equaliFi

Indian Wealth TECH Compendium 2022

powered by

valuefy

equaliFi

Erstwhile aiwmi

Equalifi (erstwhile AIWMI) is a global membership network of financial services organizations & professionals. Equalifi is a professional development platform meant to offer its members, opportunities to earn professional designations; to participate in multidisciplinary knowledge initiatives, enable networking at conferences; and offer one single platform for interaction, cross-pollination of ideas and collaboration.

Equalifi provides the opportunity for finance practitioners and related professionals to connect and advance their focused area of practice. Equalifi aims to benefit the practitioner, their area of specialization, the clients they serve, and the industry at large.

Our Corporate Members

Need a solid platform you can count on? Look no further?

Equalifi
WeWork Enam Sambhav, C - 20, G Block, Bandra Kurla Complex, Mumbai- 400051
+91 86574 87781 | memberships@equalifi.org

FOREWORD

Aditya Gadge
Founder & CEO, Equalifi

The WealthTech Compendium is a first-of-its-kind, joint study by Equalifi & Valuefy on digital transformation in the Indian wealth management industry. This report aims to deliver a comprehensive overview of the opportunities and threats that the Indian wealth management community is facing today.

Equalifi team surved 190 wealth managers including representatives of large wealth management firms, registered Investment advisors, financial planners and independent financial advisors.

The objective of this study was to gather industry knowledge, data, and trends facing the wealth management industry in hopes of gaining insights that will help the wealth advisors' community adapt to the changing times and get prepared to better serve their clients. With 190 responses from leading professionals Equalifi gathered valuable information that is detailed on the pages that follow.

The convergence of economic, demographic and technological shifts will have major implications for wealth advisors, who will need to adapt to the changing expectations of their clients by embracing smarter technology to serve clients.

In India so far, WealthTech adoption has been low amongst the independent wealth advisors- a community too large and varied to adopt mass-market technology, but too fragmented to justify bespoke solutions. However, we strongly believe advent of technology platforms like Valuefy is set to correct this historial imbalance.

With an ever-changing economic landscape and a world filled with uncertainty, we at Equalifi are excited to share the results of our inaugural WealthTech Survey through this compendium with you. If you have any questions or if you would like to discuss the results of the survey, we welcome a conversation.

TABLE OF CONTENTS

TABLE OF CONTENTS

valuefy

Wealth Technology Infrastructure in a Box

Powering the future of wealth management, for wealth managers, banks, family offices and fintechs. Wealth Management Infrastructure in a Box helps firms deliver a better client and advisor experience through improved insight, efficiency, oversight and control.

Tailor-made solutions for each segment

Wealth Managers

Banks

Family Offices

Fintech

$350 Billion AUM Managed on our platform

5K+ Advisors Rely on our decision analytics	1.2 Trillion Data Points processed for decisions	50+ Integrations across custodians and brokers

---

India
22nd Floor, Off Western Express Highway, HD-014, WeWork Oberoi, Commerz II, Oberoi Garden City, Goregaon East, Mumbai 400063

Singapore
67 Ayer Rajah Crescent, #02-10/17, Singapore 139950

United Kingdom
DNS House, 382 Kenton Road, Harrow, Middlesex HA3 8DP, United Kingdom

Dubai
Unit 13, Level 6, Gate District, Precinct Building 04 DIFC, Dubai UAE

INDIAN WEALTHTECH SURVEY 2022

EXECUTIVE SUMMARY:

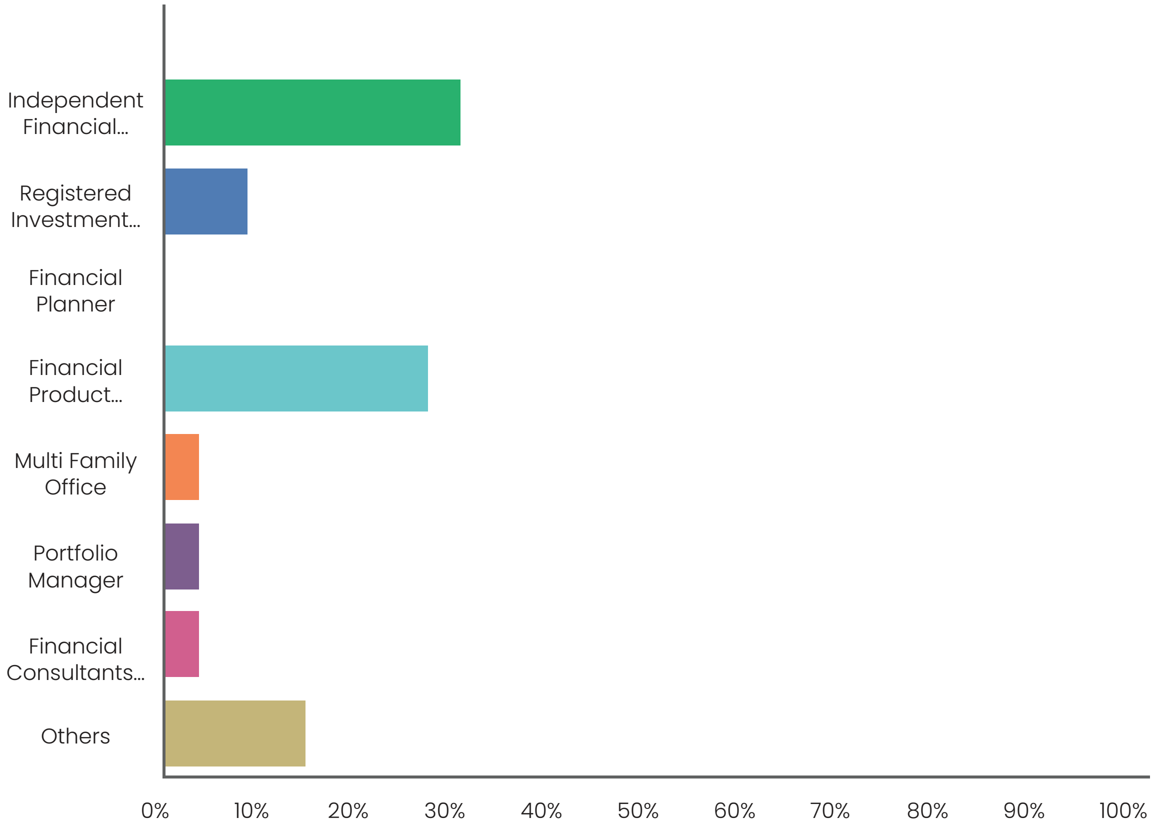
The Indian WealthTech Survey 2022 was carried out as a SWOT Analysis for the independent wealth advisors and boutique wealth management firms in light of the rapidly changing tech ecosystem around this space. The respondents provided information about the positives and negatives they are facing due to the increased use of technology in the wealth management process.

The main aim of this report is to deliver a comprehensive overview of the opportunities and threats that the Indian wealth management community is facing today. In comparison, the objective of this study was to gather industry knowledge, data, and trends facing the wealth management industry in hopes of gaining insights that will help the wealth advisors' community adapt to the changing times and get prepared to better serve their clients. For this, the data was collected from 190 participants from leading wealth management professionals.

- 32% of respondents are structured as Independent Financial Advisor firm
- 48% of respondents have primarily income from commission
- Over 60% of advisors have a retail customer segment
- 41% of wealth advisors said they plan to aggregate the data and provide a deep dive multi-product portfolio analysis to increase or maintain their clients' exposure, with 25% planning to digitize the advisory process and 16% planning to bring straight-through execution capabilities for non-MF products.
- 65% of respondents said they are planning to provide more holistic goal-planning advice to help clients respond better to life events.
- Most likely tasks that Wealth Advisors expect technology to ease are: • Client Onboarding • Data Management and Operations• Executing transactions • Asset allocation
- The leading reason for clients switching from one wealth advisory professional to another is a lack of personalized attention followed by the technology used.
- From the respondents' clients' perspectives investment planning and reviewing, retirement planning, and estate planning are the major areas of financial concerns
- Nearly 77% of respondents feel that personalized customer service by the wealth advisor is the most important factor for investors.

WHAT TYPE OF WEALTH MANAGEMENT FIRM ARE YOU STRUCTURED AS?

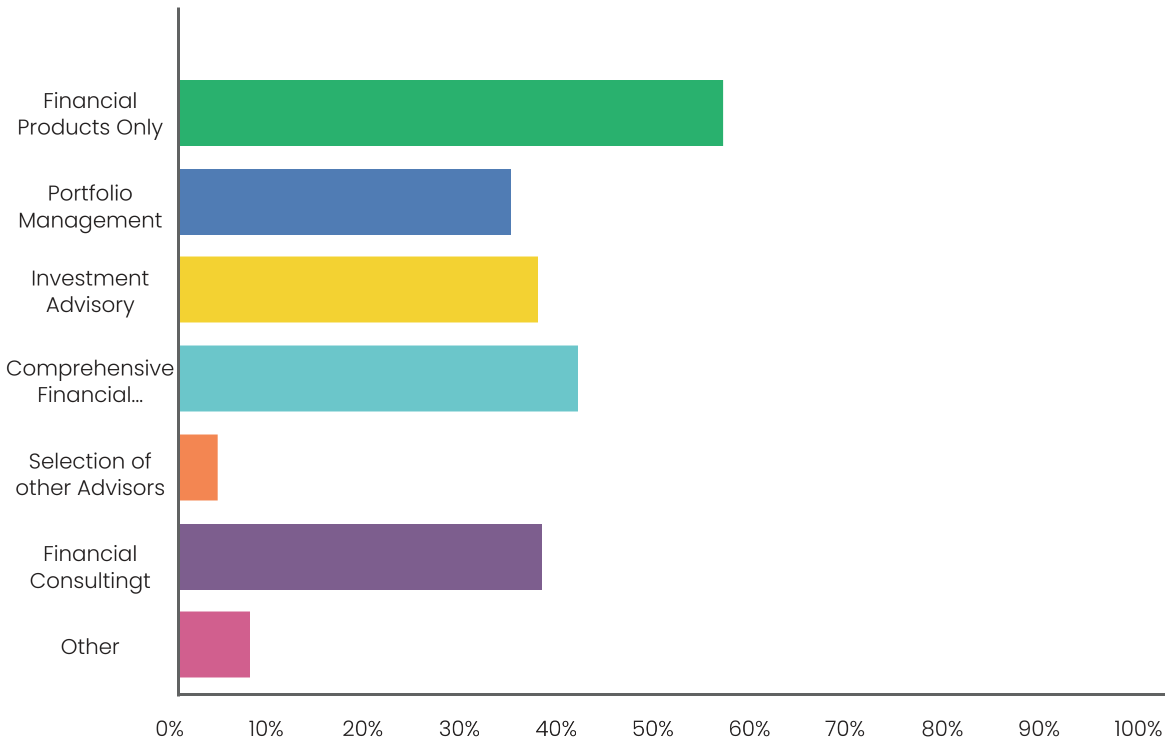
Among the respondents, the largest category is that of independent financial advisors who are at **32.26%** followed by **29.03%** financial product distributors.



ANSWER CHOICES	RESPONSES
Independent Financial Advisor	32.26%
Registered Investment Advisor	12.90%
Financial Planner	0.00%
Financial Product Distributor	29.03%
Multi Family Office	3.23%
Portfolio Manager	3.23%
Financial Consultants (CA,CWA, etc.)	3.23%
Others	16.13%

WHAT ARE THE WEALTH MANAGEMENT SERVICES YOU PROVIDE?

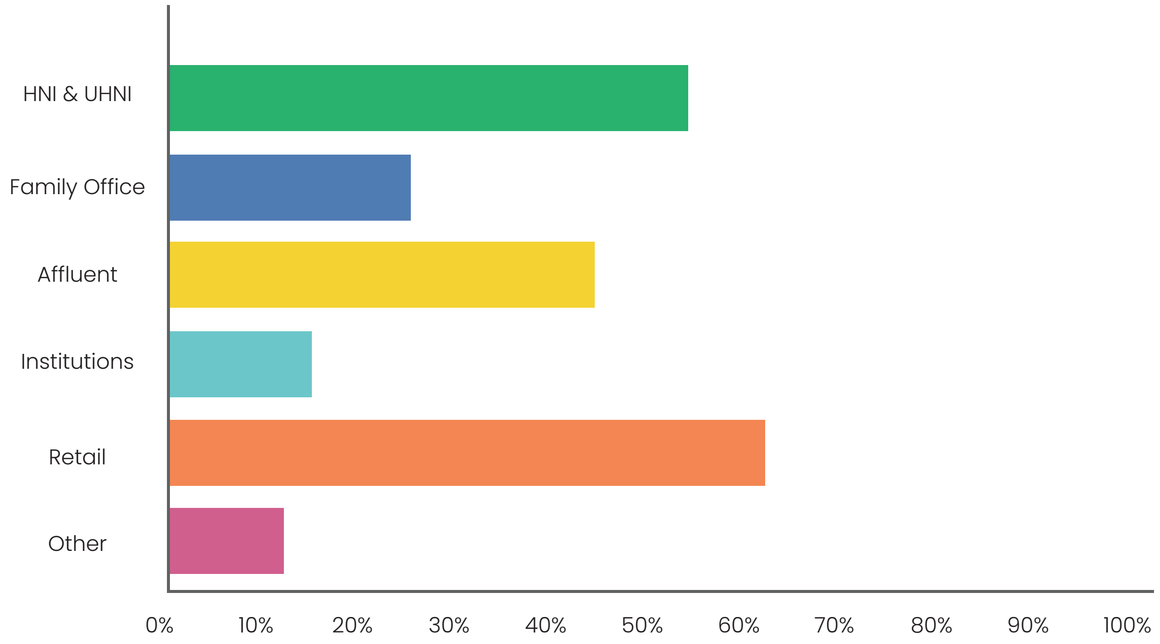
The maximum respondents of the survey **58.06%** only offer financial products. Fee-based financial planners are the second biggest community **41.92%** among the respondents.



ANSWER CHOICES	RESPONSES
Financial Products Only	58.06%
Portfolio Management	35.48%
Investment Advisory	38.71%
Comprehensive Financial Planning	41.94%
Selection of other Advisors	6.45%
Financial Consulting	38.71%
Other	9.68%

WHAT TYPE OF CUSTOMER SEGMENT DO YOU MANAGE?

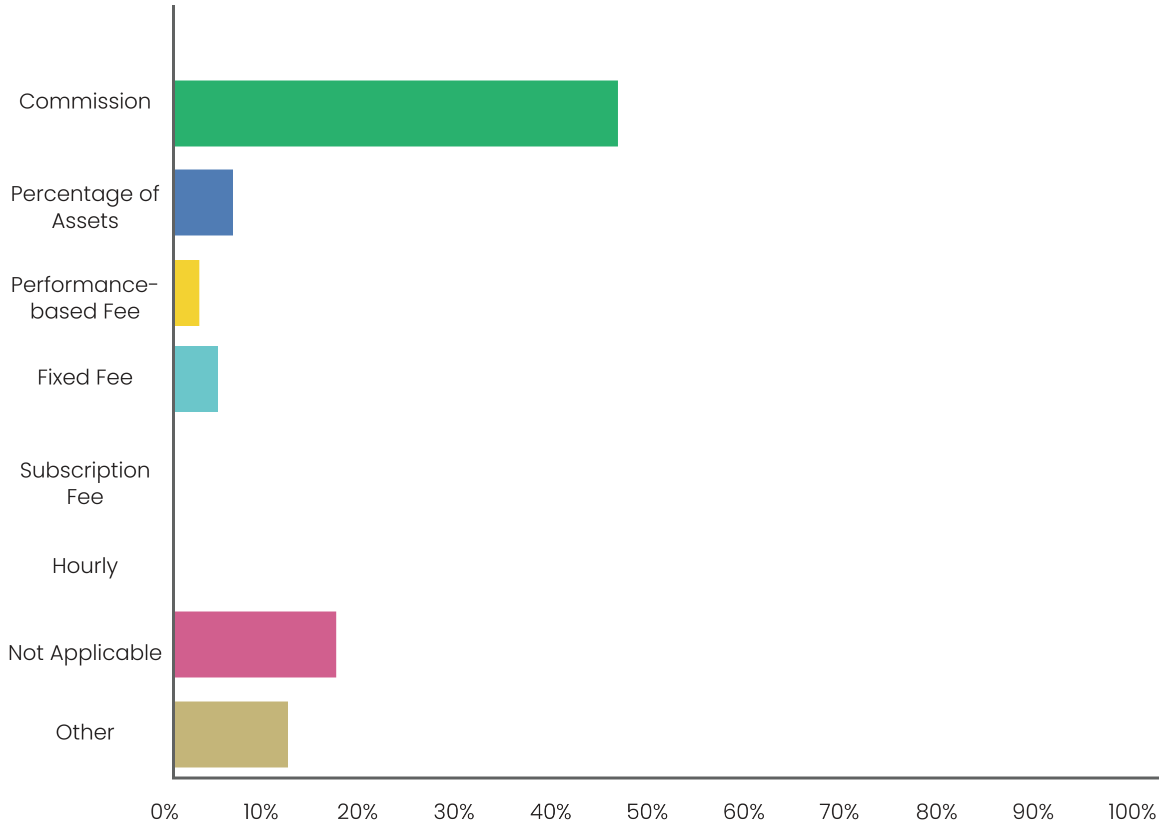
58.06% of the respondents manage HNI and UHNI customer segments. Conversely, around **61.29%** of wealth management firms manage the retail customer segment.



