What Lies Ahead for the Indian Wealth Management Industry?

The trajectory of the Indian wealth management market remains the same, but the speed of travel in certain directions has accelerated due to the global pandemic. Hubbis assembled a team of six Mumbai-based wealth management experts for our June 25 Digital Dialogue that ranged over a variety of key topics, including the market penetration, the growth segments, diversification of investment alternatives, the efforts to shift the model from transactional and self-directed to advisory and discretionary, the expansion of estate and succession planning, the rise and rise of digitalisation, and the search for talent to help the industry expand in the decade ahead. The panel highlighted the main evolutionary trends that were there before the pandemic and what impact the crisis is having on some of these central themes. They concluded that optimism remains intact at this time, but that there are clearly many challenges ahead, and the panel acknowledged that these would be difficult to manage if the virus and the challenging working and social lifestyle conditions persist.

SOUMYA RAJAN
Waterfield Advisors

ANSHU KAPOOR
Edelweiss Financial Services

RAJESH SALUJA
ASK Wealth Advisors

CLICK HERE TO VIEW WEBINAR ON DEMAND

CLICK HERE TO VIEW OUR DIGITAL DIALOGUE SERIES HOMEPAGE

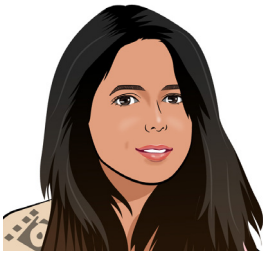
PLEASE CONTACT US FOR CPD/CPT OPTIONS

EXCLUSIVE PARTNER

H&P Henley & Partners

FEROZE AZEEZ
Anand Rathi Private Wealth Management

NITIN SINGH
Avendus Wealth Management



ARPITA VINAY
Centrum Wealth Management

Market Evolution and Coping with the Lockdown

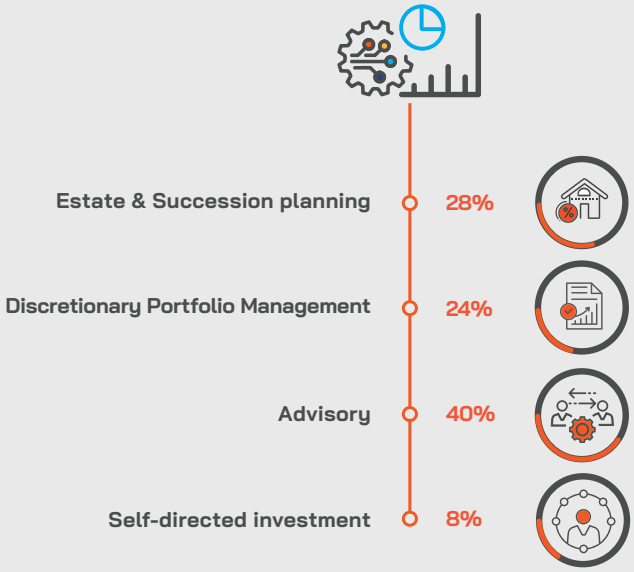
An expert focused on the characteristics of India's wealth management, which he said for many years has been centred on a very high touch kind of client engagement model. He indicated that while the pandemic-induced delivery of a new remote engagement experience for clients, one which is completely digital in nature, has worked pretty well, helping the providers and the clients cope with anxiety induced by extremely volatile and uncertain markets, there is both the hope and the need for a return to a more face to face model for fuller engagement with the clients.

"As to client behaviour," said another panellist, "boring is back in focus. Asset allocation is back, and traditional assets are more in favour, while complex instruments are out of favour, discipline around the portfolio and risk management are centre stage. We largely deal with the quasi institutional pool of money, family offices, corporates, professionals and family-owned enterprises, and across these segments, there are nuances in their responses."

