

Is Robo advisory a thread to IFAs?

Why it's time for you to evolve or start planning retirement

The future is now!

- What is a 'robo'?
- The bots that run our life
- Robos and Investment Advisory
- Looking into the future

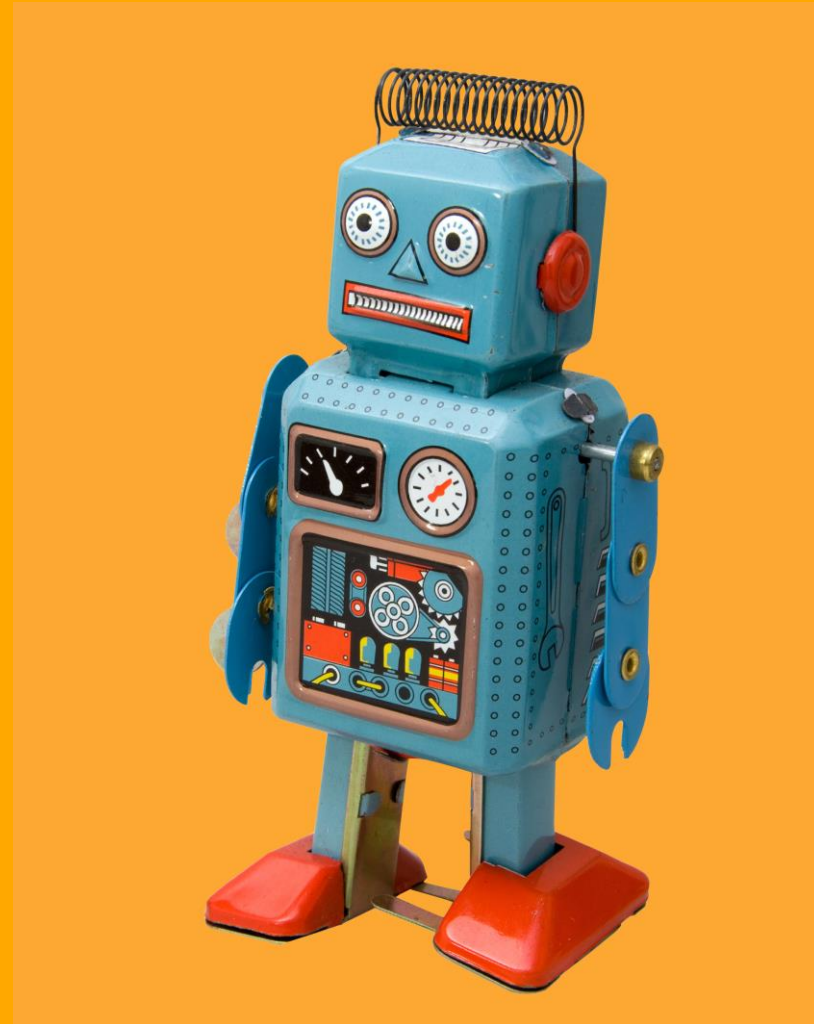
What is a robo?

Robos are here and they're here to stay.

What does a bot do?

It follows instructions.

It's not the same as AI.

