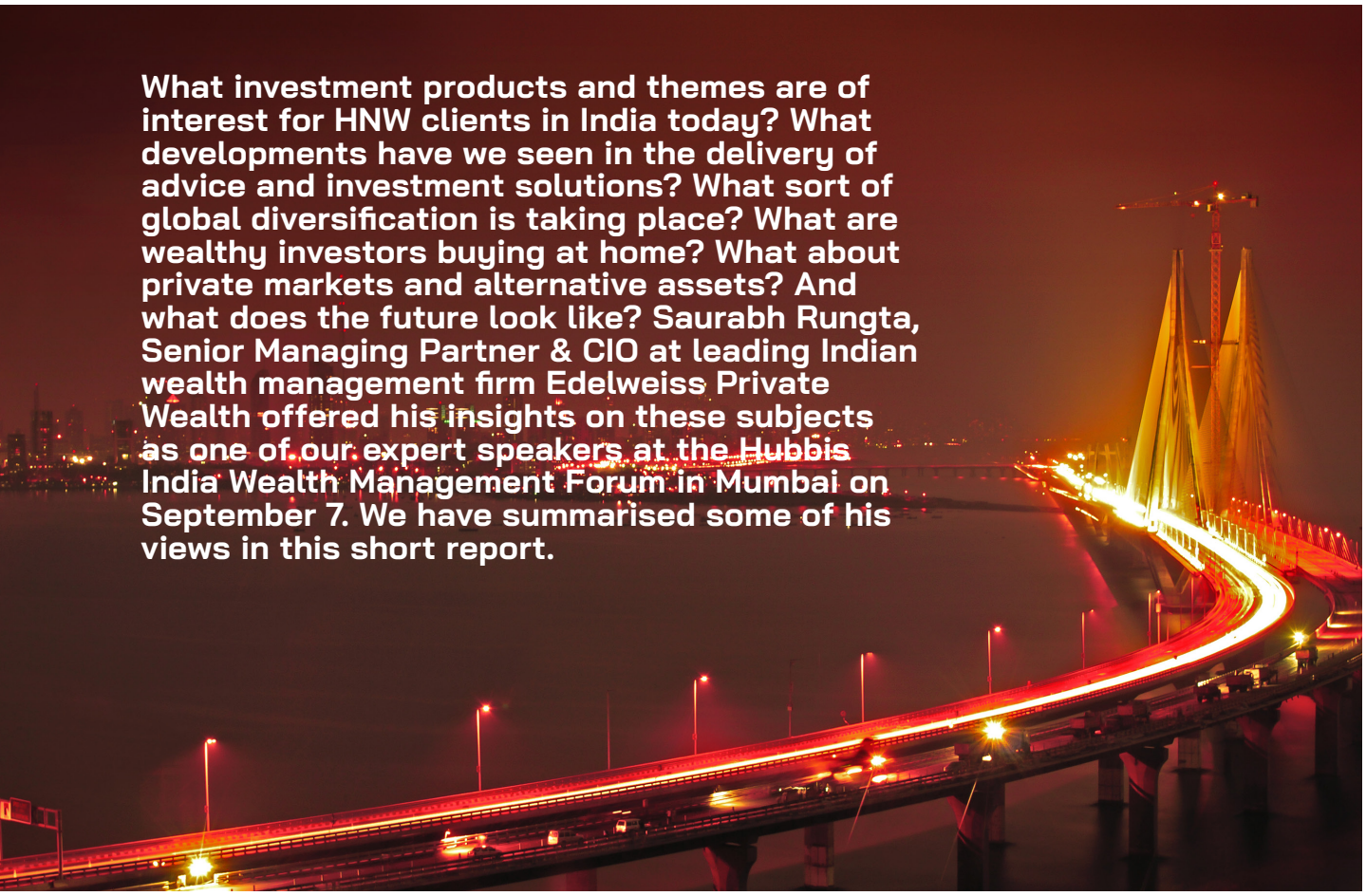
# Edelweiss CIO on the Evolving Investment Solutions and Advisory Needs of Wealthy Indian Clients



**What investment products and themes are of interest for HNW clients in India today? What developments have we seen in the delivery of advice and investment solutions? What sort of global diversification is taking place? What are wealthy investors buying at home? What about private markets and alternative assets? And what does the future look like? Saurabh Rungta, Senior Managing Partner & CIO at leading Indian wealth management firm Edelweiss Private Wealth offered his insights on these subjects as one of our expert speakers at the Hubbis India Wealth Management Forum in Mumbai on September 7. We have summarised some of his views in this short report.**

GET IN TOUCH

View this Panel Discussion On Demand

View Saurabh Rungta's LinkedIn Profile

Find out more about Edelweiss Private Wealth

**Saurabh Rungta**
Edelweiss Private Wealth

**Saurabh first set** the scene for delegates, noting that the entire last decade had been characterised by mutual funds, Portfolio Management Services (PMS) and Alternative Investment Funds (AIFs), resulting in stupendous growth in the AUM of each of these three asset classes. "But what we see amongst the HNW and UHNW clients is that they have actually moved on from these asset classes and are now allocating anywhere from perhaps 10% to 50% of portfolios to new innovative investments. As a result, private markets and especially private equity investments of all types have grown a lot here."

