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Market Watch

# India's PMS industry delivering abysmal returns! Here is why

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There is no easy way to say this. The portfolio management services industry is in a shambles. No, it's broken! It's a tale of promise belied, hopes shattered. The industry was born on the promise of superior performance -- superior to [mutual funds](#), that is.

But what does the data say? The industry performance has been disgraceful, to say the least! We have given a table hereunder that shows you in crystal clear light, how poorly the industry has performed.

Whether you take three months, year to date, one year and three years. The returns (if one can even call them that) have been worse than putting money under the mattress. All PMS schemes are down on a three-month, year-to-date and one-year basis. Only a couple are marginally positive even on a three-year basis.

It's instructive to see what explains this terrible set of [performance numbers](#).

Our analysis shows:-

## 1. Extremely poor/ non-existent risk management

Nobody seems to have heard of any concept called 'stop losses'. It's just "it's a great story at Rs 4,000. It's very attractive at Rs 3,000. It's a no-brainer at Rs 2,000." Dude, you (or rather your clients) are down 50% and you are calling it a no-brainer?

## 2. Overly concentrated exposures in a handful of stocks

Many, if not all, had exposures to a handful of stocks. Usually financials and/or FMCGs. Both sectors have been hit at different points this year.

Concentrated portfolios may be a reasonable way to manage personal money, but absolutely no way to manage other people's money. In fact, it's downright irresponsible fund management. Nothing less.

## 3. Very poor analysis of business environment

How could anybody sensible be having 40-60 per cent in financials in February when it had become absolutely clear that the Indian economy was going to get into some degree of stress. Even a B Com student knows that in any economic stress, banks and shadow banks take the biggest beating. Always.

## 4. An irrational, child-like 'storification' of investing

'ABC Paints can grow perennially, irrespective of the economic environment'; 'XYZ Bank will continue growing irrespective of industry stress', 'This business is recession-proof', blah blah. As if valuations don't matter. Investing, unfortunately, is all about data. Not fairy tales. One can't manage external money based on stories and tales. Let's leave something for kids.

Big Change:

