



Investment Management Industry

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Passion to Perform



Agenda



01 Mutual Funds

02 Portfolio Management Services

03 Investment Advisors



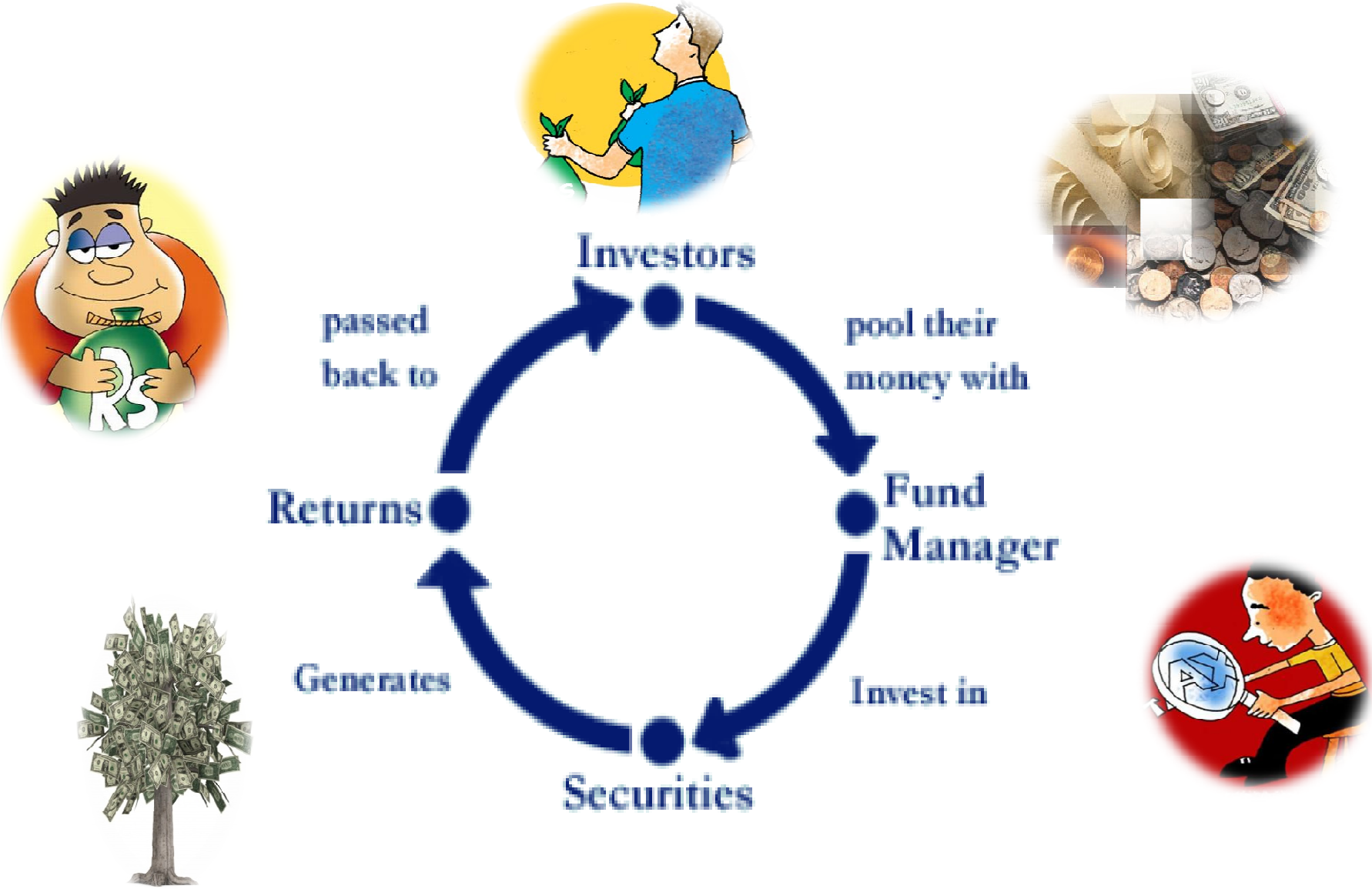
Mutual Fund Basics

What is a Mutual Fund?