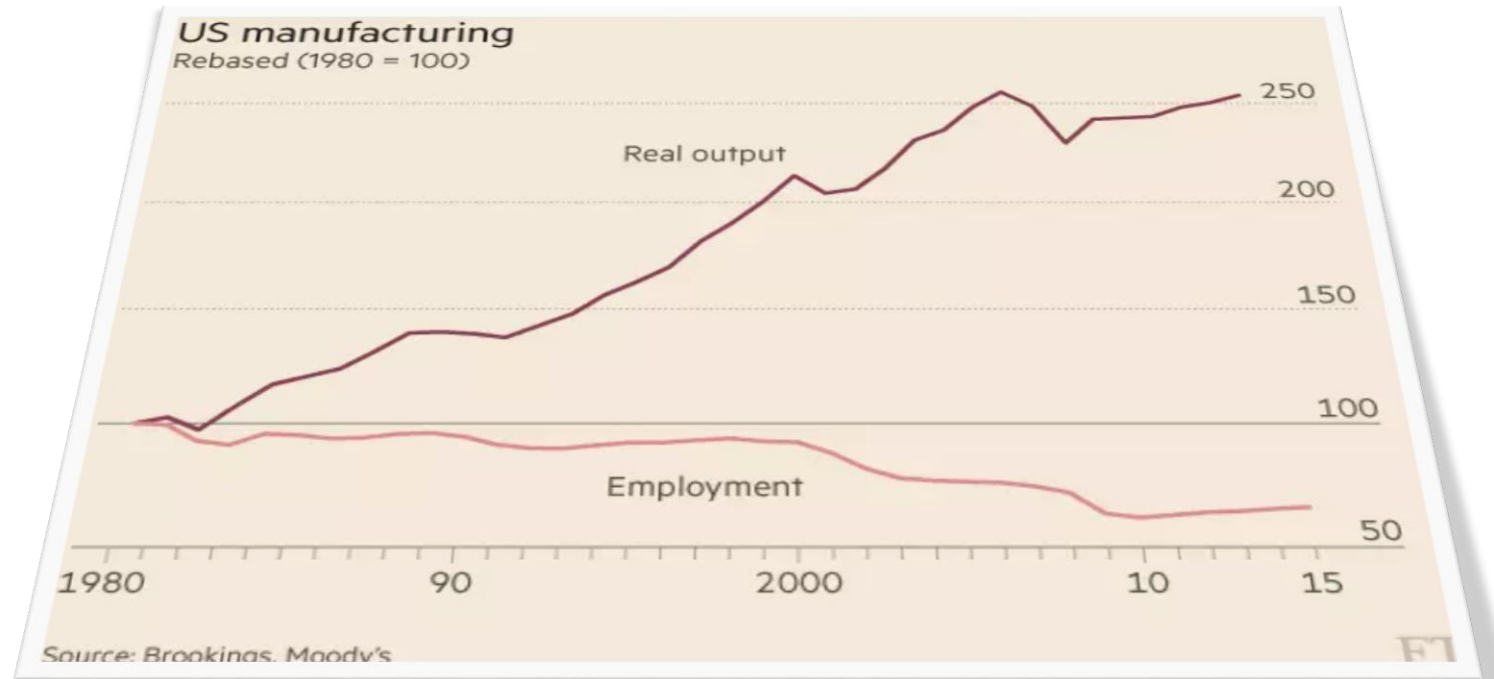


What is the benefit of a bot?

- Lower Costs
- Improved efficiency

Bots ultimately replace humans

47.6 lac jobs lost to Bots in US manufacturing between 2000 and 2010



The bots that run our life

They're everywhere. Doing amazing things.

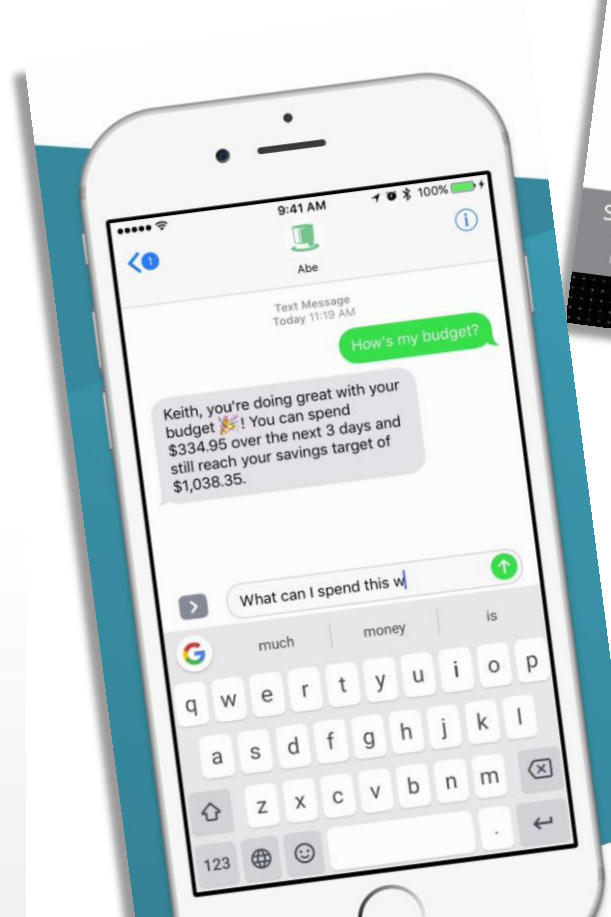
They're here!