He then explained that some are bold enough to pick up distressed assets, for example, those on the quasi-institutional side such as family offices. On the corporate side, they are more interested to understand the quality of their portfolios and seek deeper

64% EXPECT THE MAIN GROWTH AHEAD TO BE IN ADVISORY AND TO A LESSER EXTENT DPM, WHILE ALMOST 30% SAY ESTATE & SUCCESSION PLANNING WILL GROW ROBUSTLY

Which areas will see the most robust growth in India's wealth management market in the next several years?



Expert Viewpoints from our Speakers

NITIN SINGH, Managing Director & CEO, Avendus Wealth Management

"After Covid-19, there are two factors that will define the business – trust and technology. While trust is very old world in our industry, technology is the new baby in the room. How do you get your customers to not only trust you but trust the technology you deploy? That will be the key to success."

Expert Viewpoints from our Speakers

SOUMYA RAJAN, Founder & CEO, Waterfield Advisors

"The ongoing Covid-19 crisis has presented new challenges for our industry. The markets are disconnected from the reality of our economy. I expect the current volatility to increase and put pressure on client portfolios. It has never been more important for clients to work with trusted advisors who have the clients' interest before their firms. Our approach to advisory rests on two fundamental pillars – trust and meritocracy. Advice that is backed by merit and not personal gain will always work in the client's favour and vice-versa. Trust is imperative when it comes to forging long-lasting relationships with our clients."

engagement with the advisors in that endeavour, while sitting largely on the fence. And the worst hit are the family-owned enterprises, as business owners are facing challenges to their businesses and their investments at the same time, resulting in very elevated anxiety and often an additional need for liquidity.

Another guest highlighted that the clients had reacted fairly positively to date, accepting the elevated volatility. "As an emerging market, we have always been volatile," he noted, "and in India the past six or seven years have seen many gyrations in the capital markets, equities, the currency, credit, fixed income, all these areas have been unnerving at times, leading to a lot of thinking in the industry on how to tackle this sort of extreme volatility and the inherent tail risks."

The second key point, he said, is the radical fall in interest rates. "The post-tax yields on interest rate or fixed income products are going down rapidly, and as 60% to 70% of all client portfolios tend to be in fixed income here, that raises a huge question as to how to protect or replace returns."

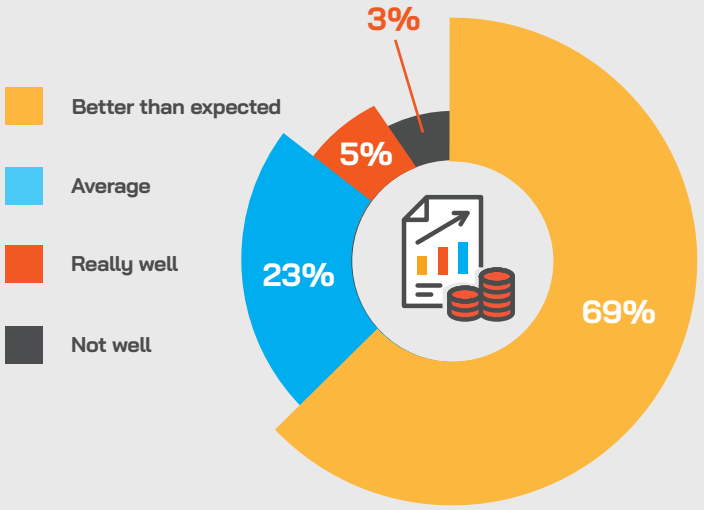
Other trends this expert sees include clients increasingly asking for more information on returns and costs, meaning more analysis of their overall portfolio, IRRs, volatility and so forth. And the ongoing internationalisation of portfolios continued, at least until the pandemic hit the markets hard.

"Tying up all of these elements is the need for quality of advice and product innovation," he said. "We need to solve all of these in a very simple manner, in a very transparent manner for the customer. We need to help mitigate exposures to volatility, focus on a high-quality fixed income product, offer high-quality advice, bringing the costs down for clients."

