India's Wealthy Investors Turbo Charge India's Expanding Professional Investment Market

G Pradeepkumar, Chief Executive Officer of Mumbai-based Union Asset Management (UAMC) told delegates at the Hubbis India Wealth Management Forum how India's wealth clients are becoming more influential in the mutual fund industry, how their appetite for equity has been evolving and why the country's capital gains tax on debt investments seems to be having an impact on the holding pattern.

UAMC ITSELF IS A FIRM THAT IS ENJOYING A REINVIGORATED MISSION to rise to the top echelons of fund management houses in India. UAMC in 2018 attracted the Japanese giant Dai-ichi Life as a joint-venture partner alongside state-owned Union Bank of India, replacing the former Belgian bank partner, KBC Participations Renta.

This has inspired a new chapter at UAMC, one in which Pradeepkumar plans to boost Assets Under Management (AUM) from just over USD600 million equivalent to more than USD7 billion in the next five years.

UAMC manages the assets of Union Mutual Fund (UMF), which has a range of products across asset classes, both equity and fixed income, through a variety of open-ended, closed-end, capital protection, balanced and other types of funds.

Armed with an informative slide presentation, Pradeepkumar highlighted how in the past decade, the share of India's HNWIs in the mutual fund sector had risen by almost 50% from 22% to nearly 32%. "And the other interesting factor is that their share in the number of folios has surged in the last five years by nearly five times, which is an indication that there are more and more people coming to invest in mutual funds," he reported.

G PRADEEPKUMAR
Union Asset Management

Link to Content Summary page
Link to Article on website
Link to Presentation
Link to Event Homepage

hubbis

He highlighted how the mutual fund industry itself has been expanding rapidly in the past decade. "The explosive growth of mutual funds over the last 10 years, and especially over the last five years, is remarkable and HNWIs are driving a considerable amount of that growth," he noted.

Importantly, Pradeepkumar also explained how the equity market is taking an ever-greater share of this money. In 2009 the mutual fund market was roughly 71%/29% slated to fixed income, whereas today it is roughly 55% equities and 45% debt. "After the GFC of 2008-2009," he noted, "equity as a portion of this sector slipped as low as 21% by 2014, but the past five years has seen a dramatic surge from 21% to 55%, in other worlds a rise of more than 160%."

He then focused on how long people are holding assets, highlighting how equity is not held as long today as 10 years ago, while debt is held for far longer. "You will see that for non-equity, predominantly debt investments, people are holding these assets for longer periods and partly because a tweaking of the long term capital gains tax, which has boosted incentives to hold fixed-income assets for more than three years to get the long term capital gains tax benefit. And this, in turn, has been encouraging mutual funds to launch more products which are locked in for three years at least."

He turned to the growth of the investment market broadly, and the rise of HNWIs as a percentage. "We can see very healthy growth for the industry as a whole," he reported, "growing 19% compound annually in assets and within that a powerful surge in HNWI assets. Clearly here in India, there is a large number of people who are relatively wealthier, who are investing increasingly into mutual funds because it is perhaps a safer avenue and more tax-efficient, more transparent, more regulated. Whatever the reasons, mutual funds are expanding and more of India's wealthy participating."

And to complete his picture of the structured investment market in India, Pradeepkumar then highlighted how more and more of the assets of private individuals are being managed professionally in the past decade, surging more than fivefold from mid-2010 levels. "We can attribute this to product innovation," he explained, "with many portfolio managers having really reoriented, reinvented themselves and aligned themselves more to the interest of the investors whether related to products, the fee structure, efficiency, or transparency. And we have seen the entry of many of the 'star' fund managers who have moved from handling mutual funds to set up their own discretionary management operations and have attracted a large number of investors to invest with them."

He closed his insightful talk with the observation that the overall professionally managed investment industry in India is growing rapidly and evolving positively. "This is good for the clients and for us wealth managers," he concluded, "it is a broadly positive and encouraging environment." ■