Chatbots, apps, intelligent algorithms, automated services

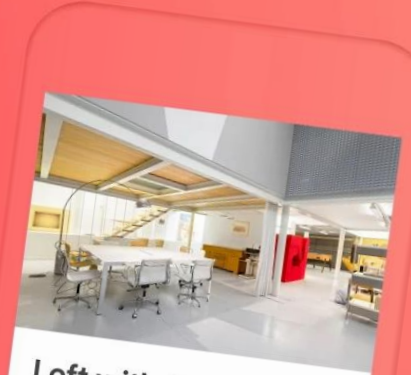


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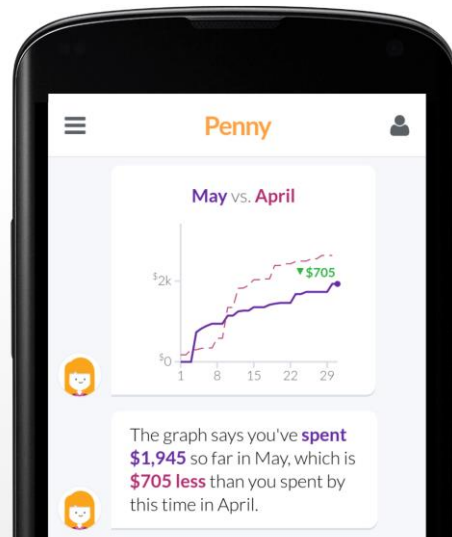
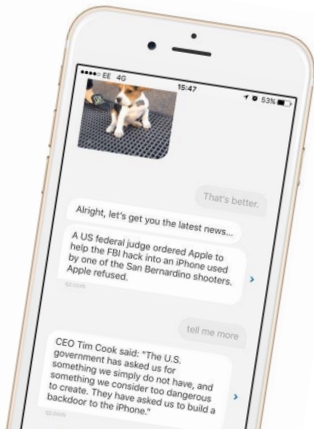
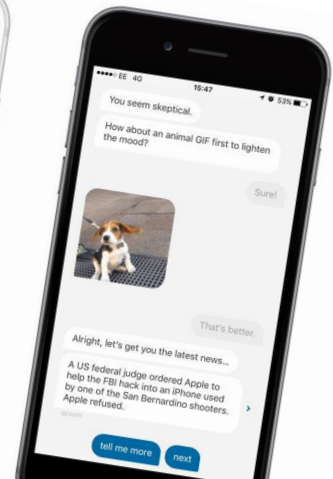
skyscanner



Book unique homes in 191+ countries.



Loft with G



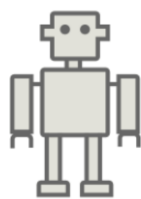
Robos and Investment Advisory

How does this affect us?

The Investment Foodchain

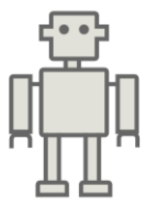


What is the job of distributors?



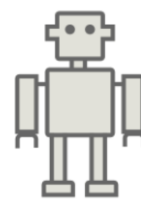
Payment Bots

ACH / NACH
UPI / Wallets
Payment Gateways

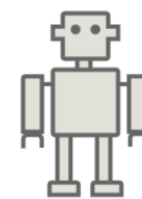


Document Bots

Aadhar KYC
Biometric Verification & Digital Signatures
C-KYC
Paperless Onboarding



Fund Selection Bots



Advice Bots

Right around the corner?

The first gen bottlenecks

- Anchored to returns
- Financial illiteracy at 76%
- Over 70% of investors are risk averse
- Communication around returns very complex

The Franchise Model

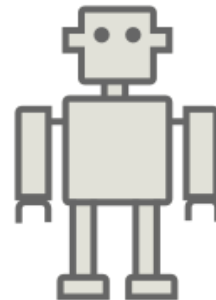
- Bots select funds and provide technology (backend, UI etc.)
- IFAs provide 'advice' with a human face and manage CX



