

# IIFL Wealth Portfolio Managers Limited

IIFL Centre, Kamala City, Senapati Bapat Marg,  
Lower Parel, Mumbai – 400 013

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

This brochure provides information about the qualifications and business practices of IIFL Wealth Portfolio Managers Limited. If you have any questions about the contents of this brochure, please contact at +91 022 4876 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 Asset 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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November 6, 2020

## Item 2. Material Changes

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

Since the filing of our last annual updating amendment dated July 31, 2020, the following information provides our clients with a summary of material changes to this Form ADV Part 2A (the Brochure) since that date:

- Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – updated to include information pertaining to IIFL WPM’s participation in client transactions.
- Item 15 – Custody – updated to include custody information for the IIFL Alternative Investment Funds.

The foregoing is only a summary of the material changes to the Brochure. It does not purport to identify every change to the Brochure since that last annual update. This summary of material changes is qualified in its entirety by reference to the full discussion in this Brochure. Clients are encouraged to read the Brochure in detail and contact their account representative with any questions.

Our current Brochure is available to our existing and prospective clients through the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 4. Advisory Business**

### **A. Introduction**

IIFL Wealth Portfolio Managers Ltd. (IIFL WPM) is a public limited company incorporated under the Companies Act, 1956 on July 19, 2011, having its Registered Office at IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai-400 013.

IIFL WPM is an India-focused, global asset management firm. Our differentiated services and asset classes enable sophisticated investors to participate in India's growth momentum. We understand the nuances that define India's demography and demand. A disciplined and active management approach allows us to tap into India's potential as a unique asset class for long term growth. Our deep insights of the India market enable us to create investment strategies that generate sustainable risk-adjusted returns. IIFL WPM focuses on high conviction ideas.

IIFL WPM is registered as a Portfolio Manager under the Securities Exchange Board of India (SEBI) Regulations, 1993 with registration no. INP000005874, and is an Investment Manager to SEBI registered Alternative Investment Funds (AIFs). IIFL WPM under this registration provides discretionary, non-discretionary and investment advisory services to eligible investors.

IIFL WPM acts as investment manager to the AIFs, IIFL Alternative PE Fund (Category II Alternative Investment Fund) and IIFL Alternative Opportunities Fund (Category III Alternative Investment Fund) (together the Funds).

IIFL WPM is a wholly-owned subsidiary of IIFL Wealth Management Limited.

### **Background of IIFL Wealth Management Limited**

IIFL Wealth Management Limited (IIFL Wealth) is a private wealth management firm in India with assets under management (AUM) of \$19.66 billion. IIFL Wealth 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.

### **B. Advisory Services**

IIFL WPM offers a range of investment related services to its clients included but not limited to the following:

#### **i. Advisory Services**

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

ii. Sub-Advisory Services to an Investment Manager

Under this arrangement, IIFL WPM shall act as sub-advisor to an investment manager who manages funds or client portfolios, or provides portfolio management services. IIFL WPM shall provide non-binding investment advice.

iii. Portfolio Management Services

- a) Discretionary Portfolio Management Services – IIFL WPM exercises discretion on the investments undertaken in the portfolio of securities or funds of a client pursuant to a portfolio management agreement. The choice, as well as the timings, of the investment decisions rest solely with IIFL WPM. The decisions made by IIFL WPM for the investments shall be final and binding on the client.
- b) Non-Discretionary Portfolio Management Services – under this arrangement IIFL WPM manages the funds in accordance with the discretion of the Client. The Client ultimately decides on the investments.

**Investment Services to Alternative Investment Funds**

IIFL WPM is an investment manager to various Alternative Investment Funds – IIFL Alternative PE Fund (Category II Alternative Investment Fund) and IIFL Alternative Opportunities Fund (Category III Alternative Investment Fund). Alternative Investment Funds caters to various segments and sectors such as Real Estate, Private Equity, Listed and Unlisted equity space, Debt segment etc. The total assets under management as on May 31, 2020 being managed across Alternative Investment Funds is \$228.28 million.

