



# IIFL Wealth Management Limited

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## **FIRM BROCHURE (Part 2A of Form ADV)**

This brochure provides information about the qualifications and business practices of IIFL Wealth Management Limited. If you have any questions about the contents of this brochure, please contact at +91 022 3958 5600 and/or via email at [investordesk@iiflw.com](mailto:investordesk@iiflw.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about IIFL Wealth Management Limited also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser registered with the SEC does not imply a certain level of skill or training.

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**July 12, 2019**

## **Item 2. Material Changes**

This *Material Changes* section of the Brochure will be updated annually or sooner if any material change(s) occurs to this initial Form ADV Part 2A (the “Brochure”) and any subsequent release of this Brochure.

### **Item 3. Table of Contents**

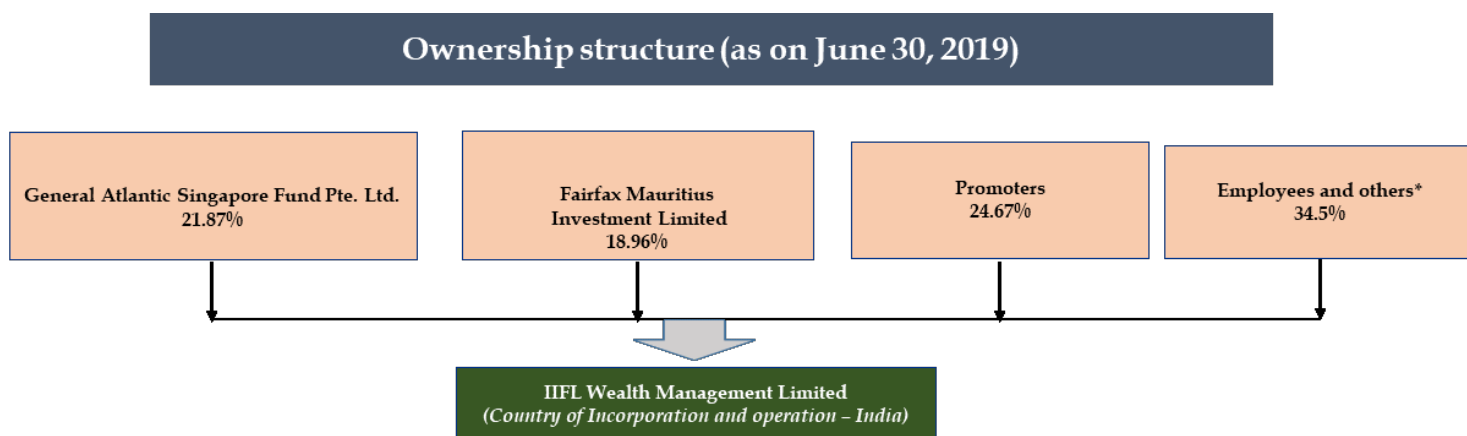
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## Item 4. Advisory Business

### A. Introduction

IIFL Wealth Management Limited (IIFL Wealth / IIFLW) is one of the fastest growing private wealth management firms in India. IIFLW serves the highly specialized and sophisticated needs of high net worth and ultra-high net worth individuals, affluent families, family offices and institutional clients through a comprehensive range of tailored wealth management solutions.

IIFL Wealth is engaged in a vast area of services and holds various licences. IIFL Wealth is registered with Securities and Exchange Board of India (SEBI) as Portfolio Manager, Investment Advisor, Research Analyst, Stock Broker and Depository Participant. Additionally, IIFL Wealth also acts distributor to various third party products.



**\*Note: Excludes promoter employees**

### B. Advisory Services

IIFLW offers a range of investment related services to its clients including but not limited to the following:

#### 1. Non-Discretionary Advisory Services

Under this arrangement, IIFLW shall for consideration provide non-binding investment advice relating to purchase, sale or otherwise dealing in securities and advice on investment to clients or other person or group of persons.

