CFA Society India

NEWSLETTER

December 2019

LET'S ALWAYS PUT INVESTORS' NEEDS ABOVE OUR OWN. LET'S MEASURE UP.

Our society will reap the benefits when we make investing more transparent and client-focused. At CFA Institute, we advocate for business models based on outcomes that are good for investors, not just outcomes that are good for us.

Demand the best. Demand a CFA® charterholder.

Get started at **letsmeasureup.org**

CFA Society India

LET'S MEASURE UP™

Quotable Quotes

How many millionaires do you know who've become wealthy by investing in savings accounts? I rest my case.

Robert G Allen

INDEX

Message from the Board

Jitendra Chawla, CFA
(Director, CFA Society India)

Dear Members,

What a year 2019 has been! And no, I am not talking about the slowdown, the economy, markets, etc. etc. While the Indian economy slowed down in 2019, the activities at CFA Society India picked up pace like never before. So far, we have had 115 events during the year across all chapters, including ten full-day conferences.

We began the year on a high note with the 9th India Investment Conference in Mumbai and 2nd India Fintech Conference in Bengaluru in the first quarter. And now in the last quarter of 2019, we are ending on an even higher note with three full-day conferences in Delhi, Pune, and Chennai.

Delhi chapter hosted the 3rd edition of Value Investing Pioneers Summit where four legendary value investors gave some very insightful and educational talks. This year, we had the privilege and honor to listen to Prashant Jain (HDFC AMC), Vinod Sethi (Sethi Capital), S Naren (ICICI Prudential) and Utpal Sheth (RARE Enterprises). The event attracted a record turnout of more than 350 attendees.

The other big highlight in the month of November was the Jan Nivesh Abhiyan - an ambitious outreach program of the Society in collaboration with CFA Institute, entailing a 15-day cycle tour by CFA Society India volunteers, simultaneously from Mumbai and Delhi, in an effort to spread financial awareness amongst the general populace. The tour culminated with a grand finale in Indore. One of the key reasons for CFA Society India to embark on this mission was the growing realization that despite the rise in GDP and the high individual savings rate, the level of financial literacy in India is amongst the lowest in the world.

At each stopover, volunteers from CFA Society India held community awareness sessions about the various policies that promoted thrift as well as educated them on the various measures that the regulators and policymakers have undertaken to create a healthy eco-system for individual savings and investments.

Also in November, the Pune chapter hosted its first full-day conference on "Corporate Governance in Investing: Theory vs Practice". The event had some of the most respected voices from the corporate world as speakers. Ex SEBI Chairman - C B Bhave gave the keynote address highlighting the need for proactive self-regulation by corporates. Other notable speakers were JN Gupta (Stakeholders Empowerment Services), S Unnikrishnan (Thermax) and Anand Deshpande (Persistent Systems).

Spanning from early November to mid-December were the CFA Charter Award and Felicitation Ceremonies for the class of 2019, in 9 chapters across India. This year the Society felicitated ~600 New Regular Members of IAIP and gave mementos to ~1330 Candidates who had passed CFA Level 3 examination. Together with these new members, CFA Society India's total membership has now crossed 3,000!

In an eventful December, Chennai chapter organised the First India Fixed Income Summit. The summit had some very insightful sessions on Indian Debt Markets, Alternative Debt, Policy and Market Outlook etc. delivered by expert speakers like Santosh Kamath (Franklin Templeton), Anantha Nageswaran (IFMR), Ananth Narayan (SP Jain), Lakshmi Iyer (Kotak MF) and many more.

In Mumbai, we hosted a unique event titled 'First Fifteen in Fifteen' - felicitating the first fifteen Indian charterholder women in the fifteenth year of Society. The felicitation ceremony was followed by a high-powered panel discussion with three legendary women - Arundhati Bhattacharya - Former Chairman, SBI, Usha Thorat - Former Deputy Governor, RBI and Latha Venkatesh - Banking Editor, CNBC TV18.

While the Society had an eventful year with so many events happening all around, the awareness and promotion of these activities were amplified exponentially by the Public Awareness Committee through the active use of our social media platforms.

During 2019, we have successfully refreshed our social media platforms and our social media strategy. A platform like LinkedIn, which was almost non-existent for us till a year back, has a follower base of more than 20,000 now and is growing exponentially every month. Our Twitter page has more than 8800 followers whereas the number of followers on Facebook and YouTube would soon touch five digits. On Twitter as well as LinkedIn, our posts get lakhs of impressions every month. The videos uploaded on our YouTube channel and blog posts on our Wordpress site get tens of thousands of views.

Why is all this important? These platforms are helping us immensely to improve our visibility and strengthen the CFA brand in India. Our strategy to provide easy access to content from our events through our various social media platforms has provided rich dividends by creating a positive image for society and its members.

CFA Society India now has the distinction of being most followed society (amongst over 150 societies worldwide) on most social media platforms – including Twitter, Facebook, LinkedIn, YouTube and Wordpress. In the last few months, we have now embarked on a new project to redesign our website to further improve our visibility and brand, and provide a good experience to our members.

The coming year 2020 seems full of new possibilities. We are all excited and preparations are in full flow for the 10th India Investment Conference (IIC) to be held at Taj Lands End on 9 January. It is the tenth anniversary for IIC - one of the longest-running and most attended investment conferences among investment industry professionals and brings together leading local and global practitioners, experts, and economists to discuss the latest trends in the global investment management industry.

The theme of this year is “Preparing for the New Normal” and we have an expert line-up of speakers like economist Nouriel Roubini (Stern School of Business), Sir Howard Davies (Chairman, RBS), Virginie Maisonneuve, CFA (Former CIO of Eastspring Investments), Joel Litman (CEO, Valens Research), Prof. Ralph Hertwig (Max Planck Institute for Human Development) and Allison Schrager (Economist and Journalist, Quartz). During the conference, these speakers will be taking up wide-ranging topics, providing a unique opportunity to delegates to improve their understanding of key issues of interest to the investment community.

As we bid adieu to the year 2019, we hope the coming year 2020 brings you all the prosperity and good luck!

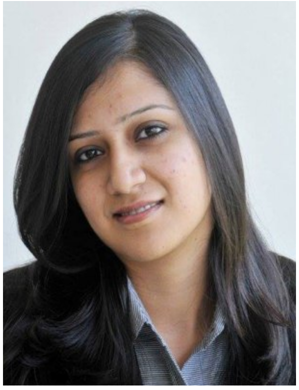
"Yesterday is not ours to recover, but tomorrow is ours to win or lose."

Lyndon B. Johnson

Thank you

Cover Story I

The fiscal fix that India must now contend with



Ritika Mankar Mukherjee, CFA
Senior Economist, Ambit Capital and
Director, CFA Society India

Sumit Shekhar
Associate Economist, Ambit Capital

Whilst India's fiscal deficit has always been known to be higher than emerging market peers, FY20 presents a unique quandary for the modern Indian economy. Even as real GDP growth has only slowed by 200bps over FY19-20, the Centre's gross tax revenue (GTR) growth rate has seen an unusual compression of 830bps from 9.5% in FY19 to 1.2% in FY20YTD. Not only is the slowdown in GTR growth unusually significant, but to complicate matters, the 1.2% growth rate seen in FY20YTD is much lower than the growth rate of 18% highlighted as the requisite target as per the Union Budget documents.

Unusually slow growing tax revenues at a time when the Government needs to assume a central role in driving demand in turn has meant that even if the Government opts to expand its fiscal deficit, the translation of this into expenditure growth gets limited. For instance, we at Ambit estimate that even if the Centre opts to expand its fiscal deficit to 3.7% of GDP in FY20 (as against the budgeted 3.3%), the Government will have to cut total expenditure growth from a budgeted 13% YoY to 9% YoY in the wake of slowing tax revenue collections. This sensitivity assumes that GTR growth rates pick up as the year goes by and closes at 7% for FY20. Furthermore, it makes the assumption that the Centre is able to entirely meet its disinvestment target of Rs1.05tn which in itself is a tall ask. It is worth noting that the 9% total expenditure growth in turn would mark a two-year low.

Furthermore, our sensitivity analysis suggests that if the Union Government allows the fiscal deficit as a share of GDP to 4.0% (and we maintain all other assumptions highlighted above), then also total expenditure growth can only be 11.5% which would mark a two-year low. So what should the Government do to ensure that it plays its role in resuscitating a slowing economy and yet does not permanently diverge away from the path of fiscal discipline?