A fellow panel member confirmed the view that clients are increasingly mature and patient with regards to their financial

69% SAID THE WEALTH MANAGEMENT INDUSTRY HAS BEEN COPING BETTER THAN EXPECTED DURING THE LOCKDOWN

How well do you think the Indian wealth management providers have coped with the pandemic in terms of remote working with the HNW and UHNW clients?



investments, with little panic seen. "That actually augurs well for the wealth industry," she observed. "My view is the pandemic has not fundamentally altered the industry's long-term potential. In the short term, of course, the pace of digitisation has advanced significantly and digital in all aspects is needed to be competitive in the new normal, not only related to client onboarding and reporting but also for prospecting and advising and delivering."

She added that a major change relates to risk management on some of the products that they have been recommending to clients and strategising on making client portfolios are less risky. "We will see a greater focus on making sure than new products and ideas are allied to proper risk management so that the clients' money is not at risk," she added. "We must balance our revenues with what is good for the clients."

On the regulatory front, she explained that upfront commissions would no longer be permitted, leading to a lot of navel-gazing on the cost to income ratios, and potentially to a more energetic drive towards advisory and discretionary.

Other trends this expert noted include the ongoing internationalisation of the portfolio and the increasing interest in alternate assets. "People have greater interest now to look at other avenues, and a clearer sense of risk and return," they commented. "We are taking a zero-based approach, using this year as a reboot year really to focus on building out our product stack, and building our advisory stack, and really being able to build out an

Post-Event Perspectives from the Audience on The Drive to Digital

After the discussion, Hubbis immediately sent out a post-dialogue Survey to delegates. We asked them how important digital is today and what expectations their clients have. We have edited these replies to produce the following insights from the marketplace.

- Clients expect a seamless and secure environment.
- Extremely important - everything is going digital nowadays and clients expect nothing but the best.
- Very critical, as clients need consistency in advice, regular reviews, and transparency.
- The pandemic highlights the vital importance of digital, and clients are clearly more open to digitalisation during this period.
- Clients who were wary of using digital platforms are now much more up to date with technology and are showing the willingness to adopt to the new normal.
- Critical - clients believe in and want an easier interface for managing their accounts.
- Very important for security, transparency, convenience and speed.
- The movement from physical to digital is very rapid nowadays.
- Clients expect digital interface to be more user friendly and simple to use. In India, clients are still used to meeting their RMs and signing forms to carry out their investment transactions, but digital is changing that, accelerated by the pandemic.
- Very. Clients' expectations are varied and very much dependent on their own level of digital knowledge and application. However, the industry should quickly digitalise not because of clients' expectations but simply because it makes economic and regulatory sense to have a robust digital platform. Implied in a digital platform is the fact that business processes will be fully digitised (end to end), which can then allow for proper digitalisation and enhance the scalability of business. Otherwise, the cost-income ratio is unlikely to improve and we may lose competitive edge as we get more and more of the younger generation coming into wealth and becoming key decision-makers.
- Critical. A seamless experience, across offline and digital channels, with ease of use and analysis, is vital.
- Very important, especially during these times when the virus is forcing people to stay at home. Clients should reasonably expect to have the capability of conducting any-and-all investments, financial transactions, among other things, from the comfort of their home with zero face-to-face interaction.

extremely competitive technology and digital platform. And we are focusing in orienting our entire economic model to ensure that RMs are used to the new reality and are able to really drive penetration in share of wallets with customers."

A slightly different take on developments was offered by another guest who commented that the events had to his mind further reinforced the importance of the RM and the relationship, rather than robo-advisory, especially for the higher segments of wealth. "The RM is vital as the driver on what is a curvy and difficult road," he said. "Most clients in bad times show a tendency to take back the driver seat, but thanks to the relationships built over the years by private bankers you can still retain the advisory capability, not just the postman's job."

