cake are the excellent networking opportunities and the continuous learning.

**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.**

CFA program is definitely the Gold Standard. The content and structure are well designed and updated periodically so that it stays relevant to the changing environment faced by the practitioners. Unlike most other US based courses, the content is global in nature. There is a good amount of effort put into designing the content for it to stay relevant across the world. From my experience, when filtering candidates for the various finance jobs we interview and test for, I have found that the rejection rates at the technical stage is very minimal for CFA Charter holders and candidates. The acceptance rates are heavily skewed in favor of CFA candidates and Charter holders – (an average is 15% acceptance rate for MBA (Finance) and other non-CA professionals; 45-50% for CAs and closer to 75% for CFA candidates and Charter holders). The commitment to ethics and the emphasis on continuous learning ensures that the employees stay on the high road and their skills remain relevant to the clients; both of which are equally important for us.

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

First, this is a course that requires master's level preparation. I see outlandish questions in forums like Quora asking how to prepare for the CFA exam in 3 weeks while working. Each of the exams require 200 to 250 hours of preparation. It really takes that much time; there are no shortcuts to success. The course materials are well designed that you generally should not need any outside help. It may seem a daunting prospect to study while doing your regular job; but the course is worth it.

Second, relate what you learn to the job you are doing or if your job is not in investment management or finance, relate it to what you read and see. There is nothing like application to learn something. CFA course content is designed precisely for this.

Points noted above are personal views and not made on behalf of the employer organisation or on behalf of IAIP.
In Conversation With...

Shriram Hegde, CFA is working with SPACL (Shapoorji Pallonji Group) for more than a decade. He is currently responsible for Strategy, Corporate Finance, Budgeting and Operations. Shriram holds a degree in chemical engineering and MBA. He has started his career in operations with Garware Polyesters Ltd.

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

At present times there are lot of challenges with regards to scope and job prospects in investment management industry. According to me some of the challenges are that in India hardly 2% of the population participate in equity market. In the recent past we have not seen banks/financial institution starting an Asset Management Company (Mutual Fund); in fact we have seen consolidation in the industry. Regulators have capped revenues for the wealth management companies and they are putting pressure on fund houses to reduce the number of mutual fund schemes by combining similar looking schemes. Having said this, increased investment in mutual funds by Indian investors is a positivesign. Even if domestic participation in equity market increases to 4%, it offers huge potential.

The CFA program provides in-depth and latest knowledge to work and excel not only in the investment management or in financial services industry but also has an unexplored good fit in treasury departments, family offices and corporate strategy departments of big corporate houses.

How did CFA help in enhancing your career objectives?

CFA program has helped me immensely in broadening my knowledge base. Earning a globally recognised and respected credential gave me immense satisfaction and self-confidence. I could lead and execute some of the important capital budgeting projects right from their initiation to conclusion for my organisation. It also enabled me to negotiate for a broader role to gain more corporate exposure and further my career. Membership in the CFA Institute and its local Indian Society Indian Association of Investment Professionals provides me with opportunities to network, connect, befriend fellow CFA charter holders and volunteer for specialized projects and training assignments.
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.

I will rate this course right at the top because of its content, format, breadth and depth of the knowledge it imparts. CFA is a globally recognised and respected program and expects/mandates ethical behaviour from its members and candidates making it very special. Frequent update of content ensures relevance to professional requirements.

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

One should not just try to pass the exam but also try to learn and enhance the knowledge base. I strongly recommend studying the readings recommended by CFA Institute as it will help not only in passing the exam but in vastly improving financial acumen. Participating in the CFA Program is challenging but immensely satisfying if one is passionate about a career in finance.

Points noted above are personal views and not made on behalf of the employer organisation or on behalf of IAIP.
Chennai, Jan 8th 2016
Contributed by: Meera Siva

It is a great time to be part of the start-up world now. Or is it really?

In his talk “Trend changes in Indian VC investments” Chandrasekar Kandasamy draws on his over 26 years of experience in the VC/PE industry to take a candid look at the landscape. Chandra is currently launching a new fund and was formerly the Investment Director with Peepul Capital. Chandra has sourced, led, and/or managed over 60 investments in his career. He was earlier the Managing Partner of ePlanet Capital, where he established and managed operations in India. Prior to that, he was with The Carlyle Group as a Director and was instrumental in setting up Carlyle's India operations. Chandra also worked for Intel Capital and ICICI Ventures. Chandra was a World Bank sponsored intern at Poly Ventures in New York, holds a Bachelor of Electrical Engineering from Anna University in Chennai, and an M.B.A from BIM.