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

Portfolio Management Services and Advisory Services 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 the types of securities which shall be adhered to at the time of providing investment advice.

**D. Wrap fee program**

IIFL WPM does not participate in a wrap fee program.

## **E. Asset under Management**

The Assets under Management under various services as on May 31, 2020 is stated here below:

<b>Assets under Management</b>	<b>Amount in USD Million</b>
Discretionary (IIFL Alternative Investment Funds)	228.28
Discretionary (Portfolio Management Services)	860.23
Non-Discretionary (Portfolio Management Services)	1372.22
<b>Total</b>	<b>2460.73</b>

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

Fees and charges provided under Portfolio Management Services and Advisory Services are specified in the Client Agreement (the “Agreement”) executed with each client. Fees may vary depending upon complexity, investment objective, geographical location, services offered, account relationship etc. IIFL WPM 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. Other firms may offer more choices, some of which might have lower costs or different returns and features.

In the case of Non-Discretionary Advisory Services, IIFL WPM 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 the defined cycle in the Agreement to enable IIFL WPM to review and calculate advisory fees.

In limited instances, the client may be required to pay fees in advance. Under such circumstance, subject to agreed terms in the Agreement, any unearned fees 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.

Neither IIFL WPM nor its personnel accept compensation in exchange for sale of securities or investment products. Under Non-Discretionary Advisory Services, the clients have an option to purchase investment products that are recommended by IIFL WPM from any other brokers, agents or distributors which are not affiliated with IIFL WPM.

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

IIFL WPM may provide advice to one or more clients that are charged performance-based fees. Further, IIFL WPM also provides advisory services to clients where fees may be charged on either a performance or asset basis, or a combination of both may be charged.

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

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

IIFL WPM provides discretionary and non-discretionary services to various types of clients including but not limited to institutions, family offices, business trust, pooled investment vehicles, investment companies, institutional and retail investors in and/or outside United States. IIFL WPM shall seek to provide such services to U.S. persons who seek to invest in India, subject to regulatory approval.

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

IIFL WPM will invest in a blend of debt instruments and equity securities to achieve capital appreciation for the client's portfolio.

IIFL WPM undertakes investments in accordance with market conditions and may follow multiple strategies depending upon agreement with the clients and objective of the fund. IIFL WPM shall follow a blend of investment strategies across various products since a thematic strategy alone may be restrictive, not providing sufficient scope to manoeuvre around due to market changes and volatility.

The asset allocation will be done based on a top down approach taking into consideration the global and domestic macroeconomic indicators such as inflation and interest rates, to arrive at an optimal equity asset allocation.

We will be driven by the below thought process while investing in equity instruments:

1. We will use macro/sectoral parameters to identify industries which have a potential of large growth over a sustained period of time with low risk from changes in regulations and commodity prices.
2. After having identified industries, within sectors we will identify companies whose management have demonstrated a track record of delivering returns across cycles, have prudently allocated capital, have created shareholder value through time and have a clear articulated strategy for the long term.
3. Lastly, we will seek companies trading at a reasonable valuation, offering growth at a reasonable price.

We will be following the below thought process while investing in debt instruments:

1. We will follow a disciplined evaluation approach which entails using both quantitative as well as qualitative criteria to evaluate the creditworthiness of the debt securities and quality of the collateral.
2. We consider several macro variables to form an interest rate view, so as to address the underlying duration risk.
3. In addition to the thorough credit research, following additional factors will be considered by the investment team while evaluating investment in a debt instrument

- Credit rating of the instrument, wherever available
- Liquidity of the instrument
- Yield/ Credit spread
- Collateral Security
- Aggregate Exposure to the issuer

## 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 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 here 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.

- 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.
- 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.
- 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.
- Past Performance:* past performance may or may not be sustained in future.
- 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.