ANSWER CHOICES	RESPONSES
HNI & UHNI	58.06%
Family Office	29.03%
Affluent	45.16%
Institutions	16.13%
Retail	61.29%
Other	12.90%

AS A WEALTH PROFESSIONAL, WHAT TYPE OF FEES DO YOU CHARGE?

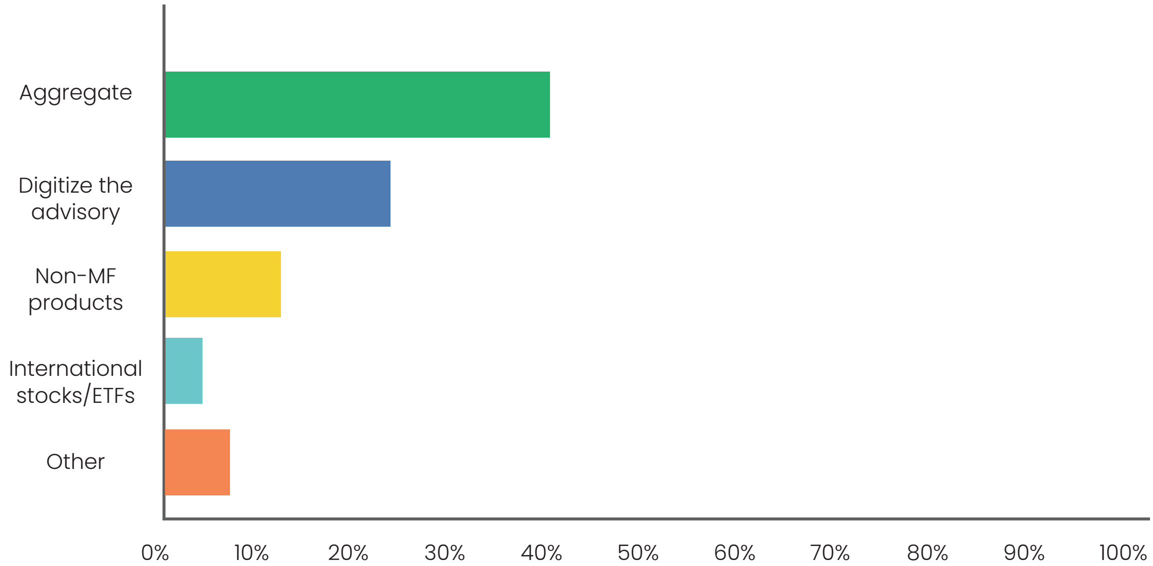
It is found that more than **48.39%** of respondents earn a commission on financial products. Conversely, **9.68%** of professionals charge a fee as a percentage of the assets managed and **6.45%** of wealth professionals charge a fixed fee.



ANSWER CHOICES	RESPONSES
Commission	48.39%
Percentage of Assets	9.68%
Performance-based Fee	3.23%
Fixed Fee	6.45%
Subscription Fee	0.00%
Hourly	0.00%
Not Applicable	19.35%
Other	12.90%

WHAT ARE YOUR EXPECTATIONS FROM A WEALTHTECH PLATFORM?

Around **41.94%** of wealth professionals expected their WealthTech platform to aggregate the data and provide a deep dive multi-product portfolio analysis. Conversely, **25.81%** of professionals think a WealthTech platform will digitalize the process. Besides this, **6.45%** of professionals want the WealthTech platform to deal with international stock/ETFs and bonding handling.



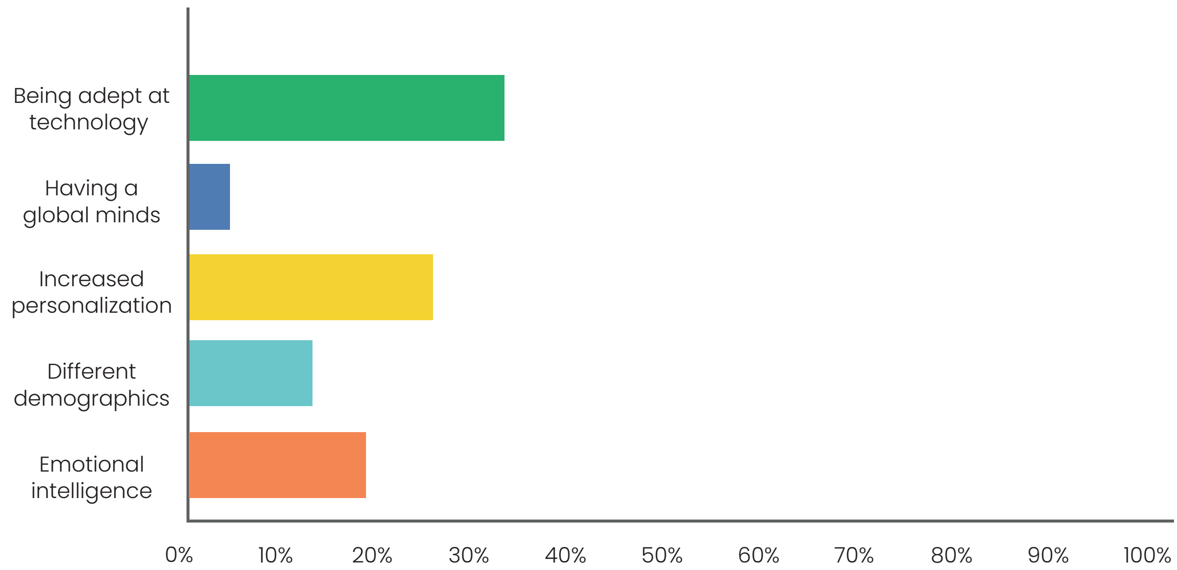
ANSWER CHOICES	RESPONSES
Aggregate the data and provide a deep dive multi-product portfolioanalysis	41.94%
Digitize the advisory process	25.81%
Bring straight-through execution capabilities for non-MF products	16.13%
International stocks/ETFs and Bonds handling	6.45%
Other	9.68%

HOW CAN A WEALTHTECH PLATFORM/ TECHNOLOGY PROVIDER HELP YOU IMPROVE IN THE CURRENT PRACTICE?

- Transaction Enablement
- Providing engine for data mining, artificial intelligence and create seamless customer journey
- Analysis of data, research and execution capability
- Seamless tech support from client on-boarding, fund selection, execution, performance review and brokerage/fee reconciliation
- View and maange entire portoflio in one place. Analystics of portfolio
- Data Analytics, Automate communication and reporting
- Provide predicability of returns based on the future earnings growth of stock markets
- Asset Allocation decisions including target vs actual, rebalancing inputs/triggers/alerts
- Classification of portfolio into strategic and tactical
- Ability to classify/tag investment portfolio towards goals with goal progress and tracking
- Research & Analysis of all Investment products should be available at one place & there should be easy execution of transactions of all products

WHICH OF THE FOLLOWING STATEMENTS DO YOU AGREE WITH ABOUT BEING A SUCCESSFUL WEALTH MANAGER OF THE FUTURE?

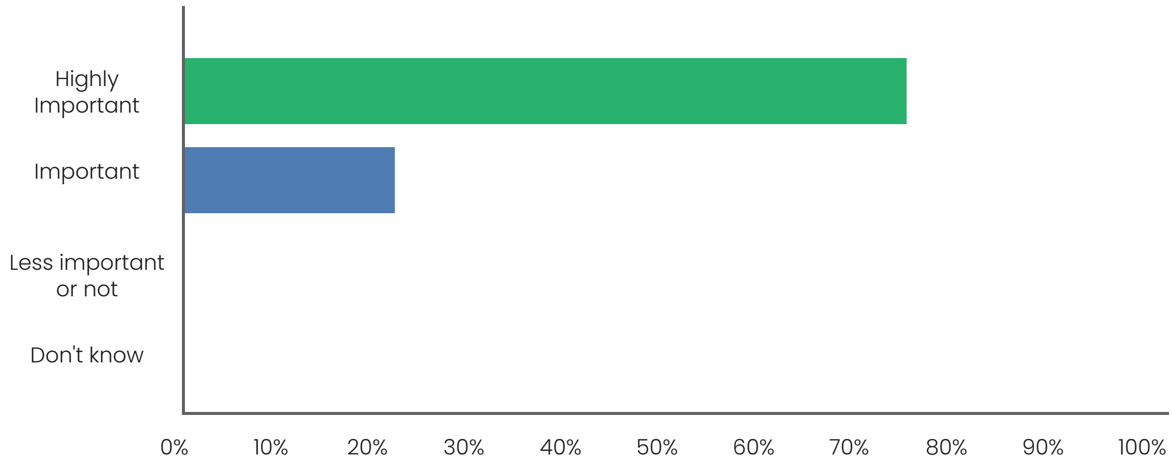
26.67% of the respondents believe a successful wealth manager of the future will provide product personalization to facilitate successful goal-based investing. Conversely, the maximum, i.e., **33.33%** of professionals, feel that adapting to the technology will help them become successful wealth managers.



ANSWER CHOICES	RESPONSES
Being adept at technology will be key to success	33.33%
Having a global mindset and deep knowledge of foreign markets will beeven more crucial	6.67%
Increased personalization of products will be critical to facilitatingsuccessful goals-based investing	26.67%
Success will depend on working effectively (connecting) with differentdemographics, such as younger investors	13.33%
Emotional intelligence will distinguish advisors from the crowd	20.00%

ACCORDING TO YOU, HOW IMPORTANT IS ANALYTICS IN SEGMENTING AND PERSONALIZING THE SERVICE TO CLIENTS?

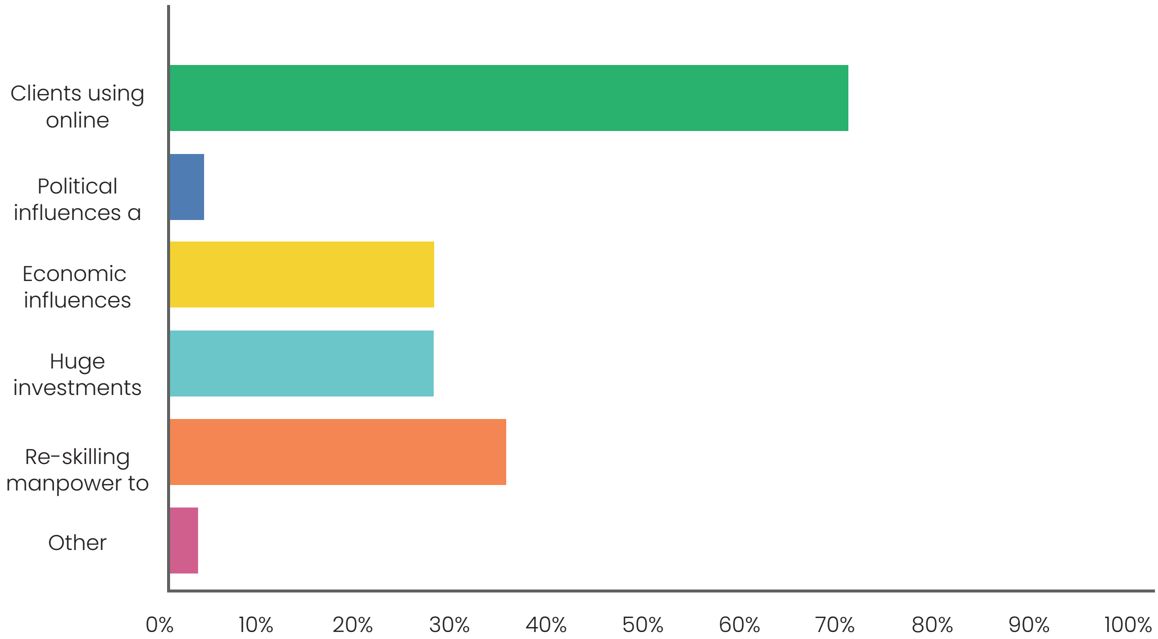
The responses show that **77.42%** of professionals think analytics in segmenting and personalizing the services to the client is essential. On the other side, **22.58%** of respondents think it is just about important.



ANSWER CHOICES	RESPONSES
Highly Important	77.42%
Important	22.58%
Less important or not important	0.00%
Don't know	0.00%

WHAT SORT OF CHALLENGES ARE WEALTH PROFESSIONALS GOING TO FACE IN THE NEXT FIVE YEARS?

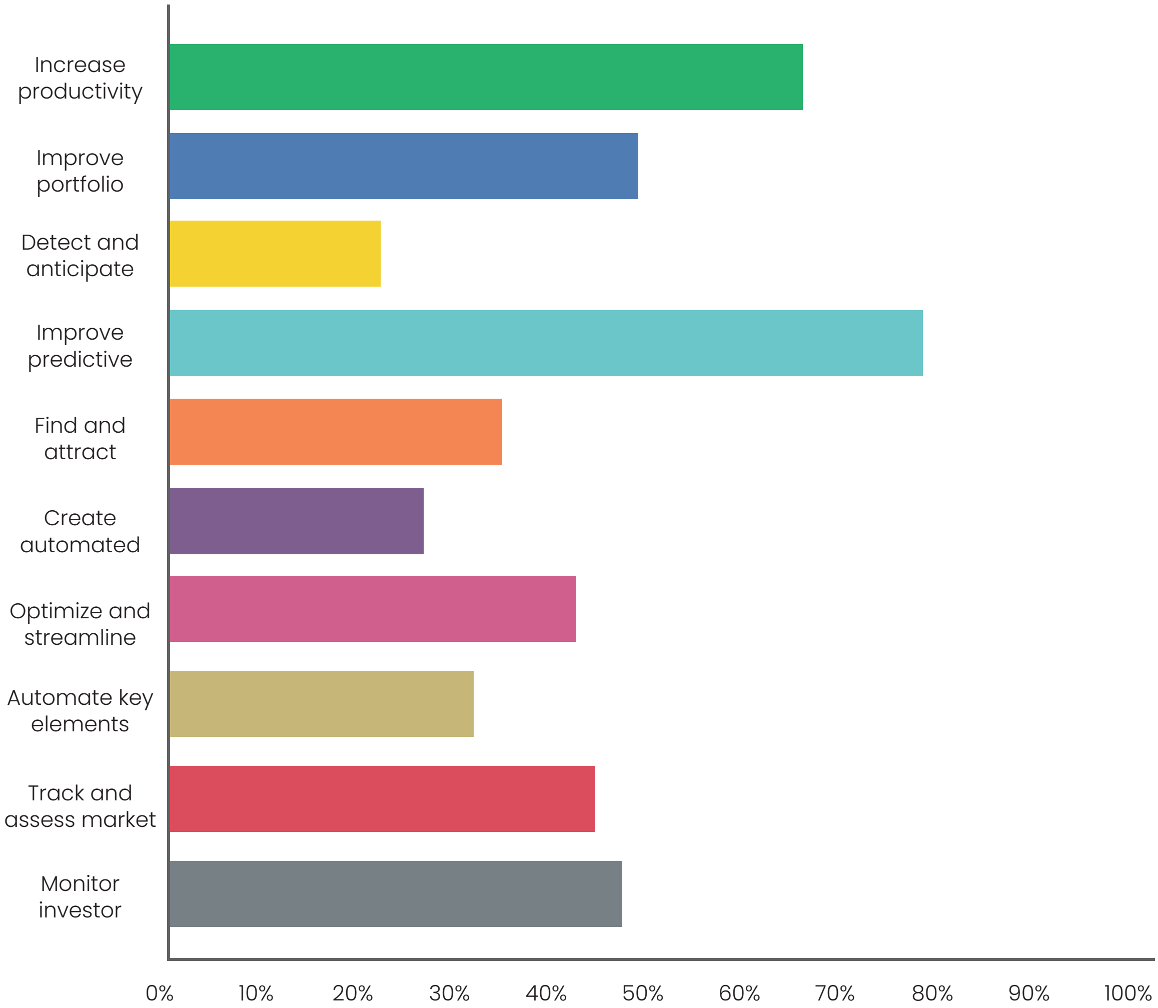
As per participants' responses, almost **70.97%** of the wealth professionals think clients will tilt towards online platforms that provide free or low-cost investment access and this will prove to be the greatest challenge faced by wealth professionals in the next five years re-skilling of manpower to compete with wealthtech platforms is the second biggest challenge according to the respondents.