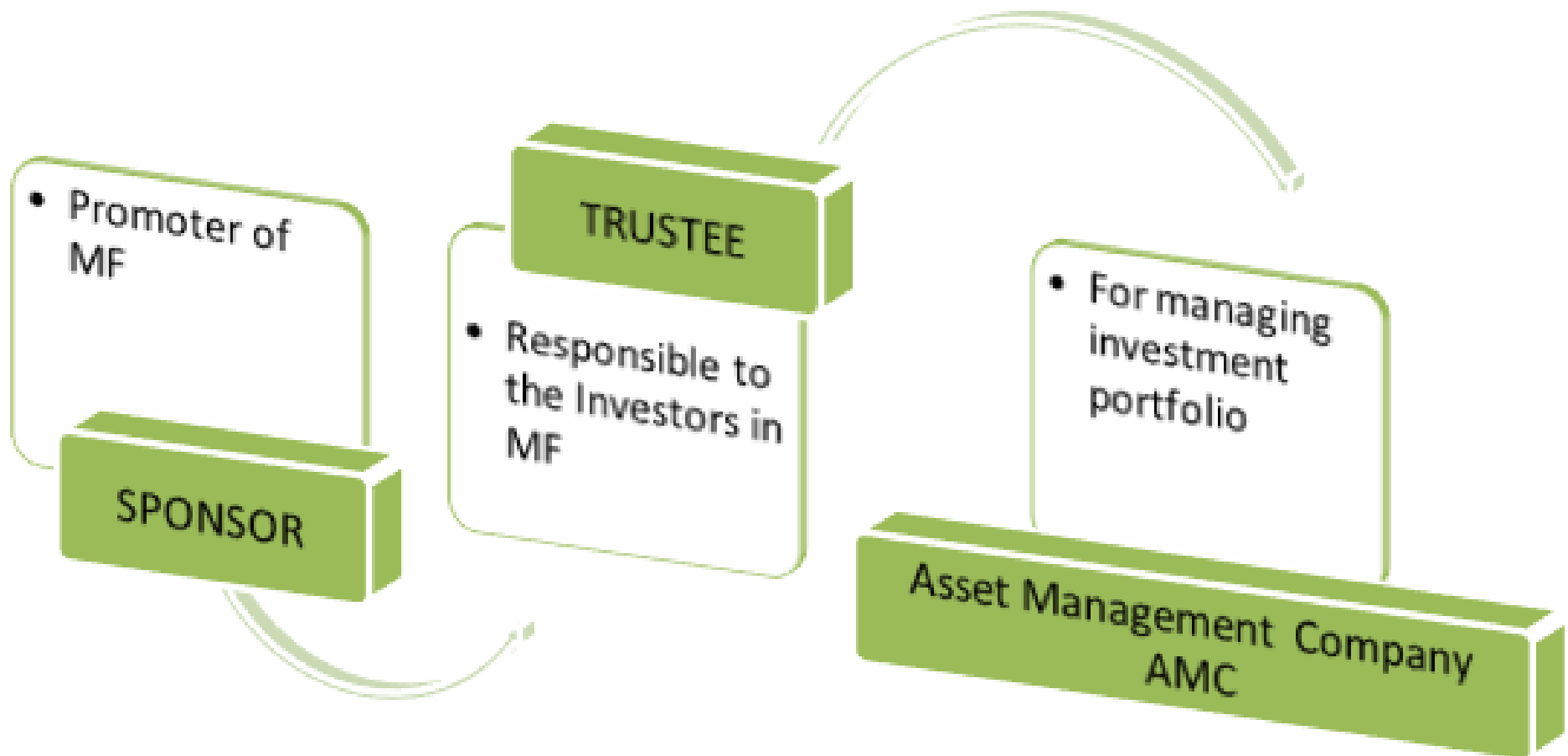


A Mutual Fund is a **trust** that pools the savings of a number of investors who share a common investment objective

