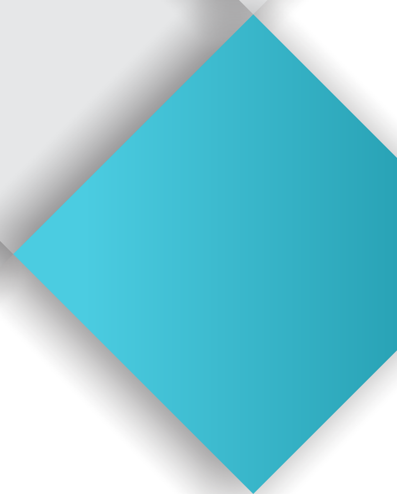


NEWSLETTER

JUNE 2019

CFA Society India

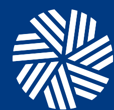
www.cfasociety.org/india

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™

© 2017 CFA Institute. All Rights Reserved.

Quotable Quotes

If you are born poor, it's not your fault.
But if you die poor, it's your fault.

- Bill Gates

INDEX

Message from the CFA Society India Board 3

Cover Story
- Budget - Vision document for 5 years 5
- RBI's revised debt resolution rules more prudential, less punitive 7

Women in Finance 11

In Conversation with…
- Sanjiv Singhal - Founder & COO, Scripbox 13
- Gaurav Hinduja - Co-founder and Managing Director, Capital Float 16

ExPress
- Where is the Alpha? 20
- Modern monetary theory- A resurrection of a failed idea 25

Book Review
- Masterclass with Super Investors 31
- An Economist walks into a Brothel 32

Advocacy Update 34

Insights from CFA Society India Events
- CFA India Fintech Conference 35
- Making Sense of Investing 39
- Masters at Work (MAW) Event, Kolkata-2019 40
- Volunteering Workshop-Delhi 44
- Economics Beyond Headlines 45
- 2nd Financial Talent Summit (#FTS2) 46
- 2nd Financial Talent Summit, Delhi 2019 48

Career Insights / On a Lighter 52

Announcements and Credits 53

Message from the Board

Sampath Reddy, CFA
(Director, CFA Society India)

Dear Members

The June quarter has been an eventful one in more ways than one. A record 25,000 candidates wrote the CFA exams in June. This is 10 percent of the candidates globally and 16 percent more than last year. These numbers point to the growing acceptance of the CFA program among students and investment professionals in the country.

The ever-growing number of candidates will eventually result in increased membership, making the CFA Society India bigger and stronger. This makes us excited about the future. At the same time, it reminds us of the challenges that lie ahead. The CFA program's growing popularity need to resonate among employers and India's investment management community at large; in order to create greater career opportunities for our members and candidates.

It is an uphill task, which requires us to engage deeply and more proactively with the financial services industry. I can assure you, we remain committed to this cause. A testament to our efforts is the growing acceptance of the CFA Society India's career portal among employers and jobseekers alike. On last count, there were 50 employers and almost 4,000 registered jobseekers on the portal.

To help you reach your career goals, we have been focusing on two crucial aspects: 1) organizing career events and inviting employers to interact with our talent pool; and 2) spreading awareness and knowhow on the softer skills required for career success. Here, the India Financial Talent Summit – our marquee career event held in three cities every year – plays a pivotal role. That's not all though. Based on feedback received from members and candidates, we have started organizing special recruitment drives. The first such event was organized in Pune last month and featured 8 employers, who interviewed as many as 60 jobseekers for various positions. Going forward, we look to conducting similar recruitment drives in other major cities.

That said, careers are but a part of what we do to deliver value for the members. Our overarching objective is to provide a platform for knowledge enhancement, networking and professional development. To deliver on these objectives, we continue to organize events, conferences and workshops across the country.

In the June quarter, our calendar featured a new conference – Masters at Work, Kolkata. It turned out to be a big success. In April, we also organized the New Delhi edition of the Financial Talent Summit, which saw increased participation from members and candidates, and also from employers.

One of our major events is the India Wealth Management Conference, which will be held in Mumbai on 2nd August 2019. With the wealth management industry starting to take off in India, we have decided to follow up our event with an interesting workshop on how to set up a wealth management practice. I am sure aspiring boutique wealth managers will find this workshop highly useful.

The following month, i.e. September, will feature the Financial Talent Summit in Bengaluru and Mumbai. None of these events would be possible without the efforts of our volunteers. As we look forward to these events, and to our professional development in general, I want to thank our volunteers for making it all happen. Together, let's keep serving the CFA Society India and through it, the investment community in the country.

Cover Story - 1

Budget - Vision document for 5 years

Ishwar Chidambaram, CFA, FRM, CAIA
(Co-Chair, Public Awareness Committee,
CFA Society India)

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

The roller coaster ride of the Indian economy has given way to serious downturn in last two quarters. The GDP data showed economy going through a serious slow down. While official data showed highest unemployment rate of last 40 odd years and a sub 6% GDP growth, the deficient monsoon in June further inflated the pain. Thus, the first budget of 2nd NDA government was presented on backdrop of such demanding times. So, was there any big bang reform or was it a dump squib. Actually, it was neither of them. It was continuation of the policies followed by BJP regime since last five years. In fact, it further cements the priority of current dispensation. The infrastructure was the theme and Gram, Garib and Kisan are the focal points of the budget (since 2015). The best part was there was no major populist announcement for any section of the society.

The budget was continuation of the interim one announced in February. It was more of a document of intent of the government, signalling the direction which the current regime would follow for the next 5 years. As we all know, budget is one of the important tool which government has at its disposal, but to be effective it has to be followed up with implementation on the ground and at the same time supported by other complementing policy actions.

One of the exciting measures in this budget is the announcement on streamlining labour laws into four codes, this is very important as India has one of the most regressive and archaic labour laws. To promote investment, it is imperative to have simple and transparent labour laws. But only time will tell how effective it will be, a lot would depend on its application. Likewise, the mention of "new education policy", "higher education to be reformed" is a welcome step but a statement in itself does not make sense unless supported by blue print or the vision document of same.

The 1st Term of Modi government had set the direction, the policy decisions were agriculture oriented & focussed on rural economy. This budget is the continuation of same, but the next steps would be more crucial, the foremost being effective execution of declared schemes. It is important that these schemes are carried out accurately and the benefit reaches the last person in the pyramid. In fact, the thrust of last term of Modi government was execution of announced schemes, the results of which have been mixed till date. Going by the recent general election results, looks like the important schemes like electrification of Villages, Ujawala Yojana, Affordable housing, Swach Bharat, MNREGA, etc. fetched enormous dividend for the government. Apart from agriculture, the focus on roads, railways, power and affordable housing is the hall mark of this administration. This budget seems to continue to focus on same.

Apart from the rural and infrastructure sectors, there were few other important policy decisions announced in the budget, like the TDS of 2% on cash withdrawal exceeding Rs.1 crore in a year, this could be effective in curtailing black money menace, provided, it is enforced properly and followed up with other supporting steps. The other favourable move was getting housing finance companies under the ambit of RBI and strengthening the regulatory powers of RBI in relation to NBFC's. An independent central bank with adequate powers is necessary for any economy. Though, questions have been raised on RBI's autonomy but still things don't look bad.

Sticking to fiscal consolidation path is another encouraging step, although, there are number of questions rose about authenticity of Government's official numbers but if correct, they look decent. The controversial part was the plan to raise part of government borrowings in foreign currency, this is widely debated, commentary of which range from being a positive step to a regressive one, which can prove to be counterproductive in stressed scenario.

The shareholding norms – to get promoter shareholding to 65% and allowance for reducing government holding to below 51 % and considering holding of companies with major government control within government's ambit is also positive step. Especially, the increase of free float would add to liquidity in the market, which will make markets more competent.

Disinvestment target of Rs.1,05,000 crore is very ambitious, may be it will require out right selling of a company or two. This is a very aggressive target, would be a challenge for Finance Minister to achieve this.

On taxation front, the taxes on super rich were increased i.e. cess on income for people earning more than 2 crore and 5 crore were increased by 3% and 7% respectively. This will make taxes in India among highest in the world. Experts believe this is regressive step and will not bode well for economy. Going by the reaction of bourses, experts seems correct. Actually, government needed resources and what can be more politically correct then taxing super rich.

Few other important announcements worth mentioning are the intent of Government to provide support to NBFC's, Bank Recapitalisation of Rs.70,000 cr. and interest subvention scheme to encourage affordable housing. These are all welcome steps, which if followed in letter and spirit, will have a lasting impact on economy.

Conclusion:

Over all, there is marked consistency in Government policy, the focus being Rural, Agriculture, electrification and infrastructure. Also, there are no visible populist announcements apart from Rs. 6,000 per year to be provided to every farmer. Even this scheme may not stress government finances to concerning level.

To conclude, given the current state of economy, it was a pragmatic budget but an ambitious one, There were some big announcements like that of stream lining labour laws or changing education policy, the effectiveness of this will depend on application of same. If executed to perfection, this will be one of the biggest reforms of Independent India.

Cover Story - 2

RBI's revised debt resolution rules more prudential, less punitive

Sampath Nariyanuri, CFA

Anirudh Jinturkar, CFA

Shivani Chopra, CFA
Public Awareness Committee
CFA Society India

The Reserve Bank of India (RBI)'s revised guidelines for the resolution of stressed assets brought cheer to lenders and the market participants alike.

Banks now have more time to work on a resolution process for stressed assets, according to the June 7 circular. The RBI no longer mandates banks to initiate bankruptcy proceedings against defaulting accounts after 180 days of the default and gives greater discretion to banks to come up with resolution plans.

The revised framework on recovering bad loans came after the Supreme Court had, in April, quashed the previous norms provided by RBI on February 12, 2018. The previous circular called for stringent steps to be followed by lenders, including initiating a resolution process even if there was a one-day default. It attracted criticism from several industries, especially power, sugar and shipping companies, some of which had even sued the central bank.

The diluted norms offer several carrots to banks, giving greater flexibility to deliberate on how they would like to treat a non-performing asset. At the same time, the RBI is also using sticks to discourage banks from delaying implementing the resolution or initiating insolvency proceedings as it now requires banks to set aside more provisions in case a default is not resolved in a timely manner.

Here are a few salient features of the new Prudential Framework for resolution of stressed assets:

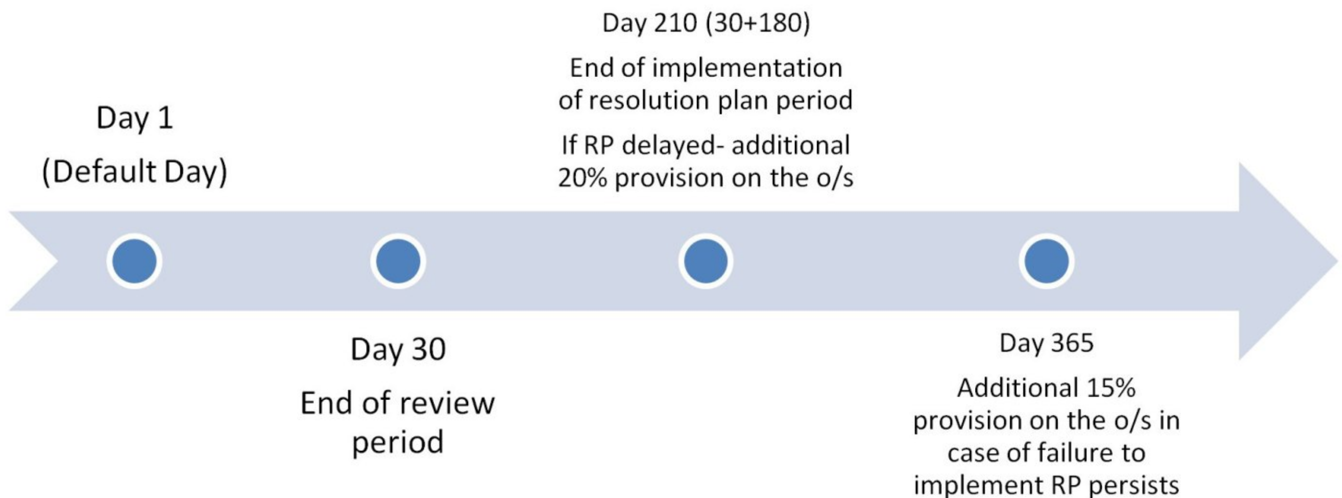
- Review Period (30 days from default) gives a reprieve– The lenders have been a given a breather from the previous one-day default rule that required them to immediately initiate a resolution plan (RP) and implement the same within 180 days of the first default. Now, in an event of default, a review period of 30 days will start during which the lenders (scheduled commercial banks, all-India financial institutions, non-banking financial companies and small finance banks) will come up with a resolution strategy.

- Enhanced scope for resolutions outside the ambit of the Insolvency and Bankruptcy Code: RBI no longer makes it mandatory to refer the defaulting accounts to the National Company Law Tribunal (NCLT) after the expiry of 180 days, giving banks greater discretion to device and implement resolution plans.

