

Portfolio Management Services FAQs



GROWTH AVENUES

What is a Portfolio Management Service?

Portfolio Management Services (PMS) 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 entire fund. You have the freedom and flexibility to tailor your portfolio to address personal preferences and financial goals. Although portfolio managers may oversee hundreds of portfolios, your account will be unique.

What is the difference between a discretionary portfolio manager and a non-discretionary portfolio manager?

The discretionary portfolio manager individually and independently manages the funds of each client in accordance with the needs of the client in a manner but investments are made at the portfolio manager's discretion. A non-discretionary portfolio manager manages the funds in accordance with the directions of the client. We offer only Discretionary PMS at the moment.

How are you different from a mutual fund? Why should I select PMS?

The differentiators between Mutual Funds and PMS are:

FEATURES	MUTUAL FUNDS	PMS
PM Access	No access to Portfolio Managers(PM)	Direct access to PM who share updates on portfolio strategy and emerging trends
Customization	Portfolio structured to meet the fund's stated investment objectives applicable for all investors	Portfolio can be structured to address each investor's specific needs/risk appetite such as not holding a particular stock, sector, Shariah philosophy or any other ethical investment style
Ownership	Unit holders own units of the fund and cannot influence buy and sell decisions or control their exposure to incurring tax liabilities	Investors directly own individual securities in their portfolio, allowing for tax management flexibility
Liquidity	Mutual funds generally hold some cash to meet redemptions	Although managers may hold cash, they are not required to hold cash to meet redemptions. Flexibility in investing corpus
Minimums	Normally INR 5000/- minimum for lump sum investment.	As compared to mutual funds, SEBI specifies a higher minimum investment of INR 25 Lakhs
Flexibility	Mutual funds are comparatively less flexible. Have the mandate to stay invested up to 65% in equities across most of the time period as stated in the investment objective for the scheme. Also, known to be inactive in cash management strategy	PMS has greater flexibility in comparison to mutual funds. For e.g. the portfolio manager may move to 100% cash if required. Investment is done by the portfolio manager once an appropriate opportunity arises in the market. The manager can also manage a portfolio with disproportionate allocation to select compelling opportunities
Number of Stocks	Most mutual fund schemes have anywhere between 50-60 stocks	PMS generally has a focused portfolio of 15-20 stocks, enabling portfolio managers to carry out meaningful allocation of stocks/sector where he/she is most bullish about

Is the PMS governed by any regulatory body? Who can offer PMS?

Yes, Portfolio Management Services completely supervised by the regulator of capital markets in India, SEBI. PMS can be offered only by entities having specific SEBI registration for rendering portfolio management services. Currently in India, it is offered by specialized PMS players, asset management companies (AMCs) and brokerage houses.

Who can sign up for PMS?

- Resident Individuals
- Hindu Undivided Families (HUF)
- Body corporate (Private/Public)
- Trust (Registered)
- Non Resident Indian (NRI)*
- Partnership Firms or any other eligible investor

* Subject to RBI approval

What are the qualifications to open an account?

You must be over 18 years and either a Resident Indian or a Non-resident Indian. Also, the investor should have a minimum investment amount of INR 25,00,000.

Can I meet my portfolio manager and discuss portfolio?

Of course! Our investors should feel free to request an appointment with us and we will promptly arrange a meeting with our PM to discuss your portfolio or answer other investments related queries.

Can Portfolio Manager impose a lock-in on the investor?

Portfolio managers cannot impose a lock-in on the investment of their clients. However, a portfolio manager can charge exit fees from the client for early exit, as laid down in the agreement.

Is there a minimum investment amount required to invest?

Yes, the minimum corpus is Rs 25 Lakhs.

What is the cost of PMS?

Most Portfolio Managers allow a choice between a fixed and a performance-linked management fee or a combination. In addition, actual expenses like custodian expenses, audit fee, brokerage on transactions, etc. are charged on actual. For charging performance-based fee, the concept of high watermark is typically applicable.

Do I need to have a PAN card?

Yes, you need to have PAN card as it is being made mandatory for all transactions in capital markets by SEBI. In case you do not have a PAN card, we can help you in acquiring one.

Can I open a PMS account with securities and cash combination?

Yes, you can open a PMS account with a combination of securities and cash. However, we will re-align the securities.

Can I withdraw funds any time?

Yes, you can withdraw funds anytime you want, provided your portfolio does not fall below Rs 25 lacs limit, as per the SEBI requirement.

Do you charge any exit load?

No, except if you redeem in the first and second year when we may charge a fee. Other than that, you can make part withdrawals from your portfolio for any provided your portfolio value does not fall below Rs 25 lacs as per SEBI requirement.

What if I want to terminate my PMS account?

To terminate your PMS account, you will need intimate us through an email or post. In the event of a full withdrawal, please allow us about 2 weeks for orderly trimming of your stock holdings.

What asset classes do you invest in under your PMS?

Our PMS is an equity-oriented service. We invest in equity and equity related products under our PMS.

What is the time horizon with which the corpus money is invested by the PMS?

A minimum time horizon of around 12-18 months is what we ask our investors to look for to get the desired returns.

Do you invest in Derivatives (Futures/Options)?

Under SEBI guidelines, a Portfolio Manager is permitted to invest in the derivatives including transactions for the purpose of hedging and portfolio rebalancing, through a recognized stock exchange. This has also been mentioned in the Disclosure Document and clients are advised to read it carefully before investing. Our policy will be to use Derivatives only as a hedging strategy.

Do you indulge in day trading under the Portfolio Management Service?

SEBI guidelines forbid any day trading activity by Portfolio Managers.

Are returns guaranteed by your PMS?

As per SEBI rules, no portfolio manager can guarantee returns. Hence we are not permitted to guarantee any returns.

What reports will I get during my relationship with your PMS?

Holding, transaction and corporate announcement statements (dividends, bonus, etc) will be provided quarterly along with the fund manager's commentary on the decisions taken with your portfolio and his assessment of the future of your portfolio constituents.

Where can I redress my complaints on the PMS?

You can send an email to grievance@growthavenues.com.

What are the tax implications of investments under PMS?

Each transaction is considered as an independent trade and capital gains tax are applied on each transaction depending upon whether the relevant stock was held for the long term or short term. Currently, 15% tax is chargeable for short term capital gains and no tax is chargeable on long term capital gains in India. The STT charges will also apply.