The good, the bad and the ugly

The start-up investment ecosystem has many positive aspects. Many first generation entrepreneurs are not afraid of failures, thanks to better social perception. There is more capital available as many investors are willing to take risks rather than be content with investing in traditional assets such as real estate. Many of the ideas funded in India have been tried in international markets – so there is some learning. Getting management bandwidth is easier as many mid/ senior level managers in established companies are willing to join start-ups and report to founders, who are quite young. Thanks to mobile and internet penetration, many businesses are more viable now.

That said, bulk of the funding is flowing to companies in the consumer internet space and there are many me-too versions in the system. This can lead to many failures but that is just par for the course in the start-up world, where success rate is always low.

There are a few country specific issues. Listing in the public market may not be an exit option in India compared to US or China since investors do not favour unprofitable companies. Lack of listing option and fall in valuations as some capital leaves in the next 18 months or so can lead to dip in investments. Returns in dollar
terms for foreign investors have not been great in the last few years due to rupee depreciation, likely eroding their ongoing interest.

**Challenges**

Chandra feels that there are challenges to overcome currently. There are still limited serial entrepreneurs who understand the issues in scaling up a company. There is also lack of local funds such as pension funds or banks who willing to take this exposure. Corporate investors, barring a select few, have not had a great track record of returns globally.

Funds are trying to enhance value through strategic mergers. The case in point is Tiger Global owns both Quickr and its latest acquisition, property site Commonfloor. The former is growing well, compared to the later and the hope is that the combined company will be valued higher.

In general, valuations are high in the market and due diligence by investors is down. Investors are also handing over more capital than the founder can handle, with the hope of speeding-up growth. This may lead to unintended consequences as there are issues of corporate governance with many start-ups as they may not know how best to handle capital. New generation of venture capitalists and individual investors have not learnt many of the start-up investing lessons and are bound to repeat mistakes. This can create some heart-burns. Also, in the US, most of the value addition is created through management change. But in India, replacing the founding team is not easy.

To read more: [https://iaip.wordpress.com/2016/01/18/trend-changes-in-indian-vc-investments/](https://iaip.wordpress.com/2016/01/18/trend-changes-in-indian-vc-investments/)
In his opening address Jayesh Gandhi CFA, President IAIP and Senior Portfolio Manager Birla Sun Life AMC was thrilled with the record participation (550+) at the 6th India Investment Conference (IIC16) titled Strategies for an Emerging Environment. The asset management industry in India has seen record inflows over last year & half; indicating a shift from physical assets like gold and real estate to financial assets like mutual funds. As more savings flow into investment products it is not only beneficial to the investment industry but also to the economic growth and development of the country. The onus is now on the investment professionals to deliver & navigate clients through recent volatility. They need to set high standards of ethics and professionalism.
IAIP, a local society of CFA Institute and a not-for-profit organization, has tried to play an important role by (a) organizing various programs & events directed at educating & apprising investors, professionals and regulators of global best practices, Putting Investors First, Statement of Investor Rights, GIPS standards, Asset Manager’s Code of Conduct etc. (b) organizing investment research challenge thereby developing & promoting good research report writing and presentation skills for the investment industry, (c) providing CFA Institute scholarships to needy & deserving candidates.

All of the activities of IAIP are conducted on volunteering basis. Like in the past IIC16 has an excellent line of experts.

To read more: https://iaip.wordpress.com/2016/01/22/inaugural-address/
Insights from IAIP Events

India Investment Conference (IIC) - Opening Address
By Sunil Singhania CFA, Member Board of Governors CFA Institute and CIO Equity Investments - Reliance Mutual Funds
Mumbai, Jan 15th 2016

Contributed by: Chetan Shah, CFA

In his opening address Sunil Singhania, CFA, talked about the broad trends in the investment industry and what roles CFA Institute and investment professionals can play to win back the trust of investors. The broad trends are (1) increase in the concentration of institutional ownership, (2) increase in number of high net worth individuals in Asia Pacific, (3) rise of passive investment products, (4) emergence of financial robot advisors and (5) increase in regulatory scrutiny. CFA Institute, with its mission to lead the investment profession globally for the ultimate benefit of society, works towards (a) developing and credentialing future professionals with common body of knowledge, (b) engaging with employers to place investor interests first and (c) assisting regulators through standards and advocacy efforts. Because of the negative perception and distrust the investors are
getting disengaged thereby putting their financial future in imbalance. This needs to change. The industry needs to work on raising public awareness about the beneficial role it plays for the society and build trust. This means creating business models geared towards achieving investment outcomes, and keeping fees transparent & reasonable.

Over the next 10 years around 1.0billion middle class consumers are estimated to emerge globally, representing the largest single decade increase in history. To meet their investment goals they will require more trust worthy investment professionals.