- Eases voting requirements for a resolution plan – Previously, a resolution plan outside the ambit of IBC had to be approved by all the lenders. But under the revised framework a decision made by 75% of lenders by value and 60% by number shall be binding on all lenders. This has been made possible by the introduction of a clause that mandates all lenders to enter intoan Inter-Creditor Agreement (ICA) where the RP is to be implemented outside IBC. The ICA essentially becomes a distribution agreement as it provides for rights and duties of majority lenders, dissenting lenders, treatment of lenders with priority in cash flows/differential security interest.

- Penalises lenders for inordinate delays in implementing resolution plans or initiating insolvency proceedings: The RBI has also introduced disincentives in the nature of additional provisioning to discourage lenders from causing inordinate delays in implementing a resolution plan or invoking the IBC. Banks will have to make provisioning of 20% of total outstanding if the implementation of RP gets delayed beyond 180 days from the end of the review period and an additional 15% after 365 days. The additional provisioning, however, can be reversed under certain scenarios, including when banks pursue insolvency proceedings under the IBC.

- Deemed implementation- The latest circular introduced provisions for conditions relating to deemed implementation. A resolution plan that does not involve restructuring or change in ownership will be deemed implemented if the borrower is not in default at the end of 180 days following the review period.



Currently, these guidelines apply to stressed assets worth INR 2,000 crores and above. From Jan 1 of next year, these will also apply to accounts of INR 1,500 crores and above.

Experts give thumbs up to the amended debt resolution rules

The revised norms will certainly help in reducing the number of cases being referred by lenders to NCLT, according to industry watchers, as only those cases where no resolution plan has been arrived will be referred. This move will reduce the burden of NCLT, which is already grappling with many IBC cases, and will help to resolve cases at a faster rate.

The revised framework offers a great opportunity to both the borrower and the lender to resolve/revive the company in default at an early stage, before things worsen, through a resolution plan by taking all lenders into confidence. It has been observed that once the case is referred to the NCLT, the borrower often loses control over the company and lenders have to take huge haircuts.

The earlier notice made no distinction between poor management and situations beyond the control of the corporate debtor that lead to default.

Dr. Naveen Bali, an economic consultant in the office of Principal Economic Advisor, Ministry of Finance, pointed out that the previous circular "disregarded a previous parliamentary committee,"which acknowledgedunique circumstances where delays in government payments hampered the ability ofpower and coal companies to pay on time.

"[The previous] circular says that on day 1, the default has to be recorded. This is against the interest of the economy and such policy will also dry up the future investment in these key sectors," he added.

The new guidelines, however, allow the lender group to look into the unique circumstances like the economic environment in which the borrower is operating and accordingly take decisions.

The good news is that the market participants have been quick to follow the fresh norms.

Media reports suggest that Dewan Housing Finance Corp. Ltd.'s debenture holders agreed to ink an inter-creditor agreement in a sign that the lenders of the mortgage company are arriving at a resolution plan, according to Haresh Shah, a registered insolvency resolution professional.

"This will lead to [a] quicker resolution of [the] DHFL matter, which will ultimately benefit lenders and customers who are mainly individuals who borrowed for financing their residential properties," observed Shah, who is also an M&A adviser at HU Consultancy."And, in fact, as reported, public sector banks have started acquiring portfolio of housing loans from DHFL to settle their loans."

Conclusion

Earlier banks were required to start insolvency proceedings 180 days after the default has taken place. Several companies from the power and shipping sectors challenged the circular, arguing that the time given by the RBI was not enough to tackle bad debts. Banks have to ensure that these should not create any delay in the process of stressed assets resolution, which has of late picked up the pace. Additionally, the announcement of the 30 days grace period and the formation of ICA is likely to be the game-changer.

Key Changes between two circulars & their impact:

Earlier Circular	New Circular	Impact on Borrower	Impact on Lender
• To resolve by agreeing to a resolution plan in 180 days • Refer the case to NCLT • No inter-creditor agreement • No additional provisions in case of delay in implementation of RP • **Existing Provision: (from default)** ➢ 1 year – 15% ➢ End of 15 months – 40%	• 30 days grace period to the borrower (Review period for a lender) • 180 days to a lender for preparing and implementing the Resolution plan (RP) • In cases where RP is to be implemented, all lenders shall enter into an **inter-creditor agreement** (ICA) • **Additional provision** of 20% / 35% in case of delay in implementation of RP **Revised Provision:** • 180 days – 35% (20% additional) • 1 Year – 50% (35% additional) • End of 15 months (5 quarter) – **75%** • No RP, go to NCLT	• 30 days review period gives a breather to the borrower who can explorevarious alternatives, such as liquidating existing assets, identifying investors, to avoid further default.	• Early action on defaulted borrower • Through ICA, all bankers will come on boardto arrive at a viable resolution within 180 days to avoid additionalprovisioning • Saves time andlitigation costsassociated with the insolvency process under IBC. • Fixed costs in case of a closed unit can also be saved by early revival of units. • Chances of revival increase due to the possibility of an early action and a feasible resolution plan • Only those cases will be referred to NCLT where revival chances are minimal, and any recovery will be possible through liquidation

References:

1. https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11580&Mode=0
2. https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=11218
3. https://www.business-standard.com/article/finance/rbi-allows-banks-30-day-window-after-default-to-draw-resolution-plan-119060701489_1.html
4. http://www.sify.com/finance/sashakt-panel-hails-rbi-circular-making-ica-mandatory-news-bank-tgkpHhbcihehe.html
5. https://indianexpress.com/article/explained/why-supreme-court-order-on-rbi-note-matters-5655441/
6. https://economictimes.indiatimes.com/markets/stocks/news/dhfl-gains-4-as-lenders-agree-to-sign-inter-creditor-pact/articleshow/70035615.cms
7. EY IBC Week 26 Report

Women in Finance

Small steps today, to build a more gender-balanced society tomorrow

Ritika Mankar, CFA

CFA Society India is a unique association of investment professionals for a range of reasons. Firstly, in-line with the heterogeneity that India itself presents; CFA Society India constitutes an amalgamation of 8 regional chapters. Secondly, it is a fast growing society whereby the number of members has been growing at an impressive CAGR of 13% p.a. over the past 5 years. Thirdly, CFA Society India is set to be the one of the largest societies globally by Member Year (MY) 30 even if it simply maintains this current growth rate!

Whilst it is clear that CFA India Society has been able to command a great deal of respect and credibility over a short period of time, the society remains focused on continuous improvements. One such area that the Board of CFA Society India is committed to is ensuring that we add greater value for our women members.

The CFA Society India today is characterized by a gender ratio of 11% - a number which has been steadily growing. The rising nature of this ratio could be attributed to the fact that women have always been a key focus area for the Society.Historically the CFA Institute and India Society havelaunched several initiatives focused on women. Examples of this focus include programs like the 'Young Women in Investment' initiative which offers women an opportunity to be part of a boot camp followed by an industry internship. Going forward too, the CFA Society India is in the process of crystallizing plans to ensure that women candidates' and charter holders' need gaps are addressed with a razor sharp focus.

A couple of initiatives are being considered to add greater value for our women members.

Firstly, mentorship programs are being considered for the largest cohort of women charterholders in India i.e. women in the early to mid-stage of their careers. Nearly 40% of the 251 women charterholders in India today are at an early to mid-career stage possessing work experience to the tune of 6-11 years. According to an insightful study conducted by Leanin.org and McKinsey in 2017, the lack of support and sponsorship is one of the key impediments that women face in the process of their advancement. This research piece shows that women who receive advice from senior leaders are more likely to be promoted, and yet earlier-tenure women receive less encouragement from managers in advancing their careers than their male peers. For instance the study, found that 49% of surveyed men said that senior leaders had provided them advice relating to career advancement in the past year. However, only 40% of women appeared to have had access to this critical career-advancing advice.

The CFA Society India can potentially help women investment professionals by setting up dedicated mentorship programs. The Society can help create mentor-mentee relationships between mid-level women charterholders and senior charterholders whereby the latter can provide priceless career advice to younger women. Since mentors will be investment professionals themselves, they will be in a position to provide relevant advice. Likewise, since mentors will be senior professionals from outside the organizations that mentees work with; mentees are likely to receive unbiased and perhaps more accurate advice.

Secondly, plans are underway to see if senior women charterholders possessing more than 16 years of work experience can be offered the option to volunteer as emissaries. The CFA society in turn can organize dedicated events whereby these senior emissaries travel to smaller Indian cities. Young women can get a chance to interact with these heavy-weights at these events and get insights into how these women charterholders were able to build a long and impressive career record.

Thirdly, plans are underway to reach out to employers whereby we impress upon recruiters the importance of maintaining a gender-balanced workforce. There is a need for employers to appreciate the fact that teams with a high proportion of women professionals is likely to possess superior emotional intelligence competencies. In the field of investment management in specific, women are known to add value uniquely. A range of studies prove that women are known to be more risk-averse on an average, tend to trade less and often deliver superior returns.

Thus to conclude, whilst a range of initiatives are being planned to add more value for our women members, the aim of this piece is to initiate a discussion with all stakeholders regarding this issue.

And on why we need to initiate this discourse now - it is worth reflecting on a simple point that the legendary physicist Albert Einstein made decades ago i.e. "Compound interest is the eighth wonder of the world." The power of compounding is easily the most important tenet applicable to finance and to life as well. The power of compounding is such that change initiated today can have a disproportionate impact tomorrow. Hence the CFA Society India is convinced that that small steps taken to co-opt women charterholders today, can yield a giant leap for the gender ratio of the society a decade from now.

Do write in to ritika.mankar@gmail.com with your views/suggestions regarding how the CFA Society India can work to enhance its gender ratio.

Ritika Mankar, CFA works as the Senior Economist (Director) at the Institutional Equities business at Ambit Capital. She is also an Additional Director on the CFA Society India Board.

In conversation with...

Robo-Advisory, Landscape of Wealth Management:

Sanjiv Singhal
(Founder & COO, Scripbox)

Wealth management industry is at the verge of crucial transition. Strong regulatory, technological, and economic forces are pushing industry players to revisit their business models and value propositions. Main players in the Robo advisory include both FinTechs, players with a strong technological imprint that seek to disrupt the traditional advisory models, as well as traditional players developing or acquiring Robo Advisory platforms. Currently, less than 10% of personal wealth in India, is invested into financial securities. However, with the changing Indian market scenario, wealth management industry is eyeing something in excess of US$3 trillion of personal investible wealth by 2022. If we look at AUM in Robo-advisors segment is merely amount to US$ 42 million in 2019, which is like a drop in a big ocean. We can say, Industry has vast ocean to cover and hence going forward Robo-advisory is expected to grow exponentially in India. Recently, some big digital platforms have launched their investment management mobile apps like ET money & Paytm money, which are becoming increasingly popular. At the same time, PE funds are also chasing promising deals in Robo-advisory sector. Few large deals have been concluded in year 2018 including, Cleartax raised US$ 54.2 million form composite capital, Scripbox raised US$ 21.4 million from Accel partners in series C funding round. Scripbox manages assets worth over US$ 128 Mn with customer's presence in more than 1200 locations in India. Mr. Sanjiv Singal, founder and COO of Scripbox shared his successful and fascinating journey of past 7 years. During these years, Scripbox has continuously evolved their technology and services as per the needs of Indian customers and very well understood nerve of the Industry.

1. Scripbox has been a much-discussed business in India, particularly among young and tech-savvy investors. Please share your journey as the founder of Scripbox.com

We have been fortunate in gaining the trust of thousands of investors. We just completed 7 years of Scripbox as a company - the product has been in the hands of customers for a little over 6 years.

We started as a simplified curation model for investment decisions, used jargon-free personal finance articles to create awareness and then started to shift to objective driven investing. A lot of this was driven by customer conversations and we continue to evolve in response to customer needs. A key challenge for us is how to maintain simplicity even as our product becomes more and more sophisticated under the hood.

2. How do you define your business model? It is correct to consider Scripbox as a Robo Advisor cum execution platform.

Our business model is aligned to customers and we grow as our customers' wealth grows.

We create value for our customers by automating best practice investing. This means ensuring that investing decisions are aligned to an objective, are without bias (both explicit and implicit), are reviewed periodically (but not too often) and costs such as taxes are taken into account. We also take care of the mundane but necessary record keeping tasks for our customers.

On being a Robo Advisor, I would prefer to avoid a label because our market conditions are very different from those of the western markets. We are creating a product that is highly tailored to India and it does not fit nicely into definitions created for other markets.

3. The wealth management in India has undergone a massive transformation with the use of artificial intelligence and machine learning. How your business is using these technological advancements?

I believe that the transformation in wealth management is being led more by market evolution than technology. In the last 10 years, we have seen some rapid changes in both customer awareness, investing behavior with shift to financial assets, changes in market structure accompanied, and in some cases led, by an actively consumer-centric regulatory direction. This mix is globally unique and in some aspects it has put us ahead of many developed markets.