In view of the slowdown in GDP growth rates, it perhaps would make sense to administer a decisive and explicit fiscal stimulus of 1% of GDP. The constitution of the 2QFY20 GDP print clearly suggests that the Government sector is the primary driver of GDP growth at this point. If we adjust for the Government component in India's GDP growth in 2QFY20 then the 4.5% GDP growth (which marks a 26-quarter low) in fact will fall to 3.1%. Hence, to ensure that Government support to demand in the economy stays intact, the Government should opt to expand its fiscal deficit.

However, to mitigate the adverse impact such a decision can have on India's debt markets, the Government should explicitly clarify that this slippage is an active policy decision and communicate adequately with markets to explain the rationale. Most importantly, the Government should enact and resurrect a brand new Fiscal Responsibility and Budget Management (FRBM) Act with immediate effect wherein the Government provides a glide path for fiscal compression of 0.3% of GDP per annum with legislative safeguards that ensure that the additional expenditure is primarily spent on capital expenditure.

Moreover, the new FRBM Act must incorporate dynamic fiscal targets that are sensitive to GDP growth. Also, the improved version of the Act must have strong constitutional safeguards (perhaps via the creation of a 'fiscal council' as recommended by the 13th Finance Commission) which can prevent the Centre from resorting to unwarranted fiscal deviations.

In-Conversation With ...

Industry Expert: **Dr. Monika Chopra, CFA**
(Chairperson, PGDM B&FS program IMI, New Delhi)

Interviewed By: **Shivani Chopra, CFA**
(Public Awareness Committee, CFA Society India)

Outside of the core investment management industry, there are many other professions where CFA charterholders can benefit immensely. Our guest expert - Dr. Monika Chopra, CFA is a shining example of this as she has successfully enhanced her credibility as a B-School professor post the completion of CFA program. A faculty at International Management Institute (IMI), New Delhi, she is also the chairperson of PGDM Banking and Financial Services (BFS) program at IMI. She teaches courses on Business Valuation, Corporate Finance and Financial Analysis. During her academic career of 17 years, she has authored 16 research papers, 5 case studies and edited 3 books. As a part of her corporate interface she has conducted various workshops on 'Finance for Non Finance Executives' and various Management Development Programs (MDPs) on issues like 'Valuation in Mergers and Acquisitions', 'Financial Analysis', Analyzing red flags and earnings quality for government organizations like GAIL, IGL, IPGCL, CII etc.

She is a PhD. and a CFA charterholder. As a regular member, she is a volunteer in the Advocacy committee of CFA Society India as well as the core committee of CFA Institute research challenge in India. She is also the India representative for CFA Asia Research Pacific Exchange (ARX) in India. Read on below to our alluring conversation with her.

What motivated you to earn CFA charter after years of teaching experience backed up by education credentials like MBA (Finance) and PhD? Did completion of CFA program help you in realizing your career aspirations?

An MBA degree helps in getting exposure towards management courses, while a PhD. is oriented towards in- depth research in a single topic area. Despite being an MBA and a PhD. , I always felt a need to impart a wider global industry specific knowledge to my students. Considered as the highest standard in investment profession, CFA program helped me, a faculty taking up courses in this area, get an industry specific perspective, which enabled me in bridging the industry academia gap and explore new areas of research.

How do you view education industry offering post-graduate finance courses with regard to scope, growth and job prospects? What are the different ways available to CFA charterholders interested in gaining employment opportunities in it?

There has been a proliferation of finance courses in the formal and informal education industry in India. With the rise of the Massive Open Online Courses (MOOCs), every individual who wants to learn finance whether at a basic or expert level has access to a wide variety of generic and specialist courses in the domain.

There are huge possibilities if anyone has a full time PG degree in finance than a certificate, diploma or a graduate degree. A lot also depends on the life stage at which the individual has started his/her education. I will categorise people into the following 3 categories- fresher, experienced graduate professional and experienced post graduate professional. For the 1st & 2nd category, pursuing a full time program like MBA Finance will be the best option as compared to the 3rd category wherein the individual can focus on developing expertise in a specific domain through very targeted courses like- financial valuation, modelling, M&As, etc.

In terms of opportunities, CFA charterholders can focus on working with consulting companies like the Big 4s, Mutual Fund houses or corporate set-ups. In parallel, I have seen many charterholders working as a part-time / guest lecturer with business schools. A full time career with a business school demands a PhD which brings in an element of research that demands a lot of concentrated effort.

How would you rate the CFA course with respect to content and structure including the pros and cons?

The content of CFA course is very well designed. The curriculum is very rich and written in a way that referring to it eliminates the requirement for reading multiple books on the topic area. The course content is constantly updated and refers to the best global practices in all topic areas. Some new areas like Fintech have been introduced in the CFA curriculum at Level 1.

Your college, IMI chose to participate in the University Affiliation Program offered by CFA Institute and a significant portion of CFA program Candidate Body of Knowledge (CBOK) is now embedded in the college curriculum .What are the most significant advantages that you can see after taking this decision?

The first advantage came to the students, in terms of being able to get an exposure to a rich curriculum, with global best practices and helped many students enroll in the CFA program to prepare for the same. In addition it helped the students to bag scholarships and hence a financial aid to complete the CFA program

The second benefit was to the professors, who got a chance to incorporate Candidate Body of Knowledge and map their courses in line with the CFA program. Though the affiliation required 70% mapping, our professors achieved a 100% mapping for the same. This enabled them to bring the best global practices as a part of their curriculum and contributed to their own self-development.

The biggest benefit was at institutional level as me being the chair of the PGDM-Banking & Financial Services (BFS) program saw an increased interest by applicants in pursuing this course post its affiliation. This resulted in the institute being able to provide admission to a set of students with more diversity, experience and with a desire to build a niche expertise in finance profession by pursuing our BFS course. The same became an attraction for our recruiters resulting in more offers and higher packages as well as for various accreditation bodies to improve the overall ranking of IMI, Delhi.

What guidance would you give to CFA program aspirants?

Hard work, persistence and regularity with the preparation is a must. The only way to crack the exam is to read the curriculum. I have seen many students going via a route of prep providers. Though the material given by some prep providers can be taken as an additional support but the primary key to cracking the exam is the institute's curriculum, practice questions and mock exams.

Ultimately, the goal of every student appearing and cracking the course is to become the best among the investment professionals and the only way to do so is imbibing the Candidate Body of Knowledge and being tested on the same to experience a practical application of the concepts. Ultimately, there is no short cut to success and the same applies here, detailed understanding of the curriculum is the only route to become an expert in the investment management profession so it is advisable to go via that route only.

Cover Story II

Indian Real Estate Sector - Man Made Crisis?

Vivek Rathi, CFA
(Public Awareness Committee, CFA Society India)

Is the current real estate slowdown India's subprime crisis? The real estate industry was a ticking time bomb that escaped scrutiny following the financial crisis in the U.S. as home prices in India kept recording consistent increases, but it eventually exploded with the unravelling of the NBFC crisis. The sequence of events over the last few years exposed the redundant structure of the Indian real estate industry and the proverbial skeletons started tumbling out of the closet. According to a recent report, as of Sep 2019, India's top 9 markets collectively have an unsold inventory of more than 7 lakh units.

The Bull Run in this industry can be divided into three phases, early years of 2003- 08, period post-global financial crises 2008-2015 and the stage after 2015. Initially, the prices remain buoyant in the bull market of 2003-08, there was ample liquidity provided by domestic banks, which was also supported by the overseas money. This period saw a massive interest in the sector as developers were making handsome profits. Then there was short term slowdown when 2008 financial crises hit the world, but the measures taken by the then Government in the office made sure there was ample liquidity in the system. The dream run began again, but this time leverage was the theme. Companies used leverage to the maximum extent possible. The celebrations continued till 2015 when RBI went all out to clean up the NPAs which interrupted the easy credit available to the sector. Later, the surprise move of demonetization pushed industry to the wall. At this juncture, the short term relief came from shadow banking industry which filled the vacuum and expanded the credit in absence of banks.

During the last phase, NBFCs were the primary supplier of lending to the real estate industry. The party came to abrupt halt with the default of IL&FS and then the DHFL crisis. It was the inflection point and this is where the story started unfolding. The fault lines in the industry were exposed, as many experts say this was "India's Lehman moment". This downtrend was followed with the trouble in Indiabulls and the crises at PMC bank. All of the affected institutions had a common problem, exposure to the real estate industry. In Indian culture, owning a house has high emotional value and easy money made this possible. But this slowly turned into speculation and landed the industry in the dire state it is in. Overall, easy liquidity was the foremost reason for the exponential rise in real estate prices.

On further analysis, it is clear that the fundamental model of NBFCs was flawed. The NBFC model, lending long term and borrowing short term was bound to implode. It was unviable, history suggests that such models fail sooner than later. Actually, the sooner it fails the better it is for the economy.

