APMI/2023-24/04 **Date: 28th April,2023**

To,

All Portfolio Managers registered with SEBI

Dear Sir / Madam,

Subject: Reporting of performance for periods where BSE 500 TRI Index values are not available.

1. This is further to the responsibility conferred on APMI vide SEBI circular SEBI/HO/IMD/IMD-PoD-2/P/CIR/2022/172 dated December 16, 2022 on Performance Benchmarking and Reporting of Performance by Portfolio Managers.
2. APMI had specified the indices to be used for benchmarking under the various categories vide circular number APMI/2022-23/02 dated 23rd March,2023, and subsequently modified on March 31, 2023.
3. One of the indices specified by APMI for the Equity Category is the S&P BSE 500 which has a total return series history of about 15 years only and to address this issue post the discussions held in our committees, APMI made a submission with SEBI on 25th April'2023 (Annexure 1).
4. Post discussions with the regulator, we have received a confirmation that Portfolio Managers can use a composite CAGR figure of the performance of the PRI benchmark (till the date from which TRI is available) and the TRI (subsequently) to compare the performance of their scheme in case TRI is not available for that particular period(s)."

We hope this clarification will be helpful towards execution of the circular.

Yours Sincerely,

Rashim Bagga

Principal Officer- Association of Portfolio Managers of India

Encl 1**:** APMI Submission to SEBI
Encl 2: SEBI Circular dated 4th Jan'2018

Annexure 1

25th April'2023

To: Securities & Exchange Board of India, IMD

Subject: Reporting of performance for periods where BSE 500 TRI Index values are not available.

Pursuant to the responsibility conferred on us by SEBI circular SEBI/HO/IMD/IMD-PoD-2/P/CIR/2022/172 dated December 16, 2022 on Performance Benchmarking and Reporting of Performance by Portfolio Managers, APMI had specified the indices to be used for benchmarking under the various categories vide circular number APMI/2022-23/02 dated 23rd March,2023, and subsequently modified on March 31, 2023.

1. The APMI circular specified that portfolio managers must use the Total Return Index (TRI) for all equity indices.
2. One of the indices specified by APMI for the Equity Category is the S&P BSE 500 which has a total return series history of about 15 years.
3. Portfolio managers who have been in existence for a period longer than this- have raised concerns about it.
4. In this context SEBI circular SEBI/HO/IMD/DF3/CIR/P/2018/04 dated January 4, 2018 provided clarity on how this is to be tackled by the mutual fund industry.
    a. **The said circular states that:**
    "Mutual funds shall use a composite CAGR figure of the performance of the PRI benchmark (till the date from which TRI is available) and the TRI (subsequently) to compare the performance of their scheme in case TRI is not available for that particular period(s)."

We hereby submit that the same method may be used by the Portfolio Managers and seek your guidance for issuing a clarification to the PM Industry to this effect.

Please find attached herewith all circulars for ready reference.

Warm Regards,
For Association of Portfolio Managers in India

Principal Officer

- This document has been prepared with the combined views & thoughts of the members of the APMI Benchmarking & Valuation Committee.
- Post which this document as taken up with the Board of Directors of APMI for their approval.
- Post the approval of the APMI Board, this document is getting submitted SEBI for a discussion & guidance.

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/IMD/DF3/CIR/P/2018/04 **January 4, 2018**

All Mutual Funds/Asset Management Companies /
Trustee Companies/Boards of Trustees of Mutual Funds/ AMFI

Sir/ Madam,

Subject: Benchmarking of Scheme's performance to Total Return Index

1. Mutual Funds are required to disclose the name(s) of benchmark index/indices with which the AMC and trustees would compare the performance of the scheme in scheme related documents.

2. At present, most of the mutual fund schemes (other than debt schemes) are benchmarked to the Price Return variant of an Index (PRI). PRI only captures capital gains of the index constituents. On the other hand, Total Return variant of an Index (TRI) takes into account all dividends/ interest payments that are generated from the basket of constituents that make up the index in addition to the capital gains. Hence, TRI is more appropriate as a benchmark to compare the performance of mutual fund schemes.

3. With an objective to enable the investors to compare the performance of a scheme vis-à-vis an appropriate benchmark, it has been decided that:
   (a) Selection of a benchmark for the scheme of a mutual fund shall be in alignment with the investment objective, asset allocation pattern and investment strategy of the scheme.

   (b) The performance of the schemes of a mutual fund shall be benchmarked to the Total Return variant of the Index chosen as a benchmark as stated in para (a) above.

   (c) (i) Mutual funds shall use a composite CAGR figure of the performance of the PRI benchmark (till the date from which TRI is available) and the TRI (subsequently) to compare the performance of their scheme in case TRI is not available for that particular period(s).

   (ii) The calculation of composite CAGR is elaborated with an example in the following paragraph.

   For instance, ABC scheme had been launched on August 2, 1995. The benchmark PRI values are available from the date of inception of the fund. The benchmark TRI values are available from June 30, 1999. The calculation of a composite benchmark performance return in CAGR terms would be as given below:

$$\left[\frac{\text{Benchmark PRI value as on date of introduction of TRI value}}{\text{Benchmark PRI value as on date of inception of the scheme}} \times \frac{\text{Benchmark TRI value as on last day of the month preceding the date of advertisement}}{\text{Benchmark TRI value as on date of introduction of TRI value}}\right]^{\frac{1}{\text{(Time period from the last day of the month preceding the date of advertisement – date of inception of the scheme)}}} -1$$

The aforesaid is explained with an example:

Example: Consolidated Benchmark CAGR (PRI and TRI)		
Date	Benchmark PRI values	Benchmark TRI values
02/08/1995	1007.57	
30/06/1999	1187.70	1256.38
30/11/2017	10226.55	13966.58
CAGR	**12.20%**	

Thus, in the above example (for advertisements in the month of December, 2017 the last of the preceding month would be November 30, 2017),

CAGR= [(1187.70/1007.57)*(13966.58/1256.38) ^ (1/22.3452)]-1

[1 year= 365 days]

CAGR= 12.20%

(iii) Mutual funds shall use the composite CAGR as explained above, subject to making the following disclosure:

**As TRI data is not available since inception of the scheme, benchmark performance is calculated using composite CAGR of XYZ (name of the benchmark index) PRI values from date…. to date… and TRI values since date….”*

4. This circular is applicable to all schemes of Mutual Funds with effect from February 1, 2018.

This circular is issued in exercise of the powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provision of Regulation 77 of SEBI (Mutual Funds) Regulations, 1996 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

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