ANSWER CHOICES	RESPONSES
Clients using online platforms that provide free or low-cost access toinvesting	70.97%
Political influences and changing regulations in the future	6.45%
Economic influences such as inflation or market volatility	29.03%
Huge investments in technology adoption	29.03%
Re-skilling manpower to be future-ready and competitive against thewealthtech platforms	35.48%
Other	3.23%

ACCORDING TO YOU, FROM THE FOLLOWING LIST, WHAT WILL BE THE DIFFERENT BENEFITS OF USING ARTIFICIAL INTELLIGENCE IN WEALTH ADVISORY OVER THE NEXT FIVE YEARS?

According to the survey, **67.74%** of wealth professionals believe using AI will help increase advisor's productivity. The responses also show that **51.6%** of the respondents believe that improved portfolio management will be another benefit of using AI within wealth advisory.



ANSWER CHOICES	RESPONSES
Increase productivity of advisors	67.74%
Improve portfolio management	51.61%
Detect and anticipate cybersecurity risks	22.58%
Improve predictive analysis	77.42%
Find and attract investors	35.48%
Create automated financial advisors	29.03%
Optimize and streamline back office	41.94%
Automate key elements of compliance	32.26%
Track and assess market opportunities	45.16%
Monitor investor behaviors	48.39%

WHICH TECH TOOLS/SOFTWARE DO YOU USE FREQUENTLY IN YOUR WEALTH ADVISORY PRACTICE?

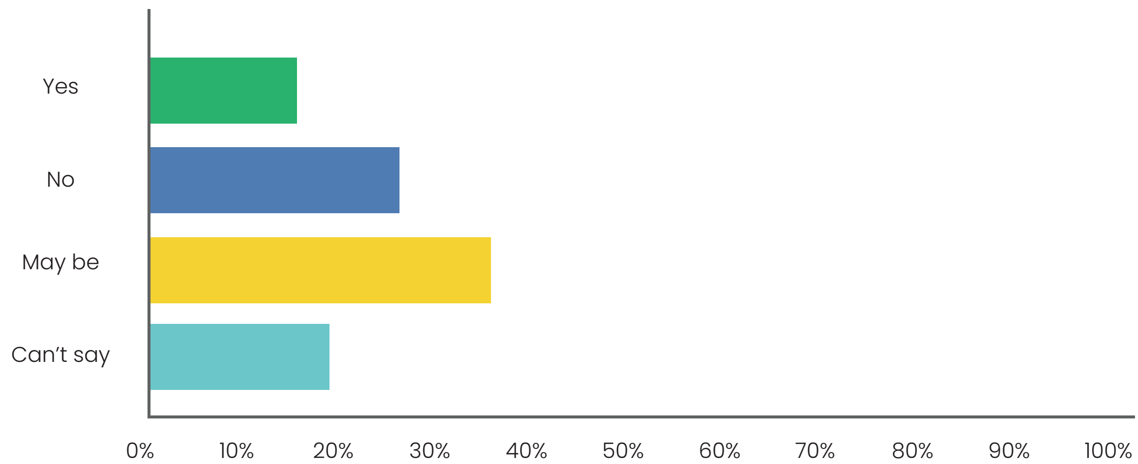
- ACE ACCORD
- AdvisorKhoj Goal Calculations
- BSE Star
- Fintso
- Fund Research - Value Research
- ICRA MFI360
- IFA Now
- Integra
- Investwell
- Masterstroke
- MFU
- Miles
- Money Ware
- Moneycontrol
- Morningstar
- Red Vision
- Valuefy
- Wealth Magic
- Wealth spectrum

WHAT ARE THE CURRENT CHALLENGES OR GAPS YOU ARE FACING WITH OTHER EXISTING WEALTHTECH PLATFORM?

- Current wealthtech platforms are not agile
- Lack of data analysis and artificial intelligence
- Seamless execution and support from technical team is missing
- The current wealthtech platforms do not offer customization for individual customer needs
- Integration of all financial productsis still an issue
- Not having detailed analysis of the portfolio for ex: Aggregate PE of the portfolio, sector exposure, duplicity in the portfolio (percentage of common stocks in the portfolio), risk parameters of the portfolio, etc
- Lack of predictive analysis and not user friendly
- Lack of intuitive goal tracking and progress
- Lack of Asset Allocation Target vs actuals set up
- Inability to provide comparative movement of portfolio across different years of "Advisor-Client" relationship
- One click report of various portfolio rebalancing done in the past with relevant notes
- A unified CRM tool to track discussion points, action items status etc
- Absence of Holistic Research & Analysis of All Investment Products which is important from Portfolio Management point of view
- Lack of operational clarity

ARE YOUR CURRENT TOOLS/SOFTWARE HELPING YOU IMPROVE YOUR PORTFOLIO ANALYSIS, ADVISING QUALITY, AND COMMUNICATION?

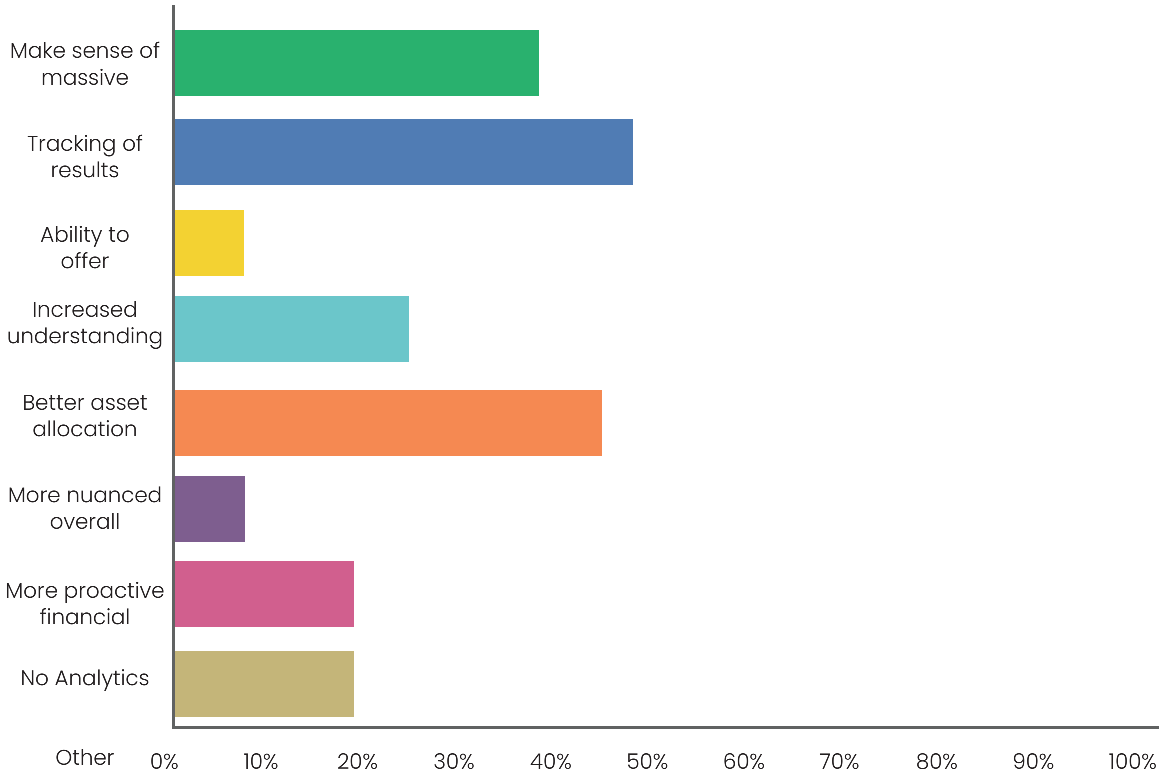
As per the graph, it can be observed that only **16.67%** of wealth professionals found that the current tools help in improving portfolio analysis. In comparison, **26.67%** of wealth professionals found that the current software/ tech platforms, instead of helping, add tech-oriented challenges while using them for analyzing clients' portfolios, advising quality, and communicating.



ANSWER CHOICES	RESPONSES
Yes	16.67%
No	26.67%
May be	36.67%
Can't say	20.00%

ACCORDING TO YOU, WHICH OF THE FOLLOWING BENEFITS HAVE YOU RECEIVED BY USING ANALYTICS IN YOUR WEALTH MANAGEMENT PRACTICE?

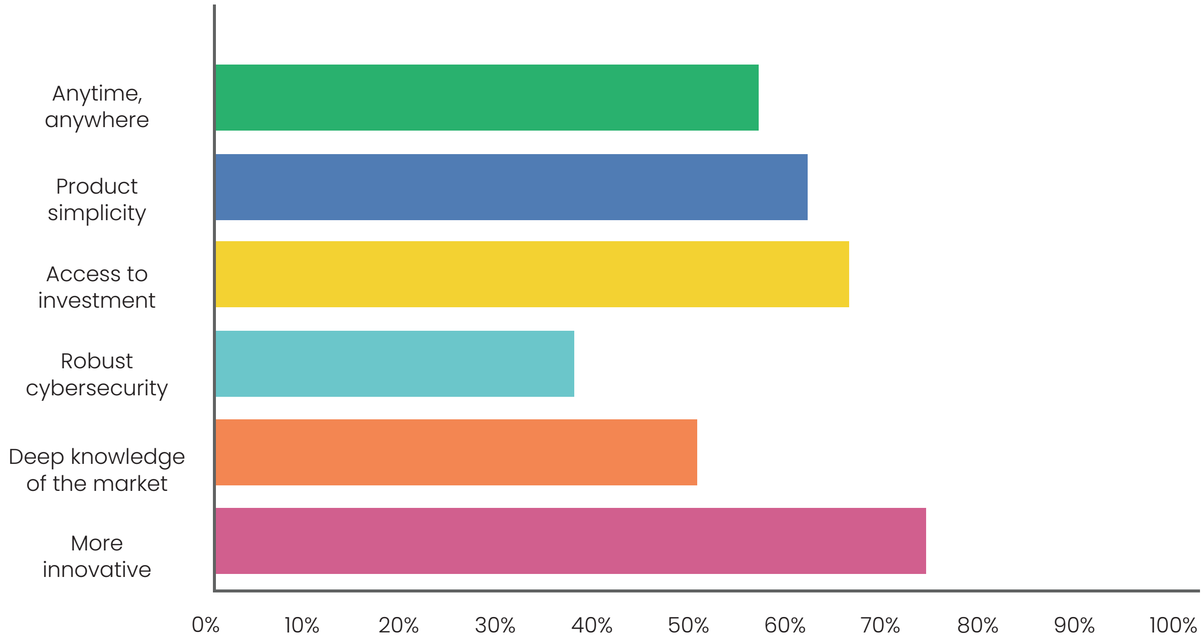
40% of wealth professionals state that a massive amount of real-time data across numerous portfolios is the benefit they have experienced by using analytics in their wealth management practice. On the other side, most wealth professionals, i.e., **50%**, found that using analytics in wealth management practice helps them track the result and success metrics of the client portfolio. This, in turn, also helps them improve the advisor's quality and manage the client's portfolio in a more tech-oriented environment rather than through traditional methods



ANSWER CHOICES	RESPONSES
Make sense of massive amounts of real-time data across numerousportfolios	40.00%
Tracking of results and success metrics on an individualized,personalized level	50.00%
Ability to offer white-glove service to mass affluent/less wealthycustomers	10.00%
Increased understanding of financial markets and opportunities	26.67%
Better asset allocation decisions and tracking	46.67%
More nuanced overall financial guidance	10.00%
More proactive financial guidance	20.00%
No Analytics	20.00%

WHAT ARE THE MOST SIGNIFICANT CHANGES YOU SEE IN YOUR WEALTH MANAGEMENT CLIENTS' EXPECTATIONS FROM YOU OVER THE NEXT FIVE YEARS?

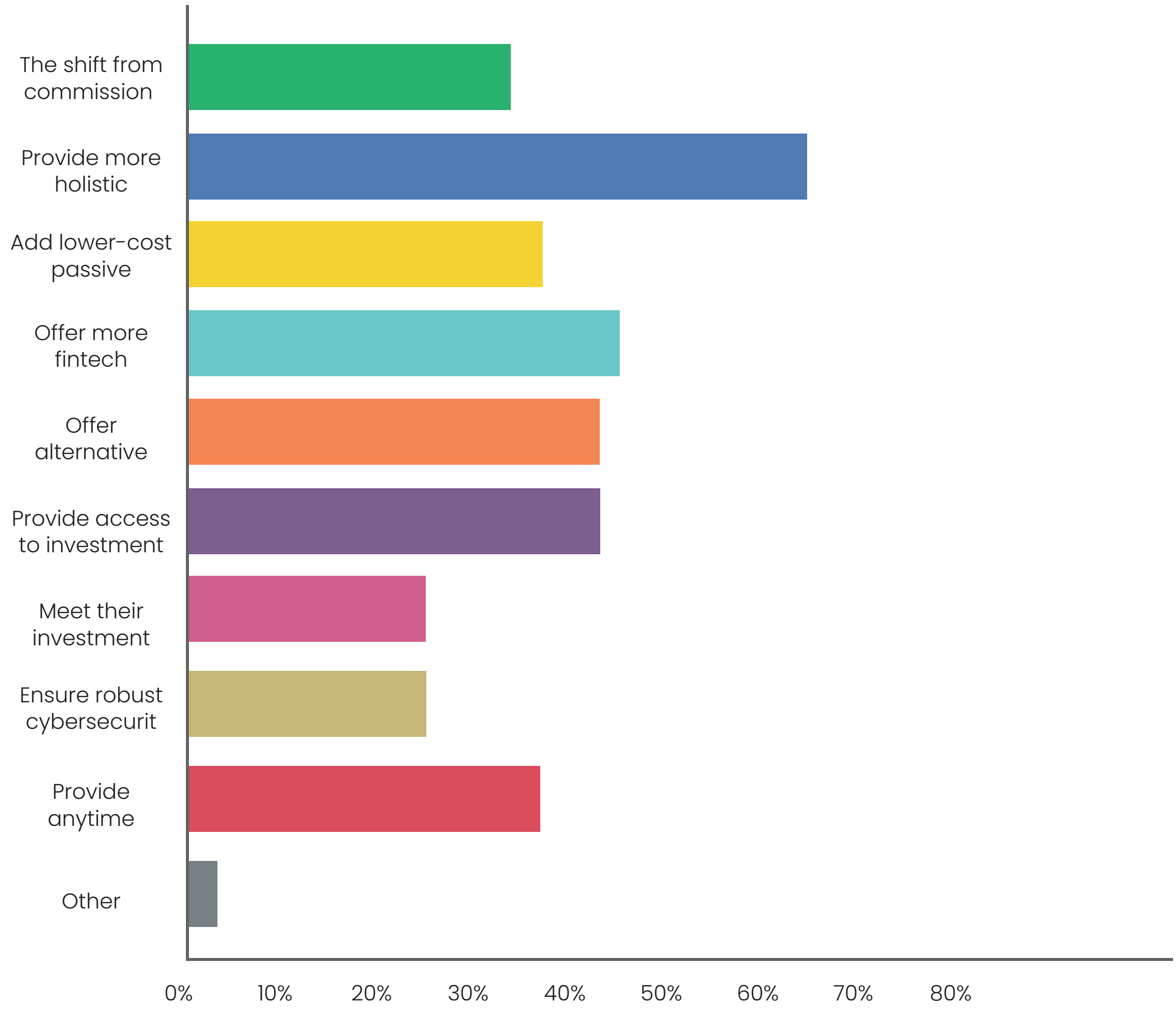
According to the survey result, **61.29%** found that the most significant changes in clients' expectations from a wealth management firm will be accessibility to wealth management service from any device and transparency in the product. However, the maximum number of wealth professionals, i.e., **74.19%**, believe that more innovative and customized products and services will be the most anticipated change in clients' expectations from the wealth management sector.



