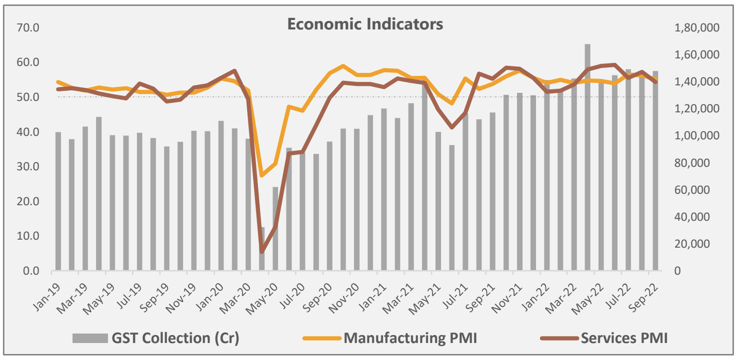
Oct 2022

Fintrust

bulletin...

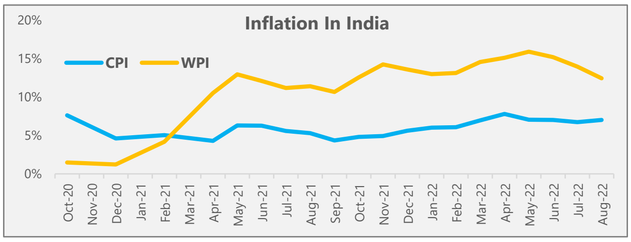
Economic Indicators

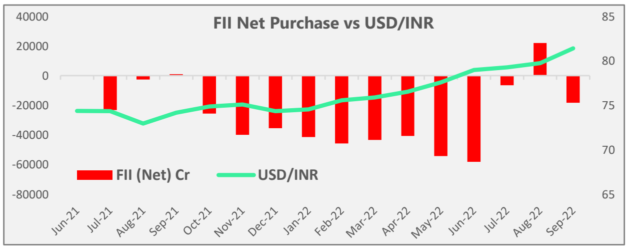
- The seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index (PMI) stood at 55.1 in September 2022, expanding for the fifteenth month. The headline figure, however, slipped from 56.2 in August, though it pointed to a solid rate of growth.
- Factory orders continued to increase at the end of the second fiscal quarter, stretching the current sequence of expansion to 15 months. New export orders rose further in September, and the increase has marked the sixth consecutive month and the fastest since May.
- In September, growth in India's services industry slumped to a six-month low, led by a substantial easing in demand amid high inflation. The S&P Global India services Purchasing Managers' Index fell to 54.3 in September from 57.2 in August.
- Demand slowed as firms raised their prices for a nineteenth month as they faced higher energy, food, labour, and material costs. Hiring in the sector continued for the fourth month, but fewer jobs were created compared to August.
- The gross GST revenue collected in September 2022 is ₹ 1.48 lakh crore. The revenues for the month are 26% higher than the GST revenues in the same month last year.
- During the month, revenues from import of goods were 39% higher, and the revenues from the domestic transaction (including import of services) were 22% higher than the revenues from these sources during the same month last year.
- While India's wholesale inflation eased to 12.41% year-on-year in August compared to 13.93% in July, retail inflation surged to 7.0% from 6.71% during the same period.
- RBI maintained its projection of annual inflation to 6.7% for FY23. Projections accounted for softening global commodity prices and improving prospects for the rabi crop basis the comfortable reservoir levels, which could mitigate risks from uncertain crude price trajectory and imported inflation pressures.



RBI Bi-Monthly Monetary Policy Updates

- Given sticky core inflation, ongoing improvement in domestic economic activity, and expected support from festive season demand, Monetary Policy Committee (MPC) proactively prioritized anchoring inflation expectations to avert likely second-round effects of inflation.
- Accordingly, the MPC voted unanimously to increase the policy repo rate by 50bps to 5.9%. The committee remains focused on withdrawing accommodation to steer inflation to be within the target band and to support medium-term growth. The RBI revised the terminal Repo rate projection higher from 6.0%-6.25% to 6.25%-6.5% for FY23.
- The projection for real GDP growth for FY23 is moderated to 7.0% from an earlier estimate of 7.2%.
- System liquidity surplus levels have considerably lowered from around INR 8 trillion in January 2022 to INR 1.2 trillion in September 2022. Slowing global growth, tighter liquidity conditions hampering global demand, and the resultant impact on domestic exports, among other factors, have led the MPC to lower GDP growth estimates for FY23.
- The policy highlights uncertainty around global growth trends and persistent inflationary pressures. As the global central banks try to make up for the slower start to policy tightening measures, their intent to firmly stay the course of hiking rates at the current pace highlights their resolve to anchor inflation expectations





