Sanctum Wealth's CEO on Riding the Great Indian Wave of Financialisation

India's equity markets have enjoyed a remarkable rise since the nadir of April 2020 as the world grappled with the first wave of the pandemic. The Indian wealth management industry has since then also enjoyed a remarkable ride on this wave of enthusiasm and optimism, at least in key sectors of the Indian economy and investments. Moreover, at the same time, wealthy Indian clients have diversified more of their portfolios as well into global assets, most of which have also performed well. Shiv Gupta, Founder & Chief Executive Officer of Sanctum Wealth, 'met' with Hubbis recently to update us on how amidst all these moving parts, he and his partners and colleagues have continued to build Sanctum Wealth into one of the leading private wealth management businesses in India in the slightly more than five years since their buyout of the RBS India private banking business back in early 2016. Since then, the firm has grown to roughly 100 people and with assets under management of more than USD2.3 billion across more than 1,100 clients. And that helped Sanctum in September 2021 bring in their second major external investor in the form of the Xander Group, which bought in expanded capital to the firm in the equivalent of USD 11 million.

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SHIV GUPTA
Sanctum Wealth

Gupta opens the conversation by remarking that a fiduciary approach to clients drives their business model, and that all our architectural choices stem from that principle. 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 too."

And it is very evidently working. Some five and a half years after Gupta and his founding team bought out the business from RBS, he reports that Sanctum now boasts of more than 30 experienced relationship managers and 25 product and market specialists building on the AUM equivalent to USD2.3 billion.

Accelerating growth and new capital

"We have managed to drive growth since the pandemic hit, with our infrastructure and key people already in place for expansion, and since then refining key areas of our business as well as adding new talent," Gupta reports. "I cannot say it has all been easy, far from it, but we were actually well placed from the business and operational perspectives to cope with the challenges this situation threw at us and everyone else in this market, including digital connectivity. Today, we are close to the mark from where we can significantly scale up in the next five years ahead, and with new capital, we can further accelerate our plans."

The impetus the firm has achieved has indeed encouraged Gupta and colleagues to raise new funds, with Sanctum, in September, securing the equivalent of USD11 million from the Singapore arm of global investment firm The Xander Group, Inc. to strengthen its operating platform and increase its client coverage.

The Xander Group, Inc. is an investment firm focused on emerging markets which, since 2005, has committed over USD3 billion of equity to India across private, public, credit, and venture investments and platforms. This was Sanctum's second fundraising, having raised the equivalent of USD11 million in 2018 from Multiples Alternate Asset Management Private Limited.

Win-win deal

"The Indian wealth management sector represents a huge structural opportunity, and we look forward to working with Xander and our existing investors, which includes Multiples Alternate Asset Management, to take our franchise to the next level in scope and scale," Gupta reports. "We are at the stage of our evolution where we want to continue investing in the business, and therefore adding to our capital base through a partner with whom we could also see some synergies was a win-win. We now have two really robust institutional investors in our capital base and aligned with us, and we can accelerate growth in the coming years."

Gupta explains that Xander began life as a real estate private equity fund, mostly funded by global institutional investors and that over time, they have built themselves up into a platform that sponsors independent real estate, financial services and other businesses in India and across the Asian region.

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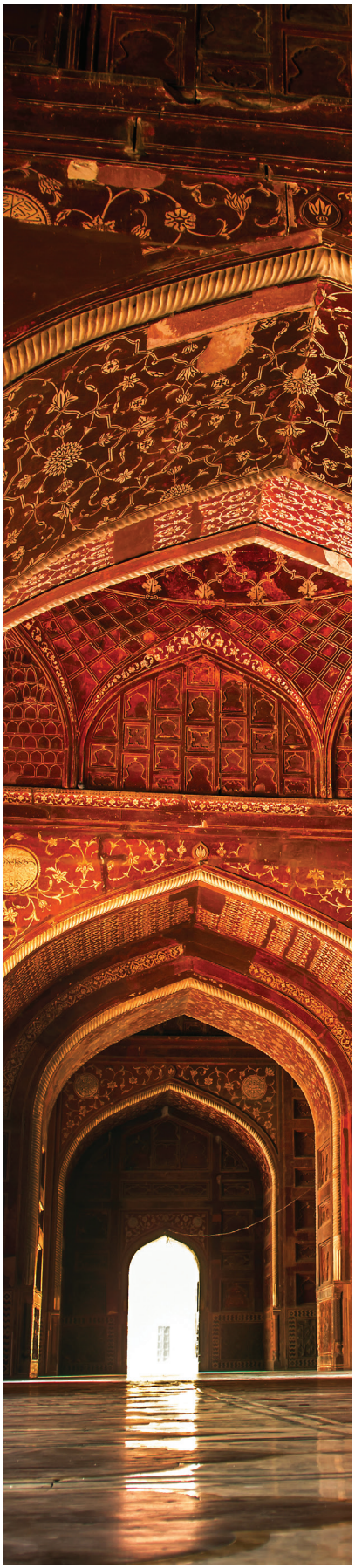

Getting Personal with Shiv Gupta

Born in the northern Indian city of Lucknow, Gupta spent his early years moving schools as his father was a civil servant and finally ended at the 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. Later in his career, he attended the Harvard Business School's General Management Program (GMP).

