



CFA Society  
India

# NEWSLETTER

SEPTEMBER 2019





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**CFA Society  
India**

**LET'S MEASURE UP™**



## Quotable Quotes

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

- **Bill Gates**

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# Message from the Board

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**Rajendra Kalur, CFA**  
(Director, CFA Society India)

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## Focus on Research & Advocacy:

In this issue we focus on Research & Advocacy, one of the key pillars of the CFA Societies across the globe. In India too Advocacy related activities are critical as we champion the cause of financial standards, regulation and outreach activities.

The three core advocacy principles that we work on are:

1. Advancing causes and policies that raise financial standards and investor protection over commercial considerations
2. Creating content, research papers & responses that seek transparency, better corporate governance and improve market integrity and fairness
3. Helping engage with regulators, media and key institutional partners to promote financial literacy and promote practices, laws and standards that improve financial services profession

In India, we engage with regulators through the following mechanisms:

1. Share research papers and content which is of interest to regulators and help shape the regulations
  - a. Materials shared include research on ESG, Dual Share Classification etc
2. Identify areas where we can bring in the global best practices and help set up similar standards in India
  - a. Research papers on ETF & Corporate Governance
3. Respond to the various consultation papers that the regulators bring out and suggest measures that can help improve standards and protect investor interests
  - a. Listing of overseas companies
  - b. Auditor Resignations
  - c. Advisory Regulations
  - d. Regulatory Sandbox for Startups

Apart from the regular engagement with the regulators, we also maintain strong relationship with the media and educational institutions. Through media we are able to promote our views on the industry and help amplify the voice on our advocacy efforts.

Educational institutions are useful for us as many of them are keen to collaborate with us in research productions.

Another important activity that is being given prominence is our outreach efforts. Increasingly it is felt that Societies should broad-base their activities and make efforts felt beyond the financial community. This should help not only in promotion of the CFA Brand but also in augmenting the efforts of policy makers and regulators and increasing the financial literacy of the community we serve. This is because unless the population at large is financially literate and aware of the various arms of the financial industry, the efforts of the regulators, media and investment professionals would be incomplete.

In an ambitious project, CFA Society India is undertaking a massive campaign to reach out to the masses across the North West Corridor of India. The campaign is titled "Jan NiveshAbhiyaan" and would be a 15 day mass contact programme through a series of events including a ride by a team of Charter Holder Cyclists, Skits on Financial Literacy, Seminars and plays across more than 22 Cities between Mumbai & Delhi and culminating in Indore, where more than 3000 people would assemble to listen to a battery of speakers. This event has generated huge interest across the Regulators, Partners like NSDL & IBBI and Educational Institutions.

The key objective of the campaign is to highlight the merits of ethical advice and the various programs through which the Government & the Regulator are making this a better place for people to invest. Post the campaign there is a plan to adopt certain towns and measure the outcome of the outreach efforts through financial clinics.

While the Jan NiveshAbhiyaan is only a beginning, concerted efforts would be required to increase the financial literacy standards and make our Country a more informed and aware community.

A campaign of this scale would no doubt be dependent on the efforts of our member volunteers and it is commendable to note that many are helping us in getting the programme off the ground and making it a success.



## India Awaiting Next Generation Reforms



**Vivek Rathi, CFA**

(Public Awareness Committee, CFA Society India)

Is it the current economy environment blessing in disguise? The combination of number of factors, like slowing economy, falling GDP, record high unemployment, etc. have pushed India to the wall. One can't stop comparing current situation to 1991 crisis, which had forced policy makers to carry out major structural changes & that can probably be called as first generation economy reforms. The reforms carried out by PV Narasimha Rao regime in 1991 had pulled back India from the brink of economy collapse and unleashed decades of high economy growth. Though, the current situation is nowhere close to 1991. As the foreign exchange reserves are at record high, overseas companies are interested in investing in India but still there is exodus of investment, billions of dollars are fleeing country. In fact, there is record outflow of capital post the general budget. Although, finance minister reversed the adverse measures announced in the budget (the surcharge on Income above 2 Cr. and 5 Cr.) but the damage was done. The only favourable point is that the adverse economy environment has unmasked the hidden problems in the Indian economy.

India is home to 2nd highest population in the world, it has the largest number of people entering the job market every month and to accommodate this increasing demand she has to grow at near double digit rate, which is almost double to what it stands at. The small give away or a temporary bail out will not help in meeting such an ardent target. Thus, there is need to completely revamp the economy, which if executed to perfection, will change the dynamics of the economy. These changes, if materialized, can be called second generation reforms.

It is mollifying to see that government has already embarked on this path. The rationalising of corporate tax structure is the important first step. It will not only help corporate sector but will signal to the wider market that government acknowledges economy slowdown and is ready to support it. It is a bold act when in a single stroke, corporate tax rate is reduced from 30% to 22%, effectively reducing tax rate to 25.17% (from close to 35% including cess and surcharge). In effect, Government has sacrificed Rs.1, 45,000 Cr., almost 0.7% GDP, but hope to get this savings back in the economy by the means of investment. This action will not only help domestic firms but would also encourage offshore firms to invest in India. The reduced corporate taxes has levelled the playing field, as most of the emerging markets have tax rate ranging from 15% to 25% and now India will also be in line with global standards. It couldn't have come at a better time, with the ongoing trade war, the aforementioned action would strengthen India's claim as an alternative to China, when the companies are looking to set up base elsewhere.

If we go by history, in any developed economy, first was Agricultural revolution followed by Industrial revolution and then was Service sector revolution. But in India, the agricultural reforms (green revolution) were relatively confined to few states in north and the manufacturing sector did not really take off. It is late but at least now the due attention is given to this ignored sector, the announcement on taxing new manufacturing firms incorporated after 1st October 2019 at 15% (provided they start operations before March 2023) is a welcome step, it will help boost investment in manufacturing sector, which has potential to create countless opportunities.

Now, let's turn our attention to the areas which urgently needs major reforms. Reducing corporate tax rate is a good start, but it needs to be followed up with extensive changes in other important areas like labour laws, land reforms, individual taxation, judiciary reforms, reforms in financial markets, etc. The list could be long but the pain would assuage if the issues in few important sectors are addressed.