To read more: https://iaip.wordpress.com/2016/01/22/opening-address/
Insights from IAIP Events

India Investment Conference (IIC) – Global Asset Allocations: Investment And Business Themes For 2016 And Beyond - A CIO’s Perspective

Mumbai, Jan 15th

Speaker: Robert P Browne, CIO, Northern Trust

Moderated by: Navneet Munot, CFA, Director, IAIP and CIO, SBIMF

Contributed by: Subash Iyer, CFA, Member, IAIP and Analyst CRISIL

Bob began his session by highlighting the importance of timing in the capital markets, citing the example of the hedge fund Long-Term Capital Management (LTCM) which collapsed in the late 90s following the 1997 Asian and 1998 Russian financial crisis. Although LTCM’s bet on the Russian government bond did play out over the next decade, LTCM did not survive long enough to bear the fruits.

He then clearly explained Northern Trust’s investment philosophy which are guided by two distinct committees namely the Capital market Assumptions committee (CMA) and Tactical Asset Allocation committee (TAC). The CMA has a long term outlook on the markets, typically 5 years and updates its strategy...
annually while the TAC has a short term outlook on the market, typically 1 year, and updates its strategy on a weekly/monthly basis. The idea behind two teams is to combine long term discipline with short term flexibility to provide downside protection and upside participation.

Through a series of charts Bob highlighted the importance of staying invested for the long term, as majority of the returns in the equity markets were captured in only 10% of trading days. He also felt that the benefits of diversification, especially country diversification were overstated as one has to also have the ability to access geopolitical risks, currency risks along with usual business and financial risks. To further establish the same Bob exhibited the 10 year US denominated index returns for various countries. Surprisingly only two emerging markets namely India and China figured in the top 5 countries dispelling the notion that emerging markets yield better returns than developed countries such as USA, Australia.

To read more: https://iaip.wordpress.com/2016/01/22/global-asset-allocations-cios-perspective/
Ashvin divided the entire human history into three broad ages, the Agrarian age, Industrial age and the Digital age. The agrarian age lasted for 10,000 years when the dependence on agricultural as a source of livelihood was very high. Therefore countries like India and China with large fertile land and large population were most prosperous. Industrial age started in 1700s and with technological advancement catapulted Europe & USA to the forefront of global growth and trade. Digital age, which started in 1950s with the invention of the computer, has been characterised by rapid changes in technology. These rapid changes lead to market disruptions translating into continuous uncertainty. An investor today has to invest in the face of this uncertainty.
Investor behaviour plays a very important role in his investment decisions and therefore most retail investors end up buying high and selling low. This leads to money flow from retail investors to Institutional investors who are seasoned and have a longer holding period. To overcome this challenge, Investors should follow diversification which entails spreading out investments across various asset classes and setting exposure weights and then periodically booking profits in investments which have done well and adding others in order to get back to the ideal portfolio weights. Overtime, this will ensure that an investor will buy low and sell high. Investors also suffer from cognitive delusion which means that the market might not be the same as what investors perceive it to be. When a trade happens seller and buyer agree on the price but not on future expectation. There are two major constraints, namely Technical – fundamental valuation and Social – buyer and seller psyche.

Prior to investing, investors have to determine the purpose of investment and then build an economic framework described by Ashvin as – Goal based Investing. Economic framework will depend on investors risk appetite, return expectation and time horizon. Investors shouldn't assume that markets have a stable structure as they can have bubbles and crashes.

To read more: [https://iaip.wordpress.com/2016/01/22/the-aspirational-investor-2/](https://iaip.wordpress.com/2016/01/22/the-aspirational-investor-2/)
Mumbai, Jan 15th 2016

**Speaker:** John Kay, Author *Other People's Money* and Visiting Professor London School of Economics

**Moderated by:** Saurabh Mukherjea, CFA, CEO, Institutional Equities, Ambit

**Contributed by:** Chetan Shah, CFA, Director IAIP and Senior Portfolio Manager, Religare Invesco AMC

Most of us would assume that the principle function of finance is to provide 1) a payments system say for paying salaries to individuals or managing expenses, 2) capital allocation – to mobilize savings which could be channelized for the physical economy, 3) wealth management – smoothening out of spending over an individual’s life and transfer of wealth to future generations and 4) risk mitigation – managing market risks. However, lending to non-financial firms and individuals producing real goods and services amounts to less than 3% of total assets of banks and financial institutions in Britain today according to John Kay! Majority of
financial industry's activities comprise of trading bits of paper with each other and sometimes cutting these bits of papers into different shapes in the name of innovation! They have become somewhat detached from the real or physical economy. Their actions hardly help the real economy. What about their profits? Where do they come from? John argues that finance industry's profitability is not the creation of new wealth but the sector's appropriation of wealth from other people's money.