Debt Market & Other Indicators

- Yields across maturities went up during August. The weighted average yield on the 10-year G-Sec benchmark paper settled at 7.40% on 30th September 2022, compared to 7.19% a month earlier.
- The overall system liquidity continued to be in surplus, with average daily absorption under the liquidity adjustment facility (LAF) at INR 2.3 lakh crore during August-September.
- The RBI remains neutral on the market borrowing numbers since the marginal drop in the central borrowing in H2-FY23 is offset by a rise in the state borrowings. The likely rise in fertilizer and food subsidies could potentially warrant an adjustment to the borrowing numbers towards the close of the year.
- The Rupee depreciated sharply against the US dollar during September to 81.40 per dollar amid high demand for the US dollar. Easing crude oil prices has provided some support to the local unit. The Rupee appreciated against other major currencies as these major currencies depreciated against the greenback. Foreign reserves in India have declined by nearly $100 billion to $545 billion from the highest point after the RBI tried to shore up the Rupee.
- Bullion prices had a mixed response, with a decline in Gold prices and a surge in Silver prices. Crude oil prices came down sharply from $89 to $80 per barrel amid concerns of global recession and lesser-than-expected demand.

Indicator	Sep 22	Aug 22	Trend
Call rate	5.55%	5.55%	▬
3 Month CP	6.09%	5.59%	▲
1 Year AAA	6.70%	6.34%	▲
3 Year AAA	7.22%	6.88%	▲
5 Year AAA	7.32%	6.99%	▲
10 Year G-Sec	7.40%	7.19%	▲

Currency (USD)	Sep 22	Aug 22	Trend
US Dollar	81.40	79.73	▲
GBP	90.79	92.19	▼
EURO	80.04	80.19	▼
YEN	0.56	0.57	▼

Commodity (USD)	Sep 22	Aug 22	Trend
WTI Crude	80.00	89.25	▼
Gold	1672.80	1720.00	▼
Silver	19.21	17.78	▲

Debt Market Outlook

- Yields across maturities have gone up during September as Central Banks globally raised interest rates to arrest inflation. We expect the trend to continue till the first half of FY 2023-24.
- The FOMC terminal rates are expected to reach a minimum level of 4.5%, with a likelihood of scaling 5%-5.25% on the upside. As a spillover effect, this could necessitate higher expected terminal rates domestically.
- Led by expected rate hikes and tighter liquidity conditions, we continue to favour the low-to-moderate maturity segments while identifying tactical opportunities in the longer maturity segments.
- Investors may consider shorter maturity funds and floating rate funds as they provide a hedge against a rise in interest rates.

Domestic Equity Market

- With global recession fears getting stronger, Indian equities and all major global markets corrected substantially. Further, Russia's escalation of the war in Ukraine also aided the downside.
- While Nifty 50 and Nifty Midcap 100 corrected by 3.7% and 2.6%, S&P BSE Small cap closed comparatively flat with a decline of 0.7%.
- All major sectors except Healthcare and FMCG corrected within a range of 0.5% to 9.2%. S&P BSE Power, S&P BSE Realty and S&P BSE Oil & Gas saw the highest decrease at 9.2%, 8.5% and 8.5%, respectively. S&P BSE Healthcare & FMCG gained 1.4% amid the growing fear of recession.
- FIIs have again turned negative after a month of positive net flow in the cash segment of equities, with a net sale of 18,308 crores. During September, DIIs purchased Rs. 14,120 crores of shares in the cash segment.
- India's industrial production grew by 2.4% year-on-year in July from an upwardly revised 12.7% in June. The manufacturing output rose 3.2% year-on-year in July from a 12.9% gain in the previous month.
- S&P said India is unlikely to face a recession on the "not so coupled" nature of the economy with the global economy.
- Along with RBI, Asian Development Bank slashed its India growth projection for 2022-23 to 7% from 7.2%, citing higher-than-expected inflation and monetary tightening, which might slow down the economy.
- The Union Cabinet approved a uniform incentive of 50% of the project cost for setting up semiconductor, display and compound semiconductor fabrication units.
- The Union Cabinet has also approved the National Logistics Policy, which proposes to enable a seamless movement of goods in the country and improve the competitiveness of Indian goods in the domestic and export markets.