Concept of a Mutual Fund



Three Tier Structure



Pros & Cons



PROS	CONS
Professional Management	No Insurance
Portfolio Diversification	Risk of poor performance as returns are subject to market fluctuations
Law of Averages	
Low Transaction Cost	
etc	

- In spite of above Cons, Pros are far more than demerits and MF's are still promising

Types of Mutual Funds

Classification based on Objectives



GROWTH

- Equity Funds
Investing in Equities .i.e. Shares
- Long-term
- High Risk
High Return

INCOME

- Debt Schemes
Investing in Debt instruments like Bonds
- Regular Income Provision
- Risk Return levels are medium

LIQUID

- Cash / Money Market Fund
Investing in money market instruments like CD's, CP's, Treasury Bills etc
- Lower returns but easy liquidity

Additional Type of Mutual Funds



Balanced Fund



Blend of Equity + Debt

Index Fund



Invest in Co's that participate
in Stock Market Indices

Sector Fund



Invest in Various Sectors like

- Health Care
- Banking
- FMCG
- Technology

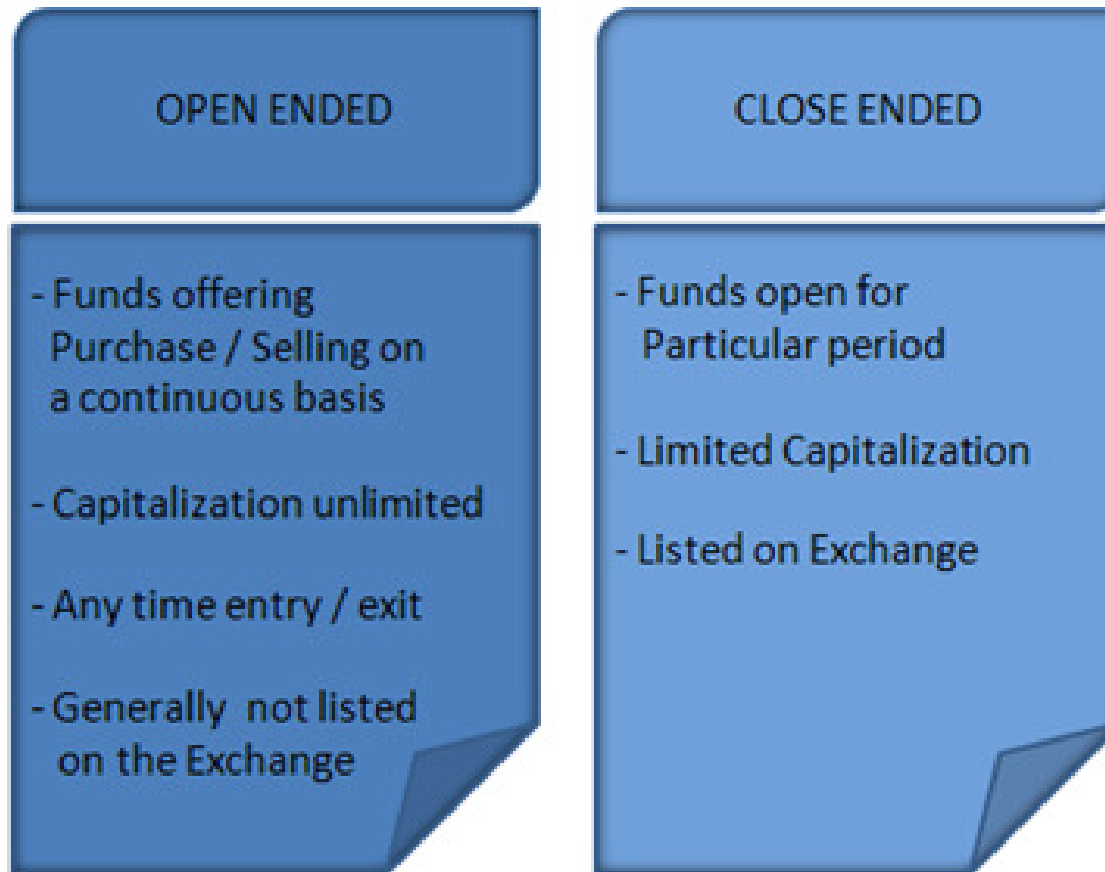
Etc

ELSS / TAX Fund



Invest in Security that provides
Tax Benefits generally long-
term in nature

Classification based on structure of Funds



- Open-ended funds gained popularity due to their flexibility and variety in features
- Therefore majority of MFs are open ended in nature



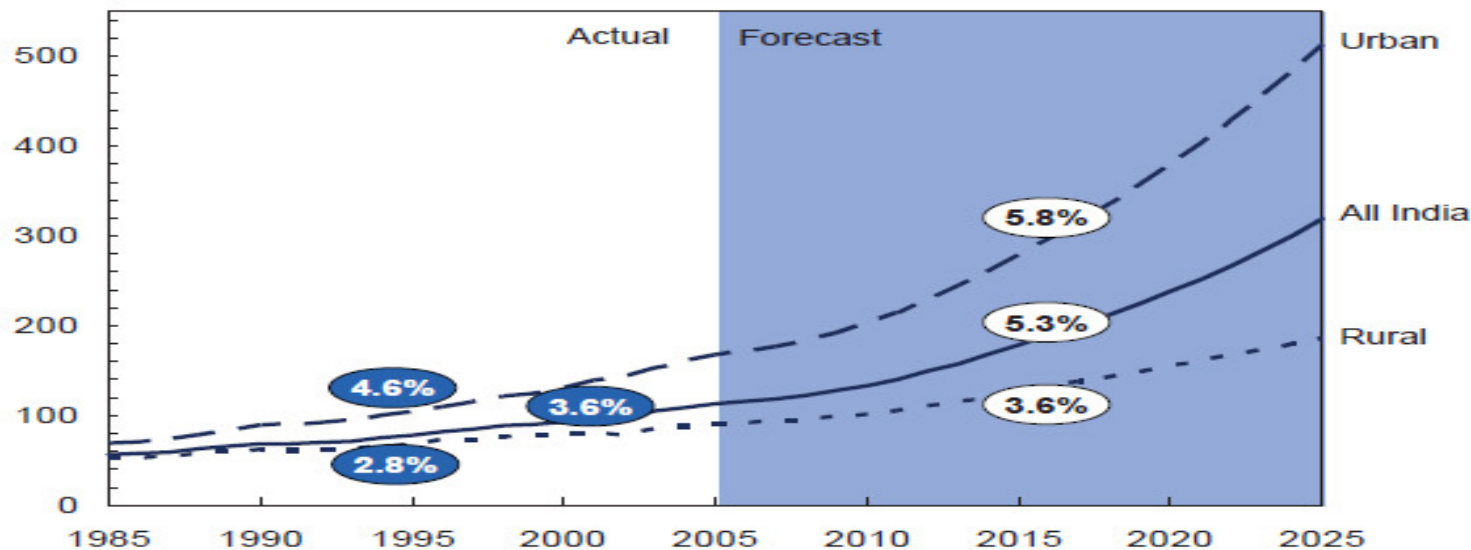
Mutual Fund industry in India

As Economy grows, savings grow and demand for investment products rise



- Indian incomes are expected to rise at faster rates this decade...
- India, being a dominantly savings oriented economy, growing incomes imply a continued growth in savings rates with savings being channeled into both physical and financial investments

Avg. Household Disposable Income (Rs.)