Technology, of course plays an important role in ensuring that we can deliver scalable advice to the millions of consumers who are shifting to financial assets. Algorithms simplify tasks and also ensure elimination of biases. We are using data to understand and serve our customers better.

4. How well the industry is prepared for the next leap of evolution i.e. from static asset allocation to dynamic asset allocation.

Dynamic asset allocation is much easier to do as an asset manager than as a retail consumer. There are cost (taxes & loads), regulatory as well as behavioral issues at the consumer level for non-discretionary advisors. We therefore expect such rule based strategies to first get incorporated into investment products. We are beginning to see that happen already.

5. Do you see the emergence of several Direct Plan Only based platforms? Is it a challenge for your business model?

It's not really a question of direct vs regular. It is a question of how much advice a customer needs and how it will be charged for. As the market evolves, we are going to see multiple ways of solving this large consumer problem - of investing to meet financial objectives. India is not a single customer segment. We have a predominantly young population - not rich yet. Even the developed economies haven't figured out a way to deliver quality investment advice to people at lower wealth levels. So, multiple business models can evolve and co-exist.

It is exciting that in India, the shift to financial assets is happening simultaneously with the growth of an exuberant startup ecosystem. I believe that these multiple experiments are going to result in a uniquely Indian solution.

6. Would you like to give some advice for young CFA Charterholders to build and grow their career in this field?

I strongly believe that young CFA charterholders have a tremendous opportunity in this space. There are opportunities in all layers of the industry stack - from advisory to investment management. As I mentioned above, we are going to see multiple models evolve and even more experiments to evolve those models. I hope to see many CFA charterholders participate in this because they have the knowledge and the skill to make it happen.

About Sanjiv Singhal;

Sanjiv Singhal is a Founder and Chief Operating Officer of Scripbox. With a passionate focus on user experience, Sanjiv has been instrumental in conceiving and building the Scripbox service.

With over 25 years of experience in operating at the intersection of finance and technology, he has a deep understanding of how technology and behavioural finance can be combined to deliver better personal finance outcomes for consumers.

Sanjiv has previously held leadership positions in financial institutions such a Citibank, ABN AMRO Bank and Kotak Mahindra and technology pioneers like CyberCash. He has played an active role in building wealth management, retail banking and internet payments systems for financial institutions in UK, Europe, Southeast Asia and Japan.

Sanjiv holds a MBA from Indian Institute of Management, Bangalore and a B Tech in Mechanical Engineering from National Institute of Technology, Kurukshetra.

About Jyoti Soni, CFA

She is MBA (Finance) and an Engineering Graduate. She has over 10 years' experience in the area of Corporate restructuring, M&As, Private equity funding, Business valuation across various industries She has worked with renowned consulting firms like KPMG & Value Prolific Consulting, Delhi. Currently, she is working as a fund raising advisor for Start-ups.

In conversation with...

Gaurav Hinduja
Co-founder and Managing Director,
Capital Float

Varsha Dhamasia, CFA
Public Awareness Committee, CFA Society India

NBFCs have been a key contributor tothe growth of the Indian economy and have been driving greater financial inclusion in the country by filling the gap in offering credit to customers in underserved and unbanked areas. As per RBI statistics, NBFCs accounted for more than 17% of total credit in the country in FY2018, registering a growth of 20%during the year. Lately, several new developments have affected the functioning of NBFCs,for instance, FinTech companies are gainingthe market share in the Indian lending market using the combination of data and technology.To further discuss on the NBFC businesses and the digital lending opportunities in India, we reached out to Mr. Gaurav Hinduja, co-founder and Managing Director of Capital Float, one of the leading players in the digital lending space to share his insights. Read onbelow for this alluring conversation:

Hello Mr Gaurav, on behalf of CFA Society India, I thank you for engaging with us for this interview. The success of Capital Float is a great matter of interest to the financial services community. Please take us through your journey so far? What has been the most noteworthy learnings for you during this time?

Capital Float is India's largest digital lender and was co-founded in 2013. For over four years, we have specialized in designing and delivering working capital finance products for SMEs. In the last 18 months, we have forayed into Consumer Finance and have achieved significant milestones in this vertical. During these years, Capital Float developed India's largest co-lending model wherein leading banks and NBFCs partner with us to co-finance loans on the model. As of today, the co-lending model contributes to approximately 40% of our loan book.

Since inception, Capital Float has raised approximately $110 million in equity from A-list investors such as SAIF, Sequoia, Ribbit Capital, Creation Investment, Aspada and Amazon. We've also entered into partnerships with some India's largest companies such as Amazon, Byju's, Pine Labs etc, through which we can amplify our reach to end users of our products.

Through our journey, we have learned that we need to be focused and determined about our intent irrespective of the noise surrounding us. When we co-founded the company, we were told to consider another industry, such as e-commerce, as we were told that loans can't be offered or consumed digitally. 5 years later, we are the largest digital lender in the country.

From the onset, we decided to build a lean team and never succumbed to the age-old start-up mistake of over-hiring. We're glad that our decision to stay lean has resulted in our employees having a sustained, progressive career path within the company.

Please explain your business model, what are the changes you have seen in the business model and what opportunities and challenges do you foresee for your business model vis-à-vis the competition?

Our business model involves us raising capital through debt and equity, and onward lending this to our borrowers. We earn revenues through interest and processing fees. The profits account for the difference between our revenues and the cost of capital.

For any lender, controlling NPAs and OPEX are fundamental to driving a successful business. Thus as a Fintech lender, there is a heavy emphasis on decision sciences and technology at Capital Float. These verticals offer ways and means to underwrite borrowers with minimum data and deliver finance to borrowers using efficient channels, whilst being mindful of not letting NPAs escalate. Due to minimal human intervention, we operate at a low OPEX. These differences set us apart from the mainstream lender. However, with regards to our direct competitors in the Fintech space, we see significant cost advantages in customer acquisition as we take a channel/partner-driven approach and incur limited spends on direct customer acquisition.

How does your firm keeps check on the quality of assets and what steps have been taken to improve collections and avoid NPAs?

Maintaining the quality of assets involves regular follow-ups on portfolio indicators. These include early delinquency trends, geographical concentration, industry/ sector behaviours, etc.

From an onboarding perspective, Capital Float on-boards customers using its proprietary risk scoring module, which filters the applications at the outset. The filtration rules are based on the product-specific risk metrics formulated in the Risk Score. Demographic data of the borrowers and the credit service history is used to demarcate the Risk Scores.

Furthermore, risk capping is done by keeping guardrails in product mix, loan amount capping in different products, geographical concentration, industry-level exposures, and many more.

The efforts towards achieving low NPAs and high asset efficiency is driven across functions and not just by the Collections team. This is done by increasing the flow of information across different teams and verticals and using it to establish effective contact with the customer.

Collections is an often ignored component of traditional lending. At Capital Float, we focus our Collections efficiency from Day 1 on three core areas:

1. Ability to predict delinquency & be able to focus on the delinquencies that will change behaviour upon intervention.

2. The flow of information from sourcing to recovery (every SMS, phone call, visit made, product offered) should be readily available to every representative who is to interact with the customer.

3. Focus on input metrics (attempt to contact, contact to promise, promise to payment etc.)

How have you seen the growth pan out in the digital lending v/s the brick and mortar NBFCs?

Fintech lending is growing at a rapid rate, drawing the interest of top guns such as Google and WhatsApp into the space. According to a BCG report, in the last seven years, over 1000 Fintech start-ups launched operations in India raising more than $2.5 billion dollars. Given the massive demand for credit in India and accompanied by the lack of adequate access to formal credit, Fintech lenders are becoming increasingly popular with borrowers.

Banking has typically been considered as a bland and boring function. Fintechs are changing that rapidly. By leveraging data and analytics, Fintech companies are better equipped to offer a customized customer experience through personalization, thereby making them particularly appealing to the modern, complex consumer.

Fintech companies, due to the cost advantages and reach offered through tech, are able to scale without heavy capital investment. By involving lesser human intervention, Fintech companies are also able to operate at relatively lower OPEX, which makes digital lending a very lucrative proposition for many.

The RBI recently announced to issue guidelines to ease norms for maintaining risk weights on bank lending to NBFCs and consolidate various categories of NBFCs (such as Asset Finance Companies (AFC), Loan Companies, and Investment Companies will be clubbed under one category investment and credit company). How do you think this would create an impact?

Although the RBI has issued guidelines to ease RWA on bank lending to NBFCs, a large portion of NBFCs are yet to see an influx of funds through debt. We believe that over a period of time the lower RWA will eventually result in NBFCs receiving higher proportion loans from banks for onward lending.

According to a secondary research report, digital lending disbursements to MSMEs in India is expected to increase between 10x to 15x to reach Rs.7 lakh crores by 2023 expected mainly due to increased digitalization and formalization of the sector. How do you plan to exploit this opportunity and add value for Capital Float during this expected period?

We believe in the strong potential of the digital lending space. As mentioned above, digital lending disbursements are expected to exponentially rise in the coming years and we have to be ready for this surge in demand. We intend to do this by focusing on credit, technology and decision sciences.

We are an innovative company and have pioneered several new credit products in the market. Our focus will be to identify specific credit requirements and developing solutions that will effectively address those needs. By investing in tech, we can achieve a higher scale and penetration. Through decision sciences, we can find profitable ways of scaling and addressing underserved borrower segments. In short, we'd look to capitalize on the market potential by doing more of what we have historically done.

We will be thankful to know your insights to the budding entrepreneurs in the digital lending space.

The insight would be that digital lending isn't an easy business. Those of us who've decided to see it through are changing the face of the oldest business on the planet. Therefore, entrepreneurs in this space should be resolute about their intention and battle through the challenges. One very important note to keep in mind is that the digital lending business is 'not a winner take all market'; there is room for everyone due to the sheer size of the market.

About Gaurav Hinduja, Co-founder and Managing Director, Capital Float

Gaurav Hinduja co-founded Capital Float, a digital lending company, in 2013. Under his direction, the company has grown to become the largest digital lender in India. As the Managing Director of Capital Float, he continues to drive leadership in the Fintech space through numerous strategic partnerships with industry leaders in the e-commerce, travel, hospitality and trade segments. Gaurav has played a key part in Capital Float's evolution of becoming the leading digital co-lending model for SME lending. He was the COO of Gokaldas Exports and possesses immense experience in operations and complex supply chain management. Gaurav holds an MBA from Stanford University and graduated from Christ University in Bangalore with a distinction in commerce.

About Varsha Dhamasia, Public Awareness Committee, CFA Society India

Varsha is a business valuation and advisory professional and presently works with Unithos Business Advisors. Previously, she hasworked with KPMG, Deloitte, EXL Services and Thomson Reuters. Varsha holds an MBA (Finance).

ExPress

Where is the Alpha?

Rajeeb Bharali, CFA

Introduction:

Alpha: This is the word that the world chases in investments. Simplistically, we can consider it to be the amount of excess returns (vs. a reasonable index) adjusted for risk, that an investment generates. Put in other words, it is a measure of skill, either in the form of security selection or allocation. Traditionally, we are attuned to the idea of measuring performance relative to a representative index. The next logical extension to it is an attribution analysis which helps us to break down the excess return component to its appropriate source – allocation, selection, interaction, FX effects etc. However, the emergence of "Factor Investing" provides us an alternate way of analyzing investments especially funds. This article, briefly examines the mutual fund offerings in India through a "Factor" lens. Most importantly, we argue in favor of promoting passive/smart beta strategies in the domestic market to fulfill our fiduciary responsibilities to our clients.

Factors everywhere!

Factors are explanatory blocks which help explain risk and return profile of securities. In essence, these are proven risk premia which has an underlying economic rationale to their existence. Factor investing draws its roots from the celebrated Capital Asset Pricing Model (CAPM) put forth by Sharpe, Black and Lintner in 1969. This was essentially a 1-factor model where the only factor was the market itself. Factor investing grew in prominence with the paper "Common Risk Factors in the Returns on Stocks and Bonds, Journal of Financial Economics" published by Fama and French in 1992. This was a 3 factor model where the factors under consideration were market, size and value. In due course of time, other factors were uncovered and extensively tested to understand its efficacy. While the complete definitions and theoretical underpinnings of these factors are beyond the scope of this article, interested readers can refer to the Fama-French library (https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html) and other sources like AQR's library as well.

The emergence of reliable factors as explanatory variables paved the way for a host of developments in the market. First, it provides a holistic view of portfolios from an exposure standpoint and being able to identify and control sources of risk. It also helps us break down an active manager's performance into the contribution from factors themselves and assess the value-add from manager's skill. Second, it has managed to pose stiff competition to traditional fundamental active managers in the form of smart beta and multifactor strategies. The last decade has seen a tremendous growth in AUM attached to smart beta/factor strategies. While this has been the case mostly in developed markets, an emerging market like India is yet to witness the evolution of factor investing.

