HNIs Eye Non-Equity Assets Abroad

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Posted on Tue Mar 03, 2009 at 09:55:35 PM EST

For want of new investment strategies and capital protection themes, wealth managers in India are advising their high net worth clients to increase exposure to non-equity overseas asset classes.

While emerging market bond funds are the main draw among high net worth investors, money is also flowing into overseas real estate and real estate investment trusts (Reits), US government bonds, gold & precious mining funds, oil instruments and commodity-based asset classes.

According to wealth managers, investors are looking at investment options abroad, thanks to the persistent downturn in equities market and lack of alternative asset classes. RBI allows citizens to invest up to $2,00,000 (Rs 1 crore at Friday's exchange rates) every year in overseas assets, including real estate; equities and debt securities.

Though there is money to be made in domestic debt issuances, investors are eyeing specific `high-return' pockets like emerging market bonds (three-month returns of a few bond funds as high as 11-15%) and downtown real estate (in Europe and the US). Affluent Indian investors are also buying US treasury bonds with a view to protecting their capital.

"Though there are apprehensions about the US economy, investors are still comfortable investing in government treasury bonds of that country," said ASK Wealth Advisors' wealth management head Maneesh Kumar.

Source: Economic Times *HNIs Eye Non-Equity Assets Abroad*

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"Investors still consider US treasuries as one of the safest investment avenues. They certainly do not expect the US economy to collapse despite its present economic woes; as a matter of fact, money continues to flow into these instruments despite low yields," Mr Kumar added.

Apart from US treasuries, wealth managers are also betting big on international bonds or global bond funds. "Overseas debt market is very vast and has several structures (or bond sectors) that enable investors have a good blend of debt instruments. Domestic fund houses are also working out plans to launch thematic debt fund that invest in global bonds," said the chief investment officer of a foreign fund house having a presence in India.

According to wealth managers, overseas remittances, which were a mere $50 million in April 2008, had soared to $159 million in August 2008. But after Lehman Brothers went bust in September, outward remittances dipped to $40.9 million in October.

"The trend to invest abroad is picking up very gradually. The flow is not rapid because of higher exchange rates (wherein an investor will have to buy $1 paying Rs 51). Capital protection is one of the key features of investing in overseas assets," said Societe Generale Private Banking country head (private banking) Nipun Mehta.

Apart from debt structures, investors are keen to invest in real estate, structured notes, oil and commodity assets. With property prices in the US and Europe hitting rock-bottom, investors are buying fixed assets as well. Avid investors are also allocating money to thematic funds that invest in companies functioning in key areas like fresh water, environment, clean technologies and food.

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