RELIGARE
Values that bind

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INTERVIEW OF THE WEEK » **Vikas Agnihotri,** CEO, Religare Macquarie Private Wealth Management

‘Using past performance is the easiest way to sell a product’

As the market gets choppy, managing wealth could get an onerous task. At the same time such circumstances also offer opportunities. Vikas Agnihotri, CEO Religare Macquarie Private Wealth Management responded to queries posed by ***Akash Joshi*** *of* The Financial Express *on how could one use the rough tide to reach the wealth management destination.*

Given the turbulence in the equity market, have you experienced any fear or scepticism from your clients? What is it that you have been advising them?

The concern that any investor would have in these markets is natural. In our experience, investors who had invested based on sound advice, keeping a long term horizon in view are less apprehensive in the current market situation and certainly are looking forward to normalizing their returns going ahead.

Our advice to our customers remains that in the short run while markets will remain range bound, in the long run, considering the economic indicators, there is potential for significant upside. This is a time, when customers should rely on sound advice based on qualitative and quantitative research one that is based on understanding of their risk appetite and linked to their milestone planning.

We have advised our clients to diversify their exposure from pure Indian equities to Emerging markets equities, real estate, private equity funds and structured products within the risky assets segment.

At the moment, given a generic client set, what is your portfolio allocation strategy – say the mix between equity, fixed income and other alternate assets?

As an investment philosophy, we look at investments as fitting into one of the three risk buckets - protection, growth and aspirational. Although all investments will fit into these three buckets, the allocation to assets for each investor within these buckets differs depending on investors' risk appetite and returns expectation.

The idea of assets held under 'protection' bucket is to keep client's capital safe, protect basic lifestyle and have the capital available at short notice. The products which fit this bucket include fixed deposits, liquid funds, short-term income funds.

The objective of 'growth' bucket is to maintain client's lifestyle and to grow the portfolio through a broadly diversified portfolio over long term. As the recommended investment horizon is long term, growth assets will include equity mutual funds and PMS, structured products without capital protection, Long duration income funds, diversified real estate funds.

The objective of 'apirational' bucket is to maximize returns so as to enhance client's lifestyle and involves taking higher risk to achieve significant return enhancement. The recommended investment horizon is long term and products under this bucket include individual stocks, leveraged real estate assets, direct private equity investments, single commodity exposure.

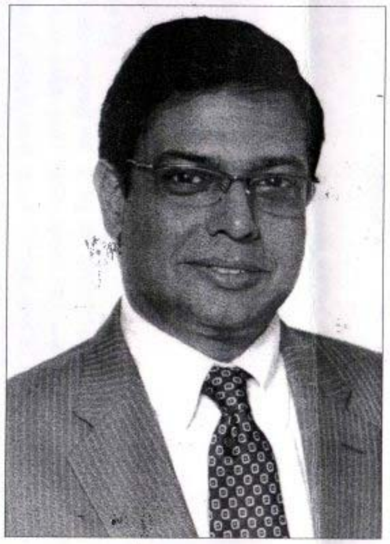
The allocation to these assets depends on client's preferences for risk, return, liquidity requirement and investment horizon.

There are a whole set of alternate asset classes emerging, like art, or even a gold ETF. What is your view on these asset classes? And what are the ones that you think are exciting?

Whenever we view an investment or an asset class, we look at it in the portfolio context i.e. how the introduction of new asset class will reduce risk and enhance portfolio returns. From that perspective, gold, art, real estate, private equity and commodities as alternative asset classes have place in a client's portfolio depending upon their risk profile and portfolio size.

Private equity and real estate funds look promising as they allow investors to diversify their risk in asset classes which have low correlation with equity markets over long term. These are long term investments and provide investors access to investment opportunities which an individual investor might not otherwise be able to access.

Real estate funds provide professional management of portfolio assets and are a cost-effective way of accessing real estate development projects across geographies. We believe these real estate funds



will provide good returns over the long term horizon (five plus years) and diversify portfolio risk.

Similarly private equity funds allow investors to obtain access to companies/ sectors which may not be available in the listed space. Also there is greater potential to add value to the portfolio as unlisted companies' trade at discount to their listed counterparts due to illiquid nature of investments and higher risk. Considering mid and small size companies have corrected sharply over the past nine months, the valuations at which the unlisted companies can be acquired has come down substantially and makes the entry point into this asset class attractive.

How often do you think there should be a portfolio restructuring, given that the markets are rather volatile and lack short-term direction?

Our team of relationship managers and investment advisors provides active wealth management advice. We believe Strategic Asset Allocation brings investment discipline in client portfolios and helps them achieve their goals over the recommended investment horizon. Once the portfolio has been structured based on sound financial planning and personalised advice, our view is that the portfolio should be reviewed half yearly and if required changes to asset allocation or underlying products can be recommended in line with changing customer goals. In the absence of any significant event, we recommend a comprehensive yearly review of portfolio which analyses external economic factors, performance of fund and fund managers and also whether portfolio performance is in line with the set goals.

What are special services that Religare offers in the wealth management space? How could your services be differentiated?

Religare Macquarie Private Wealth has a customer centric approach based on its tripod model of relationship, Advisory and service backed by best in class IT platform and the widest range of products. On products, the offering would include a range of products like mutual funds, portfolio management services, broking platform for direct equities & derivatives (referral to Religare Securities), structured products, insurance, venture capital funds and alternative investments like private equity, commodity funds, real estate products, art fund, film fund.

Besides, Religare Macquarie will also offer privilege benefits like advisory on real estate, tax, legal and art (through tie ups with domain experts).

Our advisory offering based on the three risk baskets of protection, growth and aspirational will be unique.

To help manage investments for our clients, our process involves providing a dedicated team of diligent and insightful professionals who understand client needs and develop personalised wealth management solutions for the clients as opposed to pushing products. We follow an active approach to managing client portfolio, asset allocation and rebalancing.

Being a JV, there are benefits that the organisation drives based on Religare's process driven and knowledge based approach to investments and Macquarie's global leverage and an action oriented diversified approach to opportunities.

What, according to you, are the most common mistakes done by clients when choosing a wealth management partner, or even when in a relationship?

We are in the business of providing holistic investment advice to clients taking into account their risk appetite, return expectation, liabilities and cash flow requirements. For the advice to be effective, it is important to have understanding of client's entire portfolio.

However, in India clients provide only a portion of their portfolio to one wealth manager, hence the advice is suitable for only a part of the overall client portfolio. This is in contrast to international practice where investors engage with one wealth manager to provide holistic advice on their entire portfolio. It not only allows disciplined approach to investments but also helps clients achieve their investment objectives.

Another common mistake which clients make is to chase past performance. Product pushers in the market recommend whatever is easier to sell and past performance is the easiest way to sell a product. The products which have significantly outperformed in the past carry high probability of falling quite sharply too.

Going ahead, what are your views on the markets and what would you advise investors to do?

We expect the markets to be range bound over the short term. Although most of the bad domestic news (high inflation, lower GDP growth, high oil prices and high interest rates) has been priced in, the global cues are negative and will keep downward pressure on Indian equity markets in the short run. We believe for long term investors (3+ years), Sensex level of around 13,500-14,000 will provide good buying opportunity provided investors can live with short term volatility.

We are advising our clients to diversify their exposure from pure Indian equities to other asset classes mentioned above and take a long term view of their portfolios. We are advising our investors to take a holistic and long term approach to their investments.