Data & Analysis:

In this article, we run a factor analysis on the Indian equity mutual funds available. The purpose of this exercise is to be able to assess the amount of value-add provided by these managers over time. The universe of funds is segregated by Multi-Cap, Large Cap, Mid Cap and Small Cap Funds and is based on Morningstar classification. This is a returns-based analysis covering last 5 years of returns data as of April 2019. While I agree that looking at last 5 years of data may be insufficient to an extent, it, nevertheless, covers a host of market conditions and the robustness of tests should directionally convey the results. Another limiting factor arising out of extending the analysis period beyond 5 years is a smaller universe size.

With regards to the factor data, I refer to the Indian version of Fama-French (FF) factor library created and maintained by IIM Ahmedabad[1]. For details around how these factors have been created, readers may refer to the link in the footnote. In addition to the traditional FF factors, this also has the "momentum" factor which was pioneered by Jegadeesh & Titman in their 1993 paper and thereafter by Cliff Asness as part of his PhD thesis under Eugene Fama himself.

In order to arrive at the universe of funds, the following criteria were used:

1. AUM as of 3/31/19 >= INR 100 Cr. for All Cap and Large Cap funds and >= INR 50 Cr. for midcap and small cap funds.
2. Funds with at least 5 years of live track record.
3. Consider returns for the Direct Plan of schemes.
4. Data considerations: Data has been sourced from Morningstar which is net of fees.

I then run a Fama–Macbeth regression of 5 years' monthly excess returns (relative to risk-free rate) of these funds (dependent variable) vs. the four pure factor returns – market, size, value and momentum. As a starting point, I first use the CAPM model as the only explanatory variable. I then extend this to the traditional 3-factor (market, size and value) model. Finally, I add the "momentum" factor to arrive at the 4-Factor model. In the interest of time and space, I will be discussing the output of the 4-Factor model. However, results from the CAPM model and 3-Factor analysis will be made available on request. It is important to note that the pure factor returns series used in this analysis is not an investable option as these returns are constructed in the long short context to avoid carrying any residual externalities. This effectively means the value factor (SMB) has exposure only to itself and exposures of "0" to all other factors. Same holds true for all the other factors.

[1] http://faculty.iima.ac.in/~iffm/Indian-Fama-French-Momentum/

Figure 1 below shows the output of the 4-Factor analysis for Large Cap Funds.

Fund	Intercept	Int_p	Market	Mkt_p	SMB	SMB_p	HML	HML_p	Mom	Mom_p	R_sqrd
Aditya.BSL.Frontline.Equity	0.192	0.098	0.97	0	-0.072	0.015	-0.051	0.03	0.001	0.983	0.949
Axis.Bluechip.Fund	0.124	0.478	0.977	0	-0.086	0.052	-0.092	0.01	0.06	0.093	0.882
BNP.Paribas.large.Cap	0.042	0.822	0.998	0	-0.043	0.366	-0.055	0.143	0.071	0.065	0.877
Canara.Robeco.Bluechip.Equity	-0.041	0.767	0.982	0	-0.11	0.002	-0.079	0.006	0.083	0.005	0.922
DSP.Top.100.Equity	-0.205	0.272	1.096	0	-0.081	0.087	-0.065	0.084	0.05	0.196	0.896
Edelweiss.Large.Cap	0.023	0.88	1.012	0	-0.107	0.007	-0.085	0.007	0.071	0.025	0.913
Essel.Large.Cap.Equity	-0.15	0.314	0.922	0	-0.006	0.88	-0.086	0.005	0.119	0	0.901
Franklin.India.Bluechip	0.011	0.934	0.963	0	-0.141	0	-0.08	0.004	0.015	0.594	0.927
HDFC.Top.100	0.191	0.329	1.066	0	-0.122	0.015	0.024	0.542	-0.047	0.242	0.899
HSBC.Large.Cap.Equity	-0.07	0.65	1.05	0	-0.119	0.003	-0.096	0.003	0.023	0.46	0.917
ICICI.Pru.Bluechip	0.219	0.064	0.917	0	-0.086	0.004	-0.034	0.147	0.011	0.657	0.942
IDBI.India.Top.100.Equity	-0.054	0.77	0.977	0	-0.115	0.016	-0.059	0.113	0.086	0.025	0.871
IDFC.Large.Cap	-0.16	0.23	0.972	0	-0.193	0	-0.08	0.004	0.095	0.001	0.927
Indiabulls.Blue.Chip	-0.206	0.193	1.01	0	-0.048	0.23	-0.072	0.024	0.161	0	0.907
Invesco.India.largecap	0.092	0.572	0.985	0	-0.094	0.025	-0.157	0.000	0.071	0.036	0.888
JM.Large.Cap	0.072	0.724	0.86	0	-0.16	0.002	-0.064	0.119	0.007	0.873	0.817
Kotak.Bluechip	-0.02	0.902	1.044	0	-0.1	0.016	-0.112	0.001	0.061	0.068	0.907
L.T.India.Large.Cap.Fund	-0.06	0.646	1	0	-0.087	0.01	-0.072	0.007	0.08	0.004	0.935
LIC.MF.Large.Cap	-0.135	0.481	0.953	0	-0.066	0.171	-0.12	0.002	0.107	0.007	0.847
Reliance.Large.Cap	0.272	0.103	1.023	0	0.005	0.91	-0.039	0.241	-0.01	0.76	0.912
SBI.Bluechip	0.121	0.331	0.956	0	0.012	0.694	-0.099	0	0.044	0.084	0.934
Tata.Large.Cap	-0.054	0.67	0.937	0	-0.064	0.048	-0.052	0.045	0.078	0.003	0.931
UTI.Mastershare.Unit	-0.01	0.933	0.995	0	-0.106	0.001	-0.09	0	0.054	0.028	0.944

The table above shows the slope coefficients along with the p-values and finally the R-squared for the regression equation. The intercept term of the regression line is the "alpha". As can be seen, none of these large cap managers have been able to add positive "statistically significant alpha" in the last 5 years at 5% significance level. Even after extending it to 90% confidence interval, we fail to find value in these schemes coming from managers' skill and everything is explained by the combination of factors used. Focusing more on some of the factors, it is interesting to note that fanearly all of these managers have a growth bias as indicated by negative slope coefficients on HML (High minus Low) factor. Almost in all cases, these estimates are statistically significant. A similar positive exposure to momentum can be seen as well, albeit, not in all cases. This makes intuitive sense as growth and momentum are positively correlated factors. Also, on expected lines, the "market" factor is significant in all cases and the beta ranges anywhere from 0.86 to 1.096.

CFA Society India

A similar snapshot of All cap, midcap and small cap equity funds are shown below:

Multi-Cap Funds:

Fund	Intercept	Int_p	Market	Mkt_p	SMB	SMB_p	HML	HML_p	Mom	Mom_p	R_sqrd
Aditya.BSL.Equity	0.413	0.016	1.000	0.000	0.041	0.333	0.007	0.827	-0.050	0.148	0.914
Baroda.Multi.Cap	-0.175	0.216	1.001	0.000	0.005	0.888	-0.017	0.556	0.049	0.094	0.932
BNP.Paribas.Multi.Cap	-0.022	0.895	0.940	0.000	0.050	0.232	0.039	0.235	0.068	0.045	0.906
Canara.Robeco.Equity.Diversified.Reg	-0.113	0.448	1.052	0.000	-0.047	0.217	-0.056	0.065	0.083	0.008	0.926
DSP.Equity.Reg	-0.003	0.988	1.122	0.000	0.066	0.129	0.008	0.823	0.029	0.408	0.926
Franklin.India.Equity	0.149	0.297	0.948	0.000	-0.014	0.692	-0.074	0.012	0.031	0.291	0.916
HDFC.Equity	0.168	0.428	1.106	0.000	-0.015	0.780	0.040	0.345	-0.055	0.204	0.894
HSBC.Multi.Cap.Equity	0.128	0.440	1.095	0.000	0.021	0.605	-0.061	0.068	-0.017	0.622	0.921
ICICI.Pru.Multicap	0.330	0.052	0.872	0.000	0.007	0.865	-0.003	0.921	-0.037	0.278	0.887
IDFC.Multi.Cap	0.070	0.725	0.986	0.000	0.159	0.002	-0.044	0.269	0.048	0.244	0.870
Invesco.India.Multicap	0.329	0.124	1.090	0.000	0.190	0.001	0.009	0.837	-0.022	0.606	0.891
JM.Multicap	0.170	0.469	1.157	0.000	-0.084	0.158	-0.071	0.134	0.007	0.889	0.861
Kotak.Standard.Multicap.Reg	0.273	0.063	1.004	0.000	-0.049	0.183	-0.045	0.128	0.061	0.043	0.924
L.T.Equity	0.020	0.877	1.000	0.000	-0.035	0.283	-0.049	0.063	0.027	0.308	0.938
LIC.MF.Multi.Cap	-0.318	0.139	0.996	0.000	-0.137	0.013	0.047	0.275	0.042	0.337	0.865
Mirae.Asset.India.Equity.Reg	0.279	0.034	0.991	0.000	-0.005	0.867	-0.051	0.050	0.062	0.021	0.937
Principal.Multi.Capowth	0.219	0.098	1.079	0.000	0.067	0.044	0.037	0.160	-0.005	0.838	0.954
Reliance.Multi.Cap	0.058	0.775	1.002	0.000	0.169	0.001	0.011	0.788	-0.011	0.787	0.883
SBI.Magnum.Multicap.Reg	0.193	0.170	1.001	0.000	0.076	0.035	-0.050	0.078	0.041	0.150	0.931
Taurus.Starshare..Multi.Cap.	-0.243	0.138	1.107	0.000	-0.036	0.381	-0.075	0.023	0.027	0.418	0.921
Union.Multi.Cap	-0.301	0.025	0.988	0.000	-0.075	0.027	-0.089	0.001	0.039	0.151	0.932
UTI.Equity.Reg	0.087	0.568	1.005	0.000	-0.049	0.209	-0.109	0.001	0.032	0.300	0.911

Mid Cap Funds:

Fund	Intercept	Int_p	Market	Mkt_p	SMB	SMB_p	HML	HML_p	Mom	Mom_p	R_sqrd
Aditya.BSL.Mid.Cap.	0.18	0.43	1.00	0.00	0.25	0.00	0.08	0.10	0.04	0.48	0.90
Axis.Midcap.	0.48	0.10	1.03	0.00	0.29	0.00	-0.06	0.31	-0.07	0.30	0.83
Baroda.Mid.cap.B.	0.02	0.96	1.10	0.00	0.09	0.36	0.11	0.20	-0.28	0.00	0.80
BNP.Paribas.Mid.Cap.	0.18	0.46	1.09	0.00	0.24	0.00	0.03	0.57	0.03	0.64	0.89
DHFL.Pramerica.Midcap.Opps.Fund.	-0.35	0.14	0.94	0.00	0.27	0.00	0.00	0.96	0.05	0.36	0.87
DSP.Midcap.	0.33	0.20	1.07	0.00	0.33	0.00	0.04	0.46	0.00	0.99	0.88
Edelweiss.Mid.Cap.	0.46	0.10	1.12	0.00	0.25	0.00	-0.05	0.45	-0.08	0.25	0.86
Franklin.India.Prima.	0.58	0.01	0.96	0.00	0.19	0.00	-0.05	0.27	-0.09	0.07	0.90
HDFC.Mid.Cap.Opportunities.	0.37	0.11	0.96	0.00	0.24	0.00	0.04	0.46	0.00	0.95	0.88
ICICI.Pru.Midcap.	0.37	0.13	0.93	0.00	0.28	0.00	0.10	0.08	-0.03	0.63	0.88
Invesco.India.Mid.Cap.	0.56	0.02	1.02	0.00	0.20	0.00	0.01	0.85	-0.07	0.20	0.89
Kotak.Emerging.Equity.	0.64	0.01	0.99	0.00	0.29	0.00	-0.02	0.74	-0.06	0.28	0.89
L.T.Midcap.	0.51	0.01	1.03	0.00	0.33	0.00	0.03	0.55	0.00	0.98	0.92
Motilal.Oswal.Midcap.30.	0.29	0.41	0.95	0.00	0.37	0.00	-0.09	0.27	-0.05	0.56	0.74
Quant.Mid.Cap.	-0.24	0.25	0.51	0.00	0.11	0.04	-0.04	0.42	0.08	0.12	0.66
Reliance.Growth.	0.13	0.46	1.02	0.00	0.22	0.00	0.08	0.04	0.02	0.63	0.93
Sahara.Midcap.	0.21	0.48	0.93	0.00	0.34	0.00	0.20	0.00	0.05	0.49	0.85
Sahara.Star.Value.	0.51	0.26	1.09	0.00	0.32	0.01	0.19	0.06	-0.35	0.00	0.79
SBI.Magnum.Midcap.	0.08	0.75	0.94	0.00	0.38	0.00	-0.10	0.08	-0.05	0.46	0.84
Sundaram.Mid.Cap.	0.27	0.23	1.06	0.00	0.39	0.00	0.00	0.94	-0.02	0.68	0.91
Tata.Mid.Cap.Growth.	0.26	0.32	1.08	0.00	0.32	0.00	0.02	0.71	0.00	0.98	0.88
Taurus.Discovery..Midcap..	0.24	0.27	1.11	0.00	0.19	0.00	-0.01	0.84	-0.01	0.86	0.91
UTI.Mid.Cap.	0.20	0.47	1.01	0.00	0.36	0.00	0.00	0.94	0.00	0.97	0.85