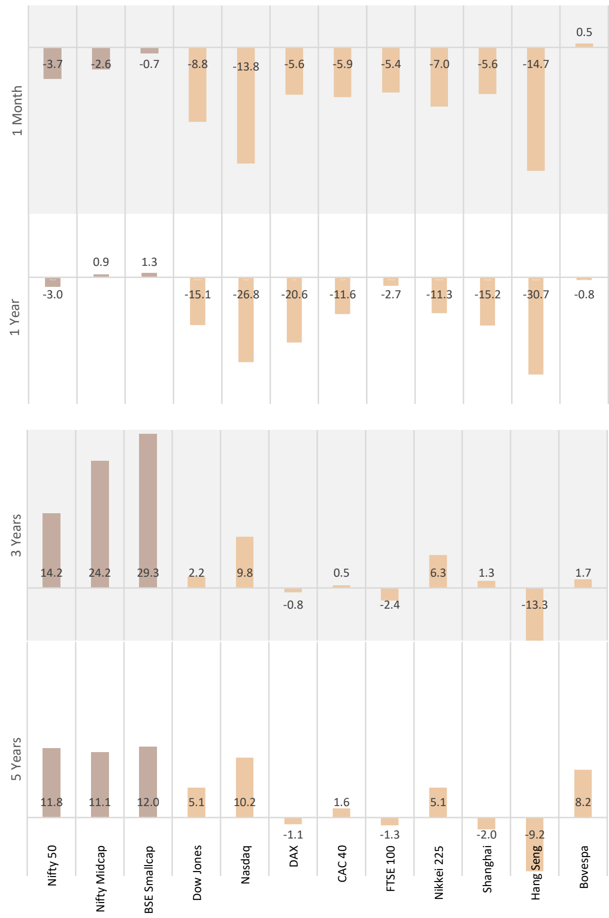
Broad Indices	Sep 22	Aug 22	Change
Nifty 50	17094	17759	-3.7%
BSE Sensex	57427	59537	-3.5%
Nifty Midcap	30668	31482	-2.6%
BSE Smallcap	28453	28651	-0.7%
S&P BSE 500	23642	24437	-3.3%

Sectoral Indices	Sep 22	Aug 22	Change
S&P BSE Bankex	44180	45296	-2.5%
S&P BSE Metal	18015	19166	-6.0%
S&P BSE Healthcare	23341	23014	1.4%
S&P BSE IT	27488	28915	-4.9%
S&P BSE FMCG	16180	15954	1.4%
S&P BSE CD	42489	42711	-0.5%
S&P BSE Auto	29178	30334	-3.8%
S&P BSE Oil & Gas	18559	20290	-8.5%
S&P BSE Realty	3377	3691	-8.5%
S&P BSE CG	31218	32225	-3.1%
S&P BSE Power	4749	5228	-9.2%

Global Equity Markets

- Global equity markets saw a sharp correction amid rate hikes by international central banks. As a result, US treasury prices also declined.
- The industrial index - Dow Jones, and the technology index - Nasdaq, declined by 8.8% and 13.8%, respectively, as investors are worried about economic growth after the Fed continued with its aggressive rate hike stance and projected more hikes in future.
- The Fed raised the target interest rate by 75 bps to a range of 3% - 3.25% and signalled that it would stay on the course of a larger hike to 4.4% by the end of 2022 and 4.6% in 2023 to battle the high levels of inflation.
- US consumer prices rose 8.3% year-on-year in August, compared with an 8.5% rise in July.
- Bank of England (BoE) raised its key interest rate by 50 bps to 2.25%, the 7th consecutive rate hike, with officials unanimously voting to reduce the bond-buying programme by 80 billion pounds over the next 12 months. As a result, Britain's FTSE fell 5.36%.
- Other European equities also declined, with Germany's DAX and France's CAC 40 losing 5.6% and 5.9%, respectively, following an interest rate hike by the Fed, Swiss National bank and Bank of England.
- Eurozone consumer prices increased 9.1% year-on-year during August from 8.9% in July. Eurozone industrial production fell 2.4% year-on-year in July, following a revised 2.2% rise in June.
- Japan's Nikkei plunged 7.0% along with global markets. Bank of Japan (BoJ) maintained its key short-term interest rates at -0.1% and 10-year bond yields at around 0%. Japan's industrial production decreased by 2% year-on-year in July, lower than a 2.8% fall in June.
- China's Shanghai Composite and Hong Kong's Hang Seng plunged by 5.6% and 14.7%, respectively, on worries over Chinese economic growth and rising geo-political tensions between the US and China.
- People's Bank of China kept its 1-year and 5-year loan prime rates unchanged at 3.65% and 4.3%, respectively. China's premier Li Keqiang vowed to continue its plan to roll out policies in phases to stabilise its Covid-19-hit economy and ease lockdown restrictions in some places.

