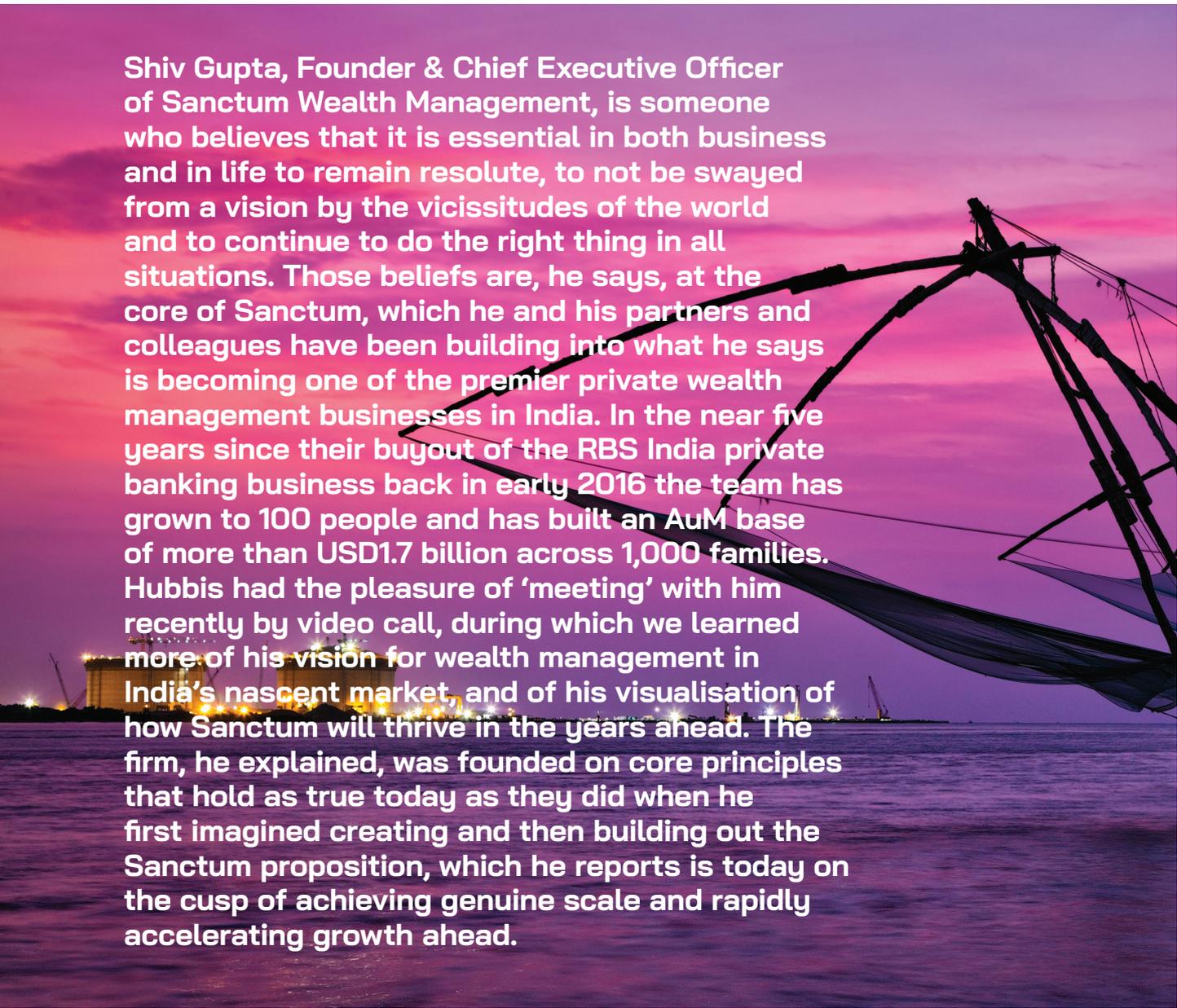


Sanctum Wealth Management's Founder & CEO on Being Resolute and Sticking to Core Principles



Shiv Gupta, Founder & Chief Executive Officer of Sanctum Wealth Management, is someone who believes that it is essential in both business and in life to remain resolute, to not be swayed from a vision by the vicissitudes of the world and to continue to do the right thing in all situations. Those beliefs are, he says, at the core of Sanctum, which he and his partners and colleagues have been building into what he says is becoming one of the premier private wealth management businesses in India. In the near five years since their buyout of the RBS India private banking business back in early 2016 the team has grown to 100 people and has built an AuM base of more than USD1.7 billion across 1,000 families. Hubbis had the pleasure of 'meeting' with him recently by video call, during which we learned more of his vision for wealth management in India's nascent market, and of his visualisation of how Sanctum will thrive in the years ahead. The firm, he explained, was founded on core principles that hold as true today as they did when he first imagined creating and then building out the Sanctum proposition, which he reports is today on the cusp of achieving genuine scale and rapidly accelerating growth ahead.