ANSWER CHOICES	RESPONSES
Anytime, anywhere, any device access	58.06%
Product simplicity and transparency	61.29%
Access to investment opportunities across asset classes, themes, andgeographies	67.74%
Robust cybersecurity and data protection	38.71%
Deep knowledge of the market, investment, and tax issues	51.61%
More innovative and customized products and services	74.19%

WHAT IS YOUR TOPMOST PREPARATION TO MEET CHANGING CLIENT EXPECTATIONS?

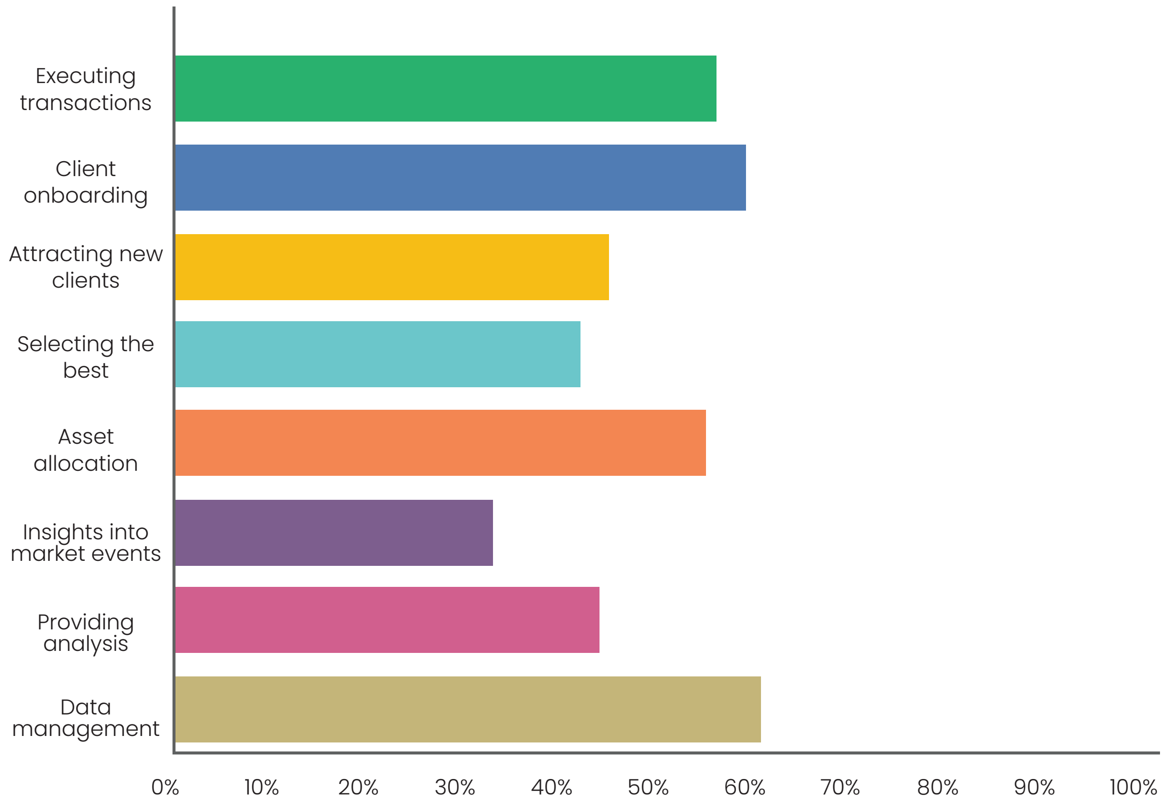
65% of wealth professionals believe providing more holistic goal planning is their best chance to meet client expectations. Conversely, **30.43%** of the professionals find that ensuring robust cybersecurity and providing access to devices is the best preparation to meet client changes.



ANSWER CHOICES	RESPONSES
The shift from commission to fee-based services	32.26%
Provide more holistic goal-planning advice to help clients respond tolife events	64.52%
Add lower-cost passive and smart-beta products	35.48%
Offer more fintech capabilities	45.16%
Offer alternative investment opportunities	41.94%
Provide access to investment opportunities across asset classes,themes, and geographies	41.94%
Meet their investment needs and goals, or they will transfer theirbusiness	25.81%
Ensure robust cybersecurity and data protection	25.81%
Provide anytime, anywhere, any device access rather than justtelephone and face-to-face communication	38.71%
Other	3.23%

WHAT TASKS DO YOU EXPECT TO HANDLE THROUGH TECHNOLOGY INSTEAD OF YOUR TEAM MEMBERS OVER THE NEXT FIVE YEARS?

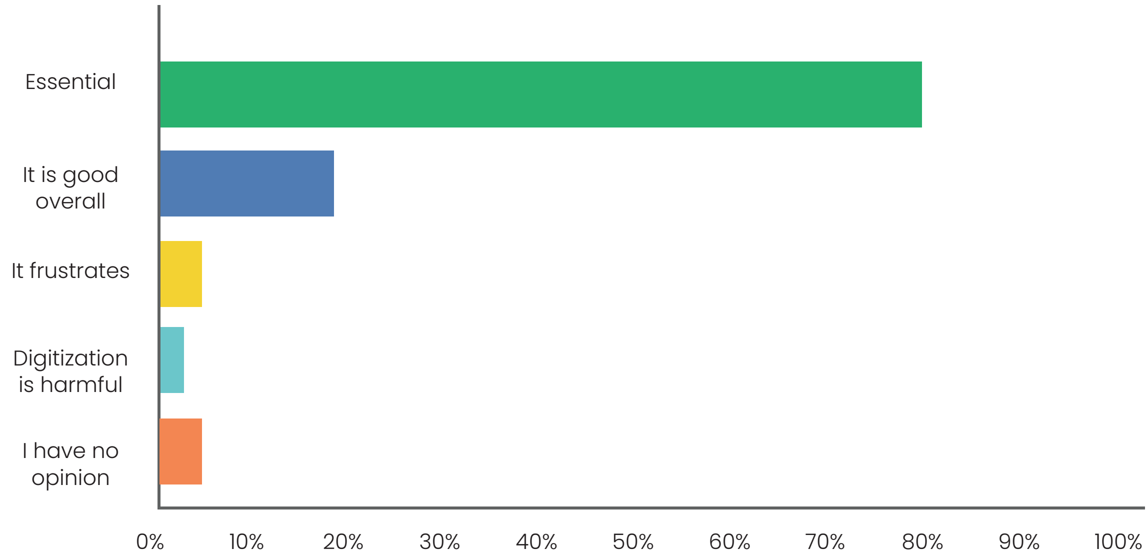
From the survey results, it can be stated that **58.06%** of wealth professionals think that executing transactions needs to be handled through technology instead of a team member. Similarly, around **61.29%** and **45.16%** of the professionals feel that going forward technology will help wealth management firms in client onboarding process and to attract new clients instead of team members, respectively.



ANSWER CHOICES	RESPONSES
Executing transactions	58.06%
Client onboarding	61.29%
Attracting new clients	45.16%
Selecting the best investments	41.94%
Asset allocation	54.84%
Insights into market events	32.26%
Providing analysis and advice	45.16%
Data management and operations	61.29%

WHICH STATEMENT BEST EXPRESSES YOUR OPINION OF GROWING WEALTHTECH ORDIGITIZATION OF WEALTH MANAGEMENT SERVICES?

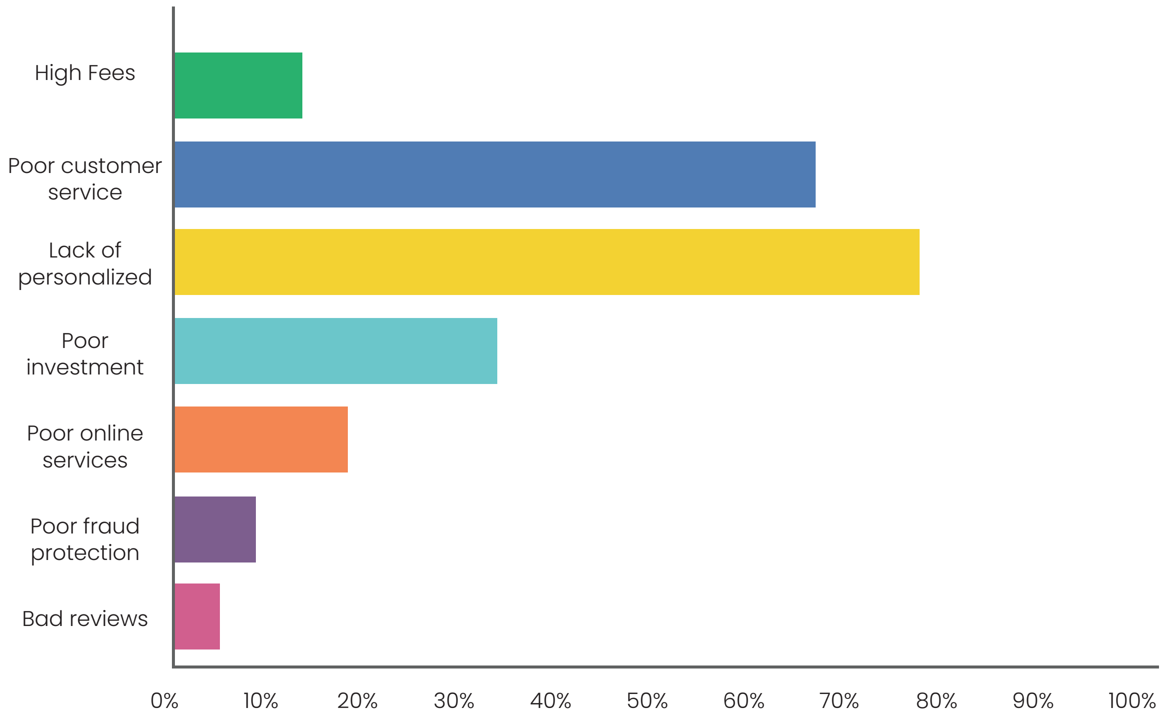
80.65% think that it is essential while **19.35%** think that digitization is good overall, but it frustrates their traditional client.



ANSWER CHOICES	RESPONSES
It is essential; I need a virtual platform to do my job and enhance theclient experience	80.65%
It is good overall, but it frustrates my traditional clients	19.35%
It frustrates me because I spend so much time wrestling withtechnology	6.45%
Digitization is harmful to my business because it reduces personalservice	3.23%
I have no opinion	6.45%

WHAT ARE THE MAIN REASONS BEHIND CLIENTS SWITCHING FROM ONEPROFESSIONAL TO ANOTHER?

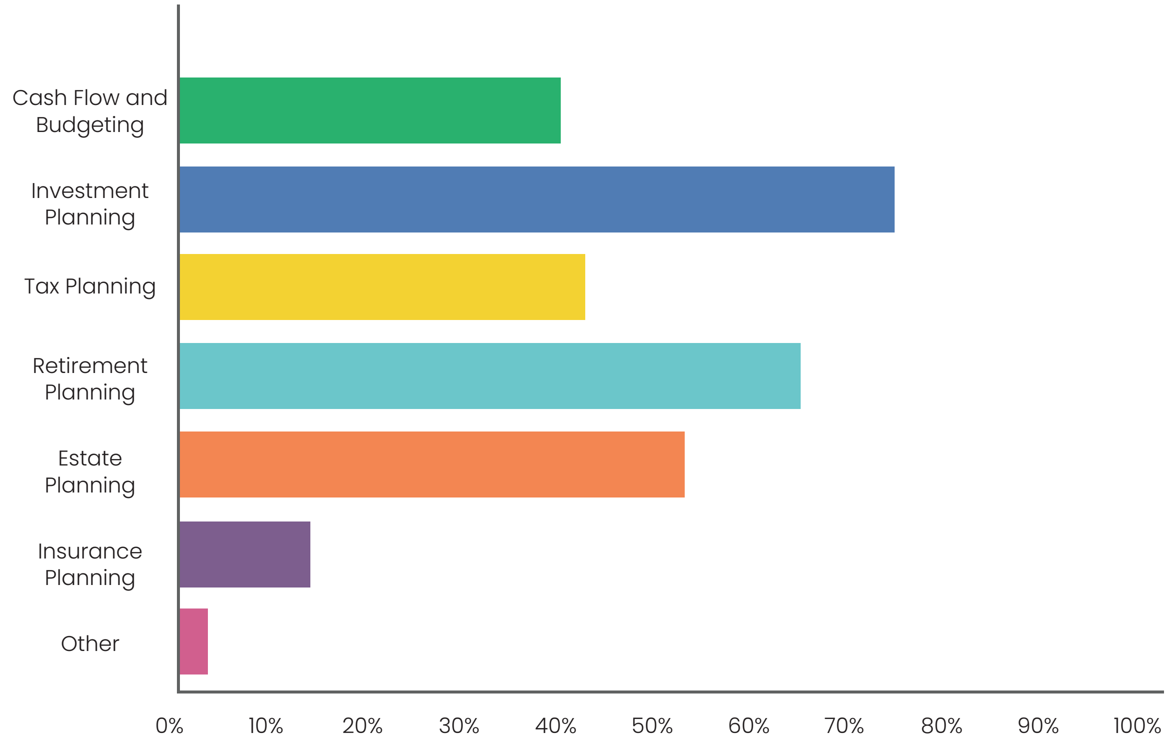
66.67% respondents believe that the main reason clients switch from one professional to another is poor customer service. Similarly, **76.67%** of professionals concur that lack of personalized attention is the main reason for switching professions



ANSWER CHOICES	RESPONSES
High Fees	16.67%
Poor customer service	66.67%
Lack of personalized attention	76.67%
Poor investment track record	33.33%
Poor online services	20.00%
Poor fraud protection	10.00%
Bad reviews	6.67%

WHAT ARE SIGNIFICANT AREAS OF FINANCIAL CONCERN FOR YOUR CLIENTS LOOKING FOR WEALTH MANAGEMENT SERVICES?