He also pointed to the importance of delivering what is the firm's management thought process and vision across the RMs and private bankers, so the client receives services, products and advice representative of that firm's true USPs.

"A lot of clients are much more open to concepts which India culturally finds it difficult to talk about, including estate and succession planning," another guest reported. "There will also have to be some help for businesses on the cashflow side by looking at restructuring, solving problems for clients. And in difficult times like this, we must focus on client engagement, reviews, conversations, all of which are a lot more important right now. The ability to solve problems beyond providing a flavour of the month or beyond providing an exciting product stack is vital. We need to see holistically across investments, see the tax point of view, the succession point of view, the balance sheet perspective, that will determine one firm's success versus the other."

Post-Event Perspectives from the Audience on the Drive to Advisory & DPM

After the discussion, Hubbis immediately sent out a post-dialogue Survey to delegates. We asked them if the leading wealth management players are succeeding in converting Indian HNW and UHNW clients to a subscription/DPM/advisory model, or if the market is still mostly self-directed and/or transactional. We have edited these replies to produce the following insights from the marketplace.

- The initiative has started but will take a long time to evolve.
- Still very transactional.
- Yes, they are succeeding in converting Indian HNW and UHNW clients to a subscription/DPM/advisory model, but this is part of a wider trend and market shift.
- Not yet, and there is still a way to go as unfortunately our market mindset is not too mature yet, but gradually it has to move, sooner or later.
- Mostly self-direct and according to market movements.
- It will take more time to evolve it to an advisory model.
- It is probably still a challenging proposition to implement a subscription/discretionary model as the tendency will still favour a more transactional approach.
- It is still in progress and requires developing the mindset with clients.
- The emphasis on risk management, as mentioned by every panellist today, will be transformational for the industry.
- The transition is slow, but regulatory changes could trigger an acceleration.
- I believe it is not one or the other, but both. Successful conversions are rare, and the market is stagnant, whereby those that see success with the self-directed approach will continue to do so. Similarly, those that experience success with using advisory/discretionary services will continue to do so. Seeing as the wealth disparity is so extreme in India, the probability of new HNW or UHNW clients suddenly coming on the scene as potential conversion targets remains low currently.

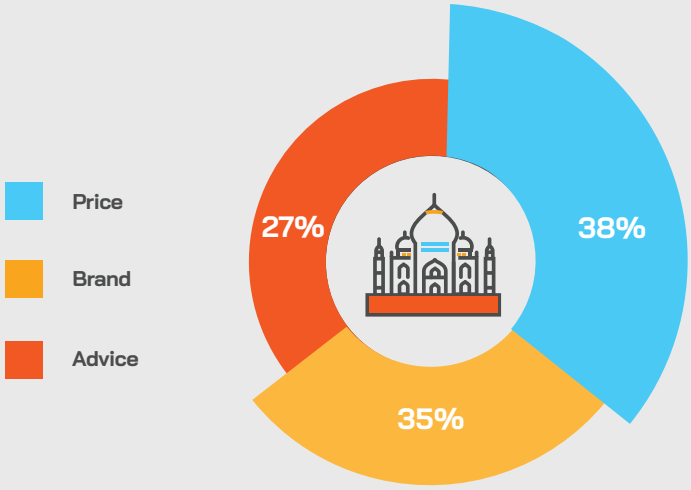
Differentiation, Value-Added, the USPs and the Drive for Consistent Revenues

An expert reported that his firm has been at the leading edge of the drive to create a more institutional portfolio management service for customers that will help achieve all these goals and overcome these challenges. He explained that he believes the firm to be the foremost provider of a subscription based wealth management service which gives clients the tools to personalise, to access, to institutionalise, as it is the team there that manages and customises, that helps reduce costs for clients, in short that help the client sleep easily at night.