One of the major challenge organisations faces in India is on implementation of contracts and related court cases, which tend to stretch as the judicial process is very slow. According to a report, In India almost two third of pending cases are related to title of land. These cases are not only cumbersome but go on for long, making acquiring land and starting an operation smoothly an ardent task. There is a need to reform complete judicial process, starting from transparency in appointment of judges to the quick resolution of cases.

If look at land acquisition, it is not only difficult but in some cases may lead to violent protest. For instance, one of the known business house in India had to abandon its plans to set up a car manufacturing plant in West Bengal, as acquiring land turned out to be an arduous task. Initially there was some resistance from locals which ultimately led to violent clashes and resulted in plant moving to other location. The Modi government had tried to address this issue in its first term by enacting legislation but had to hold back because of political back lash and minority in upper house. Hope, government revisits this issue and tries to bring in required changes.

Another important hindrance to start a large scale operation in India is related to labour laws. She has one of the most archaic labour laws in the world. This not only creates problems for existing firms but is a major impediment for the new set up as well. Though, finance minister had made reference to stream lining labour laws in the budget speech but the action is yet to be seen.

Rationalisation of individual taxes is another area awaiting changes. Post reduction in corporate taxes, there is increased scrutiny towards balancing individual taxes. This is long pending demand, it was one of the promises of Modi regime even during its 1st term. There are unconfirmed reports in media that the Individual taxes would be reduced across the slabs, while the taxes for top bracket are being unchanged (above 20 lakhs and 2 crores). This will not only add fuel to slowing economy but will also help in reviving spending, as it will put extra money in the pockets of individuals.



Indian Financial markets have long way to catch up with the developed markets. As per global standards, the Indian Financial markets are not yet efficient, government and the corporate bonds markets are not anyway close to international standards, there are liquidity constraints and are not easily accessible to retail investor as the ticket size is huge and mostly investments are through mutual funds or other such funds. In the same way, there is movement towards REITs (Real Estate investment trust) but not yet there, still long way to go.

Likewise, there will be other areas which need major shakeup but if the bottle neck in the above discussed sectors are addressed, India could well be on its path to high growth over next decade or two.



## In conversation with...



Industry Expert - **Satish Betadpur, CFA**  
(MD, Head of Investments at State Street Global Advisors)

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

Asset management industry is in a period of rapid change. Various factors like change in investor preferences, regulatory developments, fee compression, evolution of fintech, etc. are driving this change. In order to gain more insights on the latest trends in asset management industry, we reached out to Mr. Satish Betadpur, CFA who is currently leading the investment research and other investment related functions in Bangalore office of State Street Global Advisors and is also collaborating actively with investment teams and CIOs globally. Read on below for this alluring conversation:

**Shivani Chopra:** How do you view the Asset Management Industry in regard to its scope, growth and job prospects? How can CFA candidates and aspiring asset managers take advantage of it?

**Satish Betadpur:** The Asset Management industry is dynamic and always requires talented folks to serve the requirements of multiple constituencies. The work we do in our industry provides direct benefits to individuals, societies and nations in general.

While the work is challenging, the rewards are equally good both from an emotional and financial perspective. The asset management industry will grow at a certain multiple of the GDP. So for emerging economies, such as ours, the industry will always grow at robust rates. Even as assets under management would continue to grow as the economy grows, the margins for asset management companies will continue to shrink as well. The margin shrinkage will happen due to multiple trends in the mid to long term. The movement towards passive investments that mimic indices will continue to gain strength in the absence of true alpha generation capabilities of asset managers. In addition to plain-vanilla passive investing, other hybrid forms of passive investing such as tilt and factor strategies should see further growth as well. The search for alpha will lead fund managers to aggressively look at alternative investments such as private equity, real estate, commodities and other asset classes. These trends are positive to the growth and job prospects of CFA candidates and charterholders. As far as the industry is concerned, CFA candidates and charterholders coming from diverse backgrounds with strong problem solving skills are needed. The old model of an accountant who doubles up as an asset manager will not work any longer. We need forward-looking employees who can interpret future trends. We need people who are good with abstract concepts in addition to being number crunchers. To generate alpha, we need to move from counting widgets to understanding potential seismic changes in behaviors. Also, in addition to traditional data in income statements, balance sheets and cash flow statements, alternate data sources need to be mined constantly to keep oneself ahead of the curve.

This requires skills in statistical analysis and data modelling. In the passive-investment field, we need quantitative investment analysts (quants) who can work with large data sets. This requires in-depth knowledge of programming in R, Python, MATLAB and other such systems. In addition, this industry needs people who have strong communication skills.

**Shivani Chopra:** Can you share the story behind “Reinventing Investing” at State Street Global Advisors? How does this approach benefit clients in meeting their investment goals?

**Satish Betadpur:** For us at State Street Global Advisors (SSGA), “Reinventing Investing” is a continuous process as we are not satisfied with the status quo. We are constantly innovating so that our solutions help clients with better returns. We are also advocating policy solutions that should help the future generation and are using our voice to push portfolio companies to do more. At SSGA, we focus on innovation – we pioneered low cost index investing, created the first US ETF and are an early leader in active quant investing.

I will give you an historical perspective on our innovations. On 19 October 1987, a day that is also known as “Black Monday”, the US market dropped by more than 20%, arguably causing more significant damage than the Great Depression. On investigating why the markets had dropped so precipitously, the investigators at SEC noticed that the markets did not have a single security that represented the broad market in a way that the futures market did with the futures contract on the S&P 500 index. So SSGA, in coordination with the then American Stock Exchange, came up with ‘SPY’, an ETF that mimicked the S&P500. Today, SPY is one of the largest ETFs in the world.

In 1997, the Asian financial crisis erupted. Local companies and countries had borrowed in US dollars. When the economies of these countries weakened, their currencies weakened, too, which made it difficult for these borrowers to repay or refinance their dollar-denominated bonds, leading to bankruptcies. At SSGA, we realized that if there was a fully functional domestic bond market, the crisis would not have been as grave. As a result, SSGA worked with 11 Asian central banks to come up with a local currency bond ETF. Today, this ETF is thriving with more than US\$4 billion in AUM.