RESEARCH
ANALYST



FUND MANAGER



DISTRIBUTOR

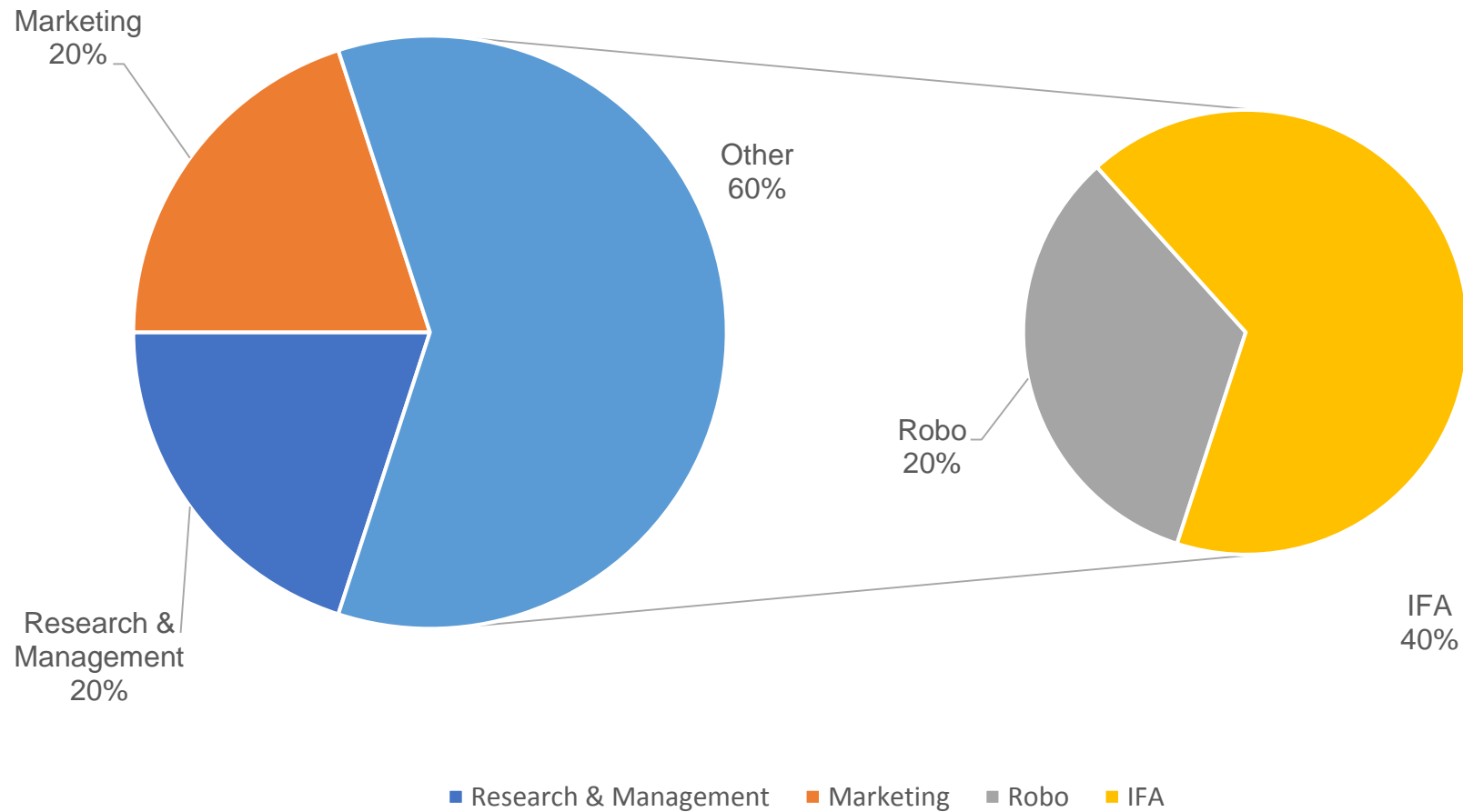


DISTRIBUTOR