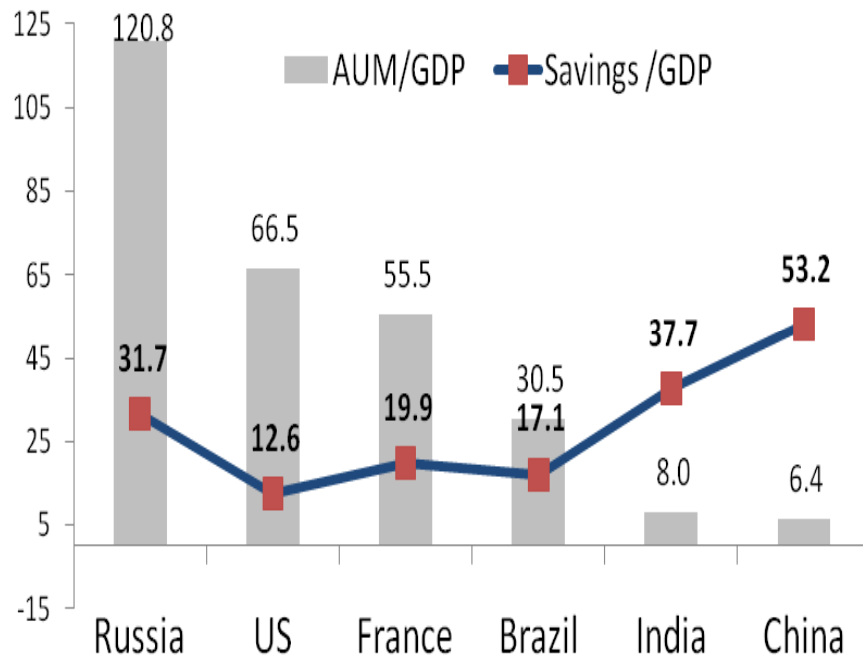


Source: McKinsey Report

Significant growth potential exists for the industry supported by strong fundamentals

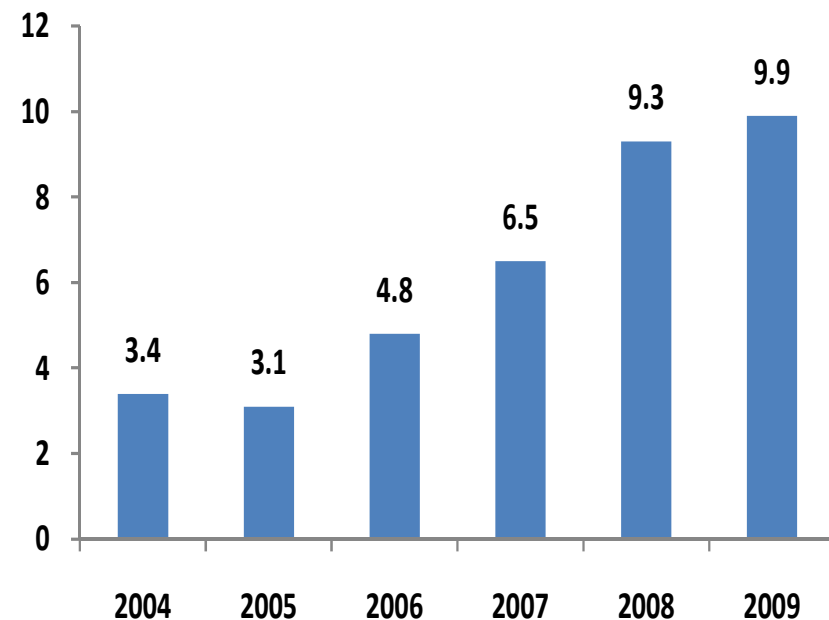


High savings rate indicates potential



MF penetration rising

Penetration = Ratio of Mutual Fund folio holders to economically active investors