"Citibank 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 Citi, 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 14-year-old daughter and a 12-year-old son, Gupta reports that the pandemic has brought out the more reflective elements of his character. The tragic displacement and loss of life in India and worldwide due to the pandemic had made him more grateful for the friendships and acquaintances he has built in his life. "I have made conscious efforts to renew my bonds with a large number of people, realising more starkly than before how ephemeral life can be and how important the people are that we connect with in our lives," he says. "That has been a key positive, as has remembering elements of advice and wisdom from some of those people along the way."

Dramatic growth

He adds that the investment is ideal at a time when AUM has grown over 80% in the past year to the roughly USD2.3 billion today and there is a lot of growth momentum. "And we have managed to do that whilst keeping our team at roughly the same size, but also improving efficiencies, so we are still around 100 in number, but considerably more productive throughout the firm. We are investing in our products and platform and will also add people, but selectively."

He explains that while conditions have been conducive for risky assets, the firm has to keep its clients focused on the right approach. "We see it as our responsibility to ensure that clients invest in line with their profiles, so we need to keep reminding them of the fundamentals, to keep focused on proper asset allocation, and to not get carried away. And that is a constant process, which we do whether markets are up or down. It means that over a longer period, if your clients follow your advice

Key priorities

Gupta reports that on the back of the construction work done in the past few years, the momentum behind the business is strong. The first priority is to build on that momentum, by deepening client engagement and further enhancing our product platform in partnership with our new stakeholders.

The second key mission is to move ahead with phase two of the digital transformation. "We have all been lucky with the speed and robustness of digital adoption in the last couple of years. This was phase one. We are now in the process of defining our strategy for phase two," he reports. "In phase two, we will set out the future organisational technology architecture, define the new tools that we're going to introduce, where we can considerably enhance existing solutions, front to back."

And the third priority is the workplace model of the future. "Everyone is grappling with this," he says, "and we need to see how things evolve further to determine how we will work in the future. We imagine some form of a hybrid working model, with considerably more connectivity than since the pandemic hit, but not a return to the previous norms."

The final priority is building the product platform, something their new equity partner can help with on the real estate front, for example. "And we are upgrading our private and alternative assets capabilities at the same time as boosting our equities and derivatives platform.," he reports.

and stick to the fundamentals, they should always attain better outcomes than rushing headlong and getting carried away with enthusiasm or, on the other side, perhaps, fear."

Key trends in India

Gupta points to some key trends in the Indian wealth market, which he says is being driven onwards by the reform-led structural growth that India has been witnessing already for some time, and that many believe will dominate the decade ahead. "This has resulted on the ground in our arena in digitalisation, and greater financialisation and at rates that we haven't seen before," he observes. "And in the process, India is building an excellent platform for long-term growth and significantly improving as an attractive investment destination. We have seen more than 40 new unicorns created just this year, with a wave of foreign capital chasing these private investment deals."

Regulation has advanced, tightening controls on the sale and distribution of mutual funds and other financial products. And technology has progressed in the industry, with a sudden rapid

acceleration of adoption. Let's call it digitalisation phase one. "It has had two key effects," he reports. "For traditional wealth managers, it has driven home the need to boost their technology investments. And we have also seen the rise of wealth tech platforms, disruptors who are trying to democratise wealth management, and with some success."

At the same time, there has been an expansion of the product universe, including more alternative investments and more international products, including via the domestic feeder fund ecosystem. "The feeder fund ecosystem had struggled for some years but has really taken off in the past few years," he suggests.

Competition has also intensified, from all directions including new entrants, but Gupta says that this is not surprising given the potential size of the market. "The opportunity is very large, and there is room for many players, but, of course, that does not mean we get complacent," he says. "We are continually thinking about our strategy, how to differentiate from the street, and how we can be more appealing to clients. Consistently delivering that differentiation requires putting in place the fundamental building blocks and then constantly refining them."

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Boosting talent and productivity

He closes the conversation with an observation on the evolution of talent in India, remarking that younger RMs can be groomed through training and on-the-job experience to compete and shine domestically. "We have significant scope for more people coming into the industry, and with the right training and nurturing, we can build the talent to cater to the remarkable growth we see ahead for wealth management," he says. "Having said that, regulatory changes and some elements of competition have conspired to compress margins, so we also need to keep an eye on productivity amongst our functional and frontline teams. ■