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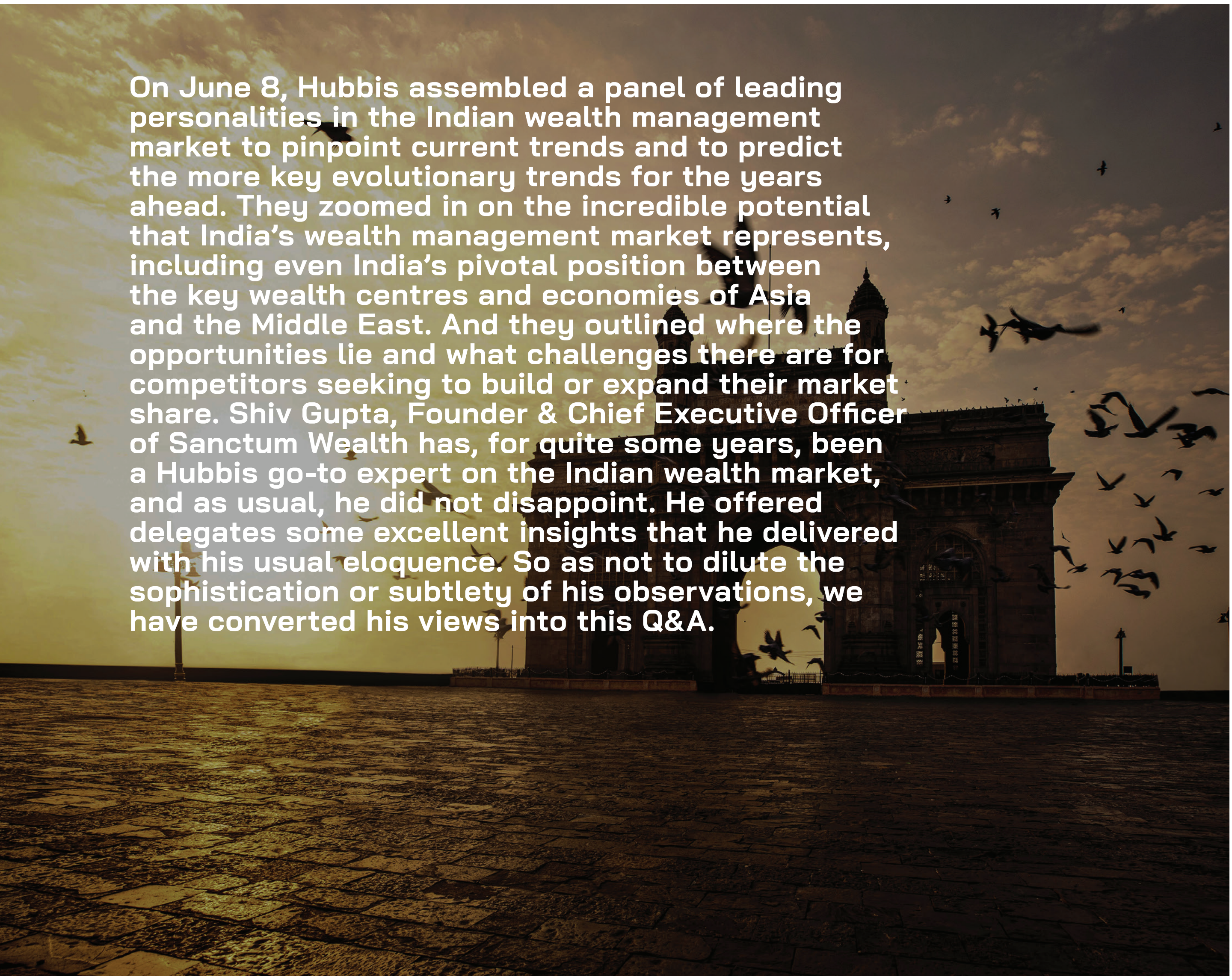
Sanctum Wealth's CEO Surveys the Dynamic World of Indian Wealth Management



On June 8, Hubbis assembled a panel of leading personalities in the Indian wealth management market to pinpoint current trends and to predict the more key evolutionary trends for the years ahead. They zoomed in on the incredible potential that India's wealth management market represents, including even India's pivotal position between the key wealth centres and economies of Asia and the Middle East. And they outlined where the opportunities lie and what challenges there are for competitors seeking to build or expand their market share. Shiv Gupta, Founder & Chief Executive Officer of Sanctum Wealth has, for quite some years, been a Hubbis go-to expert on the Indian wealth market, and as usual, he did not disappoint. He offered delegates some excellent insights that he delivered with his usual eloquence. So as not to dilute the sophistication or subtlety of his observations, we have converted his views into this Q&A.