Small Cap Funds:

Fund	Intercept	Int_p	Market	Mkt_p	SMB	SMB_p	HML	HML_p	Mom	Mom_p	R_sqrd
Aditya.BSL.Small.Cap	0.18	0.42	1.05	0.00	0.36	0.00	0.12	0.01	0.05	0.33	0.89
DSP.Small.Cap.Reg	0.63	0.03	1.02	0.00	0.47	0.00	0.06	0.32	-0.03	0.55	0.85
Franklin.India.Smaller.Companies	0.62	0.01	0.96	0.00	0.25	0.00	-0.02	0.75	-0.05	0.33	0.84
HDFC.Small.Cap	0.25	0.26	0.92	0.00	0.22	0.00	0.06	0.21	0.09	0.05	0.85
HSBC.Small.Cap.Equity	0.24	0.41	1.10	0.00	0.56	0.00	0.16	0.01	-0.05	0.45	0.87
ICICI.Pru.Smallcap	-0.01	0.96	0.87	0.00	0.08	0.19	0.07	0.14	-0.07	0.16	0.81
Kotak.Small.Cap.Reg	0.24	0.30	1.09	0.00	0.25	0.00	-0.03	0.59	-0.05	0.28	0.87
SBI.Small.Cap.Fund.Reg	0.68	0.07	0.92	0.00	0.50	0.00	0.11	0.15	0.11	0.16	0.73
Sundaram.Small.Cap	0.36	0.22	1.18	0.00	0.55	0.00	0.18	0.00	-0.12	0.05	0.89

Concluding Remarks:

As we have seen, fund performance in most cases can be explained almost in its entirety by a combination of factors and there is minimal to no value add coming from managers themselves after accounting for these factor exposures. Implications of this range far and wide. Firstly, if we are not getting the desired alpha, the obvious question to ask is why are we even paying (upwards of 100 bps in most cases) for something that we aren't getting. Secondly, if we have to approximately replicate what these managers are doing, do we have enough options available in the market? The short answer to this is "No". In a market, which does not have enough full-fledged liquid & tradable ETF options (with the exception of a few prominent ones tracking NIFTY), it is too much to ask for a smart beta product at this point. Essentially the fee we pay to active managers is the cost we bear as investors for the lack of tradable passive/smart bet products that can potentially mimic what we are getting now and at a much lower cost. As custodians and managers of clients' wealth, it is our duty to provide the best investment options to them.

The question remains – "when will we see Factor Investing emerge and take center stage in India finally".

Modern monetary theory- A resurrection of a failed idea

Ravi Saraogi
CFA, Member, CPD Committee, CFA Society India

Desperate times call for desperate measures. Policymakers in the developed world have been left gasping amidst the ruins of slow economic growth, high youth unemployment and rising income inequality. Such conditions are usually the perfect breeding ground for heterodox economic ideas.

The contemporary avatar of such an idea is the sensational modern monetary theory (MMT). In the frenzy of hope that this theory will provide the panacea for all ills, the conspicuous fact has been overlooked that MMT is not modern but a resurrection of an old failed idea.

The origin of MMT

MMT proposes that a State which issues its own currency cannot go bankrupt or default as it can always print currency to settle all obligations. Thus, rather than worrying about "arbitrary" fiscal deficit targets or spiralling public debt, the State should spend to ensure full employment in an economy. MMT says that there is only one constraint to the State's expenditure - inflation, and not taxes or public debt.

MMT is a synthesis of ideas which can be traced back to at least a century ago. The theory assimilates ideas from the work of primarily Georg Friedrich Knapp, John Maynard Keynes, Abba Lerner and Hyman Minsky. Since the 1990s, a group of "post-Keynesian" economists have further developed and propagated the idea in academic circles and the blogosphere. The primary economists in this group are Warren Mosler, L. Randall Wray, Stephanie Kelton and Bill Mitchell.

A good place to start unravelling MMT is Knapp's 1905 publication The State Theory of Money. MMT's conception of money parallels Knapp's hypothesis that money is a "creature of law" rather than a commodity which independently sprang up in a market. As per Knapp, money is what the State decrees as money. More specifically, only that commodity or token can serve as money which the State accepts in settlement of taxes (this approach to money is called the "Chartalist" approach).

The Chartalist notion of money is different from the "Metalist" approach which links the value of money to a precious metal or to it being scarce. The Metalist view says that money originated independently as that commodity which served as a common medium of exchange, like precious metals, irrespective of any State decree.

Under Knapp's "state theory of money", it is not required that money should be converted into a precious commodity. This is because as a "creature of law", the decree of the State is sufficient to ensure that any token which the State declares as money will act as the predominant medium of exchange.

It is important to understand the link between Knapp's Chartalist approach to money and MMT. As the State is central to the creation of a monetary system, the State is also responsible for taking full cognizance of its discretionary powers over money supply to ensure full employment.

If this entails printing currency for State expenditure to ensure full employment, so be it. This ties closely with Abba Lerner's doctrine of "Functional Finance"- the forerunner to the contemporary MMT thought, which we examine next.

Abba Lerner, a Russian born British economist, in his popular 1943 paper titled 'Finance and the Federal Debt' suggested that since the State does not have any constraints on currency issuance, fiscal policy should be evaluated only by what effects it has on the economy and not by pre-conceived notions of sound finance. Thus, the only criteria for evaluating fiscal policy is the function that it plays in promoting employment and income.

Lerner's functional approach to finance, flowing from the "state theory of money" was premised on the fact that a government which issues debt in its own currency can never go bankrupt and has full discretion on printing currency. Lerner wrote that "Functional Finance rejects completely the traditional doctrines of 'sound finance' and the principle of trying to balance the budget over a solar year or any other arbitrary period."

Lerner sought to take the idea of fiscal deficit further from where Keynes left it. Keynes opened the window for the government to actively use fiscal policy for the management of aggregate demand. During the Great Depression of the 1930s, the prolonged economic slowdown provided Keynes with the impetus to challenge the classical economics bedrock of balanced budgets and he actively advocated for the use of fiscal policy to manage aggregate demand.

Lerner felt that the right lessons were not learnt from Keynes' breakthrough. Even after the popularity of Keynes' ideas, the argument remained that "the government merely had to get things going and then the economy could go on by itself."

Thus, deficits were only to be run during recessions or depressions, and in normal times, the government should balance its budget or run fiscal surpluses. Lerner countered this in his famous "steering wheel" hypothesis which stated that the control of the steering wheel for the economy should permanently rest with the State.

In his Functional Finance paper published in 1943, Lerner emphasized that "there is no reason for supposing that the spending and taxation policy which maintains full employment and prevents inflation must necessarily balance the budget." Lerner stated that no matter what "unimagined heights" the national debt might reach, no danger to the society is presented as long as the government maintains total demand equal to that of current output.

Also, as long as the public is willing to lend to the State, there is no threat of a burgeoning national debt, irrespective of "how many zeros are added to the national debt." When the public becomes reluctant to lend, the State can always print money.

Another key figure on whose shoulders MMT stands is Hyman Minsky, an American economist. Echoing Lerner's functional finance approach, Minsky wrote that "in developed Western economies, the national debt is unique among all income-earning assets, for there is no default risk attached to this asset." Minsky's "financial instability hypothesis", which predicts the crisis-prone nature of capitalism also fits neatly in the MMT framework and justifies the government having a seat at the "steering wheel" of an economy.

It is important to note how similar the contemporary MMT thought is to the doctrine of Functional Finance. In fact, most commentators hark back to Lerner's work while discussing MMT. Paul Krugman, the Nobel Prize winning economist, writes that "MMT seems to be pretty much the same thing as Abba Lerner's "functional finance" doctrine from 1943". Kelton says that MMTers, like herself, have "rediscovered old ideas and assembled them into a complete macroeconomic frame."

The heydays of Functional Finance

It is easy to see why the idea of Functional Finance was popular in the first half of the twentieth century. The Great Depression of the 1930s was the perfect stage for the Keynesian revolution, and from Keynes, moving on to Lerner was only a jump.

The 1940s witnessed the Second World War and the only way that the government could meet war expenses without resorting to high taxation and borrowing was by printing money. The popularity of Functional Finance in that era can be gauged from the fact that the Chairman of the Federal Reserve Bank of New York, Beardsley Ruml said in 1946 that raising "taxes for revenue are obsolete".

The abandonment of the Gold Standard by revoking domestic convertibility of dollar to gold in 1933 by Roosevelt set the stage for the ascendancy of Functional Finance. In 1971, Nixon scrapped the convertibility of dollar for international payments as well, sounding the final death knell of the Gold Standard. The breaking of the link between the dollar and gold marked an important step in the evolution of Functional Finance and removed an important constraint on printing currency for financing government expenditure.

Knapp's foresight that money does not need the backing of a precious metal proved prophetic. The post-war world had fully moved towards a paper-based "fiat" currency system. As described by L. Randall Wray, the development of a non-convertible paper currency system "came nearly three-quarters of a century after Knapp's book was first published (1905), he had recognized that the money of a state does not derive its value from metal, and indeed, that no metal is needed domestically."

Once the State is free from convertibility of its issued currency to a precious metal, its spending is not constrained by either the stock of precious metals or taxes. Thus, as dictated by MMT, why should the fiscal policy be bound by notions of sound finance or a balanced budget when the State can never run out of money or default?

The turning of the tide

During the 1950s and up to the mid-1960s, Functional Finance was humming on smoothly. Post-war reconstruction required an expansive fiscal policy which the Federal Reserve was willing to accommodate. The relationship between the Federal Reserve and the governments of Eisenhower and Kennedy was amicable. As inflation was calm, the Federal Reserve was willing to keep a loose monetary policy even though the government was pump priming the economy.

Things changed in 1964 with the government of Lyndon Johnson. The Johnson administration believed that "allowing a modest amount of inflation to reach low unemployment was not risky; as long as the economy had not reached full employment, it would have enough slack to keep wage pressures in check. And if inflation did emerge, they believed fiscal policy, rather than the Fed, was the most effective tool to manage it." This prescription has Lerner's Functional Finance written all over it.

The views of the Federal Reserve had however changed due to its anticipation of rising inflationary pressures in the economy. In 1965, the Federal Reserve increased interest rates under the Chairmanship of William McChesney Martin Jr, much to the chagrin of Johnson. From this point onwards, things went on a downhill. The co-ordination between the monetary and fiscal policy broke down.

In 1969, inflation in the US hit an eighteen year high of 5.75 per cent. Martin's term was set to end in January 1970, and he did not expect it to be renewed given the election of Richard Nixon. Nixon was uncomfortable with Martin's hawkish streak on inflation and appointed Arthur Burns as his replacement. Before assuming the Chairmanship of the Federal Reserve, Burns served as Nixon's White House adviser. The appointment was perceived as a political move to provide Nixon's administration with a less hostile monetary policy.

The consequence of a more malleable Federal Reserve became evident. The entire 1970s witnessed a stubbornly high inflation refusing to lie low, earning the moniker of the "Great Inflation". It was only after the appointment of Paul Volcker in 1979 and his ruthless monetary tightening that tamed inflation and brought an end to America's worst inflation episode since the civil war.

The stagflation of the 1970s sounded the death-knell of Functional Finance. The world was once again reminded of the pernicious effect of inflation, something which had eclipsed from the memory of the public in the post-war era. The mood during the 1980s took a complete U-turn. The governments of Margaret Thatcher in the UK and Ronald Reagan in the US rolled back government and ceded a larger space for the private sector to operate.

The stagflation era saw Milton Friedman's doctrine of Monetarism overshadowing Functional Finance. Monetarism's emphasis on removing the State's discretion over money supply was directly in opposition to Functional Finance's doctrine of the State enjoying a seat at the "steering wheel" of the economy.

Freidman wrote that "Inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output. A steady rate of monetary growth at a moderate level can provide a framework under which a country can have little inflation and much growth."

Both Lerner and Minsky revised their views on Functional Finance

So severe and persistent was the "Great Inflation" that even the father of Functional Finance, Lerner, had second thoughts on the practicality of his theories. During the 1970s, Lerner adopted views in favour of Monetarism - not because he feared that the State would default on its debt but because of concerns on inflation.

