



Positioning and selling a PMS product Challenges and opportunities

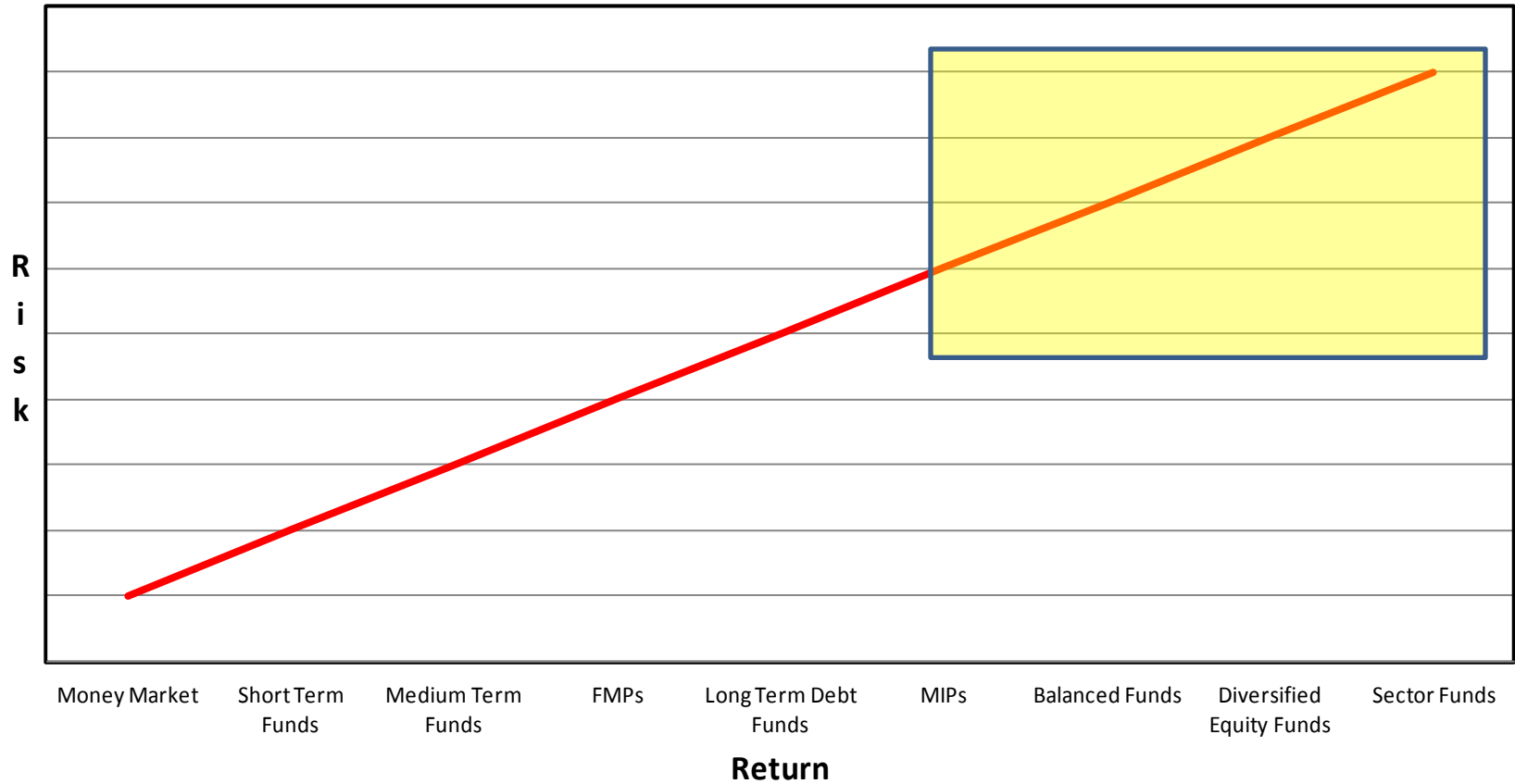
17th February 2017

Structure of the presentation

- What is the position of a PMS in a client's portfolio?
- Why should anybody choose a PMS when there are so many equity mutual funds?
- What not to do while selling a PMS
- How the PMS business has grown in India
- Why the PMS business will continue to grow in India

