

Edelweiss Fast-Forwards India's Wealth Management Market Towards Infinity

Anshu Kapoor, Head of Private Wealth Management at Mumbai-based Edelweiss Global Wealth Management, gave an animated talk at the Hubbis India Wealth Management Forum in August to offer his view of the future of the industry. The twin drivers of regulatory necessity and client expectations will, he believes, alter the landscape irrevocably, but the future is bright for those who look ahead and adapt.

KAPOOR'S MISSION IN THE PRESENTATION WAS TO FAST-FORWARD the audience to a world where wealth management is delivered almost like a subscription service, with clients able to easily enter and exit at will, and with minimal documentary and fee impediments. He indicated that he believes if wealth management providers offer service and quality similar to the Big Tech firms in their respective fields, focusing on the client and building the proposition from there, then the future is bright, especially as market growth in wealth and in need are both growing rapidly in India.

Kapoor was the recipient of the coveted Hubbis Indian Wealth Management - Award for Excellence in 2018 and has a deep and intuitive understanding of the development of the market in India. He is energised by the market's evolution as India's economy and the country's total personal wealth both head towards the USD5 trillion figure.

Edelweiss is today a leader in the Indian wealth management market, founded in 2010 and now with assets under management (AUM) of USD 15 billion. Kapoor recently told Hubbis that since 2016, AUM has mushroomed by more than USD 7 billion from around USD 8 billion and continues to grow swiftly.

Why so complicated?

"We must wonder why wealth management is so complex and so complicated?" he remarked, to begin his presentation. "We



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need to listen to the customer and make the whole experience more user-friendly.”

With that, he played the audience a videotape of a client discussion, asking him what pain points he was experiencing. The customer replies that he is concerned that advice is tainted by the wealth firms selling what is best for them, not best for the clients. “I am constantly needing to be on guard,” the customer says, “and I worry that the wealth management business has become an asset accumulation business and they (the providers) are not really concerned about delivering even modest outperformance.”

Another recording highlights how the customer wants the

wealth management banks and firms he deals with to be product agnostic. That, the customer argues, is the essence of wealth management - objectivity.

The client knows best

“And we thought that clients didn’t understand what is going on!” Kapoor exclaimed to the audience. “How many of us have been guilty of just trying to make product sales? New competitors can dislodge incumbents by offering a different proposition. Competitors will come in, for example Amazon is already in the payments business, and there is nothing to stop them, or others, entering our field.”

With that, Kapoor reasoned that the sales force, the RMs,

must abandon their limitations, which he believes stop them doing the right thing often enough for the customers.

“We must also start with clear statements of the returns from the portfolios, and then providing the right balance to truly provide a service that customers want to subscribe to and retain,” he proposed. “And we must be cost-efficient and without artificial barriers, so, for example, why should our clients pay exit fees on a listed equity fund? There should be freedom to enter, freedom to exit. If you perform, clients will enter and give you more money. A Netflix type service does not penalise you if you close the subscription, those days are over.”

Upgrade, or be left behind

Kapoor then explained that in his view, the industry needs to improve its investment management or portfolio management skills and must also invest in technology. He explained that this will also enable the monitoring and adjustment of portfolios on a real-time basis so that they reflect the needs, policies and expectations of the clients.

Edelweiss itself focuses its broad range of services and products on the country's growing ranks of entrepreneurs, business owners, family offices, corporate leaders and corporate treasuries.

Despite rapid growth in AUM in recent years, Edelweiss continues to be forward-thinking. The firm formed a strategic partnership in February with Bank of Singapore, a leading Asian private banking group. The concept is to combine Bank of Singapore's wide range of global

investment solutions offered through its open-architecture platform and Edelweiss' robust wealth solutions and investment opportunities in India.

This partnership will allow Bank of Singapore to significantly raise its profile in one of Asia's fastest-growing wealth markets through Edelweiss as one of India's leading industry players. The partnership also offers Edelweiss' clients the opportunity to access Bank of Singapore's product platform, creating a powerful global investment proposition.

Infinity beckons

And Edelweiss has been rolling out its new and trend-setting Infinity offering, which is a digital, flat fee platform solution aimed at cutting the costs of wealth management services by up to 25%. Infinity does not charge fees for transactions, but the customers hold their portfolios across all asset classes

in the Infinity platform for a recurring, but a cancellable fee.

"We always aim to offer products, services and ideas that are beyond the ordinary and are truly innovative," Kapoor told the delegates. "We aim to be a one-of-a-kind wealth management solution, and to do so, we began with listening, then offering unbiased advice, unbiased products. This is why we created our Infinity offering, which designed to provide a holistic perspective and numerous possibilities, rather than just offering a series of products that purportedly added up to a portfolio."

As a subscription service, Infinity, he explained, was therefore designed to side-step client decision-making that is excessively influenced by the biases of their RMs or advisers.

"It is designed to be managed by a team of experts and at modest cost to make it as competitive as possible, so with a flat fee, and we



estimate this saves the clients more than 25% compared with handling these portfolios themselves.”

Created in the client's image

Infinity largely targets the HNWIs and ultra-wealthy segments. “We sit down with the client, then jointly work up the investment policy statement,” he reported. “We overlay the technology platform we have developed in the past year, and suddenly, the portfolio can be viewed, alerts can be delivered, and it can be rebalanced on a 24/7 basis. It is tailored, customizable, and scalable.”

At the top of this pyramid sits the Edelweiss Global Investment Advisory Committee, comprising roughly 10 experts who oversee the Infinity portfolios. “With the flat fee approach, we are really trying to

democratise high-quality advice,” Kapoor explained. “It is an exciting development, as the clients sit down and document what their expectations and aspirations are as the fundamental construct for how the portfolio has to be created.”

In a recent interview with Hubbis, Kapoor had given estimates that the high net worth (HNW) and the ultra-HNW population of India will balloon from about 150,000 to around 500,000 individuals by 2025, while India's GDP is expected to double to about USD5 trillion. And that figure of USD5 trillion is roughly what Boston Consulting Group expects private wealth to reach in less than three years.

Great opportunity

But by his estimates, the top 10 wealth managers in this country

have not yet reached more than about 25,000 of the current 150,000 customers, and those customer numbers are growing very fast. Accordingly, there is a world of opportunity for firms such as Edelweiss.

Kapoor's final comment of his lively presentation at the Mumbai Forum was that Infinity was created from a blank canvas but painted as an ideal picture.

“The concept is portfolio quality and diversity, not products, it is driven by the institution and service provider, not the individuals in the firm, it is focused on the client, their needs, their expectations, their experiences, and it is realistic in terms of the fees and client-friendly. This, in our opinion, is the future, the clients will benefit, all of us will benefit.” ■

