

UTI's offshore business echoes India's growth

Investors across the world want a piece of the opportunity that India presents. Praveen Jagwani of UTI International describes the journey of the country's oldest asset management company in bridging the gap.

India has shone brightly in the spotlight of institutional and retail investors around the world for several years.

A combination of stable economic metrics and optimistic forecasts have created the appeal, as have the more recent development-focused initiatives of the new government. And the fact that various analysts have identified some early indicators of economic slowdown in China helps focus more attention on other opportunities like India.

Further, and in line with how analysts review investment options, the situation in India is diametrically opposite to that of developed markets, including its interest rate cycle.

"This has put India in a unique spotlight vis-à-vis the rest of the world," says Praveen Jagwani, chief executive officer of UTI International. "What makes India interesting is the fact it is lowly correlated," he explains.

"Being an energy importer with a declining interest rate regime, makes India an attractive asset."

Even though the country doesn't represent a core allocation for many investors, it is expected to remain a relatively high-performing satellite within their portfolios.

REASSURING

This is good news for the international division of UTI, or Unit Trust of India as it was known earlier. UTI, India's oldest asset management company, manages approximately USD38 billion of assets. Of this, the international business, headquartered in Singapore, manages about USD4 billion in assets. It typically caters to international institutional investors looking to access the country's equity and debt markets.

With the parent company just over 50 years old, its deep understanding of



PRAVEEN JAGWANI
UTI International

India's markets creates a unique perspective that Jagwani believes gives the firm a definite advantage. "When clients are investing in emerging

markets, there is an undercurrent of apprehension because they don't know the land or the fund managers," he explains. "We offer a strong research-orientated investment process in a professionally-managed institution. That's the kind of comfort global investors look for when they come to an emerging country."

In short, if the market is akin to a jungle, Jagwani says UTI is one of the most credible forest rangers to partner with.

INEVITABLE LONG-RUN GROWTH

This is important given the country's broader need to attract a significantly larger amount of foreign funds.

While domestic consumption of the rising middle class had always been a strong driver of growth, Modi's 'Make in India' and 'Digital India' programmes are set to accelerate that development. India has already attracted the highest FDI in the world for 2015, beating even China.

In particular, Jagwani believes Indian equity and debt markets are both going to see an inflow of investments, with foreign investors able to participate to a greater extent than before.

"India is looking for funds, thanks to the Prime Minister's infrastructure agenda," he explains. "The country needs in excess of USD1 trillion to support the growth programme."

He points out that about 70% of that amount is expected to be funded by debt, and 30% via equity. However, while foreign inflows into equities are inevitable, the caps on foreign investment in Indian debt must be lifted.

After all, the country's growth hinges on the development of infrastructure,

so accessing foreign funds is not just a feasible option, but a pressing requirement too.

"India's bond markets have to open up eventually as an evolutionary process," explains Jagwani, who has over 24 years of experience in financial services having worked for Merrill Lynch and Standard Chartered in the past.

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PROVING ITS METTLE

Inevitably, UTI International faces a number of challenges as it strives to achieve its mission to be the leading manager of Indian assets.

To ensure it is well-set up to succeed in tapping these global markets, the firm has taken a very deliberate and strategic approach.

For example, it has a fund management licence issued by the Monetary Authority of Singapore, which enabled the firm to launch the first India debt fund on the UCITS platform

Indeed, having started eight years ago, it is vying for attention amid some leading global names.

Having built a robust team in Singapore, it has carved a niche for itself as an

innovative provider of various fixed income products across a rapidly-growing client base. Its clients include pension funds, banks, insurance companies, asset managers and family offices from Japan, Korea, Hong Kong and Taiwan in North Asia, to Thailand, Malaysia and Singapore in South-east Asia, to the Middle East, Scandinavia and some other European countries

further afield. It has successfully crafted partnerships with large local institutions in most markets it operates in.

Having earned its stripes in the market for Indian debt products, it is now vigorously building its equity footprint. It runs one of the most successful Indian equity funds in Japan and has launched the same strategy in an Irish UCITS format too.

"We aim to achieve sustainable growth, and therefore we keep our clients at the centre of all our decisions," clarifies Jagwani.

While fund performance and track records get UTI International in the consideration set of many global investors, it is efficient client servicing that keeps the clients informed, engaged and satisfied. ■