

Hi, welcome once again to this eLearning

Initiative Directorate of Higher Education,

Government of Goa.

In today's module we are we

will discuss model number 6.

The name of our unit #1 is overview of

banking and financial services and what

we will specifically discuss now is.

Portfolio and Wealth management.,

Your teacher for the day is Prin. Manoj,

Kamat. I wish you a happy learning.

We will see meaning

What do you mean by portfolio management?

What are the determinants of portfolio management

What are the types of portfolio management services ?

Then we will see what we mean by wealth management,

what are the features of wealth management?

and determinants of wealth management.

Let us start with portfolio management

What does a portfolio mean?

By portfolio you mean a basket  
and in financial terms, portfolio  
is a financial basket.

There's a financial basket with number  
of instruments for investments.

What are the number of instruments for  
investments, shares, mutual funds,  
debentures, your physical assets,  
cash, liquid,  
gold, real estate, and so on

You could have different combinations  
of your investment.

If I combine them in in particular basket,  
it's called as in portfolio.

So what does a portfolio manager do?

Portfolio manager manage is the  
portfolio of your investment.

In other words,

the portfolio management company helps you to select right investment tools,  
and to decide the right investment options in the right proportion.

Why?

Because it wants to give you optimum  
returns at minimum risk.

So this risk assessment this profit  
assessment or optimization of your  
profits and minimization of risk

by allowing you to choose the right  
combinations of your assets or right  
combinations of your investments

is done by portfolio managers.

Our portfolio management companies.

They help you to make new investments.

They help you to close your investments

and they always help you to balance

your investments with the risks

and your expected returns,

right?

What are the different types of portfolio management firms?

Portfolio management can  
be classified into two categories,

first on the basis of activity or on the  
basis of power.

On the basis of activity,  
you portfolio managers could be  
classified into active portfolio  
managers or active portfolio  
management firms  
on the basis of power.

We also have discretionary portfolio management  
and non discretionary portfolio management.

What does active portfolio management mean?

The portfolio manager is active in  
buying and selling transactions.

You're buying and selling securities based  
on your own investment objectives.

So you tell them that I want to earn  
this particular amount of return.

Your portfolio management would work  
towards achieving your objective.

In case of passive portfolio management,

you have not told them what is the objective.

Neither he is interested,

but he is normally working based on

the performance of the market index.

So whatever,

everybody would generally get by investing

in stock markets or wherever it is,

you would also.

You also could expect similar

results or similar average returns.

So this passive manager doesn't want to

give you more because he knows if you want.

If it tries to give you more,

he will bear higher amount of risk.

But an active portfolio manager is ready

to bear higher risk on your behalf,

obviously.

Finally,

the risk is yours,

but the more risk is borne by the

portfolio manager,

and he does it a little more actively to  
give you more than higher average returns.

In case of a discretionary portfolio manager,  
the portfolio manager has an  
authority to decide off.

On your basis he decides what is good  
for you and what is bad for you,  
where you should invest on where you  
should not invest based on your objective.

In case of non-discretionary  
portfolio management,  
portfolio management manager  
is just an advisor.

and he wants you to take  
decisions and convey to him whether  
they are good or unprofitable.

That decision you have to  
take so it is always better.

That the portfolio manager  
specifies his role,

whether he has to do discretionary  
portfolio management that he decides  
or whether every time he needs  
to come back to the investor and  
ask them and ask them to advise  
about what needs to be done.

Thus portfolio management could be  
classified either as active or passive  
or either on the basis of decisions  
like discretionary or non discretionary.

Similar to portfolio management  
is the concept of 'wealth management'

Now what is wealth?

Wealth is different from portfolio.

Portfolio is your options of investment.

But wealth could take number of forms.

Well could be in form of money.

Well could be in form of assets.

Well could be in your

investments made somewhere.

Well it would also mean the

wealth of your own family.

It could also mean your estates and property.

It could also mean the.

Total stock what you have.

It could also mean tax management,

retirement management etc.

When a specialised firm takes care of your

investment advisory services and

gives you a advise not only for your

portfolio management but for real estate

planning for your financial planning.

For deciding financial goals for your family.

For discussing asset management,

for discussing your retirement planning,

This is an entire umbrella of services.

And which is much more broader.

And it covers all aspects of and personal



financial life of a person of an investor.

This is called as wealth management.

So wealth management is not only  
discussing dealing with your money,  
dealing with your assets,

it is also dealing with your real estate.

It is also making plans for you.

Also planning your taxes as well  
as making your retirement plans.

Now who require wealth management services?

Big corporations probably would need  
big industrial houses would need big.

What is the Hindu joint families like?

How you say Hindu undivided  
family is a type of organization.

They would need valid trust would  
need or someone who is HNIs, High  
Net worth Individual would need  
such kind of professional services.