The more severe the follow on slowdown will be. The primary sources of funds for NBFCs were banks, money market mutual funds, etc. These sources dried up post the default by IL&FS, as banks and mutual funds turned cautious, leading to liquidity crunch and follow on crisis in few other NBFCs. Notably, the crisis may spread to already fragile banking sector as banks are the most significant source of credit to shadow banks. Anymore defaults may lead to a chain reaction, which would be catastrophic for the economy.

The increase in the number of real estate firms filing for bankruptcy and the vast amount of NPAs emanating from this sector and related industries like cement, steel, etc. exposed the fragile nature of the industry. In fact, the infrastructure sector, more importantly, real estate and construction industry, is one of the critical sources of employment in India. The slowdown in this sector has hurt Indian economy severely. Though it is natural for any industry to go through the cycle of boom and bust, the current situation is unique in a way. Government is trying to improve liquidity in the system but it is caught in a catch 22 situation, if it tries to increase liquidity the way it did historically, it will undo the clean-up regulators are trying to do & if it does not act, we are staring at a crises. To understand this quandary, one has to be conscious of the fact that Indian real estate has a lousy reputation for camouflaging black money, majority of the transaction goes unrecorded or are under-reported, leading to a significant loss for the exchequer. The move of demonetization intended to uncover such instances of unrecorded transactions, the outcome of which is still unclear. Nevertheless, the action had inevitably created a fear psychosis in general masses. Added to this, the enhanced focus on digitization has made this sector further vulnerable. The income tax department and other government agencies have increased focus on real estate transactions, though there is a long way to go, things are changing rapidly.

The need of the hour is to clean up India's Shadow banking sector similar to the way banks are instructed to report NPAs. The process was due for long, though late, at least it has started. It is expected that this churning would lead to consolidation in the industry where only few institutions would weather the storm. The situation reminds of Darwin's "survival of the fittest" theory. Although this may not be an ideal solution for a diverse country like India, but it is better than having a weak shadow banking industry which would blow away at first sign of stress. This is an opportunity for government/regulator to clean up the mess created by years of negligence, put in proper regulation.

The major challenge for the Government is to address the current economic impasse, there is a scarcity of cash & the money is not changing hands. There is significant trust deficit among market participants. According to Rajiv Kumar , Vice Chairman of National Institution for Transforming India (NITI) Aayog, "If the Government recognizes problem is in the financial sector, this is an unprecedented situation for the Government. For the last 70 years, we have not faced this sort of liquidity situation where the entire financial sector is in churn, and nobody trusts anybody else." This is a unique situation and calls for uncommon solution. There has to be out of box thinking here, Government has to look at innovative solutions with various incentives and tax benefits in place.

Though India needs concrete steps to revive the construction industry, at the same time, the Government has to think about other sources of employment & wealth generation. It needs to look beyond industries which economists call "rent-seeking industries". Industries where crony capitalism is prevalent, like construction, real estate, mining, and commodity-related industries, etc.

Ruchir Sharma made an apt observation in his book "The Rise & Fall of Nations"- The nation whose economy/businesses are dominant by industries being influenced by Government or powerful is bound to face rough weather once the tide turn against them. The difficulties faced by countries like Russia and Brazil after the correction in crude oil prices is a case in point. The nation which survives on natural wealth and the sectors where it is not easy for the general public to get in, will fail as the cycle turns against it. For consistent long term growth, India has to focus on innovation, encourage research so that the new wealth gets created and there are new sources of employment

Sources

- https://www.livemint.com/industry/banking/the-great-indian-credit-squeeze-in-six-charts-11572424223172.html
- The Rise and Fall of Nations By Ruchir Sharma

In-Conversation With ...

First person in India with blindness to earn CFA charter


Special Guest: **Ajay Minocha, CFA**
(Senior Credit Risk Analyst, Deutsche Bank)

Interviewed By: **Rajni Dhameja, CFA**
(Public Awareness Committee, CFA Society India)

Ajay Minocha, CFA has received his CFA Charter recently. He is the first person in India with blindness to earn the CFA charter. Prior to this, Ajay has completed his PGDM from IIM Indore and is working with Deutsche Bank. Below is the inspiring conversation with Ajay:

Tell us about your journey to IIM

I am from Faridabad, I was born with only 30% of eyesight due to a degenerative eye condition. I studied in a mainstream school. My mother helped me in my studies from helping in taking notes to completing the assignment. She was completely involved in my studies till class 12. I wrote my board exams with the help of writers. Here I was at crossroads to chalk out my future plan. I happened to listen to one radio program by Score foundation "Eyeway Yeh Hai Raushni Ka Karvan" wherein I got to know a lot of successful persons with blindness, their achievements, dreams etc. This instilled a sense of motivation and confidence in me. Soon after, I took training to use assistive devices like screen reading software on computers and mobile. After the training, technology became my best friend and my life went through a complete transformation. I leveraged internet to connect with other persons with blindness who have succeeded in their careers despite their disability. After which I decided to pursue MBA.

In my quest to excel in academics during undergraduate course, I ended up straining my eyesight and became completely blind by late 2011. I switched over to reading through OCR technology and E-text and started traveling independently with a white cane and google maps. In 2013, I was selected by IIM Indore for pursuing PGDM.

The inclusive culture at IIM Indore brought out the best version of myself, I not only exceled in academics but also actively participated in extracurricular activities i.e. trekking, paragliding etc. IIM journey came to an end with a job offer from RBS to work with their Debt Capital Markets Division.

What motivated you to pursue CFA?

After I started working, I realized that while I had good broad knowledge of finance domain, I need to improve on a lot of specifics. That aspired me to complete CFA certification. My social network again came to rescue, I got to know about the accommodations i.e. accessible study material, reader/writer, extra time which made it possible for people with blindness to pursue the certification. I studied using the E-text material through my screen reading software and wrote the

exam with the help of a writer. After 3 years of labor, finally the day came where I received the charter and cherished the fruit which my hard work and perseverance brought to me.

If you evaluate your journey in hindsight, what are the traits you can attribute your success to?

There have been many movements of gloom as well as extended glory in this life span. I think my self-acceptance, consistency and ability to bounce back from adverse situations kept me propelling to greater heights. Support from parents is something I do not have words to express.

What is your other interest/ hobbies?

I am a voracious reader, I keep on reading on wide variety of subjects i.e. finance, technology as well as fiction. Recently, I also realized my love for outdoor activities! I recently completed a cycling trip of Mumbai-Lonavala-Mumbai and have been training to run a marathon in January.

Women in Finance

Expert Panel Discussion on "Financial Advisory as a Comeback Career option for Women"

Experts: Ratnasri Karra; Biharilal Deora, CFA; Shagun Thukral, CFA; Sumit Duseja, CFA

Moderator: Shivani Chopra, CFA (Public Awareness Committee-CFA Society India)

Many working women who opted out of employment due to marriage or motherhood would like to resume their career when the time is opportune. However, with the added burden of managing the household and children, returning to the previous jobs in finance may not be viable anymore.

Luckily, the booming wealth management industry is not only a safe abode for women looking to strike a work-life balance, but it also offers a lucrative and satisfying career choice. The largely male-dominated financial planning space, in particular, has much to gain from more women donning advisor roles.

The Public Awareness Committee (PAC) team of CFA Society India reached out to a few experts in the financial advisory domain to get their views and discuss the pros and cons of a financial advisory career for women.

Meet our experts

Ratnasri Karra
Founder
her-mony

Biharilal Deora, CFA
Director
Abakkus Asset Management LLP

Shagun Thukral, CFA
Director - Investment Advisory Services
Shah Khandelwal Jain & Associates

Sumit Duseja, CFA
Co-founder and Wealth Manager
Truemind Capital Services

Below are the snippets of our conversation with them-

A series of recent studies has indicated that "Women make great financial advisors". As a practitioner, what are your thoughts on this?

Ratnasri Karra - Yes, women are more attuned to the long and short term goals of the family. As they take on caregiving duties, they have a better understanding of the needs of the family. They also bring more soft skills to the role, which affords them significant advantages in this profession.

Biharilal Deora - Yes, research corroborates that women make great financial advisors. By their very nature, women are better at handling relationships and emotions, and can therefore better manage customer relationships. However, the industry has very few women holding key positions. Only 1 of the top (as per AuM) 27 wealth advisory firms of India is being run by a woman.

Currently, a significant percentage of Indian women allow their fathers or spouses to influence their investment decisions. Do you think women advisors can change this mindset so that females can start taking control of their own personal finances?

Ratnasri Karra - I absolutely believe that women advisors have to be the change-makers. But sadly, despite the growing number of female financial advisers, many women are not able break that chain and take control of their personal finances.