The primary role of IIFLW is to understand the client's investment objectives and risk appetite and based on same, recommend a well-diversified multi-asset-class portfolio comprised of equity and debt mutual funds, stocks, bonds, Alternative investment funds in line with broader asset allocation mix and other portfolio

guidelines agreed with the client. A rigorous due-diligence is conducted before advising on various instruments.

## 2. Portfolio Management Services

- a) Discretionary Portfolio Management Services – IIFLW exercises discretion on the investments undertaken in the portfolio of securities or funds of a client pursuant to an agreement.
- b) Non-Discretionary Portfolio Management Services – under this arrangement IIFLW advises the clients in accordance with the discretion and objective specified by the Client. Execution is based on the discretion of the Client.

The primary role of IIFLW under the portfolio management services, is to understand the client's investment objectives and risk appetite and based on same, recommend a well-diversified multi-asset-class portfolio comprised of equity and debt mutual funds, stocks, bonds, Alternative investment funds etc. in line with broader asset allocation mix and other portfolio guidelines agreed with the client. The portfolio may be customized for each client. Portfolio manager conducts rigorous due-diligence on instruments before recommending it for purchase in client portfolios

## C. **Restrictions for investments in securities or types of securities**

Under Portfolio Management Services and Advisory Services, IIFLW shall provide investment advice to clients in accordance with the investment objective, guidelines and restrictions specified in the investment mandate selected by the client.

Further, clients may provide restrictions on investing in certain types of securities, and such restriction shall be adhered to at the time of providing investment advice.

## D. **Wrap fee program**

IIFLW does not participate in a wrap fee program.

## E. **Asset under Management**

The Assets under Management under various services as on December 31, 2018 is stated here below:

<b>Assets under Management</b>	<b>Amount in USD Million</b>
Discretionary (Portfolio Management Services)	271.94
Non-Discretionary (Portfolio Management Services)	57.45
Non-Discretionary Advisory	7.32
<b>Total</b>	<b>336.72</b>

## **Item 5. Fees and Compensation**

Fees and charges provided under Portfolio Management Services and Advisory Services are specified in the Client Agreement executed with each client. Fees may vary depending upon complexity, investment objective, geographical location, services offered, account relationship etc. IIFLW shall charge fees including but not limited to performance fees, asset-based fees or combination of performance based or asset based fees in line with the applicable regulations. Depending on the agreement, the fees may be paid directly by the client or deducted from assets under management.

In case of Non-Discretionary Advisory Services, IIFLW does not intend to provide accounting or custody related services. Each non-discretionary advisory client may designate or appoint its own custodian or fund administrator at its own cost. Under such circumstance, the Client shall arrange to send or cause its custodian / fund administrator to send a portfolio statement as per defined cycle in the agreement to enable IIFLW to review and calculate advisory fees.

In limited instances, client may be required to pay fees in advance. Under such circumstance subject to agreed terms in the agreement with the client, unearned fees, if any paid in advance shall be refunded to the client. To the extent the fees have been earned but not yet billed, such fees will be pro-rated and paid by the client upon termination.

Compensation of IIFLW personnel engaged in investment advisory or portfolio management is not linked to sale of securities or investment products to its clients. Under Non-Discretionary Advisory Services, the clients have an option to purchase investment products that are recommended by IIFLW from any other brokers, agents or distributors which are not affiliated with IIFLW.

## **Item 6. Performance Based Fees and Side by Side Management**

IIFLW may provide advice to one or more clients that are charged performance based fees. Further, IIFLW also provides advisory services to clients where they may be charged either a performance based or an asset based fee.

Side by Side management by the Supervised Persons of IIFLW who provide investment advisory services to one or more clients may raise potential conflicts of interest, including those associated with any difference in fees structure as well as other pecuniary and investment interest that IIFLW or its Supervised Persons may have in the account managed by IIFLW.

