

MAJOR RESEARCH PROJECT

ON

**Analysis of Asset Allocation under Wealth
Management**

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2K18/MBA/034

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CERTIFICATE FROM THE INSTITUTE

This is to certify that Project Report on “Analysis of Asset Allocation under Wealth Management” is a bona fide work carried out by “Sakshi Aggarwal” who is a student of MBA 2018 - 2020 Batch. The project is submitted to Delhi School of Management, Delhi Technological University in partial fulfillment of the requirement for the award of degree of Masters of Business Administration.

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STUDENT DECLARATION

The project has been undertaken as a partial fulfillment of the requirement of the degree of “**DELHI SCHOOL OF MANAGEMENT**” of “**DELHI TECHNOLOGICAL UNIVERSITY**” (DELHI).

This project was executed in 4th Semester of MBA program under the supervision of **Mr. Mohit Beniwal**.

I declare that this project is my original work and the analysis and findings are for academics purpose only. This project has not been presented in any seminar or submitted elsewhere for the award of degree or diploma.

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This project and your guidance have helped me to gain a lot of information about how Mutual Funds industry works and how portfolios for clients are being prepared and managed.

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EXECUTIVE SUMMARY

This report examines the role of a Wealth Manager in determining appropriate asset allocation for an investor based on his/ her risk profile, corpus he/ she wants to invest and the time frame for which they want to remain invested in the assets.

Traditionally, wealth management services were meant to be only for millionaires, who required help to manage substantial sums of money and grow them over time. But now every individual who has handsome earning salary wants to invest it in different assets and want to multiply it. Wealth management is both an art and science. It involves understanding the requirements of the investors fairly well.

The advancement of World Wide Web has opened up the world of financial management to a much wider audience and one doesn't have to be a millionaire to take advantage of these sorts of services. Other than managing stocks and portfolios of the investor, a wealth manager can also help him in picking those collective funds in which they may be interested. He can also help investor in selecting from a range of wealth – management plans, tailor – made to the needs and criteria of specific individuals. One may choose to invest purely for the purpose of increasing long – term capital or wish to take a more balanced position between long – term gains and immediate income. He could also help with minimizing risks, tax planning, etc.

A wealth manager must be able to help investors to lock or unlock money in current investments by continually monitoring direction of the market and making quick adjustments in investment portfolio. Some wealth managers also provide online research tools, investment calculators and access to wealth management reports.

This project includes two part of analyses. Part 5.1 of analysis and discussion includes analysis of different portfolios prepared by me to compare performances of different mix of assets in the portfolio and to find out the optimal one. For the purpose of this study I have chosen all asset classes i.e. Equity based funds, Debt based Funds, Gold ETF to represent Gold and Housing Price Index to represent investment returns in Real Estate. Housing price index measures the price changes of residential housing as a percentage change from some specific start date. To limit the scope of this study I have

taken HPI that measures price change index of residential housing only assuming that investors whenever invest in real estate they go for Residential housing investment and not for commercial property investment. The funds chosen for the preparation of portfolios has been collected from top performing funds list of a well-known source platform Moneycontrol.com. With the help of different proportion mixes of funds and assets 10 portfolio plans has been prepared and then their performances has been compared & ranked using different performance measuring parameters such as Sharpe Ratio, Treynor's Ratio and Jensen's Alpha. Part 5.2 of this study tries to explain the perception of High Networth Investors (HNIs) towards the wealth management services. The study has been done using a Survey conducted by Edelweiss and Campden Research. It explains what percentage of people are actually aware of such services, how many of them actually opt for these services, what asset allocation they like etc.

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1. INTRODUCTION

1.1 Overview

I Wealth Management :

Wealth Management concept originated in the US during 1990's. It refers to the investment advisory services covering financial planning that provides individuals with services like private banking/ asset management/ tax advisory & portfolio management.

Warren Buffet the most successful and wealthiest investor in the world, said that “ The basic idea of investing is to look at stocks as business, use the fluctuations of the market to your advantage and seek a margin of safety”. Similar to this Ben Graham taught us that “Even a hundred years from now they will still be the cornerstones of investing” and will be called wealth creators.

What Wealth Management actually means :

Wealth Management refers to a professional service that combines financial advisory, accounting / tax services, retirement planning and legal/ estate planning for one fee. Under it, the investors hire a single wealth manager who coordinates inputs from financial experts and can include coordinating advices from the individuals own attorney, accountants and insurance agents. Some wealth managers also provide banking services or other advisory services. The important task of a wealth manager includes preparation of investment portfolios for his/ her client by assessing their risk appetite, corpus and time of investment. After preparation of portfolios they are not left idle for long, rather portfolio manager regularly monitors the performance of portfolio returns and if any churning is required then do the required thing.

In other words, it is basically an investment advice to manage investors' financial needs and requirements. These services are being offered to clients in packages to provide benefits with two most important goals : growth of their funds and safety of their existing investments.

II Financial Planning :

Every individual has some financial needs and aspirations that they want to fulfill. Financial Planning thus refers to an approach that is used to assess the ability of income and assets owned by a person to meet his/ her future financial requirements. In general usage it is a complete evaluation of an individual's present and future financial state by using current known variables to predict or estimate their future income capacity, asset values and withdrawal plans. It often includes a budget which makes up a rough estimate of an individual's finances and sometimes includes steps or goals for mapping their spending and saving cycle in the future.

A financial plan is sometimes referred to as an investment plan used to organize future investments of individuals, but in case of personal finance it focuses on other valuable areas also such as risk management, estate planning, college or retirement planning.

Wealth management and financial planning goes hand in hand. Opting for wealth management services is a way in which an individual pursue financial planning. Investing in different assets help individuals to plan the liquidity and growth prospects of their money for the upcoming future.

Importance for Financial planning arises because :

- The demands of material goods by people are ever increasing. This increases the financial hardships that they face. Investors thus required to be counseled on the difference between essentials and desires. People must learn prioritization of expenses to make their both ends meet.
- Joint families are shrinking towards nuclear families. The nuclear family thus formed stays in a separate house. The financial requirements for rentals or the acquisition cost of a house are important needs that are required to be planned.
- In a nuclear family, the earning individual sometimes sole earner is responsible to fulfill demands of his immediate family. The extended family that is staying under different roof cannot support for the regular financial needs of that individual.
- The working life of individuals is reducing, while their longevity (life span) is increasing. This means that people are able to earn only for a shorter period of time and are required to finance the future needs. Hence the retirement planning is very important.

- Income levels of working individuals are going up. They carry high investible surplus that is needed to be prudently invested to provide future cash flows from it.
- The financial assets that are available in the contemporary market has become more complex. It is thus difficult for a layman to comprehensively understand each and every available product and invest in them.

A professional financial planner can help individuals navigate from these challenges.

Types Of Financial Planning :

There are two essential approaches to form a financial plan:

1. Goal based Financial Plan –It is the plan being prepared by the relationship manager on behalf of its clients to achieve certain future financial goals for e.g., retirement, children’s education, health and medical expenses, tours n trips etc. They are usually starting point for the investor – planner relationship. It can get more complex when one tries to prepare different portfolios to fulfill multiple goals, with a different asset allocation for each goal and different projected returns for each class.

2. Comprehensive Financial Plan – A comprehensive plan addresses the above limitations of a goal- based financial plan. It provides complete information on the overall financial position of the investor, and how the financial goals will be met periodically. Multiple formats of comprehensive financial plan are possible for various different situations.

III Role of Financial Planner / Wealth Manager :

The financial planner’s fundamental role is to ensure that the investors have adequate money/ wealth for their various financial needs/ goals, when they actually require them.

While performing this role, financial planners offer some or all of the following services:

- Preparing a financial blueprint for the investors’ future.
- Advice on investment in stock market.
- Advice on investment in small saving schemes and other debt instruments.
- Advice on investment in mutual funds and other investment products.

- Suggesting a suitable asset allocation based on risk profile of the investor.
- Management of loans and other liabilities.
- Insurance planning and risk management.
- Tax planning
- Planning for smooth inheritance of wealth to the next generation.

IV Risk Profiling :

Risk profiling refers to the method of analyzing the risk appetite of individual investors. All investors in the market do not have same risk appetites :

some are **risk lovers**; those who are at younger ages and wish to earn more return by investing into risky assets,

some are **risk averse**; those who are older in age and don't want to assume more risk while investing in the market and

some are **risk neutral**; whose earning capacities are so high that they don't worry much with the products they are investing with because they do not rely on its returns to fulfill their financial needs.

It is really very important for a wealth manager to correctly assess the risk profile of their clients to prepare the most appropriate portfolio by investing into appropriate asset classes. Risk loving people would like to invest larger sum of it's money in the equity markets to earn large returns on the other hand, risk averse people would like to invest larger chunks into Safe Asset classes like Debt, Gold or Real Estate.

V Asset Allocation :

Different asset classes perform well in varied economic and market scenarios. The analyst seeks to interpret the leading indicators and anticipate likely market trajectory. However, it is not possible to predict the market with certainty. An approach to balance the uncertainty is to invest in a mix of asset classes. This ensures that some asset classes in the portfolio perform well, when others don't. Such distribution of investment portfolio between asset classes is known as "Asset Allocation".

Types of Asset Allocation :

Statregic asset allocation :

Distribution between asset classes based on risk profile of investors is called “ Strategic Asset Allocation “. Let us consider a few examples;

- A young investor, who is in the accumulation phase, can afford to take more risk. Even if he were to lose money, he can recover it from future earnings. Besides, he is exposed to inflation over a long period. His portfolio needs to have risky growth assets that are likely to protect him from inflation. Such an investor may be advised to have an equity-debt mix of **80:20**.
- A senior citizen is exposed to inflation too. However, the exposure is for a shorter time period determined by life expectancy. Besides, the senior citizen may not have a future earnings stream to make up for losses. The physical health of the person too may or may not be in a position to handle the shock of investment losses. These factors mandate a significantly lower exposure to risky assets. Equity-Debt mix of **20-80** is quite common for such investors.

Tactical Asset Allocation: -

Investors who are oriented to take risk do take asset allocation calls based on their views of the market. When they fell the market is undervalued they increase their exposure to equity. They exit their equity investment when the view is that the market is overheated. Such an approach to investment is called Tactical Asset Allocation

Fixed Asset Allocation: -

An investor who practices fixed asset allocation will seek to maintain the allocation even when the market moves. Suppose an investor's portfolio is structured with equity to debt mix of **30:70**. In a short period, if the equity market were to go up by 70%, 30 will become 51. During this phase, if debt gave a 5% return, 70 would have become 73.5. Thus, the equity debt mix has now become 51: 73.5, which can be re-written as 41:59. The complexion of the portfolio has changed.

Most mutual fund schemes operate with a fixed asset allocation, though within a wide investment range defined in the Offer Document. For instance, the proposed investment distribution may be defined in the Offer Document as follows:

- Equity and equity related securities 70 - 90%
- Debt and debt related securities 10 - 30%

Flexible Asset Allocation:

Let us continue with the previous example of investor with Equity: Debt mix of **30:70** which changed to 41:59 when the market changed. We saw that an investor adopting fixed asset allocation will re-balance his portfolio to arrive at the targeted equity: debt mix. An investor who adopts flexible asset allocation will allow the equity: debt ratio to drift. There will be no re-balancing in line with the market: this kind of lazy approach to investment is not desirable.

VI Financial Planning in India

Mutual Fund distributors and others involved in selling or distributing mutual funds, are required to pass the prescribed examination before they can start selling mutual fund schemes. However, no such requirements have been set for financial planners and wealth advisers.

Securities & Exchange Board of India (SEBI) has come out with a concept paper on the proposed regulatory structure for investment advisers. The highlights are as follows

- There is an inherent conflict of interest between a distributor earning a commission as agent of a product manufacturer (such as a mutual fund) and performing the role of financial advisor claiming to protect the investors interests.
- The proposed model to tackle this conflict of interest is as follows :
 - a. The person who interfaces with the customer should declare upfront whether he is a financial advisor or an agent of the companies.
 - b. Advisers should be governed.
 - c. They should be subject to Investment Advisers Regulations.
 - d. Advisors should acquire higher level of qualifications.
 - e. They may act as advisor to investor for multiple financial products.
 - f. They will receive all payments from the investor. There would be no limits set on these payments.

VII Financial Planning to Wealth Management

Financial planning seeks to ensure adequacy of assets and cash flows for meeting the financial goals of the Investor. In the case of a Wealth Management Investor, adequacy

of assets is not an issue. The Investor will have the assets, though **cash flow (liquidity)** can be an issue if money is not suitably invested.