- f) *Geographical concentration Risk*: IIFL WPM 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.
- g) *Non Diversification Risk*: Every attempt may be made to diversify risk, however risk may arise due to the portfolio not being sufficiently diversified.
- h) *Interest rate risk*: This risk results from changes in demand and supply for money and other macroeconomic factors and creates price changes in the value of debt instruments. Consequently, the Net Asset Value of the scheme / portfolio value may be subject to fluctuation. Changes in the interest rates may affect the Scheme's Net Asset Value / portfolio value as the prices of securities generally increase as interest rates decline and generally decrease as interest rates rise. Prices of long-term securities generally fluctuate more in response to interest rate changes than do short-term securities. Indian debt markets can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby possible movements in the NAV/ / portfolio value. This may expose the schemes / portfolio to possible capital erosion.
- i) *Credit risk or default risk*: This refers to the risk that an issuer of a fixed income security may default (i.e. will be unable to make timely principal and interest payments on the security). Default risk / credit risk arises due to an issuer's inability to meet obligations on the principal repayment and interest payments. Because of this risk corporate debentures are sold at a yield above those offered on Government Securities, which are sovereign obligations and free of credit risk. Normally the value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default
- j) *Market risk*: This risk arises due to price volatility due to such factors as interest sensitivity, market perception or the credit worthiness of the issuer and general market liquidity, change in interest rate expectations and liquidity flows. Market risk is a risk which is inherent to investments in securities. This may expose the schemes to possible capital erosion
- k) *Reinvestment risk*: This risk refers to the interest rate levels at which cash flows received for the securities in the Scheme is reinvested. Investments in debt instruments are subject to reinvestment risks as interest rates prevailing on interest or maturity due dates may differ from the original coupon of the bond, which might result in the proceeds being invested at a lower rate. The additional risk from reinvestment is the "interest on interest" component. The risk is that the rate at which interim cash flows can be reinvested may be lower than that originally assumed.
- l) *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.

- m) *Tax Risk*: There is a risk that investments in foreign markets may be taxed in a manner materially different from similarly situated U.S. securities. Prior to investing, prospective investors should seek guidance from their tax advisor regarding the potential tax implications of investments in foreign markets.

## **Item 9. Disciplinary Action**

- A) IIFL WPM and its management personnel do not have any material criminal or civil action in a domestic, foreign or military court of competent jurisdiction;
- B) IIFL WPM 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. Details with respect to any administrative proceedings is available on SEC website;
- C) IIFL WPM and its management personnel have not had any proceedings before a Self-Regulatory Organisation.

## **Item 10. Other Financial Industry Activities and Affiliations**

- A) IIFL WPM 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) IIFL WPM 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 IIFL WPM are registered with the SEC or FINRA under various categories, details of which are stated here below:

Sr. No.	Name of the Related person	Relationship	Type	SEC/FINRA No.
2	IIFL Capital Inc	Affiliate	Broker dealer	8 – 68100
3	IIFL Capital Pte. Ltd.	Affiliate	Exempt Reporting Advisor	802 – 106895
4	IIFL Inc	Affiliate	Broker dealer	8-70165
5	IIFL Asset Management Limited	Affiliate	Investment Advisor	801-115268

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

IIFL WPMs 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**

IIFL WPM is a SEBI-registered intermediary and offers various investment products to investors. IIFL WPM acts as investment manager to IIFL Alternative Investment Funds. Further, IIFL WPM maintains registration as Portfolio Manager and provides discretionary, non-discretionary and advisory services.

Different business units share common office space. However, the concept of ‘Chinese Walls’ (i.e. information barriers) is followed whereby separate investment and back office personnel are employed for each business unit by allocating separate office space and trade desk access. Further, IT systems are bifurcated whereby access is provided to personnel specific to a business unit, which ensures that information about client accounts, positions, transactions etc., are separate from other business units.

A policy on the management of conflicts of interest has been implemented to ensure all such transactions take place only on an arms-length basis and in the best interest of the client. IIFL WPM 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 IIFL WPM acts independently of other affiliated investment advisors and manages the assets in accordance with specific client objectives and mandates.

#### Participation in Client Transactions

IIFL WPM buys and sells for client accounts securities of issuers for which the affiliated IIFL Alternative Investment Funds, IIFL Mutual Funds or other related persons have the ability to invest. Due to different fee arrangements among the client accounts, IIFL WPM has a potential incentive to favor certain client accounts over others in allocating trades among the client accounts. IIFL WPM strives to manage these potential conflicts

through trade order aggregation and allocation policies and procedures designed to ensure trades are allocated among client accounts in a fair and equitable manner.