SSGA is the pioneer in ESG. Bloomberg recently launched a suite of equity and fixed income indices using our R-Factor™ methodology. R-Factor™ (Responsibility Factor) is a transparent scoring system that can be used by both investors and companies. SSGA has unique products in carbon mitigation as well as several investment solutions related to climate change.

**Shivani Chopra:** I was also intrigued by the concept of “Asset Stewardship” followed by State Street Global Advisors. Could you please elaborate on what it exactly means and why it was introduced?

**Satish Betadpur:** Asset stewardship is at the core of our principle of fiduciary responsibility. We engage with the boards and management teams of our investee companies on a regular basis. This helps us to persistently and rigorously advocate for our clients’ interests. We can thus add value for our clients while helping improve governance at portfolio companies. We engage with portfolio companies on long-term strategy, diversity and board composition issues as well as ESG concerns. In 2018, we engaged with 1,533 companies, which account for about 70% of our AUM in equities. Our globally recognized and appreciated Fearless Girl campaign, which focused on gender diversity at the board level, has yielded excellent results.

Now all 500 companies that constitute the S&P500 have at least one female board member. As the third-largest asset management company in the world, we leverage the size and scope of our investments to have a long-term sustainable impact on our portfolio companies and create value for our investors.

**Shivani Chopra:** Coming to the CFA program, How has the CFA program and the CFA charter contributed to enhancing your investment decision making processes?

**Satish Betadpur:** The process of getting the CFA charter is not just about passing the three levels. The CFA program enables one to understand a vast body of financial knowledge and its applicability for various investments objectives. The knowledge I gained from studying for the exam was only surpassed by the knowledge I gained from the continuing education program provided by the CFA institute. It is important to keep oneself updated on the latest trends in the industry. I started my career as an asset-backed security (ABS) analyst. Subsequently, I covered MBS, CMOs, CDOs, emerging market debt, high yield and global corporate debt. Later, I moved into the equity side covering markets in Japan, Europe, Emerging Asia and LATAM. On the sector side, I covered global technology among other sectors. All these changes in roles were easily facilitated due to the knowledge gained through the CFA program and the continuing education facilitated by it.

Another very important aspect of the CFA program is the Ethics and the Professional Standards promoted by it. In our industry, with fiduciary responsibilities, we need to assiduously adhere to the ethics and professional standards code of conduct. The most important thing for CFA candidates and charterholders who want to be in the asset management industry is to understand that they have a fiduciary responsibility to asset owners. This requires employees who have absolute integrity and are ethical at all times.

**Shivani Chopra:** What guidance would you give to CFA program aspirants?

**Satish Betadpur:** The importance of the CFA program is not about passing the three levels but it is about learning the body of knowledge as defined by the CFA program. I would recommend enrolling for the CFA program only if one is passionate about the financial services industry as well about serving the needs of clients. Ethics and professional standards lie at the heart of the CFA program. Also, it helps to remember that one's learning continues long after passing the three CFA levels.

**About Satish Betadpur, CFA**

Satish has over 25 years of investment industry experience working in the United States and India. Satish worked at TIAA-CREF for over 15 years in New York and San Francisco in various portfolio management roles covering emerging markets, Japan, European equities and later as their head of global technology research. After his tenure at TIAA, Satish set up and managed research, advisory and investment management firms. Satish has dual masters in Computer Science and Mechanical Engineering from Missouri University of Science & Technology and a MBA in Finance from the University of Illinois, Urbana-Champaign. Satish also holds the Chartered Financial Analyst® designation

**About Shivani Chopra, CFA**

Shivani has more than ten years of experience across investment management, corporate finance and training and has worked with corporates like Genpact and Copal Partners. A CFA Charterholder and Masters in Economics, she is presently a financial consultant at pharma startup named EOS Pharmaceuticals and also a trainer for various finance related courses.



# Insights from CFA Society India Events

## 3rd Financial Talent Summit, Mumbai, September 28, 2019 Session on “Moving Minds: The Power of Conversational Influence”

**Presented by :** Joshua Davies, Principal Consultant at Knowmium

**Moderated by:** Jayesh Gandhi, CFA

**Contributed by :** Vaibhav Jain, CFA



Joshua Davies, Principal Consultant at Knowmium, was the keynote speaker, kicking off the speaker series at the FTS, with the subject “Moving Minds: The Power of Conversational Influence”. Key take-aways from the session:

The session started with the theme of role of positive influence, how soft skills about communication and empathy are far more important than technical skills when one moves up the career ladder

Joshua involved the audience in practical games where 2-member teams were formed and were given an exercise to demonstrate the relevance of influencing abilities, listening and building trust

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# Insights from CFA Society India Events

## 3rd Financial Talent Summit, Mumbai, September 28, 2019 Session on “Emerging Opportunities for CFA Careers in AIF Industry”

**Presented by :** Manish Makharia, Business Head – Alternative Investment Fund,  
SBI Funds Management

**Moderated by:** Litesh Gada, CFA

**Contributed by :** Vaibhav Jain, CFA



Manish started off with asking the audience if anyone was working in the AIF industry and following up with who wants to get into this field and why. After getting a sense of the collective wisdom of the audience, he defined Alternative Investment Fund as a capital raising instrument when capital available from traditional sources gets exhausted or is unavailable.

He discussed the regulations around AIF, with the SEBI as regulator came up with AIF as an asset class in 2012, after PMS regulations came up as early as 1993. Further defined the characteristics – type of capital, investors, management, liquidity, customization, etc. The industry has been growing massively with total private market fund raising expected to reach \$7.5 trillion by 2023 (CAGR of 8%). He also explained how the Government has been very supportive for AIF Industry with launch of GIFT City, opening up FDI investments.