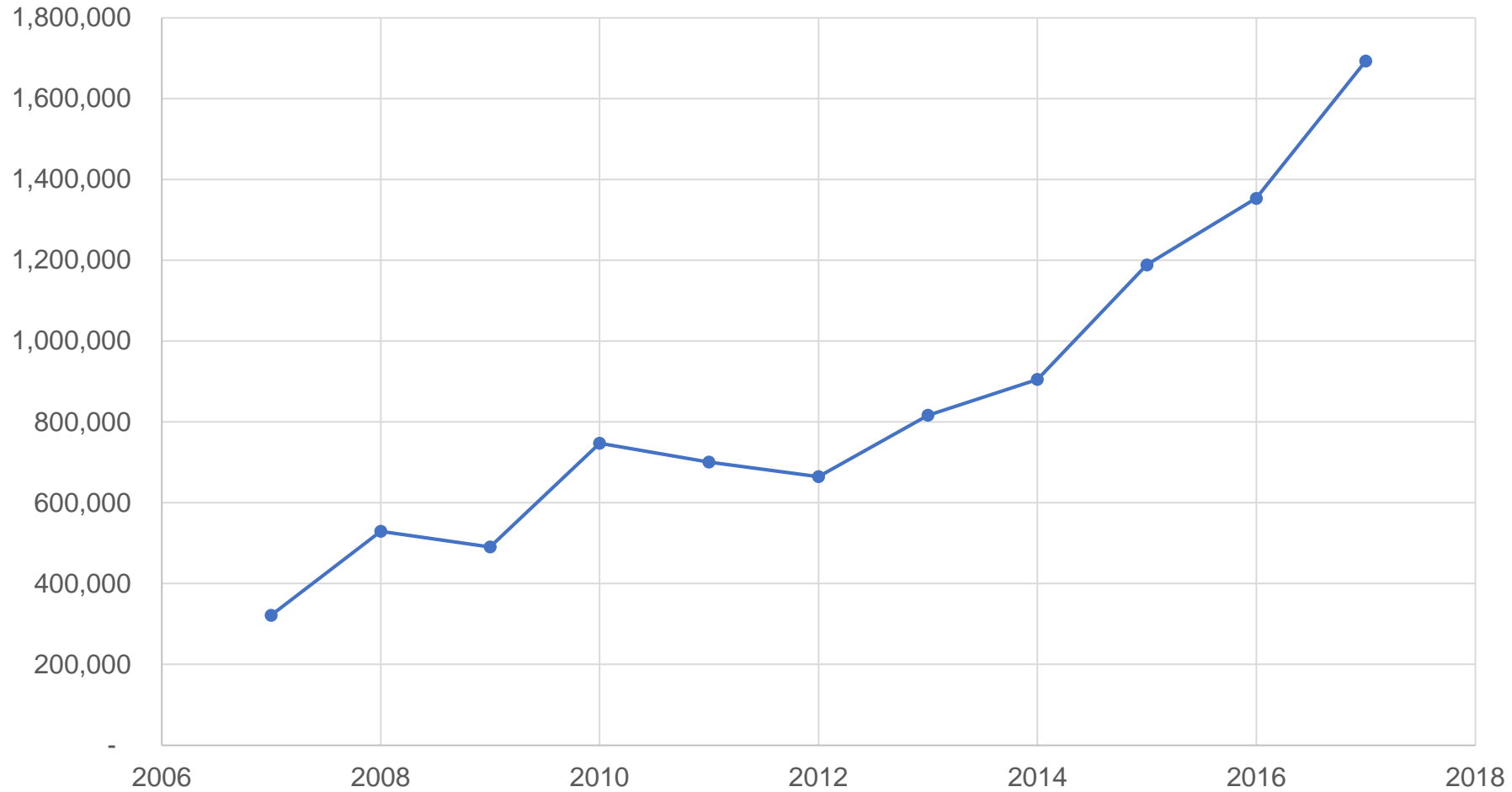
Will this *gathbandhan* last?

Or is it just delaying the inevitable?