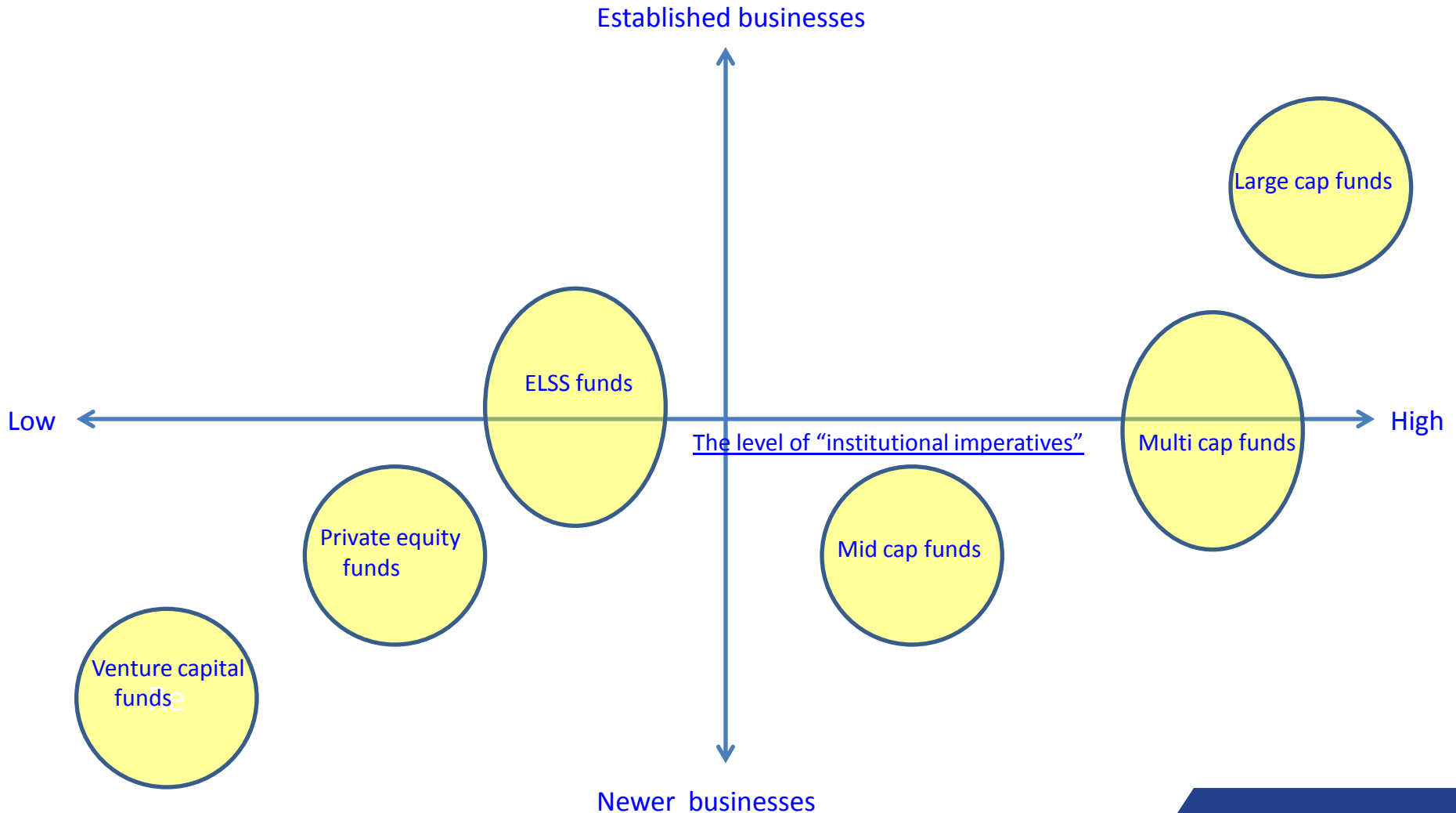
The traditional “risk-reward chart”