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# Insights from CFA Society India Events

## 3rd Financial Talent Summit, Mumbai, September 28, 2019 Emerging opportunities for CFA careers in Distressed Asset investing

**Presented by :** Mishra, CFA, Head of structured credit, HSBC

**Moderated by:** Jayen Shah, CFA

**Contributed by :** Rajni Dhameja, CFA



Session started with Jayen briefly explaining the various segments in credit markets and how top rated segments differ from high yield segments. He introduced Saurav Mishra and the session started. Key takeaways:

- Credit markets is an opportunity for CFA candidates and charter holders as the work involves analysis of the companies
- The emerging areas in credit markets apart from traditional credit is in distressed credit
- Introduction of IBC has created opportunities across the value chain
- One must understand the nuances thoroughly hence it is important to be detailed oriented as identifying a distress company where funds can be deployed can be quite challenging
- Patience and perseverance is a key to succeed in this space as closure of one deal can be long drawn process. Sometimes the deal gets dropped after some amount of time and effort is invested in it

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# Insights from CFA Society India Events

**3rd Financial Talent Summit, Mumbai, September 28, 2019**  
**Are you data science ready? Skills for investment professionals**

**Presented by :** Dr. Jatin Thukral, CFA

**Moderated by:** Shreenivas Kunte, CFA

**Contributed by :** Priyank Singhvi, CFA



Science is the science of extracting actionable insights from data. This data can be both structured and unstructured. It employs techniques used from Statistics, Mathematics and Computer Programming. Deriving insights from data has been going on for a while but what has changed over the past few years is that the sheer scale of this has changed on back of advances in technology, telecommunications, social media and machine learning. There has been explosive growth in generation of data and ability to store and analyse that by businesses. This has in turn lead to exponential growth in jobs in this field. Harvard Business Review has called the jobs in the field as the sexiest jobs of the century.

Data science is used in finance in multiple ways like customer experience enhancement, risk management, asset management, FinTech and data monetization. The customer experience is enhanced through applications like personalized customer service, chatbots and voice recognition, etc. Use of data for through activities like better fraud and money laundering detection, insurance automation, etc. is used for risk management. Asset management sector used data science in managing quant funds, algo trading, etc. App based loan approvals and disbursals are examples of use of data science in FinTech.

Data Science is disrupting the financial sector by increase in productivity and emergence of new business models. These are manifested through the following techniques: automation of the processes, scalability through analysing vast data, big data engineering, ability to use alternate and unstructured data, deriving consolidated insights by combining various week data sets. To illustrate application of these techniques, the speaker elaborated on use in the rapidly grown sub-sector of Quant Funds.

Quant Funds are the funds that extensively use quantitative techniques for security selection. Till about early 2000s most quant funds mainly used simple economic indicators and ratios like PER, div yield, etc. But in mid 2000s quant funds started using more complex data sets and by late 2000's they started significantly outperforming fundamental based funds. Use of data science started becoming a differentiator for the more successful ones. Data science allowed these funds to achieve unprecedented scalability of insights for example machines to read millions of sell side reports, or, messages on investor forums, in a manner that is humanly impossible. Similarly through techniques of big data engineering it is possible to find patterns across billions of orders, or, to identify biases like herding in millions of order flows. The more imaginative ones have started using alternate data sets, like ship booking to assess sales outlook of the management, or, analysis of employee boards to assess staff sentiment, etc. Advancement in technology and data science have also allowed to process unstructured data sets like biases hidden in texts of analyst conference calls, or detect signals hidden in central bank interviews, traffic and parking data to assess a malls sales, infra demand etc. as was done by some to correctly value REIT's of sparingly occupied Chinese townships.

After success of data science in Quant Funds, some fundamental and value investors started applying it in their analysis and their success has led to wide understanding that it is not a technology fad and has applications across various segments of finance.

Today financial institutions are the biggest employers of data scientists. Data science is a vast field and requires two groups of skills: Math and Computer/Programming Skills. Statistics, machine learning, deep learning, artificial intelligence are the key math skills required in data science. Within programming, Python, is the best starting point. Learning is a journey and most popular skills is a good way to start. After all there is a reason why they are the most popular skills!

This was followed up by Q&A round with Shreenivas Kunte.

# Insights from CFA Society India Events

## 3rd Financial Talent Summit, Mumbai, September 28, 2019 Careers in Wealth Management and Private Banking Industry

**Presented by :** Anshu Kapoor, Head of Private Wealth Management  
at Edelweiss Financial Services

**Moderated by:** Gajendra Kothari, CFA

**Contributed by :** Vaibhav Jain, CFA



Anshu commenced the narrative by highlighting his career trajectory, that he never intended to get into Wealth industry but eventually moved towards it. In fact, back in 1990s when he started, this industry didn't exist fully. He showed how big the Wealth industry today in India is with growing number of HNIs and promoter families at a large pace.

Compared to global market, India is still small in terms of coverage of individuals by professional wealth managers, so there is a lot of scope. Demand isn't a constraint. Currently, billion dollar individuals in India are around 140, more than that of Japan. So what exactly is wealth management? As Anshu defines it – "helping clients spot opportunities and trends and protect them from risks", hence it's not only investment management but way beyond it.

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# Insights from CFA Society India Events

## 3rd Financial Talent Summit, Mumbai, September 28, 2019 Getting Hired ! Landing your dream Job

**Presented by :** Nalin Moniz, CFA, CIO, Alternative Equity, Edelweiss Global Asset Management

**Moderated by:** Jayna Gandhi, CFA

**Contributed by :** Rajni Dhameja, CFA



This was the last session in the conference. The earlier sessions focused on what are the emerging areas where one can look for the jobs and what are the skill sets required for those jobs. This session was about the next step, about how to get the job!

Nalin started with discussing the 5 real life examples who have taken unconventional path to land their dream jobs. 4 examples were of his mentees and the fifth was his about his career journey as he transitioned from overseas to India. He guided about the commonality across 5 examples. Following are the key takeaways on how to land your dream job:

- Always be up skilling : Keep on learning the skills which are important for the role you aspire for
- Network in focused and thoughtful manner: Connect with people who are part of industry in which you aspire to go
- Have a goal in mind and then work backwards
- Don't be afraid to take risks in lateral shift. Sometimes you get internal opportunities in the roles you aspire for, don't be afraid to take risk on those
- Entrepreneurship can be fast track. Sometimes being entrepreneur brings you the opportunities which you have not imagined for

He emphasized that celebrate your diversity. Celebrate what makes you unique. This will help you to bring the value addition which is unique to you.