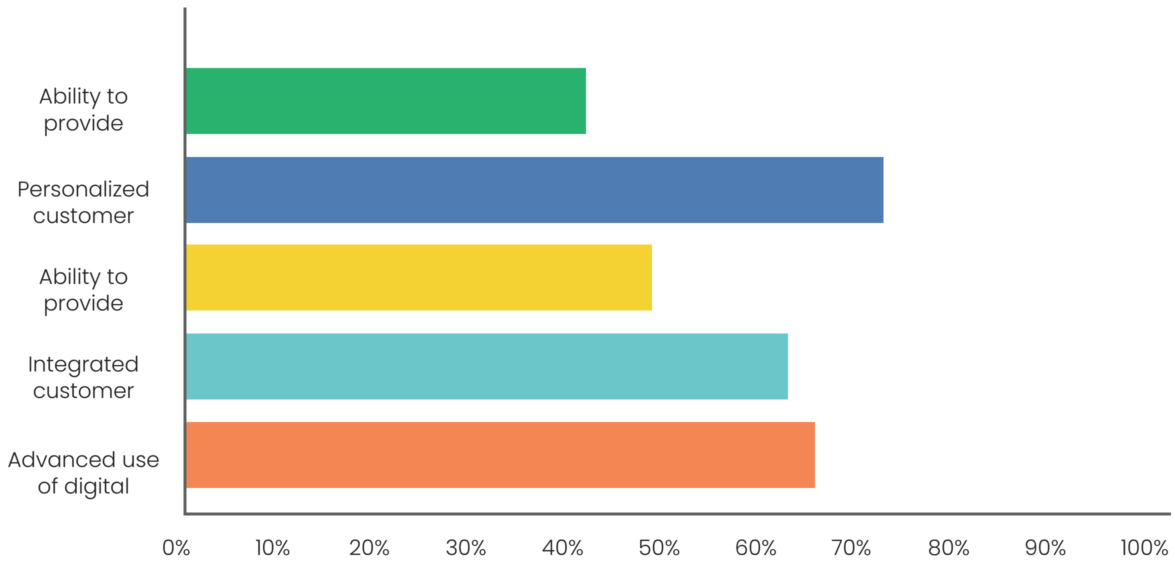
The survey report signifies that **76.67%** of wealth professionals find that investment planning and review is the primary financial concern for the client. Similarly, the report also shows that for **66.67%** of wealth professionals, retirement planning is a significant area of financial concern.



ANSWER CHOICES	RESPONSES
Cash Flow and Budgeting	40.00%
Investment Planning & Review	76.67%
Tax Planning	43.33%
Retirement Planning	66.67%
Estate Planning	53.33%
Insurance Planning	16.67%
Other	3.33%

WHICH OF THE FOLLOWING WILL BE THE MOST IMPORTANT ATTRIBUTE TO INVESTORS IN THE NEXT FIVE YEARS WHEN SELECTING A WEALTH PROFESSIONAL?

The responses indicate that **76.67%** of wealth professionals believe that experienced personalized customer service and staying on top of client's specific needs is an attribute that will be a determining factor for investors when selecting a wealth professional.



ANSWER CHOICES	RESPONSES
Ability to provide anytime, anywhere device access and transactions	40.00%
Personalized customer service/staying on top of my specific needs	76.67%
Ability to provide holistic goal planning	50.00%
Integrated customer experience across multiple channels	63.33%
Advanced use of digital technology and analytics	66.67%

INDIAN WEALTHTECH PLATFORMS & SOLUTIONS PROVIDERS TO LOOK OUT FOR

valuefy

CUBE Wealth

dezerv.

Fintso

Fisdom

MARKETS MOJO

FinIQ
The Financial Engineering Company

INDmoney®
Super Money App

Solutions That Work

We offer

Content:

- Daily Security Level Valuation for Fixed Income Instruments
- Mutual Fund Performance, Portfolio and Industry data
- ULIP performance, portfolio, and industry data

Solution Suite:

- Mutual Funds Analytical Solutions
- Mutual Funds Portfolio Tracking Solutions
- Treasury Solution
- Rating Tracking Solution
- Insurance Analytical Solution
- Ranking Solution

Available in on-prem and cloud-based versions

Research & Analytics:

- Portfolio Analytics
- Operational Due Diligence
- Uniform Risk-o-Meter
- Potential Risk Class Matrix (PRC)
- Customised Ranking
- NFO Research
- Investor Education Collateral
- Fixed Income Indices
- Portfolio Evaluation

www.icraanalytics.com

ICRA Analytics Limited is a wholly owned subsidiary of ICRA Ltd. with business interests in knowledge services, risk management, market data, grading and risk assessment services. We serve a wide range of global and domestic clients starting from BFSI players, fund managers, financial intermediaries, regulators, industry bodies, government organizations, and other market participants. We provide an array of digital tools and research, risk advisory, market data and analytical support to assess and manage risk in lending and investment decision making. We add value through our deep domain knowledge, strong functional competence, and technological expertise. We provide actionable insights with our expertise, accuracy, and timeliness.

SHARAD SINGH,
CO-FOUNDER & CEO, VALUEFY

Please tell us more about Valuefy? What services do you offer? What gaps/ problems are you trying to address?

Valuefy provides products in the wealth-technology space to financial institutions in India, ME, SE Asia and Europe. Our products help fund and wealth managers to run their business in a 'Digital First' manner and offer convenience and wow factor to their Customers. Our SAAS offering democratizes the technology reach to all sizes of financial institutions and helps them to build/scale their business by leveraging technology.

How has the Valuefy business developed over the lifespan of its existence? What are the developments, milestones, and successes?

Valuefy started as an analytics platform provider to fund managers in India and has metamorphosized into an end-to-end global wealth management platform. We always had a strong team that wanted to create a global product. With the wealth-tech wave, we were able to leverage our analytics and technology expertise to quickly create a brand in India. Subsequently, our immediate target was to take the business globally and get traction in international markets. In the last 12 months, we have onboarded clients in more than six countries, and we should be touching 100+ clients in the next few months. This has been very motivating for the team, and we are working to be a leading global brand in the wealth domain.

In terms of the wealth management sector, what types of firms do you work with, and what are their needs from their relationship with you?

We work with financial institutions of all sizes, viz. large and small banks, Wealth managers, MFOs, Independent Asset Managers, and Fintechs. While we have an end-to-end offering, the same is aligned with the immediate and strategic needs of the client. For example, a large bank, which has various customer segments, including retail & HNI, would leverage our low-touch Robo-advisory solution and RM-driven wealth advisory platform, for the respective segments. Mid and Small Wealth managers across the globe hook onto our SAAS offering, which offers them wealth-in-a-box technology, to run their business in a 100% digital manner with zero internal technology teams. Our product modules encompass the entire breadth of wealth management business, including customer onboarding, prospecting, advisory, transactions, back-office and operations, front-office, and digital mobile/web experience for the end customers.

What are some of the aspects that differentiate you from the competition?

Valuefy has a strong analytics base, reflected in our reporting and front-office systems. We have been able to bring data, analytics, advice, technology, and user engagement in a single box to offer a Wealth-in-box platform that can operate at scale and help financial institutions grow with efficiency. With the above, we enable an RM to play on his EQ skills and engage the customer while the IQ is handled by the platform consistently and constantly. Besides, as an organization, we are pretty mature and stable. We have seen market business cycles and have been able to build a resilient and profitable business with the credentials of working with leaders in the financial services space.

What's your most popular product right now among clients?

NA... only 1 product

What are the three themes/trends that are disrupting the wealth management space and keeping CIO, CTO, CIO, CEOs, and others up at night?

I would want to understand from the CXOs now and then. My job is to get them a good sleep.

What are the factors that are stopping wealth managers from spending on improving technological infrastructure?

Gone are the days when wealth managers could operate on spreadsheets and manually. The ecosystem has evolved over the last decade, and now wealth managers and tech go hand-in-hand. Every segment of advisors is using a platform that meets their needs. So, wealth managers are spending on the platform but are that is sufficient is very subjective. We at Valuefy are democratizing the wealth infrastructure by bringing a comprehensive platform that can be leveraged by the various segment of users on the go and at a usage-based mode

WEALTHTECH 2.0: A SOLUTION THAT INDIA'S WORKING PROFESSIONALS NEED

SANDEEP JETHWANI
DEZERVE

WEALTH + TECH, MORE THAN A SUMMATION

As Morgan Housel aptly puts in his book, The Psychology of Money, "Wealth is what you don't see." It is no surprise that much of the wealth created by investors like Warren Buffet is something we don't see. While the environment in which the likes of Warren Buffet quietly and diligently grew their wealth has changed, the pursuit of becoming wealthy remains the same.

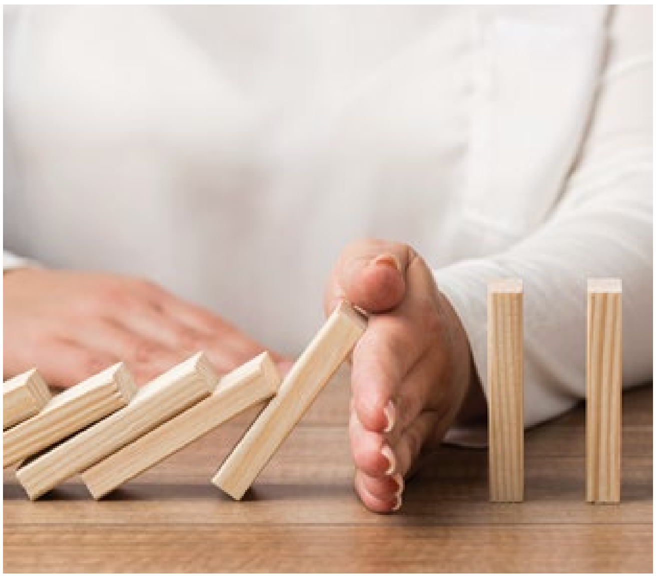
It intrigues me to think about how an ordinary man can build and manage his wealth with the tap of a finger on the screen. The immense transformation in the wealth creation and investment management space has changed drastically over the years. Thus, the question arrives, "What has led to this transformation of the industry is WealthTech?"

WealthTech is a subset of FinTech that focuses on managing and growing investors' wealth. Technology is leveraged to maintain data sets, analyze and ensure a smooth investor experience. WealthTech companies either work on a B2B model that develops solutions for banks, investment firms, and wealth management firms or a B2C model that provides services directly to an end-user. Its ecosystem includes marketplaces, investment tools, financial advisors, Robo Advisors, trading platforms, and data analytics firms.

THE RISE AND RISE OF WEALTHTECH

WealthTech is a subset of FinTech that focuses on managing and growing investors' wealth. Technology is leveraged to maintain data sets, analyze and ensure a smooth investor experience. WealthTech companies either work on a B2B model that develops solutions for banks, investment firms, and wealth management firms or a B2C model that provides services directly to an end-user. Its ecosystem includes marketplaces, investment tools, financial advisors, Robo Advisors, trading platforms, and data analytics firms.

India's WealthTech industry is estimated to breach the 63 Billion USD mark by FY25, up from 20 Billion USD in FY20. The total number of Demat accounts in India surged almost 2.5 times to 89.6 million over the last four years, with the addition of 34.5 million accounts in FY22 alone- and this trend is expected to continue, backed by increasing financial literacy & digitization. However, there's a shortage of high-quality personalized advice- we have only one investment advisor per 76510 investors, with the availability of expertise highly concentrated in the ultra-wealthy (HNI/ UHNI) segment. This represents a considerable gap in the market - serving India's working professionals with holistic investment expertise and access to exclusive, well-researched opportunities backed by technology, trust, and quality.



AN ENTIRE DEMOGRAPHIC LEFT UN-ATTENDED - THE WOES OF WORKING PROFESSIONALS

Lack of Personalised Advice: There's a dearth of high-quality personalized advice, with the availability of expertise highly concentrated in the ultra-wealthy segment. This results in people opting for the DIY (Do-It-Yourself) investing route, heavily dependent on Google searches, social media influencers, and hearsay in social circles. I have seen a major lacunae lack of research and an investment thesis. A survey by a mutual fund platform found that 72% of working professionals are unaware of how much to invest in order to do justice to their financial goals. Around 56% said that they do not possess adequate knowledge or advice to do so.

Paucity of Time: Working professionals are straddling their careers, family, social life, health, and a host of other things that leave no time for themselves. This leaves them significantly less room for investment decisions, & left alone actively managing their portfolios. An average working professional can only make hearsay decisions coupled with some surface-level searches on the internet.

Information overload: In an era of easily accessible and cheap internet, one can easily find information on how and where to invest. People face two major problems due to excess information, which includes first, the genuineness of the information is compromised; second, there can never be a one size fits all approach to personal finance.

For example: consider this - a person looking to invest in mutual funds types "top 10 mutual funds to invest" on the search engine. Multiple links display their own version of the top 10 mutual funds. Confused, (s)he still proceeds further with one link and, after looking for the highest ROI, invests in another. What (s)he misses to consider are their risk appetite, investment horizon, underlying portfolio of the funds, asset allocation, history of the fund manager, and how these align with their financial goals.

Lack of proper Asset Allocation: Due to excessive information and multiple options, mindful portfolio construction takes a backseat. Additionally, exposure to overseas markets and new age instruments are least thought of. I see many investors compulsively investing in a bunch of instruments without proper long-term planning and attention to a diversified asset allocation over asset classes such as Equities, Debt, Gold, and Alternatives. The lack of access to new-age alternative investments deepens the problems.

Apart from those issues mentioned above, ***the lack of transparency, trust in advisors and wealth managers coupled with the inability to stay invested*** over the long term results in the interrupted compounding of wealth.

THE SOLUTION- WEALTHTECH 2.0

That said, every problem has a solution. I believe not only in the power of compounding money but also in the power of compounding trust over a long period of time. This is why our solutions need to be transparent, innovative, and effective enough such that professionals realize the value of investment advice and act accordingly. I believe the following are some of the aspects which will define the evolution of WealthTech as an industry:

Delivering expertise with an unmatched experience: A smooth digital onboarding procedure, active communication with investors in terms of consistent and timely updates about the investment's current position and the next step of actions, as well as quick grievance redressal mechanisms are some experience-enhancing factors. Personalized and well-researched portfolios by experts will not only deliver great returns but also act as a service that can induce word of mouth. Additionally, the costs to investors should be kept as low as possible and communicated as and when they change to build trust and help in client retention.

Focus on diversified asset allocation: While managing clients' funds, special attention needs to be given to diversification across asset classes, including traditional instruments like equities, fixed income, gold as well as alternatives. This way, you can make portfolios resilient and less affected by market cycles. To give a practical example, Nifty 50 returns between Dec 2007 and Nov 2013 was 0% - zero return in 6 long years! But your dreams can't wait because one asset class is not moving.

Access to newer alternatives: As the human lifespan is increasing, we need to think of innovative ways of managing money to fight inflation. Investment in alternatives like Venture Capital & Private Equity, pre-IPO (Initial Public Offering) securities, Hedge Funds, Commodity-linked instruments like Gold ETFs or Sovereign Gold Bonds, Real Estate Investment Trusts (REITs) or Infrastructure Investment Trusts (InvITs), Market Linked Debentures (MLDs), as well as the recent innovations like digital currencies, should be made accessible to the working professionals. While a major deterrent for investors has been the high ticket size for alternative investments, the lack of expertise and expert guidance is a major pain point.

Risk Management: The Indian market is not yet efficient enough to create portfolios only based on algorithms, and there is a need for strong risk management systems, including an additional expert layer led by portfolio managers followed by due diligence and post-investment monitoring. This also includes understanding the changing market dynamics, regulatory guidelines, and perioding rebalancing and monitoring.

Tax Optimization: There are certain avenues available for efficient tax optimization, which we should be aware of and use when applicable. All of us need high-quality tax advice to make sure we're using applicable deductions to maximize tax savings. From a tax-saving perspective, long-term investing in equity or debt is preferred over short-term trading, as you can take advantage of tax deductions on long-term capital gains. With the rise of the start-up ecosystem, it's also important to understand taxation on ESOPs and related regulations.

WEALTHTECH - UNLIMITED POTENTIAL

Our current WealthTech investors are around 4 million. This number is expected to triple itself by FY25. This growth will be aided by increased awareness, several investors from tier-2 and tier-3 cities adopting digital platforms, and an increase in tech-savvy investors with ever-increasing disposable incomes. As per the provisional estimates of Annual National Income by the National Statistical Office (NSO) of the Ministry of Statistics and Programme Implementation (MOSPI), Net National Disposable Income rose 19% in 2021-22 over 2020-21. And this trend is expected to continue. To conclude, I believe creating innovative, personalized solutions that India's working professionals need will be the major theme that will define WealthTech 2.0, aided by factors such as an increase in awareness and a rise in adoption of digital platforms among tech-savvy professionals with ever-increasing disposable income. When I think of a global picture in which assets over 60 trillion USD are in the WealthTech space, I feel very optimistic about India's WealthTech growth story. Addressing the challenges India's working professionals face with innovative solutions and a customer-first attitude will be a big part of this growth story.