Performance of Indian & Global Indices



***Note:** For Periods till 1 year the returns are absolute and for beyond 1 year, its CAGR returns*

Equity Market Outlook

- It is yet to be seen how long can the Indian markets remain an outlier when compared to all major markets. Not just the market, Rupee too has been an outlier when compared to all the Asian currencies. While the downside in the Indian markets looks more eminent, the upside seems restricted.
- Continuing with the bearish momentum that was seen in the last week of September, the market started the October series on a negative note. As the sell-off continues, for the near-term, Indian markets seem to be in bear territory with rising volatility.
- Historically, Indian equities have entered bear markets when the US has slipped into recession. The US interest rate cycle and, thus, the US dollar could continue to be a source of volatility for Indian equities in the coming months due to their negative effect on earnings and balance of payments.
- It is vital to ensure that the larger trend is intact and the Indian economy is still structurally strong, and then attempt to accumulate equities near lower support levels using the position sizing approach.

Is ESG complaince a new normal?

Environmental, Social, and Governance

By Prashant Joshi
Published in
Times of India - 16th September 2022

Responsible investing is gaining momentum as social consciousness among various groups of investors is on the rise. Across the investor spectrum, i.e. from institutional to High Networth Investors (HNI's) to retail investors, are becoming more mindful of and embracing ESG investing. As a result, the investors value the companies striving towards better ESG compliance. The COVID-19 crisis has intensified discussions about sustainability and the financial system, acting as a catalyst for this theme. It looks like this phenomenon is not incidental and is here to stay and become an integral part of investing framework eventually. According to a report, ESG-mandated assets could make up half of all managed assets in the United States by 2025. Bloomberg has forecasted global ESG assets to hit $53 trillion by 2025.

ESG stands for Environmental, Social, and Governance. It is a form of socially responsible investing that prioritizes financial returns alongside a company's impact on the environment, its stakeholders and governance practices. It involves using ESG factors to evaluate companies, and the data can be integrated into the investment process when deciding what equities or bonds to buy. It is based upon the growing assumption that the financial performance of organizations is increasingly affected by environmental and social factors.

The Environmental component addresses how a company affects the planet like greenhouse gas emissions, carbon footprint, renewable energy practices, to name a few. The Social component broadly covers issues affecting employees, customers, consumers, suppliers, and the local community and finally, the governance component broadly relates to the board, leadership effectiveness, and business ethics.

There is no clear-cut answer as to why ESG companies may do better. However, if a company works towards identifying the various risk that its businesses faces and works towards mitigating it, its operations and profits more secured. The result is fewer business disruptions with more reliable and comparable financial results over time. Thus lower downside risk for shareholders.

In India, the ESG theme is at a nascent stage, and hence there are limited options to invest as of today. However, there has been a slew of ESG focussed funds launched in India recently, with many more ESG funds lined up; the trend seems to be catching up in India. Many mutual fund houses provide access to ESG themes; however, most were launched in 2020 (Table A). The traction is building in the PMS/AIF category, with houses like Avendus, Philip Capital offering ESG themes and other prominent houses with similar offerings in the pipeline.

Table A

Fund Name	Inception Date	Fund Name	Inception Date
SBI Magnum Equity ESG Reg Gr	27-11-2006	Mirae Asset ESG Sector Leaders ETF	18-11-2020
Quantum India ESG Equity Reg Gr	12-07-2019	Mirae Asset ESG Sect Ldrs FOF Reg Gr	19-11-2020
Axis ESG Equity Reg Gr	12-02-2020	Kotak ESG Opportunities Reg Gr	18-12-2020
ICICI Pru ESG Reg Gr	09-10-2020	Aditya BSL ESG Reg Gr	24-12-2020
Quant ESG Equity Reg Gr	05-11-2020	Invesco India ESG Equity Reg Gr	22-03-2021

In an emerging country like India, engaging in an ESG theme will allow more and more companies to be ESG compliant, which will lead to sustainable growth for future generations and lead to the creation of wealth for the companies and their shareholders. In fact, in India, the Nifty ESG 100 index has delivered equal or more returns than broader nifty indices.

		Point to Point Return (%)							Mean Rolling Return (%)						
Index Name	Inception Date	1M	3M	6M	12M	24M	36M	60M	1M	3M	6M	12M	24M	36M	60M
Nifty 100 ESG	*31/03/2011*	*10.46%*	*-0.74%*	*-2.25%*	*6.66%*	*26.57%*	*19.54%*	*14.19%*	*2.08%*	*6.82%*	*16.08%*	*32.51%*	*23.05%*	*16.17%*	*16.13%*
Nifty 50	03/07/1990	8.73%	0.33%	-1.05%	8.85%	24.48%	15.56%	11.23%	1.93%	6.35%	14.43%	27.10%	18.14%	12.26%	12.74%
Nifty 100	01/12/2005	9.24%	-0.32%	-0.84%	8.48%	24.52%	15.75%	10.80%	1.94%	6.27%	14.36%	27.13%	18.02%	11.79%	12.50%

Returns: 12 Months and below are absolute and above are CAGR

It is important to note that during upcycles, the domestic ESG theme has relatively done better leading to overall better returns from August 2018 till June 2022.