A wealth manager seeks to understand what the Investor wants with the wealth viz. grow the wealth with an openness to take risk; or consolidate the wealth with a conservative approach to risk; or preserve the wealth while avoiding risk to the extent possible. Different asset allocation mix would be appropriate for each of these profiles. Wealth Management deals with creation, accumulation, preservation and enjoyment of wealth.

VIII Wealth Management in India

India's wealthy people are relatively young compared with their international counterparts and hence, take a different approach to wealth management. The demographic difference presents an opportunity to create new products to address the needs of a young population and leverage new technologies, such as social and mobile-enabling investing applications as a key differentiator. India's wealth management services sector is largely fragmented, which isn't surprising given the industry is still in its early days. Hence it is recommended that firms take a long-term view while evaluating potential return on investment. Given the market and a demographic and regulatory environment that is significantly different from elsewhere in the world, we recommend wealth managers consider the following to succeed in the Indian market:

- Build your brand and focus on overcoming the trust barriers.
- Invest in advisor technology to improve advisor productivity and retention.
- Evaluate a partnership-based model, coupled with innovative use of technology to increase reach.
- Focus on transparency and compliance, while targeting customers with attractive, segment focused products.

3 popular wealth management routes are :

- Mutual Funds – It is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities such as stocks, bonds, money market instruments, and other assets.

- Portfolio Management Services - PMS offered by a Portfolio Manager, is an investment portfolio in stocks, fixed income, debt, cash, structured products and other individual securities, managed by a professional money manager that can potentially be tailored to meet specific investment objectives. The minimum investment amount required in PMS is Rs 25 L.
- Alternative Investment Fund - An alternative investment is a financial asset that does not fall into one of the conventional investment categories. These investments include private equity or venture capital, hedge funds, managed futures, art and antiques, commodities, and derivatives contracts. Real estate is also often classified as an alternative investment.

1.2 INDUSTRY PROFILE

Mutual fund is the pool of money created by an asset management company and its respective fund manager invests the pool into different asset classes. It is absolutely based on the trust that investors do on their portfolio manager, who invests the savings of a number of investors who shares a common financial goal.

The money thus collected from investors is invested in capital market instruments such as shares, debentures, and foreign markets. Investors invest money and get the units as per the unit value which are known as NAV (net assets value).

Mutual fund is the most suitable investment for the common man as it offers an opportunity to invest in diversified portfolio, good research team, professionally managed Indian stock as well as the foreign market, the main aim of the fund manager is to take the scrip that is undervalued in the current market and its future value will rise, then fund manager sell out the stock on a future date to make capital gain and dividend for the investor and commission for himself. Fund manager concentrates on the risk – return trade off, where he tries to minimize the risk and maximize the return through diversification of the portfolio. The most common feature of the mutual fund unit is that it is low cost.

I Size of the Mutual Funds Industry :

According to the data as published by Association of Mutual Funds in India on its online site;

- a. Average Assets Under Management (AAUM) of Indian Mutual Fund Industry for the month of October 2019 stood at ₹ 26,32,824 crore.
- b. Assets Under Management (AUM) as on October 31, 2019 stood at ₹26,13,666 crore.
- c. The AUM of the Indian MF Industry has grown from ₹ 7.75 trillion as on 31st October, 2009 to ₹26.33 trillion as on 31st October, 2019, about 3½ fold increase in a span of 10 years.
- d. The MF Industry's AUM has grown from ₹ 10.96 trillion as on 31st October, 2014 to ₹26.33 trillion as on 31st October, 2019, about 2 ½ fold increase in a span of 5 years.
- e. The Industry's AUM had crossed the milestone of ₹10 Trillion (₹10 Lakh Crore) for the first time in May 2014 and in a short span of about three years, the AUM size had increased more than two folds and crossed ₹ 20 trillion (₹20 Lakh Crore) for the first time in August 2017. The Industry AUM stood at ₹26.33 Trillion (₹ 26.33 Lakh Crore) as on 31st October, 2019.

- f. The total number of accounts (or folios as per mutual fund parlance) as on October 31, 2019 stood at 8.63 crore (86.3 million), while the number of folios under Equity, Hybrid and Solution Oriented Schemes, wherein the maximum investment is from retail segment stood at 7.71 crore (77.1 million). This is 65th consecutive month witnessing rise in the no. of folios.

II Types Of Mutual Funds

- **Equity**
 - ✓ **Large Cap** – Funds that invest larger proportion of their corpus in companies with large market capitalization, higher than Rs 20,000 Crores.
 - ✓ **Mid Cap** – Companies with market capitalization of Rs. 5000 Crores to Rs 20,000 Crores.
 - ✓ **Small Cap** – Companies with market capitalization less than Rs. 5000 Crores.
 - ✓ **Sectoral / Thematic** – Funds invested in specific sectors/ themes.
 - ✓ **Funds of Funds** – Investment strategy of holding a portfolio of other investment funds rather than investing directly in stocks, bonds & other securities. This investing is called Multi-manager investment.
 - ✓ **Equity Linked Saving Scheme (ELSS)** – are close ended MFs, with lock-in period of 3 years diversified equity schemes offered by MFs in India. They offer tax benefits under section 80C & is included in overall limit of Rs 1.5 lakhs.
 - ✓ **Flexi-Cap** – Pooled investment that has broad flexibility for making investment decisions & allocations. They have no restrictions on market cap of the stocks they can invest into. They offer diversification in companies across market cap.
 - ✓ **ETF** – Exchange traded funds is an investment fund traded on stock exchanges like stocks. ETF hold assets such as stocks, commodities or bonds & generally operates with an arbitrage mechanism designed to keep it trading close to its NAV.
- **Debt :**
 - ✓ **Liquid** - Debt MFs that invests our money in liquid assets for short period of time. They possess high liquidity. Residual Maturity of Liquid Funds is less than or equal to 91 Days.
 - ✓ **Ultra-short term** – MFs invest in fixed income earning instruments of maturities upto 6 months.
 - ✓ **Low-Duration** – Short term investment highly suitable for investors who doesn't want to take much risk. They have a higher maturity duration than liquid to ultra-short term. This fund invests in debt & money market securities with a maturity duration between 6-12 months. Returns on an average ranges between 6.5-8.5%.

- ✓ **Short-Term** – Open-ended short-term debt schemes that invest in instruments with duration between 1-3 years. MF advisors recommend these schemes to conservative investors.
- ✓ **Banking & PSU** – These funds mostly invest in bank certificates of deposits or bonds/debentures of PSCs mostly in AAA rated category.
- ✓ **Accrual** – Low risk investments typically invest in short to medium maturity plans. They take credit risk & invest in lower rated securities to generate high yield. Main aim is to earn interest income in terms of coupon offered by bonds.
- ✓ **Credit Risk** – Debt funds which have at least 65% of their investment in less than AA rated paper. They generate high returns by taking high credit risk. Interest risk is low because most of them have a low duration.
- ✓ **Long Term** – Invest in long term debt securities & money market instruments. Good alternative for risk averse investors. Instruments include-Government securities, T-bills, Corporate Bonds etc.
- ✓ **Dynamic** – The decision on the allocation of the funds largely depends on fund manager's perspective on interest rate markets. They can change the allocation towards different debt instruments.
- ✓ **Floater** – Invests in bonds & debt instruments whose interest payments fluctuate with an underlying interest rate level. It provide investors with a flexible interest income in a rising rate environment.

- **Hybrid :**
 - ✓ **Conservative Hybrid Fund** – Safe allocation of funds with major part parked in Debt Funds. Around 60-65% of allocation is done in Debt funds and no more than 40% is done in Equity funds.
 - ✓ **Aggressive Hybrid** – Equity oriented hybrid schemes which aims at wealth accumulation and regular income over long run. Invest at least 20% in debt. Investment in equity & equity related instruments varies between 40-60%.
 - ✓ **Dynamic Asset Allocation** – Invest in a mix of debt & equity. They increase/decrease their allocation to equities & debt depending on their view of stock market.
 - ✓ **Arbitrage funds** – Work on mispricing of equity shares in spot & futures market. It exploits the price differences between current & future securities to generate returns. Fund manager buys shares in cash market & sells it in Futures/ derivatives market
 - ✓ **Equity Saving Funds** – Aims to generate returns from equities, arbitrage trades & fixed income securities. To retain equity taxation, funds restrict the fixed income exposure to 35%. To reduce volatility & hedge the portfolio, these funds actively use derivative strategies.
 - ✓ **Multi-Asset Allocation Fund** – Amount is invested in different asset classes such as equity, debt & gold at the same time.

III Various criteria on the basis of which funds are selected :

NAV (Net Asset Value) - It refers to the per unit market value of all the securities held by a MF scheme. It is always calculated at the end of market day. Formula is Assets – Liabilities divided by Number of units outstanding. NAV trends are enquired over time, when the NAV is **lowest** then it seems the right time to purchase the fund and to make maximum gain out of it.

AUM (Assets Under Management) - refers to the market value of all the financial assets which a financial institution such as MF Venture Capitalist Firm manages on behalf of the clients. Funds with **Large** AUMs must be selected by portfolio managers because they usually give better returns, reap the benefits of diversification & are relatively safe.

Sharpe Ratio – It refers to the Risk-Adjusted returns, aid investors to understand the return of an investment compared to its risk. Generally **greater** the value of this ratio, more attractive risk-adjusted return is.

Portfolio Turnover Ratio – Shows changes in fund portfolio over the year. **Lower** this ratio, better the fund is because it is more stable.

Past year return figures – Apart from the values defined above, past year performances of funds is also an important base to choose the best return yielding funds out of all. Returns of past 1-3 year, 5 year, or annualized return since inception can be used to compare funds.

Tax Benefits – Learning about tax implications of equity and debt funds is also important because at last the purpose of investments is to grow your money and save from taxes by whatever means possible.

Tax On Equity Funds - STCG – 15% + 12% surcharge + 4% Cess = 17.472%

LTCG – 10% + 12% Surcharge + 4% Cess = 11.646%

Tax On Debt Funds - STCG – As per Applicable rate + 12% surcharge + 4% Cess

LTCG – 20% with indexation + 12% surcharge + 4% Cess =

23.296%

IV Mutual Fund Structure

Government Of India & RBI formed UTI in 1963 to regulate Mutual Fund industry in India.

Later when Government permitted PSBs & Institutions to set up mutual funds, the need for an impartial regulator arose. As a result, they passed SEBI Act (1992) & made AMC's (Asset Management Companies) integral to MF structure.

Sponsor	Forms a trust & appoints board of trustees
Trustees	Regulate MFs while adhering to SEBI & AMFI
AMC	Buy/Sell securities
Custodian	Hold/safeguard MF units
Registrar & Transfer Agents	Record keepers

Table 1.1 The above table shows structure of MF Industry in India

V AMFI

- Association of Mutual funds in India : Association of SEBI registered Mutual Funds in India of all registered AMC's, incorporated on Aug. 22, 1995 as NPO.
- It is the regulating authority for MF industry in India.
- It is dedicated to develop the Indian Mutual Fund Industry on professional, healthy and ethical lines and to enhance and maintain the standards in all areas with a view to protect and promote the interests of mutual funds and their unit holders.
- As of now 44 AMC's are registered with SEBI.

1.3 PORTFOLIO MANAGEMENT

I What is portfolio management?

- A portfolio refers to the collection of investments/ assets held by an investor.
- The asset may be physical/ financial like shares, bonds, debentures, gold, real estate investments.
- It can also be formed with the various equity and debt based mutual funds available in the market.
- Objective of forming a portfolio is to diversify amount of investments such that the portfolio return maximizes and the overall portfolio risk reduces.
- Designing portfolios to suit investor requirements often involves making several projections regarding the future market conditions and predicted appreciation in value of different assets, based on current information.

II Phases of Portfolio management :

Five phases can be identified in this process :

- **Security analysis** –
It refers to the examination and evaluation of the various factors affecting the value of a security. It stands for the proposition that a well-disciplined investor can determine a rough value for a company from all of its financial statements, make purchases when the market inevitably under prices some of them, earn a satisfactory return, and never be in real danger of permanent loss.
- **Portfolio analysis** –
Analysis phase of portfolio management consists of identifying the range of possible portfolios that can be constituted from a given set of securities and calculating their risk and return to see how return can be maximized and risk can be minimized.
- **Portfolio selection** –
The ultimate goal of portfolio construction is to generate a portfolio that provides the highest returns at given level of risk. A portfolio having this characteristic is known as an efficient portfolio. The inputs from portfolio analysis can be used to identify the set of efficient portfolios. From this set of efficient portfolios, the optimal portfolio has to be selected for investment.