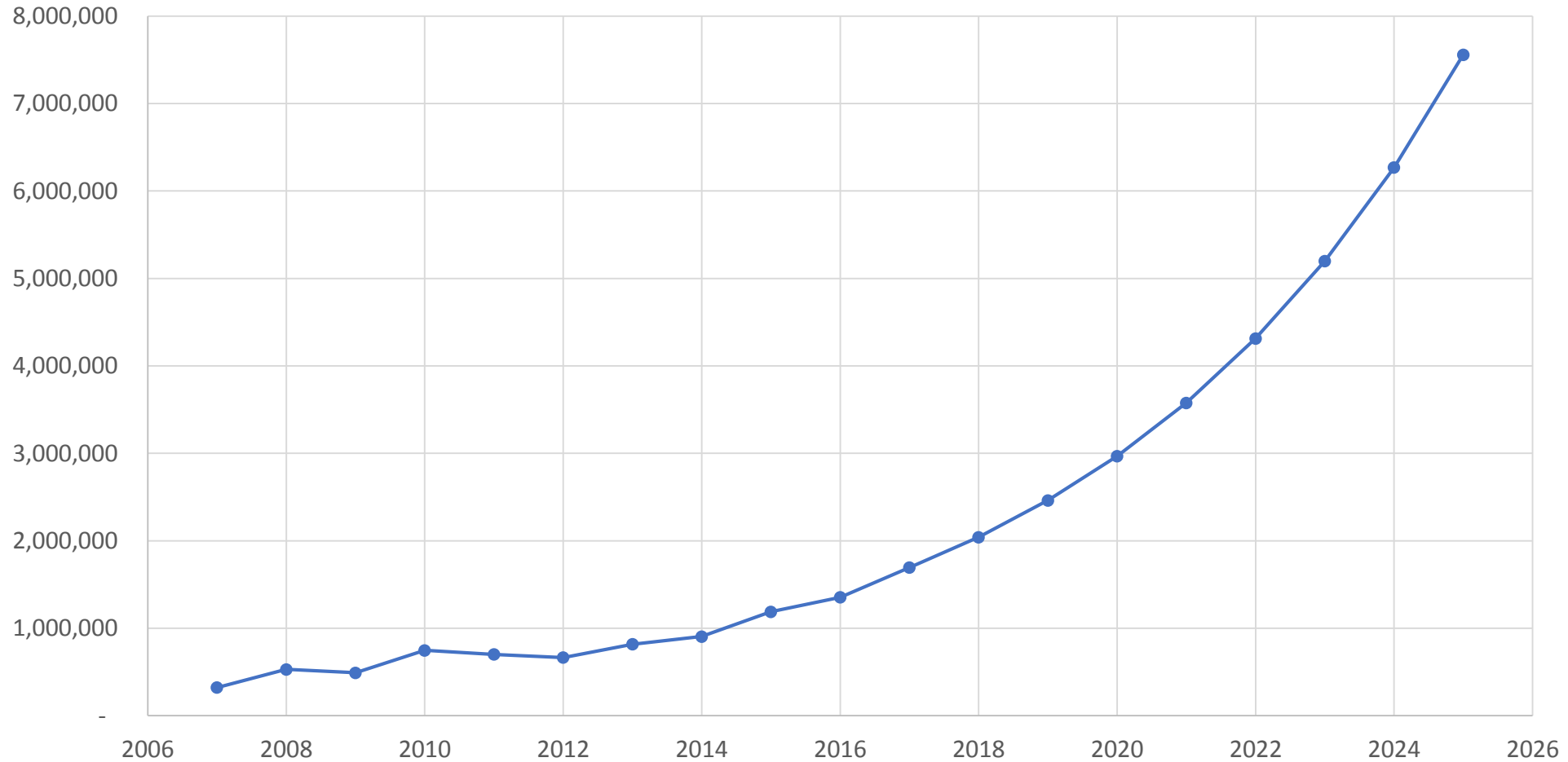
Is there enough pie for everyone?



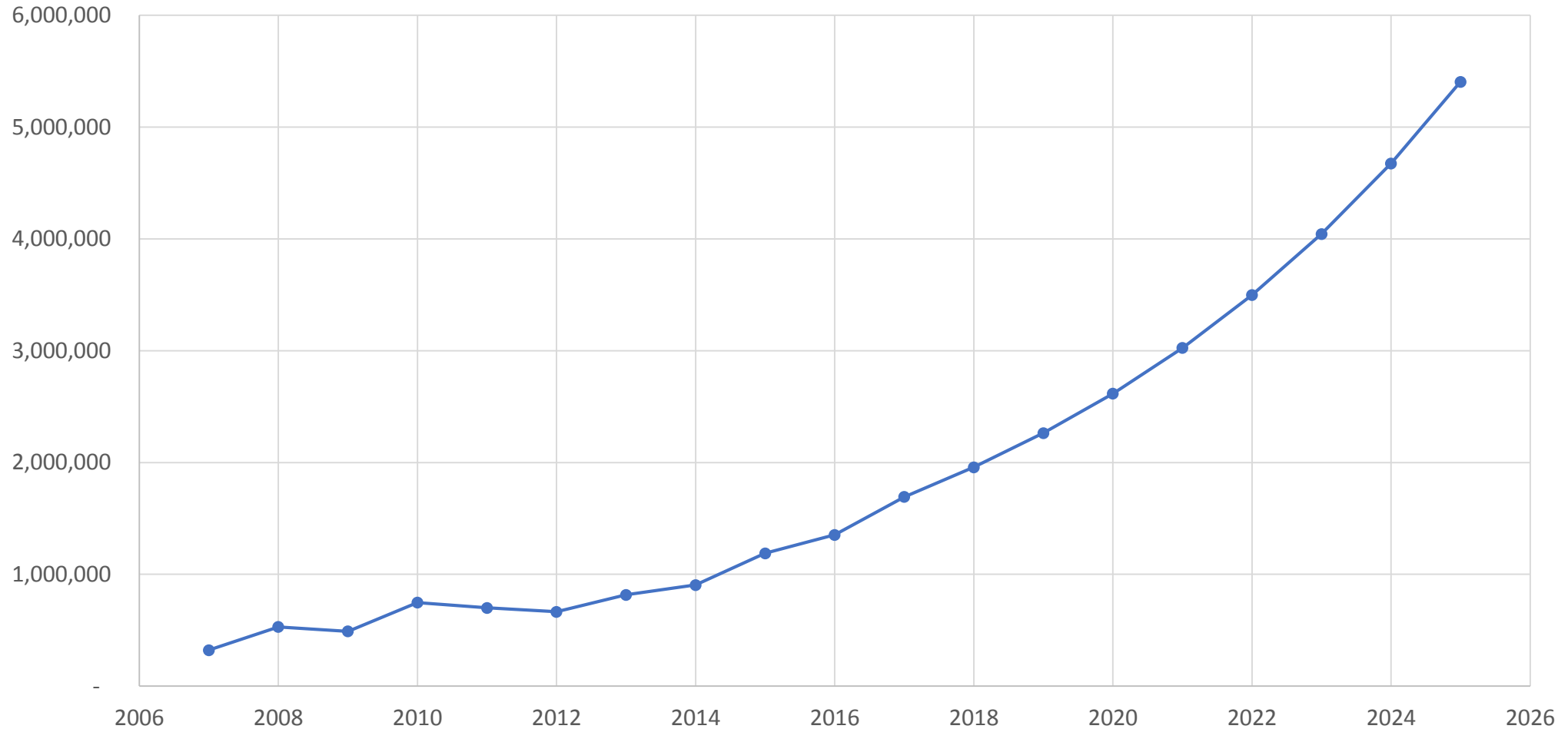
Is there enough pie for everyone?



