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What is Asset Management Company AMC

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What is

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► (Overview of what do they actually do!)

Investment

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What is Asset Management Company AMC – This is the 3rd Part of the 9 part series on Investment Banking Overview.

- Part 1 – [Investment Banking vs Commercial Banking](#)
- Part 2 – [Equity Research in an Investment Bank](#)
- **Part 3 – What is Asset Management Company**
- Part 4 – [Sales and Trading](#)
- Part 5 – [Private Placements, IPOs and FPOs](#)
- Part 6 – [Underwriters and Market Makers](#)
- Part 7 – [Mergers and Acquisitions](#)
- Part 8 – [Restructuring and Reorganization](#)
- Part 9 – [Investment Banking Roles and Responsibilities](#)

If you want to learn M&A (Mergers and Acquisitions) professionally, then you may want to look at 25+ video hours of [Mergers and Acquisitions Course](#)

In this video, we discuss the following –

What is Asset Management Company or AMC?

How Asset Management Company (AMC) Work?

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In the following video we discuss

- What is Sell Side?
- What is Buy Side?

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TRANSCRIPT OF WHAT IS ASSET MANAGEMENT COMPANY OR AMC

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Jones

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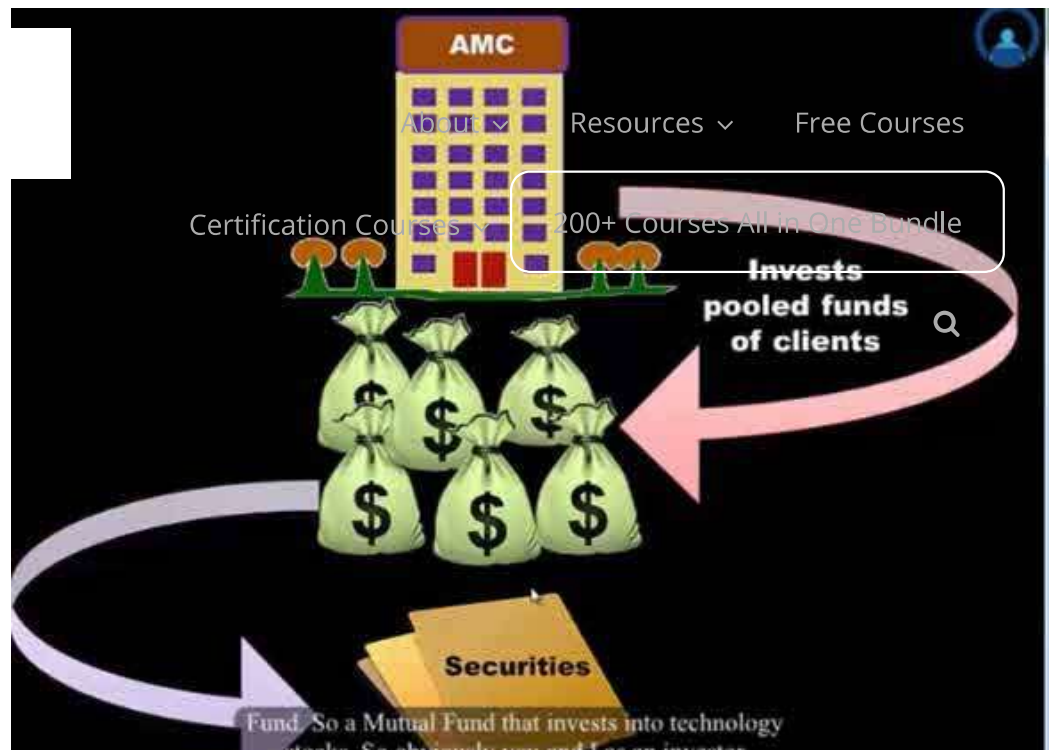
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Banking
Interview
Questions
(with Answers)

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Investment
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Associate
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Let's look at the asset management company (AMC) in a bit more detail. Now let us understand the meaning of an Asset Management Company (AMC) in this regard. So while we have discussed research on one side, we said that the research may have different kinds of clients. One could be the individual investors, the other one could be institutional investors and Asset Management Companies can be classified as one of the institutional investors. So what do they exactly do? So institutional investors like Asset Management Company (AMC) what they do is they basically invest pooled

inds of clients into various securities. Securities can be bond securities
company based securities i.e. stock equity-based securities.

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HOW DID ASSET MANAGEMENT (AMC) COMPANY WORK?



So Asset Management Company (AMC) essentially collects money from the public and makes it as a pool of funds. So maybe 100 million dollar fund or maybe 200 million or multi-billion fund. So depending on the size of the Mandate they invest the pooled funds of clients into various securities and an example could be an Asset Management Company (AMC) could be like a [Mutual Fund](#). So a Mutual Fund that invests into technology stocks. So obviously you and I as an investor invest in a Mutual Fund of one of the companies that Mutual Fund will be managed by a portfolio manager here. So there is a portfolio manager who directs these pooled funds into various securities. So let's see what this job is all about you know how do they make money?