Harry Markowitz portfolio theory provides both the conceptual framework and analytical tools for determining the optimal portfolio in a disciplined and objective way.

- **Portfolio revision** –
Having constructed and selected the optimal portfolio, the investor has to constantly monitor the performance of the portfolio to ensure that it continues to be optimal. Portfolio revision is as important as portfolio analysis and selection.
- **Portfolio evaluation** –
It is the process, which is concerned with assessing the performance of the portfolio over a selected period of time in terms of returns and risk. This involves quantitative measurement of actual return realized and the risk borne by the portfolio over the period of investment. It provides a feedback mechanism for improving the entire portfolio management process.

III Risk :

The expected returns from individual securities carry some degree of risk. Risk on the portfolio is different from the risk on individual funds. The risk is reflected in the variability of the returns from zero to infinity. Risk of the individual assets or a portfolio is measured by the variance of its return. The expected return depends on the probability of the returns and their weighted contribution to the risk of the portfolio. These are two measures of risk in this context one is the absolute deviation and other is standard deviation.

Most investors invest in a portfolio of assets. Hence, what really matters to them is not the risk and return of stocks in isolation, but the risk and return of the portfolio as a whole. Risk is mainly reduced by Diversification.

Following are the some of the types of Risk:

1. **Interest Rate Risk:** It arises due to the variability in the interest rates from time to time. A change in the interest rate establishes an inverse relationship in the price of the security i.e. price of the security tends to move inversely with changes in rate of interest. Long term securities show greater variability in the price with respect to interest rate changes than short term securities.

2. **Purchasing Power Risk:** It is also known as inflation risk it emanates from the very fact that inflation affects the purchasing power adversely. Nominal return contains both the real return component and an inflation premium in a transaction involving risk of the above type to compensate for Inflation over an investment holding period. Inflation rates vary over time and investors are caught unaware when rate of inflation changes unexpectedly causing erosion in the value of realized rate of return and expected return.

Purchasing power risk is more in inflationary conditions especially in respect of bonds and fixed Income securities. It is not desirable to invest in such securities during inflationary periods. Purchasing power risk is however, less in flexible income securities like equity shares or common stock where rise in dividend income off-sets increase in the rate of inflation and provides advantage of capital gains.

3. **Business Risk:** Business risk emanates from sale and purchase of securities affected by business cycles, technological changes etc Business cycles affect all types of securities ie. there is cheerful movement in boom due to bullish trend in stock prices whereas bearish trend in depression brings down fall in the prices of all types of securities during depression due to decline in their market price.
4. **Financial Risk:** It arises due to changes in the capital structure of the company, It is also known as leveraged risk and expressed in terms of debt-equity ratio. Excess of risk vis-a-vis equity in the capital structure Indicates that the company is highly geared. Although a leveraged company's earnings per share are more but dependence on borrowings exposes it to risk of winding up for its inability to honor its commitments towards lender or creditors. The risk is known as leveraged or financial risk of which investors should be aware and portfolio managers should be very careful
5. **Systematic Risk or Market Related Risk:** Systematic risks affected from the entire market are the problems, raw material availability, tax policy or government policy, inflation risk interest risk and financial risk). It is managed by the use of Beta of different company shares.
6. **Unsystematic Risks:** The unsystematic risks are mismanagement, Increasing inventory, wrong financial policy, defective marketing etc. this is diversifiable or avoidable because it is possible to eliminate or diversify away this component of risk to a considerable extent by investing in a large portfolio of securities. The unsystematic risk stems from inefficiency magnitude of those factors different from one company to another.

IV Theory for Investment Portfolio Formation :

Markowitz Portfolio Theory :

- In his article “Portfolio selection” Harry Markowitz developed method to form efficient portfolio by considering expected return and risk of the funds and their interrelationships as measured by the correlation.
- According to the theory, Diversification plays an important role in modern portfolio theory.
- This theory refers to the problem of Optimal Portfolio selection.
- He showed that the variance of the rate of return is a significant measure of risk under a reasonable set of assumptions and derives the formulas for computing the variance of the portfolio.
- This portfolio formation formulation indicates the importance of diversification for reducing risk.

Parameters of Markowitz: The Mean Variance Criterion

Based on his research for building up the efficient set of portfolio, as laid down by

Markowitz, we need to look into these important parameters.

- i. Expected return.
- ii. Variability of returns as measured by standard deviation from the mean.
- iii. Covariance or variance of one asset return to other asset returns.

Assumptions of Markowitz Model :

- Investors consider each investment alternative as being represented by a probability distribution of expected returns over some holding period.
- Investors maximize one period expected utility and possess utility curves that demonstrate diminishing marginal utility of wealth.
- Individuals estimate risk on the basis of variability of expected returns.
- Investors base decisions solely on expected risk and return.
- For a given risk level, investors prefer higher returns to lower returns. That is desirability of portfolios can be defined using indifference curve.

Expected Return Calculation : Expected return of a portfolio depend on the expected rates of return of each security fund included in the portfolio.

$$\bar{R}_p = \sum_{j=1}^m W_j R_j$$

where \bar{R} = Expected return of a portfolio

\bar{P} = The proportion, or weights of total funds invested in security j

R_j = The expected return for security j

m = The total number of different securities in the portfolio

Expected Risk Calculation : Measures the variability of rates or return around it's expected return value. It is calculated as follows in the case of more than 2 Assets. First horizontal matrix is matrix of weights of investments, second is the Covariance matrix between the returns of different funds and third is again the weights matrix.

$$\begin{aligned} \sigma_w^2 &= w^T S w \\ &= \begin{bmatrix} w_1 & w_2 & \dots & w_n \end{bmatrix} \begin{bmatrix} \sigma_{11} & \sigma_{12} & \dots & \sigma_{1N} \\ \sigma_{21} & \sigma_{22} & \dots & \sigma_{2N} \\ \vdots & \vdots & \ddots & \vdots \\ \sigma_{N1} & \sigma_{N2} & \dots & \sigma_{NN} \end{bmatrix} \begin{bmatrix} w_1 \\ w_2 \\ \vdots \\ w_n \end{bmatrix} \\ &= \sum_{i=1}^N \sum_{j=1}^N w_i w_j \sigma_{ij} \end{aligned}$$

Standard deviation is a better measure to measure risk of the portfolio. Hence the value derived above must be square rooted to find SD.

Rules for Diversification : To reduce the expected risk,

Choose combination of assets such that –

- ✓ If they have same return, favor portfolio with lowest risk
- ✓ If they have same risk, favor portfolio with highest return.

V Measures of Portfolio performance.

- a. **Sharpe Ratio** : It is a common measure of Risk – Adjusted performance of a fund. It measures the fund's excess return per unit of its total risk.

$$SR = \{ \text{Return (Portfolio)} - \text{Return (Risk Free)} \} / SD (\text{Portfolio})$$

- b. **Treynor Ratio** : It measures risk in terms of Beta. It also reflects Risk – Adjusted return of fund, the only difference is that it takes volatility of portfolio with respect to share market performance (measured by Beta) in the denominator.

$$TR = \{ \text{Return (Portfolio)} - \text{Return (Risk Free)} \} / \text{Beta (Portfolio)}$$

Where Beta measures non – diversifiable risk of the fund, which is computed as covariance of returns from the fund and market returns divided by variance of market rate of return.

$$\text{Beta} = \text{Cov (Rp, Rm)} / \text{Var (portfolio)}$$

- c. **Jensen's Alpha** : shows excess actual return over required return and excess of actual risk premium over required risk premium. This measure of the portfolio manager's performance is based on the CAPM.

$$\text{Alpha} = (\text{R portfolio} - \text{R risk free}) - \text{Beta portfolio} * (\text{R market} - \text{R risk free})$$

Here, (R market – R risk free rate) is market risk premium.

It is important to note, that if a portfolio is completely diversified, all of these measures (Sharpe, Treynor's ratios and Jensen's alpha) will agree on the ranking of the portfolios. The reason for this is that with the complete diversification total variance is equal to systematic variance. When portfolios are not completely diversified, the Treynor's and Jensen's measures can rank relatively undiversified portfolios much higher than the Sharpe measure does. Since the Sharpe ratio uses total risk, both systematic and unsystematic components are included.

1.4 OBJECTIVES OF THE STUDY

Money has its own importance for the people to which it belongs. People do hard work throughout their lifetime to accumulate money to satisfy their and their loved ones' financial needs. Thus most of the daily activities are ultimately circled around making money. But wealth is more than money and it means a lot to everyone.

Problem : People are not well aware with the various financial tools and options available for them to invest in. Hence they remain confused when it comes to managing their own wealth. Thus its important for them to opt wealth management services provided by banks or other financial institutions to appropriately manage their wealth.

Wealth management includes the essential services of Portfolio Management on behalf of their Clients. Thus the main objective of this study is to outline the concept of 'Wealth Management' and 'Portfolio management'. Also to study how different portfolios can be prepared with similar funds to diversify appropriately so as to reduce the overall risk and maximize the returns i.e. appropriate ASSET ALLOCATION. This project also tries to trace the perception of HNIs towards opting the portfolio management services and their expectations of Asset Allocation.

OBJECTIVES OF THE STUDY:

1. To identify best performing funds in the market and form different portfolio plans from them.
2. To calculate expected risk and return values of the portfolios.
3. To evaluate performance of portfolios using different ratios and rank them.

Along with the above objectives following are the objectives set for analysis of perception of investors towards Portfolio management services.

4. To study the preferences of investors for wealth management services.
5. To study what asset allocation investors prefer to maximize returns and minimize risks.
6. To study what are the factors that investors seek while deciding whether to opt for external advisory services or not.
7. To study which services, investors wish to opt out when they turn to external advisory services.

All the questions related to objective of the study are expected to be resolved at the end of this project.

2. LITERATURE REVIEW

Velmurugan et al (2015) concludes that investment is being done in various investment avenues with the expectation of capital appreciation and short and long term earnings. The basic idea behind investment of all government, private, self-employed and retired persons in his study was to utilize the surplus money in favourable plans so that the money will be rolled back as well as it will give high returns also. When a common man thinks about investments he usually never go for any risky plan rather would do Risk – Return tradeoff cautiously. In the present scenario the share and gold market are highly uncertain and unpredictable, so the investor should analyze the market cautiously and then make investment decisions. The investor generally don't have much knowledge about the market and don't possess time and resources to do research himself. So this is where the role of portfolio managers arises. They are professionals that do market research on behalf of investors and invest their money in the best possible way to reduce overall risk and increase return.

Wyman et al (2014) says that digitalization is a biggest threat to established participants in wealth management during present time. Young and technologically-savvy investors have a greater comfort level with self-directed investing than the older generation of today. These investors have also grown up in a world where young companies routinely disrupt older companies and often create entirely new industries. As a result, the next generation of investors are likely to have a greater openness to directing their savings to entities that rely on new models and different technologies-all at lower cost than established wealth managers. There are also digitally-oriented opportunities for established wealth managers to deepen their connection with investors through the use of enhanced communication platforms, while also improving the overall investor experience. Significantly, technology can also be harnessed to reduce operating costs savings that can be passed along as lower fees to investors.

Nayak (2013) in his report says that there has been a significant change in the levels and density of savings patterns of the rural households because of the increase in saving opportunities available with a convenient bar. The increase in the financial institutions like banks, micro finance institutions, SHGS and other local banks provided an opportunity to the rural people to save more. The increase in awareness among the people for their future security as through the unforeseen cases like sudden death of a family member, medical emergency and any other financial crisis, education of their children, marriage of a family member has made people inclined to save. The

degree of change in savings as compared to urban communities of the rural households are not much but still has brought a revolution in the pattern of savings of the rural households.

Schröder (2013) analyzes the responses to a represent survey of wealth advisors on private Wealth management practices, and compares the advisors' views to academic research in household finance. This study demonstrates that many wealth managers do not apply novel insights proposed by financial economists when advising their investors. Many practitioners focus on managing only the market risk exposure of their investors portfolios. Although financial research has stressed the importance of incorporating human capital, planned future expenditures and the investment time horizon into the investor's asset allocation, these aspects are neglected by most practitioners.