This was followed up by Q&A round with Jayna Gandhi.



# Insights from CFA Society India Events

## Bridge – The Ultimate Mind Game

**Presented by :** Mr. Sunil Varghese

**Contributed by :** Meera Siva, CFA



The markets may be likened to a casino – there is a lot of luck (or bad-luck) but a skillful player knows how to make the most of the cards dealt and come out ahead. So, there are many lessons a finance professional could pick up from the world of card games. Especially bridge game that has no betting. Warren Buffet famously said that he would not mind being in jail if his cell mates will play Bridge. Need we say more about its benefits to finance professionals?

At the CFA Society India, Chennai Chapter's speaker event on August 9, 2019, Sunil Varghese spoke on this exciting game and its benefits. Sunil is an entrepreneur, TedX Speaker, Bridge Guru, Magician, Mentor for StartUps, Faculty and consultant. Did I say he is a magician?

He is also the Founder of MasterMind, which uses magic and innovative techniques – from launching a FMCG product in an unforgettable way or to drive the message home at the end of heavy seminars or sales conferences. He has been running a small-scale engineering firm for 28 years. Sunil holds a PGDM from IIM-Ahmedabad and a mechanical engineering degree from the College of Engineering, Thiruvananthapuram.

### Why Bridge?

Bridge mirrors life (and finance) and playing it develops skills – risk analysis, probability, decision-making with incomplete information, planning and choosing the best from among alternatives. The game helps tap the right and the left brain and hence keeps the brain agile. Various studies show it helps enhance concentration, alertness and analytical ability. As it is a team game (played as two) it also helps understand human nature and psychology.

Unlike chess that takes a long time, the game is short (about 7 minutes). The game is touted by many professionals and leaders including Bill Gates. Many countries such as China, Norway and Holland encourage teaching the game in school for its many benefits.

### The game

Bridge is played with a regular deck of 52 cards. There are 2 players. North and South form a team and they play East-West. Players are given 13 cards each. Teams must not talk to each other. The aim is to win most 'tricks' (there are 13 total) by having your/your team-mate's card as the highest ranked one.

There are further variants to the game, with one player playing open (giving an advantage to their team mate). And there is also trump.

To illustrate, the group played two rounds of game. And after each, the cards dealt were analyzed to figure out which strategy would have worked well and what it the most one could have got. For example, while everyone played the highest card (A), that was not quite the best strategy. Looking at how to make the lower ranked card (for example a 10) win a trick is what one had to think about. The important thing is to have a strategy first that one has put some thought into (for example, which cards would one lead the game with, which ones to risk when there is uncertainty).

Continue Reading:

<https://cfasocietyindia.com/2019/08/17/session-on-bridge-the-ultimate-mind-game-by-mr-sunil-varghese/>



# Insights from CFA Society India Events

## A Practitioner's Insight on Manager Selection

Presented by : Ms. Geeta Kapadia, CFA

Contributed by : Tarun Gopal



The term “Manager Selection” is always a buzzword in the universe of institutions like Pensions, Insurance, Foundations, and Endowments etc., as this decision pretty much defines the fate of their Investment goals. To share some insights and best practices, the Delhi chapter of CFA Society India organized a session on Manager Selection on 9th Aug 2019, which was conducted by Ms. Geeta Kapadia, CFA. She's a senior Investment strategist at Yale New Haven Health System, where she is responsible for assets under management (AUM) of approx. \$3 billion.

In this session, Ms. Kapadia shared some valuable insights of how she and her team select the manager for their Investment portfolio at Yale New Haven and most importantly what they look for in these managers which form the basis for their judgment.

The session started with Ms. Kapadia's three golden mantras that they look for in the managers at Yale New Haven and the associated questions, which one needs to address before selecting/rejecting a manager. These were as follows:

### 1. Experience:

- How long have they managed or been managing assets?
- Over what cycles have they managed these assets?
- What sort of firms do these portfolio managers have worked in the past?
- Do they have experience in owning and managing a firm?
- What are their personal management/ mentoring styles?



## **2. Alignment:**

- What's the client base of this manager? How long have their longest clients been on board?
- Does the firm have an advisory board and who's on it?
- How do their investment professionals get compensated?
- How are fees determined and shared?
- What is their strategy's stated capacity and has it changed?

## **3. Edge:**

- What does the manager say which makes them different? And what are the factors which actually makes them different?
- Which other manager(s) have a similar process/ philosophy?
- What differentiates this manager from its peers in terms of performance and strategy?
- What do their clients and competitors do?

Ms. Kapadia emphasized that these were the general considerations which everybody should look for." But even these considerations don't define the success and desired goals of the portfolio", she added. She then went on and shared some examples from her personal experience where this selection process didn't work and defeated the purpose. She also shared the lessons she has learned from these instances which has guided in her career.

### **Manager A: PM Failure**

#### **Background:**

- This manager was one of the top 50 hedge fund which was founded in 1991 and was operating as Fund-of-fund in U.S.
- Firm was handling around \$3 billion of AUM through a single office.
- This was a focused small team, managing assets for many years together.
- In 2013, founder and CIO were charged with solicitation.
- Afterwards, the firm continued business as usual.
- Firm then experienced immediate redemption and shut down in 2014.

#### **Lesson Learned:**

All the due-diligence in the world cannot guard against one-off events. Since these events doesn't form part of the due-diligence process it's hard to predict events like these which could affect the manager's reputation and triggers redemption.

### **Manager B: Headline Risk**

#### **Background:**

- This manager was also with a hedge fund which operated as Fund-of-fund in U.S., with \$98 billion AUM and growing.
- Firm was frequently in news due to a Managing Partner's interest in politics.
- In 2017, Trump White House announced that this Managing Partner would join the administration.