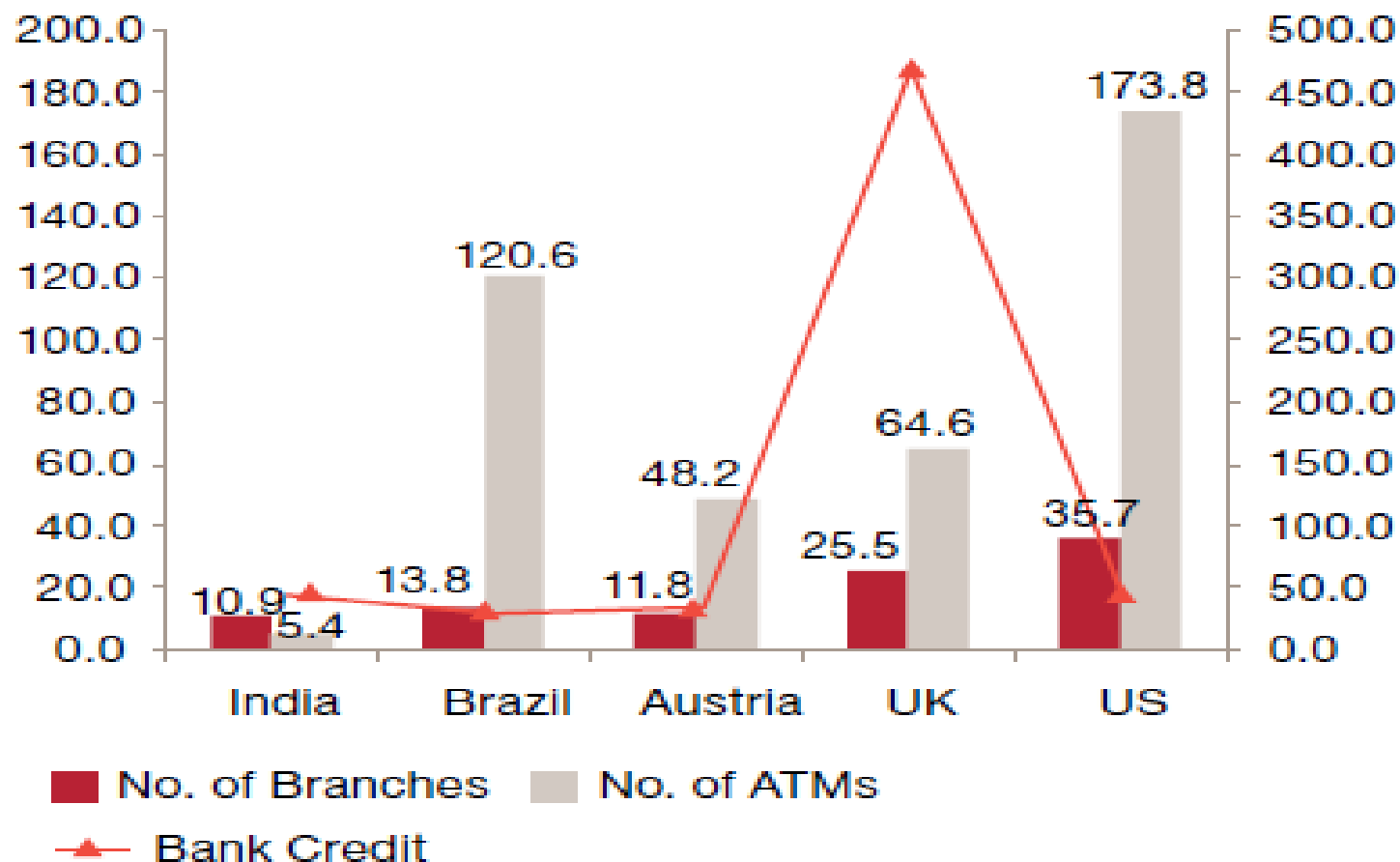
Source: SEBI, Evalueserve

However, financial inclusion is still very low, offering scope for ample growth



Figure 4

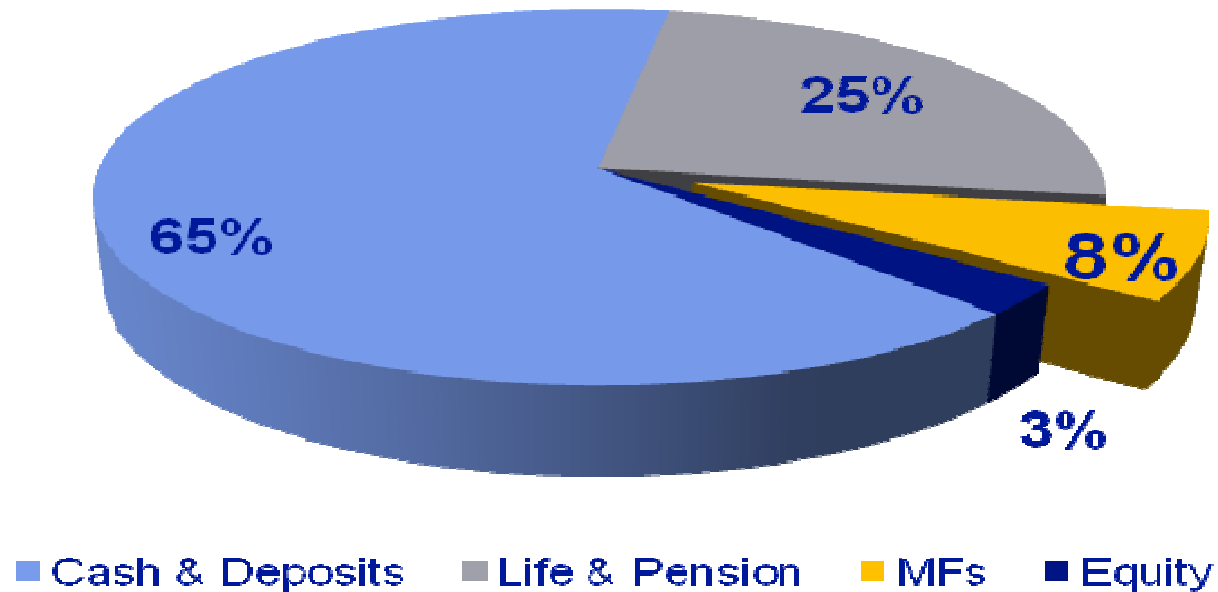
Financial inclusion data as compared to other economies



MFs are poised to take away share from deposits



- India remains under-penetrated for Banking. As Banking grows, demand for investment products grow even faster..



Origin of Mutual Funds in India



- The foundation for the mutual fund operation in India was laid by parliament in 1963 with an enactment of UTI