Nearly five years after Gupta and his founding team bought out the business from RBS, he reports that Sanctum comprises a team of 100 plus, including 35 relationship managers and total assets under management (AUM) of more than INR12,000 crores which is the equivalent of USD1.7 billion. “We had all the building blocks in place well before the pandemic hit,” Gupta reports, “and we were well placed from business and operational perspectives to cope with the major challenges this situation threw at us and everyone else in this market, including digital connectivity. Today, we are close to achieving the scale to really accelerate our growth in the next five years ahead.”

Centred on the client

He explains that Sanctum’s approach to wealth management is centred on the belief that a good wealth management relationship involves a long-term commitment to clients and their future generations. “It is based on trust and understanding, driven by objective and relevant advice,” he elucidates. “Advice that is customised for individual circumstances and ambitions, and goes beyond just the numbers. We strive very hard to reflect this principle in the way we approach our relationships.”

India’s resilience

Gupta offers his insights into the challenges of 2020, reporting that from a business viewpoint the Indian wealth management industry has generally handled the crisis well, with many demonstrating a great deal of resilience and ingenuity. At the same time, he observes that

business owners saw it as an opportunity to eliminate some of the non-essentials and tighten their belts somewhat.

“This elimination of the non-essentials is both at an operational level and in the way RMs operate and conduct themselves,” he says, “so I think many of these productivity and efficiency benefits that have emerged through this experience are here to stay. That is a major positive.”

“India’s compelling story of the last decade or two, of economic growth driven by favourable demographics and structural reform remains solidly in place, although the pandemic may have temporarily shifted that focus and the narrative. At the core, we continue to see the ‘financialisation’, formalisation, and even digitisation themes playing out in the economy.”

The digital ‘revelation’

As to digital transformation in the industry, Gupta calls it a digital ‘revelation’ as much as the digital ‘revolution’. “This is because many in the industry discovered the productivity benefits almost as an epiphany despite having operating architectures that already had many of the tools in place. It also underscored why digital will be so vital for getting business done in the future, and how organisations will need their people to develop habits to maximise connectivity and effectiveness using digital tools. I am sure many of these lessons will continue to be relevant well into the future.”

Key themes – macro first

He also comments on several key influences that he sees driving India’s wealth management

industry. “The opportunity at the macro level remains intact, albeit slowed by the pandemic,” he reports. “In fact, India’s compelling story of the last decade or two, of economic growth driven by favourable demographics and structural reform remains solidly in place, although the pandemic may have temporarily shifted that focus and the narrative. At the core, we continue to see the ‘financialisation’, formalisation, and

even digitisation themes playing out in the economy.”

Regulation

The second key influence is in regulation. “So much has arrived in recent years that affects our business,” he explains. “The general theme is, of course, greater accountability, increasing transparency, and a drive to fundamentally change the way wealth managers interact with their clients when providing advice.”

“A key evolution has been the segregation of advisory and distribution, and the removal of upfront payments to distributors of financial products and replacing them with trail-based pay-outs,” he reports. “The result is that combined with other changes, they’ve had the effect of reducing investment costs for clients, and



SHIV GUPTA
Sanctum Wealth Management

created the need for organisations to refine their business models. The accompanying reality is also that margins have become compressed for wealth managers.”

Product diversification

The third key area of progress is in the product arena, where the universe available to domestic investors has been expanding, and Gupta believes it will continue to do so.

“Aside from the expansion of mainstream equity, debt and fund investments, we have seen massive growth in alternative investments as well,” he explains. “And there has been a concomitant increase in the range of international opportunities available here. The progress is laudable, but there is also far more to achieve in all these areas.”

Digital days ahead

Technology will be vital for the future of the industry, as the democratisation of India’s wealth markets continues, and as clients across India become far more comfortable with new technologies. “And as I mentioned, there has been a major revelation about the

possible role of digital during this pandemic,” he says. “So, we now see that digital transformation is working in action, and people are truly able to test many of these new technologies and also assess their own levels of digital adoption. The acceleration of the digital transformation of organisations is certainly a huge positive. This is also helped, to a great degree, by the way clients have responded.”

Gupta elaborates on this last point, noting that with remote digital connectivity, RMs can interact with clients very much more frequently and very much more efficiently. “For example, in the past, they might have waited several days for a meeting, resulting in delays. Now we are all operating more real-time, and can engage more frequently and more meaningfully.”