Continue reading: <https://cfasocietyindia.com/2019/08/30/session-on-a-practitioners-insight-on-manager-selection-by-ms-geeta-kapadia-cfa/>

# Insights from CFA Society India Events

## Know your Country

Presented by : Mr.G. Maran

Contributed by : Parvez Abbas, CFA

On July 13, 2019, the Delhi Chapter of the CFA Society India organized a session with Mr. G. Maran, Executive Director of Unifi Capital. The topic was 'Know Your Country'. Mr Maran had a unique way of presenting. He along with his team had collated some interesting facts about India in a Q&A format. The audience were given 25 questions and three options to choose the correct answer. The questions were picked from various subjects about India. The idea was not to test knowledge but to help understand our country by knowing the past and current trends and how to interpret them to identify future winners. Mr. Maran, in his unique style, added data points and insights to every question. Some of the questions discussed are mentioned below:

Q: Which of the following has one of the Top 20 busiest airports in the world?

(a) Delhi (b) New York (c) Singapore

The answer is **Delhi**. Delhi airport handled ~69 million passengers last year. Delhi was not even in the list 10 years ago.

Q: Which is the 2nd largest Indian state in GDP?

(a) Gujarat (b) Tamil Nadu (c) Karnataka

The answer is **Tamil Nadu** though it does not have great industry like Gujarat and great services sector like Karnataka. However, Tamil Nadu invested in education. During 1960s and 70s, Tamil Nadu had 7% of the country's population and ~23% of the colleges opened in the country. In 1993, the state had many districts with 100% literacy rate. Mr. Maran explained that with high literacy rate, life expectancy is high (~83 years in Tamil Nadu) and productive population age group (between 15 to 65 years) is high, which is a driver of GDP.

Continue reading: <https://cfasocietyindia.com/2019/08/25/session-on-know-your-country-by-mr-g-maran/>



# Insights from CFA Society India Events

## Masters at Work (MAW) event, Kolkata-2019

Session by : Mr. Neelkanth Mishra

Contributed by : Soham Das, CFA



On 29th June 2019, Neelkanth Mishra took the stage to speak and shed light on the nature of the current economic slowdown. His topic, "A cyclical and not a structural slowdown" was written boldly on the top of an otherwise bland slide, with a blue patch running across it. Mr. Mishra, the Managing Director of Equity Research at Credit Suisse, brought a robust economic perspective to uncover the nascent trends in the Indian economy.

He started with a clear acknowledgement of the slowdown Indian economy is in. Investing community is reeling from a "sense of crisis", he alluded to the crisis in Indian non-banking financial companies (NBFC). Yet he predicted that the slowdown is a cyclical one and not a structural one. However, he added ominously- that pain is not over yet. He pointed, that Chinese will not expect an 8% growth anymore. He added, that there is a structural slowdown and their size of the economy is a much tougher anchor to get rid of. "All "they" (read: China) are aiming for right now is 6%", Mr. Mishra elaborated and added, "there is acknowledgement in the government circles, that 4% is where they will glide to". Drawing a sharp contrast to our neighbor, he assured that India should be back expecting 8-8.5% in the next fifteen to eighteen months, albeit not without significant pain in the short term.

Surprisingly, Mr. Mishra observed a very astute and often ignored factor – that of state capacity.



His logic was ironclad. Earlier when India was 15th or 20th largest nation in the world in terms of GDP, there was a lot of leeway in not building deep reforms. He reminded that India plucked low hanging reform fruits and triggered growth. But as India grows with a \$3Tn economy keeping and sustaining an 8% growth will take a lot more effort from government, Mr. Mishra reminded the audience. Achievable? Yes, but will need work, he added cautiously. Indian government needs to expand its state capacity to deliver the next stage of reforms.

He further added, that while India's tax to GDP is among the lowest in the world, the tax rate of the formal economy was at the highest levels, almost at par with OECD countries. This constrains the government to improve its "presence" in areas where it needs to. As a result the capacity of government to deliver the public goods is constrained.

Continue reading: <https://cfasocietyindia.com/2019/08/20/session-by-mr-neelkanth-mishra-at-masters-at-work-maw-event-kolkata-2019/>

**Effect of US-China Trade War on Global Trade Flows**



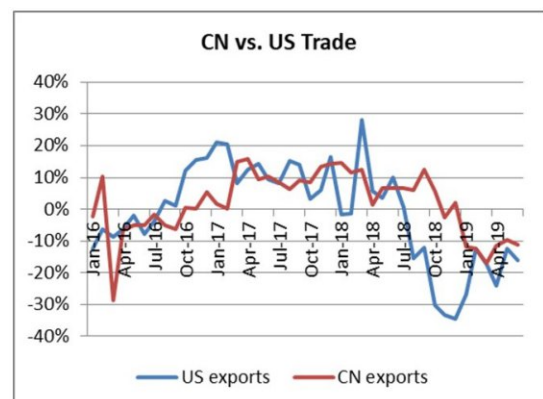
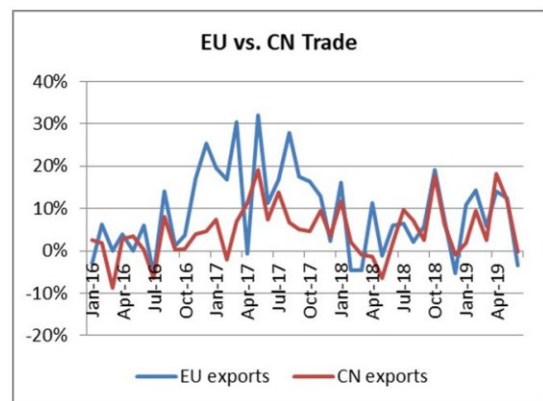
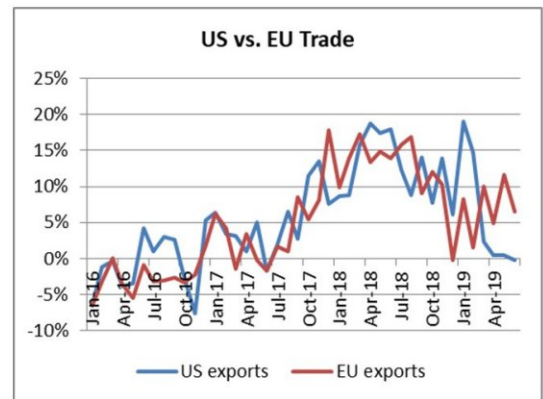
**Dhruv Goyal, CFA**  
(Founder, Earthen Street Capital)

The US-China Trade war started in real sense in 2017 with aggressive rhetoric and tariffs started getting implemented in 2018. We have attempted to gauge the effect of the trade war on global trade flows. For this we used trade between the three main economic blocs – US, China and European Union- as proxy for global trade flow. We find that all trade growth, and not just between US and China, has suffered rapid drop due to trade war. Moreover, trade flows reacted immediately to tariff threats, with growth slowing down in 2017 itself, much before actual tariffs were implemented.

