

CONTENTS

PAGE

Foreword *I-3*

Acknowledgement *I-5*

About NISM Certifications *I-7*

About the Certification Examination for Portfolio Management Service Distributors *I-9*

Syllabus Outline and Weightages *I-17*

CHAPTER 1

INVESTMENTS

1.1 What is Investment? *1*

1.2 Investment versus Speculation *3*

1.3 Investment Objectives *3*

1.4 Estimating the required rate of return *5*

1.5 Types of Investments *10*

1.6 Channels for making investments *16*

CHAPTER 2

INTRODUCTION TO SECURITIES MARKETS

2.1 Securities Market *21*

2.2 Primary and Secondary Market *23*

2.3 Market Participants and their Activities *29*

PAGE

CHAPTER 3
INVESTING IN STOCKS

3.1	Equity as an Investment	*37*
3.2	Diversification of Risk through Equity Instruments	*38*
3.3	Risks of Equity Investments	*39*
3.4	Overview of Equity Market	*41*
3.5	Equity Research and Stock Selection	*43*
3.6	Technical Analysis	*64*
3.7	Understanding Corporate Governance	*68*

CHAPTER 4
INVESTING IN FIXED INCOME SECURITIES

4.1	Overview of Fixed Income Securities	*71*
4.2	Bond Characteristics	*72*
4.3	Determinants of Bond Safety	*76*
4.4	Valuation of Bonds	*79*
4.5	Measuring Price Volatility of Bonds	*87*

CHAPTER 5
DERIVATIVES

5.1	Definition of Derivatives	*95*
5.2	Types of Derivative Products	*96*
5.3	Structure of Derivative Markets	*101*
5.4	Purpose of Derivatives	*102*
5.5	Commodity and Currency Futures and Options	*103*
5.6	Underlying Concepts in Derivatives	*106*
5.7	Investment in Derivatives in PMS	*108*

PAGE

CHAPTER 6

MUTUAL FUND

6.1	Concept and Role of Mutual Fund	*111*
6.2	Benefits of Investing through Mutual Funds	*112*
6.3	Legal Structure of Mutual Fund in India	*114*
6.4	Working of Mutual Funds	*115*
6.5	Types of Mutual Fund Products	*118*
6.6	Processes of Investing in Mutual Funds	*120*
6.7	Legal and Regulatory Framework – Key SEBI Regulation	*122*
6.8	Fact Sheet – Scheme Related Information	*123*
6.9	Net Asset Value, Total Expense Ratio, Pricing of Units	*124*
6.10	Mutual Fund Scheme Performance	*125*
6.11	Key Performance Measures	*125*

CHAPTER 7

ROLE OF PORTFOLIO MANAGERS

7.1	Overview of Portfolio Managers in India	*129*
7.2	Types of Portfolio Management Services	*130*
7.3	Organizational Structure of PMS in India	*131*
7.4	Registration Requirements of a Portfolio Manager	*132*
7.5	General Responsibilities of a Portfolio Manager	*138*
7.6	Administration of Investor's Portfolio	*139*

CHAPTER 8

OPERATIONAL ASPECTS OF PORTFOLIO MANAGERS

8.1	Entities which can Invest in PMS	*147*
8.2	Disclosures to the Prospective Clients	*148*

PAGE

8.3 Process of On-boarding of Clients *156*
8.4 Direct On-boarding in PMS *162*
8.5 Liability in Case of Default *163*
8.6 Redressal of Investors Grievances *163*
8.7 Disclosures to the Regulator *165*
8.8 Costs, Expenses and Fees of Investing in PMS *166*

CHAPTER 9

PORTFOLIO MANAGEMENT PROCESS

9.1 Importance of Asset Allocation Decision *173*
9.2 Understanding Correlation Across Asset Classes and Securities *174*
9.3 Steps in Portfolio Management Process *175*
9.4 Asset Allocation Decision *187*
9.5 Strategic *versus* Tactical Asset Allocation *188*
9.6 Rebalancing of Portfolio *189*

CHAPTER 10

PERFORMANCE MEASUREMENT AND EVALUATION OF PORTFOLIO MANAGERS

10.1 Parameters to Define Performance – Risk and Return *193*
10.2 Rate of Return Measures *193*
10.3 Risk Measures *209*
10.4 Risk-adjusted Return *212*
10.5 Performance Evaluation: Benchmarking and Peer Group Analysis *216*
10.6 Performance Attribution Analysis *218*
10.7 Performance Reporting to the Investor *220*
10.8 Valuation of Securities by Portfolio Managers *221*

PAGE

10.9 Due Diligence and Portfolio Manager Selection *222*
10.10 Global Investment Performance Standards (GIPS®) *222*
10.11 GIPS Advertisement Guidelines *223*

CHAPTER 11
TAXATION

11.1 Taxation of Investors *227*
11.2 Taxation of Various Streams of Income *235*
11.3 Section 9A of ITA *240*

CHAPTER 12
REGULATORY, GOVERNANCE AND ETHICAL ASPECTS OF PORTFOLIO MANAGERS

12.1 Prevention of Money Laundering Act, 2002 *245*
12.2 SEBI (Prohibition of Insider Trading) Regulations, 2015 *248*
12.3 SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 *252*
12.4 SEBI (Portfolio Managers) Regulations, 2020 *253*
12.5 Best Practices for Portfolio Managers *264*
12.6 Investor Charter for Portfolio Management Services *266*
Sample Case Study Questions 269