Refer **Table C**

	Down Cycle	Up Cycle	Down Cycle	Up Cycle	Down Cycle	Full Cycle
Attribute	Aug-2018 to Oct-2018	Nov-2018 to Jan-2020	Feb-2020 to Mar-2020	Apr-2020 to Oct-2021	Nov-2021 to Jun-2022	Aug-2018 to Jun-2022
Nifty 100 ESG	**-9.1%**	**16.9%**	**-25.9%**	**119.3%**	**-12.9%**	**50.4%**
Nifty 50	-8.5%	15.2%	-28.1%	105.5%	-10.7%	39.0%
Nifty 100	-8.8%	14.0%	-27.8%	104.8%	-10.9%	36.9%

Also, the regulatory initiativein ESG space is a welcome move as it aims to establish links between the financial results of a business with its ESG performance. The framework proposed by SEBI is in line with the international standards and will help to serve as a single resource for sustainability reporting by listed companies. It applies to the top 1000 listed companies by market capitalization for reporting on a voluntarily for FY2021–22 and a mandatory basis from FY2022–23. It enhances disclosures on ESG standards by Indian companies and is heartening to see.

While investing in ESG space, Investors should be mindful of specific finer points of companies like disclosure of information and standardisation of data on ESG of any company is still evolving; one has to understand the methodology used by the funds for evaluating companies, limited track records of the ESG funds, expense ratios and lock-in time or exit load to name a few. It looks today that ESG compliance will become a new normal and will play a significant role in the coming days. Investors should use it as a guiding framework for constructing a long-term portfolio and should not be driven only by performance as there will/can be times when it will/may perform poorly. For ESG dedicated funds, one can start with 5% of overall allocation and gradually go up to 15%. Investors should do their own research and understand the investment objectives and their alignment with the risk profile before investing in such products.

New Assets For Billionaires

The uber-rich are gravitating towards contemporary asset classes such as late-stage PE funds and private debt. Here's how they are managing their investment portfolios.

Quotes By Prashant Joshi
Published in
Fortune India - 13th September 2022

As recently as a decade ago, it was common to find ultra high net-worth individuals (UHNIs) and well-known business families without a comprehensive plan for their personal wealth, often with unfortunate consequences. Thankfully, the tide is shifting, says Zia J. Mody, co-founder and managing partner, AZB & Partners. Not a day too soon. India is, after all, home to 13,637 UHNIs. In 2021, the number grew 11% year-on-year, the highest growth in Asia Pacific region, shows Knight Frank data. The number of UHNIs — individuals with net assets of $30 million or more — in India grew a whopping 84% between 2016 and 2021. The big question is, where do these uber-rich invest? What are their investment objectives? Which are the new assets they are dabbling in? Here's a glimpse.

UHNIs, who used to rely on a mix of equity, fixed-income instruments and gold, have shifted towards alternative asset classes, with preference for later-stage private equity (PE) to avoid start-up risks. Over 40% family offices have doubled their allocation to private markets in past five years, says a report by Trica, a private market platform. With total commitments of ₹6.4 lakh crore, assets under alternative investment funds (AIFs) are expected to cross ₹50 lakh crore by 2031, as per a PMS Bazaar Report. AIFs are privately pooled investment vehicles that raise funds to invest in unconventional categories such as venture capital, real estate and SME funds. The age-old passion, luxury real estate, has also gained traction as economies open up after the pandemic. E-commerce boom, express delivery and 'same-day return' policies have attracted UHNIs towards warehousing as well.

No long-term portfolio can be complete without equities. But here, too, the rich are switching to passive funds as returns are not very different from what active funds are delivering. However, their debt or fixed-income allocation looks completely different from that of a typical retail investor. Apart from liquid and credit risk funds, they are also investing in debt deals in real estate and market-linked debentures, considered comparatively conservative investment avenues. Structured debt deals form 40-50% of their debt portfolio, says Prashant Joshi, co-founder and partner, Fintrust Advisors, a multi-client family office managing ₹6,500 crore assets. While growing wealth is any investor's ultimate goal, the ultra rich prefer wealth preservation over growth.