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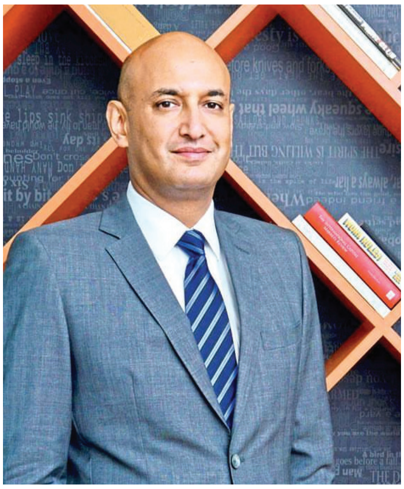

SHIV GUPTA
Sanctum Wealth Management

Hubbis: Shiv, first, what do you do, and then can you help set the scene for the current state of play in India's wealth management market, and outline some of the key opportunities and challenges ahead?

Shiv Gupta: We are a central part of the independent management community in India, running an independent pure-play firm now of around 120 people across six locations in the country managing around USD2.5 billion of AUM for high net worth and ultra-high net worth individuals, trying to bring them a full suite of products and services in the sense of whenever a client thinks about wealth management, whatever it is that they think about, we aim to address those needs. The origins of the business were the acquisition of the Royal Bank of Scotland's private banking business in India.

As to the big picture, India is in a macroeconomic sweet spot, and there have been many positive developments in the past seven or eight years, leading today to expectations of ongoing elevated economic growth and private wealth creation across the country. Another tailwind for the wealth industry is the financialisation of savings as people invest more. Accordingly, the product universe has been expanding and continues to expand quite dramatically. Regulation has been playing a huge role in how things are evolving here, and so has competition, as we are not the only ones who think India offers a great opportunity.

The demographics of the clients themselves are changing. We have, of course, clients in the traditional demographic, but we also have a lot of younger clients coming in, younger decision-makers representing a more diverse clientele with more successful professionals, not just entrepreneurs. Also, wealth is becoming more democratised; in other words, the traditional concentration of private wealth and economic activity in the big cities is giving way to wealth spread far and wide across the country's second and third-tier cities and regions.

Alongside all this, client sophistication is rising, and expectations are evolving; that adds further momentum to developing the breadth and complexity of the product suite. Clients and portfolios are more international, linking back to the deepening product suite here.

And throughout the business, technology is playing an increasingly important role in enhancing efficiency through digitisation and automation and developing a client-centric experience from back to front office. The pandemic allowed us to accelerate adoption, which had traditionally been a challenge. However, since India normalised in return-to-work terms, people have enthusiastically embraced the need for in-person interactions. Hence both forces are at play – technology to allow remote and rapid interaction and the RM/advisor model to deliver a personal front to the wealthier clients.

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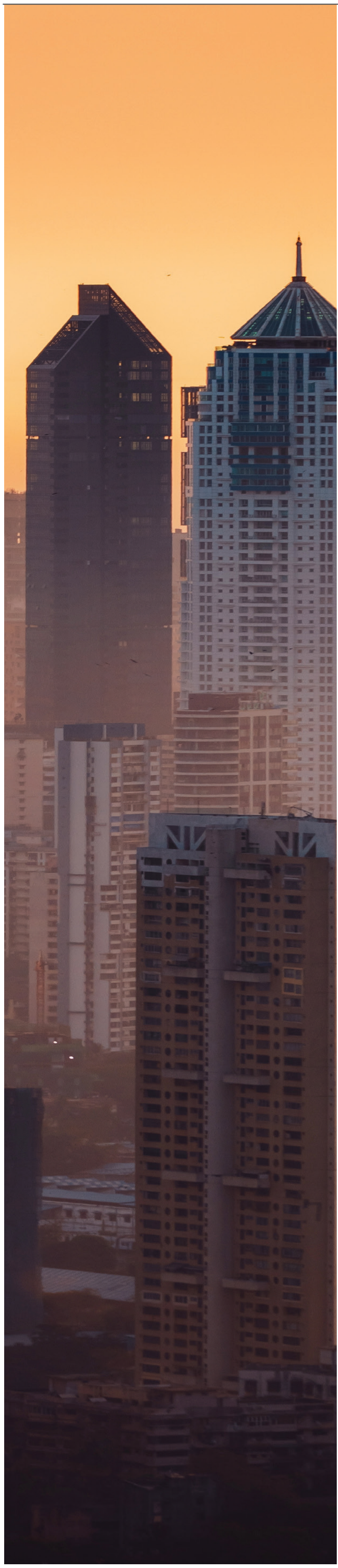
Hubbis: Can you drill down further into cost pressures, the economic returns in the business and whether or not you need scale to survive and prosper?