## **Item 7. Types of Clients**

IIFLW provides discretionary and non-discretionary services to various types of clients including but not limited to institutions, family offices, business trusts, pooled investment vehicles, investment companies, institutional and retail investors in and/or outside the United States. IIFLW shall seek to provide such services to clients who seek to invest in India.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

**Investment process:**

- 1. Non-discretionary advisory:** Under this service, IIFLW is engaged in providing non-binding investment advisory services. The following investment process is followed while providing non-discretionary advisory services:

01

### Portfolio Guideline **CREATION**

Investment Advisor discusses with investor and strives to understand his

1. Risk/return expectations
2. Tax and domicile status
3. Liquidity requirements

Based on above, Investment advisor proposes and post joint consultation, prepares Portfolio Guideline defining

1. Asset allocation
2. Liquidity requirements
3. Guardrails: Concentration and Portfolio Attributes

02

### Product **RECOMMENDATION**

1. Investment advisor presents investment strategy ensuring product fitment as per Portfolio Guideline, keeping in mind market outlook
2. Final plan for execution is prepared incorporating client's feedback.
3. Client is free to execute the final plan with any broker and typically shares details of executed trades with advisor for reconciliation and review

- 2. Non-discretionary Portfolio Management Services (PMS):** The objective is to build a diversified multi-asset-class portfolio comprised of equity and debt mutual funds, stocks, bonds, Alternative investment funds etc. in line with broader asset allocation mix and other portfolio guidelines agreed with the client. Accordingly the following investment management process is followed for non-discretionary PMS:

01

## Portfolio Guideline CREATION

Portfolio manager discusses with investor and strives to understand his

1. Risk/return expectations
2. Tax and domicile status
3. Liquidity requirements

Based on above, Portfolio manager proposes and post joint consultation, prepares Portfolio Guideline defining

1. Asset allocation
2. Liquidity requirements
3. Guardrails: Concentration and Portfolio Attributes

02

## Product RECOMMENDATION

1. Portfolio manager presents investment strategy ensuring product fitment as per Portfolio Guideline, keeping in mind market outlook
2. Final plan for execution is prepared incorporating client's feedback.
3. Portfolio manager executes final plan with client's consent.

- 3. Discretionary PMS:** The objective is to build a diversified multi-asset-class portfolio comprised of equity and debt mutual funds, stocks, bonds, units of Alternative investment funds in line with broader asset allocation mix and other portfolio guidelines agreed with the client. The following investment management process is followed for Discretionary PMS:

01

## Portfolio Guideline CREATION

Portfolio manager discusses with client and strives to understand his

1. Risk/return expectations
2. Tax and domicile status
3. Liquidity requirements

Based on above and joint consultation, Portfolio manager prepares Portfolio Guideline defining

1. Asset allocation
2. Liquidity requirements
3. Guardrails: Concentration and Portfolio Attributes

02

## Product SELECTION

1. Portfolio manager devises investment strategy keeping in mind market outlook.
2. Every idea is researched, tested for Portfolio Guideline compliance before selection.
3. Portfolio manager executes the investment with appropriate timing calls.

## Investment Risks



Investment in securities markets are subject to market risk and depends upon various situations. The risks vary for each client account, which will vary depending upon the investment strategy and the type of securities and other investments held in the portfolio of the client / fund. An indicative list of risks associated with investing is stated below. These risks should not be considered an exhaustive list of risks which investors should consider. Investors should note that an investment may be exposed to other risks of an exceptional nature from time to time and accordingly should be prepared to bear the loss.

