

Evolution of wealth management

and key trends in the space

September 6, 2019



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GLOSSARY OF TERMS

	Key Terms	Description
Industry related	AUA / AUM	<ul style="list-style-type: none"> Asset under Advice / Assets under management (AUM) measures the total market value of all the financial assets which a financial institution manages under a product like Mutual Fund
	AMC / Fund House	<ul style="list-style-type: none"> Asset Management Company/Fund House manages investor funds by creating and managing instruments like Mutual Funds
	WMC OR Wealth Management company	<ul style="list-style-type: none"> Distributors for AMCs for their wealth products like MFs, PMS, AIF etc. Have direct interaction with clients through relationship managers (RMs) hence they have bargaining power over AMCs Products Team: Selects products to be offered to investors (may have members from equity, debt, and other research teams) Family Office Team: Caters to large clients and family offices Revenue models: (1) Commission based, (2) Fixed annual fee, (3) Profit sharing Derivatives or Futures and Options (F&O) team Team of RMs
	MF	<ul style="list-style-type: none"> Mutual Fund Generally around 50-60 stocks, Investor gets units of MF instead of shares in dematerialized form
	PMS	<ul style="list-style-type: none"> Portfolio Management Services: Generally 20-30 stocks, so concentration risk. Is less regulated than MF, therefore acc. To SEBI guidelines avg. ticket size is 25 Lakhs. Generally has a multi year lock-in, which can be broken by paying a 1-3% penalty
	AIF	<ul style="list-style-type: none"> Alternate Investment Fund: Highly risky as less regulated and the fund manager can invest into derivatives also. The minimum ticket size is 1 Cr. Generally has a multi year lock in, which can be broken by paying a 1-5% penalty
	Total Expense Ratio	<ul style="list-style-type: none"> Also known as TER, Total Expense Ratio is the percentage of the scheme's assets that is used up in managing and operating the scheme

GLOSSARY OF TERMS

	Key Terms	Description
Industry related	Wealth	• Money, goods and resources that may or may not be invested into productive assets
	Capital	• Money, goods and resources that are invested in production or means of production
	Capital Markets	• Matches investors willing to invest into means of production and business owners willing to raise capital either to scale up their business or to increase productivity
	Wealth Managment	• Enables flow of wealth into capital markets
Units	CAGR	• Compounded Annual Growth Rate
	FY	• Indian Financial Year starting April 1 st of a given year and ending on March 31 st of the next year
	INR	• Indian Rupees. Note: 1 USD is assumed to be INR 70 in all calculations

SOURCES OF INPUT: WEALTH MANAGEMENT HNI CONSUMER SURVEY (N=122) AND IN-DEPTH HNI CONSUMER INTERVIEWS (N=25) ACROSS 10 CITIES IN INDIA

City	(N=122)
Metros	Achieved N

• Mumbai and Thane	25
• Delhi NCR	24
• Bengaluru	20
• Hyderabad	16
• Chennai	15

Metros - Total	100
Emerging cities	Achieved N

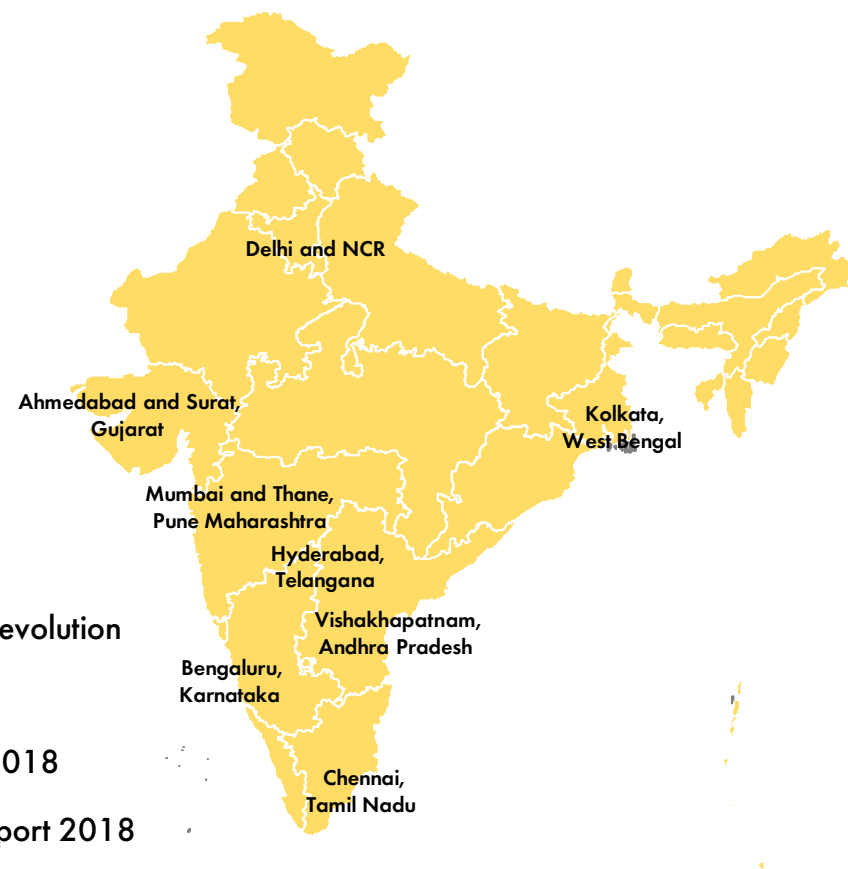
• Ahmedabad	4
• Surat	3
• Pune	5
• Vishakhapatnam	5
• Kolkata	5