Shiv Gupta: Firstly, a long-term strategy for India, and yes, you need to address rising talent and compliance costs and margins getting squeezed from all sides, the latter partly driven by regulation and intensifying competition, all of which demand scale. What might have been considered baseline scale a few years ago has become significantly



greater today, and looking ahead, that is likely to remain the direction of travel.

Organisations must think smartly about productivity and greater efficiencies, front to back, leveraging technologies, tools and approaches to achieve better economics. Technology, for example, can significantly increase the efficiency and productivity of your RMs and advisors. If an RM can serve, for example, 40 clients today, perhaps you can increase that number with the right tools by as much as 50 per cent, but even smaller increases are worthwhile. In the back office, too, if you can do more with technology to digitise your journeys and reduce the amount of human effort, that is another source of increased productivity.

Also, talent is hard to come by and expensive across the spectrum, from the mass affluent segment to the UHNW sector. Organisations must think carefully and imaginatively about how to hire, retain, and nurture talent to cope with the anticipated rapid rise in demand for wealth management services. That involves training, coaching, mentoring, and organisational structures that support the development of people and a career path, as well as financial success.

Hubbis: Is the market big enough today and looking ahead, and to what extent do the incumbent players need to differentiate themselves in order to stay ahead of peers and new entrants?

Shiv Gupta: I think there is quite a lot of love to go around here, although I'm sure all of us would like to see more of that love coming our way. Jokes aside, the general point is that wealth management markets, even globally, are somewhat fragmented and generally structured to accommodate several competitors and new entrants. Each entity has its competitive strategy, so some might be distribution-led or could be advisory-driven, some might cover niche segments, and some might be aiming to offer comprehensive coverage, but whatever the approach, the market here has proven itself able to make room for several players involved. Of course, if too many players come in, the business could become unprofitable, but we are not there, and that would be quite a large number, given the growth potential ahead.

When clients choose their wealth managers, they usually have a list of parameters representing the clients' value curve. The list includes things like performance, the breadth of the product proposition, the relationship manager, technology and reporting capabilities, service, trustworthiness, brand recognition, and a whole set of other factors, such as recommendations, branding, longevity, testimonials, etc.

At Sanctum Wealth, we distil these elements into three key organising principles. The first is the perception of trustworthiness because we are all ultimately in the trust game. So, how trustworthy are you as individuals in the firm and as a platform? Are you going to be objective, reliable, consistent, and so forth?

The second element is the dynamism of the product platform or the appropriateness of the product platform, and if you run both annuity-type businesses (such as fee-based DPM and advisory) and the more transactional business simultaneously, which most large platforms do, and globally also. So, the breadth and dynamism of the product platform are extremely important ingredients.

The third key parameter centres on the customer experience; call it service, responsiveness, or making it easy for clients.

When talking to our clients and adjusting our positioning, these are the three pillars we try and focus on to ensure we take the right approach and stay agile and ready for the future. To sum it up, it is trust, ideation, and customer experience.

Hubbis: Is there a greater need for estate and legacy planning advice and expertise and is the wealth management community rising to the challenge?

Shiv Gupta: Yes, and let me make a couple of points to underscore the importance of estate and legacy planning. In most of the better global platforms, it is an integral part of the wealth management offering at various wealth levels. In India, too, it is extremely important and becoming even more, especially as we are undergoing the largest intergenerational wealth transfer in our history now and in the years ahead. A study indicated that the numbers are as much as USD10 trillion over the next decade, which is astounding!

Every situation and every family are different, and there is growing complexity around families, their assets, their domiciles, their needs and expectations, and the technicalities of ensuring that wealth transitions smoothly from the older to the next and younger generations.

All this means that wealth managers need to address the needs of their clients by adding to their capabilities in areas such as trusts and other types of structuring, tax management, cross-border solutions, transition planning, business and family governance, and even going as far as philanthropy. All these non-investment areas relate to more robust estate and legacy planning and structuring.

Hubbis: Are private markets and private assets increasingly important in India and why?

Shiv Gupta: Yes, in a word. If you look at the Indian wealth management market at a macro level, who the clients are and who serves them, there is much more scope for a more diverse array of assets and approaches.

Clients expect different things from wealth managers. This is a fast-moving market, and we need to address the core needs of clients and keep pace with product and idea generation across different geographies, public and private markets, mainstream and alternative asset classes, and so forth.

Private markets represent an extremely important asset class and a major element within any economy, and certainly in India. Listed markets do not by any means represent the full potential of the economy, and so, over the next 10 to 15 years, so you absolutely need to have a capability in that area for most client segments, albeit I would argue that this corresponds a little bit more to the HNW and UHNW clientele, understandably.

Private market exposures can be individual investments or expressed through collective investment vehicles. The more you head towards direct exposures, the further you need to move up the wealth segments. For firms that focus on particularly HNW and UHNW clients, this is an essential element of differentiation today and certainly in the future. ■