The stagflation episode convinced Lerner that his earlier "steering wheel" argument ignored institutional aspects of the economy and focused too much on the macro. Even before the stagflation episode, Minsky was of the view that Lerner's "steering wheel" hypothesis was too mechanistic. Minsky rightly felt that rather than target aggregate demand in general, fiscal policy had to be "directed" towards certain segments of the economy based on institutional realities.

Some of Minsky's post-1990 writings have arguably deviated from the core principles of Functional Finance. Minsky emphasized that rather than total government spending, it mattered what the government spent on. He also spoke about how the quality of the fiscal deficit post the Reagan-era had deteriorated and the need for the government to "validate" its debt through taxation.

Minsky's financial instability hypothesis also highlighted the risks of an aggressive fiscal policy. He wrote, "The 1960's witnessed the apparent victory of Keynesian policy. However, the successful application of Keynesian policy may result in an economy that is inherently unstable. This instability is not the result of a tendency to stagnate or enter into a deep depression state; rather it is due to a tendency to explode." Thus, mechanistic pump priming of the economy could lead to instability and an eventual crash (popularly referred to as the "Minsky moment") in the financial markets with severe spill-over repercussions to the real economy.

What explains the current popularity of MMT?

We can trace two events which have played a large part in the resurrection of the old Functional Finance ideas in its new avatar of MMT. First is the disappearance of the inflation problem in the developed world. In Japan, the persistent economic problem post the real estate crash of 1989 has been fighting deflation. Even after several rounds of fiscal stimulus (leading to one of the highest public debt to GDP ratio in the world) and extraordinarily loose monetary policy, Japan has struggled to fight deflation.

Similar has been the story in the Euro region and the United States post the Global Financial Crisis of 2007. Both the European Central Bank and the Federal Reserve have engaged in large scale monetary easing which has substantially increased the size of their balance sheets. Yet the dreaded monster of inflation did not rear its head.

The last few decades of benign inflation have put the memory of the "Great Inflation" squarely behind us. The low inflation in the developed world has lulled us into believing that being a hawk on inflation is also akin to being a dinosaur. In this environment, a policy which advocates taking the limits out of fiscal expansion not only sounds appealing but logical.

Ideas are creatures of their times and the current economic predicaments demand heterodoxy. The world is yearning for a new paradigm as nearly every arrow in the policymaker's arsenal has been deployed- a new paradigm which challenges existing doctrines and, more importantly, which says that there is still hope.

MMT has provided hope that the intractable economic problems can indeed be solved if only we look at things in a "new" light. Blinded by this hope, the fact that MMT is not "new" and has been tried in the past has remained hidden. A true evaluation of MMT should ground its theories in history to contextualize its prescriptions. Else, in the not so far away future, we may be forced to unwillingly recollect, "Those who cannot remember the past are condemned to repeat it."

(The article was originally published on Business Todayand has been reproduced with permission https://www.businesstoday.in/opinion/columns/modern-monetary-theory-mmt-currency-cash-government-economy-bankruptcy-default-money-fiscal-deficit/story/350551.html

Book Review

"Masterclass with Super Investors"

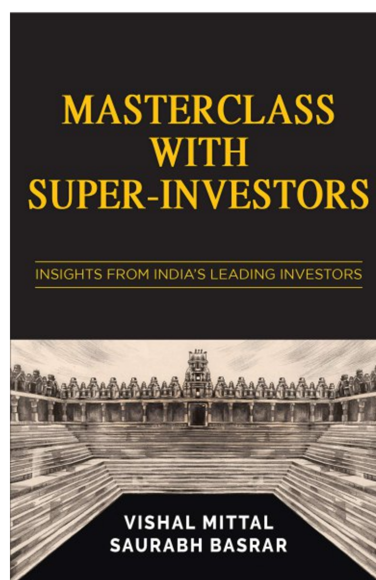
Contributed By: Jagpreet Bhatia, VA Capital

In the category of practical investment management books, I found it to be one of the best reference guides, especially so in the Indian context. The book is written in the original OID (Outstanding Investor Digest – the most sought after investment journal published in the USA, bringing forth in-depth conversations with the best investment managers) format, where the Portfolio Managers are cross-questioned on their investment themes and stock ideas. The book gives a 360-degree view of multiple managers, all of which are following very different strategies – to help novice learners understand that there are multiple ways of practicing the art of Value Investing. The managers talk about their broad philosophy and current themes that they are observing in recent Indian business landscape, and drill it down to how they select individual stocks, decide on entry/exit prices, and most importantly, take decisions on portfolio allocations.

The book consists of a wide variety of investors and their idiosyncratic styles. Some started with zero capital, whereas some had prior family wealth; some are very diversified, whereas some are concentrated. Similarly, some are pure Grahaminian (balance sheet numbers oriented analysis), whereas some are qualitative (understanding business as a full business acquirer would do) in their analysis. Moreover, some like to interact with management and influence management to take minority shareholders friendly actions, whereas others like to act as passive investors.

Such a variety of processes not only helps a learner to hone their own skill set, it can also help one think about how one can create a business around investment management or how one can maximize the potential of building wealth for oneself and others.

Continue reading: https://cfasocietyindia.com/2019/03/30/masterclass-with-super-investors-front-book-review/



Book Review

"An Economist walks into a Brothel " by Allison Schrager

Contributed By: Jitendra Chawla, CFA

What is common between investing in early-stage start-ups, producing Hollywood movies and breeding horses on a stud farm? All have long tails (no pun intended) i.e. range of outcomes that have a skewed distribution – with a high probability of outcomes which lead to losses and a 'long tail' of successful but unlikely or low probability scenarios. You'll learn this and lots of other interesting ways to understand risk in this very interesting new book – "An Economist walk to a Brothel"

Allison Schrager's book takes a unique and fresh approach to explain concepts associated with risk, how people from all walks of life (not just investors) understand and deal with it, and what lessons one can take from these risk warriors.

Her writing is easy to read and devoid of all the jargon. Even those who have little or no background in economics will understand and immediately relate to their personal circumstances.

The most interesting thing about the book is the unusual settings Allison has picked. Allison interviewed sex workers and brothel owners to understand how they deal with risk in their business and price it. She studied the life and career of Kat Cole – who was once a waitress at Hooters and is now the COO of Focus Brands – parent of the American chain of baked goods stores and kiosks – Cinnabon. Allison says "Cole learned about managing risk by making unconventional choices early in life". And then goes on to explain her life choices so far.

She explains how the movie-making business is inherently fraught with risk and returns that do not follow a normal distribution. In her words, "A movie is like an airport trip that will take anywhere between ten minutes and two hours.

Allison explains the difference between idiosyncratic risk and systematic risk by giving life story of a New York-based paparazzo – Santiago Baez. She likens his strategy to manage the risk he must confront to earn his livelihood to "low-tech version of what finance mavens employ".

The real-life stories are riveting and make it easier for the reader to understand the message and apply the lessons easily in their own circumstances.

In the book, Allison walks the reader through "five rules for better assessing and employing risk in your life". Each of these rules "describes a different risk concept "from financial economics, illustrated through people and places testing its limits, and then shows you how to apply this concept in your everyday life".

These five rules are:

1. No risk, no reward – explains how to assess what you want, how much risk you need to take to achieve it, and different types of risk

2. I am irrational, and I know it – How it is difficult for us to think in probabilities because of our inherent biases and why we tend to underestimate the risks involved in our decisions.

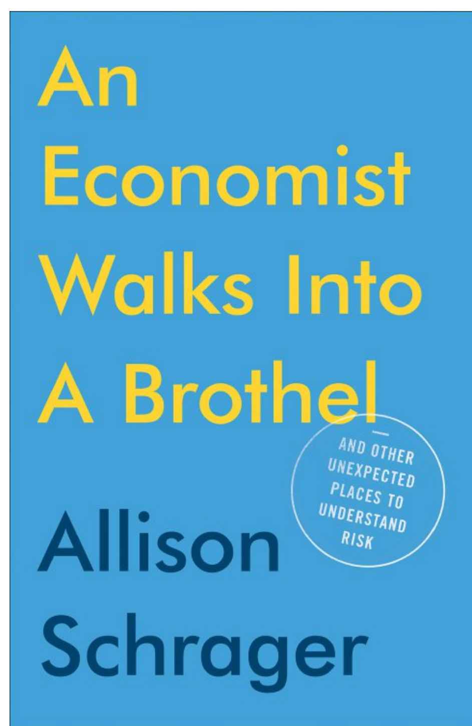
3. Get the biggest bang for your risk buck – Why and how we should assess the risk involved in comparison to expected rewards and how we should choose the option that leads to achieving our objective by taking minimal risk

4. Be the master of your domain – How to improve our odds by eliminating unnecessary risk and even further reducing the risk by using tools of hedging and insurance

5. Uncertainty happens – Difference between risk and uncertainty and how to protect oneself from uncertainty.

Allison Schrager pursued her Ph.D. in Economics as she had been drawn to the subject. But she struggled a lot early on, which made her even more determined to work hard. She chose economic of retirement as her research topic as she thought it was "the purest and most beautiful of all economic problems"

Continue reading: https://cfasocietyindia.com/2019/07/04/book-review-an-economist-walks-into-a-brothel-by-allison-schrager/



Advocacy Update

On Saturday, June 22nd a team of volunteers undertook a cycling rally from the Society Office to Khopoli, an industrial town situated midway between Mumbai & Pune. The rally was the part of the Advocacy committee's efforts to increase outreach efforts as part of the CFA Institute's mission statement to be of ultimate benefit to society.

The 7 member team of charter holders consisted of members from diverse professions and the rally was flagged off by Vice Chairman, Anil Ghelani& CFA Society, India CEO, Gaurang Trivedi at 6 in the morning. The rallyists included Rajendra Kalur, Ram Gopal, Anurag Purohit, Kaustubh Belapurkar, ShreenivasKunte, Gaurav Dey &ParthKosada

The rallyists reached Khopoli by 11 AM and were felicitated by local Lion's Club members. Later on there was a financial literacy programme exclusively for sanitation workers. Navneet Munot, Chairman CFA Society India gave a key note address. In addition to this the sanitation workers were explained various aspects of financial planning and investments by Nisha Sanghvi, an investment advisor specializing in this segment.

In the evening over 325 delegates attended the Investor Awareness Meet at the local auditorium. The programme consisted of a live financial planning demo by aKhopoli family. In addition it included a talk by Chandrasekhar Tilak &Manoj Sathe, representatives from NSDL. The investor awareness presentation was made by Gajendra Kothari, a CFA Society member. The SEBI representative made a presentation on guidelines for safe investments.

The entire arrangements were facilitated by ShreenivasKunte, Director Continuing Education CFA Institute. Harshad Kerkar helped in the logistics. The evening programme was attended by AratiPorwal, Society Relations Director.

The cyclothon was arranged as a pilot project for a much ambitious nation -wide financial literacy campaign during the latter part of the year.

In addition, the Advocacy Committee has responded to several consultation papers issued by SEBI, RBI & NSE.

In March, the Advocacy Committee alongwith CFA Institute and NSDL organized an investor awareness meet in Bengaluru as part of the Putting Investors First theme. The speakers list included experts from the financial services industry and SEBI.

The Advocacy Committee also is on the verge of completing certain research papers on ETFs, ESG & Corporate Governance in its efforts to both broaden and deepen its engagement with various stakeholders

Insights from CFA Society India Events

CFA India Fintech Conference

Session By: Mr. Chris Skinner, Author of Digital Bank. Fintech a Global Perspective

Contributed By: Sandeep Gupta, CIPM, CFA. Conference Co-chair

History of finance goes back 100's of years with the Knights Templar and the creation of Switzerland as a country. The rules and regulations created over centuries has led to the modern banking system. Technology cannot replace the rules and regulations that create the trust for cross border trade.

Chris feels that Banks will continue to be relevant and disagrees with Bill Gates Quote "We need banking, we do not need banks". Banks may not be necessary for payments, loans, savings and credit. These are things that banks do. But the core of banking is creating a trusted store of value. Also acting as a trusted intermediary for exchange of that value with others that you do not trust. Crypto currencies is a wild west without regulations leading to frauds with no recourse. Regulations are required. Banks are not stupid. They are trying to innovate but it's very hard. However, we have to move from analog to digital. There is a great difference between digital and industrial banks. Digital banks are creating change and immense value without requiring as many people.

Chris presented some interesting statistics on how Fintech and new age banks have caused a change for existing banks in number of employees and total Value. Those statistics seems to suggest that while No. of employees in traditional banks in 2018 vis a vis 2016 are on decreasing trend , this trend is on increasing side for Fintech and new age banks.