Is there enough pie for everyone?



Is there enough pie for everyone?



Alpha at 75 lac crores? How many mid-caps beat M100?

75%

5 year returns
2011 - 2016

60%

3 year returns
2013 - 2016

30%

1 year returns
2016

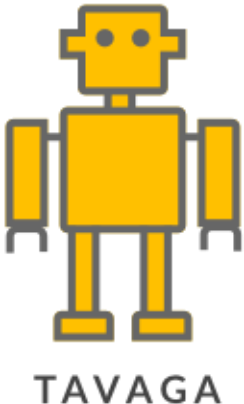
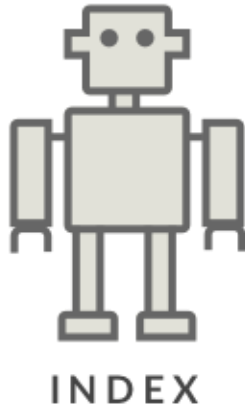
Alpha at 75 lac crores?

What happens when MFs own 30% of all market cap?

The fallout

- Growth in AUM will kill all alpha.
- Active fund fees will fall, ETFs will rise.
- The Robo-IFA alliance will breakdown.
- Next gen Robos emerge.

The Next Gen Robos

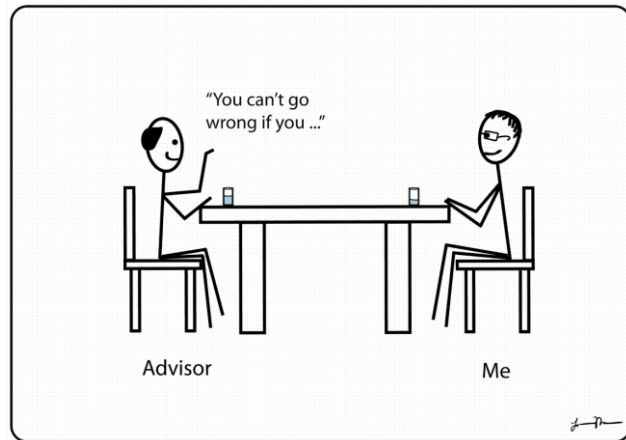


But what about 'advice'?