Cognizant Reports (2011) published a report which says that India's wealth management services sector is largely fragmented, which isn't surprising given the industry is still in its early days. Most organized players have so far focused mainly on the urban segment leaving untapped about one-fifth of India's high net worth individuals (HNWI) population. While early entrants and established local players have gained trust with potential investors, firms looking to enter the market will need to invest heavily in brand-building exercises to convey their trustworthiness. Hence, it is recommended that firms take a long-term view while evaluating potential return on investment. The overall outlook and trends in India indicate a huge potential for growth for new and established wealth management firms.

Lucarelli et al (2011) in this paper proposes a theoretical framework which sets alternative business models (BM) in the wealth management industry, testing them with experimental data. Our "map" of business models arises when wealth managers (WMs) potentially make a mix of business process standardization/customization, together with make or buy choices, after an external and internal strategic analysis has been carried out. Operational data support that our business models map can be a reliable instrument both to describe and to guide the strategic position of WMs.

Neils Bekkers (2009) in his project "Strategic Asset Allocation" explored which asset classes are to be used to add value to a traditional portfolio of stocks, bonds and cash. He determined the optimal weights of all asset classes to form the optimal portfolio. The study does the analysis of ten different investment categories using Mean – Variance figures. The result of the study suggests that real estate, commodities and high yield instruments add most value to the traditional asset mix. It further stated

that adding these three asset classes to the portfolio make it the most optimal one. Crux of study is that diversification benefits the portfolio by making it economically significant with extra returns and low risk.

Sharma (2008-2010) “concluded that Indian investors are very conservative and less risk taker. They prefer to invest their money into safe securities even they know that they will get the less return on the investment and may be possible that they could not cover up the inflation rate but still they prefer to invest in these securities. This is not because they all are risk averse or they don't want to get more return but it is because of lack of knowledge and lack of expertise services in small cities. Investors are not getting the expert's services because they are not aware of such kind of services.

Nita et al (2009) examines the features of private banking business focusing on the substantial growth in private banking over the last decade as commercial banks have targeted up market high net worth individuals. The accumulation of wealth has prompted the development of private banking services for high net worth individuals. offering special relationships and investment services. Private banking is much more than traditional banking services of deposits and loans. These kinds of services include: Protecting and growing assets in the present as well as in the future time to come, providing specialized financing solutions, planning retirement and passing wealth on to future generations.

Pang et al (2009) says that wealth management strategies for individuals in retirement. focusing on trade-offs regarding wealth creation and income security Systematic withdrawals from mutual funds generally give opportunities for greater wealth creation at the risk of large investment losses and income shortfalls. Fixed and variable life annuities forgo bequest considerations and distribute the highest incomes. A variable annuity with guaranteed minimum withdrawal benefit (VA GMWB) somewhat addresses both income need and wealth preservation. Mixes of mutual funds and fixed life annuities deliver solutions broadly similar to an even more flexible than a VA GMWB strategy.

Caselli et al(2005) explains the segment of banking services that focus on families and family-owned businesses, within the private banking business, by examining synergies among the various financial integrated activities and by offering ideas on how to develop new business opportunities.”

3. RESEARCH METHODOLOGY

3.1 Title :

- a. To study the how portfolios are prepared by wealth managers. Also the impact of diversification in more than one asset classes on overall portfolio risk and return.
- b. The perception of investors towards opting for Wealth Management Services and asset allocation they like.

3.2 Title Justification :

This project will help us know the various facts about wealth management services. How wealth managers does the appropriate asset allocation according to the requirements of their clients. It also studies how opting it can actually help investors in appropriately managing their wealth by maximizing returns and minimizing the risks. Investors generally think that they are capable of investing and managing their funds by themselves which is a wrong proposition. There exists large asymmetries of information in the market, stock market and macroeconomic environment variables like inflation rate, interest rates etc. are so unpredictable that they can lead to harming the wealth of individuals. To prevent this harm it is important for individuals to hire wealth managers that are professionals in management of large sums of money. They do market research and monitors macroeconomic variables on regular basis.

3.3 Research Methodology :

For preparation of portfolios, quarterly and annual return figures of top performing mutual funds has been extracted from trusted sources such as Moneycontrol and Fundsindia. The **Annexure A** includes the information related to the mutual funds used for preparation of portfolio. Then using those funds different portfolios have been created in excel and screenshots added in the analysis.

Research tools used for analysis of portfolios :

- i. Arithmetic expected mean { Excel function used : MMULT (Return of individual funds, Weights)}

- ii. Variance { Excel function used : MMULT (MMULT(Weights, Cov matrix), weights)}
- iii. Standard deviation { Sqrt (Var.)}
- iv. Correlation matrix { Data solver used}
- v. Sharpe's ratio
- vi. Treynor's ratio
- vii. Jensen's alpha

For the analysis of HNIs preferences towards PMS and Asset allocation, I have taken **secondary data** from a report named “ **The Family Wealth Report 2018** ” Published by **Edelwiess Private Wealth Management Ltd.** and **Campden Research** – A division of Campden Wealth.

The quantitative component in the report published by Edelwiess, involved collecting primary data from families in India with wealth of \$30 million or more i.e. the report was based on data for **Ultra HNIs (High Net-Worth Individuals)**. This includes families that either have or have had a family business and/or a family office. The data was collected using an online survey designed by Campden Wealth to explore a range of topics pertaining to wealth management in India.

Participants were identified through Campden Wealth's and its India-based partner Campden Family Connect's existing community of family offices and family businesses in India. In total, 78 participants completed the online survey. The data collection period took place between May and July 2018.

To provide greater detail and insight to explain the quantitative data, Campden Wealth also conducted qualitative interviews with five of the survey respondents. Through these interviews, Campden explored each of the key topics to understand why and how the quantitative trends may have occurred.

3.3.1 Research Design:

This study is based on descriptive research.

The descriptive research attempts to describe, explain and interpret conditions of the present i.e. “what is”. The purpose of a descriptive research is to examine a phenomenon that is occurring at a specific place and time. A descriptive research is concerned with conditions, practices, structures, differences or relationships that exist, opinions held, processes that are going on or trends that are evident. It is called an observational research method because none of the variables that are part of the research study are influenced in any capacity. It is a kind of quantitative research where none of the variables are influenced in any ways.

4. DIFFERENT PLANS FOR THE PORTFOLIO DEVELOPMENT

4.1 Funds and asset classes used for the preparation of portfolio :

Tables in the **Annexure – I**, show the list of top performing funds selected from the website Moneycontrol.com to be used for the preparation of portfolios. The table 1 and 2 shows the quarterly as well as annual returns of each asset. Table 2 also summarizes the performance of each fund with Annualized average return, Risk measures – Variance and standard deviation and Beta values of each fund or asset.

For the purpose of forming portfolio I have used both the asset classes, Risky and Defensive i.e. **Equity based funds, Debt based funds, Gold ETF and Real Estate** (Returns in Real Estate market for the purpose of our study is measured using **Housing price index** : this index measures the price changes of residential housing as a percentage change from some specific start date.)

Equity based Funds used for our study :

FUND NAME	NAV	BENCHMARK INDEX	COMPOSITION
HDFC Balanced Advantage Fund(G)	157.46	Nifty 50 hybrid composite debt	82% Equity
ICICI Pru Multi-Asset Fund(G)	228.12	Nifty 200 TRI (65)	71% Equity
DSP Equity & Bond Fund-Reg(G)	139.01	Crisil hybrid 35+65 aggressive	71% Equity
HDFC Hybrid Equity Fund(G)	44.57	Nifty 50 hybrid composite debt 65:35	64.77 % Equity
IDFC Arbitrage Fund-Reg(G)	24.75	Nifty 50 arbitrage	60 % Equity 33% Deposits
Nippon India Arbitrage Fund(G)	20.18	Nifty 50 arbitrage	67% Equity 12% Deposits

Table 4.1 List of Equity Funds along with NAV, Benchmark Index and composition.

Debt based funds :

FUND NAME	NAV	BENCHMARK INDEX	COMPOSITION
IDFC Banking & PSU Debt Fund-Reg(G)	17.77	Nifty banking and PSU debt TRI	83% Crisil AAA
IDFC Dynamic Bond Fund-Reg(G)	25.63	Crisil composite bond	97% Sovereign
Kotak Dynamic Bond Fund-Reg(G)	26.92	Nifty composite debt TRI	35% Crisil AAA, 42.27% Sovereign
Edelweiss Government Securities Fund-Reg(G)	17.62	CRISIL dynamic gilt TRI	63% Sovereign

Table 4.2 List of Debt Funds along with NAV, Benchmark Index and composition.

Gold :

FUND NAME	NAV	BENCHMARK INDEX	COMPOSITION
Kotak Gold ETF	420.07	NIL (Thus it is referred to as 0 Beta asset class)	99% Gold

Table 4.3 Gold ETF along with NAV, Benchmark Index and composition.

Real Estate :

INDEX NAME	BENCHMARK INDEX
Housing Price Index	It is already a price index (also have 0 Beta)

Table 4.4 Housing Price Index : A measure for returns from residential housing.

4.2 Portfolio Risk and Return

Plan A : This plan includes portfolio preparation from all Equity funds, being mixed in equal proportion/weights. Following table shows the calculation of Portfolio Risk and Return using MMULT function in Excel. Here the funds chosen for portfolio include Focused fund, Hybrid Fund and Arbitrage fund. Arbitrage funds are included to match the requirements of clients for remaining invested for different time periods in the market.

Plan A : All Equity (Equal weight)							
	Portfolio Figures	HDFC Balanced Advantage Fund(G)	ICICI Pru Multi-Asset Fund(G)	DSP Equity & Bond Fund-Reg(G)	HDFC Hybrid Equity Fund(G)	IDFC Arbitrage Fund-Reg(G)	Nippon India Arbitrage Fund(G)
Return Average	11.806065	14.86	13.38	15.52	13.39	6.71	6.84
Variance	136.7298764	299.188822	207.6686	263.3936	500.7174	0.945181	0.7911917
SD	11.69315511	17.2970755	14.41071	16.2294	22.37672	0.972204	0.8894896
Weights		0.167	0.167	0.167	0.167	0.167	0.167

Table 4.5 Portfolio Plan A : All Equity (Risk and Return)

Plan B : This portfolio plan has been formed using all the debt funds only. Weights being taken equal for the funds. This portfolio includes sectorial bond fund, dynamic bond fund and G-sec fund. These types of portfolio are usually formed for extremely conservative investors because the risk i.e. variability of returns is extremely low. But such portfolios are absurd to be formed because people usually are never completely risk averse and would like to earn slight higher returns by assuming some risk.

Part B : All Debt (Equal weights)					
	Portfolio Figures	IDFC Banking & PSU Debt Fund-Reg(G)	IDFC Dynamic Bond Fund-Reg(G)	Kotak Dynamic Bond Fund-Reg(G)	Edelweiss Government Securities Fund-Reg(G)
Return Average	8.924583	8.27166667	9.39	9.046667	8.99
Variance	9.015465	3.15338056	19.48433	7.648456	14.41246667
SD	3.002576	1.77577604	4.414106	2.765584	3.796375464
Weights		0.25	0.25	0.25	0.25

Table 4.6 Portfolio Plan B : All Debt (Risk and Return)

Plan C : As stated by Markowitz theory, Diversification is the one of the best methods to reduce the risk and maximize the returns. Thus Plan C includes mix of both Debt and Equity funds. This mixture helps the investors to earn returns of equity funds with risk level minimized due to availability of debt funds.

Plan C : Debt + Equity (Equal weights)											
	Portfolio Figures	HDFC Balanced Advantage Fund(G)	ICICI Pru Multi-Asset Fund(G)	DSP Equity & Bond Fund-Reg(G)	HDFC Hybrid Equity Fund(G)	IDFC Arbitrage Fund-Reg(G)	Nippon India Arbitrage Fund(G)	IDFC Banking & PSU Debt Fund-Reg(G)	IDFC Dynamic Bond Fund-Reg(G)	Kotak Dynamic Bond Fund-Reg(G)	Edelweiss Government Securities Fund-Reg(G)
Return Average	10.639333	14.8566667	13.37833	15.52333	13.39333	6.7083333	6.835	8.271667	9.39	9.046667	8.99
Variance	53.621307	299.188822	207.6686	263.3936	500.7174	0.9451806	0.7911917	3.153381	19.48433	7.648456	14.41246667
SD	7.3226571	17.2970755	14.41071	16.2294	22.37672	0.972204	0.8894896	1.775776	4.414106	2.765584	3.796375464
Weights		0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10

Table 4.7 Portfolio Plan C : Equity + Debt (Equal weights)

Plan D : Strategic Asset allocation as per risk profiles of investors

This plan includes Strategic allocation of Investments in Debt and Equity based funds. Strategic Allocation of funds includes allocation according to the risk profiles of investors. All investors are not same some are more risk averse and some are risk lovers thus they can be categorized as Aggressive investors and Conservative investors. Aggressive investors usually like greater proportion of their funds to be invested in Equity (around 70 – 80%) And Conservative investors like to invest high proportion in debt funds.