Shagun Thukral - For some reason, finance and money are perceived to be "too difficult or complicated to understand" by the women. I think when women see other women as advisors, they may be more confident in expressing their concerns on money matters. I believe this change is now visible. The young women of today are taking charge. Also, as parents, it may make sense to involve your kids, whether boys or girls, in the financial decisions of the family so that when it is their time to do so, they are more confident.

Sumit Duseja - Many people, including women, believe that finance is a domain of men so it is hard for them to imagine women taking control of their finances. Thankfully, we are seeing a rising number of women in finance who are charting a successful career. These women have shattered traditional notions and set an example for other women to follow. Any change in the society begins with small steps, with a few courageous people leading the way and later the change becomes mainstream.

Some of the key reasons for females to leave the workforce are relocation after marriage, motherhood, the need to take care of the elderly, etc. A career as an independent financial advisor can offer a better work-life balance opportunity as compared to other career fields. Please opine.

Ratnasri Karra - That is the story of the lives of women across the world. I myself was on a break of 15 years before restarting my career as an adviser. If finance is your passion, then this is a wonderful career to have. You not only offer better work-life balance to yourself but have the happiness of bringing that to your clients' lives as well.

Shagun Thukral - This has been very true for me and I am sure a lot of working moms would relate too. The best aspect of a career as an independent financial advisor is the flexibility it offers you in terms of working hours. You can also take on a workload that is manageable for you individually. You can even work out of home. There is no big capital investment required either. All in all, it is a great career choice.

Sumit Duseja - Being an independent financial advisor offers you the flexibility to decide how much you want to work and with whom you want to work. You can clearly segregate your time between professional work and personal life. The nature of the job ensures that you don't necessarily need to work till late in the evening and have weekends without work commitments. Clients also understand and respect your time in this profession. If your aspirations are high, then the sky is the limit in the investment advisory field, which is still growing and evolving at a fast pace.

What is the most important point one should bear in mind before entering this profession?

Biharilal Deora - Considering the limited entry barriers set up by SEBI to be a financial advisor, all individuals can easily enter and prosper in the industry. However, given the lack of financial literacy, limited exposure to financial markets, limited understanding of handling clients who trust you with their money and other such factors could collectively lead to an unpleasant experience for the advisor as well as the client.

The individual must attempt to equip herself with a variety of skills required for executing the job of a financial adviser, consider multiple domestic and international performance benchmarks, refer to books, other sources of knowledge and various other activities prior to starting out in the industry.

What are the skills needed to become a successful advisor? How does enrolment in the CFA program and earning the CFA charter help in building the proficiency in this arena?

Shagun Thukral - To be a successful advisor, you need to be technically very sound and this is where the CFA program is a great way to skill yourself. Also, this is a business of trust and it is extremely important to build a relationship with your client. The CFA Institute promotes and instills in us ethical values that put the interests of investors first when you advise them on a product. It is also extremely important to keep yourself updated with the ongoing trends of the financial markets. The CFA Society events provide a great platform for continuous education and are also a good way to network within the fraternity.

Sumit Duseja - Three skills are extremely important to become a successful advisor: understanding of the economy & different asset classes, valuations & financial modelling, and portfolio management. The CFA program is tailor-made to master these skill sets. Financial and economic linkages of all the countries have become stronger with the global economy. Therefore, global events have a varying degree of impact on investments in different economies. The CFA curriculum covers economics and all the important asset classes from a global perspective. It prepares to build and manage a portfolio that is suitable to the client's risk and return objectives. Needless to say, a CFA designation indicates your commitment towards your fiduciary duty and establish a strong standing in the financial advisory and investment management profession.

Thus, it is evident from the above discussion that the most fundamental quality of a successful women advisor is her ability to empathize with the client's emotional needs. There is a strong business case to include more women in this domain. Our experts unanimously agree that financial advisory can be a great choice for women who are trying rebuild their careers after a break or even for others who would like to switch their job profiles to maintain a better work-life balance. While the entry barriers are low, the endeavor will only fructify if potential entrants can ensure an invariably pleasant and satisfactory client experience. Equipping oneself with the right set of skills becomes indispensable and professional certifications like the CFA charter can aid in mastering these skills.

CFA Society India

Insights from CFA Society India Events

3rd Value Investing Pioneers Summit (VIPS), New Delhi 2019

SESSION ON "SOME THOUGHTS ON INVESTING"

Speaker: Prashant Jain, CIO, HDFC AMC

Moderator: Rajeev Thakkar, CIO & Director, PPFAS Mutual Funds

Contributed by: *Udai Cheema*

Mr. Prashant Jain started the presentation by focusing on macro-economic factors. Most of the economic parameters are currently in India's favour such as inflation, current account deficit, foreign exchange reserves, interest rates but ironically the growth has slowed down sharply due to lower discretionary consumption. The main reason for the consumption slowdown in his opinion is that the white-collar wages in India have de-grown in real terms and over the years there has been a convergence in the average wage of white-collar and blue-collar jobs in India. As a result, the financial savings rate in India has also fallen for the first time in the last ten years. A big chunk of the consumption that has happened in the last couple of years has actually been debt-fuelled consumption on the back of EMIs. There is a limit to how much borrowing a society can do, that limit might have been reached in India causing the overall slowdown in the economy.

An interesting hack he mentioned to understand where the exuberance and pessimism stand at the moment is to look at the long-term charts of the sectoral indices. On a yearly basis, they will clearly tell you which are the most loved and hated segments of the market. Understand that one

cannot simply extrapolate the peak earnings of a sector into the future, more so when the earnings have had a boost in recent times due to external 'one-time' factors. Mean reversion is true in life and in the markets. Both good and bad times shall pass.

The discount of PSUs to the market as a whole has deepened quite sharply in recent times as there are some pre-conceived notions in the market for these public companies. PSUs are very predictable businesses and fairly easy to understand. PSUs are run under strict guidelines and investments in unrelated areas are quite infrequent. The mortality in the PSU space is much lower than in the private sector. In fact, PSUs in their particular sector are quite dominant franchises.

The media always highlights the outliers and not the averages. Rather than looking at the average salary of Virat Kohli, one should try to find out the average salary of an average cricketer for the purpose of generalization. The more people start working with averages, they are more likely to reach the right conclusions.

Amongst the PSUs, service-based companies like the ones in the telecom sector or the airlines' sector are at a significant disadvantage but the resource-based, asset-based, trust-based companies have significant advantages and value. Simply the dividends in some of these companies are at par or even two times the bond yields at present. Also, the announcement of strategic divestments bodes well for this segment of companies.

SESSION ON "MEGATRENDS AND LEADERSHIP"

Speaker: Utpal Sheth, CEO of Rare Enterprises

Moderator: Prof. Sanjay Bakshi, Managing Partner, ValueQuest LLP

Contributed by: Parvez Abbas, CFA(Public Awareness Committee-CFA Society India)

The topic of Mr. Utpal Sheth's presentation was 'Megatrends and Leadership'. According to him, these two are the foremost determinants for value and wealth creation. There are sectors like consumer durables, cement, FMCG and private banks that have consistently outperformed broader indices over long-term due to structural changes or megatrends. Top 3 companies in these sectors (in terms of market cap) have constituted more than 50% of the market cap of the sector on a sustained basis. In fact, they kept rising inexorably over long-term (leadership). On an incremental basis, these companies created most value across sectors over many cycles. These formed the basis of his presentation.

He explained that megatrends are long-term structural shifts and have irreversible consequences for the world around us. They transcend geographies, governments and generations. They throw new opportunities & threats and bring about new winners & losers. Some of the megatrends over time are IT revolution, urbanization, consumption boom, women in the workforce, digital transformation, unorganized to organized sector shift and demographic evolution.

Mr. Sheth emphasized that leadership attributes are both qualitative as well quantitative. He gave examples of quantitative attributes of leadership like market share (Asian Paints), least cost player (Shree Cements), share in cash flows (Maruti Suzuki), elongating competitive advantage position (D-Mart), leadership in durability (Nestle) and leadership in new segments (HDFC Bank). Some of the examples of qualitative leadership attributes are culture (Titan), innovation (Nestle), embracing disruption (Info Edge), redefining competition (HUL). He then advised on the portfolio management for megatrends and leadership. One should focus on 3-4 megatrends with high conviction. In each megatrend, focus on 2-3 players with leadership attributes. From the above list, classify them as clear leaders (major component of the portfolio), near leaders (inspirational component) and emerging leaders (high-risk component).

In his closing remark, he explained the approach of megatrends and leadership through the concept of gorilla investing. There are many monkeys in a jungle but few gorillas. Gorillas have double the lifespan of monkeys and are not challenged by them. One has to find the right animal (leadership) in the right jungle (megatrend).