- a) *Market Risk*: value of a portfolio may increase or decrease depending upon market forces and factors effecting the capital markets such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the government, taxation laws and policies, other political and economic developments which may have adverse impact on the market. There cannot be assurance or guarantee on returns of the portfolio.
- b) *Stock Specific Risk*: investments in stocks are subject to price fluctuation on daily basis. The volatility in the value of stocks are due to various micro and macro-economic factors like economic and political developments, changes in interest rates etc. effecting the securities markets.
- c) *Liquidity Risk*: Securities which are not quoted on a stock exchange are inherently illiquid in nature and carry a larger liquidity risk in comparison with securities which are listed on a stock exchange or offer exit options to investors including put options. Liquidity of listed equity securities is often restricted due to trading volumes, settlement periods and transfer procedures. If a particular security does not have a market at the time of sale then the portfolio may have to bear an impact depending upon the exposure to a particular security. While securities listed on the stock exchange generally carry a lower liquidity risk, the ability to sell these investments is limited by the overall trading volume on the stock exchange. Money market securities where fairly liquid, lacks a well-developed market which may restrict the ability of such securities thereby resulting in a loss to the portfolio until such securities are finally sold.
- d) *Past Performance*: past performance may or may not be sustained in future.
- e) *Credit Risk*: Underlying debt securities are subject to issuer credit rating down-grade and outright default risk and hence may result in loss of capital either on maturity or upon secondary sale before maturity.
- f) *Currency Risk*: Clients investing in India may be subject to risk due to exchange rate fluctuation which may effect the value of investments. Currency risk also includes but is not limited to the risk that non-U.S. currencies in which the client investments are traded, in which the clients receive income, and/or in which the clients have taken a position, may decline in value relative to the U.S. dollar.
- g) *Geographical concentration Risk*: IIFLW seeks to provide services to clients who seek to invest in India. This may lead to concentration of portfolio in a Country and the performance may depend upon the growth and performance of the Country.
- h) *Non Diversification Risk*: Every attempt may be made to diversify risk, however risk may arise due to the portfolio not being sufficiently diversified.

## Item 9. Disciplinary Action

- A) IIFLW and its management personnel do not have any material criminal or civil action in a domestic, foreign or military court of competent jurisdiction;
- B) IIFLW and its management personnel do not have any material administrative proceedings before the Securities and Exchange Board of India (SEBI), the U.S. Securities and Exchange Commission (SEC) or any other foreign regulatory authority;
- C) IIFLW and its management personnel have not had any proceedings before a Self-Regulatory Organisation.

## Item 10. Other Financial Industry Activities and Affiliations

- A) IIFLW and its management personnel are not registered nor have any application pending to register as a Broker Dealer or a registered representative of a broker dealer;
- B) IIFLW and its management personnel are not registered nor have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities;
- C) Related Persons of IIFLW are registered with the SEC or FINRA under various categories, details of which are stated below:

Sr.No.	Name of the Related person	Relationship	Type	SEC/FINRA /CRDNo.
1	IIFL Asset Management (Mauritius) Limited	Affiliate	Exempt Reporting Advisor	802 -106774
2	IIFL Capital Inc	Affiliate	Broker dealer	8 – 68100
3	IIFL Capital Pte. Ltd.	Affiliate	Exempt Reporting Advisor	802 - 106895
4	IIFL Asset Management Limited	Wholly owned subsidiary	Investment Advisor	300914
5	IIFL Inc	Affiliate	Broker dealer	8 - 70165

IIFLW may receive services from the affiliates, on an arms-length basis and purely on commercial consideration. IIFLW is strictly governed by a conflict of interest policy, which lays down the framework for dealing with affiliates and group companies.

D) IIFL does not recommend or select investment advisors for clients.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics Summary**

The IIFLW Code of Ethics establishes the guidelines and framework to ensure that the interest of the clients are paramount. The Code of Ethics requires all employees to conduct themselves in a lawful, honest and ethical manner in all business practices and ensure that business is conducted with respect and integrity. Employees are required to conduct themselves in such a manner to avoid conflicts of interest and maintain a position of trust and responsibility.

IIFLW's Code of Ethics sets our policies and framework with respect to the range of key topics, including but not limited to the following:

- personal securities transactions;
- conflicts of interest and disclosure;
- business conduct.