**Observation**

All trade flows peaked in 2017. This is the time that coincided with ratcheting up of protectionist rhetoric by Trump. During this time, there were additional headwinds also from economic headwinds in US, and restrictions on shadow banking in China. Thus the trade war started when global economy was already facing headwinds. However, Trade flows actually got a bump up in 2018 as the first tariffs were announced. This was due to inventory build-up and advance ordering by the importers to beat tariff. However, this was a temporary bump that has failed to sustain. As tariffs increase, trade growth is rapidly falling and is going to zero.

Predictably, the maximum fall is in US-China trade where the growth has gone negative. However, even other trade partnerships – US-EU and China-EU have seen trade growth drop to zero.



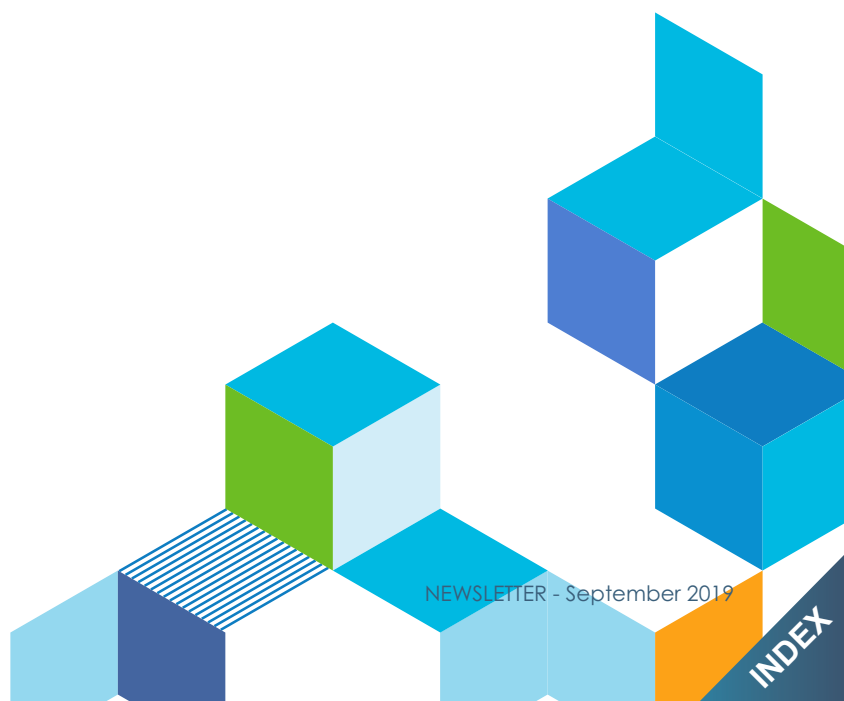
Source: Eurostat, US Census Bureau and Earthen Street Capital

## Conclusion

The trade war created a big downward push just when the world trade growth was already slowing. Thus they accelerated a trade contraction.

It has hurt trade Worldwide, thus creating a big headwind for the global economy. Trade dependent countries to be hit the hardestSource: Eurostat, US Census Bureau and Earthen Street CapitalGiven that it has both political and economic reasons behind it, the trade war would not be easy to resolve. Therefore, it will likely last for long time.

Some of the damage caused by it is long lasting (like trust between US and China, regulatory uncertainty). Thus, its damage cannot be completely undone even in case of freezing of hostilities between US and China.





**Navneet Munot, CFA**  
(CIO, SBI Funds Management Pvt Ltd and  
Chairman, CFA Society India)

The sharp economic slowdown of the past several months had necessitated policy action at a war scale. The Government responded with big bang reform on corporate taxes. The sharp cut essentially represents a huge transfer from the government to the corporate sector. In our view, this move underlines the government's belief that it is the innovation, efficiency and enterprise of the private sector that will drive growth while the government plays the role of a facilitator in business.

While this move doesn't directly address the near-term demand weakness beyond providing a sentiment boost, this is an important step towards reviving the investment cycle. Followed with appropriate regulatory realignment, this would also help in bringing in foreign manufacturing as global supply chains readjust. This in turn should create employment leading to sustained consumption and growth. In fact, the consumption driven growth of the past few years while investments struggled was unsustainable as incrementally this consumption was being financed through dipping savings and increasing leverage, as income growth severely lagged.

There are concerns around the implication on fiscal deficit. While the fiscal pressures are for real, the government has levers to address those. For one, the move should strengthen the government's resolve to shore up its finances through asset monetization and strategic divestments. Similarly, there is room for significant increase in GST compliance as collections have run way below expectations so far. The time is also ripe to relook at subsidies. The experience with fuel subsidy was very encouraging. With better adaption of Direct Benefit Transfer (DBT), food and fertilizer subsidies can also be rationalized.

Given the global backdrop, the tax reform assumes greater significance. There is enormous uncertainty globally, from frail economies to rising geopolitical tensions: trade tensions between US-China and Japan-Korea, Brexit, Hong Kong, the middle east to name a few. India being integrated with the rest of the globe is bound to be impacted, yet this can be our opportunity to stand out and stand tall. Amidst all the chaos, India can carve out a position of strength for itself owing to several factors.

