

# Frequently Asked Questions (Portfolio Management Services)

## Introduction to Samvitti Portfolio Management Services (PMS):

### 1. What is Samvitti's PMS all about?

Samvitti Portfolio Management Services (PMS) helps to build an investment portfolio for you in Indian listed stocks. This portfolio is professionally managed by us. Our endeavour is to build wealth for you while mitigating downside risk.

When you invest in the PMS, you own individual securities unlike a mutual fund investor, who owns units of the entire fund.

Samvitti Capital provides Investment Management Solutions in PMS, under the **Discretionary style**. - Under these services, the choice as well as the timings of the investment decisions rest solely with the Portfolio Manager.

### 2. Who can offer PMS?

PMS can be offered only by entities registered with SEBI for rendering portfolio management services. Currently in India PMS is offered primarily by asset management companies (AMCs) and brokerage houses. Samvitti Capital is an independent Investment manager and hence devoid any conflict of interests typically seen with broker managed PMS business. We also manage a SEBI registered AIF category III Equity Fund. We have registered with SEBI, the regulatory authority for securities market in India. Our PMS registration number is INP000004847.

### 3. Who can be a PMS investor?

The Investment solutions provided by a PMS generally caters to a niche segment of clients. The clients can be Individuals or Institutions generally with a high net worth. SEBI has mandated INR 50, 00,000/- (Fifty Lakhs only) as minimum capital investment for PMS.

## Account Opening Procedure:

### 4. Who can signup?

If you fall under any of the following categories, you are eligible to sign up:

- Individuals
- Hindu Undivided Families
- Association of Persons
- Partnership firms
- Limited Companies
- NRIs, Overseas companies, proprietary firms, societies, and overseas Trusts (subject to RBI approval).

### 5. How do I signup?

We need to sign the following documents for you to sign up:

1. DP Account with HDFC BANK , your PMS custodian. (This account will hold the shares we buy on your behalf)
2. Dedicated bank account with HDFC Bank is mandatory for NRI's and optional for others (This will be used for pay-ins, pay-outs and dividend credits)

- a) NRIs also need a Portfolio Investment Scheme (PIS) approval from RBI. The bank will help to procure the same. There can be only one active NRE PIS approval at a given time. For NRO accounts, multiple PIS accounts can be opened.
3. Client Agreement with Samvitti Capital along with a specific power of attorney for us to manage the account on your behalf (This contract will detail the fees, rights and obligations)
4. Trading account with a designated broker (Only required for NRIs)

#### **6. How do I introduce my initial corpus?**

Initial corpus can be brought into the Portfolio Management Service by way of Money transfer/cheque/DD and also by transfer of shares.

#### **7. Is the payment upfront?**

Yes the payment has to be made upfront. Minimum amount is INR 50,00,000/- .You can introduce additional amount subject to a minimum of Rs. 50,000/-

#### **8. Can I provide my existing shares instead of funds? If yes, then how will the scrip's be valued?**

Yes, you can transfer the shares. The basis of valuation will be closing price of the stocks on the preceding working day of stocks are being credited to PMS linked demat account.

### **Investment objectives, Performance review and Reporting:**

#### **12. Under which name will the investments be made?**

Under PMS all investments will be made in the name of the client, i.e. you. Though we will have different schemes under which investments will be categorised, Securities are held in your name in your demat account.

#### **13. Do you guarantee the initial corpus and any 'return' thereon?**

As per regulations governing Portfolio Management Services in India, returns cannot be guaranteed. We shall endeavour to outperform the benchmark indices like Sensex & Nifty but there can be no guarantee or certainty of the same. However we believe, over long term, managed equity portfolio performance will track corporate performance.

#### **14. What is the ideal time horizon for my investment?**

The ideal time horizon for an equity portfolio is at least 5 years, as equities are cyclical and returns are lumpy in nature. Our Portfolio management Schemes are designed from a long-term perspective and we will invest in accordance with the objectives of each Scheme.