"Our solution," he explained, "allows clients to have a lot more peaceful allocation and also gives our people the ability to focus a lot more on client needs and the relationships

PRICE SLIGHTLY OUTRANKS BRAND NAME, AND BOTH OUTRANK ADVICE IN INDIA

How do you think clients choose their wealth manager in India?



Expert Viewpoints from our Speakers

SOUMYA RAJAN, Founder & CEO, Waterfield Advisorsa

"Waterfield has always believed in elevating our clients' experience using technology and technology-enabled touchpoints. One of the major projects we have undertaken is the development of a mobile app platform that will connect our clients with the entire Waterfield ecosystem. The best part is that the app is not only for our clients but also for our RMs, enabling them to better service client needs – both investment and non-investment needs such as Philanthropy and Knowledge Exchange. The mobile app and our other technological frameworks are being built on a robust AI and ML platform that will help us scale our advisory platform, personalise engagement, ensure compliance, and continuously learn about our clients."

rather than the day to day nuances of buying and selling securities. We can deliver 24/7 and adjust at a single press of a button. Having been under development for the last six months, it is live now."

Another guest agreed and highlighted how the spotlight has turned even brighter on the provision of value-added services and value-added advice, as clients seek more guidance on what they can do in times of volatility and uncertainty. "It is also increasingly vital to find out and highlight key strengths and differentiation," they added.

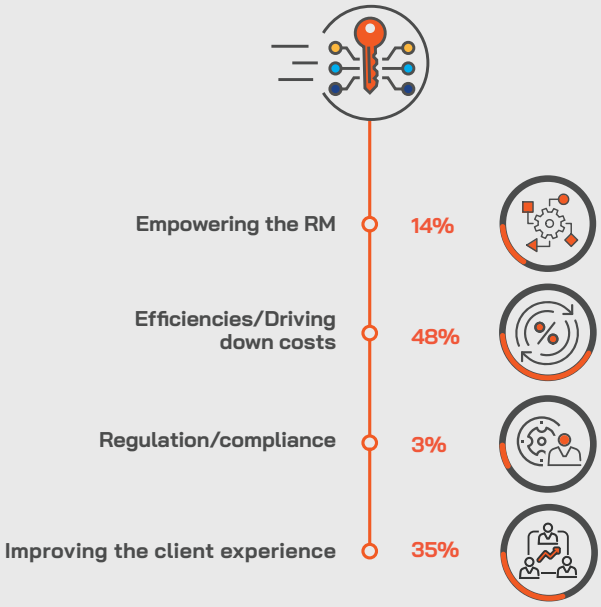
He also maintained that digital will produce more efficiencies in the delivery of advice. He explained how long it would take do conduct face to face meetings across several cities, whereas digitally this can be achieved far more rapidly, potentially resulting in the leaders of firms such as his being more efficient and more effective. He confirmed the greater acceptance of clients for digital delivery, something that he believes will persist to some considerable degree post-pandemic.

Data analytics, said another expert, will be driving more decision making in the future, supported by AI and machine learning, and at the same time pushing for lower costs for clients and greater transparency in the delivery and pricing of products and services.

They added that the pandemic and ensuing lockdowns had debunked the myth that digital is an entirely impersonal medium, not effective in engaging with HNWI clients. "The medium is impersonal, but the communications are a lot more in-depth," she said. "The engagement side has gone up. I am hoping that

