

Accessing the offshore market for priority and HNW/ HNWI customers

Philip Story, Head of Distribution, EMEA for life insurance firm Investor's Trust, has a more than two-decade history of offshore investing. He told the audience at the Hubbis Indian Wealth Management Forum of the dramatic growth of wealth in India and amongst non-resident Indians, and how rising demand for offshore investment is creating a world of opportunities for firms such as Investor's Trust to help domestic and overseas Indian investors diversify their portfolios.

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EVEN THOUGH INDIA'S CAPITAL MARKETS HAVE PERFORMED SO WELL IN RECENT YEARS, Story recounted how India's wealthy investors are continuing to diversify their assets into the offshore markets in order to construct more balanced portfolios. Aside from the immense and rapidly rising wealth at home, non-resident Indian wealth is projected to rise to almost USD1.3 trillion by 2020.

"The market is clearly there for offshore investments," Story explained, "but investors need to also think about risk management and appropriate partnerships for their international



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investment expansion. We deal currently with mostly HNWI and ultra-HNW clients and history has shown us that this category of the market is becoming more sophisticated and the right products and ideas need to be targeted to them. And what we find in India is that even if trends start slowly they then suddenly move very fast, and that is being enabled currently by the online access and delivery available as well as the fully open architecture models available.”

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Story advised the audience that going offshore requires careful consideration of the country or the jurisdiction the products will be held in. “Does it have the rating, the size, the regulation and the investor protection to make sure that the intermediary and clients are comfortable to work there?” he asked rhetorically.

He explained that his the main base is in the Cayman Islands for Investor’s Trust, and it was chosen because it is the AAA-rated jurisdiction. “It is now one of the top 10 financial centres in the world,” he noted, “it is larger than Paris now and it houses USD5.7 trillion of global funds, making it the largest offshore centre for funds, banking and insurance, as well as being

second behind Bermuda for re-insurance. It has top-class regulation that they have been improving ever since a major overhaul in 2000.”

Story turned to the key challenges. “There is a huge market locally here in India obviously for India based funds,” he reported, “but if we were to go and invest offshore in US dollar, pound sterling or Euro or Yen assets, or hold foreign currencies, we might struggle to find a broad range of opportunities.”

Story noted a remark that Warren Buffett was reported to have made, namely that the US Dollar always wins. “If you think about that, fifty years ago a dollar bought 7.5 Rupees but today is worth more than 70 Rupees,” he stated. “You can make great money in the local currency capital markets here, but clearly you can also make great money if you are local and invest overseas, especially in dollar assets judging by this history.”

Story then observed that global access requires global expertise and transparency. “And we find that Indian investors going offshore want to continue investing in the current market conditions, but they also want some guarantees, or at least to

keep their risks as low as possible.”

Story then explained how Investor’s Trust caters to its clients’ needs. “We are roughly 15 years old, we are a life insurance company, our competitors are the major global insurance names,” he elucidated. “The key difference between perhaps is that, as a relatively young firm, we have focused heavily on technology, for example even offering multi-language access to all relevant material online. Additionally, we are very proactive in adapting to the needs of clients, honing existing products and launching new products for the 21st-century products, such as solutions with low fees and charges, with guarantees, with greater flexibility. We believe we must stay ahead of the market.”

Story gave the example of the firm’s approach to the robust and expanding ETF market. “We are the only leading offshore life company that offer ETFs on our standard range of products, offering more than 40 ETFs in iShares and BlackRock,” he explained. “Why? Because there is a strong demand. One has seen an estimated USD67 billion coming out of active strategies this year and USD59 billion going into passive funds. Again, why? Because there is no alpha in mature markets anymore. Because they are transparent. And the index has beaten about 90% of the active funds in the last five to 10 years, so why then should we take that risk and try to pick that one out of ten funds that will really beat the market?”

Nevertheless, Story noted that Investor’s Trust also offers active funds to provide the widest range of choice for clients. Moreover, he reported, the firm offers a wide range of other opportunities, including hybrid investments or structured products. “We offer full access to customers, full open market opportunities. Our message to wealth market intermediaries and your clients is to focus on diversification and quality.” ■