



APMI/2022-23/02

DATE: 23rd March,2023

To,

All Portfolio Managers registered with SEBI

Dear Sir / Madam,

Subject: Performance Benchmarking and Reporting of Performance by Portfolio Managers

1. SEBI, vide circular SEBI/HO/IMD/IMD-PoD-2/P/CIR/2022/172 dated December 16, 2022 (“**B&V Circular**”) specified various modalities related to performance benchmarking, valuation of securities and reporting of performance by the Portfolio Managers.
2. This APMI Circular addresses the performance benchmarking and reporting related compliance requirements that the Portfolio Managers need to follow with effect from April 1, 2023.
3. Under the B&V Circular, SEBI mandated APMI to prescribe a maximum of three benchmarks for each strategy, i.e. (Equity, Debt, Hybrid & Multi Asset). While tagging an investment approach (IA) to a particular Strategy, the Portfolio Manager shall select one benchmark from those prescribed for that Strategy to enable the investor to evaluate relative performance of the Portfolio Managers. Please refer to Paragraph 2.3 of the B&V Circular.
4. Reference to Paragraph 2.3 of the B&V Circular, APMI has prescribed the benchmarks for each strategy which have been detailed in **Annexure 1**.
5. Annexure 1 also provides the rationale for the selection of benchmarks basis the extensive consultations and feedback received from the industry. As stated in the B&V Circular, the portfolio managers must choose one benchmark from those prescribed for that strategy to enable the investor to evaluate relative performance of the Portfolio Managers.
6. The comparative quotes from the Benchmark providers are also presented in Annexure 1
7. APMI is in the process of enhancing its website where portfolio managers need to submit the monthly reports in addition to submitting such reports with SEBI. APMI shall also make available relative performance of each investment approach within the strategy to concerned portfolio manager through its website and also disclose the same on its website- We will be sending you a further communication on this.
8. The above Circular along with SEBI’s B&V Circular shall be applicable to all portfolio managers with effect from April 1, 2023. The first reporting under the B&V Circular shall be due in May 2023.



9. This circular is issued as per the instructions of SEBI as included in the B&V Circular and SEBI's letter to APMI dated 16th December'2022.

Yours Sincerely

Rashim Bagga
Principal Officer- Association of Portfolio Managers of India

Encl: Annexure 1



Annexure 1

Strategy	Benchmark 1	Benchmark 2	Benchmark 3
Equity	Nifty 50	S&P BSE Sensex 30	MSEI SX 40
Debt	Nifty Medium to Long Duration Debt Index	CRISIL Credit Index \$ Composition: 33%: AA+/AA 17%: AA- 50%: A+/A/A- with a 2-2.5-year duration	CRISIL Composite Bond Fund Index
Hybrid	Nifty 50 Hybrid Composite Debt 50:50 Index	BSE S&P Hybrid \$ Composition: 50%: BSE 500 Index & 50%: S&P BSE Arbitrage Rate Index	Crisil Hybrid 50+50 Moderate Index
Multi-Asset	NSE Multi Asset Index 1 \$ Composition: 50%: Nifty 500 40%: Nifty 50 Arbitrage Index 10%: REIT & INVIT	NSE Multi Asset Index 2 \$ Composition: 50%: NIFTY 500 20%: NIFTY Medium Duration Index 20%: NIFTY Arbitrage index 10%: INVIT/REIT	Crisil Multi Asset Index 3 \$ ** Composition: 50%: S&P BSE 500 20%: S&P BSE Arbitrage Rate Index 20%: Gold 10%: REIT & INVIT

\$ These are customised indices and have a pre-defined time line for construction.

**CRISIL will provide the composite benchmark including S&P BSE 500.

NOTE: All equity indices are TRI.

A. Comparative table of quotes

	NSE	S&P BSE	MSEI	CRISIL
No. of Benchmark	Annual Fees (Rs.)	Annual Fees (Rs.)	Annual Fees (Rs.)	Annual Fees (Rs.)
01	1,55,000 p.a.	1,50,000 p.a.	Nil for FY 23-24	Rs. 1,10,000 & Rs. 1,25,000 p.a.

Please refer to the following links for commercial proposals along with detailed terms and conditions.

1. NSE: <https://tinyurl.com/yu439upb>
2. S&P BSE: <https://tinyurl.com/2p96h6pj>
3. Crisil: <https://tinyurl.com/mr7dm8y6>



B. Rationale for selecting the benchmarks

Strategy 1: EQUITY

Discussions:

APMI Benchmarking & Valuation Committee considered the feedback received from the portfolio managers, feedback received during consultation with SEBI, inputs received during the group meetings with the portfolio managers, industry data of existing benchmarks, data received from SEBI, feedback collected through the personal meetings with the portfolio managers and the benchmarking data from the MF Industry and concluded that there are 4 broad methodologies for classifying and selecting the benchmark:

- Market Cap Based
- Style / Factor Based
- Theme Based
- Sector Based

Given that the current task is to select only three 3 benchmarks under the “Strategy- Equity” as defined by SEBI, the committee concluded that given the work-flow, spectrum & the universe of data analysed, a **Market Cap Based Methodology** is the most appropriate method for shortlisting the three benchmarks under the “Strategy- Equity”.

Following are the three (3) benchmarks which APMI is prescribing for the Strategy- Equity as defined in the SEBI Circular dated 16th Dec’22.

1. Nifty 50
2. S&P BSE Sensex 30
3. MSCI India

Strategy 2: DEBT

This has background to the current size of the Debt AUM in the PMS Industry, the future that is envisaged & the current space which the industry participants are exploring.

Following are the three (3) benchmarks which APMI is prescribing for the Strategy-Debt as defined in the SEBI Circular dated 16th Dec’22.

1. Nifty Medium to Long Duration Debt Index
2. CRISIL Credit Index \$
 - **Composition:**
 - 33%: AA+/AA,
 - 17%: AA-,
 - 50%: A+/A/A- with a 2-2.5-year duration
3. CRISIL Composite Bond Fund Index



Strategy 3: HYBRID

Following are the three (3) benchmarks which the APMI is prescribing for the Strategy-Hybrid as defined in the SEBI Circular dated 16th Dec'22.

1. Nifty 50 Hybrid Composite Debt 50:50 Index
2. BSE S&P \$
 - **Composition:**
 - 50%: BSE 500 Index &
 - 50%: S&P BSE Arbitrage Rate Index
3. Crisil Hybrid 50+50 Moderate Index

Strategy 4: MULTI ASSET

Following are the three (3) benchmarks which the APMI is prescribing for the Strategy-Multi Asset as defined in the SEBI Circular dated 16th Dec'22.

1. NSE Multi Asset Index 1 \$
 - **Composition:**
 - 50%: Nifty 500
 - 40%: Nifty 50 Arbitrage Index
 - 10%: REIT & INVIT
2. NSE Multi Asset Index 2 \$
 - **Composition:**
 - 50%: NIFTY 500
 - 20%: NIFTY Medium Duration Index,
 - 20%: NIFTY Arbitrage index,
 - 10%: INVIT/REIT
3. Crisil Multi Asset Index 3 \$ **
 - **Composition:**
 - 50%: S&P BSE 500
 - 20%: S&P BSE Arbitrage Rate Index
 - 20%: Gold
 - 10%: REIT & INVIT

\$ These are customised indices and have a pre-defined time line for construction.

******CRISIL will provide the composite benchmark including S&P BSE 500.

Note: All equity indices are TRI.