Till the global financial crisis of mammoth proportion blew out in 2007, the tailgating behavior continued to dominate. Tailgating is the practice of driving too close behind the vehicle in front and flashing headlights for overtaking. The driver gets small victories of reaching 1-2 minute early with a possibility of crashing his car one day - analogous to small profits for very high risks taken. Hence a critical opinion like that of Raghuram Rajan at the Jackson Hole Wyoming Meeting during August 25-27th 2005 was not well received by Alan Greenspan & team who were in a celebratory mood. They stopped talking about the risks which would affect the common man, the unemployment rate or the destruction hurricane Katrina had caused in Louisiana around that time.

To read more: https://iaip.wordpress.com/2016/01/22/other-people's-money/
Insights from IAIP Events
India Investment Conference (IIC) - Global Economic Outlook: Why the Next 30 Years Will Look Nothing Like The Last 30

Mumbai, Jan 15th 2016

Speaker: Manoj Pradhan, Senior Economist, Global Economics Team, Morgan Stanley

Moderated by: Jayesh Gandhi, CFA, President IAIP and Senior Portfolio Manager Birla Sun Life AMC

Contributed by: Kunal Sabnis, CFA, Chair Communication, IAIP and Equity Analyst, VEC Investments

Since the 1980s, there began a multi-decade trend of abundant growth, lower inflation & wages, and increasing inequality in the world. It was led by baby-boomers getting added to the working population in 1970s and Russia and China doubling global work force in 1990s. This led to an increase in total production and put disinflationary pressure on global economy. China became the production powerhouse of the world, but Chinese financial markets were not integrated with the world. This culminated in a fall in investments as a percentage of savings in developed markets, lowering real interest rates. China kept its domestic real interest rates low, boosting domestic investment and leading to unequal
Wages were set by China hence developed markets wages kept falling towards the new equilibrium. As capex fell and labour force stayed stable, capital to-labour ratio fell, reducing productivity. Economists such as Larry Summers, Rogoff and Gordon expect secular stagnation over few years due to excess capacity leading to output gap, debt super cycle de-leveraging and decline in population growth. Manoj expects a divergence since excess capacity is an issue only with China and Korea unlike US, EU and Japan. Also debt levels in most emerging markets are low, and they can cut real interest rates to boost production.

Since global interest rates are set by US and EU, Manoj believes that real interest rates would start inching higher and so will inflation. Wages will rise once again as ageing population will reduce workforce. Corporates will replace labour costs with capital, increasing productivity. This will reduce global inequality. Rising real interest rates would also push asset prices lower.

To read more: [https://iaip.wordpress.com/2016/01/22/global-economic-outlook/](https://iaip.wordpress.com/2016/01/22/global-economic-outlook/)
Insights from IAIP Events
India Investment Conference (IIC) - The Corporate Life Cycle: Lessons For Investors

Mumbai, Jan 15th 2016
Speaker: Dr. Aswath Damodaran, Professor of Finance, Leonard N. Stern School of Business, NYU
Moderated by: Amit Rathi, Managing Director, Anand Rathi Financial Services
Contributed by: Ishwar Chidambaram, CFA, Member, IAIP

Delegates of the 6th India Investment Conference were regaled by the Master Class conducted by the iconic Prof. Damodaran. He started with an anecdote which drove home the point that growing up and ageing gracefully is often the hardest thing to do. He explained the various stages of the Corporate Life Cycle, from the initial “Light bulb Moment” to the final “End Game”. Essentially, Accounting is backward looking and Rules-driven, focusing on what the firm owns, owes and makes in net earnings over the past year. Finance, on the other hand, and Valuations in particular, need to be forward looking as they forecast the future. Fair Value Accounting is itself an oxymoron and destined for failure. Accounting is less useful earlier in the Life Cycle. More accurate picture is given by contrasting the Accounting Balance Sheet with Intrinsic Value Balance Sheet and Market Price.
Balance Sheet. An example of an Early Stage Company is Twitter, for which Accounting B/ S yields Negative Equity, which paints a false picture of Twitter's equity value. As one moves up the Life Cycle, the 3 statements will converge.

The length of the Life Cycle depends on key determinants. For example tech companies age much faster than others due to high level of disruption. Microsoft took just 15 years to move from Growth to Maturity phase. Corporate Finance across the Life Cycle rests on 3 pillars - the Investment Decision, the Financing Decision and the Dividend Decision. For a mature firm like Microsoft, you have only 2 cash cows (Office and Windows). So it makes sense to shut down the R&D function as it's a drain on resources, and focus on the cash cows. For a young firm like Flipkart, however, the opposite holds true. It must increase R&D spending to stay competitive, and forget about raising Debt or Paying Dividends. US Billionaire investor Carl Icahn's strategy is to target declining companies and take them over. As the firm ages, it faces a choice between Dividends and Buybacks. Companies that don't "act their age" will destroy value. Vulture Capitalists like Icahn exploit this truism to their advantage.

