

# Driving the right mind-set among Indian investors

*The combination of superior fund performance, frequent communication with investors and the role of technology is crucial to success in India's asset management industry, says Edelweiss' Radhika Gupta.*

A key goal for Radhika Gupta is to ensure that the investment performance of her firm remains top-notch.

"The primary priority for us will always be delivering consistent, long-term investment performance," emphasises the recently-appointed chief executive officer of Edelweiss Asset Management. To do this, a sharp focus is critical. "It's not possible for an investment manager to deliver consistent performance if they have to manage 20 or more fund offerings," explains Gupta.

This is a pertinent issue in India, given the market has more than 2,000 primary mutual fund schemes. In fact, the general consensus among industry players, is that most asset management firms sell too many funds.

Gupta, who took over her role in February 2017 after heading alternative asset specialist Edelweiss Multi Strategy Fund Management, also shares this view.

"I have been paring down the number of funds because focusing on a few category-leading funds and delivering superior performance is far better than simply having a wide spread of funds, a majority of which fail to deliver."

Indeed, for most asset managers in the country, 80% of AUM comes from 20% of their funds.

## A LONG-TERM FOCUS

In addition to quantity, Gupta also emphasises the need to focus on long-term investment performance.

This is easier said than done in a market like India, where the explosion of business news channels and websites over the past decade creates an appetite to hear about what has happened each day in the stock markets.

But as any discerning investor would point out, investment performance is best measured over longer time periods.



**RADHIKA GUPTA**  
Edelweiss Asset Management

"I would like to change the obsession [in India] with near-term performance," says Gupta. "The 3/6/9/12 month performance is too short a time frame

to judge performance. Investors need to have a genuine long-term orientation and that's not possible if you look at performance every month."

Changing the mind-set in this way requires asset and wealth managers alike to educate investors about the way mutual funds and other financial products work.

This is another priority for Gupta. "I spend a lot of time with customers to see what their needs are – either product or knowledge – and how we can fulfil those needs."

### **MORE EDUCATED**

She is a strong proponent of education, since the biggest driver of growth in the long term is expected to be individual investors as they move from a savings culture to investment mode. "As an industry, we need to educate and simplify," she adds.

Even today, despite the staggering growth in India's asset management industry over the past five years, the average investor tends to shy away from investing in mutual funds.

They seem to prefer to park their money in bank deposits because they either don't really know how to get started, or they get confused by the many funds on offer in the market.

Helping distributors is part of this bigger picture of education. Gupta estimates that over the past three months, she has interacted with roughly 500 IFAs across the country via a series of roadshows, other events and one-on-one interactions.

"It's important to spend time with customers and capture their feedback

so we can continue to refine our proposition for them," she explains.

She also believes that the industry needs to continue to try to change the perception that mutual fund investing equals high-risk equity investing. "The truth is the asset management industry in India has options that cater to every risk-return profile, with funds that are 20% invested in equities to being fully invested in stocks."

A third priority for Gupta, meanwhile, is to continue investing in the firm's product platform and technology. "Our goal is to keep improving the client experience. I believe that investors, especially the younger ones, will be savvier about using digital options and as asset management companies, we need to think how we can effectively communicate with them as well as wealth managers."

### **GROWTH IN ALT ASSETS**

Edelweiss Global Asset Management's asset base has grown generally in recent years via a mix of organic and inorganic growth. In 2014, for example, it acquired Forefront Capital (an absolute return focused investment firm co-founded by Gupta), which was followed by the acquisition of the onshore business of JPMorgan Asset Management and the Ambit Alpha Fund (AIF) in 2016.

The group's positioning, says Gupta, has been focused on alternative assets. "From an asset management perspective, I expect to see significant innovation in asset management even on the mutual fund platform beyond the traditional offerings that have existed."

One reason for this is the country's evolving capital markets: India's equity market, for instance, is one of the most

### **Seeking alpha**

*India is also a high-alpha market – meaning it compares favourably with a market like the US, where alpha generation has become challenging and perhaps only 10% of managers outperform traditional indices.*

*By contrast, in India, about 85% of managers have outperformed the benchmark indices.*

*Yet in the large-cap universe, Gupta expects to start to see some kind of pressure on alpha. "The market is a little more efficient and that could lead to some fee pressure."*

*A decade from now, the situation could be totally different. "Then, you could see ETFs becoming more popular," she adds. "So far, they haven't taken off because India remains high alpha but that could change."*

*In turn this will lead managers to encourage innovation as they attempt to generate higher returns, predicts Gupta.*

efficient in the region. "We have a very vibrant stock futures market, which you don't see in many other parts of the world," says Gupta.

"Our fixed income market, and in particular the corporate bond market, has scope to evolve substantially and I expect that to happen over the next few years. Even the commodities market is very vibrant, but from an asset management and regulatory perspective, it needs to evolve more." ■