#### **15. What is your investment philosophy?**

Our investment approach consists of combining three critical methods to add depth and insight to the standard investment analysis. The three methods of evaluation are qualitative (business model analysis), quantitative (financial strength), and price action (timing the buy/sell). This three pronged analysis provides a more thorough examination of market conditions and individual stocks for us to take optimum decisions for allocating your capital.

#### **16. At what frequency, can I see my portfolio, positions and transactions?**

You can check your portfolio valuation (delayed by a day) anytime using our mobile app. The top five holding of the portfolio will be updated in the app once a month. In addition, you get quarterly statements of transactions, holdings etc. If you need any additional information you can always mail to us at [investor-relations@samvitticapital.com](mailto:investor-relations@samvitticapital.com).

#### **17. What is the typical information provided in the reports?**

(a) The composition and the value of the portfolio, description of security, number of securities, value of each security held in the portfolio, cash balance and aggregate value of the portfolio as on the date of report.

(b) Transactions undertaken during the period of report including date of transaction and details of purchases and sales;

(c) Beneficial interest received during that period in respect of interest, dividend, bonus shares, rights shares and debentures;

(d) Fee charged and Expenses incurred in managing the portfolio of the client;

#### **18. Will the Contract Notes be available in physical form or online?**

No contract notes will be available for resident Clients. Detailed statement of accounts would be emailed at the end of the calendar quarter. Trades in PMS accounts is typically done through a pool account for operational efficiency and hence, you won't be getting a separate contract notes for the transactions made in your portfolio. However, NRI clients get contract notes from the broker.

#### **19. Is there any pre-decided percentage of amount which we will be compulsorily invested in equity shares at any given time?**

No, unlike Equity mutual funds there is no such fixed percentage which PMS Manager is mandated to stay invested in equity shares.

#### **20. Can I specify investments that I want or don't want to hold?**

No. Since we offer only Discretionary Portfolio management Services, the discretion to invest primarily lies with the Portfolio Manager.

#### **Fees and Charges;**

#### **21. What is the Fee Structure for PMS?**

The following charges will be applicable.

Samvitti Capital PMS offers the investors two options of Fee structure.

##### **Option 1: Fixed Fee Structure**

- The Management Fee shall be payable at 2.50% p.a. on Assets Under Management. The Management Fee shall be payable quarterly in arrears, calculated on the basis of the average value of the daily Assets Under Management for the previous quarter.
- Performance Fee shall not be charged to the Client Portfolio.

##### **Option 2: Variable Fee Structure**

- Asset Management Fees: 1.50% p.a. paid on quarterly basis charged on the avg. AUM of the portfolio.

- Portfolio manager will charge a performance fee on the portion of Assets under Management which has outperformed in excess to 10% of the capital contribution for any given year, net of other charges on high watermark principal.

#### Other charges applicable under both the Options of Fee structure

- Brokerage: Actual as charged by the Broker. For the benefit of our investors, we deal primarily with discount brokers which charge very low brokerages when compared to regular brokers. Also other expenses like custodian fees, audit fees and statutory charges as charged to every transaction and DP charges charged by the depository Participant are also charged on actual basis.
- Actual charges charged by Depository Participant towards AMC of Demat account and transactions charges.
- Documentation Charges based on actual expenses incurred for account opening typically ~ INR 5000/-.
- Management fees are chargeable on daily average Market Value at the end of every quarter or withdrawal of fund whichever is earlier. (Please refer the product brochure/fee schedule for complete bifurcation of charges)

All applicable taxes (including Goods and Services tax) and levies, if any (together with surcharge and additional surcharge, as may be applicable) leviable on such Fee, shall be charged to the Client Portfolio.

## 22. What is variable fee or performance fee?

Performance fee is charged at 20% of the profits over and above the hurdle rate of 10% ROI. 10% is called the hurdle rate in the agreement. The detailed calculation with illustration will be provided to you in a separate annexure along with the client agreement. Performance fee for subsequent years will be payable only on the gains, made during the year, over and above the High water mark as at start of the year. High water mark is the highest year-end Fair Market Value of the Portfolio (after payment of all fees and expenses) since Portfolio Commencement Date. Our relationship manager will explain it to you in detail, the basis of this calculation and the manner in which it will be charged to you.