Risk Return Matrix



Note: the shaded portion represents equity products

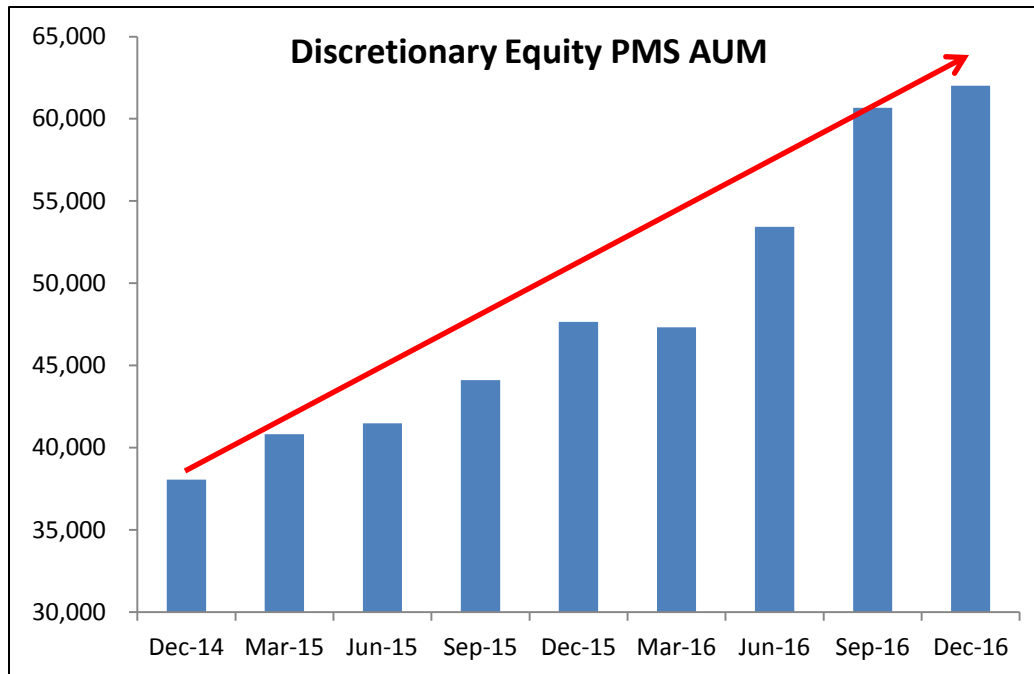
A different method to position equity products



What are “institutional imperatives” ?

- The need to “constantly outperform”
- The need to be benchmarked to an index
- The necessity to avoid shares that do not show a promise of relatively quicker upward movement