There. All affluent classes.

Well the people who want to make

somebody else to manage their wealth

and achieve their growth objectives.

So this is done by the wealth

management firm.

Wealth management firm it does

not provide you only one service,

but did they give you a holistic service

and a single manager coordinates all

the services there are may be related

to money or maybe related to assets and

this is managed by them so therefore

they provide holistic services.

Event management also involves planning

for clients also for their families,

their current requirements,

as well as their future requirements,

and finally wealth management services

over also mean revising a set,

a location that means you've

already stayed invested.

We have already invested  
your investment plans,  
maybe have to be revised or reviewed from  
time to time based on the performances,  
this is done by wealth management firms.

Revision of asset allocation

and reviewing of performance.

Now we have seen what does  
the portfolio manager do?

We have seen what does a wealth manager do?

Portfolio manager manages your  
portfolio based on your objectives.

Wealth management is in broader  
concept in their manager wealth  
given your objectives but the  
determinants of both are the same.

First you need to ask your client what  
other specific requirements of the client.

What is he looking for?

What are his goals next?

Water is expected returns.

What are is what is the amount of risk?

But his appetite for risk,

whether he's risk averse or

whether it is a risk taker next,

what is tenure of investment?

Because higher that a near

higher would be the return.

Next,

how much would be the principal

and the security which should be

reinvested in the business again?

Next we need to ask him how much is this

liquidity requirement.

By liquidity requirement you mean how much

money he would like to keep with him as

liquid assets for his daily personal use?

Because higher the amount of liquid

iti lower would be his investment.

Lower would be his investment,

lower value would be is return.

The next thing is the timing of returns

meaning what should be the consistency?

When does he expect his principle as well as

his interest component to be received and.

Finally, tax planning,

but tax planning.

You mean managing your investments

in such a manner that you end up

paying less taxes to the government

and thereby make more sales?

No portfolio management or wealth

management will have some determined

steps and now we have to see

what are the seven steps first.

The portfolio manager should identify

the objectives of the investor.

What does he want?

How much does he is he expecting to earn?

What are the limitations where he  
want to invest ?.

So first is identification of investment  
objectives and his constraints.

Based on his investment objectives,  
the portfolio manager,  
all the wealth manager.

This would suggest what is the asset mix,  
meaning what should be the portfolio?

What should be the proportion?

What should be the composition of  
each type of asset in the portfolio?

Third,

based on the portfolio you must  
formulate a portfolio strategy.

What does portfolio strategy  
mean when to buy?

When I invent to sell,  
when to come out of the market,  
when to expect a higher return?

This is the portfolio strategy.

Portfolio strategy requires

a lot of exercise.

Of research of data mining,

number crunching and come up with a solution.

Next, very important security analysis.

Security analysis means constant measurement

of risk and return in order to optimize

the return and minimize the risk.

Next is strategy execution.

Once the strategy is decided for investment,

it has to be executed timely and

it has to be executed well within

a particular timeframe and results

must be delivered that is called

a strategy execution.

Implementation of investment strategy.

Next one is tax considerations.

While making a number of investments

and making resultant disinvestments

my disinvestments means coming

out of the market.

One has to see what would be

the implications on the taxes,

how much additional taxes would

have would be payable and where

will the money come?

Where is the liquid ity to pay

such kind of taxes so the specs,

considerations, tax exemptions,

saving of taxes?

All this must be in the mind of your

portfolio manager and wealth manager.

Last one is.

Constant evaluation of portfolio

and revision portfolio manager.

Once you cannot remain static,

his actions must be dynamic in nature.

You must constantly review his policy,



his strategy,

his execution methods,

and based on the changing conditions

changing environment.

The environment changes very very constantly,

so portfolio manager also has to

be very very flexible in terms

of evaluation of the portfolio.

And revising the portfolio

in order to deliver results.

So portfolio management process or

wealth management process isn't typical.

Seven point logical step by step

activity which needs to be considered.

To summarize, we know that portfolio

management services and individual

service which is provided to

client wealth management services,

also an individual service.

But wealth management is much broader

than portfolio management know who are  
the companies which provide portfolio  
and wealth management services in India.

We have Bajaj Capital which is  
doing wonderfully well Kotak  
Kotak wealth management firm.

There are new companies like  
that of Angel Broking Centrum.

There is a company called Avendus.

This laptop portfolio management as well  
as wealth management companies in India.

Since the investment or the  
wealth portfolio of the investor  
is customized personally.

Every particular HNI.

or an wealthy

client required requires a dedicated  
portfolio or invent manager.

the fees charged by portfolio services  
or wealth management services in

India currently are too high and probably this is one of the reasons why wealth management services and portfolio management services have not really picked up in this country.

Well,

this is about portfolio management and wealth management under our unit or view of financial services in India.