AMFI TRAINING – TRAINER NOTES

Objectives

* Facilitate AMFI training in a simpler manner so that a broader range of distributors can appreciate the same

The Salient features of the AMFI certification training are as follows:
(1) The training will be conducted over 4 sessions of 2 hrs duration each. The total duration of training would be 8 hrs.
(2) The sessions will be split into groups of 2 each and the same would be conducted over 4 quarter days.
(3) We will have a capacity to conduct these sessions for a batch of 50-60 participants.
(4) The session outline is enclosed for your perusal - the headings of each session are as follows:

- **Session 1 : The concept & Role of MF**
- **Session 2 : Fund Structure & Constituents**
- **Session 3 : Legal & Regulatory Framework**
- **Session 4 : The Offer Document**
- **Session 5 : Fund Distribution & Sales Practices**
- **Session 6 : Accounting, Valuation & Taxation**
- **Session 7 : Investor Services**
- **Session 8 : Investment Management**
- **Session 9 : Measuring & Evaluating Mutual Fund Performance**
- **Session 10: Financial Planning**
- **Session 11: Asset allocation, fund selection & model portfolio**
- **Session 12: Business Ethics in Mutual Funds**

The session-wise outline is enclosed for your perusal.

(1) Presentation and trainer's notes for each session - this will help you to structure your presentation in a better manner.
(2) Quizzes that can be administered at the end of each session to assess the understanding of the participants for the session
(3) Feedback form for all sessions - each participant would be required to fill up the same at the end of each of the program.

AMFI Certification Training Program

Program Objective

Financial markets have over time become extremely unpredictable. The volatility in the financial markets is here to stay. Both the unpredictable nature and the volatility of financial markets have significantly increased risks associated with investments in general. Further the markets have been on the bull run for the past few years without major setbacks.

There is a range of investment products to choose from. It is critical for an investor to pick the right investment product in tune with his/her financial goals. Mutual funds provide investors an opportunity to participate directly in financial markets across the risk–reward spectrum.

This training program is designed to provide better understanding of mutual funds in general and help participants of the program successfully complete AMFI Certification test for Mutual Fund distributors and become certified distributors of mutual funds.

We believe that certification will provide you with the necessary edge in differentiating yourself in the financial distribution industry and also improve your career prospects.

Pedagogy

Primarily training will be conducted be by way of lecture & discussions. We will also provide relevant additional reference material, question bank and quizzes.

The training program comprises 4 sessions of 2hrs each. Participants have been provided with the essential reading material - the AMFI revision kit and other notes and are advised to make the necessary readings from therein for facilitating discussions during the sessions. As the session is more of a handholding session to approach the exam prior reading is extremely important. Also, one need to evaluate themselves with the primer on financial markets to check your understanding and accordingly prepare for the session.

Session 1 - Structural Framework and Key Concepts, Regulatory Framework & Offer document

Trainer Notes

This session is a precursor to the technical sessions with respect to MFs in India. The aim is to give a brief about the concept of MF, types, structural framework and constituents. Aims to give a brief about the regulatory framework of the MF industry, discuss at length the offer document.

At the end of this session the participants are expected to –

- Have a historical perspective of MF Industry in India.
- Constructing an MF
- Understand the structural framework of MFs in India

SESSION OUTLINE

- Session overview
- History and Growth of Mutual Funds in India
- Setting up an MF in India – Structure and Constituents
- The Offer Document
- MF Regulatory Environment
- Mergers & Acquisitions, Takeovers.

The 34 slides should be covered in about 1 hour 15 min in total

QUIZ of about 12-15 questions on the two sessions from the chapter wise question bank provided.

BREAK 10 min

Session 2 – Sales Practices and Valuation

Trainer Notes

The aim is to get insight into distribution of MFs & code of ethics, calculation of returns based on NAV, expenses & income of AMCs, valuation of securities and Taxation.

At the end of this session the participants are expected to have an insight into –

- Distribution and sales practices.
- Understand thoroughly on NAV and return calculation and Types of returns.
- Understand where the MFs spend and from where the income comes from and the quantities.
- Understand valuation guidelines
- Taxation.

The above 34 slides should be covered in about 2 hours in total

BREAK 35 min

Session 3 – Investor Services & Investment Management

Trainer Notes

The aim is to get insight into services & rights available to investors & open a window of investment management by pondering the equity and debt investments and restrictions thereon.
At the end of this session the participants are expected to have an insight into –
- The services and rights of investors.
- Portfolio management of Equity and Debt.
- Investment restrictions.

The above 38 slides should be covered in about 2 hours in total

Session 4 – Measuring Fund performance, Financial Planning, Model portfolios & Business Ethics

Trainer Notes

The session although lengthy as per the number of slides need to give an insight into measuring performance and financial planning, brushing through the model portfolios and business ethics.

At the end of this session the participants are expected to have an insight into –
- Measuring performance as per the SEBI guidelines
- Financial planning techniques
- Building model portfolios
- Understanding the business ethics.

The above 64 slides should be covered in about 2 hours in total

------------------------------Program ENDS---------------

Use the board to explain how a Mutual fund is constructed :

To start with assume that there is a single investor with Rs. 10 as his investment into an income mutual fund. Suppose this money is invested into a fixed income instrument that has a 1 year maturity and coupon/current yield of 10%.
Draw a chart that depicts the same i.e Rs 10 grows to Rs 11 after 1 year
Introduce the concept of fees/expenses – this means that if the annual on-going fees were to be say 2% the NAV of the fund would actually grow to only 10.80 thus a return of 8%

Suppose the fund had an entry load say 1% then the actual sum invested would have been Rs 9.90 and the same would have appreciated to 10.69 thus a return of 6.9%

Also open-end funds owing to liquidity requirements would keep 5-10% of the monies into highly liquid instruments that earn lower returns. This would further affect the return to the end investor.

Mutual funds are able to compensate for these expenses that are a drag on the returns due to their bargaining power with issuers on one hand and their ability to trade across maturities based on the fund managers' view on interest rates on the other.

Explain with an example the concept of mark to market, fair valuation and pricing of MF
Continuing from the example of a unit of Rs.10 growing to Rs. 11 after 1year from the previous session;
Suppose the interest rate were to go up the very next day by 2%:
The value of the existing investment has to be marked down to reflect the current yield expectation of 12% also to be fair to the prospective investor who is expecting this yield while considering investments.
The NAV on the next day would then be calculated as (11/1.12) = 9.82
This would now grow @ 12% to reach the maturity value of Rs. 11. The first investor gets his 10% while the second investor is given additional units (10/9.82) = 1.02 which will fetch him the 12% yield that he is expecting.

Solve an example on indexation, explain double indexation.

Explain the concept of interest – difference between cash flows (simplest definition)
Derive formula for computing future value :
What will Rs 100 grow to @ 10%, normally we assume when not explicit this as an absolute growth i.e. irrespective of time period.

Formula 1	FV = PV(1+R)	Here we have not considered time period (SIMPLE)
	FV = PV(1+R)^N	Considering time period (COMPOUNDING)

Derive formula for computing present value :

Formula 2	PV = FV/(1+R)	Here we have not considered time period (SIMPLE)
	PV = FV/(1+R)^N	Considering time period (DISCOUNTING)

Derive formula for computing rate of interest :

Formula 3 $R = ((FV/PV)^{(1/N)} - 1) * 100$

1. Change in NAV — Growth plans
2. Simple Total return — Dividend plan – payout basis
3. Total return (ROI) — Dividend plan – re-investment basis (As prescribed by SEBI)

Solve the examples from the presentations