PMS Industry AUM Growth

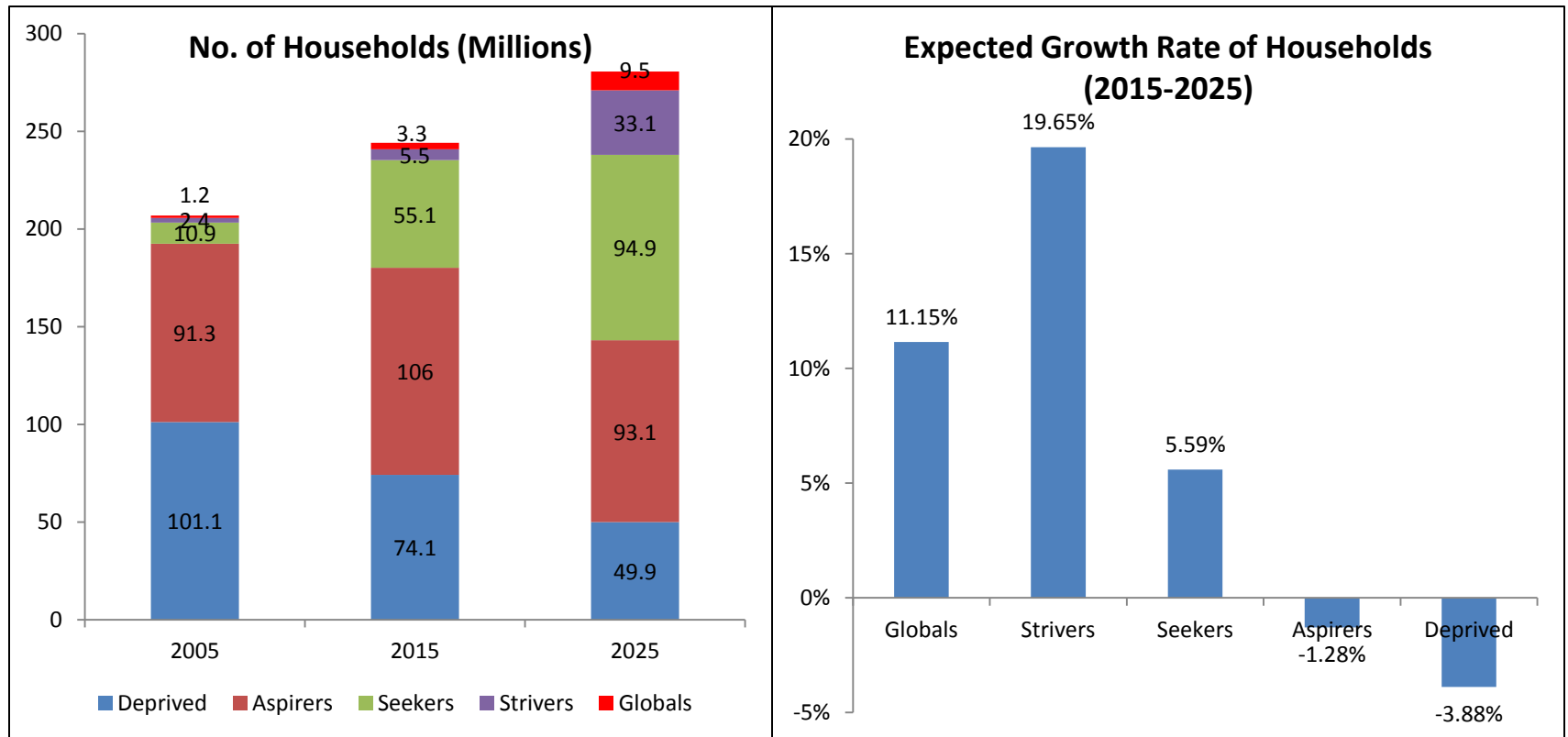


AUM (Crores)	Mar-16	Dec-16	Growth (Crores)	Growth (%)
PMS	47,321	62,017	14,696	31.06%
MF Equity	3,86,403	4,69,675	83,272	21.55%

Source: SEBI, AMFI

- PMS Industry AuM has grown at a faster pace than industry equity AuM in FY 2017
- The Discretionary Equity PMS industry AuM has more than doubled in the last 2 years
- PMS flows are a substantial part of the asset management industry.

