



Fund houses, wealth planners push MFs through PMS route

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AS THE Sebi ban on entry loads makes sale of mutual funds less attractive for distributors, fund houses and wealth management companies are pushing products based on portfolio management services (PMS) to make up for the expected drop in business in the immediate future.

Wealth management and mutual fund houses are not only lining up PMS-based products for launch, they are also innovating these products.

PMS is a professional service to help them manage their money. Portfolio managers manage stocks, bonds and mutual funds of clients considering their personal investment goals and risk preferences.

SMC Wealth Management is planning to launch at least six new PMS products within a month. "Three of these products will be mutual fund based, that is the money collected will be invested only in mutual funds. This is the first time that pure mutual fund-based PMS products will be launched," DK Agarwal,



Money management

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managing director of SMC Wealth Management said. Other three will be equity-based products, he added.

ING Investment Management, which has a mutual fund business in India, has also been aggressive on the PMS business. The company recently launched two equity-based products and has already lined up another product for launch by September end.

ING Investment Man-

agement chief executive officer Navin Suri said with mutual fund sales likely to take a hit due to the entry load ban, the PMS business is set to revive in India.

However, he said the Securities and Exchange Board of India (Sebi) has been asking PMS providers to bring in more transparency in their businesses and it will come up with a new set of rules, making it more complex business.

According to Mckinsey report, PMS will grow faster as fund houses will push these higher-margin products.

Himanshu Kohli, founder partner of wealth management firm Client Associates, said PMS providers are offering many innovative products such as Nifty-linked debentures, real estate funds and arbitrage tools under the portfolio management services.

"From sales perspective too, these products are good as they offer higher fees for distributors as also PMS firms," he added.

Shashank Khade, senior vice-president of PMS at Kotak Securities, said, "We are contemplating to introduce some long-term strategies in PMS. However, I am not sure whether PMS portfolios should be recommended due to entry load ban on mutual funds. I think investors make allocations to equity between MFs, PMS and direct equity. PMS, per se, will be preferred if it provides a differentiated strategy for investors."

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