AIF Tops Charts

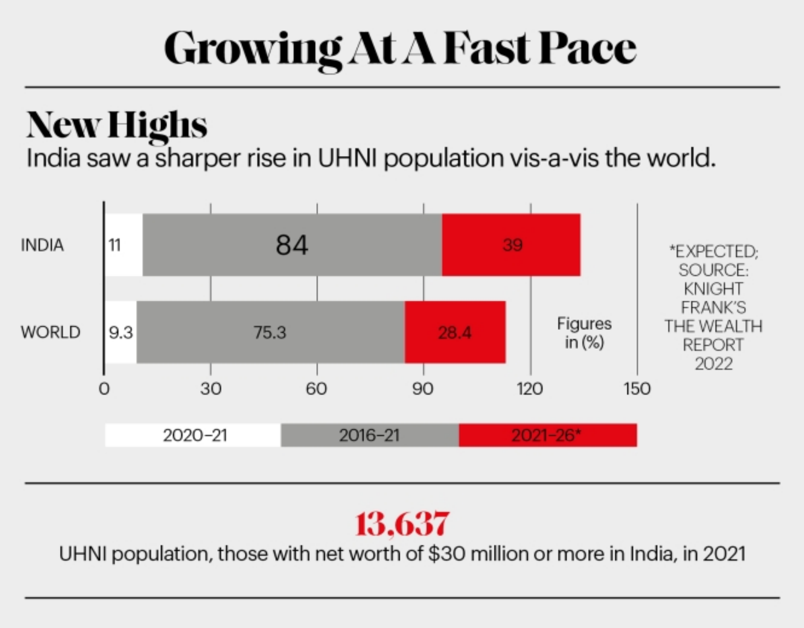
Private market is an alternative investment of choice for the rich with allocations to start-ups and VC funds comprising 18% of the pie, shows Trica's report. This is aggressive compared to 15% allocation to other alternatives (real estate, infrastructure, art, etc.), 20% to fixed income and 36% to listed equities. It is interesting to note that over 83% family offices have a significant 10%-plus allocation to private markets. And this number has been increasing steadily. Direct start-up investments/Indian equities, venture capital, commercial real estate and warehousing are top conviction opportunities for next three to five years, says Prashant Joshi. Some family offices are also examining debt investments, especially in issuers with a good track record.

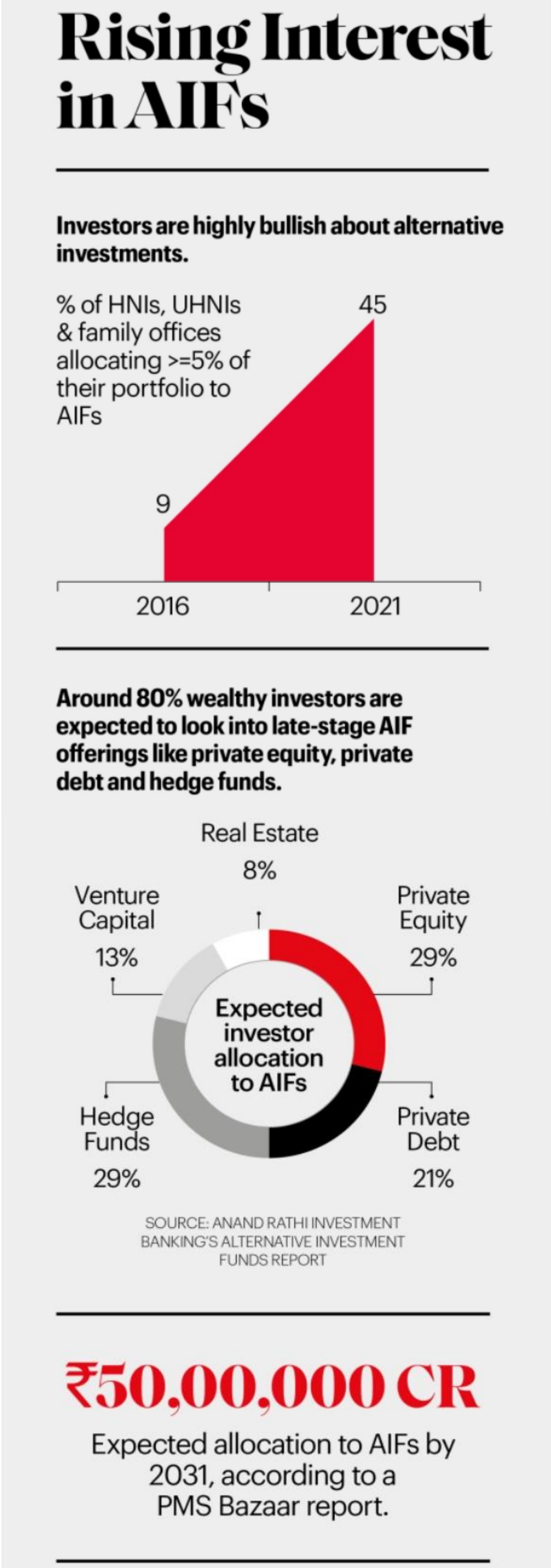
Commitments in AIFs rose 42% in FY22, says CRISIL. Late-stage AIFs are bagging the lion's share. The proportion of uber-rich and family offices allocating more than 5% of their funds to AIFs has risen from 9% to 45% in last five years. In next five years, 60% investors are expected to increase AIF allocation from 5% to 10% and 30% from 10% to 15%, says Anand Rathi's Alternative Investment Funds report.