The end of Five-Year Plans: All you need to know

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Fund/Schemes	Mar'20	Apr'20	3M	YTD	1Y	3Y	5Y
<b>ASK PMS Schemes</b>							
ASK Indian Entrepreneur Portfolio (IEP)	-25.2%	11.1%	-18.70%	-15.6%	-8.60%	3.40%	7.40%
ASK India Select Portfolio (ISP)	-23.5%	11.2%	-16.40%	-14.9%	-6.00%	1.50%	7.10%
ASK Growth Strategy	NA	11.6%	-15.10%	NA	-4.30%	2.90%	9.30%
<b>Motilal Oswal PMS Schemes</b>							
Motilal Oswal NTDOP	-25.7%	9.4%	-22.18%	-21.4%	-17.36%	-2.96%	6.36%
Motilal Oswal IOP 1	-34.9%	10.1%	-31.03%	-22.0%	-27.89%	-14.27%	0.54%
Motilal Oswal Value Portfolio	-26.5%	14.9%	-20.43%	-20.6%	-8.43%	0.50%	3.41%
Motilal Oswal BOP	-23.2%	10.9%	-19.26%	-17.8%	-6.64%	NA	NA
Motilal Oswal IOP 2	-30.3%	16.3%	-26.49%	-20.6%	-24.89%	-	-
Motilal Focused Midcap		14.6%	-11.5%	14.6%			
<b>Alchemy PMS Schemes</b>							
Alchemy Select Stock	-31.2%	9.3%	-26.50%	-25.6%	-24.90%	-2.60%	5.30%
Alchemy High Growth	-28.3%	7.9%	-25.90%	-24.5%	-26.10%	-6.30%	3.10%
Alchemy Leaders	-21.8%	10.4%	-20.10%	-14.9%	-22.20%	-	-
<b>Aditya Birla Capital/Money PMS Schemes</b>							
Aditya Birla Capital CEP	-25.4%	12.5%	-20.46%	-20.3%	-13.71%	-6.52%	3.28%
Aditya Birla Capital SSP	-27.9%	11.0%	-23.89%	-21.6%	-19.33%	-8.86%	2.40%
Aditya Birla Capital Innovation	-22.7%	16.2%	-12.08%	-9.6%	-0.27%	-	-
Aditya Birla Capital India Special Opp	-22.7%	11.6%	-15.11%	-11.9%	-3.95%	-	-
Aditya Birla Capital Top 200 Core Equity	-22.9%	14.9%	-13.31%	-12.6%	-3.42%	5.04%	-
Aditya Birla Money Core & Satellite	-26.7%	11.9%	-20.89%	-16.3%	-11.97%	-2.56%	NA
Aditya Birla Money India Consumption	-22.0%	7.4%	-18.81%	-17.2%	-11.69%	NA	NA
<b>Axis PMS Schemes</b>							
Axis Brand Equity	-22.1%	9.3%	-17.58%	-16.5%	-5.63%	5.62%	-
Axis core and satellite	-21.3%	9.7%	-13.71%	-15.8%			
<b>Marcellus PMS Schemes</b>							
Marcellus Consistent Compounders	-15.9%	8.5%	-10.10%	-5.4%	16.60%	-	-
Marcellus Little Champs	-26.1%	17.4%	-9.80%	NA	-	-	-
<b>AccuraCap PMS Schemes</b>							
Accuracap Alpha10	-16.6%	10.7%	-8.47%	-7.8%	-2.13%	6.50%	8.31%
Accuracap PicoPower	-26.8%	13.4%	-18.15%	-11.1%	-14.71%	-7.27%	2.12%
Accuracap Alphagen	-20.2%	13.0%	-11.50%	-10.4%	-7.54%	0.17%	-
<b>SageOne Investment Advisors PMS Schemes</b>							
SageOne Core Portfolio	NA	14.2%	-20.60%	NA	-12.70%	-2.20%	5.20%
SageOne Diversified Portfolio	NA	14.0%	-21.30%	NA	-16.60%	-1.50%	-
SageOne Small Microcap Portfolio	NA	14.4%	-14.00%	NA	-3.60%	-	-
<b>Ambit PMS Schemes</b>							
Ambit Coffee CAN	-13.3%	8.2%	-10.30%	-6.1%	10.70%	-	-
Ambit Good and Clean	-27.7%	18.8%	-13.60%	-12.8%	-0.80%	-	-
Ambit Emerging Giants	-27.4%	13.4%	-20.30%	-8.1%	-12.60%	3.80%	-
<b>AlfaAccurate PMS Schemes</b>							
AlfaAccurate AAA IOP/AAA PMS	-24.7%	12.8%	-17.5%	-14.0%	-11.8%	-1.2%	6.5%
AlfaAccurate AAA Focus Plan		12.8%	-16.5%	16.3%	-8.1%	0.9%	6.8%
Solidarity Advisors Prudence	-28.1%	NA	-25.6%	-28.2%	-15.6%	2.4%	NA
<b>NJ Advisory PMS Schemes</b>							
NJ Advisory Blue-chip	-15.5%	11.6%	-7.21%	-5.1%	-3.09%	-	-
NJ Advisory Dynamic ETF	-11.6%		-13.4%	-13.4%	-10.2%	NA	NA
NJ Advisory Freedom ETF	-22.7%		-26.8%	-26.8%	-26.2%	NA	NA
2Point2 Long Term Value Fund	-33.0%	14.8%	-25.40%	-19.4%	-12.20%	4.40%	-
White OAK India Pioneers Equity	-22.5%	12.4%	-15.00%	-8.2%	-3.00%	-	-
Dalal & Broacha Long Term Growth	-24.6%	13.6%	-17.52%	-13.0%	-1.15%	1.63%	4.46%
Basant Maheshwari Equity Fund	-30.4%	3.2%	-27.63%	-25.2%	-11.04%		
<b>O3 Core</b>							
O3 Core Value Regular	-20.5%	12.5%	-16.61%	-17.2%	-	-	-
O3 Core Value Concentrated	-19.2%	11.4%	-15.11%	-16.6%	-13.33%	-	-
<b>Edelweiss</b>							
Edelweiss Focused Small-cap	-28.4%	14.0%	-21.50%	-14.9%	-18.90%	-11.10%	
<b>Edelweiss Rubik Equity</b>							
Portfolio Multicap	NA	NA	0.0%	NA	-5.4%	-	-
NSE 500 Index	-24.0%	14.5%	-18.9%	-18.5%	-16.0%	0.4%	4.8%
NIFTY 50 Index	-23.2%	14.7%	-18.1%	-19.0%	-16.1%	2.0%	3.8%

A broad analysis of PMS performance of major PMS companies

### **Last 3-month performance**

- The three-month returns of almost all PMS schemes are massively negative in the -10% to -30% range.

### **YTD performance**

- The year-to-date returns of most schemes are negative, in the -12% to -25% range. Only a couple of schemes are down -6% to -12%. None is up.

### **1-year performance**

- The one-year returns of most of them are negative in the -1% to -28% range.

### **3-year performance**

- The three-year **CAGR** returns of most schemes are negative in the -2% to -14% range, while for some it is in the low 2-3% range.

### **5-year performance**

- The five-year CAGR returns of the ones that have reported their performance are very low. Just one is a '*andhon mein kaana raja*' level of 7-9% CAGR. The rest are 1-5% CAGR.

What's wrong with the lowly bank fixed deposits, if this is what you are going to get?

### **PMS providers need to introspect**

The above is nothing, but the data talking. And what it's saying is that all PMS managers have demonstrated zero ability to deliver reasonable returns or manage risk. The industry has simply spun a series of nice stories with zero backing of data, rational thought or even common sense.

Does this sound harsh? Sure, it does. But the performance data is harsher. Isn't it? In this game, you can't fail at both - return generation and risk management - and call yourself a fund manager.

*(Shankar Sharma and Devina Mehra are Founders of First Global, a Global Investment Management & Securities Company. Views are their own)*

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