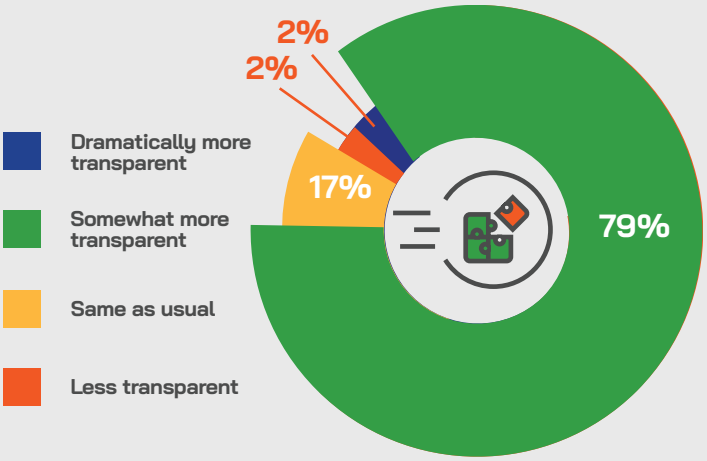
48% SAID COST AND PROCESS EFFICIENCIES ARE THE KEY DRIVER FOR DIGITALISATION, FOLLOWED BY CLIENT EXPERIENCE

What are the key objectives for digital?



79% BELIEVE THE INDIAN WEALTH MANAGEMENT INDUSTRY IS GRADUALLY IMPROVING ITS TRANSPARENCY

To what extent is the WM industry in India becoming more transparent for private clients?



Expert Viewpoints from our Speakers

NITIN SINGH, Managing Director & CEO, Avendus Wealth Management

"In a world where information is just exploding around us, the ability to sift through data and numbers, contextualise them and form insights that are relevant to clients will be the other defining factor for our industry."

in six to nine months, or hopefully sooner when we get back to the world that we knew in the past, some of this behaviour will endure."

This theme was picked up on by another guest, who said he had been driving his firm towards digital for the past five-plus years. "Our objectives have been only two-fold, to empower the client and empower the clients," he reported "The third objective nowadays is to pass efficiencies on to the client. We are, I think, India's first wealth manager to be fully on the cloud, which means everything is available right from client interactions, client feedback, client portfolios, completely on the mobile device for everyone which allows us to enhance both quality of advice and the speed and accuracy of response."

"And as to AI and ML and analytics," another said, "we must first get the basics right, deliver information to the clients in a clear, concise and easily understandable, transparent form."

Another guest commented that the RM community and the wealth firms will need to a certain extent to reinvent themselves in a world in which less face to face interaction takes place.

"Yes," said a fellow panellist, "but I do believe India and our industry will remain relationship-driven for long to come, especially in the HNW and UHNW segments. However, every organisation will need to build their platforms to expand digital channels to engage with clients, so it will be a hybrid approach, human plus digital. In short, the relevance of the RM is not going to go away for the HNW and UHNW market. Digital will certainly enhance the productivity and relevance of the relationship manager, freeing them up to service and win more clients, while technology will be used to service clients, to onboard clients, to provide reports to clients and along with that to improve productivity dramatically, which are all vital as the cost to income ratios must improve, especially as more and more compliance is required."

"Agreed," came another voice, "digital is the enabler to make a private banker or a relationship manager far more effective in the marketplace. And scale is what will be needed as margins shrink and the new regulatory framework cuts margins. Effectiveness can go up only by managing more clients or managing more money of a specific client. Consolidation from a client standpoint of his portfolio from across advisors to one advisor will actually mean more effectiveness."

An expert also pointed to what he termed 'mindshare' with the clients, which he said will result I more share of wallet. "All of the developments and tools we are talking of today should go towards increasing our mindshare with the customer," he stated.

The Key Priorities Ahead & Looking Beyond the Lockdown

Expert Viewpoints from our Speakers

NITIN SINGH, Managing Director & CEO, Avendus Wealth Management

"We have used this Covid-19 phase to re-think and re-strategise our business. We have hired top talent, looked inward to find our strengths and have taken a hard look at the gaps and ways to plug them. We have invested money in our business because we want to be ready with the best team and solutions to support our clients through this phase and in the future."

For one expert, his key priority is the expansion of discretionary mandates and fee-based advisory, as henceforth India's wealth management industry will have to evolve from what has been a very upfront commission model into more of an annuity model. "Many firms are trying to grapple with that," he observed, "and regulatory as well as market changes are huge changes that might even be bigger challenges than this pandemic."