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make money by actually you know taking a commission or fees depending on the size of the fund that they are managing. So if it is 100 on, for example, management fee may be around 2% – 3% of the overall asset under management or AUM. So that's how the asset management companies make money and the manager who manages the investments or takes investment decisions is called a portfolio manager or a fund manager ok and the important part of this Asset Management or the Asset Management Companies is that they provide lot of diversification because they have larger pool of resources as compared to the individual investors. So I may invest in only Microsoft or maybe Google. You know the Mutual Funds who invest into technology stocks may provide more diversification because they have larger funds to invest across domains and they are professionals, they can do lot of risk-return analysis and kind of diversify their large portfolio which will in return ultimately mitigate my investment in the Mutual Fund. So that's how basically the Asset Management Company (AMC) actually works.

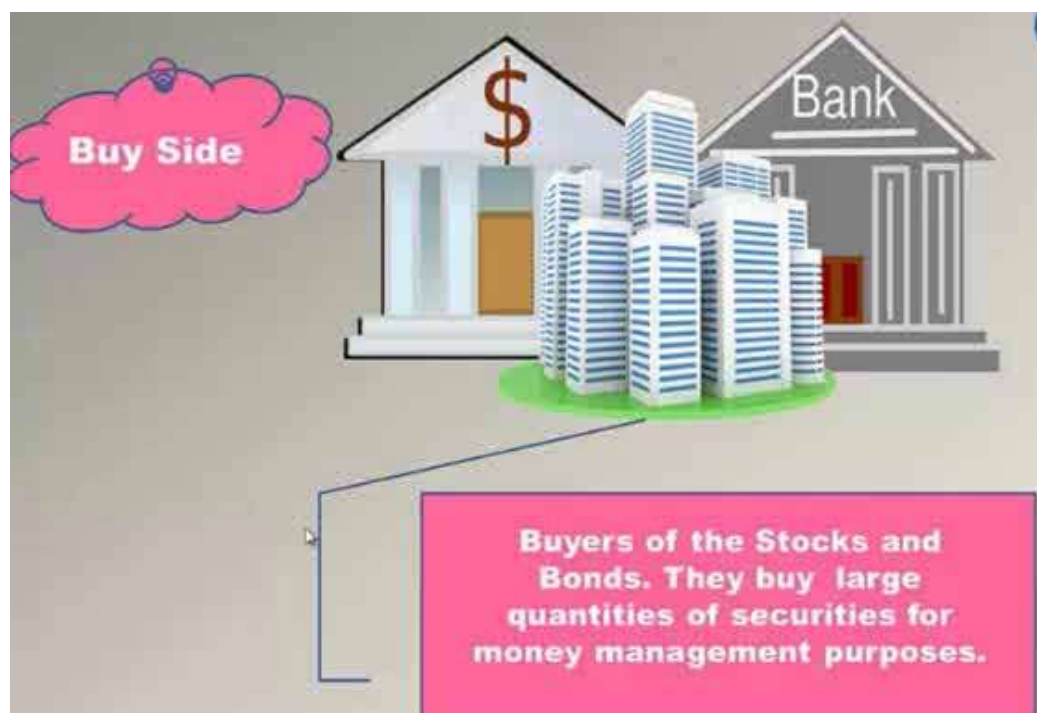
And with this let's come to the difference between what is a buy side and what is sell side.

WHAT IS SELL SIDE?

Investment bank research department will produce research that will be consumed by clients. So the clients would be institutional and individual investors. So whenever you see this report you about a buy-sell

recommendation from a brokerage firm think of this as a sell side, because what they are doing is essentially selling ideas ok so they are not selling reports so please not there could be some neutral brokerage firms, independent brokerage firms who sell reports as well as price tag but when we talk about sell side in the context of investment banking they sell ideas ok. So they are selling ideas to the clients and in most cases, these ideas are communicated for free. So that's how a sell-side comes, the selling ideas ok.

WHAT IS BUY SIDE?



Think about a buy side, buy side is nothing but the client who are on the institutional side. So one side is a sell-side selling ideas, selling ideas to whom? To the clients and the clients are called as buy side because what they essentially do is that they have a pool of funds, they invest in stocks

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South Africa

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bonds. So a buy sides they are the one who are buying stocks and bonds and they do that in large quantities of securities for money making purposes. So they have a Mandate and they invest as per their Mandate. So who are the examples of a buy side? So let's look at a couple of them. [Hedge Funds](#), Mutual Funds, insurance Companies, Pension Funds to name a few actually buy side because if you look at individually Hedge Funds, Mutual Funds in every place you will find a fund manager who will interact with the brokerage firms for ideas. So brokerage firm is giving ideas to Mutual Funds. Mutual Fund is hearing those ideas they may be appreciating those ideas and looking forward to making investments. So whose portfolios are these companies actually managing on the buy side managing they are basically the clients. So investor Mutual Funds is a pool of funds from their own investors. So that's why they are called as a Buy side because they invest in stocks and bonds ok. I hope with this your able to understand the pretty much basic functionality of research how do they make money what are the client who are the EMCs and what is the deterrent between by side and a sell side.




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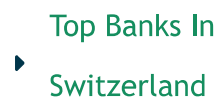












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DHEERAJ VAIDYA



worked as JPMorgan Equity Analyst, ex-CLSA India Analyst ; edu qualification - engg (IIT Delhi), MBA (IIML); This is my personal blog that aims to help students and professionals become awesome in Financial Analysis. Here, I share secrets about the best ways to analyze Stocks, buzzing IPOs, M&As, Private Equity, Startups, Valuations and Entrepreneurship.

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