Plan D (i) : Debt + Equity (30-70) Aggressive Type											
	Portfolio Figures	HDFC Balanced Advantage Fund(G)	ICICI Pru Multi-Asset Fund(G)	DSP Equity & Bond Fund-Reg(G)	HDFC Hybrid Equity Fund(G)	IDFC Arbitrage Fund-Reg(G)	Nippon India Arbitrage Fund(G)	IDFC Banking & PSU Debt Fund-Reg(G)	IDFC Dynamic Bond Fund-Reg(G)	Kotak Dynamic Bond Fund-Reg(G)	Edelweiss Government Securities Fund-Reg(G)
Return Average	10.92748	14.8566667	13.37833	15.52333	13.39333	6.7083333	6.835	8.271667	9.39	9.046667	8.99
Variance	70.3391	299.188822	207.6686	263.3936	500.7174	0.9451806	0.7911917	3.153381	19.48433	7.648456	14.41246667
SD	8.386841	17.2970755	14.41071	16.2294	22.37672	0.972204	0.8894896	1.775776	4.414106	2.765584	3.796375464
Weights		0.1167	0.1167	0.1167	0.1167	0.1167	0.1167	0.075	0.075	0.075	0.075

Table 4.8 Portfolio Plan D (i) : Debt + Equity (30 - 70)

Plan D (ii) : Debt + Equity (20-80) Aggressive Type											
	Portfolio Figures	HDFC Balanced Advantage Fund(G)	ICICI Pru Multi-Asset Fund(G)	DSP Equity & Bond Fund-Reg(G)	HDFC Hybrid Equity Fund(G)	IDFC Arbitrage Fund-Reg(G)	Nippon India Arbitrage Fund(G)	IDFC Banking & PSU Debt Fund-Reg(G)	IDFC Dynamic Bond Fund-Reg(G)	Kotak Dynamic Bond Fund-Reg(G)	Edelweiss Government Securities Fund-Reg(G)
Return Average	11.20856	14.8566667	13.37833	15.52333	13.39333	6.7083333	6.835	8.271667	9.39	9.046667	8.99
Variance	89.57625	299.188822	207.6686	263.3936	500.7174	0.9451806	0.7911917	3.153381	19.48433	7.648456	14.41246667
SD	9.464473	17.2970755	14.41071	16.2294	22.37672	0.972204	0.8894896	1.775776	4.414106	2.765584	3.796375464
Weights		0.1333	0.1333	0.1333	0.1333	0.1333	0.1333	0.050	0.050	0.050	0.050

Table 4.9 Portfolio Plan D (ii) : Debt + Equity (20 - 80)

Plan D (iii) : Debt + Equity (70-30) Conservative Type											
	Portfolio Figures	HDFC Balanced Advantage Fund(G)	ICICI Pru Multi-Asset Fund(G)	DSP Equity & Bond Fund-Reg(G)	HDFC Hybrid Equity Fund(G)	IDFC Arbitrage Fund-Reg(G)	Nippon India Arbitrage Fund(G)	IDFC Banking & PSU Debt Fund-Reg(G)	IDFC Dynamic Bond Fund-Reg(G)	Kotak Dynamic Bond Fund-Reg(G)	Edelweiss Government Securities Fund-Reg(G)
Return Average	9.781958	14.8566667	13.37833	15.52333	13.39333	6.7083333	6.835	8.271667	9.39	9.046667	8.99
Variance	19.43252	299.188822	207.6686	263.3936	500.7174	0.9451806	0.7911917	3.153381	19.48433	7.648456	14.41246667
SD	4.408234	17.2970755	14.41071	16.2294	22.37672	0.972204	0.8894896	1.775776	4.414106	2.765584	3.796375464
Weights		0.050	0.050	0.050	0.050	0.050	0.050	0.175	0.175	0.175	0.175

Table 4.10 Portfolio Plan D (iii) : Debt + Equity (70 - 30)

Plan D (iv) : Debt + Equity (80-20) Conservative Type											
	Portfolio Figures	HDFC Balanced Advantage Fund(G)	ICICI Pru Multi-Asset Fund(G)	DSP Equity & Bond Fund-Reg(G)	HDFC Hybrid Equity Fund(G)	IDFC Arbitrage Fund-Reg(G)	Nippon India Arbitrage Fund(G)	IDFC Banking & PSU Debt Fund-Reg(G)	IDFC Dynamic Bond Fund-Reg(G)	Kotak Dynamic Bond Fund-Reg(G)	Edelweiss Government Securities Fund-Reg(G)
Return Average	9.472602	14.8566667	13.37833	15.52333	13.39333	6.7083333	6.835	8.271667	9.39	9.046667	8.99
Variance	13.18945	299.188822	207.6686	263.3936	500.7174	0.9451806	0.7911917	3.153381	19.48433	7.648456	14.41246667
SD	3.631728	17.2970755	14.41071	16.2294	22.37672	0.972204	0.8894896	1.775776	4.414106	2.765584	3.796375464
Weights		0.033	0.033	0.033	0.033	0.033	0.033	0.200	0.200	0.200	0.200

Table 4.11 Portfolio Plan D (iv) : Debt + Equity (80 – 20)

Plan E : This plan includes some more diversification and extension of above mentioned portfolio to one more asset class that is gold.

Plan E : Equity+Debt+Gold (Equal Weights)												
	Portfolio figures	HDFC Balanced Advantage Fund(G)	ICICI Pru Multi-Asset Fund(G)	DSP Equity & Bond Fund-Reg(G)	HDFC Hybrid Equity Fund(G)	IDFC Arbitrage Fund-Reg(G)	Nippon India Arbitrage Fund(G)	IDFC Banking & PSU Debt Fund-Reg(G)	IDFC Dynamic Bond Fund-Reg(G)	Kotak Dynamic Bond Fund-Reg(G)	Edelweiss Government Securities Fund-Reg(G)	Kotak Gold ETF
Return Average	10.21974	14.8566667	13.37833	15.5233333	13.39333	6.7083333	6.835	8.271667	9.39	9.046667	8.99	6.035
Variance	43.89842	299.188822	207.6686	263.393556	500.7174	0.9451806	0.7911917	3.153381	19.48433	7.648456	14.41246667	94.44169
SD	6.625589	17.2970755	14.41071	16.229404	22.37672	0.972204	0.8894896	1.775776	4.414106	2.765584	3.796375464	9.718112
Weights		0.0909	0.0909	0.0909	0.0909	0.0909	0.0909	0.0909	0.0909	0.0909	0.0909	0.0909

Table 4.12 Portfolio Plan E : Debt + Equity + Gold

Plan F : This plan includes diversification across all the asset classes. Thus it includes Equity funds, Debt funds, Gold and Real Estate Index.

Plan E : All Assets (Equal weights)													
	Portfolio Figures	HDFC Balanced Advantage Fund(G)	ICICI Pru Multi-Asset Fund(G)	DSP Equity & Bond Fund-Reg(G)	HDFC Hybrid Equity Fund(G)	IDFC Arbitrage Fund-Reg(G)	Nippon India Arbitrage Fund(G)	IDFC Banking & PSU Debt Fund-Reg(G)	IDFC Dynamic Bond Fund-Reg(G)	Kotak Dynamic Bond Fund-Reg(G)	Edelweiss Government Securities Fund-Reg(G)	Kotak Gold ETF	HPI
Return Average	9.709143	14.8566667	13.37833	15.52333	13.39333	6.708333	6.835	8.271667	9.39	9.046667	8.99	6.035	4.128
Variance	36.26666	299.188822	207.6686	263.3936	500.7174	0.945181	0.7911917	3.153381	19.48433	7.648456	14.41246667	94.44169	4.615347
SD	6.022181	17.2970755	14.41071	16.2294	22.37672	0.972204	0.8894896	1.775776	4.414106	2.765584	3.796375464	9.718112	2.148336
Weights		0.0833	0.0833	0.0833	0.0833	0.0833	0.0833	0.0833	0.0833	0.0833	0.0833	0.0833	0.0833

Table 4.13 Portfolio Plan F : All Assets

Plan G : This portfolio has been formed on the theory as explained by Harry Markovitz. According to his theory along with diversification it's really important to select the funds with negative or minimum correlation so that if any unfavorable event occurred for a particular fund then it may not impact the return paying capacity of other funds. So the following funds have been selected after analyzing the correlation matrix (Table A.3 : Annexure – A).

Plan G : Markovitz least correlation allocation (Equal weights)								
	Portfolio Figures	HDFC Balanced Advantage Fund(G)	ICICI Pru Multi-Asset Fund(G)	Nippon India Arbitrage Fund(G)	IDFC Banking & PSU Debt Fund-Reg(G)	Kotak Dynamic Bond Fund-Reg(G)	Kotak Gold ETF	HPI
Return Average	8.93233	14.856667	13.38	6.835	8.271667	9.046667	6.035	4.128
Variance	20.09297	299.18882	207.6686	0.791192	3.153381	7.648456	94.44169	4.615347
SD	4.482519	17.297076	14.41071	0.88949	1.775776	2.765584	9.718112	2.148336
Weights		0.1428	0.1428	0.1428	0.1428	0.1428	0.1428	0.1428

Table 4.14 Portfolio Plan G : Markovitz least correlated funds portfolio.

5. ANALYSIS AND DISCUSSION

5.1 Portfolio Performance Evaluation and Ranking

This section analyzes the performance of different portfolio plans described and formed in the previous section. The purpose of this study was to understand how diversification across the different asset classes can reduce risk and maximize the return. After preparation of portfolios it's important to see whether the portfolios are performing well or not or say to find out the optimal portfolio mix by comparing all the portfolios.

Following are the variables with the help of which we can compare the performance of different portfolio mixes.

1. **Portfolio Return** : The third column in Table 5.A.1 shows the expected return of the portfolios. Every portfolio formed in the Capital markets there is one thumb rule that higher the risk higher would be the return. If we rank portfolios on the basis of Expected returns then top 3 portfolios would be **Plan A** (Expected return – 11.80%), **Plan D (ii)** (Expected return – 11.20) and **Plan D (i)** (Expected return – 10.92%). It is worth noticing that all the three portfolios are Equity based Aggressive portfolios. But ranking the portfolios only on the basis of the returns is not appropriate because all investors are not same they have different risk assuming capacities.
2. **Risk** : As said above different investors have different risk appetites, all cannot assume same level of risk. Some investors like aggressive composition of funds and some like to have conservative composition of funds. Standard Deviation is the best measure of risk of a portfolio. Ranking portfolios on the basis of risk measure, top 3 portfolios would be – **Plan B** (Risk – 3%), **Plan D (iv)** (Risk – 3.63%) and **Plan D (iii)** (Risk – 4.4082). All the above top ranked portfolios are Debt based funds, only debt based funds are low in risk as compared to Equity based or Hybrid funds portfolio.
3. **Sharpe Ratio** : Sharpe ratio is defined as the average return earned in excess of the risk-free rate (Here 6.13%) per unit of volatility or total risk i.e. standard deviation. The Sharpe ratio has become the most widely used method for calculating risk-adjusted return. Table 5.A.1 shows the portfolio ranking on the basis of Sharpe ratio , higher the ratio higher is the risk – adjusted return. Top 3 portfolios are – **Plan B** (SR – 0.9307), **Plan D (iv)** (SR –

0.9204) and **Plan D (iii)** (SR – 0.8284). These are again debt based portfolios. These are on top because to find SR differential returns are divided by standard deviation of the portfolio which is lower only in the case of Debt based portfolios.