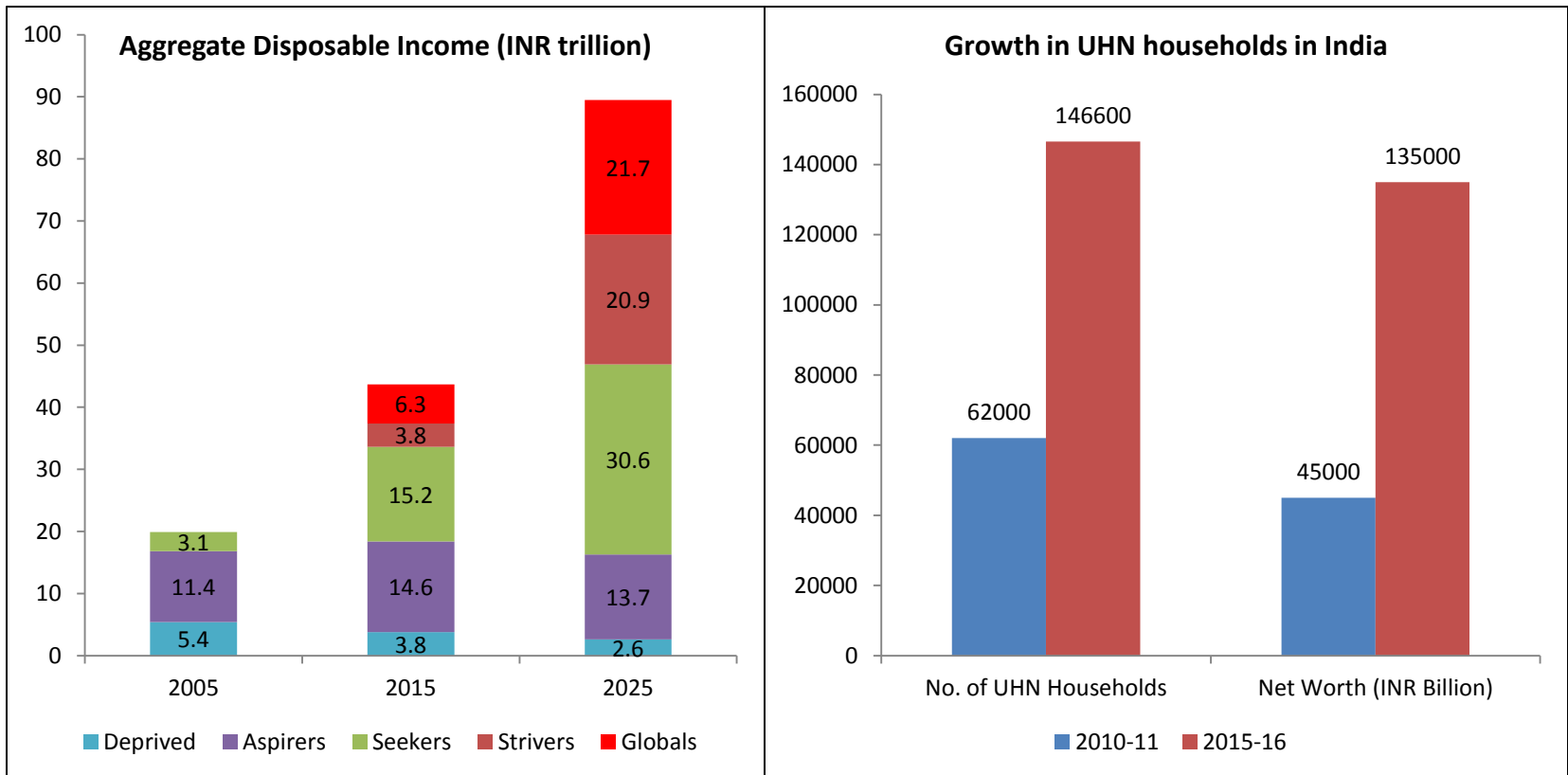
The Potential for Growth



- The number of wealthy households is expected to increase dramatically in the next 10 years as households become richer and the benefits of economic growth become more widespread
- The “Globals” and “Strivers” are expected to have the highest growth rates in the next few years