He added that another very pressing priority is ensuring that business and processes are robust. "We know there are numerous challenges around infrastructure in terms of digitally engaging with clients, virtual engagement," he commented, "so we need to make sure we are truly robust."

Another guest said that this year is a year of reflection and adaptation, improving and refining products and services, and also enhancing the talent pool in the firm, as this is the right time to be focusing on improving skills and capabilities as the firm focuses on the future.

Post-Event Perspectives from the Audience on the Appetite for ESG and Sustainable Investing

After the discussion, Hubbis immediately sent out a post-dialogue Survey to delegates. We asked them if they expect rising demand for new investment themes such as sustainability and ESG-driven asset allocation. We have edited these replies to produce the following insights from the marketplace.

- Yes, especially amongst younger generations and women.
- Yes, given how prevalent social media is nowadays and the many concerns of people around the world (investors included), I believe we will see a greater prevalence of themes like sustainability and ESG as part of the overall portfolio allocation.
- Yes, people are looking for sustainability over quick wins.
- Yes, it's important to get 'stickiness' of the customer and ensure during such tough times there are some regular flows for the customer to sail through without many concerns.
- No, as awareness is still not high enough among the majority of investors. The awareness has just begun.
- Yes, it will pick up as more millennials/GenZs are in charge of their wealth or taking over traditional, and legacy businesses and ESG is a big theme of their time.
- Yes, due to rising general awareness and concerns about climate changes, further fired up due to the pandemic, so ESG allocations should pick up and do well in the long run.

A fellow panel member agreed with the drive to improve talent, commenting that this is a unique industry where talent and the RM are a large part of the proposition, especially as engagement becomes more important along with the thrusts towards advisory and discretionary. "The entire delivery of the proposition depends on that [RM] medium and using technology," he stated. "This is an opportunity to pick up more quality talent in the market, so we are quite aggressively adding to our teams here and in Singapore as well."

Another perspective came as one expert focused on what he described as the drive to democratise high-quality advice for clients, and at the same time bring down the costs significantly for customers, and also become ever more responsive to clients, events and markets.

"A key challenge is fatigue," he commented. "We don't know how this will end and I can tell you some of us are feeling that fatigue will set in. We are not conditioned to work forever from home, or for a long time from home, so honestly, I worry about that a lot, and I am sure it will set into our clients as well. Right now, we are embracing this situation for now, but I am not sure how we can all continue to live and work from home like this." Another expert concurred, adding that there will no doubt be a rising need to handle mental health issues for staff and others in the weeks and months ahead.

A panel member highlighted the importance of expanding their international offering, reporting that their firm was already covering clients' offshore allocations from an advisory point of view, just as they also manage their investments in India. "Another area of focus is ESG, and rising awareness around sustainability and sustainability issues," they reported. Morningstar already has some ESG rankings, the MSCI has an index which it is developing for at least 400 companies in India on the listed side in terms of ESG rankings, so all this will become more prominent."

- Yes, and other diversification as well, because themes which mitigate risk will be welcomed.
- Demand is unlikely to sustain as with all new themes - broad diversification across the spectrum will anyway include exposure to all themes.
- The traditional core investment assets - equities and bonds - remain very positively correlated due to persistently low interest rates for a very long time. This is clear from the recent pandemic roller coaster behaviour of both asset classes. Even as correlation turns negative, the rise of millennials as dominant asset owners will drive greater demand for investments that carry a social impact. Many have been involved in social impact enterprises either as owners or investors, and this naturally spill over into the traditional wealth management space. Expect more of this kind of investment demands put on the industry.
- Most definitely, as individuals and families start to reflect more deeply on the choices that they are making, and a larger suite of products in these spaces starts to become available.
- Yes, we expect rising demand such as sustainability and ESG-drive allocation due to climate change, human capital, labour management, corporate governance, gender diversity, privacy and other factors.
- No, as sustainability and ESG-driven allocations are all just icing on the cake when coinciding with investment themes, except for governance as that affects their performance. Personally, what matters most is the return on investment. If it was philanthropy, then ES (not so much-G) and sustainability will matter most.