Plan	Portfolio	Return	Variance	Std Dev	Beta	Sharpe Ratio	Rank
Plan A	All Equity	11.8061	136.7299	11.6932	0.2255	0.4854	10
Plan B	All Debt	8.9246	9.0155	3.0026	0.2500	0.9307	1
Plan C	Debt + Equity	10.6393	53.6213	7.3227	0.1350	0.6158	6
Plan D (i)	D+E (30-70)	10.9275	70.3391	8.3868	0.1575	0.5720	8
Plan D (ii)	D+E (20-80)	11.2086	89.5762	9.4645	0.1800	0.5366	9
Plan D (iii)	D+E (70-30)	9.7820	19.4325	4.4082	0.0675	0.8284	3
Plan D (iv)	D+E (80-20)	9.4726	13.1894	3.6317	0.0446	0.9204	2
Plan E	Debt + Equity + Gold	10.2197	43.8984	6.6256	0.1227	0.6173	5
Plan F	All Assets	9.7091	36.2667	6.0222	0.1125	0.5943	7
Plan G	Least correlation	8.9323	20.0930	4.4825	0.1928	0.6252	4

Table 5.A.1 Ranking of Portfolios on the basis of Sharpe Ratio

4. **Treynor's Ratio** – It is also a reward-volatility ratio, just like the Sharpe's ratio, but with just one difference. It uses a beta coefficient in place of standard deviations. It determines how successful an investment is in providing investors compensation, with consideration for the investment's inherent level of risk . Following table shows the ranking done on the base of TR. Top 3 portfolios are – **Plan D (iv)** (TR – 75.03), **Plan D (iii)** (TR – 54.10) and **Plan C** (TR – 33.40). The top ranking portfolios includes hybrid composition of funds, either equal or conservative i.e. more Debt based funds than Equity based funds. Reason for such ranking is that these portfolios have lower Beta values. Diversification reduces the Beta of the portfolio.

Plan	Portfolio	Return	Variance	Std Dev	Beta	Treynor's Ratio	Rank
Plan A	All Equity	11.8061	136.7299	11.6932	0.2255	25.1766	8
Plan B	All Debt	8.9246	9.0155	3.0026	0.2500	11.1783	10
Plan C	Debt + Equity	10.6393	53.6213	7.3227	0.1350	33.4025	3
Plan D (i)	D+E (30-70)	10.9275	70.3391	8.3868	0.1575	30.4515	6
Plan D (ii)	D+E (20-80)	11.2086	89.5762	9.4645	0.1800	28.2213	7
Plan D (iii)	D+E (70-30)	9.7820	19.4325	4.4082	0.0675	54.1031	2
Plan D (iv)	D+E (80-20)	9.4726	13.1894	3.6317	0.0446	75.0303	1
Plan E	Debt + Equity + Gold	10.2197	43.8984	6.6256	0.1227	33.3271	4
Plan F	All Assets	9.7091	36.2667	6.0222	0.1125	31.8273	5
Plan G	Least correlation	8.9323	20.0930	4.4825	0.1928	14.5364	9

Table 5.A.2 Ranking of Portfolios on the basis of Treynor's Ratio

5. **Jensen's Alpha :** It determines the performance of an investment against a market index used as a benchmark. The excess returns of a fund as compared to the return of a benchmark index (here taken constant return of Nifty 50 index – 12%) is the fund's alpha. Basically, the alpha coefficient indicates how an investment has performed after accounting for the risk it involved. A positive alpha is an indication that the portfolio manager earned substantial returns to be compensated for the additional risk taken. Ranking on the basis of alpha, top 3 portfolios are – **Plan A** (Alpha – 4.35), **Plan D (ii)** (Alpha – 4.022) and **Plan D (i)** (Alpha – 3.87).

Plan	Portfolio	Return	Variance	Std Dev	Beta	Jensen's Alpha	Rank
Plan A	All Equity	11.8061	136.7299	11.6932	0.2255	4.3527	1
Plan B	All Debt	8.9246	9.0155	3.0026	0.2500	1.3271	10
Plan C	Debt + Equity	10.6393	53.6213	7.3227	0.1350	3.7169	4
Plan D (i)	D+E (30-70)	10.9275	70.3391	8.3868	0.1575	3.8727	3
Plan D (ii)	D+E (20-80)	11.2086	89.5762	9.4645	0.1800	4.0222	2
Plan D (iii)	D+E (70-30)	9.7820	19.4325	4.4082	0.0675	3.2557	6
Plan D (iv)	D+E (80-20)	9.4726	13.1894	3.6317	0.0446	3.0811	7
Plan E	Debt + Equity + Gold	10.2197	43.8984	6.6256	0.1227	3.3694	5
Plan F	All Assets	9.7091	36.2667	6.0222	0.1125	2.9190	8
Plan G	Least correlation	8.9323	20.0930	4.4825	0.1928	1.6707	9

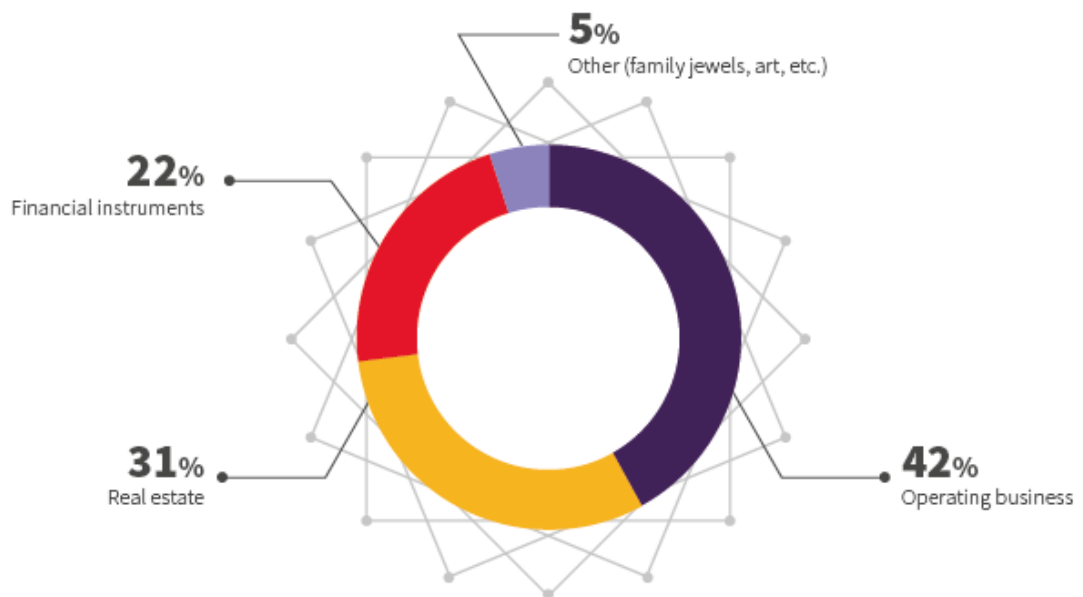
Table 5.A.3 Ranking of Portfolios on the basis of Jensen's Alpha

The ranking done on the basis of above performance parameters show that although diversification reduces overall risk associated with the investments, it also bring down the return figures associated with them. Thus highly diversified portfolios are not preferred according to any of the performance variable/ measure. The most desirable asset allocation are the strategic allocation of Debt and Equity.

5.2 Analysis of perception of investors towards Portfolio Management Services and Asset Allocation

1) To understand how Ultra HNIs and their families manage their wealth, it is first of all important to understand what are the sources of their wealth. To make vast sums of money most of the HNIs own typically large and highly successful businesses. It can sometimes take multiple generations to earn fruitful profits from the business that have been set up by the businessmen and to become HNI or Ultra HNI.

2) Next it's important to understand the investment preferences of HNI clients, that how much portion of their surplus money they want to invest in which asset classes. They can either invest in Financial instruments which include both Equity funds or debt Funds, in Real Estate, in other luxury items or can invest it back in their business or keep it in the form of cash for working capital requirements.



Source: The Edelweiss/Campden Family Wealth Report 2018

Figure 5.B.1 Shows the investor's wealth split across the holdings.

As shown by the above pie chart HNIs want either to keep their surplus funds invested in their operating businesses only or would like to keep it invested in Real Asset which is considered as one of the most growing asset class. The respective percentage of portions of wealth on an average HNIs want to invest in different areas are 42% in

operating business, 31% in Real Estate, 22% in Financial Instruments and rest 5% in luxury items.

3) It is obvious that all HNIs must know about Wealth Management services being provided by banks or other financial institutions. The question that is required to be addressed is that how many HNIs actually take use of those services?

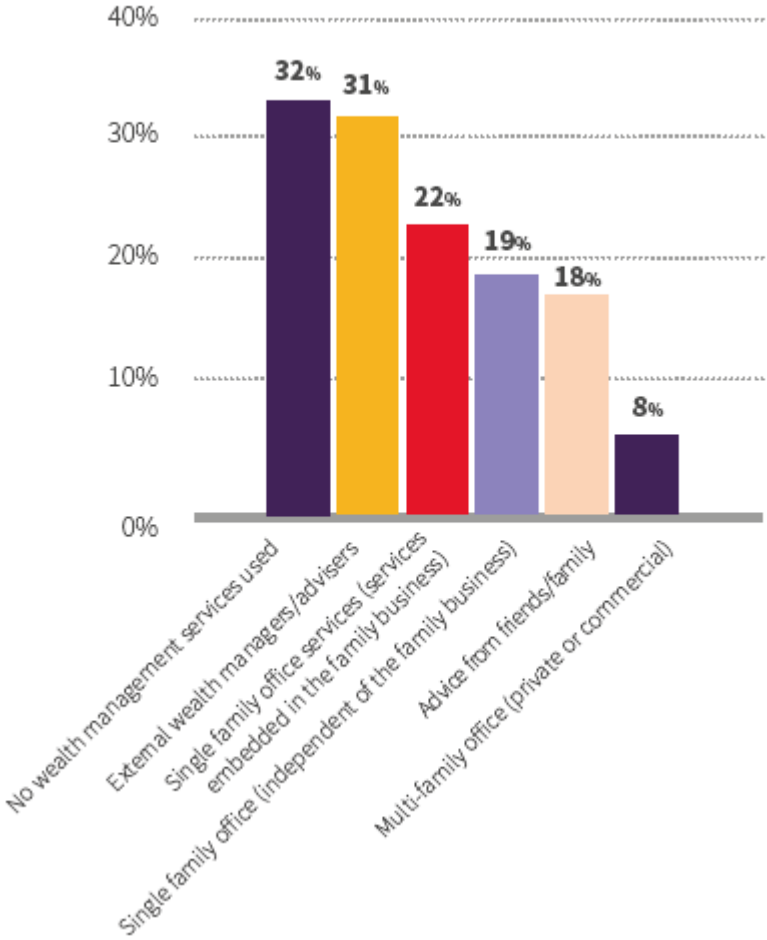
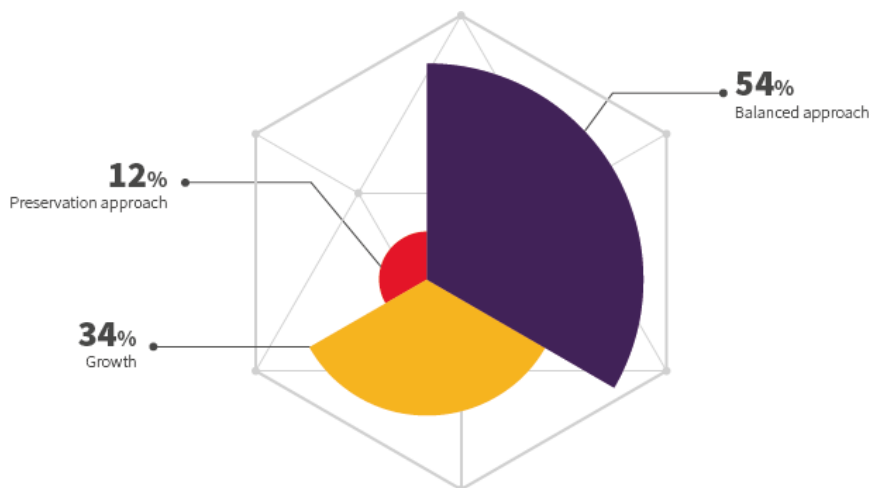


Figure 5.B.2 Wealth Management Services preferences by the investors. (Multiple responses allowed)

The above graph shows that around 32% HNIs and their families do not use Wealth Management services at all. But since multiple responses were allowed so it cannot be assessed is there any family who do not use any of the services. Families to navigate out from the complexities of managing their business generated wealth and financial planning, turn to outside experts for advice or wealth management services.