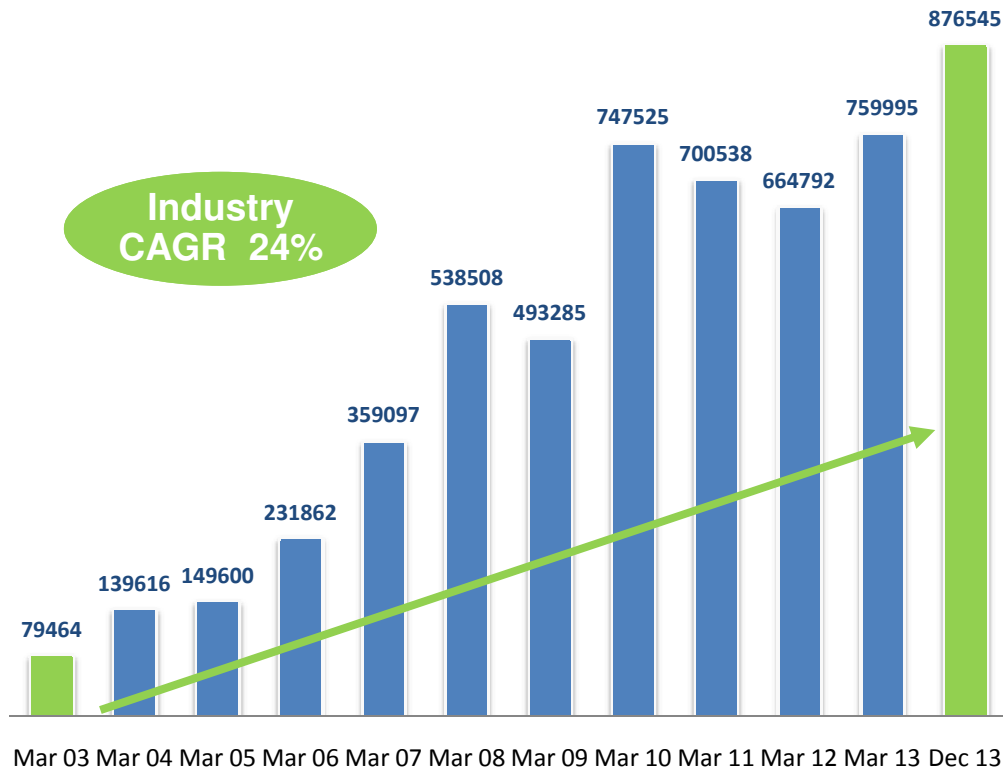


Current Status



- 45 Players-Ranging from Govt. institutions to private sector and foreign players
- Mutual Funds along with insurance companies form the largest local institutional investors
- Rs 10 lakh crore under management
- 4 crore Investors

Indian MF Industry has grown 10x in 10 Years



Figures in Rs Cr

31 DEC 13

- Indian Industry continues to show strong growth prospects
- Industry CAGR of 24%, with consistent growth levels
- Move away from physical to financial assets to help faster industry growth
- As the economy gathers momentum, expect strong growth rates again.

Note: 1. CAGR from March 2003 – 2012. CAGR from March 2003 – Dec 2012 is Industry 25%, DWS 49%



Portfolio Management Services (PMS)

PMS



- Portfolio – means bundle of assets (Equity, Debt, Mutual Funds, etc)
- So PMS means managing bundle of assets on clients behalf
- Why so? Because HNIs who are not able or willing to track, monitor their own portfolios invest with PMS providers
- As per SEBI minimum ticket size i.e. (minimum investment) is Rs. 25 lakh per client.
- The target clients are HNIs and Institutions/corporate investors.
- Regulations more liberal, no cap on fees.

Almost every MF has a PMS division



PMS	MF
Customized Tailor made portfolio's	Which an MF schemes can't have & MF more of a retail type business
Personal touch in relationship between Portfolio mgr and PMS Investor	Completely missing
Profit earned by PMS investor completely belong to him	Whereas, in MF profit is distributed as dividend and dividend distribution tax is applicable

Current Status



- Rs 8 lakh crore under management from ~55000 clients
- Around 300 registered PMS providers ranging from Stock brokers to Mutual Fund houses
- Three segments:
 - Discretionary PMS
 - Non-Discretionary PMS
 - Advisory



Investment Advisors

Investment Advisory



- Ownership of Assets and execution remain with client
- The investment advisor provides advise
 - Binding Advice
 - Non-binding Advice
- Advisor earns a fee for advice offered
- Asset ownership as well as returns, stay with clients
- Can be useful for institutional investors including FIIIs as well as HNIs

Where Chartered Accountants can help

- Financial planners/Distributors
- Fund raising for corporate clients - Debt/Equity
- Investor awareness initiatives
- KYC/KYD/ FATCA issues
- Compliance, regulatory audits



Thank You