CRISIL says the growth has been led by Category-II, which accounted for 81% commitments worth ₹5 lakh crore in FY22. While Category-I includes venture capital funds, Category-II covers equity funds (listed and unlisted), real estate funds and debt funds. Category-III includes long-only equity funds and long-short equity funds. Private equity, hedge funds and private debt lead the AIF space. About 29% AIF allocation goes to private equity and hedge funds each, followed by 21% to private debt, says a report by Anand Rathi.

In private equity, UHNIs and family offices do not take the lead but follow. Prashant Joshi says mature private equity families prefer late-stage investing. "Companies which have moved past the start-up stage and are rapidly gaining sales are preferred as these are comparatively less risky than start-ups," he says. As these are established companies, the investment can be redeemed easily, says Joshi.

An even better option is participation in private equity via basket or blanket approach. "Investing in a portfolio of 40-50 companies will offer the benefit of diversification," says Joshi.





Exotic Debt Portfolio

The ultra-rich are going beyond bank-fixed deposits and government schemes for their debt portfolio. In private debt space, the biggest allocation is to debt deals in real estate at the construction stage. This comprises 40-50% of their debt portfolio, says Joshi. The deals are done directly with dealers and builders. In order to avoid approval and sales risks, the rich invest at the mid, that is, construction stage. Such deals deliver yields of 12-18%. The remaining debt allocation goes to liquid funds, credit risk funds and other debt funds. The wealthy are also getting attracted to venture debt funds. But allocation is still limited due to long duration of four-five years. Venture debt funds are targeting yields of 7-8%.

Another widely appreciated investment in view of rising interest rates is market-linked debentures (MLDs), says Vineet Bagri, managing partner, TrustPlutus Wealth. An MLD is linked to an underlying index or security such as Nifty or Sensex or 10-year G-Sec. MLD does not offer regular income during its tenure but pays a pre-defined return at the end of the tenure based on how the underlying index/security has performed. MLDs protect the downside. "As debt mutual funds do not perform well in rising interest rates, MLDs have gained popularity among rich investors," says Bagri. We may call these as debt-plus products as they do not guarantee returns, he says. However, you may expect yields of between 7.5% and 9%.

Luxury Real Estate — in Demand

With economy gradually opening up, the ultra-rich have become bullish on luxury properties. One reason is low returns from traditional investments such as gold, fixed deposits and equities, says Suren Goel, partner, RPS Group. Delhi and Mumbai have seen multiple property deals of over ₹100 crore, says Goel. Experts say high-value investors go for established developers with proven track record.

One key trend in luxury property market is investors' preference for the commercial segment, says Goyal. Metro cities are full of commercial showrooms and office spaces in upmarket locations. Investors bought a lot of such properties during the Covid-19 slowdown when prices were depressed.

Warehousing Bet

UHNIs are also showing interest in warehousing projects. Reasons include the huge land play involved and rental yield of 9-12%, says Joshi. Annual transactions will grow at a CAGR of 19% to 7.08 mn. sq. mts. in FY26, from 2.95 mn. sq. mts. at present, says Knight Frank's 'India Warehousing Market Report 2021'. "The warehousing & logistics sector has been one of the primary beneficiaries of post-pandemic market realities," says Shobhit Agarwal, MD & CEO, ANAROCK Capital. "With rise in manufacturing across the country, demand for warehousing and logistics assets has risen remarkably. Expanding economy and changing business models have also been instrumental in the sector's growth." As per ANAROCK Research, pan-India Grade A warehousing stock grew at 16% CAGR between 2018 and 2021 and stood at 140 mn. sq. ft. at 2021-end. The pandemic, by pushing e-commerce, has been a big demand booster. Most consumers forced to shop online due to lockdowns will continue to do so, says the Knight Frank report. Brick-and-mortar stores will also leverage online channels to push sales, it adds. The 3PL (third-party logistics) sector will sustain market share as e-commerce and other sectors increasingly outsource warehousing requirements to specialists.