Reference

1. *https://www.bbva.com/en/what-is-WealthTech/*

2. *https://www.electronicid.eu/en/blog/post/WealthTech-investment-management/en*

3. *https://www.coinspeaker.com/guides/what-is-WealthTech/*

4. *https://www.leadsquared.com/WealthTech-wealth-management/*

5. *https://www.forbes.com/sites/margueritacheng/2019/02/19/the-future-of-WealthTech/?sh=6745ae2f35e6*

6. *https://www.leadsquared.com/WealthTech-wealth-management/*

7. *https://yourstory.com/2022/05/WealthTech-startups-quantitative-investing/amp*

8. *https://www.moneym+anagementindia.net/wp-content/uploads/WealthTech-in-India.pptx.pdf*

9. *https://inc42.com/features/from-buying-gold-to-investing-through-ai-6-wealth-management-platforms-transforming-how-indians-invest/*

10. *https://scholar.archive.org/work/q3xs7ndr2rahbecjyequcw7rau/access/wayback/https://www.ersj.eu/journal/2463/download*

WEALTHTECH: THE NEW KID ON THE FINTECH BLOCK

SHASHANK GAUTAM,
CLIENT ASSOCIATES

PAWAN KUMAR
CLIENT ASSOCIATES

For years, wealth management had largely been considered a preserve of the affluent in India. However, the past decade has witnessed a considerable rise in the disposable income of a relatively younger population. This, coupled with a steadily growing equity market, has led to significant growth in retail participation from the section of younger, arguably savvy investors with a higher risk appetite. There has been an observed behavioral shift in the demographic of Millennials & Gen Z towards investing in financial instruments.

On the other hand, the Indian Financial Services industry has been undergoing rapid digitization making India's FinTech ecosystem one of the most funded VC investment themes globally. Improved tech infrastructure, deeper internet penetration in tier 1 and 2 cities, and faster adoption of FinTech offerings have all led to the burgeoning of what some see as the new paradigm in the Indian Wealth Management industry: WealthTech is the new kid on the FinTech block, and the new-age digital investors have been transitioning to them with much exuberance.

WealthTech in India is estimated to be a $20 Bn markets and is expected to grow significantly by FY25. Like any traditional industry at the cusp of disruption, WealthTech offers challenges and opportunities to the incumbents and the new entrants alike. The moot question is whether WealthTech would replace or enable the existing model of the wealth management industry in the long haul. More interestingly, what remains to be seen is the relevance and acceptability of these new-age WealthTech firms across the higher end of the Private Wealth spectrum, where bespoke wealth management solutions have been the norm.

DEFINING WEALTHTECH

WealthTech companies offer tech-powered financial solutions that enable investors to manage their wealth efficiently. It comprises the use of technology (Deep Tech, AIML, analytics, etc.) to improve the productivity and efficiency of the financial-investment ecosystem. With the industry's evolution, the term WealthTech has come to represent a much more comprehensive set of new-age FinTechs beyond the pure-play Wealth Management ones and also include Robo Advisors, Discount Brokering Platforms, Digital Investment Platforms, and B2B WealthTech Software firms.

GLOBAL LANDSCAPE OF WEALTHTECH

Vanguard ushered in the digital investing era of low-priced Robo advisory with the launch of Vanguard Digital Advisors in the late 2000s, which has since grown to an AUM of $88 Bn. Betterment, founded in 2008, provides digital investment and cash management services with a current AUM of $33 Bn across 700K customers. Apart from these, Charles Schwab, with an AUM of $33 Bn across 223K accounts, and Wealthfront, with an AUM of $21 Bn across 400K clients, have been other dominant players in the US WealthTech space.

More recently, the much-storied Robinhood was another 'success' story within the WealthTech spectrum- a digital stock trading platform that went on to get listed on Nasdaq in July of last year. With Blockfi in Crypto, Fundrise & Cadre in Real Estate investment, Stash & Catch in Advisory & Personal Finance, Altruist in B2B WealthTech software, and many more, the US has been at the forefront of the emerging WealthTech industry. Lately, the WealthTech trend has caught up within European countries as well. 2021 saw robust investments into European WeathTech companies. Bitpanda, an Austrian-based Digital trading platform, received $170 million in a Series C round led by Peter Thiel-backed Valar Ventures. The Trade Republic, a German online broker, got $900 Mn in its Series C round, led by Sequoia at a $5.3 Bn valuation. Equity management firm Capdesk secured £5 million in a round led by Fidelity. Then there was England's Nutmeg, an online investment management company acquired by JP Morgan last year. After a period of a lull during the pandemic year of 2020, there has been a global revival of investor interest in the Wealthech space.

THE RISE OF WEALTHTECH IN INDIA

The Current Landscape of the Indian WealthTech: There has been a mushrooming of an entire gamut of product and service offerings targeting various customer cohorts that broadly constitute the WealthTech industry in India today.

Wealth Management/Personal Finance: Allows customers to manage their investments across asset classes and instruments via digital platforms and software-based financial planning/money management tools. Key players: IndWealth, CubeWealth, ETMoney, and Artha Yatra.

Robo-Advisors: Uses survey responses and algorithms to map key variables around an investor's risk appetite, time horizon, investment goals, and expected returns with limited human involvement to offer investment products digitally. Key players: Scripbox, Kuvera, Goalwise and Finbingo.

Digital Brokerage: Virtual discount brokerage firms offering trading services at lower commissions. It also allows investors access to the stock market via a digital trading platform and relevant data on the company and its financials. The key players in virtual brokerage include Zerodha, Groww, and Upstox.

Retail Investment Products: Offers readymade PMS of Direct Equities, ETFs and MFs curated around different investing styles and themes. Key players: Smallcase, Gulaq, WealthDesk, and Coin.

B2B Software Services: Offers wealth management software/platform solutions- largely plug & play applications that extant/new wealth management enterprises could leverage. Key players: WealthDesk and BeyondIRR.

FUTURE OF WEALTHTECH IN INDIA

The market of the Wealth Management industry in India is certainly massive from all yardsticks. Only a minute fraction of the Indian population is currently invested in stocks and MFs compared to the developed world's share. India currently only has an active investor base of about 1.7 Crore in Direct Equity and 5.5 Crore in MF SIP, indicating a sizable market still untapped in the Indian retail investments space. However, how much of this could be mobilized via the WealthTech companies would not be a simplistic extrapolation.

CHALLENGES OF WEALTH MANAGEMENT VIA WEALTHTECH

One of the core potential disruptions or the 'Big Shift' that WealthTech is being touted to bring about is shifting the practice of wealth management from the domain of expert financial advisors to any tech-savvy user with an internet connection. While there is no dearth of information on all manner of investing ideas and companies, the proverbial folly of mistaking information for knowledge couldn't be more accurate in the current paradigm.

Wealth Management is not just a process of creating an optimal portfolio based on an asset allocation that suits a client's risk appetite. It is much more than what sometimes is misconstrued as a wealth advisor's rather simplistic mandate. The job of a wealth advisor is almost akin to a family counselor and CFO. Hand-holding clients when markets are in a protracted bear phase or are plummeting under a sudden global shock that no one saw coming are some of the more crucial aspects of a wealth advisor's role. Both in times of over-exuberance and extreme panic, an investor is served greatly by the dispassionate, objective, and calm guidance of his wealth advisor.

Moreover, in the case of traditional wealth management firms, the repository of institutional wisdom and insights from years of investing across market cycles are invaluable to an investor. Individual investors would always be constrained by their bandwidth, access to databases, skilled resources, and the collective market experience that a wealth management firm brings about in helping a client take informed investing decisions.

CONCLUSION

The economic times fraught with high inflation, high yields and low liquidity globally are going to remain uncertain for some foreseeable future. These are not particularly easy markets to wade through for the less experienced or the self-initiated investor. It would be revealing to see how algorithm-based wealth advisory fares in times that have little historical precedence.

The period ahead could also witness some consolidation in the Indian WealthTech industry, particularly within the retail wealth space. Traditional players might look to expand their retail outreach by way of strategic investments or acquisitions of some of these new-age WealthTech companies. As far as the HNIs & UHNIs segment of Private Banking is concerned, the jury would be out for a while.

THE ESSENCE OF WEALTH MANAGEMENT

SALIL THANAWALA
EDELWEISS WEALTH MANAGEMENT

Today, in our stage of evolution, the Web 3.0 and digitization age, technology is all-powerful. It has disrupted our way of life and rendered many businesses redundant on its path of evolution. The best part of technology is that it can bring a paradigm shift in how things stand, and these disruptions are innovation-driven. However, in the case of wealth management, technology has been a gradual evolution. From physical shares to handwritten Demat transfer slips to today's digital onboarding and transacting, from pit trading at the BSE to today's high-frequency black box trading.

Over the last few years, especially during the Covid pandemic, the adoption of technology-driven tools developed by wealth firms has seen a dramatic increase. Parallelly, we have also seen a rapid growth of WealthTech platforms that have attracted many users. Undoubtedly, their rapid growth has raised many questions about the existing wealth platforms that have been operating for much longer, which brings us to the next important question - "What is the best model for the future?". Well, for this, we need to get back to the basics: "What is the essence of Wealth Management?" and "What do our clients need from us?"

THE 5 PILLARS OF WEALTH MANAGEMENT

Over the years, we have realized that there are five areas of critical importance to all wealth clients:

1) **Advice:** This ranges from simple Investment Policy Statement (IPS) to succession planning, identification of family needs, review of actions, and other ongoing activities.

2) **Managing emotions:** Identifying a client's emotional profile and handling their emotions of euphoria or fear in an extreme rise or fall of capital markets.

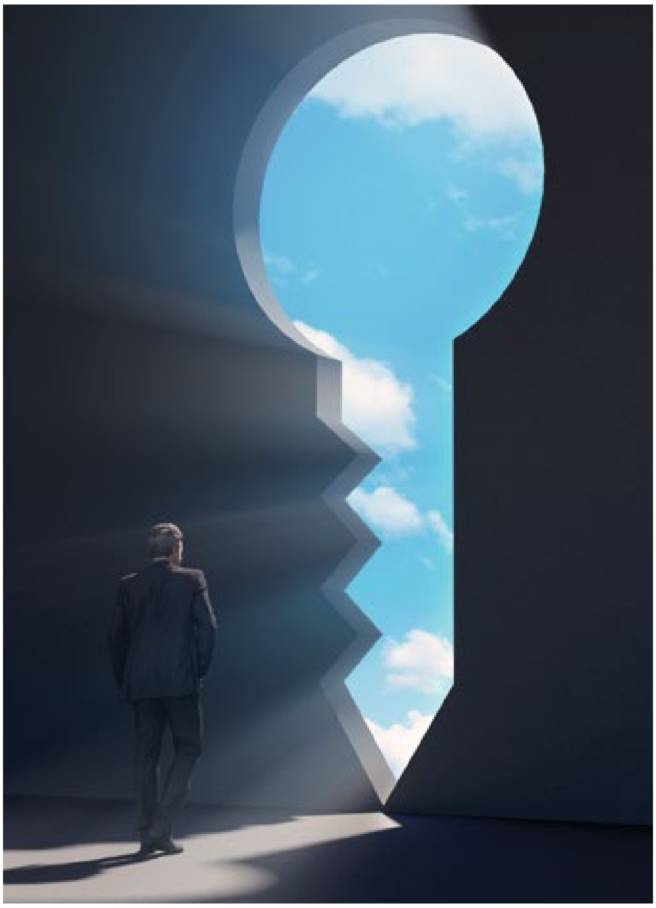
3) **Access to solutions:** To aid the IPS and cater to both sides of the balance sheet.

4) **Seamless execution**

5) **Reporting**

WealthTech and FinTech companies have solved the last two pillars well. The ability of an investor to invest or borrow money has become extremely easy. Technology has largely evolved onboarding processes and credit underwriting to remove any human involvement. A few years back, opening an account required numerous signatures on stacks of papers, which has now become completely digital. Ideally, from a client's point of view, access to all types of solutions should be seamless and available on these platforms. However, there are solutions that still need collaboration from multiple entities and physical involvement, as it cannot be done entirely digitally. For a complete solution to be offered, there has to be a dramatic evolution of two things, i.e., technology and regulation, without which migration and absolute adoption will be incomplete.

THE HUMAN ELEMENT



Over the last five years, larger families have actively invested in onboarding quality talent in-house. This has helped them with increased bandwidth allowing them the freedom to change from traditional investment buckets to foray into varied assets and managing them via these expert professionals. This type of investing could encompass diverse assets, ranging from angel investing to buying tea or coffee plantations or real estate on metaverse. Globally, the magnitude of these options is very vast. Such solutions today are only being offered to them by the non-WealthTech platform – where a combination of wealth management and investment banking comes into play. Thus, for this segment of clients, the WealthTech platform offers limited value addition. But when you go lower on the size of capital with an investor, WealthTech platforms offer immense value, as not everyone can afford to pay for quality talent and be able to retain them. Digital platforms have an edge in providing 'easy access' to traditional investment avenues, but they do not give guidance on when and how much to allocate or disinvest. On the liability side, the ability to get standard asset-backed loans or loans for salaried employees is very easy; still, business loans, start-ups as working capital, etc., require case-specific activities and need person-to-person engagement.

Capital in any form is a very emotional concept, and trust plays a very important part in it. When clients/prospects engage with wealth managers, the biggest judgment call, I believe, they try to make is – 'Is this person right for me?' The platform supports the person in delivering thesolution, but from a bankability standpoint, the person becomes the most important aspect in this equation.

CAN TECHNOLOGY BRIDGE THE GAP?