A growing number of investors have also taken the added step of establishing their own family offices or joining a multi-family office, where matters relating to both wealth management and general family planning and support are offered. Family offices refers to unique wealth management service provided by the financial institutions where they create account for the whole family as well their business and keep operating it for generations, managing wealth for the whole family and its successors. Amongst the wealthy families in India, the majority as shown by the research and the above graph use Independent wealth management service to manage and grow their wealth. Just under a third (31%) use external advisers, 22% have hybrid family offices, 19% have single family offices and 8% belong to a multi-family office. Just 32% report to use no such services at all.

4) The next discussion in the report is about the investment strategy that HNIs want to hire. Whether they want to go for Balanced Approach which is mix of both Goal oriented approach and preservation approach. The goal oriented approach is all about maximizing the returns out of the investment and thus includes major portions to be invested in Equities and other risky market instruments. It is generally taken by younger generations. The preservation approach as stated by name focuses on risk minimization, thus major investment is done on Debt instruments. It is generally taken by older generations.

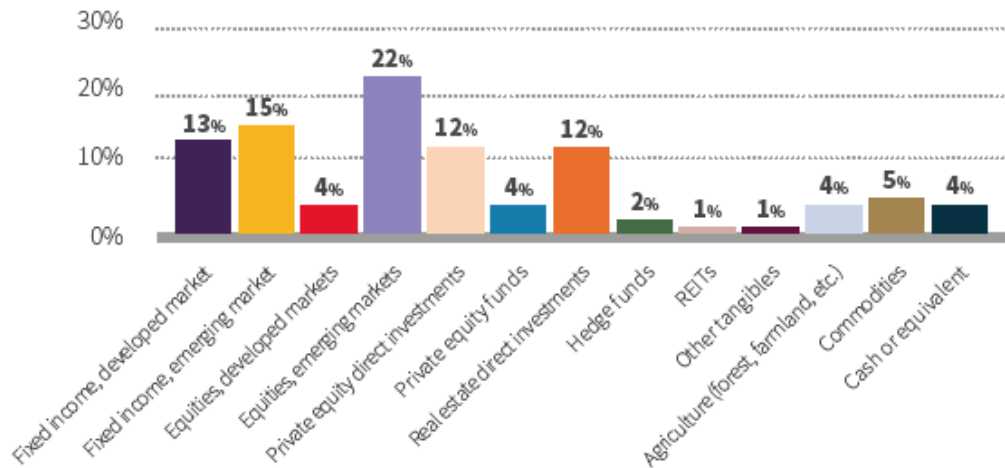


Source: The Edelweiss/Campden Family Wealth Report 2018

Figure 5.B.3 Investment Strategy

As shown by above Pie chart (Fig 4.3) HNI clients prefer to go with Balanced approach of investment strategy. The percentage count is around 54%.

5) Now here is the detailed analysis of asset allocation along different asset classes.



Source: The Edelweiss/Campden Family Wealth Report 2018

Figure 5.B.4 Asset Allocation

As shown by the above graph (Fig 5.B.4) the behavior of our responder investors is highly positive towards Equities and emerging markets. It includes markets that are even at a very nascent stages of its development. Now a days large surplus holders want to invest their money into new and emerging startup businesses as well so that they can hire huge stake in the emerging businesses and multiply their money by manifolds. On an average investors want to allocate around 22% of their money in Equities and Emerging markets, 15% in Financial instruments and emerging markets, 12% in Private equity direct investments as well as real estate direct investments each and rest in remaining assets.

6) Its important to understand what investors want from their portfolio manager. The survey generated many qualities of a portfolio manager before the investors such as Trusting relationships, Performance generation, Expertise in services, Responsiveness, Responsibility taker, Tax – mitigation Expertise, Family ties, Research, Competitive fees, Record keeping, Risk controlling.

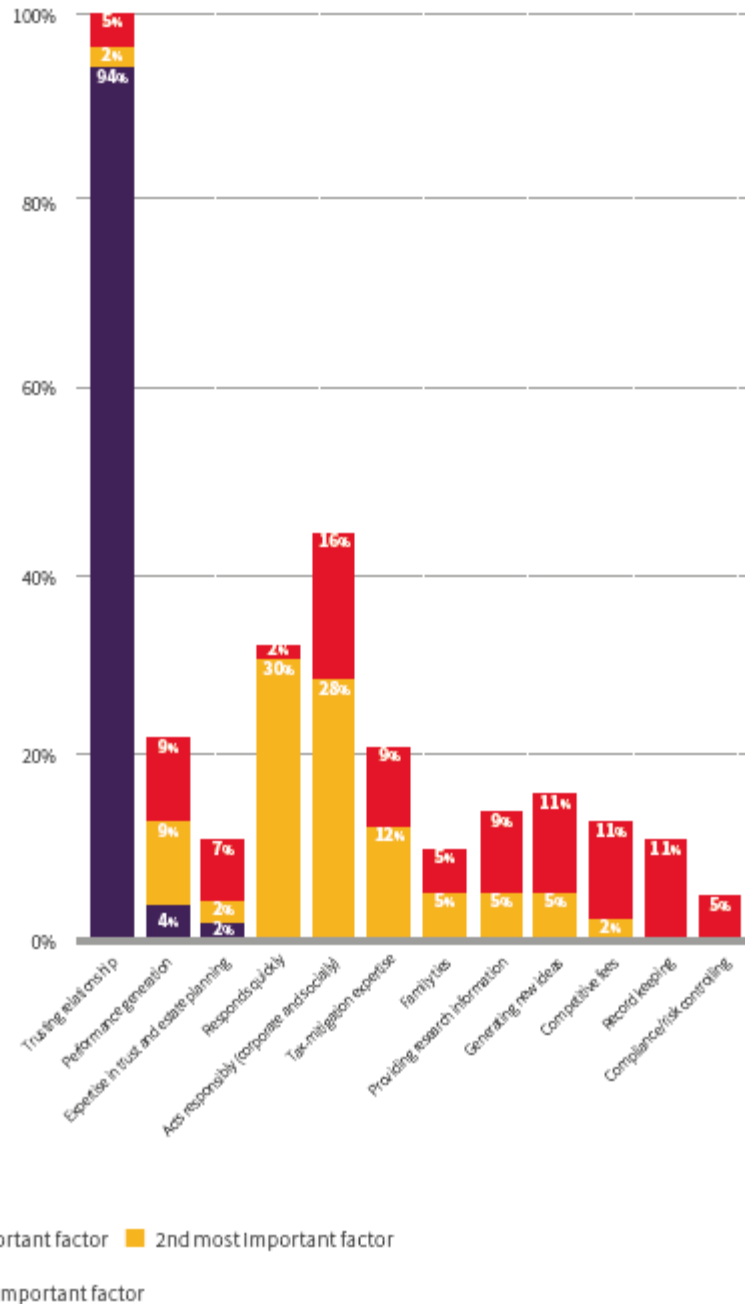
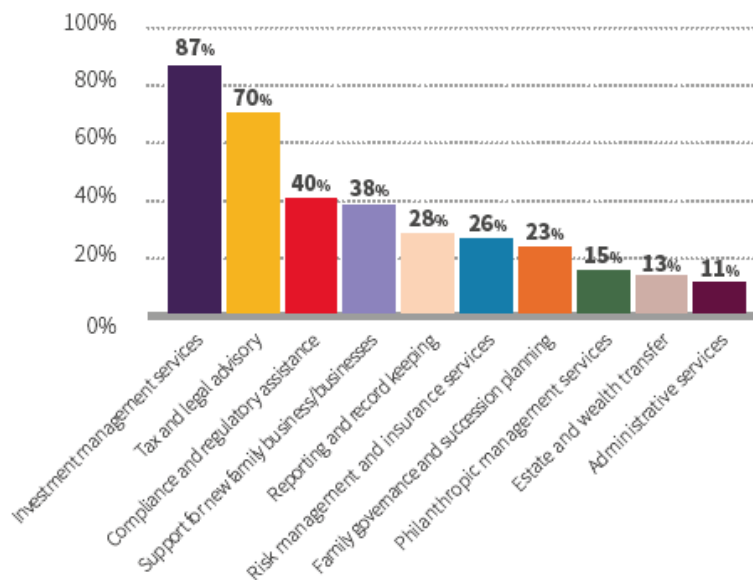


Figure 5.B.5 Key factors that Investor value in external advisory

The results of the survey stated that the most important factors that an investor seeks in his wealth manager are Trusting Relationships, Performance and Expertise. Second most important factors are Responsiveness of the manager and his responsibility taking gestures. Rest factors are not that much material to an investor.

8) There are many external advisory services that an individual can choose from the external advisors. Services like Investment Management, Tax and legal advisory, Compliance and regulatory, Support for new family business, reporting, Risk management, Family governance, Philanthropic management services, Estate and wealth transfer, Administrative.



Source: The Edelweiss/Campden Family Wealth Report 2018

Figure 5.B.6 Advisory services used by the investors

Most of the investors turn to outside advisory services for Investment Management services only. These services include wealth management and portfolio management services. All of the respondents were asked to rate how they perceive the importance of external services, even if they did not use them. On average, respondents placed the greatest value on outside support when it came to investment advice (96%), tax planning (96%), articulating and defining the family's goals (86%) and intergenerational wealth transfers (78%), as these areas were deemed either important or very important to respondents (figure 29). The areas noted to be the least important pertained to loans/credit, philanthropy/impact investing and family conflict resolution.

6. FINDINGS OF THE PROJECT

1. Different performance measures are used to measure the performance of portfolios prepared by wealth managers on behalf of their clients.
2. Most popular performance measures are Sharpe Ratio, Treynor's Ratio and Jensen's Alpha.
3. If a portfolio is completely diversified, all of the measures (Sharpe, Treynor's ratios and Jensen's alpha) will agree on the ranking of the portfolios. The reason for this is that with the complete diversification total variance is equal to systematic variance.
4. When portfolios are not completely diversified, the Treynor's and Jensen's measures can rank relatively undiversified portfolios much higher than the Sharpe measure does.
5. Analysis from part 5.2 shows that majority of investors use independent wealth management services (around 31%) to manage and grow their wealth.
6. 54% investors want to go for Balanced growth investment strategy.
7. Appropriate asset allocation according to investors include equities of emerging markets, fixed income instruments, private equity direct investments and real estate.
8. Most important factors in decision making of whether to opt external advisory services or not are trusting relationships and performance generation by the wealth manager.
9. Investors seek advisory services for Investment Management services.

The above findings are important to analyze the preferences of investors for wealth management services. They state the factors that investors seek in taking decisions regarding external advisory services, and what services they want. What are the most appropriate asset classes in which investors want to invest in their money and which strategy they opt for investing.

7. CONCLUSION

The wealth management industry in India is poised for significant expansion, given the favorable market landscape and expected regulatory boosts for the sector. Increasing wealth of the individuals and increased requirement to efficiently manage it so that the wealth beats up the ever increasing inflation and will be able to fulfill all financial needs of the investor, the need of wealth management services have increased over the time. This provides exciting growth opportunities to the MF industry which will drive rapid market expansion, coupled with an increase in the number of industry participants as well. To successfully tap into these potential, financial services organizations must undertake **a customized approach**, taking into account the specific variables of the Indian market. Customized approach in the sense of providing greater trusting relationships, commitment and responsiveness to the clients. This will need to be supported by **cost-effective business model** focused on improved transparency and compliance, partnerships and efficient technology solutions. These initiatives will help any particular company to beat the increasing cut - throat competition and create a significant pool of clients.

The size of the industry has increased to a very large sum. The average Assets Under Management (AAUM) of the Indian Mutual Funds Industry for the month of October 2019 stood at around Rs. 26,32,824 Crores.

- According to the data provided by the Capdem Report survey, Investors are well aware of the wealth management services but a good portion of them around 30% do not opt for wealth management services at all.
- The biggest factor behind these results is the trust factor. Trusting any external advisor though he/ she is professional in his work is difficult for any individual. Especially when it comes to the matter of managing wealth.
- Most of the Investors believe that their close friends are the one that provide them with the most appropriate investing advices, because according to them those must be tried and tested by their close friends.
- Respondent prefer risk free asset to be included into their portfolio. They don't want to put in all their funds into high risks. As stated by Markowitz that diversification is the key to reduce the portfolio risks, similar observation can be made through this survey. Investors try to invest in some portions of their total sum of money into all

asset classes. So that they would be able to diversify more and reduce their overall risks.