Intense competition

And finally, the competitive environment, Gupta reports, remains intense. Given the prospects for growth in the market itself, it will remain so for the foreseeable future. New entrants will likely continue to crowd in, even though some of the other factors at play might result in some consolidation in coming years too.

Risk and reform

He comments on the past problems in the arena of credit funds in India as part of the evolutionary process, observing that it is part of a large-scale cleansing of the lending ecosystem, and the manner in which risk is assessed and capital is allocated in the economy. This is still a work in progress.

“I see this as a welcome reform from a long-term point of view,” he explains, “so although there were investors caught up in

these situations, there is a much more robust culture now of risk assessment and risk management in the market, with proper conversations with investors around these issues.

Sanctum’s USP

Gupta shifts his focus back to how Sanctum has performed and where it fits into the Indian wealth ecosystem. He reports that the INR12,000 crores or USD1.7 billion in AUM had been achieved with growth of roughly 30% each year since 2016. We have about 100 people across six locations in the country, concentrating on the main centres of wealth and where we can gain real traction.”

“We are now really at the threshold of true scale,” he reports. “Getting here has involved many challenges over the past five years. Having gotten here, we believe we will grow much faster in the coming five years.”

He adds further insight into Sanctum’s USP and competitive position, explaining that the original vision stands today, namely of becoming the most trusted wealth advisor in India.

“Good governance is central to our vision in this regard,” he reports, “and an intense focus on delivery quality that tends to be associated with international institutions, alongside the agility and flexibility which you might associate with the domestic players. I would say we are succeeding in this goal and that our growth underlines this, with some 1,000 plus marquee clients now and a host of talent in the firm, of which we are especially proud.”

He adds that Sanctum aims to offer the broadest array of expertise available in the market, with an

open architecture and product specialists in each discipline.

The holistic approach

“We pride ourselves on being able to offer Indian HNWIs and their families an all-embracing approach to their wealth management needs,” he says. “We act as a sounding board for our clients and armed with a genuine understanding of their needs and expectations, we then use a very large tool kit to construct the solutions that would help them achieve those objectives.

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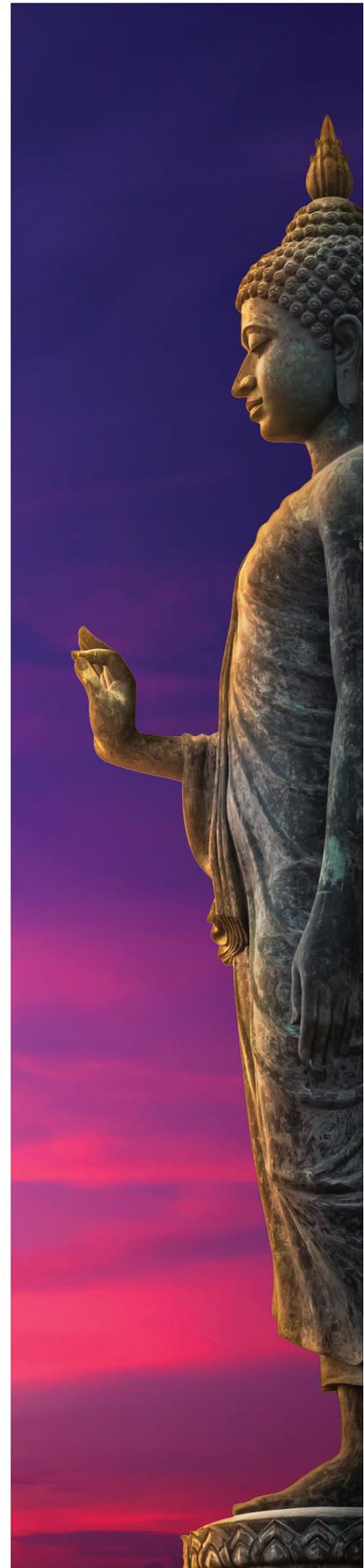
Gupta observes that ultimately the components of good advice are a great understanding of the customer, sound specialist knowledge of the subject matter, and recommendations that are driven entirely by what is suitable for the customer. “We are basically advising clients on how they should manage their assets optimally given their objectives and individual attributes. We focus heavily on our differentiation, our ability to offer a dynamic platform of ideas, and to provide a truly responsive customer experience.”

Key Priorities

Gupta’s first mission is essentially more of the same when it comes to business growth; in other words, to continue to fully utilise the platform they have built to grow the business on the back of the solid momentum they are seeing. “We are looking to add to our platform in the areas of credit and real estate, where we are exploring some strategic partnerships,” he reports, “but beyond that, we will maintain our focus on continuing to improve our offering, our quality, and to keep improving our execution.”