To read more: [https://iaip.wordpress.com/2016/01/22/corporate-life-cycle/](https://iaip.wordpress.com/2016/01/22/corporate-life-cycle/)
Insights from IAIP Events
India Investment Conference (IIC) - Multi-Asset Investing: A Practitioner’s Framework

Mumbai, Jan 15th

Speaker: Pranay Gupta, CFA, Director Curriculum Projects, CFA Institute
Moderated by: Madhu Veeraraghavan, T.A.Pai Chair Professor of Finance, T. A. Pai Management Institute
Contributed by: Ishwar Chidambaram, CFA, Member IAIP

The structure of the financial industry has to change drastically over the next 10-20 years opined Pranay. All investors, whether institutional or individual, have liabilities/goals which they need to account for while managing their asset portfolios. Investors need to ensure that their assets are always higher than liabilities to minimize the probability of expected shortfall. All institutional investors face a structural/regulatory hard stop loss at a defined Asset-Liability gap. Structure of the business forces a hard stop. Majority of asset management professionals are agents, not principals. The author was asked by the Chinese government as to what his strategy would be to manage a new $100 million fund. He points to the rise of sovereign wealth funds in China and Middle East.

He started by looking at the traditional Investment process, wherein 80-90% of the
risk and return of the portfolio is accounted for by Asset Allocation, with the remainder accounted for by manager selection. However, more than 80% of the asset management industry's cost and resources are spent on Manager Selection, with only 20% resources spent on Asset Allocation. This mismatch is the primary reason for underperformance of portfolios across the industry. Assumptions of the traditional process are to blame for this mismatch. Pranay proceeded to deconstruct and rebut each of these assumptions.

All asset class correlations have risen over time to the point where they no longer provide adequate diversification. Moreover, harnessing the Equity Risk Premium is far from a certainty, even for EMs which have “higher growth”. Even with perfect skill in allocation, there's still a 90% chance of the portfolio losing at least 12%!

Pranay then outlined the limits of the current allocation framework. Everyone follows a single process for allocation, with undue focus on stock/manager selection. No incorporation is made for intra-horizon risk aversion, as only end-of-horizon risk is considered. We align our whole portfolio to relative return.

To read more: https://iaip.wordpress.com/2016/01/22/multi-asset-investing/
Insights from IAIP Events
“Clean Practice Branding is Here! Move over Best-Practice”
Bengaluru, Jan 28th

Contributed by: Aneek Saha & Srinivasa Sharan CFA

IAIP had the pleasure of hosting Harish Bijoor for a thoughtful discussion on the concept of Clean Practice Branding at Bengaluru on Jan 28. Harish is a Brand-guru and CEO of Harish Bijoor Consults Inc. (a private label consulting firm that specializes in Branding and Business strategy). He began his interactive session by noting that we may need to move beyond best practices in branding, given today’s complex business structures. The audience then explored the definition of a brand—some answers were that it meant a promise, recognition, premium, perception and differentiation.

According to Harish, a brand is a 'thought' and is 'maya' (an illusion), which means that a brand represents different thoughts for different people. He gave examples relating to Salman Khan, Baba Ramdev, Harley Davidson, Kingfisher beer, all of which are brands for different reasons. He also spoke about the two conflicting schools of thought with regard to what a brand was. One school was that a brand is tangible. A brand has to have substance behind it, otherwise the brand would not survive the test of time. An iPhone may be a premium product but it is miles ahead.
of its competitors in terms of design, aesthetics, functionality and technological prowess. A Guinness Beer has earned its reputation because it has been in existence since the 1800s, its grows its own hops, has its own casks and barrels, has a patented process of brewing fine quality beer, designs its own bottles and so on. The other school of thought is that a brand is a commodity and that there is nothing different from a branded good and a non-branded one, with only context being important.

Harish went on to state that one needs to stay close to the truth while building the brand. He noted that the trigger point for all business was the consumer and that there were two currencies – time and money. While an accounting system for money has been developed by Luca Pacioli, a Venetian monk in the 15th century, an accounting system for time has still not been created. He also believes that time is more valuable than money – as time can be spent (and not regained) while money can be earned and noted that impatience was a virtue given the value of time.