One illustration where Portfolio has generated ROI of 20% in first year is given below for your understanding.

Illustration		
	Amount in Rs	Amount in Rs
Capital Contribution (a)	50,00,000	
Less: Documentation charges (b)	5,000	
Assets under Management (c) = (a-b)		49,95,000
Add: Profit on investment during the year @ 20% on assets under management (d)		9,99,000
Gross Value of Portfolio at the end of the year (c + d)		59,94,000
Less: Brokerage/ DP Charges/ transaction charges including Statutory Levies (1% approx.)	49,950	
(e.g. 1% of Rs. 49,95,000/-) (e)		
Less: Management Fees (e.g. 1.50% of Rs.59,94,000/-) (f)	89,910	
Total Charges during the year (e + f)		1,39,860
Value of the portfolio at the end of the year before performance fees		
		<b>58,54,140</b>
Less: Performance Fees ( @ 20% of Rs. 174140 working given below) (g)		70,828
Net Value of portfolio after performance fees		<b>57,83,312</b>

% change over capital contributed before performance fee		
		<b>17.08%</b>
% change over capital contributed after performance fees		<b>15.66%</b>

Calculation Of Performance Fees for above (g)		
Serial	Nature of Fees	Amount in Rs.
A	Profit for the year	9,94,000
B	Expenses for the year	1,39,860
C	Profit for the year (Net Profit after all expenses)	8,54,140
D	<b>Less:</b> Minimum profit level (Hurdle Rate @ 10% on 'Asset under management)	5,00,000
E	Amount on which Profit Sharing Fees to be Calculated (C – D)	3,54,140
<b>F</b>	<b>Performance Fees (@ 20% of E)</b>	<b>70,828</b>

GST at applicable rates will be charged on all fees and levies.

### Redemptions and Exit:

#### 23. Can I withdraw my profits anytime?

You can withdraw your profits as well as capital investment as & when you want, provided you maintain the minimum ticket size. Exit charges for the period agreed would be applicable. You need to give us a notice at least 30 days prior to your desired redemption date. You can terminate from PMS at any time by giving us 30 days prior notice.

#### 24. Does the Portfolio Management Service have any lock-in period?

The Portfolio Management Service has no lock-in period. However, exit load will be charged at maximum of 3% of the AUM if you redeem your investment before the completion of one year, 2% of AUM if redeemed in Second year and 1% if redeemed in Third year. Thereafter No exit load will be charged on any redemptions.

### Taxes:

#### 25. What are the tax implications of investments in PMS?

Under the Portfolio Management Scheme, each transaction will be considered as an independent trade and capital gains will be applied on each depending upon whether the relevant stock was held long term or short term. Presently 15% tax is chargeable for Short Term Capital gains, where profits are realized before 365 days from the date of purchase. Long term Capital Gain tax is 10% with effect from 1<sup>st</sup> February 2018 for any gains made over and above Rs 1,00,000/-. However, all gains up to 31st January, 2018 will be grandfathered. The STT charges will also apply. You will have the onus of declaring and filing the returns on income generated in the PMS. We will provide the detailed capital gains report and any other information as needed to you or your CA.

### Safety of the Securities and Grievance redressal:

#### 26. How safe are my securities under the Portfolio Management Service?

Samvitti Capital has appointed HDFC Bank as the Custodian for all PMS Accounts. This ensures complete safety as the stock ownership always rests with the client and HDFC Bank custodial services oversee the cash and stock positions on behalf of the client.

## 27. How can I redress any complaints that I may have?

Investors would find the **name, address and telephone number of the investor relation officer** of the portfolio manager who attends to the investor queries and complaints, in the Disclosure Document. The grievance redressal and dispute mechanism is also mentioned in the Disclosure Document. Investors can also approach SEBI for redressal of their complaints if they are not answered by Investor relations manager satisfactorily. On receipt of complaints, SEBI takes up the matter with the concerned portfolio manager and Follows up with them.