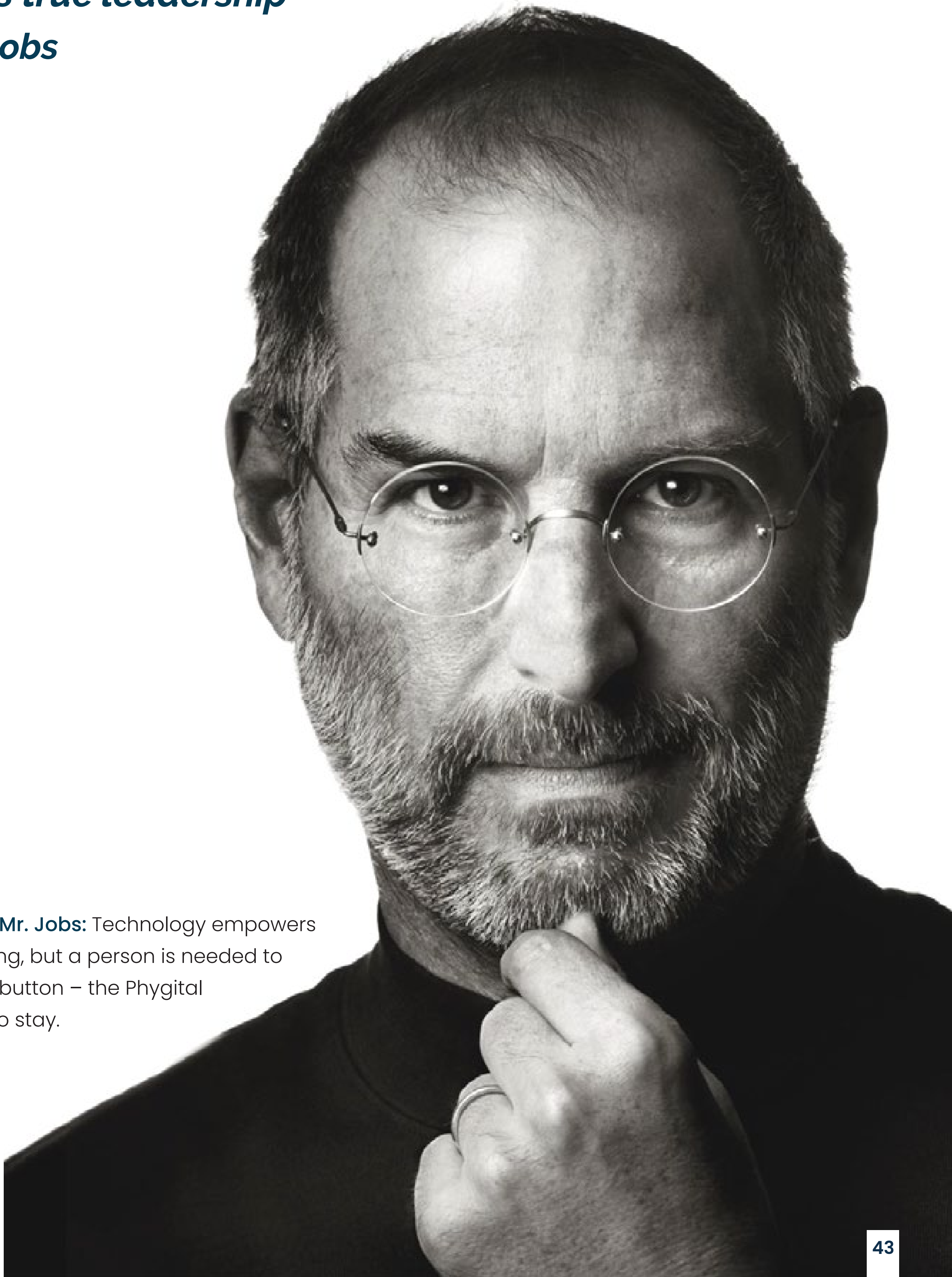
Advise is the foundation of any wealth institution's long-term relationships. Understanding needs and sensitivities and the ability to share learnings from other clients' journeys is purely a person-to-person experience. This personal experience, ideally, also enables answers to questions such as why, how much, how long, when to exit, risks, etc., in relation to any investments or borrowings. WealthTech platforms currently do not have any AI that can effectively provide these answers. On the other hand, pure technology platforms are limited to high-quality market access, easy execution, and open architecture platforms, with multiple products built into their systems. All standardized solutions can be availed via that ecosystem, but anything that needs customizations will struggle. Technology thrives on standardization and processes. Iterative technology – AI- needs much more evolution to fill this gap. With capital allocation, fundamental questions regarding risk, horizon, benchmark, flexibility, exit, etc., are unique to every individual and family. One could allocate to standardized portfolios, which like other more straightforward options, are technology driven. However, once the array of avenues the client wants to allocate increases, this becomes less and less attractive. From my experience, a large chunk of this capital (which increases with the size of the office) is allocated to long term, simple avenues that do not require active rebalancing.

"What is your risk profile?" – Words like moderate, growth-oriented, etc., can help you bucket your risk profile from a compliance perspective. Still, when one experiences volatility with capital loss, the situation becomes very real. Decisions in those moments tend to stem from emotion rather than logic. Technology can bring these situations to life through simulations of various types of portfolios. Being subjected to simulations can better prepare you, but when people experience real losses, managing their emotions and assisting them in decision-making becomes extremely crucial. In times of volatility, the rumor mill plays a critical role, as it elevates the perceived volatility in our mind, increasing our perceived volatility index, and hampering our decision-making. At such times, you need to offer personal attention and empower the investor with rationality, information and clear, actionable steps.

THE CASE FOR PHYGITAL

While Covid-19 may have accelerated technology adoption for service providers and clients alike, the full potential of a wealth offering can be realized best through the "Phygital" route. In the current scenario, this model, a combination of physical engagement and digital ease, seems to be the most appropriate business model. Having said that, in the spirit of evolution, regulations must also move hand in glove with the industry. Providing the right environment is critical. Many times, in order to protect the smallest investors, regulations become very stringent. The concept of accredited investors is one of the first steps the regulator takes to differentiate larger, qualified domestic investors from the wider universe. Open regulatory platforms can build a healthier runway for investors to gain more confidence in the digital or WealthTech platforms. Executing via digital medium still brings in some hesitation while performing high-value transactions. It is more comforting when an individual guide or enables you through that journey. We have seen technology fail. So, when it's a question of large ticket sizes, clients look for the human element to be present through that journey. Thus, better regulations, and enforcement of those regulations via the judiciary framework, will give higher impetus to the WealthTech industry in terms of wider acceptance and adoption.

"Technology by itself doesn't make leaders. Technology only amplifies true leadership" – Steve Jobs



Learning from Mr. Jobs: Technology empowers decision-making, but a person is needed to help press the button – the Phygital Model is here to stay.

NEW-AGE REAL ESTATE INVESTMENT ALTERNATIVES MADE ACCESSIBLE BY WEALTHTECH

ASHISH KHANDELIA
EARNNEST.ME

TEENA GANDHI
EARNNEST.ME

Real estate is a critical sector both from an economic & social point of view. Various estimates (Census of India, MoSPI, RBI & NHB) peg the annual housing demand (rural + urban) at 10MM+ homes per annum, driven by long-term demographic trends, urbanization, and nuclearization. The sector is a capital guzzler; in our estimate, the capital need for the housing sector alone will be $100 bn over the next 7-10 years. The Sept'18 IL&FS default brought high yields and capital market liquidity to a grinding halt. Credit access to several NBFCs / HFCs froze. This capital vacuum intensified consolidation in the sector, which was already underway posted RERA, GST, and Demonetization.

Regardless, real estate as an asset class is best suited to provide inflation-hedge with a decent return without taking equity risk. The challenges involved in physical ownership of RE remain, and we have seen the sector progressing towards financialized RE. This story began with the first REIT listing in 2019, followed by multiple fractional ownership platforms, which made CRE accessible to a wider investor community. The market is moving towards financialization, and the reasons are many. The new age digital platforms are helping to democratize access to opportunities long available only to Institutions.

Robust fundamental demand and low capital availability are creating a very attractive investing vintage. In our opinion, India needs similar modern-day platforms that combine (1) investment expertise with (2) digital convenience and transparency to allow participation in real estate assets without the hassle of managing physical assets. Such platforms can play a pivotal role for the sector and investors seeking superior risk-adjusted returns.

RISE OF DIGITAL INVESTING

The wealth management space in India is witnessing seismic changes with the rapid adoption of digital investing. This adoption is driven by demand for investment products offering higher returns in a risk-managed way and technology-led democratization of such products. India has the highest FinTech adoption rate in the world at 87%, remarkably higher than the global average of 64%. The country's FinTech market is expected to be 5x its current size and worth nearly US$150bn by 2025. Corresponding to this, the Indian WealthTech space is expected to grow 3x, rising from ~US$20Bn in FY20 to ~US$63Bn in FY25. Currently, India has ~4MM WealthTech investors, expected to grow to ~12MM by 2025.

THE NEXT WAVE IN WEALTH MANAGEMENT

Until a few years ago, wealth managers focused only on UHNW and HNW; retail or mass affluent investors did not have equal investment opportunities. However, we see the next decade as a transformation to Wealth Management 3.0 with multiple technology-enabled service models. This could be either completely digitally led or a hybrid combining both tech and human interface. These models will not only offer seamless digital support & experience but also lower the cost to serve its customers, widen the range of clients under its umbrella, and breadth of opportunities offered, going beyond traditional assets.

INSTITUTIONAL QUALITY OPPORTUNITIES FOR PERSONAL INVESTMENTS

Over the years, institutions have seen several advantages to investing in the Real Estate sector, including its defensive characteristics, inflation hedge, an alternative to ultra-low fixed income yields offered by most fixed income instruments, and avoiding volatility of public equities, to name a few. The market is distinctly moving towards the financialization of real estate, and the reasons are many. And new age digital platforms are democratizing access to such opportunities for personal investment that was long available only to institutions. This trend that started more than a decade ago in the US is now catching pace in India too.

Foreign Institutional investors have invested more than US$50Bn+ in Indian Real Estate over the last decade, with ~80% of this coming in over the last five years. For personal investment, investors are constantly looking to diversify beyond equity, gold, fixed deposits, post office savings scheme, and debt mutual funds. Diversification remains an essential strategy for building a successful investment portfolio. However, to date, their options have remained limited due to inaccessibility to lucrative investment opportunities available only to large financial institutions.

This is now changing, and higher return, managed risk opportunities in investible bite sizes are finally becoming available through WealthTech platforms. Critical factors in assessing before using such platforms include the expertise of the underlying team and transparency of the information shared.

TOP THEMES: HOW TO PLAY THE REAL ESTATE SPACE

In India, the perception of real estate investing remains that of owning a physical asset despite the administrative hassles, information asymmetry, limited post-investment management expertise, and high-ticket size resulting in concentration risk. Most high net-worth families' exposure to real estate is in the physical form, i.e., directly owning the assets. Often, assets are legacy owned and not managed by a professional team. Also, the asset management of physical real estate could become cumbersome. Therefore, despite the strong fundamentals of the underlying sector (as evidenced by significant institutional interest), the investment experience of individuals/families has been mixed.

The risk of drawdown on equity portfolios and very low debt yields demands allocation towards opportunities that provide inflation-hedge with a decent real return without taking equity risk. Real estate as an asset class is best suited to fill such a gap, but it needs to become easy to invest in and manage post-investment.

Financialization of real estates, such as REITs, fractional investing, and secured fixed-return investment opportunities, is making real estate accessible & affordable. India saw its first REIT listing in 2019, followed by multiple fractional ownership platforms, which made Commercial Real Estate (CRE) accessible to a wider investor community. REITs opened an opportunity for safe and profitable investment into rent-yielding A-grade commercial office assets with sums as low as Rs. 15,000-20,000. Along with REITS, the new fractional ownership trend is allowing retail investors to pool their resources and collectively own a leased asset with an investment of only Rs.20-25 lacs.

We prefer REITs over other means as a medium to participate in CRE because REITs are:

- Well regulated,
- Professionally managed,
- Own high-quality assets,
- Offer good risk-adjusted returns, and
- Are liquid in nature.

Another excellent way to play the real estate sector is to participate in the residential sector's robust recovery through private credit. Private credit investment is an alternate investment option where investors can invest in private debt issued by companies. These investments offer higher returns compared to traditional fixed income instruments and are secured by collateral in the form of real estate or other business assets. Unlike buying real estate properties requiring large allocations, private credit investments can be started with much smaller amounts, such as Rs.10 lacs.

There is an unmet demand in the credit ecosystem as traditional lenders (primarily non-bank financial companies) have pivoted towards retail loans. Such a scenario gives private credit providers a broad spectrum of untapped opportunities to capture, especially in the real estate sector. Institutional investors have been investing big on this theme and have lined up more than Rs.25,000 crores for residential realty investments. Now individuals too can benefit from investing in such a theme.

CONCLUSION

We believe that what started happening to equities about 25 years ago (the advent of mutual funds shifted personal equity exposures to professional managers) is starting to happen to real estate, and regulations & technology are playing a big role in this transformation. This trend toward the financialization of real estate is starting to break out. Robust digital and payments infrastructure and acceptance of online investing are super-charging this transformation. For example, in the United States, platforms like Cadre, Fundrise, Crowdstreet, etc., make private equity (PE) type opportunities accessible for individual investors. Financialization in the west has redefined real estate investing. India needs similar modern-day platforms that combine investment expertise with digital convenience and transparency to allow participation in real estate assets without the hassle of managing physical assets. Such platforms can play a pivotal role for the sector and investors seeking superior risk-adjusted returns.

Reference

1. Indian WealthTech - A $60 Bn Opportunity by Fy25 (researchandmarkets.com)
2. Growing Trend towards Financialization of Real Estate – Earnnest
3. This Real Estate Investing Platform Is Democratizing the Way We Build Wealth (futurism.com)
4. Five Ways Technology Is Changing The Face Of Real Estate Investing (forbes.com)
5. Democratization of property ownership: Investors can now choose from REITS to fractional ownership (moneycontrol.com)
6. Outsourcing 3.0 in the asset management industry (deloitte.com)
7. India's Financial Inclusion Goals Could Be Achieved With The Help Of Neobanks - Inventiva
8. FinTech: Five trends poised to shape the future of India's FinTech sector, BFSI News, ET BFSI (indiatimes.com)
9. Cover Story on ET Wealth: Alternative Investments. Can they work for you? – June 13-19, 2022
10. Evolving Trends In Wealth Management In India (cnbctv18.com)
11. wealth-tech: Phydigital model major disruption in wealth-tech space - The Economic Times (indiatimes.com)
12. Time to Evolve – Morgan Stanley/Oliver Wyman Bluepaper
13. Private credit investment: An emerging trend in real estate (99acres.com)

REIMAGINING REAL ESTATE: MEASURING THE UNMEASURED

MANASI KAJI
SANCTUM WEALTH

The quote "what gets measured gets managed" is famously attributed to Peter Drucker. It seems obvious at first glance, given that we cannot possibly manage something that isn't measured. However, when we dig a little deeper, two surprising elements reveal themselves:

- **First, according to none other than the Drucker Institute, Drucker never said those words.**
- **Second, the idea itself is flawed.**

V. F. Ridgway published a paper in 1956 criticizing the measurement mantra in performance measurement. Ridgway was onto something because not everything we can measure matters. Not everything that matters can be measured.

The second half of the above statement hits home regarding real estate investments (things that matter). Until recently, we did not have enough tools to efficiently and effectively measure or manage them.

ITEMS IN YOUR CART

A portfolio review is standard practice across the wealth management industry, and investors expect it regularly from their financial advisors. Typically, these discussions involve only financial assets such as stocks, mutual funds, bonds, and cash equivalents. Monitoring and reporting financial assets are easy as data is readily available —however, the tune changes when real estatejoins the party.

A recent series called "Guru Portfolio" in a leading daily has fund managers discussing their investment strategy. They discuss their asset allocation and the returns earned across various asset classes. However, when asked about their real estate allocation performance, most responded with an honest and unfortunate "Not Available." This response is interesting because real estate is a much-preferred asset class, given its tangible nature, dependable income, and collateral value. Popular estimates suggest that at least 21% of wealth is allocated to Real Estate in India. Yet, experience over the years shows us that this asset class doesn't typically make it to portfolio discussions and reviews.

This experience has some context, and the reasons are important to understand:

- **Traditionally, the Real Estate sector has been highly fragmented and opaque, leading to the absence of credible and transparent data.**
- **Reliance on information from market intermediaries makes information inconsistent, leading to greater inefficiencies.**
- **There is no central exchange like the NSE or the BSE, and all deals are privately negotiated, making price discovery difficult.**

- No asset is alike in Real Estate, and these nuances can impact demand and price. Also, these assets are not traded frequently, making price discovery challenging.
- Owners can be emotionally connected with the physical asset, thus overestimating its value.
- The lack of benchmarks has made Real Estate investments prone to speculation and guesstimation at best.

Since the information available is more hearsay, the assumption of how the asset is fairing can be highly misleading. These challenges make it difficult for investors and financial planners to review the value and performance of Real Estate assets efficiently and accurately. Consequently, over decades these challenges have led to behavioral biases when thinking about real estate assets – such as not considering real estate as part of the overall portfolio and thus not reviewing or measuring it objectively.

PROPTECH: THE BIG PICTURE

PropTech is making significant strides in the entire lifecycle of real estate development and management. By building efficiencies, PropTech enables a better construction cycle with reduced timelines and at a lower cost. Technology has facilitated better construction materials, reducing the carbon footprint of buildings and making them ESG compliant. It makes property and tenant management more dynamic, creating a collaborative work environment with improved efficiency. For example, tools are available for effective rental management through SaaS-based platforms. Virtual reality helps visualize the project in detail during the planning stage. Developers, too, love virtual reality to provide digital experiences of visiting a project instead of physical site visits.