The Q&A session was moderated by Prof. Sanjay Bakshi, Managing Partner, ValueQuest LLP. The questions revolved around identification of megatrends and leaders. What is perceived as a megatrend in one country may or may not get replicated in other countries. On being asked if government policies play a role, he said that they might accelerate or decelerate the shift in the short-term but not in the long-term. For budding professionals with limited capital, Mr. Sheth advised that there is no harm in starting small. There is no set formula and one is bound to make mistakes but it is important to learn from those mistakes and not repeat them.

Watch video at: https://www.youtube.com/watch?v=G1d-42_hZ0E

SESSION ON "LEARNINGS FROM MY INVESTMENT CAREER"

Speaker: Sankaran Naren, ED & CIO - ICICI Prudential Mutual Fund

Moderator: G. Maran, Exec. Director, UNIFI Capital

Contributed By: Shagun Thukral, CFA

Mr. Sankaran Naren spoke about his investment style, philosophy and learnings through the course of his long and illustrious career in the investment management. He covered a broad spectrum of topics ranging from essentials of investing, his contrarian style, understanding cycles, key metrics for stock picking, wealth creation and limitations of investing.

He made an astute observation – "if one was to look at available literature, 90% of it was focused on buying, when in reality more time should be spent on sizing as well as selling decisions". He also shared a behavioural hack with the audience – since it is difficult to take a 'sell' decision, one should evaluate these decisions as a 'switch' – assuming one is always selling to buy something else. This makes it easier to take such decisions.

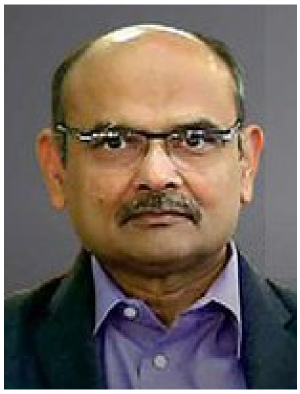
Naren has often been associated with the Contrarian style of investing. According to him, contrarian investors should be careful on leverage as wrong timing in a leveraged contrarian trade can prove to be disastrous. He said that contrarian investing works best in cyclical sectors (as these sectors are prone to mean reversion). He also emphasised on knowing the counterview on the stock, having a grip on the intrinsic value of the stock and doing appropriate risk management.

For wealth creation, Naren follows the following framework (VCTS): Valuation (the data) - Cycle (how others are behaving) - Trigger (the event) - Sentiment (the flows). Of these he believes that valuations are easiest whereas identifying a trigger is the toughest (as these are not knowable and controllable). Ideally if the other three (VCS) are in place, one must act and not wait for the trigger.

Given his thought process and investment philosophy, Naren finds it difficult to buy high trailing P/E or high market cap stocks which at times leads him to miss growth sectors. He also tends to avoid stocks that have consensus among fund managers. Naren then highlighted the key traits required in a person who wants to succeed in investing These include: 1) Time management 2) Thinking 3) Temperament, and 4) A habit of reading.

The session was extremely well received and Naren went on to address several questions from participants as well. During the Q&A, he stressed on the need to follow a transparent and responsible fund investing. He also advocated on being an 'unemotional' fund manager as it helps in taking key decisions like not giving buy calls all the time. The mutual fund industry is sometimes criticized on being over diversified but Naren cleared the air that diversification is a function of the size of fund one manages and the big mutual fund houses are bound to be well diversified. Lastly, the speaker opined "The challenge of investing is the ability to take a process and religiously follow it on a continuous basis."

SESSION BY MR. VINOD SETHI



Speaker: Vinod Sethi, Ex MD & CIO, Morgan Stanley India

Moderator: Durgesh Shah, Catalyst, Flame Investment Lab

Contributed By: Jyoti Soni, CFA (Public Awareness Committee - CFA Society India)

It was a unique session in a sense that the speaker did not give a presentation. Instead a presentation was prepared by the moderator, Mr. Durgesh Shah, on investment journey of Mr. Sethi. Mr. Shah quizzed Mr. Sethi about his investments, philosophy behind making those investments, investing mistakes, his gurus in the market, experiences which affected his personal and professional behaviour.

Mr. Durgesh Shah introduced Mr Sethi as an unusual visionary investor and a multi-faceted person. In the 1980s, Mr. Sethi was one of the youngest fund managers when he started working with Morgan Stanley. Currently, he is Chairman of KCP Sugar and manages his own investments.

In his stint as an investor, he bought anywhere between 5-15% of stock in companies like Infosys, Hero Honda, Hinduja, Tata Motor etc. when no one was interested to touch these stocks. He has a terrific record of accomplishments in his investing career with his multidisciplinary thought process. He was the largest private sector fund manager when he left his job at Morgan Stanley in his 30's. In early 1990's, he made investment in Infosys when most of the fund managers were not able to realize the power of IT industry and software services exports. At a time when the focus was on hard assets on the balance sheet, this was a company which did not have much of the hard assets except few computers and furniture with rented office building. Infosys valuation jumped to 5 times

within a short span of two years of his investment. His high conviction in prospects of Infosys was on display when he made another big investment in a preferential issue of Infosys which came after 2 years at a price 5 times higher than his initial investment.

Mr. Sethi believes that formal education is a necessity but not sufficient. He believes that education doesn't teach you about hunger, relationship, courage, inner voice – listening to yourself, feel the present moment and many other aspects. There are many other aspects and skills which one requires in investing business and daily life. "While a degree certainly helps, it is no insurance policy. it might get you through the door, but you have a whole life to face. One can be rendered irrelevant if he or she doesn't keep himself or herself up to date", he says.

He stated that the following three things are the most important for a good investor:

- **Pay attention to the Market:** He emphasized on deep understanding of market phenomenon.
- **Read & Research:** He opined that speedy and attentive reading is necessary for a money manager. One should read an annual report daily and should take not more than 30 minutes for this. Quick and accurate analysis of company's financials and performance is key to taking the right decision.
- **Introspection:** One should give time to oneself for self-discovery. One should understand one's strengths & weaknesses, passion and priorities in life.

Insights from CFA Society India Events

First Fifteen In Fifteen (FFIF)

The event FFIF recognized and felicitated 15 of the 30 earliest women charterholders as CFA Society India celebrated its 15th anniversary. The felicitation ceremony was followed by a high-powered panel discussion with three legendary women to ideate about building a steep career trajectory in Finance. The eminent panellists included, (i) Arundhati Bhattacharya - Former Chairman, State Bank of India (SBI); (2) Usha Thorat - Former Deputy Governor, Reserve Bank of India (RBI) and (3) Latha Venkatesh - Banking Editor, CNBC TV18. The discussion was moderated by Ritika Mankar, CFA who is a Director on the CFA Society India Board. The event was attended by women CFA charterholders, eminent personalities from the Indian financial services industry as well as the Society's Directors. It provided a platform to all attendees to tap into a vibrant network of women investment professionals in India.

The list of women charterholders felicitated is as below-

- Lakshmi Visweswaran Iyer, CFA (Consultant)
- Leena Sagar, CFA (Fonteva Default Account)
- Shanthi Nair, CFA (Co-founder of Step-Up-for-India)
- Sonia Gandhi, CFA (Director-Ethics Education & Professional Standards at CFA Institute)
- Reena Verma Bhasin, CFA (Head - Group Strategy and M&A of Dalmia Bharat)
- Neeti Aggarwal, CFA (Head of financial technology research at The Asian Banker)
- Kanika Kunal Shah, CFA (Senior Principal, Infrastructure at CPPIB)
- Sukrita Sethi (Finance & strategy professional, INSEAD MBA)
- Kavita Saha, CFA (Senior Principal of CPPIB India Advisors Private Limited)
- Anna Michael, CFA (Leads Advanced Analytics and Data Science for Treasury and Trade Solutions at Citibank)
- Apurvi Indravadan Maniar, CFA (Proprietor, PARM Placement Consultants)
- Alokita Jha (Associate Director at Fidelity International)
- Gauri S. Pande, CFA (COO, Portfolio Specialist and Head of Trading desk of Morgan Stanley Investment Management)
- Srividhya Rajesh (Investment Professional)

Insights from CFA Society India Events

CFA Charter Award and Felicitation Ceremony 2019

The CFA Society India hosted the CFA Charter Award and Felicitation Ceremony 2019, in 9 chapters across India. The annual event has grown from strength to strength, and its purpose is to give recognition and appreciate all the hard work put in by the new members joining the society. The society invited ~600 New Regular Members of IAIP and ~1300 Candidates who had passed CFA Level 3 Examination. On this occasion, these members were presented with Mini Charters and Candidates were felicitated with mementos. To celebrate this huge milestone, many senior Industry professionals and Board of Directors of Society were also present who shared their wisdom on career progression and provided industry insights. Along with the celebration and the learning, the event is also an excellent way for the newbies to connect with like-minded professionals and expand one's network.