From time to time, IIFL WPM recommends that its Clients invest in (i) IIFL Alternative Investment Funds for which IIFL WPM acts as investment manager or (ii) IIFL Mutual Funds for which IIFL WPM acts as investment manager (collectively, “Affiliated Funds”). Investing in Affiliate Funds creates a conflict of interest because IIFL WPM could benefit from the investment by receiving additional management fees. IIFL WPM’s relationship to each Affiliated Fund and the fees it is entitled to receive are disclosed in the relevant Affiliated Fund offering memorandum or prospectus, as applicable. If a Separately Managed Account Client (SMA Client) were to invest in an Affiliated Fund, IIFL WPM would waive its management fee on the IIFL Alternative Investment Fund or SMA Client’s investment in the Affiliated Fund for the duration of the investment in the Affiliated Fund.

In general, IIFL WPM and its principals avoid engaging in securities transactions with client accounts. IIFL WPM and its affiliates have the ability to invest in securities in which IIFL WPM has invested client assets on a side-by-side basis, either directly in an equitable manner in compliance with its trade allocation policies or through special purpose vehicles. IIFL WPM and its affiliates may purchase or sell such securities only contemporaneously with or after the clients’ purchase or sale of such securities, as the case may be.

IIFL WPM and its principals, through their ownership interest in certain IIFL Alternative Investment Funds, may be deemed a related person of such entity (a “Principal Account”). In general, IIFL WPM does not seek to enter into transactions between its Principal Accounts and SMAs or IIFL Alternative Investment Funds (each, a “Principal Transaction”). IIFL will engage in a Principal Transaction involving an SMA or IIFL Alternative Investment Fund only if the proposed transaction is consistent with applicable client investment guidelines, the IIFL WPM’s policies and procedures regarding Principal Transactions and applicable laws and regulations.

IIFL WPM will effect a pre-arranged cross transaction among two Client Accounts or IIFL Alternative Investment Funds only in compliance with each Client’s or IIFL Alternative Investment Funds’ investment restrictions, IIFL WPM’s policies and procedures regarding cross trades and applicable laws and regulations. Neither IIFL WPM nor any related person involved in the trade will receive compensation for these trades.

## **Item 12. Brokerage Practices**

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

IIFL WPM 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, IIFL WPM does select brokers in case of Portfolio Management services and pooled investment vehicles. The services of an affiliate, IIFL Wealth Management, is used for execution of transactions since it is a group company and may provide speed of execution and responsiveness. IIFL WPM 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, IIFL WPM does not receive any soft dollar benefits from any brokers for research reports.

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

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

## **C. Directed Brokerage**

IIFL WPM 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. Generally, the review of accounts is conducted once a quarter.

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

IIFL WPM 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**

IIFL WPM 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 IIFL WPM a statement of securities and funds held on behalf of the client.

Investors in the IIFL Alternative Investment Funds receive monthly statements from the transfer agent, and periodic Fact Sheets from IIFL AMC. Audited financial statements are prepared by an independent accounting firm registered and subject to inspection by the Public Company Accounting Oversight Board (PCAOB).

## **Item 16. Investment Discretion**

In case of advisory services and non-discretionary portfolio management services, IIFL WPM does not hold discretion on the portfolio. IIFL WPM 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 and management of pooled funds, IIFL WPM does exercise discretion. In case of Portfolio management services, an agreement and power of attorney is executed which permits IIFL WPM to advise and execute transactions on behalf of clients in accordance with the mandate agreed upon.

In case of pooled funds, IIFL WPM being an investment manager, manages the assets in accordance with fund objectives and strategies.

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

IIFL WPM 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 IIFL WPM is currently aware that would impair IIFL WPM's ability to meet contractual commitments to its clients. IIFL WPM has not been the subject of a bankruptcy petition within the past 10 years.