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Rich investors take conservative route

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The ongoing market turmoil and the financial crisis may have shaken high networth investors' (HNIs) confidence in risky investment options, including equity markets, hedge funds and private equity (PE) funds, but they have not gone into complete hibernation with their money.

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Wealth management companies that Financial Chronicle talked to said that the number of their HNI clients have actually gone up marginally in the past one year.

"However, the objective of their investment has changed from wealth creation to wealth preservation. HNIs are looking for return of money rather than return on money," said Vineet Dhar, business head, wealth management, ICICI Bank. Dhar, however, said every market offers investment opportunities and so does the present market condition. He said that ICICI's wealth management division has actually seen the number of clients rising by 5-6 per cent over the past few months despite shaky financial markets.

"The rise in the number of HNI clients is not surprising. Given the uncertainty in economies across the world, more people have started realising the significance of informed advice from professionals," Sonu Bhasin, president, retail finance services, Axis Bank, said. But Bhasin agreed that the shift has been towards safe investment options. "There has been a sharp drop in the amount of money invested in equity and equity-linked instruments," she said.

Most wealth managers are also playing it safe and advising their customers to invest mostly in debt funds and guaranteed-return products through the systematic investment route over a longer period. Some wealth managers also see good investment opportunity in gold, which gave a return of over 20 per cent in 2008.

Maneesh Kumar, head, wealth management solutions, ASK Wealth Advisors, said, "We recommend asset allocation based on the risk profile of the investor. However, given the uncertainties in the present market conditions, a lot of interest is coming into relatively safer investment options such as debt-oriented mutual funds, fixed deposits and corporate deposits."

Most debt mutual funds last year gave a return of over 8-9 per cent compared with over 40 per cent drop in equity funds. In some cases, the debt funds have given as high as 25 per cent returns. Bank fixed deposits gave an average return of more than 8 per cent.

However, most wealth managers say equity investment is not a taboo even in the present market conditions. “Most stocks are available at cheaper prices and we recommend selective stock picking to investors (small or HNIs alike). Our focus is on systematic investment in equities,” said Bhasin of Axis Bank.

For savvy investors, there are other alternative investment options such as PE funds. Dhar said over the past two-three years, the PE sector has matured in India and is a good investment option for ultra-HNIs (who have investible surplus of Rs 2-5 crore).

“In the present scenario, I would suggest a 10-12 per cent allocation in private equity funds,” he said, adding that HNI money accounts for around 5 per cent of asset under management of PE funds in India.

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