



ASSOCIATION OF MUTUAL FUNDS IN INDIA

135/ BP/ 64/ 2015-16

October 29, 2015

AMFI Best Practice Guidelines Circular No.64 /2015-16

Dear Members,

Clarification in respect of AMFI Best Practice Guidelines Circular No. 61 on Standardization of Information in Factsheets

Please refer to AMFI Best Practice Circular Guidelines 135/ BP/ 61/ 2015-16 dated September 14, 2015 on the abovementioned subject.

In this regard, we had received a few queries and suggestions/ feedback from some of the members, which were referred to AMFI's Working Group on Standardisation of the Factsheets to examine.

The Working Group, after reviewing the matter has submitted the clarifications and recommendations as per Annexure and the same has been approved by the Board of AMFI at the Board Meeting held on October 16, 2015.

Accordingly, Members are advised to follow/ adopt the clarifications/ guidelines provided in the Annexure hereto, in partial modification of AMFI Best Practice Circular Guidelines 135/ BP/ 61/ 2015-16 dated September 14, 2015.

With regards,

Sincerely,


B. M. Kini
Dy. Chief Executive



Standardization of Information in Factsheets - Annexure

Subsequent to the release of AMFI Best Practice Guidelines Circular No.61 / 2015-16 dated September 14, 2015 regarding further standardization of information in Factsheets, some of the AMFI members had sought certain clarification in respect of some of the formulas/ definitions.

The queries were referred to the Working Group on Standardisation of the Factsheets for review and clarification. The Group has reviewed the matter and has provided the following clarifications:

SIP Return

The SIP return calculation should be based on Rs.10,000 invested every month. Returns would be 1 year, 3 year, 5 year, 7 year etc.

Modified Duration

Modified Duration = Duration / (1 + Annualized Yield).

The calculation is similar to what CRISIL/ ICRA are currently considering too.

Standard Deviation, Beta and Sharpe ratio

For these ratios, monthly three years data should be used for calculation and to be reflected for funds that have completed 3 years. So for a three year period there would be 36 data points. This is applicable for Equity Oriented Funds. Specific notes for each of the formulas are below:

Standard Deviation: Standard Deviation of returns is to be measured considering the data as a sample (STDEV() in Microsoft Excel)

Beta: Beta is currently defined in the circular as Covariance of NAV vs Index returns/Variance of index returns. This should be Covariance of NAV returns vs Index returns/Variance of index returns. Further for Beta as benchmark total return is not easily available and calculated, price return is suggested to be used.

Tracking Error

This is to be reflected only for ETF and Index Funds. Suggest following similar disclosure as other ratios i.e. for funds which has completed 3 years.





Exit Load

Exit load is charged at the time an investor redeems the units of a mutual fund. The exit load is reduced from the prevailing NAV at the time of redemption. The investor will receive redemption proceed at net value of NAV less Exit Load. For instance if the NAV is Rs.100 and the exit load is 1%, the investor will receive Rs.99

Portfolio Turnover Ratio

Calculation method for Portfolio turnover ratio is as below:

"Lower of purchase or sale during the period / Average AUM for the period".

The period considered is last one year.

CBLO/Repo/FD/Margin FD/MFU/SLB are not considered for purchase & sale. Should include Fixed Income securities and Equity derivatives.

Asset allocation for Equity

The allocation is based on industry classification and not any separate sector classification

Asset allocation for non Equity Oriented Funds (Debt Funds)

Asset allocation (Graphical presentation) disclosure was suggested as *preferred* approach as it would help better reading of the factsheet. Some members have expressed that portfolio disclosure reflects this information and hence separate disclosure in graphical presentation is not required.

Equity Holding

Minimum Top 10 holding to be reflected but preferred approach would be to reflect full portfolio holding.

Portfolio Yield

Disclosure only required for Debt Funds

Risk Free Return

MIBOR rate for 1 day. To be sourced from FIMMDA (<http://www.fimmda.org>) for last day of the month.