Read more: https://cfasocietyindia.com/2019/07/14/cfa-india-fintech-conference/

Insights from CFA Society India Events

CFA India Fintech Conference

Session By: Mr. Kunal Shah, Founder Freecharge / Cred. The Evolving Payments Landscape

Contributed By: Sandeep Gupta, CIPM, CFA. Conference Co-chair

Kunal conducted a well-received session anecdotally without any slides. He highlighted that the lines of payments, banks, ecommerce, chat, smart phones, telecons, fintech are all blurring. He highlighted the power of increased distribution and creation of platforms.

He gave an example of the English language which is the global platform of communication. India has benefitted from this platform. Platforms assimilate features. In the past the English did not have good numerical system and they used the inefficient Roman numerals. Trade was inefficient to conduct using roman numerals. The Indian / Arabic system was more efficient and replaced the roman numerals in the English Language. This is the core principle of how a product eats other products.

On disruption; he gave an example of Whatsapp payments. The consumers trust on Whatsapp is much more due to its ubiquity. So when Whatsapp launches payments as a feature, it can disrupt the entire landscape. Whenever a large product which has a large distribution, decides to make a new feature; they wipe out an existing product. Example is digital cameras. A product "the cell phone" which was more distributed and in all our hands (most of the day) killed this product. A digital camera has now become an icon in our smart phones. In fact; most of the icons in our smart phones today are actually products that have been assimilated. Videos are now playing inside Whatsapp.

Read more: https://cfasocietyindia.com/2019/07/14/cfa-india-fintech-conference/

Insights from CFA Society India Events

CFA India Fintech Conference

Session By: Mr. Varun Dua, Acko. Insurance in the Digital Economy

Contributed By: Sandeep Gupta, CIPM, CFA. Conference Co-chair

Key Issues Addressed were

1. Overview of Indian Insurance Market
2. What is digital Insurance & the role of technology
3. How is Acko addressing the gaps in the market.

India is the 4th largest Auto Market in the world. India has only got 30 – 40 odd insurers which is very small compared to markets like China, USA etc who have many more (300 – 400). In India before privatisation there were only 4 PSU's insurers. Hence the insurance industry in India is very young and has only developed over the last two decades. The penetration of Non-Life Insurance as % of GDP in India is very low (0.9%) currently. However the Market is growing rapidly at 22 % with the private sector outpacing the PSU's many of whom are now ailing.

The Role of Digital / Technology in Insurance can be segmented across 4 parts. Product, Price, Distribution and Claims. Initially in the first phase, digital has worked to put the existing products online. This was done by the likes of Policy Bazaar, cover fox etc.. In the future, the entire value chain is expected to move online. This will happen when data and analytics comes online. It can change the dynamics across all aspects of Product, Price, Distribution and Claims. The amount of data and intelligence that is available creates new products and the possibility of better pricing. The very nature of the product will change as digital can bridge the distance between the insurers and the insured.

The main costs of any insurance company are distribution, opex and claims. The distribution costs of 8 – 10 % cost in the traditional system can be brought down significantly through technology. The same efficiency can be brought into opex. With regards to claims, the customer credibility can be established to put customers into green channels where claims can be settled more efficiently which has been a bane for traditional insurers.

The three challenges for insurance was Non availability of data leading to blanket underwriting, High Distribution Cost due to all new insurers chasing the same distributors and Investment float incomes (more of an AUM business) vs. an insurance play.

Acko is tackling these challenges by alternative distribution challenges. Better underwriting through better data and analysis. The key is to identify better customers. Acko is focussed on the insurance business and on how to acquire good customers. There are now 100 million insurance customers online in India. Acko have sold low value products of Rs 1 or 2 to over 18 million customers. Acko covers customers of Ola and they compensate passengers for things like missed flights etc. Acko captures detailed information like flight times, cab arrival timing etc. which powers their claims processing. Another focus is Online Auto Insurance which currently is only 6 % of total market. This is expected to grow to 15 – 20 % in the next few years.

Availability of data through multiple sources of information like Amazon, Ola etc. can help price products better in future. As an example; if a customer is using Ola & Uber more than 25 times a month, he deserves a better insurance premium on his car which is not being used much. Trustworthy customers should get their claims processed immediately. In the US; facial recognition that can detect truth vs lie's is being used to process claims instantaneously.

The world of insurance is evolving rapidly and the existing players may soon face a Blackberry Moment.

Insights from CFA Society India Events

Making Sense of Investing

Session By: Mr. Rajashekar Iyer

Contributed By: Sidhant Daga

The Kolkata Chapter of the CFA society hosted Mr. RajashekarIyer on the 5th of April, 2019.Mr. RajashekarIyer, has been recently featured as one of the super-investors in the book titled "Masterclass with Super Investors" where he has discussed about his journey in the stock markets

Event Highlights:

- Explaining on how equity class performs as an asset class, Mr. Iyer mentioned that over the past 30 years,if you take different 10 year periods, you'll get average returns as measured by the index of ~ 13.5%(before dividends and taxes)
- If one takes a 10 year period and makes around 14-15% CAGR, one will make a 2-3x of his initial investment at the end of the period, and over 30 years it will be ~ 30-40x of your initial investment.
- Mr. Iyer mentioned about how only a small amount of savings went into the equities till 1990, it went up a little in the Harshad Mehta boom period, it came down and has again risen, but is still overall low.
- The three components which make the equity return are : Market,Stock Selection and Market Timing.
- One can make higher returns by proper stock selection and better market timing.

Mr. Iyer shared historical data for the market return profile (BSE Sensex) for the last 30 years.

- In every bull run, the leaders are different. For eg. – In 1998-2000 it were the IT stocks that made money, in 2003-2008 it was infra and power that made money. Identifying the leaders is imp. to generate high returns.
- One must not sell a stock just after one's investment thesis has played out, but still hold it till the stock price is rising to generate maximum returns from that particular stock. One must keep trailing the SL as the price of the stock moves higher.
- The 3 triggers which cause bull markets to end are- over valuations, economic slowdowns and increasing interest rates. Any one of the 3 can trigger the start of a bear market.
- Stock selection is far more imp. at the top of the markets than at market bottoms.

Insights from CFA Society India Events

Masters at Work (MAW) Event, Kolkata-2019

Session By: Mr. Sanjoy Bhattacharyya

Contributed By: Sidhant Daga

The rewards of good behavior: Where theory meets practice

The last speaker to grace the CFA Society India Kolkata Chapter's marquee event was none other than Mr. Sanjoy Bhattacharyya(Managing Partner, Fortuna Capital) himself. Mr Bhattacharyya's wise words compelled the audience to introspect about their inherent behavioral limitations. Mr. Bhattacharyya explained with great intricacy as to how one must put behavioral finance into practice. During his speech Mr. Bhattacharyya busted various myths, explained various behavioral errors we suffer from and also taught ways to overcome the same. Mr. Bhattacharyya credited his presentation's (The rewards of good behavior: Where theory meets practice) ideas to Crosby, Zweig,Monteir and Maubossin.

Mr. Bhattacharyya started with a bold statement that "Bhav Bhagwan Che" is a myth. He stressed on how in the markets we need to work against human hardwired nature of seeking social approval. One must work against social coherence, become a rational contrarian to achieve success in the markets. He told how important an another 2008 is to make some handsome amount of money, as buying in the times of distress can help one gain spectacular returns.

Continue reading: https://cfasocietyindia.com/2019/07/23/session-by-mr-sanjoy-bhattacharyya-at-masters-at-work-maw-event-kolkata-2019/

Insights from CFA Society India Events

Masters at Work (MAW) Event, Kolkata-2019

Session By: Mr. Kuntal Shah

Contributed By: Soham Das, CFA

On 29th of June 2019, Kuntal Shah, founder of Pune based Oaklane Capital Management spoke on "Investing Frameworks and Learning from the Markets". His talk covered over 300 years of financial market history and was filled with specific anecdotes of the major financial market crashes of history.

Spanning over 35 odd minutes, Mr. Shah walked the audience through bubbles and crashes, highlighting the extent to which investing public can and do go manic. His talk started with a declaration that "investing is the last liberal art" and pressed how investors should try to establish a mental latticework to figure out unfolding developments. He repeated, that navigating financial markets requires a composite knowledge of multiple knowledge domains, specifically an understanding of business cycle, economic cycle, investor psychology cycle, interest rates and fiscal cycle.

The first part of his talk focused on the investor psychology cycle. He remarked that there is a general tendency of fund managers to fail agreeably and "amicably". In other words, failing by conforming is more accepted than staying out of the herd. Mr. Shah, credited, Ralph Wagner's book, "A Zebra in the Lion Country" to highlight the difference between "eat-well" zone and "sleep well" zone. While, when fund managers herd, they sleep well, knowing that collective failure is acceptable, but content in settling for average returns. On the other hand, he quipped that, those fund managers who break out of the mould earn handsome returns.

Continue reading: https://cfasocietyindia.com/2019/07/12/session-by-mr-kuntal-shah-masters-at-work-maw-event-kolkata-2019/

Insights from CFA Society India Events

Masters at Work (MAW) Event, Kolkata-2019

Session By: Mr. Raamdeo Agrawal

Contributed By: Sidhant Daga

The first speaker to impart knowledge and wisdom to the audience was none other than Mr. Raamdeo Agrawal- Joint MD and Executive Director, MOSL. Mr. Agrawal took us through his life journey, showcasing how he started with a very humble background and now how he has built such a big empire. It was quite motivational for the crowd to listen to his “Buy Right, Sit Tight” philosophy which has helped him to garner enormous amount of wealth overtime. Mr. Agrawal's presentation revolved around few themes supplemented by his experience on the same.

The major themes were:

Power of Compounding – The speaker explained how compounding can work wonders in prolonged periods of time. He gave the example of how Warren Buffett is the living example of how if wealth is compounded slowly and steadily, one can become immensely rich. Mr. Agrawal exclaimed that making money in the share market is a slow process. The fact that there is a dearth of young billionaires is because investing in stock market is not a 'get quick rich scheme' and wealth will accumulate over a long period of time. Even Warren buffet who started investing at a young age of 11 years could become a billionaire at the age of 60 only. He jokingly said that one can only become a billionaire in the stock markets by the age of 30, if one starts with a capital of 5 billion.

Positive Attitude – The speaker stressed on how investor's attitude plays an important role in the investment field. He said that knowing how to be happy is very important. He gave an example of his wealth journey to show how he kept an optimistic view during the tough times.

Never Speculate – Mr. Agrawal spoke in detail about his humble beginnings. He told how earlier, when he started MOSL, he used to buy thin registers rather than fat ones, just to save on cost. Mr. Agrawal said that as he had only a small amount to invest, he would never speculate. He would spend hours reading photocopied annual reports to find out the right investment bet. He requested everyone in the audience to never speculate.

Importance of Patience – Mr. Agrawal spoke on how patience is important. He used George F. Bakers quote in the Thomas Phelps book "100 to 1 in the stock market": To make money in stocks you must have the "the vision to see them, the courage to buy them and the patience to hold them". and patience is the rarest of the three. Mr. Agrawal told that success is a very rare phenomenon, so once a person has identified a successful company with good fundamentals and good management, one must stay invested and not keep shifting their portfolios to newer companies.

Management Quality – The speaker emphasized the importance of management quality. He said an investment's success = Quality of Management * Quality of Business. So, even if one aspect is zero, the investment will fail.

Mr. Ramdeo said that the management can be judged by 3 parameters- integrity, demonstrable competence and growth mindset.

Continue reading: https://cfasocietyindia.com/2019/07/06/session-by-raamdeo-agrawal-masters-at-work-maw-event-kolkata-2019/

Insights from CFA Society India Events

Volunteering Workshop-Delhi

Contributed By: Parvez Abbas, CFA

The Delhi Chapter of CFA Society India organized the Volunteer Orientation Workshop at IBIS hotel, Delhi on 9th June 2019. The event kick-started with a welcome note from Ms. Shivani Chopra, CFA - an active volunteer from Delhi- who shared her volunteering experience. She informed the audience about the numerous events conducted by the Delhi Chapter in the last two years. Mr. Gaurang Trivedi, CEO of CFA Society India took the first session. He talked about the role of volunteers in CFA Society. CFA Society thrives on the contribution and untiring energy of its volunteers globally. They are at the helm of all activities and events. He broadly talked about four pillars of volunteering:

- Know Yourself – What you are good at and what do you want to improve in yourself?
- Passion – zeal to work selflessly
- Time commitment – volunteers need to devote time
- Building Network

Continue reading: https://cfasocietyindia.com/2019/06/20/volunteering-workshop-delhi/

CFA Society India

Insights from CFA Society India Events

Economics Beyond Headlines

Session By: Mr. Vivek Kaul, Author, Easy Moneyl

Contributed By: Vikram Jhawar, CFA

The Pune Chapter of CFA Society India organised a speaker event titled,"Economics beyond headlines" by Mr. Vivek Kaul, author of the book-Easy Money on 31st May 2019.