Expert Viewpoints from our Speakers

SOUMYA RAJAN, Founder & CEO, Waterfield Advisors

"We are taking Waterfield international this summer and have developed a global investing platform in collaboration with Zephyr Management LLC, a New York-based asset management company, to advise clients on global investments. Our objective is to set-up an office in New York by the end of the year and then a second international office in Singapore in 2021. I am personally excited about the future and opportunities for growth."

Conclusion

It was just 15 years or so ago when there were fewer than a handful of billionaires in India, but today, or at least before the pandemic hit, there were reportedly more than 150, and the top 1,000 families were worth an estimated USD1 trillion, while total ultra-HNW wealth was estimated at USD3 trillion. GDP in 2018 was over USD2.7 trillion and has been rising rapidly year after year, making India the world's third largest country by GDP.

Yet the penetration of the wealth management industry of the private wealth market is low, still in the single digits, and advisory and discretionary must be built up significantly, as well as the talent and experience of the normally client-facing bankers, RMs and advisors.

In short, India's wealth management market is still in its relative infancy, with massive progress needed in terms of regulatory changes, technology, delivery of high quality, diversified solutions and service, expansion of advisory and discretionary mandates to offset the largely self-directed and transactional revenues, improvement of digital technologies, talent and management vision.

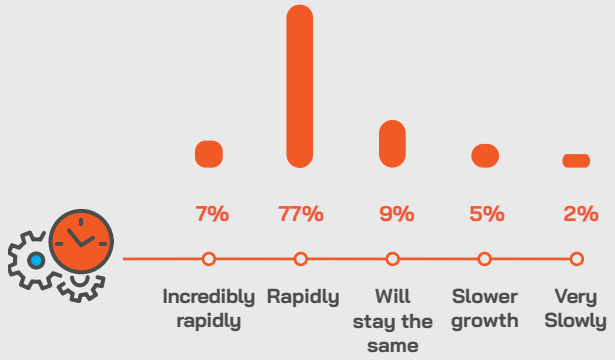
Before the pandemic hit, there was great optimism that AUM in the industry would at least double in the next five years, as businesses expanded at home and abroad, and as private wealth spread across India's vast country and as the widening 'financialisaton' of savings evolved, shifting investment from the historical preference for property, gold, deposits and insurance towards both mainstream and more sophisticated financial products. Today, there is still very considerable optimism, yet there are also fears amongst the experts, expressed during the discussion, that the longer this pandemic persists, the more difficult things will become, in many ways.

The panel discussion therefore highlighted how as things stand today, the road is still the same, but it is vital for the wealth management industry to position itself to be both forward-thinking and also flexible to ensure they, and their clients are best positioned for a continuation of the current 'norms' or a return, hopefully, to the normal world of business, family and social life we all knew.

The discussion closed with panel members agreeing that there are many challenges ahead. While it appears the road towards expansion of India's economy and private wealth should remain intact, there are clearly uncertainties, and the wealth management firms must work perhaps harder than ever before to ensure that they not only survive but are in a strong position to thrive when, eventually, the world returns to the shape we all knew and trusted before. ■

84% BELIEVE THAT HNW/UHNW AUM WILL RISE SHARPLY IN THE NEXT FIVE YEARS, WITH 7% EXPECTING A REMARKABLY RAPID EXPANSION

How rapidly do you think India's private client AUM (in HNW/UHNW categories) will grow in the next 3-5 years?



Expert Viewpoints from our Speakers

ANSHU KAPOOR, Head of Private Wealth Management, Edelweiss Financial Services

"Considering growth potential and market penetration available for Indian Wealth Management, there is always room to welcome high-quality providers of wealth management solutions and advice."