Continue reading: <https://cfasocietyindia.com/2019/10/08/market-outlook-october-2019/>

**Importance of Sustainable Investing**

**Navneet Munot, CFA**  
(CIO, SBI Funds Management Pvt Ltd and  
Chairman, CFA Society India)

- There is a need for large fund houses to take the lead on sustainable investing
- Long-term growth of the economy will happen when firms will focus on sustainability

Mutual funds are trustees of people's money and owe a fiduciary duty—first to their investors and then to the community at large. It can be best served, not by trying to maximize short-term profitability, but by ensuring optimization of long-term return and risks.

As part of our fiduciary responsibility, value system and risk management strategy, it is our core belief that a business run in the best interests of all stakeholders seldom fails to create lasting value for its investors. Investing is an approach where apart from financial considerations, one looks at environmental footprint, social impact and governance factors of the investee companies. Companies focussing on triple bottom line (people, planet and profits) deliver sustained returns over a long period.

Environmental risks are bound to gain prominence in India. As per the World Health Organization (WHO), India inhabits 14 of the 20 most polluted cities of the world. It ranks among the top three nations to see the highest number of deaths from air pollution. The country is fast pacing towards becoming a water-stressed zone. As per a NITI Aayog study, 40 cities are likely to face drinking water shortage over the next decade. There are serious concerns about soil degradation in India and increased oceanic acidity world over. Rising inequality, with poor literacy and human development index in a democratic society, has the potential to creates risks for businesses as well.

Even as India is growing faster than most other economies, it is still a \$2,000 per capita country and is yet to catch up meaningfully in the income ladder. In the process, the resource intensity of consumption is bound to rise. If history is any guide, ignoring the sustainability aspect can be damaging. China serves as a classic example. While high growth facilitated dramatic increase in consumption levels, it led to rapid degradation of the ecosystem, choking pollution and rising social tensions. Eventually, their policymakers had to shut thousands of manufacturing plants.



Some of the policy developments in India too, such as Delhi's experiment with odd-even cars, move towards BS-VI compliance and now electric vehicles, plastic ban in Maharashtra, plant closures in Karnataka around Bellandur lake were in response to rising pollution. We witnessed social backlash, leading to a copper plant closure in Tamil Nadu, Supreme Court's ban on liquor sales on highway and cancellation of coal blocks allocation (with adverse impact on mining and power companies). On the governance front, multiple instances of auditor resignations, excessive leverage, questionable "related party transactions" and accounting issues have recently come to the fore. Such issues may remain unattended for years. But once brought to the surface, it erodes the economic value of the businesses at one go. To sum up, investors can ignore ESG issues at their own peril.

Look at it another way: returns from equity funds are largely a function of the beta (market return) and the alpha that the fund manager generates above the market. Market return, in the long term, is dependent on the economy. Long-term sustainable growth of the economy comes only when businesses focus on sustainability. So, when large fund houses start focusing on ESG, it signals the companies to integrate sustainability in their business practices which, in turn, creates long-term win-win for all. Globally, large pension funds started putting pressure on fund managers to adopt ESG in their fund strategy.

Further, there is growing global evidence of better risk-adjusted performance of ESG strategies, which is also contributing to rapid growth in their assets under management. Even in India, the Nifty 100 ESG index has outperformed Nifty 100 index across time periods.

It has been challenging for us to implement the framework due to inadequate data availability. However, regulatory requirement of sustainability reporting now applicable to top 500 companies has helped. Over time, the policy nudge combined with better data and analytics will facilitate a more systematic approach towards it.

Continue reading: <https://cfasocietyindia.com/2019/08/25/article-on-importance-of-sustainable-investing-by-mr-navneet-munot-cfa/>

(The article was originally published on Live Mint at – <https://www.livemint.com/mutual-fund/mf-news/opinion-there-s-need-for-large-fund-houses-to-take-the-lead-on-sustainable-investing-1566225768279.html>)

### **How to Get Ahead When Your Boss Doesn't Have Influence**, by Anne Sugar

We'd all love for our bosses to be connected and knowledgeable inside our organizations. An in-the-loop manager can give direct reports timely and accurate information, introductions to important people, appropriate guidance on projects, and, in best-case scenarios, a leg up in their careers.

Unfortunately, some bosses lack political aptitude and networks, while others are missing competencies that should be required of their higher position on the company ladder. Whatever your manager's standing, you need to protect yourself and your reputation by making sure you're progressing. When your supervisor is too out of the loop to help you navigate a work situation, try these three techniques.

**Develop relationships with senior leaders.** If your boss's lack of connections means your opportunities for influence are limited, focus on getting more access to communications. To read further, <https://hbr.org/2019/09/how-to-get-ahead-when-your-boss-doesnt-have-influence>

## On a lighter note

- The market may be bad, but I slept like a baby last night. I woke up every hour and cried.
- These two women were walking through the forest when they hear this voice from under a log. Investigating, the women discovered the voice was coming from a frog: "Help me, ladies! I am an investment banker who, through an evil witch's curse, has been transformed into a frog. If one of you will kiss me, I'll be returned to my former state!"

The first woman took out her purse, grabbed the frog, and stuffed it inside her handbag. The second woman, aghast, screamed, "Didn't you hear him? If you kiss him, he'll turn into an investment banker?" The first woman replied, "Sure, but these days a talking frog is worth more than an investment banker!"

- Q: What is a difference between a bond and trader? A: Bond matures!!!!

# 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](mailto: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](http://www.cfasociety.org/India) page by clicking on the Events tab and Event Registration ([www.cfasociety.org/India/Pages/EventRegistration.aspx](http://www.cfasociety.org/India/Pages/EventRegistration.aspx))

Kindly send in suggestions on topics around which you would like us to organize events. Members, having access to insightful speakers are requested to come forward and help in facilitating events around them. This will enhance value to the member community. Please email to the Continuing Professional Development (CPD) committee members: [abhishekloonker@gmail.com](mailto:abhishekloonker@gmail.com) or [secretary@india.cfasociety.org](mailto: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](mailto:secretary@india.cfasociety.org)

You could also fill in the form on the website [www.cfasociety.org/india](http://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](http://www.cfasociety.org/india) under "About Us" tab click on the "Committees" button.

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