

What are Asset Management Companies (AMCs)?

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About Asset Management Companies (AMCs):

- An AMC is a financial institution that **pools funds from multiple investors** and **invests in** various **financial instruments**, such as stocks, bonds, and real estate, **to generate returns** for the investors **in exchange for a fee**.
- AMCs are commonly referred to as **money managers** or **money management firms**.
- AMCs come in many **different forms and structures**, such as:
 - **Hedge funds**
 - **Mutual funds**
 - Index funds
 - **Exchange-traded funds**
 - Private equity funds

- Other funds
 - Those **that offer public mutual funds, or ETFs**, are also **known as investment companies or mutual fund companies**.
 - In addition, they invest on behalf of **various types of clients**, such as:
 - **Retail investors**
 - **Institutional investors**
 - Public sector (**government** organizations)
 - **Private sector**
 - High-net-worth clients
 - The role of an AMC is to **make investment decisions** on its investors' behalf **and manage the assets** in their portfolios. This involves choosing a suitable mix of investments and helping investors grow their money.
 - To achieve this, an asset management company **appoints professionally qualified fund managers** with investment expertise and experience to manage the assets.
 - Fund **managers employ investment strategies and use financial tools**, such as risk management techniques, to help manage the portfolio and protect investors' assets.
 - Additionally, AMCs **have a support system** in place in the form **of research analysts** who **assist the fund managers**.
 - The distinguishing factor for AMCs is their **assets under management (AUM)**. It indicates the **total value of investments that the AMC manages** on investors' behalf.
 - **When the AUM** of an AMC **grows**, it **represents the faith and confidence** that investors have in the AMC to manage their money.
 - **SEBI** is the Indian Capital Market Regulator which **governs and controls every AMC in India**.
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Q1: What are Exchange Traded Funds (ETFs)?

An exchange-traded fund (ETF) is a collection of marketable securities that track an underlying index. ETFs combine features of mutual funds and stocks, allowing investors to gain exposure to a basket of assets while providing the flexibility to be traded on stock exchanges like individual stocks. ETFs provide diversification by allowing investors to gain exposure to a basket of assets with a single investment. ETFs can be bought and sold throughout the trading day on stock exchanges at market prices, unlike mutual funds which are priced only at the end of the trading day.

Source: AMC heads to be pulled up for abusive market practices: SEBI

Source: <https://vajiramandravi.com/current-affairs/what-are-asset-management-companies-amcs/>

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