The second priority is the ongoing digital transformation in the context of organisational productivity, client experience, and expanding client functionality. “Those objectives are guiding a set of projects and initiatives that we are running today,” he explains.

His third key mission for 2021 is to imagine a time when lockdowns end when the vaccines have been rolled out and are proven to be effective. “We will then be evolving presumably to some sort of hybrid remote and office environment,” he says. “It will take some time to figure out what the most optimal mix of remote and in-person working will be. So, that transition to the new workplace model is the third big priority.”



Asset allocation in the spotlight

He draws the discussion towards a close by remarking on how clients might or perhaps should behave in the environment ahead, which globally and in India remains uncertain, even if economic activity has improved from the depths of the crisis.

“It all boils down to asset allocation,” he says. “People should be aware that it’s not going to be a one-way street; there could likely be more volatility. It does look like markets are poised to continue to remain buoyant, but

we need to recognise that there are many variables at play and that assumptions can easily go wrong in this environment, at which time we could see severe market reactions. It is important to ensure that clients build and maintain well-balanced, professionally assembled portfolios.”

Across the generations

His final comment is that Sanctum is specifically a pure-play independent wealth manager with an end-to-end platform that aims to reach out across the generations of Indian clients.

“We are relevant across all the generations,” he reports, “And increasingly well-positioned for the younger generations of clients, who are digitally advanced, and well-informed, but also enjoy discussions with greater depth. In general, we find that both digital and RM engagement is important for these newer clients as well, with the human interaction somewhat super-charged by technology. In short, we feel we are comfortable with the way we are positioned to grow our business across the different generations as India resumes its economic growth trajectory.” ■

Getting Personal with Shiv Gupta

Born in the northern Indian state capital of Lucknow, Gupta then moved around India regularly as his father was a civil servant. Schooling was at a boarding school named Lawrence School Sanawar in Himachal Pradesh, a well-known public school in north India. He later attended Delhi University to study Economics and then, following a stint with the national executive of a students’ organisation, AIESEC, he started work at the Citibank Private Bank in Switzerland.

“It was supposed to be a stopgap before my postgraduate studies, but it quickly became clear that this was going to be my career. I then moved on to Singapore with Citibank, and by then it really did not feel as if I should be doing anything else. I thoroughly enjoyed the years with Citi and then joined Coutts, after which I returned to India as country head for the ABN AMRO wealth management business that RBS had acquired, and that we then acquired in 2016.”

Married with a 13-year-old daughter and an 11-year-old son, Gupta reports that the pandemic has also brought out the more reflective elements of his character. “Spending more quality time focusing on family, connecting with old friends, and renewing many bonds that in our busy lives we can lose focus on, all that has been a true positive from the dreadful situation that is Covid-19. We must not lose sight of these vital elements in our lives.”

He reports that he has also been able to read even more than usual, with recent tomes including ‘Range’ by David Epstein, which focuses on how generalists succeed in a highly specialised world. “It is about how you can draw from diverse influences to improve the way you think about anything and the way you perform at anything,” he explains. “There are some excellent lessons in it for all of us.”

Another recent favourite was ‘The Hard Thing About Hard Things’ by Ben Horowitz, a Silicon Valley entrepreneur and venture capitalist. “It centres on how when you are starting or running a business, things will be difficult, crises will arise, and you will make mistakes. It offers insights into how to cope, and some assurance that you are not alone in facing these many challenges and pitfalls.”

And another very entertaining recent read was 'Alchemy' by Rory Sutherland, vice chairman of Ogilvy UK and acclaimed marketer and TED speaker. "It is all about how human beings are not as rational as economists will have you believe. It is a hilarious take on behavioural psychology in a business context and looks at how some irrational business decisions he calls 'moments of magic' actually work."

Gupta closes the discussion with a quirky story from his earlier business days. "We had a night out at a casino in Las Vegas with a client," he reports. "I'd been at the losing end of a bad streak sitting in front of a dealer, and it must have been in the early hours of the morning. I started playing extremely cautiously because I was having a bad run. There was a fellow we did not know at the same table who was about in his late 60s. He was looking somewhat disapprovingly at the calls I was making. We got talking, and he said, 'you can live your life how you want, but I believe at the table, you must play your last bet the way you play your first bet'. I did that and my luck actually turned."

Gupta says that whilst that may not always happen at the casino, the remark has stayed with him until this day. "It's the parable of temperament, and something I remind myself in business and in life," he says. "It's about staying the course through the ups and downs and never forgetting the fundamentals no matter what the situation."

