

## 1. What is Portfolio Management Services (PMS)?

Portfolio Management Services (PMS), service offered by the Portfolio Manager, is an investment portfolio in stocks, fixed income, debt, cash, structured products and other individual securities, managed by a professional money manager that can potentially be tailored to meet specific investment objectives. When you invest in PMS, you own individual securities unlike a mutual fund investor, who owns units of the fund.

## 2. Types of PMS

### **Discretionary**

Under these services, the choice as well as the timings of the investment decisions rest solely with the portfolio manager.

### **Non-Discretionary:**

Under these services, the portfolio manager only suggests the investment ideas. The choice as well as the timings of the investment decisions rest solely with the Investor. However the execution of trade is done by the portfolio manager.

### **Advisory:**

Advisory as the name suggests involves advising the client on managing the investments. The client manages his own portfolio while the fund manager plays the role of an advisor only.

## 3. Benefits of PMS

### **Professional Management:**

The service provides professional management of portfolios with the objective of delivering consistent long-term performance while controlling risk.

### **Continuous Monitoring:**

It is important to recognise that portfolios need to be constantly monitored and periodic changes made to optimise the results.

### **Hassle Free Operation:**

Portfolio Management Service provider gives the client a customised service. The company takes care of all the administrative aspects of the client's portfolio with a periodic reporting (usually daily) on the overall status of the portfolio and performance.

### **Flexibility:**

The Portfolio Manager has fair amount of flexibility in terms of holding cash (can go up to 100% also depending on the market conditions). He can create a reasonable concentration in the investor portfolios by investing disproportionate amounts in favour of compelling opportunities.

### **Transparency:**

PMS provide comprehensive communications and performance reporting. Investors will get regular statements and updates from the firm. Web-enabled access will ensure that client is just a click away from all information relating to his investment. Your account statements will give you a complete picture of which individual securities you hold, as well as the number of shares you own. It will also usually provide:

- the current value of the securities you own;
- the cost basis of each security;
- details of account activity (such as purchases, sales and dividends paid out or reinvested);
- your portfolio's asset allocation;
- your portfolio's performance in comparison to a benchmark;
- market commentary from your Portfolio Manager

**Customized Advice:**

PMS gives client the benefit of tailor made investment advice designed to achieve his/her financial objectives. It can be structured to automatically exclude investments you may own in another account or investments you would prefer not to own. For example, if you are a long-term employee in a company and you have acquired concentrated stock positions over the years and have become over exposed to few stocks, a separately managed account provides you with the ability to exclude that stock from your portfolio.

**4. What is tax treatment in PMS investment?**

The tax liability of a PMS investor would remain the same as if the investor is accessing the capital market directly. However, the investor should consult his tax advisor for the same. The Portfolio Manager ideally provides audited statement of accounts at the end of the financial year to aid the investor in assessing his/ her tax liabilities.

**5. Are there any risks associated with PMS investments?**

Yes. All investments involve a certain amount of risk, including the possible erosion of the principal amount invested.

**6. PMS v/s Mutual Fund:**

Attribute	PMS	Mutual Fund
Management	Provide ongoing, personalized access to professional money management services.	Provide access to professional money management services.
Customization	Portfolio can be constructed in order to address investor's specific needs.	Portfolio construction is a per Fund's stated investment objectives.
Ownership	Investor directly owns the securities in his portfolio.	The trustee owns the shares of the fund and cannot influence buy/sell decisions.
Flexibility	Portfolio can be customized to meet specific requirements of customers.	No customization possible.
Minimum investment	Rs. 50 lakhs	Rs. 500
Engagement	High	Very low, limited to NAV & factsheets

**7. What one pays for PMS?**

Most Portfolio Managers allow one to choose between a fixed and a performance-linked management fee.

- Fixed Fee:** If one opts for the fixed fee, he may pay between 2.50% to 3.50% p.a. of portfolio value; this is usually calculated on a weighted average basis. This fee is apart from the actual expenses like custodian expenses, audit fee, brokerage on transactions etc., which is charged on actuals.

- **Performance linked Fee Option:** In the performance linked fee option, there is a fixed fee of around 1.5% to 2% along with a percentage of your profit - usually 20% - earned over and above a threshold level, which may range between 8% and 10%. Apart from management fees, separate charges will be levied towards brokerage, custodial services and towards meeting tax payments. When one opts for a performance-based fee, the profits are reckoned usually on the basis of 'high watermarking'.

## 8. What kind of returns one can expect?

As per SEBI guidelines, a portfolio manager cannot give any guarantee towards achieving any specific returns. However, with a calculated risk and keeping downside protection in mind, we will endeavor to outperform the returns provided by the relevant benchmark index.

## 9. Who shall manage my funds?

Backed with a strong research team, we have a competent, experienced fund manager with more than 16 years of experience in the industry and capital market to manage the funds.

## 10. What is the time horizon and is there a lock-in period?

The ideal time horizon for an equity portfolio is at least 24-36 months. Hence, there is an exit load if the client wants to redeem his portfolio early (refer fee structure).

## 11. Who can sign PMS?

- An individual
- HUF
- Body Corporate
- Non-resident Indian (subject to certain conditions)

## 12. Minimum Size of investment

As per SEBI guidelines, minimum size of the portfolio of a client has to be Rs.50 Lakhs.

## 13. Will I have any control over my portfolio?

Under discretionary portfolio management services, the investor can mention specific needs (like sector restrictions) which the fund manager will keep in mind while investing your funds. However, the sole authority of investment decisions will be with the portfolio manager.