CFA Society
India
LET'S MEASURE UP
CFA & CIPM CHARTER
FELICITATION CEREMONY 2019
"I am a
CFA Charterholder,
I MEASURE UP"


CFA Society
India


CFA Society
India
CFA & CIPM CHARTER

Insights from CFA Society India Events

2nd Financial Talent Summit - Bengaluru 2019

Speakers- Eric Sim, CFA ; Saket Jain ; Binod Shankar,CFA ; Kashyap Compella, CFA

Contributed by: Sachin Chopra, CFA

On 14th September 2019, Bengaluru chapter of the CFA Society India was honoured and privileged to host the 2nd edition of the Financial Talent Summit at The Leela hotel. It was a full day event with an impressive array of speakers and moderators which came together to provide insights into important questions facing Finance career professionals especially the ones who are fairly young in their careers.

The key theme and buzzwords for the event were how to make yourself future ready and stand out in this highly competitive environment along with identifying the key opportunities shaping up the financial services industry.

The event began with a presentation from CFA Institute senior leaders on the vast variety of career tools available on the CFA Institute website which support and aide a member's professional development at various stages of his / her career. This was followed by a 1 hour talk on a very interesting and eagerly anticipated session – Small Actions, Subtle Thinking – Creating Big Impact to Your Career & Life by Eric Sim, CFA (Founder, Institute of Life) who was the key note speaker at the 2nd FTS. There were several points worth pondering over in Eric's talk. Some of the key takeaways from the session were focusing on developing signature skills for oneself which could help an individual differentiate himself or herself from the crowd. Also, thoughts around personal branding and the qualities which can build our brand – being trustworthy, competent and interesting were very inspiring.

Other speaker sessions focused on themes including building a career in Financial Services industry delivered by Saket Jain (Managing Partner, Vito India Advisors). Saket laid out the facts and data very methodically in his presentation with some fantastic visuals such as the heatmap on the 2018 hiring segments within financial services industry. Also, his ideas around the employment trends and outlook in sectors such as wealth management, insurance, and Fintech were very well received by the members and candidates present in the audience.

Binod Shankar, CFA who is a guest on CNBC gave an inspiring talk on closing the skills gap : how to transform yourself into a work ready professional. He shared many pearls of wisdom on career and life. Some of the notables ones were your past doesn't determine your future, unless passion is defined and pursued, it's mostly a soundbite and a very cliched one, soft skills feel soft only on paper … in real life, they are probably the hardest to learn and comes only with time and experience, people hire people and not degrees or CVs or artificial intelligence.

Kashyap Compella, CFA (CEO, rpa2ai) presented an excellent insight into the impact of technology on finance and the future of work. This is an area which has gained significant prominence in the last few years and is something which keeps all of us on a constant endeavour to consistently learn and break new grounds.

To conclude, the 2nd edition of FTS was a grand success and provided everyone with insights and fresh ideas on the changing landscape of careers in Financial Services industry and how to be constantly learning and developing in this age of constant change and churn.

<u>*Video Links*</u>:

- *Building a career in Financial Services | Saket Jain, Vito India Advisors :* https://www.youtube.com/watch?v=1_i5YI3WYX0
- *Impact of Technology on Finance: Future of jobs | Kashyap Kompella, CFA:* https://www.youtube.com/watch?v=cYdR8R50DVQ
- *Closing the skills gap: How to transform yourself into a work ready professional? | Binod Shankar:* https://www.youtube.com/watch?v=t7OF7HNRUiE

CFA Society India

Insights from CFA Society India Events

First India Fixed Income Summit

Experts: Dr. Anantha Nageswaran, Dr. Arvind Rajan , Dr. Jayanthi Anand K., Mr. Kalpesh Gada, Mr. Karthik Srinivasan, CFA, Bama Balakrishnan, CFA, Ms Lakshmi Iyer, Mr. Pramod Kumar, Mr. Sachin Pillai, Mr. Vijayendiran R, Mr Santosh Kamath, Mr Sriram Mahadevan, CFA, Mr Ravi Saraogi, CFA, Mr Jayen Shah, CFA.

Contributed By: Meera Siva, CFA

The role of Fixed Income in a well balanced portfolio cannot be emphasized enough. Investment professionals are always curious about a wide array of questions on what the fixed income market hold for investors-

- Will RBI cut rates? Which way will the rates go and what will be the tone for 2020?

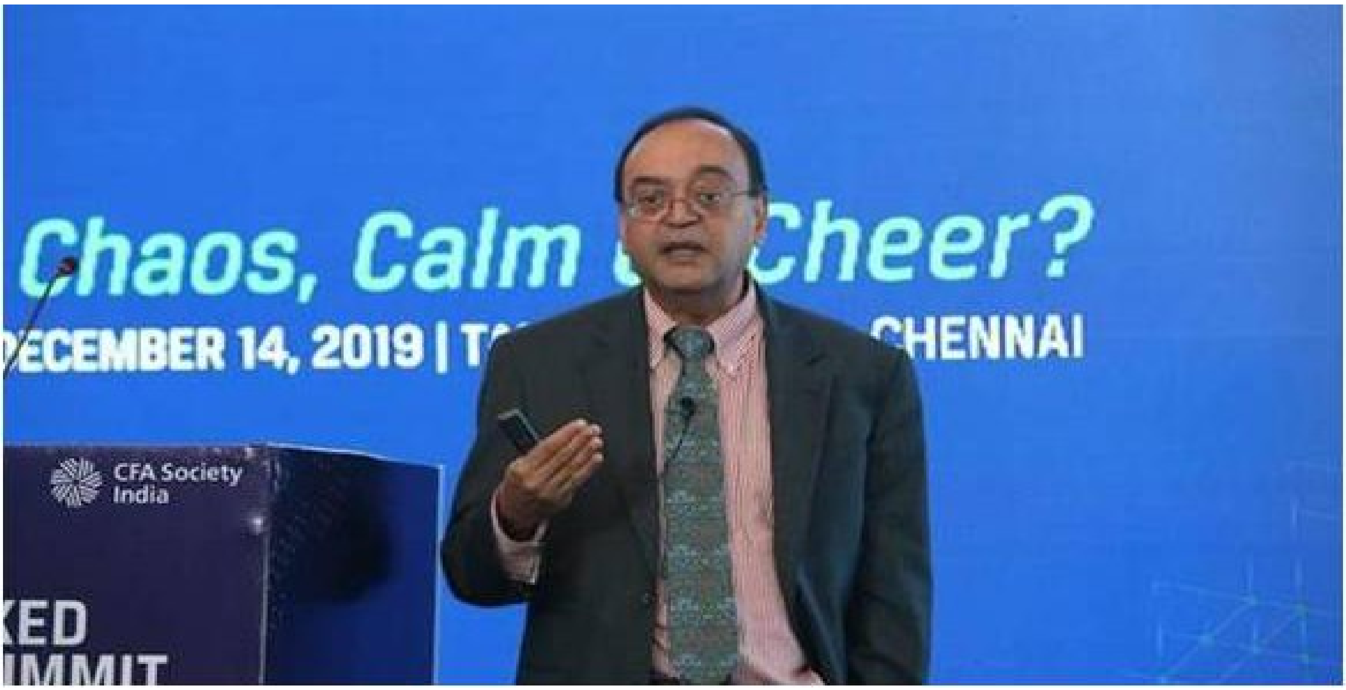
- How is the fixed income market globally? What is the Indian macro outlook?

- Why has the bond market not taken off in India? And what does the data say about the current state of the fixed income market in India?

- How was the journey in the Indian market for a fund manager?

- What is there beyond high credit rated bonds?

To answer the above questions and deliberate on many more, the Chennai Chapter of CFA Society India organised a daylong symposium on December 14, 2019. An impressive line-up of speakers, great moderators and a good audience engagement made it a huge success. The first fixed income marquee event in Chennai saw delegates coming from all across the country. There was undoubtedly a lot of learning and food for thought.




haos, Calm or C er?
EMBER 14, 2019 | TAJ CO
WELC
CFA Society
India
FIRST INDIA FIXED
INCOME SUMMIT


CFA Society
India
FIRST INDIA FIXED
INCOME SUMMIT

Insights from CFA Society India Events

Jan Nivesh Abhiyaan – Financial Literacy Program

The CFA Society India successfully concluded a memorable cycle tour in an effort to spread financial awareness amongst the general populace. A team of cyclists and speakers simultaneously started from Mumbai and Delhi on November 15 and converged in Indore for a grand finale on November 29.The outreach touched directly about 6000 individuals in more than 50 locations across 4 states through educational seminars and street plays. The educational seminars focused on 5 very basic financial literacy tenets -the importance of 3 aspects: planning, insurance, investing and care to be taken with regard to other two areas: debt and scams.