While this is in no way an exhaustive list of changes the industry is experiencing, the exciting news is that PropTech is making the sector more transparent and information more reliable. The newly evolved proptech platforms leverage the potential of new technologies like Artificial Intelligence, Big Data, Cloud, and more to enable these benefits.

The tech using algorithms can access and digitize millions of property registration records across the country. Combining this with online listing information transforms raw data into valuable and discernible insights and analytics. The availability of such insights removes the guesswork and reduces biases, thus making informed decision-making possible.

PROPTECH AND PORTFOLIO MANAGEMENT

A few companies have provided insights for B2B real estate transactions for many years. However, new PropTech players have enabled this information's democratization, which is excellent news, especially for HNI investors and wealth management firms like Sanctum Wealth. The latter are enthusiastic adopters of such technology. These PropTech tools provide market intelligence which can be helpful in many ways:

- **Understand the current market value, past performance, and return on real estate investments.**
- **Help make educated buy/sell decisions, with access to information such as recent and past transactions.**
- **Know the properties' true worth to facilitate estate planning.**

From a wealth management point of view, this is revolutionary and enables the standardization of real estate reporting like any other financial asset. *See Image 1

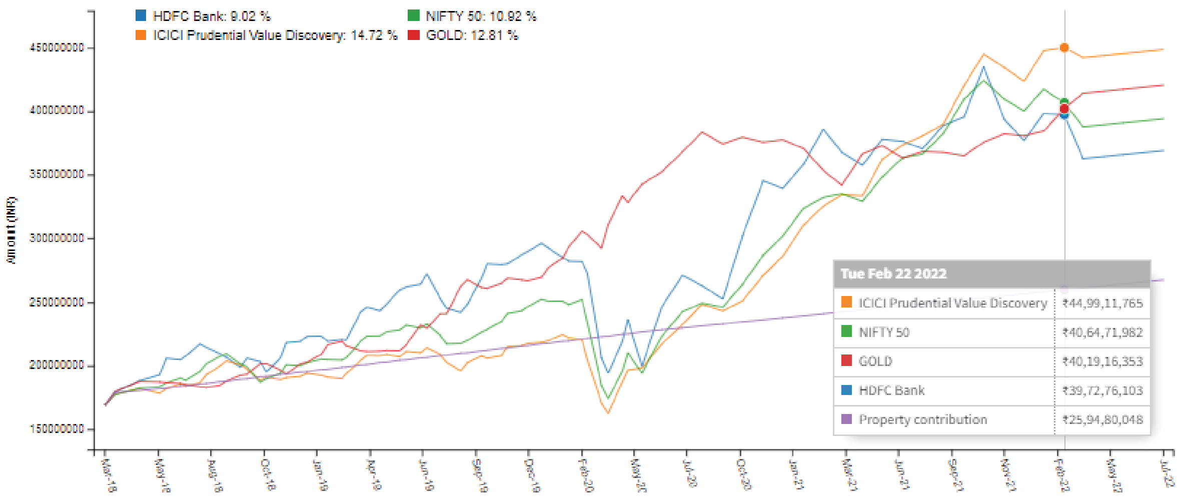


Image 1: Comparing an investment in a commercial asset across various financial investments such as stock, mutual fund, index, and gold (Sanctum Real Estate Aggregation Platform enabled by Props AMC)

PropTech facilitates better assessment and evaluation of a property's financial performance and helps automate the entire process of property management. These features enable bringing the overall lifecycle of real estate ownership and management on an efficient and transparent platform, which is empowering, convenient, and intuitive.

Your Plan
PRO PLAN
Avg. Area (Sq.ft)
123456
Avg. Market Value (Cr)
₹ 56

Property Image	Property ID	Property Name	Property Status	City	Area (Sq.ft)	Purchase Value (₹ Cr)	Investment (₹ Cr)	Loan Outstanding (₹ Cr)	Market Value (₹ Cr)	Price / Unit	Yearly Net Income (₹ Cr)	Property Net Yield (₹ Cr)	Own Equity XIRR (₹ Cr)	Tenor (YY.MM)	Action
Click to view	IMC840218	Kanakia Wall Street	Ready-Rented	Mumbai	15,929	27.87	21.76	5.67	28.67	17,998	0.00	0.00	1.49	04.04	
Click to view	IMC060949	Shiv Sagar Estate	Ready-Rented	Mumbai	5,348	12.82	10.21	0.00	14.50	27,112	1.29	10.06	4.92	06.01	
Click to view	IMC716413	Industrial Land at Vizag	Ready-Vacant	Visakhapatnam	1,23,300	2.87	2.92	0.00	11.00	892	0.00	0.00	5.28	25.11	
Click to view	IMR883029	Kalpavruksha Residency	Under Construction	Mumbai	1,302	6.66	5.48	2.16	8.20	62,980	0.00	0.00	-2.34	12.05	
Click to view	IMC823885	Industrial Land	Ready-Vacant	Navi Mumbai	43,560	0.10	0.10	0.00	7.00	1,606	0.00	0.00	10.0	44.07	
Click to view	IMR761690	Darshan Ricco	Ready-Rented	Mumbai	1,003	5.03	4.87	0.00	6.25	62,313	0.00	0.00	3.89	07.02	
Grand Total/Averages					1,98,361	61.48	50.93	8.98	85.21	4,295	1.29		4.62		

Image 2: Organizing real estate holdings in an intelligent dashboard to evaluate financial performance (Sanctum Real Estate Aggregation Platform enabled by Props AMC)

FUTURE READY

Technology has gradually seeped into almost all facets of the real estate sector, and wealth (property) management is no exception. As investors and financial planners, we must utilize the new tools at our disposal. PropTech enables us to monitor our investments and make managing real estate easier. It also allows us to make better and more informed decisions that can help generate and protect wealth.

So, why would Ridgway or Drucker say that measuring or managing something may be pointless? Well, because measuring what matters can be difficult and perhaps even impossible. But when it comes to real estate assets, we know that they not only matter but can also be measured.

TECHNOLOGY CAN HELP WEALTH BUSINESSES UNLOCK THEIR POTENTIAL

PARAG KASLIWAL,
BEYONDIRR

"Time has come for wealth managers to adopt technology to significantly enhance their business prospects."

In India, the population of HNIs is expected to grow by 75% in the next five years as per the 2021 report by Knight Frank. As of 2020, India had 3.50 lakh HNIs (networth greater than USD 1 million) which will grow to 6.11 lakh HNIs by 2025. India is poised to become the 4th largest wealth market in the world by 2028. However, Indian wealth industry has been under significant pressure and facing number of challenges. Some of these include significant pressure on cost due to reducing margins, frequent regulatory changes, natural events (such as pandemic) or threat of economic downturn.

To solve many of these challenges, wealth industry has embarked upon its journey to make changes in the way it operates by adopting to new age tech solutions to build a scalable and sustainable business. BBVA defines WealthTech as "Financial technology companies creating digital solutions to transform the investment and asset management industry."

India's overall fintech market opportunity is estimated to be $1.3 Tn by 2025, growing at a CAGR of 31% during 2021-2025 with wealthtech growing much more than fintech growth rate. Wealthtech ecosystem consist of technology for both wealth management professionals (B2B) as well as individual end-users (B2C). The Wealthtech ecosystem consists of various types of services. These are as follows:

- Investment/ Trading platforms for MFs, Stocks, etc
- Robo Advisory and Financial Planning
- Portfolio Management Tools
- Quant advisors
- Algorithmic trading
- Social trading
- Micro investing/Saving tools
- Client onboarding
- Portfolio Reporting and Analytics

NEED FOR B2B WEALTHTECH

We all have seen the rise of robo-advisors over the last 5-7 years. However, over the last couple of years, it has been realised that we cannot and should not undermine the importance of human led advice. Having said that, human led advice needs to be supported by digital/tech capabilities so that client experience can be enriched. Hybrid models that combine human and digital advice can be a major win for wealth industry enhancing the digital customer service and allowing advisers to spend more time on what really matters: building relationships with clients.

B2B Wealthtech businesses are focussing on above thesis and are creating solutions to enable advisors deliver significantly better client experience which can lead to unlocking the potential of their wealth business.

There are various ways in which wealthtech companies are currently helping advisors or wealth managers across the wealth.

- Product Research (MF/PMS/AIF Research and Info)
- Financial Planning tools

  Client's Digital onboarding (KYC and AML)
- Investment transactions execution for MF and Stocks, digitally
- Portfolio Reporting and Detailed Portfolio Analytics

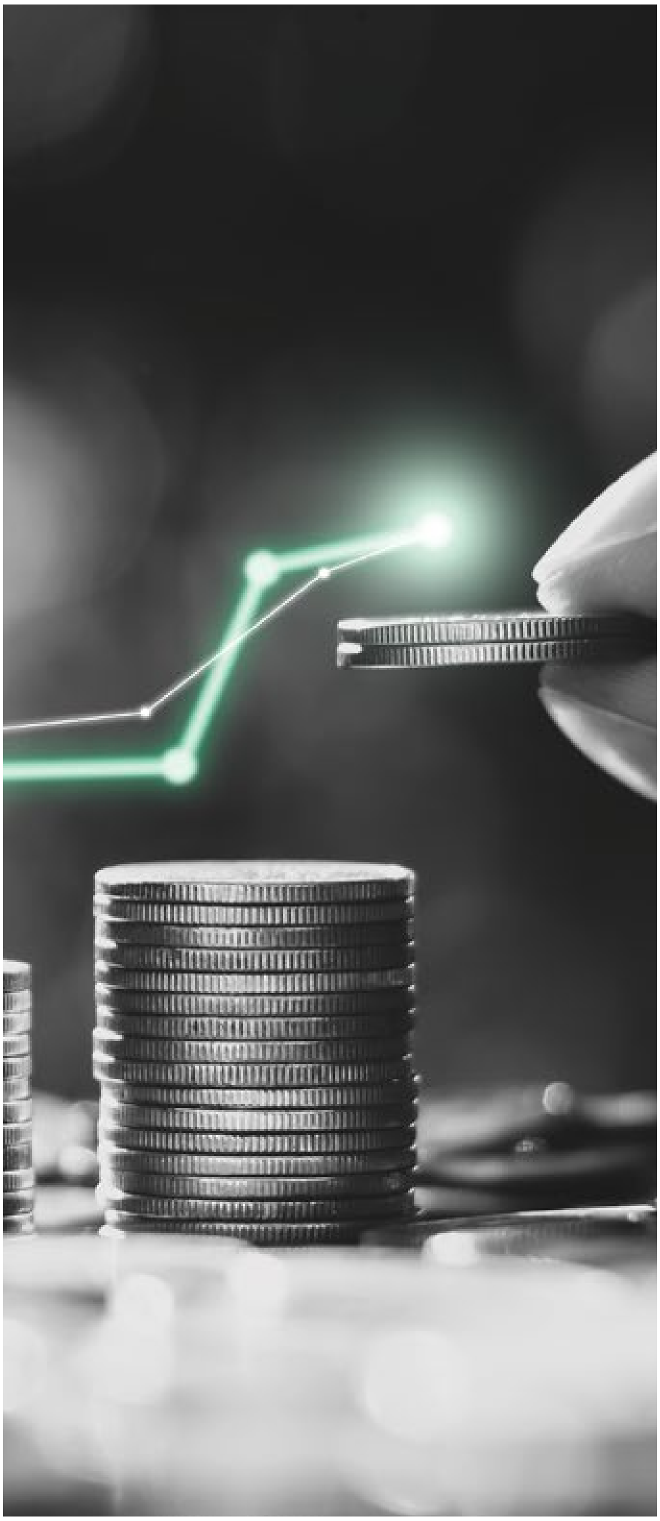
However, there are still many areas where technology can add value and address existing needs that many Wealth Managers / Independent Financial Advisors have on a regular basis. Some of these needs are:

1) Tools that can help financial advisors impress their clients with their insights on economy, markets, sectors etc.

2) Technology that can assist financial advisors in exceeding their client expectation by delivering high quality and personalised portfolio proposals and portfolio review presentations.

3) Propositions that help financial advisors save their time from reading detailed market reports, product presentations or spending time to get insights out of client portfolio or thinking on how to pitch a product to a client. Tools which can help RMs prepare well for their client meetings can help in saving such time; this time can be utilised for building their relationship with clients.

4) Platforms that can help build digital transaction execution journey for products beyond Mutual funds and stocks.



SUBRAMANYA S V,
CO-FOUNDER, FISDOM

Please tell us more about your vision behind setting up Fisdom?

For a long, Indians trusted FDs and bank deposits as the only wealth-creation vehicles, and there was no clarity or trust in other wealth-building instruments such as mutual funds or equities. We launched Fisdom to make wealth creation and wealth management accessible to individuals in a simple and trustworthy manner.

What are the major factors that are driving Fisdom's growth?

We have taken a different growth approach than other wealthtech players. Fisdom's product is an intuitive one stop product that provides multiple solutions - mutual funds, stocks, pension funds, tax filing etc. Last year we also started to cater to the mass affluent segment of customers also with a differentiated proposition. Our distribution strategy is also very different - Fisdom works with 15 banks in the country to provide wealth management solutions to their customers. These are some of the longest standing banks in the country with an average founding age of 83years. This kind of a partnership gives us an opportunity to offer our solutions to a combined customer base of 400 million. We also get access to 25,000+ branches. This phygital distribution innovation is unique to Fisdom in the industry and makes us well positioned for future growth.

What according to you will be the mid to long-term impact of Covid on the wealthtech industry?

Digital methods of payments and transactions did not come by easily. E-commerce players were the first ones to initiate this change among customers. Demonetization added to it. But Covid has accelerated the pace of digital adoption. Individuals based out of Tier 3, 4 or even tier 5 towns are now comfortable using apps like UPI to make payments which is great for the WealthTech industry.

What are the leading technology trends now in the wealth management industry?

Customer centricity: People are better informed thanks to the use of social media and technology. So they are on the lookout for better products, services and more importantly personalised experience and convenience. For example, Fisdom has built deep rails in the banking ecosystem that will allow us to offer products such as micro SIPs that were not possible till now due to cost implications at the payments layer.

Open API and SDK-based models: We expect WealthTech to become modular. For example, in our case, we will specialise in building open APIs and SDKs that other companies and large banks can build on top of.

What lessons do you believe the industry needs to learn to better respond to these new trends?

We believe that the WealthTech industry will go through a lot of changes in the coming years owing to changes in technology stacks. Every wealth management company will need to become a WealthTech company. Regulations typically lag technology change; regulators need to keep pace with the changes and also facilitate new product innovation.

Do you think the technology trends and developments are relevant to just the bigger wealth management firms or can smaller players also participate?

In general, technology drops the entry barriers as new entrants can launch products much faster than a large company. New entrants can take advantage of the changing landscape by creating solutions and products for where there are gaps in the current ecosystem. For e.g. needs of teenagers, urban rich, or tier 2/3 rich etc.

Premier Membership Network for Financial Services Professionals

equaliFi

Equalifi (erstwhile AIWMI) is a global membership network of financial services leaders, professionals and aspirants. Equalifi has been set up as a continuing education & professional development platform meant to offer its members, opportunities to earn professional designations; to participate in multidisciplinary knowledge initiatives, enable networking at conferences; and offer one single platform for interaction, cross-pollination of ideas and collaboration.

Equalifi provides the opportunity for finance practitioners and related professionals to connect and advance their focused area of practice. Equalifi aims to benefit the practitioner, their area of specialization, the clients they serve, and the industry at large.

Charter Membership

An exclusive, by-invite membership for Thought Leaders, Entrepreneurs and Prominent CXOs working in the Financial Services Sector.

Professional Membership

A prolific membership for career-oriented professionals working in the financial services and allied sectors.

Student Membership

An exciting membership for full time/ part time students of undergraduate and post-graduate courses under 25 years of age.

WeWork Enam Sambhav, C - 20, G Block, Bandra Kurla Complex, Mumbai- 400051

+91 86574 87782 | memberships@equalifi.org | www.equalifi.org

Equalifi
WeWork Enam Sambhav, C - 20, G Block, Bandra Kurla Complex, Mumbai- 400051
+91 88281 16801 | events@equalifi.org