The speaker started his talk with the indirect effects of economic policy changes with a famous quote –

"The glazier comes, performs his task, receives his six francs, rubs his hands, and, in his heart, blesses the careless child. All this is that which is seen."
-Bastiat in Essays on Political Economy

The indirect effects of macro-economic policy changes are not always obvious. At times, a well-intentioned policy can be toxic in the long run. The final costs of such policies are often passed on to the consumers.

As an example, the speaker cited a case from February 2016, when the Directorate General of Foreign Trade imposed a minimum import price on 173 steel products to encourage steel consumers to buy Indian steel. The direct effect of this policy was to the benefit of local steel producers and the banks financing these producers. However, as steel is an input to a wide range of industries, the indirect effect of this policy was increased prices of the products of those industries being passed on to the consumers.

The speaker next spoke about GDP being a measure of economic size of a country and the multiplier effect of money contributing to economic activity. The question that followed was-

How do we measure economic activity?

- Housing Sales: Buying a house is arguably one of the biggest expenditure in an individual's life. Housing sector has around 250 backward and forward linkages – Cement and other raw materials, labor, steel, sanitary and electrical hardware to name a few.
- Domestic Car/2-Wheeler Sales: This comes next to housing in terms of expenditure and has a range of input factors.
- Domestic Tractor Sales: This is particularly important in rural areas. It signifies the growth in agricultural sector.
- Non-Discretionary Spending: Food, Clothing, FMCG products, Electricity etc. are basic needs and contribute a significant amount to total spending.

Continue reading: https://cfasocietyindia.com/2019/06/16/session-on-economics-beyond-headlines-by-vivek-kaul/

Insights from CFA Society India Events

2nd Financial Talent Summit (#FTS2) Highlights and Learnings

Contributed By: Udai Cheema

Recently I attended the 2nd Financial Talent Summit organised by CFA Society India on 27th April 2019 at The Leela Palace, New Delhi. Through their high-quality content, these events have been able to build a fine reputation amongst the participants which was evident from the full house at the venue. What was special about this particular event was its unique theme and the 'pain point' it addressed by providing guidance to the young professionals trying to build a career in the world of finance.

Here are some of the highlights and learnings from the various speakers at this knowledge cum networking fest;

Topic 1 – Conference opening and welcome

Anil Ghelani
Vice President CFA Society India &
Senior Vice President, DSP Investment Managers

- CFA Institute provides a platform where the investment professionals can engage and continue to share even after they have progressed to doing bigger things in their respective careers after attaining CFA Charter. It's like an alumni platform where candidates can come back from time to time in order to connect with their alma mater and also give back to the society by way of providing guidance to the younger members.
- The CFA Institute members come from various facets of the finance world with years of experience adding value to the community. CFA Society India is a platform run by volunteers which in itself is an amazing feat as the society has been doing so much in terms of events, awareness and so on. He urged more members to volunteer in order to take this endeavour forward.
- Anil stressed the importance of enrolling on the career portal of CFA Society India. Updation of their CV on the career portal could potentially open a wide range of opportunities for the candidates and the charter holders as they will get exposure to a large number of employers from the finance industry already present at the portal. It provides tremendous networking power to the candidates as well as the employers. Job alerts feature at the career portal helps you get real-time updates if anything has opened up which matches your desired criteria for a job profile.
- Even candidates can become members of the CFA Society India, it's not mandatory to have a CFA Charter to become a member. You simply need to register as a member at the CFA Society India website and pay the annual membership fee. Members have the privilege to attend most of the events organised by CFA Society India for free and they can get access to all the digital content created by the CFA Institute such as the career portal etc. Candidate members are not permitted to write CFA in their title and they cannot vote, rest all facilities are equally accessible to all the members regardless of the type of membership.

Vidhu Shekhar
Country Head, India, CFA Institute

- Vidhu urged the candidates to utilise all the free resources that the CFA Institute has made available for the candidates and also use this platform to network, find guides/mentors to help them on their journey as finance professionals.
- Introduced the term 'intentional career management' which simply emphasises that one needs to actively manage one's career and look for the right opportunities to make it a success. This one quote from him was instrumental in driving his message home;

When you are ready, you will find teachers all around you!

Continue reading: https://cfasocietyindia.com/2019/05/29/2nd-financial-talent-summit-fts2-cfa-society-india-highlights-and-learnings/

Insights from CFA Society India Events

2nd Financial Talent Summit, Delhi 2019
"Shaping your Career, Your Own way"

Speaker: Deepak Sawhney, Executive Coach and Story teller, Founder, Phrenimos

Moderator: Parijat Garg, CFA, Portfolio Manager, Quadeye securities

Written By: Jyoti Soni, CFA

Deepak Sawhney is a veteran coach, motivational speaker and people's person. He interacted with almost every participant during networking time post-lunch. He took no time to understand the problem areas and career requirements of CFA candidates and members and suggested them practical solutions.

He started his presentation with an interesting small video clip, wherein two people stepped on an escalator but unfortunately, they got stuck in between as escalator suddenly stopped due to some technical failure. They preferred to call someone for help instead of getting off the escalator themselves which further complicated their problem. His point was that jobs today are not the escalators like they used to be, where you got on at the bottom and they carried you to the top if you just stayed on it. He asked the audience, what they thought about career and how it should be defined. People came up with different views like career means job progress, developing skill set, monetary reward, or series of job. He put it rightly, "career is the long path or journey of our work life". Deepak told that it is foremost important for a professional to have career vision in clear quantitative terms. One should know, what one would like to achieve in next 5 years and next 10 years.

Continue Reading: https://cfasocietyindia.com/2019/05/23/session-on-shaping-your-career-your-own-way-by-deepak-sawhney-2nd-financial-talent-summit-delhi-2019/

Insights from CFA Society India Events

2nd Financial Talent Summit, Delhi 2019

"Building a Successful Career in Financial Services"

Speaker: Radhika Gupta, CEO, Edelweiss Asset Management

Moderator:Dr. Monika Chopra, CFA, Assistant Professor, International Management Institute

Contributed By: Shivani Chopra, CFA

"How's the market going?" is a question that people regularly seek a reply from Radhika Gupta, CEO, Edelweiss Asset Management. But "No one is sure ever! "is how she feels about it, given the highly volatile business environment. Financial services is a sector where one is learning every day. However, in order to successfully build a career in this arena, the speaker encourages everyone to thrive on CHAOS –

C – Core Strength
H – Happiness
A – Adaptable
O – Opportunist
S – Simplicity

Radhika shared stories from her life and related to each of the five ingredients in CHAOS, in her aptly titled presentation – "Around the world in 35 years". She deliberately picked up stories from her life as she strongly feels that bull and bear periods are not only about the capital markets but also about our lives. Her father was a diplomat and with her family, she moved across countries every three years. This opportunity gave her distinctive experiences to learn from. She shared her learning from her experiences in five different countries.

Continue reading: https://cfasocietyindia.com/2019/05/14/building-a-successful-career-in-financial-services-by-radhika-gupta-at-2nd-financial-talent-summit-delhi-2019/

Insights from CFA Society India Events

2nd Financial Talent Summit, Delhi 2019

Panel Discussion: Future of Work in Wealth Management

Industry Expert Panelists: 1) Ashish Kashyap, founder & CEO of IND wealth
2) Soumya Rajan, Founder, MD & CEO Waterfield Advisors
3) Rajendra Kalur, CFA, Management consultant & Board member for CFA Society India

Moderator: Gaurav Kaushik, CFA ,Associate Director, Kotak Wealth Management

Written By: Jyoti Soni, CFA

The 2nd Financial Talent Summit held in Delhi saw an active participation from more than two hundred delegates. The momentum continued post lunch when the panel discussion started on the eagerly awaited topic – "Future of work in wealth Management".

Gaurav initiated the discussion by highlighting the rapid growth that has taken place in the wealth management industry recently. The AUM of the Indian mutual fund industry grew more than 3 times from INR 8 lakh crore to INR 25 lakh crore in the last 4 years. More remarkably, India's Alternative Investment Funds (AIFs) size jumped multi-fold from INR 6 thousand crore in 2015 to INR 2 lakh crore today. In the post demonetisation era, the structural landscape has changed for better and the industry is expected to grow at a double-digit rate until 2025. Formalization of Industry has resulted in an acceptance of investment vehicles from physical assets to financial assets. This transition can be attributed to several reasons like –

- Acceptance of financial securities as collateral: Earlier, the business community would invest heavily in real estate as it was the most acceptable security by the banks while approving business loans. Today, for the same purpose, banks are giving equal weight to the ownership in financial securities. Subsequently, businessmen have shifted their investments to financial securities for better returns and liquidity.

Continue reading: https://cfasocietyindia.com/2019/05/06/panel-discussion-future-of-work-in-wealth-management-at-2nd-financial-talent-summit-delhi-2019/

Insights from CFA Society India Events

2nd Financial Talent Summit, Delhi 2019
"Building your Online Presence and Brand "

Speaker: Eric Sim, CFA- Founder, Institute of Life

Moderator: Jitendra Chawla, CFA- Director, CFA Society India

Written By: Shivani Chopra,CFA

The 2nd Financial Talent Summit held in Delhi on 27th April, 2019 was a day full of learning and fun. CFA Society India in association with CFA Institute organised it to cover broad themes related to personal branding, building and shaping career in fast moving business environment in financial services industry . The first speaker of the day -Eric Sim, CFA – founder of Institute of Life conducted a session on "Building your online presence and Brand". He presented ideas to use social media as a tool kit to quickly advance in career and standout among peers. Below are the key takeaways-

- Eric began by sharing his life story- From a teenager who failed in subjects like maths and english to making it to the top management of an investment bank. He is currently teaching in many business schools and has set up his own company- Institute of Life.

- Eric quickly got to the main theme of his presentation. He said, whether you are selling a company's product /service or selling yourself as a brand to seek a job or business opportunity, there are "Seven Steps of Selling" that can be used -(1) Identify target (2) Build Rapport and Trust (3) Identify needs & Problems (4) Present Solutions (5)Overcome Objections (6)Execute (7)Follow-up. When we begin our job search, we should identify the target as the potential HR hiring manager. Step #2 is the most important-we should try to build rapport with team members of that HR Hiring manager or other employees working in the firm we wish to join

Continue reading: https://cfasocietyindia.com/2019/05/01/session-by-eric-sim-cfa-2nd-financial-talent-summit-delhi-2019/

Career Insights

6 Causes of Burnout, and How to Avoid Them, by Elizabeth Grace Saunders:

A fog of burnout surrounds you: You're perpetually exhausted, annoyed, and feeling unaccomplished and unappreciated. Everything in you wants to quit your job. But is that the best choice? Ultimately only you can know what is right in your situation. But there is research that can help you determine whether you can salvage your current job or whether the mismatch between you and your current position is so great that you need to look for a new one.

Various models help to explain and predict burnout, which is now an official medical diagnosis, according to the World Health Organization. One, called the Areas of Worklife model (drawn from research by Christina Maslach and Michael P. Leiter of the University of California at Berkeley and Acadia University, respectively) identifies six areas where you could experience imbalances that lead to burnout. As a time management coach, I've seen that some individuals can make positive shifts in one or more of these areas and then happily stay in their current position while others discover that the mismatch is still too great, and decide that it's time to move on.

Here are the six areas that can lead to burnout and how you can attempt to remedy each one.

1. Workload: When you have a workload that matches your capacity, you can effectively get your work done, have opportunities for rest and recovery, and find time for professional growth and development. When you chronically feel overloaded, these opportunities to restore balance don't exist.

To read further : https://hbr.org/2019/07/6-causes-of-burnout-and-how-to-avoid-them?ab=hero-main-text

On a Lighter Note

1. Borrow money from pessimists, they don't expect it back.
2. Why isn't a dime worth as much today as it used to be? Because the dimes (times) have changed.
3. If you think no one cares about you, try missing a couple of payments.
4. "If you want to be a Millionaire, start with a billion dollars and launch a new airline." -Richard Branson

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 Charter holders. 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: abhisheklonker@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 (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.

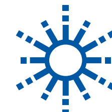
ARX is a free-to-join, open access hub with over 3,800 pieces of content for you to explore.

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

© 2019 CFA Institute. All rights reserved.

This issue was prepared by

Ishwar Chidambaram, CFA, FRM, CAIA

Vikas Agrawal, CFA

Rajni Dhameja, CFA

Vivek Rathi, CFA

Manish Jain, CFA

Shivani Chopra, CFA

Jyoti Soni, CFA

Ashok M, CFA

Manish Bhattar, CFA

Manoj Khokale, CFA

Varsha Dhamasia, CFA

Jitendra Kumar, CFA

Disclaimer: CFA Society India is a registered trademark of CFA Institute licensed to be used by the Indian Association of Investment Professionals (IAIP).

Copyright ©2019 CFA Institute and Indian Association of Investment Professionals. All Rights Reserved.

Please note that the contents of this publication should neither be construed as investment advice nor do the opinions expressed necessarily reflect the views of CFA Institute or Indian Association of Investment Professionals.

CFA Society India