

Uncomplicating the mechanics of managing wealth

A mechanical engineer by training, Feroze Azeez loves sports cars, given his knowledge of how machines are designed, produced and operated. But his true passion lies in multiplying the wealth of his clients at Anand Rathi Private Wealth Management (ARPWM).

Feroze Azeez, deputy chief executive officer of ARPWM, has a very satisfied clientele. With good reason, too: he has achieved approximately 17.3% return on investment (RoI) on the combined assets he's managed in the last four years with ARPWM.

It is this type of tangible outcome which drives Feroze, whose Mumbai-based firm, AnandRathi's AUM stands at around INR140 billion (USD2.2 billion).

"We are in the business of mathematics," says Azeez, who acquired a Diploma in Derivatives and Finance before plunging into the world of wealth management.

"It is not only imperative, but also immensely useful for me to be able to measure my work."

SETTING THE TONE FOR GROWTH

One of the primary ways in which AnandRathi differentiates itself in the wealth management industry, is its unique objective-based approach, shunning the more common product-based one.

Most firms would usually begin the advisory process by putting forth their view on different asset classes such as real estate, equity and debt – and then create products which are aligned to and could benefit from the view. This results in a portfolio of products which is premised on a hit-or-miss approach. Furthermore, often, advisory stems from vested interest – higher commissions, larger fees.

Azeez, however, has ensured that advisory at AnandRathi begins first with an objective as decided by the client. This is then followed by the designing



FEROZE AZEEZ

AnandRathi

of a strategy that is tailor-made to meet that specific objective, and constant monitoring allows for a careful and ongoing analysis of whether or not the

strategy is helping clients move towards their objective.

Objective-driven wealth management, then, is AnandRathi's key proposition. Now, while objectives could be multi-fold, there are three chief ones that Azeez has his team focus on.

First, it is to get sensible returns of 15% to 16% on the client's wealth and quadruple their wealth in about a decade. Secondly, it is to create a safety-net to protect this wealth from external encumbrance. Finally, it is to ensure near-zero transmission loss while bequeathing one's wealth to future generations.

This approach has been instrumental in helping AnandRathi go from strength to strength over the last few years.

The success enjoyed by the firm in recent times has also served to reinforce Azeez's conviction in the importance of expansion – the foundation of which he laid when he led AnandRathi in acquiring Religare Macquarie's wealth management business.

This deal gave AnandRathi a footprint in Delhi and Kolkata as well.

The deal brought the firm about INR30 billion to INR40 billion in assets, and as many as 26 new relationship managers. The financial strategy team working under his leadership is now 160 members strong.

"Whatever the parameters are for measuring the wealth management business, including assets, a front-line sales fraternity, profitability or income, all have been positive," explains Azeez, who was previously associated with Religare Macquarie.

"In fact, I believe all these parameters have grown four-fold."

He now says he wants to focus on hiring more pure-play finance professionals, rather than increasing the number of marketing and sales people handling wealth management.

Such an approach is very common with many other firms, emphasising that it is necessary to have more treasury experts and rank-holder chartered accountants involved in advising clients on how to build robust portfolios.

To cite an example, he says that there are instruments available to achieve this at relatively low cost, but many wealth managers in India either don't understand them, or don't utilise them – one of these, is Long-Term Equity Anticipation Securities (LEAPS).

LEAPS TO SAFETY

LEAPS are, basically, long-term stock or index options, offered by India's National Stock Exchange.

They are available in two types – calls and puts – and have expiration dates up to three years in the future.

"LEAPS solve the biggest mystery for a wealth management client who wonders what they need to do when the markets fall," says Azeez.

Although LEAPS don't necessarily guarantee returns, they can help prevent erosion of wealth even if the market drops 40%, he explains. He views this as akin to buying life insurance.

KEEPING IT REAL

Throughout his association with AnandRathi, Azeez has been firmly against

practices such as inflating the firm's AUM to enhance its standing in the industry and among clients.

Far from clients being impressed by massive – sometimes made-up – numbers, Azeez insists that in his experience, they often prefer the kind of upfront, 'fearless' and most importantly, 'uncomplicated' approach that his firm chooses to employ.

When it comes to advisory itself, AnandRathi also made the decision to ban a number of what Azeez calls 'vested interest products' in the wealth management industry.

This is based on the firm's data-backed conviction that they are not good for clients' portfolios.

To demonstrate, he critiques Portfolio Management Services (PMS).

"PMS grew from INR150 billion to INR600 billion in a year-and-a-half. This was only after it took 15 years to get to INR150 billion, so you can see the problem there," he says.

Now, while Azeez is well-aware that he belongs to an industry known for being high on adrenaline, he remains clear and grounded about one thing: he might risk his own money, but never that of a client. "Growth is possible without much risk – the trick lies in getting the game plan right," he contends.

Today, with about INR14,000 crores of AUM, it is evident that with Feroze's leadership combined with his team's dedicated efforts, ARPWM has grown rapidly in a short period of time, and shows no signs of slowing down in the times to come. ■