He explained that Edelweiss was able to capitalise on this trend by thinking about these ideas and opportunities well in advance. "Back in 2017 onwards, we were focusing on some really interesting ideas on the lines of infrastructure yield plus, raising nearly half a billion dollars way back in 2017/2018," he reported. "As we speak, in the last three months itself, we have raised in excess of half a billion dollars in this fund again in Series 2, so what took us 18 months before has taken us less than four months this time."

He said that investors must be careful to choose the right vehicle – as there are a few of these InvITs which are currently trading at 40% or 50% discount to their initial issue price, but at the same time there are InvITs which have given 40% returns in the last one year. "A fixed-income structured security giving 40% in one year is truly a remarkable investment opportunity," he stated.

Saurabh explained that Edelweiss is also ahead of the game in the distressed asset space. "We are offering opportunities to our investors in distressed asset investing, being one of the largest Asset Reconstruction Companies (ARCs) in the country, and we have been in this space from very early on, raising over USD150 million in the last decade, and as we speak right now, we are on track to raise another USD250 million from domestic HNI and FO's. In short, allocations to and interest in all these alternative spaces are growing all the time."

He turned his attention to the real estate sector, noting that access is now diversified via different structures. "2017 was our first REIT experience, but REITs in the US, Singapore, Japan and elsewhere had already been well established," he explained. "And more than 70% of the real estate holdings in these developed markets, especially on the commercial side, is actually channelled through REITs now in the international markets," he said.

Saurabh also noted that the REIT sector is still at a very early stage in India today. "But my prediction is by the end of this decade, we will be surprised to see how many InvITs and REITs there will be in the market, across commercial, infrastructure, logistics, and also residential. Also note that the demand for warehousing and logistics is going to blow out from where it is today, and the wider infrastructure requirements across India truly presents stupendous investment opportunities. We partnered with one of the leaders in the market to launch of a warehouse fund and we are in for an explosion in terms of number of launches on REITs and InvITs in coming times."

**"The amount of wealth that we will create in India on an annual basis and have it available for deployment in financial securities - I estimate it at more than USD800 billion annually by 2030, and clearly the domestic markets cannot absorb anywhere near that amount of liquidity, so it is as much by necessity as by choice that portfolios will become, indeed are becoming, more international."**

He then focused on growing interest in overseas assets of various types, driven by the remarkable liquidity available. "The amount of wealth that we will create in India on an annual basis and have it available for deployment in financial securities - I estimate it at more than USD800 billion annually by 2030, and clearly the domestic markets cannot absorb

anywhere near that amount of liquidity, so it is as much by necessity as by choice that portfolios will become, indeed are becoming, more international. In the high and ultra-high wealth segments, anywhere between 25% and 40% or more will go to the international arena by end of this decade."

Saurabh said that outflows are both freed up but also impeded by regulations. "The LRS facility allows for USD250000 of outward remittances per investor per year, so that is far more than the starting figure of USD5000 in 2004," he noted. "However, besides the LRS flows we have also seen the growth of onshore feeder funds for offshore assets, to soak up the huge and growing demand. In short, global allocations are rising and will continue to rise."

He said there are all sorts of reasons to participate in international assets, including for currency diversification to dollars. He pointed, for example, the opportunity to buy offshore fixed income in dollars issued by Indian corporates. "You would be surprised to note that the three to three and a half year bonds in India of AAA / AA rated securities are available in the range of INR 7% to 8% p.a., and the same issuers and same durations are available in dollars and these issuances are trading in international secondary markets at 7% to 8%p.a. USD yield," he reported. ""You do not need to increase your risks, but you have yield and currency diversification against the rupee. My advice to HNW and other investors is to make hay while the sun shines, and we have a specific product to participate in this area, as well."

Saurabh's final observation was that as inflation is likely to remain on the higher side for the near future, investments have to outperform the inflation. "And from that perspective, equity as an asset class will always be my favourite from a longer-term perspective, whether listed or unlisted," he stated. "That is strategic, but on the tactical side, we will have different opportunities emerging at different points in time from other asset classes as well." ■