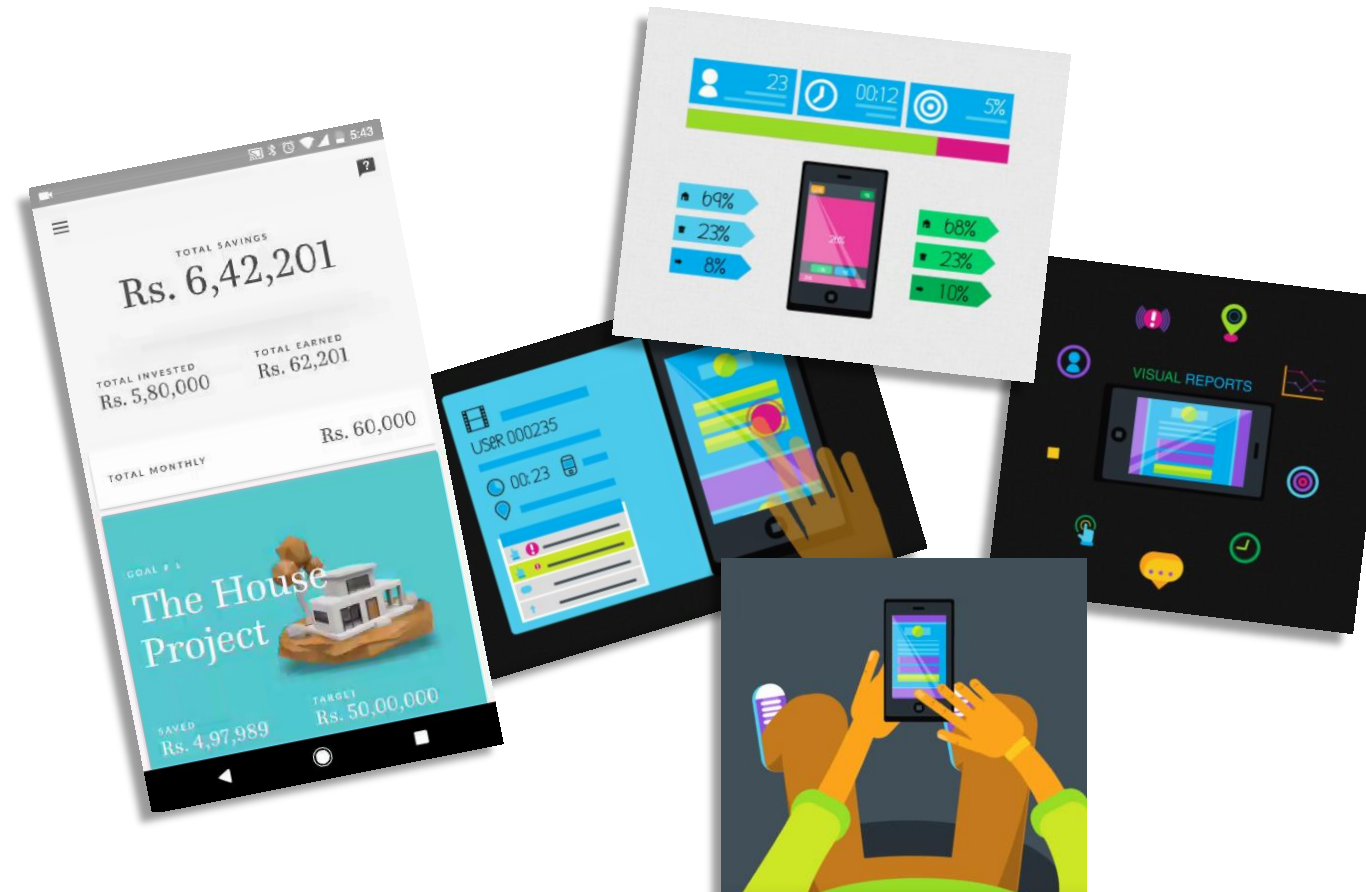
Can robos build an in-depth understanding of the investor's needs?

IFAs vs Robo Advisors 2.0

IFAs ONLY HEAR what the clients **SAY**



Robos SEE what the clients **FEEL**



Next Gen Robo Advisors will
manage client **behavior**.

Not portfolios.

How soon will all this happen?

Sooner than you think.

In one year -

- Industry AUM will cross 20 lac crores
- Paperless investing will be possible
- Robos will start transitioning to the franchise model

In 3 years -

- Industry AUM will be close to 30 lac crores
- Alpha will become an endangered species
- Paperless investing will become the norm
- IFAs will tie up with Robos and see significant rise in income
- IFAs that resist will perish

In 5 years -

- Industry AUM will be close to 40 lac crores
- 90% active funds will fail to beat benchmarks
- Expense ratios of active funds will fall to 1%
- All the biggest Robos will be owned by institutions (banks, brokerages etc.)
- Robo Advisors 2.0 will take off
- IFA incomes will start falling

In 7 years -

- Industry AUM will cross 50 lac crores
- ETF fees will be close to zero or even negative
- Banks and brokerages will start buying/setting-up Robo Advisors 2.0
- All IFAs and Distributors will retire
- Only IFAs/PMSs serving HNIs will survive



Your move.

And thank you.