To read more: https://iaip.wordpress.com/2016/02/07/clean-practice-branding-is-here-move-over-best-practice/
Bengaluru, Feb 6th 2016

Contributed by: Venkitesh Iyer CFA

Saurabh Mukherjea CFA was the keynote speaker for the event in Bengaluru on February 6th 2016. He spoke about “Building a career in financial markets by using the CFA” which addressed many questions in the minds of young charter holders who were present at the event. He focused on three questions in his talk:

1. Why build a career in finance, when many other professions exist?
2. How does the CFA charter help build a career in finance?
3. What should one do beyond the CFA charter to enhance his/her career?

1. Why build a career in finance, when many other professions exist?

Noting that in India the needs were many and there is poverty and a failure of governance, Saurabh believes that if this needs to change, the financial sector would need to grow and contribute – as an example, the credit penetration ratio in India is a meagre 12%, while it is at 40% in China and up to 90% in many developed nations.
He also highlighted the scope for growth in financial services – for instance a lot of asset managers in a country like Canada manage Equity Assets in excess of $50 bln, while the largest Equity Asset Manager in India (HDFC) manages just $12 bln. Recent growth in Equity Savings plans and Asset Under Management (AUM) he believes though is encouraging - mutual fund SIPs have increased from 7 million to 10 million while Equity assets in the industry has moved from $45 Billion to $65 Billion (even as stock market levels haven’t moved during this time). He also thinks that growth has just started and that all of us can participate in this growth by building one’s career in-line with this growth. He sees the next big career opportunity as being in India’s bond markets, given that 90% of outstanding bonds are rated AAA. According to him, once the bankruptcy code is in place, AA & A rated bond issuances should then follow.

2. How does the CFA charter help build a career in finance?

Saurabh shared his personal experience of joining Anderson consulting in late 90's and his difficulties with figuring out the MECE concept thereafter. While he continued struggling with this problem, one of his friends suggested that he pursue the CFA program. The CFA program helped him become more organized in his thinking. Analogies he spoke about were comparing a pile of bricks (unstructured) with a brick wall (structured) and a pile of clothes (unstructured) with clothes in a cupboard (structured).

To read more: https://iaip.wordpress.com/2016/02/20/innovation-disruption-keys-to-professional-development-key-note-address/
After a lively and candid discussion in Bengaluru by the senior human resources and business leaders on the Role of educational qualifications, and importance of augmenting one's qualification”, the second session brought together an even more vivid set of panellists who shared their thoughts on “Building a successful career in financial services”. Moderated by Vidhu Shekhar who is the Country Head, India for CFA Institute, the discussion focused on exploring how CFA designation can help the candidates in pursuing a successful career in financial services.

Our first panellist, Kazi Arif Uz Zaman who is MD, Private Equity at Everstone Capital shared how the CFA curriculum helped him, especially early on his career in understanding the various micro and macro factors which impact the valuation of financial securities. Kazi also advised the CFA candidates looking to kick start their career in finance in India to not just focus on roles with buy-side firms but to
also explore the various positions offered by sell-side firms given the fact that sell-side firms (and the sell-side opportunities available) currently outnumber buy-side firms in India.

Agreeing with the thoughts put forth by Kazi, our second panellist Anuj Ahuja, who heads the Valuation practise at Barclays India, shared how the CFA curriculum helped him in enhancing fixed income valuation processes at his firm. Drawing on his rich global experience, Anuj stressed upon the role of networking by advising the audience and young CFA candidates to seize the initiative to network at events and to develop soft skills which would help in striking meaningful ice-breaker conversations with employers.

To read more: https://iaip.wordpress.com/2016/02/20/panel-discussion-building-a-successful-career-in-financial-services/
Insights from IAIP Events
Panel Discussion: Role of Educational Qualifications and the importance of augmenting one’s qualifications

Bengaluru, Feb 6th
Contributed by: Neelabh Mishra
Panelists: Shalini Pillay, Head HR, KPMG India; Teena Malhotra, Head of Human Resources, Northern Operating Services Pvt. Ltd.; Ravi Raman, Chief Operating Officer, Infrahedge (a State Street subsidiary); Veena Avadhanam, Director New Investments, Mumbai Angels;
Moderator: Vivek Pai, CFA

On the first question about how important it is to have a specific Qualification for getting a position?

This was an interesting topic with differing views on the subject. The HR professionals, Shalini and Teena, were of the opinion that qualifications played a limited role for applicants at their respective firms. They were of the view that a qualification serves as a 'hygiene factor' rather than a deal-breaker, and that its importance reduces as one gains experience. However Ravi and Veena stressed on
the importance of a qualification as they believe that it serves as a 'Statement of Intent' and a testament to the dedication and discipline shown by a candidate towards a professional career.