Source: McKinsey Global Institute

The Potential for Growth

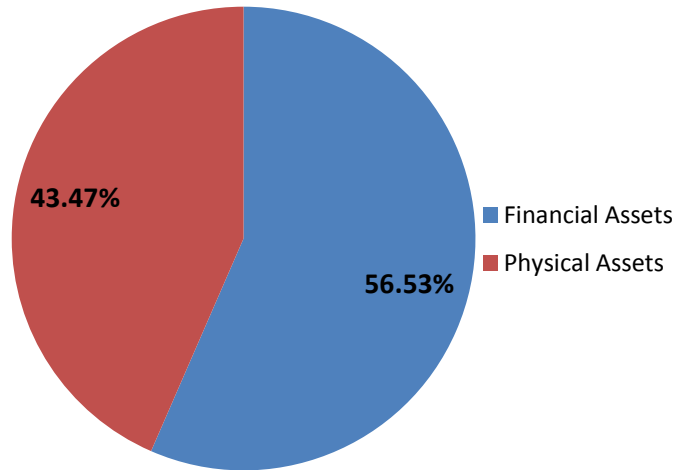


Source: McKinsey Global Institute

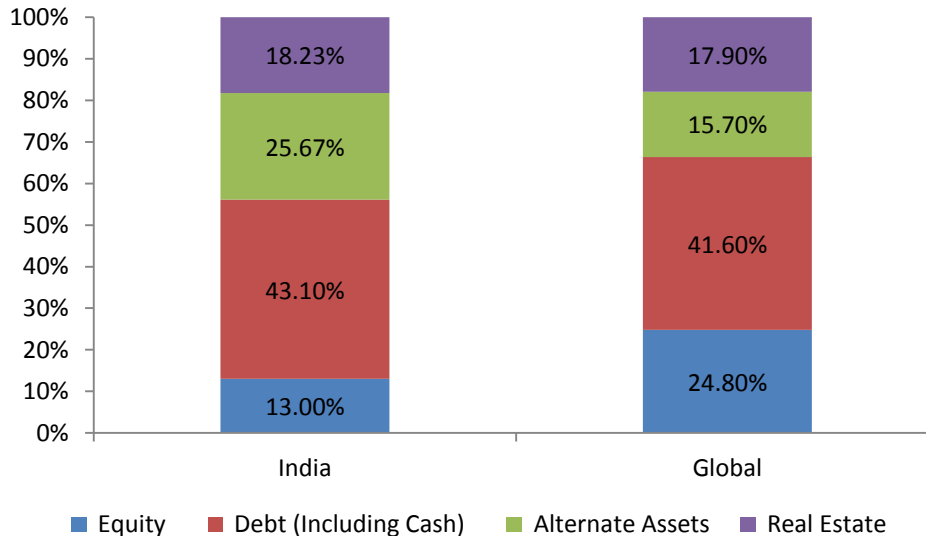
Source: Kotak – Top of the Pyramid 2016

- The Aggregate disposable income with the “Globals” and “Strivers” is expected to grow manifold in the next 10 years
- These 2 social classes could be the potential market for products targeted at HNIs.

The Opportunity: The Investible Wealth



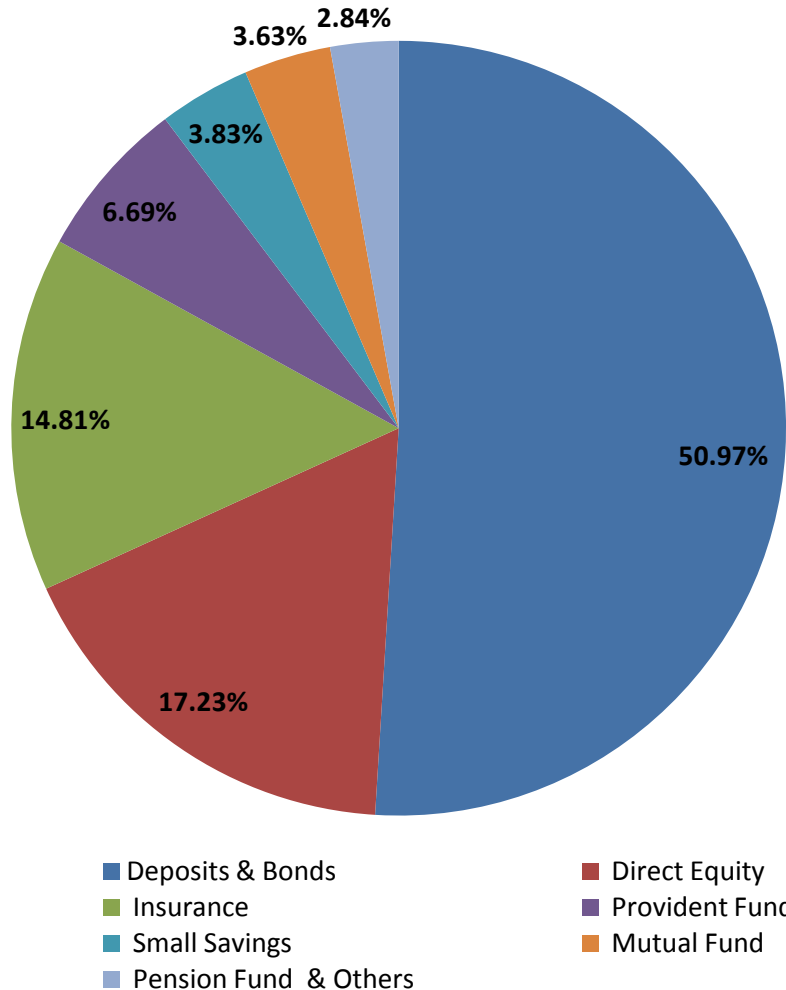
Classification of Individual Wealth - 2016



- According to a recent study, the total individual wealth in India is about INR 304 Lakh Crores
- In India, Financial Assets make up about ~56% of this wealth
- However globally, financial assets are more than 2/3rd of investible wealth

Source: India Wealth Report 2016, Karvy Wealth

The Opportunity: Equity Investments



- Direct Equity (including promoter holdings) account for only ~17% of the investible wealth in India
- Mutual Funds account for far less of the total investible wealth in India (about ~4%)

Source: India Wealth Report 2016, Karvy Wealth

In Conclusion

- There exists a large opportunity for products targeting the UHNI clients
- At the same time, it is imperative that these products are sold with the right messages
- Rather than being sold as a “superior” product, it is better if the PMS is sold as a “complementary” product

Important Mandatory Information

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