

# How India is embracing advice

*The advisory model and technology advances are set to dramatically change the country's booming wealth landscape in coming years, says Anurag Seth of Quant Capital.*

Shifting financial sands within the Indian wealth management landscape has set a new type of challenge for advisers and firms looking to find the best way to meet clients' needs and desires.

different mind-set on investment and money management is emerging. Anurag Seth, head of global wealth management at Quant Capital, sits in the advisory-model camp. He believes

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The jury is somewhat out on the best path to take, with views split between client willingness to adopt the advisory model on one hand, and a continuation of the tested execution framework on the other. Add to that the changing complexion of family offices in India – which is gradually embracing a new-age approach – and you discover that a

the transition from old to new is the future for the industry – in more ways than one.

“We are one of the firms advocating clients to move to an advisory model and we are seeing greater client acceptance for the advisory set up,” he explains.



**ANURAG SETH**  
Quant Capital

“More and more clients are now inclined to adopt an advisory rather than just a plain execution framework. As a result,

we have added a considerable number of new accounts.”

Previously, the firm was targeting accounts above a certain investment size.

But he says it is good to see that clients with relatively smaller balance sheets are also looking at the advisory set-up rather than continuing with a plain execution model.

“We were looking for high-end clients, but we have, gradually over the last six months, moved to mid-tier clients because that is where the advisory model is finding more acceptability.”

Adds Seth: “This has been a major change in our focus over the last couple of months, and we are happy with the uptake of what we have been advocating.”

### **INTEREST FROM MID-TIER CLIENTS**

The model which saw mainly the top-end of India’s wealthy opt for advisory was based on them chasing a particular return target.

As a group, these clients seemed to better understand the process and wanted to participate in the upside.

“Now, however, I have seen more people within the mid-tier understand the logic of the advisory model,” notes Seth. A key thing helping to drive this, he believes, is that everyone is optimistic about India.

Apart than the recent demonetisation measures (which should also eventually lead to a favourable outcome), clients are quite optimistic.

“In fact, we have seen some of the best months for mutual fund equity flows in India domestically,” explains Seth. “So,

there is a lot of optimism and many investors are hoping for good returns.”

### **SKIN IN THE GAME**

This upturn in investment volume, however, also creates a ‘buyer’s market’; clients have multiple options for where to take their business.

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Yet Seth takes this in his stride. “We believe that to win business, you need to have skin-in-the-game, and that is one reason why a client chooses us.

If the client is willing to participate and pays an advisory fee, then you need a particular benchmark or a hurdle rate, above which you will charge an advisory fee,” he explains. “Until you do that, clients will always look for a discount on advisory.”

After all, a client can easily get a risk-free return, which in today’s scenario, is what is offered by a nationalised bank.

### **THE DIGITAL FRONTIER**

Seth also sees the latent introduction of new financial planning technology as another great stride for the wealth management industry.

“Technology, specifically in India, will lead to a huge transformation to our business in the next six months or so,” he predicts.

“Fintech, or technology-enabled investments, had taken a back-seat in India, either because we were grappling with the issue of one-touch investment, or because we could not link with Aadhar.”

He expects the situation to be resolved in a few months.

“I think that by April, we will have a system in place whereby you can invest in mutual funds or trade easily through mobile phones. Then, all of the platforms that have not seen any traction over last couple of years will suddenly become an important tool for clients to use by themselves.”

Quant, meanwhile, is exploring options of teaming up with other digital platforms to offer back-end advisory support for clients.

No doubt, while India’s growing population of affluent consumers are actively seeking investment solutions, it must be remembered that digital technology still has a long way to go in India.

But optimism is rising rapidly. “In another couple of months, we will see enough traction to give clients the ability to start investing with ease,” adds Seth. “In the future, we will be able to offer a lot more.” ■