A few minutes into the discussion, the panel agreed that Qualifications are a vital component of a candidate's profile as it is representative of a disciplined and dedicated approach towards achieving one's professional aspirations. At the same time, they believe that a person's qualifications must make sense as part of the larger coherent story. They must not, at any point, appear to be random acts of mere 'trophy collection'. Ravi ended the discussion by stating that Qualifications are a double-edged sword – If one wants to dress his/ her resume with a pretty title, they should be ready to back it up with solid knowledge, as the interview questions may in fact be more difficult.

In response to a question on candidates' motives for pursuing an Educational Qualification (It could either be to learn about the field or get a certification that helps them get their foot in the door)

To read more: https://iaip.wordpress.com/2016/02/20/panel-discussion-role-of-education-qualifications-and-the-importance-of-augmenting-ones-qualifications/
2016 began on a note of increased volatility and stress across global market. Equity markets fell, spreads on high-yield bonds widened and commodities tanked further.

The US Fed kept interest rates unchanged in its January meet and said it was “closely monitoring” global developments, but maintained an otherwise upbeat view of the US economy. While, the Bank of Japan pushed interest rates into negative territory (lenders pay!) and European Central Bank signaled more easing.

The current downtrend in market is being compared with 2008 and reasonably so. Historically, whenever we see equity market (MSCI world) fall of more than 10%, the period has coincided with an economic recession. While the world economy has some structural challenges and there is a tail risk that current financial market stress can have reflexive impact on the fundamentals themselves, our view is that it is far from heading into another recession. The improving labor market in developed markets, strength in European manufacturing activity (as indicated by their PMI) and strength in US consumer balance sheet indicate sufficient muscle power to keep the growth at current levels.

Globally, markets have become strongly linked to crude oil in the recent months. Even for the Indian market, which diverged from crude oil movements last year, saw renewed correlation with crude oil prices over last few months. Our expectation is that most of global commodities are close to bottom and stability returning in the commodities market will go a long way in reversing the market sentiment.

China was the main driving force behind the rising commodity prices over last decade, its fixed-asset investment growing at an average of 25% from 2003 to 2011. The high investment growth was led by property investment and related heavy industries, the biggest drivers of demand for commodities. The last decade’s commodities boom has led to a big supply response. The substitutes for oil saw
huge investment ranging right from shale gas in US to nuclear energy in Japan and to increased LNG and renewable energy supply world over. The fall in oil prices led OPEC countries to breach its production limits and Non-OPEC producers like Iran and Russia to pump more supply in the market. In fact, China itself added large capacities in many of the commodities, including coal, steel and aluminum. Owing to these confluences of events, while global demand for commodities is still growing, it has not been able to match the pace of supply expansion.

The first phase of meaningful fall in commodities (which began since mid 2014, catalyzed by slowing Chinese growth) was cheered by the market as it works well for many segments of a global economy. Reduced commodity costs help margins to expand and as some of that cost advantage gets passed on to the buyers, it benefits consumer spending. But the continued fall in commodity prices raised concerns on earnings of the energy related companies and the fiscal damage being wrought upon energy producing nations. The collapse in oil prices has prompted many sovereign wealth funds to liquidate their financial assets, putting further pressure on markets. We are presently in this second phase of capitulation. In the long run, however, the fall in commodities has set a stage for transfer of wealth from commodity producers to global consumers and will have a positive impact on overall world economy.

To read more: https://iaip.wordpress.com/2015/11/11/market-outlook-6/
Higher risk-aversion—an attribute seen as detrimental in the past to hiring women managers—is now considered a must-have on boards and corner offices.

It’s a well-known fact that on the trading floors of investment banks, hedge funds or trading firms, there are hardly any women. Is it because not enough women are not attracted to these functions or is it a reflection of financial firms’ implicit bias in hiring practices to look for certain masculine traits? I think it’s a mix of both.

In a global survey on perceptions about various industries, financial services have been ranked among the bottom most over the last three years. And more so as a result of the 2008 financial crisis. Having worked in the industry for several years (with European and American banks), I can categorically say that the perception is far worse than the reality. Of course, there are several issues confronting women in this industry, but most of these are not very different from what women face elsewhere—late nights, business trips, constant juggling of professional and family commitments, the eternal dilemma of whether one is networking enough, and lack of adequate entry points after a career break.

There are no quick fixes for these. The deeply ingrained stereotypes demand a
complete overhaul of the hiring practices. The good news is that recent events in the financial world are making managers rethink their hiring policies. Traits like proclivity towards reckless risk-taking and overt aggression are being questioned. Instead, hirers are focusing more on emotional intelligence. Research shows that women investors are better risk managers and tend to take a longer-term view instead of trading recklessly in volatile markets—traits that seem to be increasingly appreciated by hiring managers.