- One more conclusion that can be made through this project is that higher the return, higher the risk will be. Mutual funds though given the higher return in long run than any other asset mix but yet not been preferred by many of respondents, now a days SIP is more popularizing in mutual fund. Investors want to go for a more balanced approach of investing which includes both Equities and Debt Instruments.

In recent years, the proliferation of wealth management products and innovative financial services have contributed towards the steady growth of wealth management as an attractive and lucrative service sector within the financial industry around the world. The constant forward march of technology is opening new opportunities and markets in the wealth management. At the same time, rapid product development and changing needs of the investors and globalization of businesses are posing new challenges for the professionals working in wealth management. For eg., Increased availability of internet has made investors to gain market information and research about any sector in the real time and gain well insights about it. So they think that those services that they can avail on internet at a minimal cost or even at no cost, then why they require to go to a wealth manager and pay him large amounts of commissions for his services.

But since this project was prepared using survey report of Ultra HNIs (High Net Worth Individuals), who have large sums of money as well as their business accounts to manage. The positive factor is that the working capacity as well as earnings of the people have increased manifolds and more people have been added to the list of millionaires from the past decade. Thus it poses a positive opportunity to the wealth management industry because to manage such large sums of money they definitely require external advisors and wealth managers.

8. ANNEXURE – A

Quarterly returns		HDFC Balanced Advantage Fund(G)	ICICI Pru Multi-Asset Fund(G)	DSP Equity & Bond Fund- Reg(G)	HDFC Hybrid Equity Fund(G)	IDFC Arbitrage Fund- Reg(G)	Nippon India Arbitrage Fund(G)	IDFC Banking & PSU Debt Fund- Reg(G)	IDFC Dynamic Bond Fund- Reg(G)	Kotak Dynamic Bond Fund- Reg(G)	Edelweiss Government Securities Fund- Reg(G)	Kotak Gold ETF	HPI
2015	Q1	-0.35	1.76	2.4	-1.37	2.24	2.5	2.3	3.29	2.13	3.11	-3.32	0.75
2015	Q2	-1	-3.95	-0.1	-1.81	1.92	2.24	1.9	-1.45	0.12	-1.04	-9.98	0.76
2015	Q3	-4.56	-5.14	-1.68	-4.05	1.46	1.44	2.14	4.42	4.08	4.52	-1.16	0.3
2015	Q4	3.41	-4.31	1.8	3.59	1.47	1.44	1.71	-0.36	0.78	-0.59	-4.03	1.18
2016	Q1	-5.54	-4.35	-3.34	-12.38	1.51	1.56	2.31	1.82	2.66	3.1	16.11	1.3
2016	Q2	9.12	8.65	8.02	10.15	1.46	1.49	1.76	1.87	1.77	2.38	10.09	1.47
2016	Q3	5.61	6.62	9.2	6.2	1.64	1.73	1.84	4.95	5.25	4.06	-1.67	1.67
2016	Q4	5.03	-1.35	-7.18	-5.83	1.53	1.65	1.61	2.81	1.95	1.7	-10.61	0.81
2017	Q1	13.09	11.63	10.25	13.82	1.47	1.39	1.44	1.48	0.28	0.11	2.13	1.01
2017	Q2	3.63	1.58	2.94	2.32	1.35	1.37	1.3	2.35	2.59	1.41	-0.92	-0.76
2017	Q3	0.94	2.23	1.61	0.25	1.49	1.55	1.85	1.19	1.91	1.28	5.04	-1.41
2017	Q4	11.35	9.17	7.83	12.74	1.19	1.15	0.51	-1.77	0	0.66	-0.74	1.2
2018	Q1	-5.53	-3.93	-5.26	-10.11	1.58	1.92	1.74	0.82	1.44	0.84	5.46	0.71
2018	Q2	-0.6	-1.45	-0.71	-4.01	1.52	1.6	0.23	-0.65	-0.08	-0.05	-1.62	1.72
2018	Q3	2.49	3.41	-2.54	-0.27	1.51	1.52	1.06	1.4	1.6	0.77	0.2	2.4
2018	Q4	2.25	0.02	2.68	2.06	1.63	1.66	3.58	4.62	3.65	4.84	3.49	1.4
2019	Q1	6.06	3.95	5.52	5.5	1.54	1.52	3.48	2.61	3.18	2.1	-0.35	2.12
2019	Q2	2.61	1.65	1.8	0.66	1.79	1.8	1.34	3.2	2.74	5.33	9.26	1.01
2019	Q3	-6.58	-3.63	1.77	-2.81	1.51	1.47	3.3	3.19	2.49	2.16	12.25	1.47
2019	Q4	5.82	6.96	4.12	4.07	1.17	1.3	2.16	1.4	1.84	0.24	3.87	1.53

Table A.1 Quarterly Returns of top performing mutual funds and other assets (Equity based, Debt based, Gold ETF & Housing Price Index) : Source – Fundisindia.com

	HDFC Balanced Advantage Fund(G)	ICICI Pru Multi- Asset Fund(G)	DSP Equity & Bond Fund- Reg(G)	HDFC Hybrid Equity Fund(G)	IDFC Arbitrage Fund- Reg(G)	Nippon India Arbitrage Fund(G)	IDFC Banking & PSU Debt Fund- Reg(G)	IDFC Dynamic Bond Fund- Reg(G)	Kotak Dynamic Bond Fund- Reg(G)	Edelweiss Governmen t Securities Fund- Reg(G)	Kotak Gold ETF	HPI
2014	42.7	36.8	44.84	52.04	8.56	7.96	9.22	15.98	10.44	14.24	0.81	4.13
2015	-0.55	-1.63	4.54	-1.45	7.33	7.98	8.51	6.4	7.48	5.95	-8.49	2.99
2016	5.88	11.9	7.55	-0.7	6.36	6.64	7.97	12.89	13.04	12.39	10.63	5.25
2017	34.94	27.58	26.86	34.57	5.61	5.54	5.44	2.96	4.87	3.62	2.66	0.04
2018	-0.19	-1.93	-4.62	-11.17	6.22	6.72	7.25	6.74	7.22	6.72	7.42	6.23
2019	6.36	7.55	13.97	7.07	6.17	6.17	11.24	11.37	11.23	11.02	23.18	6.13
Annualized Average return	14.86	13.38	15.52	13.39	6.71	6.84	8.27	9.39	9.05	8.99	6.04	4.13
Risk SD	17.2970755	14.41071	16.2294	22.37672	0.972204	0.88949	1.775776	4.414106	2.765584	3.79637546	9.718112	2.148336
Risk Var	299.188822	207.6686	263.3936	500.7174	0.945181	0.791192	3.1533806	19.48433	7.648456	14.4124667	94.44169	4.615347
Beta	1.35	1	4.72	0.82	0.67	0.52	4.11	1.09	0.9	0.72	0	0

Table A.2 Annualized Risk and Return of top performing mutual funds and other assets (Equity based, Debt based, Gold ETF & Housing Price Index)

	HDFC Balanced Advantage Fund(G)	ICICI Pru Multi- Asset Fund(G)	DSP Equity & Bond Fund- Reg(G)	HDFC Hybrid Equity Fund(G)	IDFC Arbitrage Fund- Reg(G)	Nippon India Arbitrage Fund(G)	IDFC Banking & PSU Debt Fund- Reg(G)	IDFC Dynamic Bond Fund- Reg(G)	Kotak Dynamic Bond Fund- Reg(G)	Edelweiss Government Securities Fund-	Kotak Gold ETF	HPI
HDFC Balanced Advantage Fund(G)	1											
ICICI Pru Multi-Asset Fund(G)	0.9773563	1										
DSP Equity & Bond Fund-Reg(G)	0.9505459	0.9561195	1									
HDFC Hybrid Equity Fund(G)	0.9817253	0.9625867	0.988118	1								
IDFC Arbitrage Fund-Reg(G)	0.3465814	0.3517554	0.5118376	0.4549388	1							
Nippon India Arbitrage Fund(G)	-0.034596	-0.042931	0.1227104	0.0739899	0.9057082	1						
IDFC Banking & PSU Debt Fund-Reg(G)	-0.223972	-0.148457	0.0662558	-0.068266	0.3881177	0.3386178	1					
IDFC Dynamic Bond Fund-Reg(G)	0.2009348	0.345226	0.4083937	0.2803444	0.6375136	0.4509163	0.664956	1				
Kotak Dynamic Bond Fund-Reg(G)	-0.166755	0.0257865	0.045559	-0.098468	0.2801259	0.2142245	0.6759349	0.8718994	1			
Edelweiss Government Securities Fund-Reg(G)	0.1816087	0.3357743	0.3838121	0.2536874	0.5672043	0.3764717	0.6620547	0.9960761	0.8994721	1		
Kotak Gold ETF	-0.195568	-0.095487	-0.130058	-0.203098	-0.46755	-0.589904	0.4754632	0.2993916	0.5136169	0.3710305	1	
HPI	-0.552917	-0.465572	-0.421814	-0.519292	0.1027377	0.1918009	0.6448826	0.5625713	0.6695663	0.5827977	0.5805027	1

Table A.3 Correlation Matrix formed from the return figures of each fund and asset.
(Green marked boxes shows Funds with negative correlation and Red boxes shows Funds with low correlation)

	HDFC Balanced Advantage Fund(G)	ICICI Pru Multi-Asset Fund(G)	DSP Equity & Bond Fund- Reg(G)	HDFC Hybrid Equity Fund(G)	IDFC Arbitrage Fund- Reg(G)	Nippon India Arbitrage Fund(G)	IDFC Banking & PSU Debt Fund- Reg(G)	IDFC Dynamic Bond Fund- Reg(G)	Kotak Dynamic Bond Fund- Reg(G)	Edelweiss Government Securities Fund- Reg(G)	Kotak Gold ETF	HPI
HDFC Balanced Advantage Fund(G)	299.188822	243.618961	266.838411	379.978511	5.82821111	-0.53228333	-6.87946111	15.3416	-7.97697778	11.92555	-32.8739333	-20.5463533
ICICI Pru Multi-Asset Fund(G)	243.618961	207.668647	223.614622	310.399972	4.92814722	-0.55029167	-3.79904722	21.9599667	1.02769444	18.3697	-13.372425	-14.4136767
DSP Equity & Bond Fund-Reg(G)	266.838411	223.614622	263.393556	358.845672	8.07592222	1.77143333	1.90947778	29.2566333	2.04486111	23.6477833	-20.5126333	-14.7070667
HDFC Hybrid Equity Fund(G)	379.978511	310.399972	358.845672	500.717422	9.89707222	1.47268333	-2.71262222	27.6905167	-6.09365556	21.55085	-44.16555	-24.9637767
IDFC Arbitrage Fund-Reg(G)	5.82821111	4.92814722	8.07592222	9.89707222	0.94518056	0.783225	0.67005278	2.73583333	0.75317778	2.09346667	-4.41740833	0.21458
Nippon India Arbitrage Fund(G)	-0.53228333	-0.55029167	1.77143333	1.47268333	0.783225	0.79119167	0.53485833	1.77043333	0.52698333	1.27128333	-5.099225	0.36651667
IDFC Banking & PSU Debt Fund-Reg(G)	-6.87946111	-3.79904722	1.90947778	-2.71262222	0.67005278	0.53485833	3.15338056	5.21223333	3.31955556	4.46325	8.20515833	2.46020333
IDFC Dynamic Bond Fund-Reg(G)	15.3416	21.9599667	29.2566333	27.6905167	2.73583333	1.77043333	5.21223333	19.4843333	10.6437833	16.69185	12.8429333	5.33485333
Kotak Dynamic Bond Fund-Reg(G)	-7.97697778	1.02769444	2.04486111	-6.09365556	0.75317778	0.52698333	3.31955556	10.6437833	7.64845556	9.44373333	13.8041	3.97816333
Edelweiss Government Securities Fund-Reg(G)	11.92555	18.3697	23.6477833	21.55085	2.09346667	1.27128333	4.46325	16.69185	9.44373333	14.4124667	13.68865	4.75323333
Kotak Gold ETF	-32.8739333	-13.372425	-20.5126333	-44.16555	-4.41740833	-5.099225	8.20515833	12.8429333	13.8041	13.68865	94.4416917	12.1196
HPI	-20.5463533	-14.4136767	-14.7070667	-24.9637767	0.21458	0.36651667	2.46020333	5.33485333	3.97816333	4.75323333	12.1196	4.61534667

Table A.4 Covariance Matrix (Used to find portfolio risk figures)

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