Mr Kishore Bagri, CFA (Director-CFA Society India) shares his experience

"I am back home feeling accomplished since I survived cycling 1300 Km and not feeling too broken either. Despite a nil fitness regime for the past 25 years and also being a heavy smoker, it was my sheer passion for contributing to society at large that motivated me to volunteer for the cause.

The journey was undertaken with the primary objective of spreading financial literacy at the ground level. We covered five states and almost 2000 km. There were two parallel teams, one from Mumbai and the other one from Delhi. I started in Delhi and covered a great portion of Rajasthan and Gujarat. Then the combined team came together in one location and covered a bit of MP and the journey culminated with a grand gala event in Indore which was attended by close to 2000 people. We will hopefully get a Guinness record for this! It was a fascinating and challenging journey but at the same time satisfying as well. We interacted with many people all across the states and made them aware of basic financial literacy. The triangular approach of "Sanchay, Suraksha and Samruddhi" was my slogan to get across the basic message. We have sowed a seed which hopefully should gradually grow and benefit them in their approach, financial plans and thinking."

जन निवेश अभियान

50 Locations	4 States	1300 Kilometers


CLIST


NSDL
Technology, Trust & Reach
CFA Society India


NSDL
CFA Society India
जन निवेश अभियान


CFA Society India
NSDL

Insights from CFA Society India Events

Corporate Governance In Investing: Theory vs. Practice

Speakers - Chandrashekar B Bhave, Andy Agathangelou, M S Unnikrishnan, S Shreenivasan, Anand Deshpande, J N Gupta, Vikas Deshmukh, Sampath Reddy

Contributed By: Ria Agarwal

Trust is the foundation of modern corporate structure where control of the business has separated the ownership. An environment of good corporate governance is conducive to both domestic and foreign investor's confidence in the economy and its financial institutions. CFA Society India's summit on "Corporate Governance in Investing – Theory vs Practice" evaluated the state of corporate governance in Indian corporates. Below are the quick highlights from all sessions-

Session 1

The session on, 'Trends on corporate governance', conducted by Mr. Chandrashekar B Bhave gave in-depth knowledge on the reasons behind the transformation of corporate governance practices in India. He explained the meaning of governance as 'The ability to agree on a certain set of rules and follow the same to gain as a group.'

Earlier SEBI, other regulatory bodies and the auditors, used to be the gatekeepers but now that is not sufficient due to the complexity and various confidentiality reasons. The speaker recommended a few practices to follow in the future that would help increase better governance practices like 1) company interest should not be just for themselves but for society at large 2) those who are in power should always keep their doors open 3) authorities should be open to criticism and 4) individuals and companies should keep trust in the higher body, i.e. regulators and the agencies.

Overall the session enlightened on the idea that Indian corporates can quickly adopt good governance practices if there is harmony among companies & authority and both work towards the betterment of the society as a whole.

Session 2

In the second session, Mr Andy Agathangelou touched upon the transparency task force, essential pillars of good governance, the problem of trust deficit, etc. The transparency task force should be thought of as a movement to make the industry more transparent, truthful and trustworthy, and these are the same principles that would lead to good corporate governance policies. One of the essential pillars of good governance is having high transparency, and this is precisely what the speaker focussed on.

Along with this, he mentioned about a major problem that is prominent in the society, i.e. 'The Trust Deficit'. Due to the increased normalization of poor conduct of various companies in the industry, we as a society are becoming desensitized to it. We are accepting malpractices as the norm. Unfortunately, one industry that is fundamentally dependent on trust comes in as one of the least trustworthy, that is the banking and financial services industry.

Andy gave the audience four ways to decrease the trust deficit-

- Bring together the right people
- Need to believe in the art of the possible
- Cultivate a sense of purpose about the change that is required.
- Develop a plan

Overall Andy left the attendees with a call for action to help in the betterment of any economy, industry and company by promoting better corporate governance as individuals and as a society.

Session 3

The third session was conducted jointly by- Mr M.S. Unnikrishnan, Mr S. Shreenivasan and Dr Anand Deshpande. This session gave great insights on the insider perspective. Mr Udishrishnan spoke about how internal structures of companies play a critical role in good corporate governance practices. A few key points he mentioned were

- How space is created for independent directors
- Remuneration for independent directors should be assessed differently
- There should not be unhealthy tension on both sides
- Good relations built over time can withstand healthy tensions
- Companies should avoid delay in correction and taking necessary action to prevent governance issues
- Ensure progressive practices in the organization

The next speaker, Mr Shreenivasan, emphasized on the quality of management that needs to be prevalent in all industries, along with some obstacles faced by many companies. Barriers like the increasing cost of compliance, how the current laws are mostly for manufacturing companies and our need for newer and more modern legislation.

Broad evaluation, management awareness, pre-auditing techniques and active self-check on good and right governance are some ways that a company should follow to avoid. Another significant fact that was portrayed was that good governance, and good profits do not have to be mutually exclusive, balanced growth is something most companies should strive for.

Next, Dr Anand talked about long term sustainability of an enterprise. He opined that a company should not focus on short term profits alone. Instead, it should take the responsibility of maintaining long term sustainability.

He remarked that companies should prioritize goals in the following order. 1) value to customers 2) invest in your employees 3) ethically support your suppliers 4) support and sustainably grow your community then 5) investigate the interests of the shareholders in the long term.In conclusion, the speaker said that if we move from more of a rule-based regulation to principle-based regulation, we can achieve our goals.

All three speakers gave insights into the current practices and requirements to make them better.

Session 4

Many people are highly motivated by a passion for their jobs or businesses, but most of them are missing the passion for good governance practices. Mr JN Gupta showed the mirror by his words. He focused on the hard-hitting facts regarding the failures of good governance practices from both sides of the coin- companies and gatekeepers. The speaker highlighted the problems in valuation reports, 1) they are less informative 2) if valuation reports are considered to be an art then how are we getting identical reports from two independent sources. He also mentioned that we should have more discussion and analysis of the true independence of independent directors.

In the second half of the session, Mr Sampath Reddy gave practical problems that one should probe. Below are a few aspects to check before investing in a company-

- Adequate capital asset allocation
- Shouldn't have unrelated diversification
- Depreciation policies
- R&D expenditure
- Related party transactions
- Tax management
- Not having too many subsidiaries
- Whistle-blower policies
- Banking and asset allocation

In the end, both speakers agreed that every job has some risk & liability, and today's corporate culture has become more radical & bolder.

Session 5

Mr Vikas Deshmukh conducted the last session of the day. Keeping in line with corporate governance discussions, he spoke about the investor's dilemma. He elaborated on it by saying that due to unstoppable economic globalization and intense political localization, the gatekeeper ecosystem is failing. The gatekeepers are the regulators, credit rating agencies and auditors. A few measures that could probably help in increasing better ESG practices are

1) have better methods to detect insider trading and decrease opacity of organizations

2) establish the difference between material and non-material information

3) keep the incentives received by the independent investors independent and away from the CEO's discretion

4) develop stricter rules for succession of positions in corporates.

Finally, in today's world, there has been an increased focus on specific companies that are environmentally and socially responsible.