Another stark reality of the corporate world is that women remain under-represented in senior management positions and in board rooms. At 150 of the world’s major financial institutions, women form only 13% of executive committee members and 4% of chief executive officers. Women simply lack role models for leadership in corporate culture. This under-representation at the highest echelons is leading to homogeneous boards that tend to indulge in groupthink and easy consensus—an issue being strongly debated across the globe. Studies relate ‘presence of women on boards’ to ‘improved corporate performance and effective corporate culture’.

Women face far harder choices between professional success and personal priorities. Often, even high caliber women find it tough to get back in the thick of things after taking a break to raise a family. They are often left out of meaningful responsibilities and high-profile assignments and find themselves ‘mommy tracked’, i.e., not being taken seriously. Despite their ability and willingness to ‘lean in’—a sensible piece of advice by Sheryl Sandberg, chief operating officer, Facebook—these women find that the environment is just not conducive enough. Anne-Marie Slaughter, president and chief executive officer, New America, a think tank and civic enterprise, says that a much broader social, political and cultural change is necessary by adopting policies and practices that support women at every level. Bosses, partners... the whole corporate culture must ‘lean in’, too, to support these women.

The supply side issue needs to be addressed as well, especially in finance. More young girls must be encouraged to take up math and quant-based courses in school and college, and to attend business schools. This would facilitate more profit and loss (P&L)-based and fund management roles later in their careers. Data from HFR (a hedge fund research database) from 2007 to June 2015 shows that hedge funds run by women have returned 59% against average returns of 37%. Despite clearly
differentiated performance, only a minuscule amount of money is being managed by women. A KPMG survey reveals that investors would like to put more money with women-managed funds, but they just can’t find many such funds.

According to a paper published in Harvard Business Review, even among Harvard Business School graduates working full time, men were significantly more likely than women to have direct reports, P&L responsibilities and positions in senior management.

Of course, there are plenty of hurdles to be crossed. But the ecosystem today is far more enabling for women to advance professionally. The deep-seated biases and stereotypes about what it takes to succeed in the corporate world are being questioned. The glass ceiling is gradually becoming more fragile. Several countries are mandating presence of women directors on corporate boards. This is not an act of charity. Frequent financial crises and corporate scandals have driven home the horrors of reckless risk-taking and groupthink. Higher risk-aversion—an attribute seen as detrimental in the past to hiring women managers—is now considered a must-have on boards and corner offices.

Sonia Gandhi, CFA
Chair, Membership Committee of the Indian Association of Investment Professionals (IAIP)

See the article online at
How to Determine the Best Job Offer

It might seem that sorting through several solid job offers would be a dream scenario. After all, you spent time perfecting your resume and cover letter and fighting through the interview process to get the offer, right?

Wrong. The job process isn't necessarily about getting all the offers you can. It's about getting one good offer from a company that truly suits your complex career goals.

Your needs are more elaborate than a salary and a good title. The best offer will take into account both of these things as well as benefits, how you'll spend your time daily and your opportunities for building your network and meeting motivated people.

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

How to Prepare With a Mock Job Interview

“By failing to prepare, you're preparing to fail.” One of the most valuable steps a job seeker can do to prepare for an interview is to have a mock interview. A mock interview imitates a real interview as much as possible. Here is a guideline you can follow to make sure your mock interview is a success and ultimately bring you closer to acing your job interview.

Ask the right person

The key to an effective mock interview is finding the right person to interview you. The person should match as closely as possible to the hiring manager of the job. While interviewing with friends at the same job level can be helpful, choosing someone with the same experience as the hiring manager will be the most valuable because they know what they're looking for in a candidate.

Read more at: http://www.simplyhired.com/blog/jobsearch/interviews/mock-job-interview/
On a Lighter Note...

Tax his land, tax his bed,
Tax the table at which he's fed.
Tax his tractor, tax his mule,
Teach him taxes are the rule.

Tax his cow, tax his goat,
Tax his pants, tax his coat.
Tax his ties, tax his shirt,
Tax his work, tax his dirt.

Tax his tobacco, tax his drink.
Tax him if he tries to think.
Tax his cigars, tax his beers,
If he cries, then tax his tears.

Tax his car, tax his gas,
Find other ways to tax his ass.
Tax all he has, then let him know,
That you won't be done 'til he has no dough.

When he screams and hollers,
Tax him some more.
Tax him 'till he's good and sore.
Then tax his coffin, tax his grave.
Tax the sod in which he's laid.

Put these words upon his tomb,
“Taxes drove me to my doom.”
When he's gone, do not relax.
It's time to apply the inheritance tax
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

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.

**Click here for more details.** [http://bit.ly/1eiEami](http://bit.ly/1eiEami)

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.