Top eight cities have over 70% modern warehousing capacity. But e-commerce companies are also betting on growth in Tier-II and Tier-III locations. "Due to greater internet penetration, these locations are becoming preferred warehousing hubs and investment destinations. Demand for Grade A, multi-storey warehouses will spike in these markets," says Rajesh Jaggi, vice chairman, real estate, Everstone Group. Same-day delivery guarantee by e-commerce companies, easy return policies, shorter supply chains and rising popularity of daily online orders are contributing to the trend.

In Love With Contemporary Asset Classes

AIFs, The Most Sought-After

- Alternative investment fund (AIFs) commitments grew 42% YoY to all-time high of ₹6.4 lakh crore in March 2022.
- The space is led by private equity, hedge funds and private debt.
- UHNIs prefer to invest in later stages in private equity to avoid start-up risks.

Debt Means Conservative

- In debt, major allocation goes to structured debt deals in real estate at construction stage to avoid approval (initial stage) and sale risks (final stage).
- Structured debt deals can offer 12-18%.
- Market-linked debentures, with yields of 7.5-9%, are also gaining traction.

Luxury Real Estate: Old Passion

- Wealthy investors are looking at luxury real estate due to low returns from gold, fixed deposits and equities.
- Delhi remains the favourite.

The Warehousing Boom

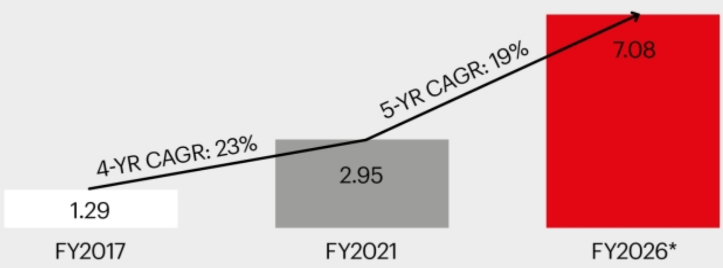
- Annual transactions in warehousing will grow at 19% CAGR to 7.08 mn sq. mt. (76.2 mn sq. ft.) by FY26, says Knight Frank Research. E-commerce will drive most volumes.
- Expected annual yield is 9-12%.

Investing Offshore To Diversify

- Geographical diversification allows affluent to invest in less covered themes like blockchain, EV, robotics , etc.

On Cusp Of Growth

Warehousing demand is expected to boom amid prolific growth in e-commerce and third-party logistics.



IN MN. SQ. MTS; * PROJECTED; TOTAL WAREHOUSING TRANSACTIONS ACROSS EIGHT PRIMARY MARKETS—NCR, MUMBAI, PUNE, BENGALURU, CHENNAI, HYDERABAD, KOLKATA, AHMEDABAD.
SOURCE: INDIA WAREHOUSING MARKET REPORT 2021

One key trend in luxury property market is investors' preference for commercial segment and warehousing projects.

The Equity Story

Most HNIs want to diversify assets geographically to invest in themes such as blockchain, electric vehicles, robotics, artificial intelligence, cloud computing and semiconductors that are not available in India. Earlier, geographical diversification was possible through the LRS (Limited Remittance Scheme) route, but over last few years, people have started opting for Indian funds which invest a part of their money in foreign companies, says Vineet Bagri, managing partner, TrustPlutus Wealth. The preference in traditional equities has also changed.

UHNIs have of late shown great interest in passively-managed funds. Active large-cap funds have not been able to outperform benchmarks, says Joshi of Fintrust Advisors, so investors have switched to funds that track indices like Nifty 50 or BSE Sensex. Close to 52% passively-managed large-cap funds outperformed actively-managed ones in five-year period ended September 2021 when returns were rolled on a daily basis, as per a 2021 study by Union Mutual Fund. Another reason is interest in new themes like Shariah through Nifty 50 Shariah index. Shariah Index includes companies compliant with the Islamic canonical law or Shariah.

Numbers back these claims. Asset base of exchange-traded funds (ETFs) surged from ₹52,368 crore as on March 2017 to ₹4.99 lakh crore as on March 2022, growing at an annualised rate of 57%. Number of ETFs rose from 84 to 228 during the period.

On the equity side, there is a growing sensitivity towards ESG (environmental, social and governance) norms. In India, ESG investing is at a nascent stage, though, as it's difficult to pick companies based on ESG compliance.

The rich are also discussing the newest asset, cryptocurrency, but any asset class which can move 30 to 40% up or down in a month is too volatile for a family office, says Joshi of Fintrust Advisors. They invest in asset classes which are established.

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