ExPress

Risk & Return – Pain & Gain

Contributed by: **Ratnasri Karra**
Founder, her-mony (http://www.her-mony.com)

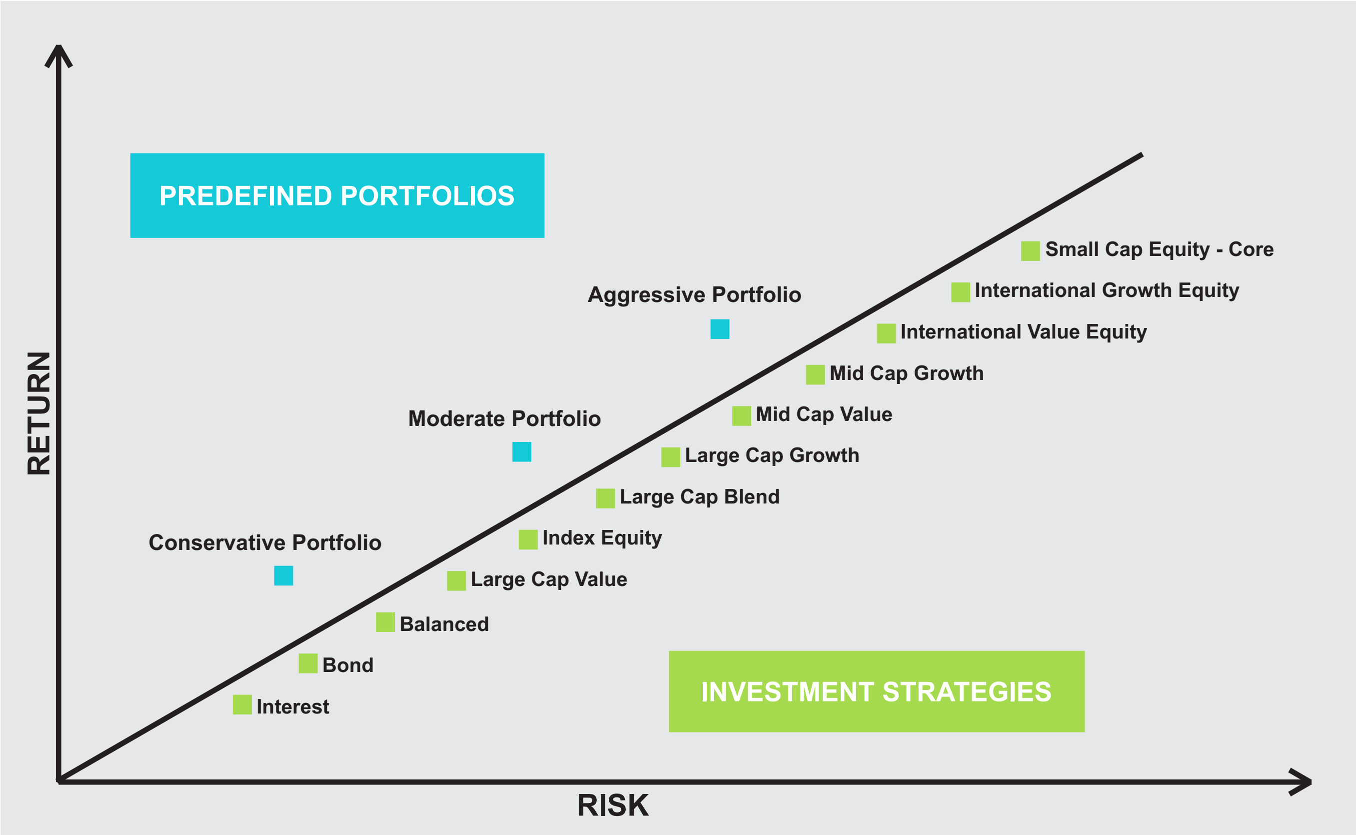
Don't we all aspire to be fit and healthy? What is the secret of good health? Is good health achieved effortlessly? Health is the ability to adapt and self-manage while facing physical, mental or social challenges. Health can be both physical or financial.

All of us are not born with a perfect body or perfect health, and good health is all about making your body fit. It requires discipline; the discipline of exercise, and the discipline of diet. Once you've got the discipline, you need to have patience to see the results. Being financially healthy is like having that healthy body. To get there we need to develop the discipline of income and expense management, and systematic investment planning. Patience, of course, is the key.

The first lesson we learn in any fitness class is – no pain, no gain. When any muscle is exercised it initially leads to pain. With sustained practice we become immune to the pain and begin to realize the benefits of exercise. The same holds true about diet. When we switch to healthy eating habits, the craving for unhealthy food initially increases. But once the good habits and their benefits set in, the cravings diminish and healthy eating becomes a way of life.The concept of risk and return in finance is similar to the principle of pain and gain in exercise. If we want more fitness we need to exercise more. Similarly, if we want a higher return, we should be willing to take a greater risk. Ask anybody who does fitness training what kind of pains they go through to get that body. Just like sustained practice is required to reduce the pain and gain from the benefits of exercise, risk appetite is also a habit that can be developed over a period of time to gain better returns from investments.

While pain is good for the exercising body, an excess of it can actually be injurious. The same applies to risk. It is important that we understand what level of pain is optimal for ourselves. Each one of us has a different threshold for pain and risk and this should be taken into account when planning an exercise regime or an investment plan. Though it is never too late to start, it is usually a better idea to start early in life with both exercise and financial planning. It is an investment in our health-physical and financial.

When we are young, our body has a greater capacity to bounce back from rigorous exercise with much lesser pain. As we get older, the body needs more time to recover from pain related to exercise. Our ability to take risks is also similar. When we are young, we have lesser responsibilities and higher capacity to take risk. Our limited knowledge about financial products and the risks and returns associated with them causes us to have a lower risk appetite. As we grow older we often understand the risks involved in investments and have a larger appetite for risk but do not have the capacity to take risks since the demands placed on the finances are more.



Different financial products have different risk and return tradeoff. A good Financial Plan brings about great financial health by tailoring our financial plan based on our risk and return profile, in the same way that a good personal trainer brings us greater fitness benefits by tailoring the exercise and diet regime to suit our individual requirement. No pain, no gain and with the right balance of pain and gain you can be healthy, wealthy and wise.

- Higher risk products usually promise higher returns
- Risk appetite is different from risk capacity
- Risk profile changes with time
- Different financial products have different risk and return matrix
- Our investment plan should be suitable for our risk profile

Career Insights

How to Motivate Your Team During Crunch Time by Rebecca Knight

There are times when work ramps up and you need all hands on deck. Ideally you want people to jump into the work excited and enthusiastic rather than dreading what's coming. So, what can you do to rally the troops when the team's workload is particularly heavy? How do you talk about the project or time period so that people don't feel daunted? And, how do you keep an eye on stress levels while still motivating people to get through the crunch?

To read more: https://hbr.org/2019/12/how-to-motivate-your-team-during-crunch-time

On a Lighter Note

- Inflation is when the buck doesn't stop anywhere!
- Key to financial success: Make money and don't spend it. Novel idea!!!!
- A stockbroker was filling out a job application when he came to the question: "Have you ever been arrested?" He answered no to the question. The next question, intended for those who answered the preceding question with a yes, was "why?" Nevertheless, the stockbroker answered it "Never got caught."

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: communication@iaipirc.org

Join fellow charter holders on social media

Join CFA Society India member group on LinkedIn and Facebook by searching for CFA Society India.

Updates at WordPress

Stay updated about the society events by visiting https://cfasocietyindia.com/. Have strong expertise and views on any area of financial markets? ExPress on the WordPress. Have you read any interesting business, investment or finance book? Share your reviews with fellow charterholders. Brief notes as well as select photographs of almost all the events since January 1st, 2011 are posted on https://cfasocietyindia.com/.

Programs and 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 Continuing Professional Development (CPD) committee members: abhishekloonker@gmail.com or secretary@india.cfasociety.org

Want to Volunteer?

CFA Society India 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 and Shefali 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. Complete list of committees and its active volunteers kindly visit page www.cfasociety.org/india under "About Us" tab click on the "Committees" button.

ARX

A PREMIER HUB FOR ASIA-PACIFIC INVESTMENT RESEARCH

CFA Institute® Asia-Pacific Research Exchange

CFA Institute Asia-Pacific Research Exchange (ARX) is a digital platform and eco-system, built specifically to deliver region-specific content about finance and investment management issues.

WHAT CAN I USE ARX FOR?

Gain access to content from a variety of industry sources on ARX with contributions from industry professionals, government, regulators, academia, CFA® charterholders and more.

ARX is a free-to-join, open access hub with over 3,800 pieces of content for you to explore.

Share

Exchange research and thought leadership content with thousands of like-minded practitioners and academics in the region.

Learn

Absorb new and wide-ranging ideas on a centralized platform to learn about current and emerging industry topics.

Engage

Attend an many ARX event in your area for peer-to-peer interactions and networking practitioners and professionals alike.

WHATS ON ARX?

Subscribers
10,200

Pieces of available content
3,800+

Covering
30+
topic areas

Information on over
110
available events throughout the year.

WHOS USING ARX?

Visitors from across the Asia Pacific region, including:

- Hong Kong, SAR
- India
- Australia
- China
- Singapore

From job functions that include:

- C-Suite Positions (CEO, COO, CIO, etc.)
- Private Banking
- Wealth Management
- Portfolio Managers
- Research Analysts

Create an account on **www.arx.cfa** to browse the website, search for topics of interests and learn more about the Asia-Pacific Research Exchange mission and objectives.

WWW.ARX.CFA

Contact us at
info@arx.cfa
#ARXCFAInstitute

This issue was prepared by

Jitendra Chawla, CFA
Vikas Agrawal, CFA
Rajni Dhameja, CFA
Vivek Rathi, CFA
Shivani Chopra, CFA
Sampath Nariyanuri, CFA
Parvez Abbas, CFA
Vikram Jhawar, CFA