### **B. Potential Conflicts in Advisory Activities**

IIFLW is a SEBI-registered intermediary and offers various investment products to investors. IIFLW maintains registration as Portfolio Manager and provides discretionary and non-discretionary services. IIFLW is also registered with SEBI as an Investment advisor and provides advisory services to various clients. Further, IIFLW also holds various licences as Depository participant, stock broking, and research analyst. Additionally, IIFLW also acts as distributor to various IIFL group products and third-party products.

Different business units share common office space. However, for different lines of business such as Distribution, Investment Advisory, Portfolio Management etc., the front-end teams are segregated, and operate at arms-length with each other.

A policy on the management of conflicts of interest has been implemented to ensure that such transactions take place only on an arms-length basis and in the best interest of the client. IIFLW may or may not provide the same investment advice to various clients and to various products that it manages.

Under Portfolio Management and advisory services IIFLW acts independently of other affiliated investment advisors and manages the assets in accordance with specific client objectives and mandates.

## **Item 12. Brokerage Practices**

### **A. Research and Soft Dollar Benefits**

IIFLW does not have discretion for the selection of brokers for execution of transactions by clients seeking advisory services, nor does it execute transactions on behalf of such clients.

However, IIFLW does select brokers in case of Portfolio Management services. Further, IIFL Wealth Management is also registered with SEBI as a stock broker. Hence, services of stock broking arm of IIFL Wealth Management is also used for execution of transactions considering speed of execution and responsiveness. IIFLW executes transactions through other brokers to ensure best execution, not essentially meaning lower brokerage but taking into consideration brokers' execution capability, financial responsibility etc.

Further, IIFLW does not receive any soft dollar benefits from any brokers for research reports.

## **B. Brokerage for client Referrals**

IIFLW does not receive brokerage fees or commissions from any broker dealer or third party for referring clients to such broker dealer.

## **C. Directed Brokerage**

IIFLW does not practice or conduct directed brokerage for clients of its Advisory Service business.

# **Item 13. Review of Accounts**

The portfolios of clients are reviewed as per an agreed upon process and depending on client objectives, policies and limitations, and, if any, concentration of any sector or types of issuers. The frequency, depth and nature of reviews occur pursuant to the terms of each clients' written investment policy, mandate and particular needs of clients.

# **Item 14. Client Referrals and Other Compensation**

IIFLW and/or its related persons have entered into referral fee arrangement with third parties and group companies for referring clients for advisory and portfolio management services to potential clients. Such referral fees or compensation may be in the nature of one-time fees, specified asset based fees, fixed fees, reimbursement of expenses etc. Such arrangement shall be in line and compliance with SEC rule 206(4)-3 under the Investment Advisors Act of 1940, as amended.

# **Item 15. Custody**

IIFLW does not provide custody services. Assets of clients shall be held by a qualified custodian, which is determined by the client. The custodian will provide to IIFLW a statement of securities and funds held on behalf of the client. IIFLW shall accordingly consolidate and send it to the Client under Portfolio Management Services.

## **Item 16. Investment Discretion**

In the case of non-discretionary advisory services and non-discretionary portfolio management services, IIFLW does not hold discretion on the portfolio. IIFLW shall act in accordance with the client agreement which governs the operations, investment objectives, restrictions and compliance requirements, as well as any other arrangements that may be agreed upon.

However, in case of discretionary portfolio management services, IIFLW does exercise discretion. In case of portfolio management services, an agreement and power of attorney is executed which permits IIFLW to advise and execute transactions on behalf of clients in accordance with the mandate agreed upon.

## **Item 17. Voting Client Securities**

IIFLW does not advise on voting on proposals. Clients may exercise their vote by assigning proxy to their designated custodian.

## **Item 18. Financial Information**

There exists no financial condition of which IIFLW is currently aware that would impair IIFLW's ability to meet contractual commitments to its clients. IIFLW has not been the subject of a bankruptcy petition within the past 10 years.