Emerging cities - Total	22
Grand total	122
In depth Interviews	25

Secondary sources

- The Wealth of Nations by Adam Smith
- RBI, SEBI
- Association of Mutual Funds in India
- National Payments Corporation of India
- IMF, World Bank
- Internet World Stats
- Oxfam 2019
- Company websites
- Asian Private Banker
- Swiss Bank
- AMFI CRISIL - Mutual fund report digital evolution
- Karvy - India wealth report 2018
- Credit Suisse - Global wealth databook 2018
- Global Wealth Management research report 2018
- BCG - Global digital Wealth Management report
- IIFL - Wealth index report
- Knight Frank report

Geographic distribution of the sampling plan

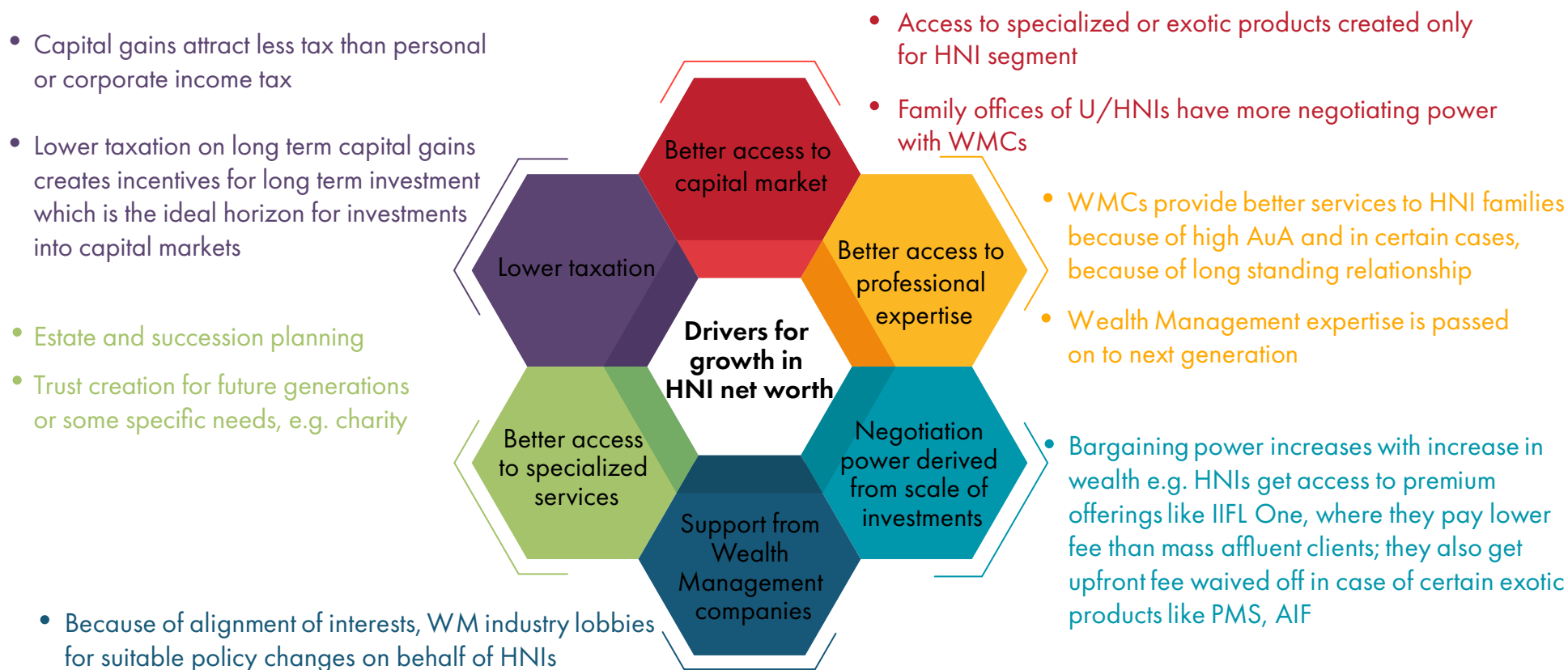


KEY TAKEAWAYS

- World GDP has surpassed ~US\$ 60T as of today through judicious management of wealth in the capital markets
- India's household wealth has grown at a CAGR of 10.1% from ~US\$ 1T in 2000 to ~US\$ 6T in 2018
- As of 2018, the net wealth and debt per adult are ~US\$ 7K and ~US\$ 843 respectively
- As of 2018, India has ~343K US\$ millionaires by net worth and this number is projected to grow at 9% CAGR to reach 526K by 2023E
- India is 2nd among BRICS countries in terms of # US\$ millionaires; China is 1st with nearly ~3.5M US\$ millionaires in 2018
- Among the top 20 WMCs by AUM, 78% AUM is with domestic players and 22% with foreign players; also the top 5 players hold US\$ 109B, which is 56% of the total AUM of top 20 players; 4 out of these top 5 players are domestic players
- WM space in India is highly competitive with large number of domestic players in each segment except UHNI segment which is dominated by global players
- Changing investor attitude is leading to financialization of savings with both MF AUM and folios growing at around 19% CAGR
- Indian Banks, NBFCs have higher top-of-mind recall among investors, with 1 in 3 investors using them as a primary or secondary platform
- By 2023E, robo-advisory market penetration rate is expected to reach ~1.9% of the global wealth AUM; technologically and financially advanced USA leads the segment as of 2018





























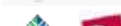























































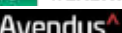


















WEALTH MANAGEMENT ECOSYSTEM IN INDIA: FOR HNIS, THERE IS PRESENCE OF AN ENABLING ENVIRONMENT FOR WEALTH PROTECTION AND YIELD MAXIMIZATION

WEALTH MANAGEMENT ECOSYSTEM IN INDIA



COMPETITIVE LANDSCAPE: WEALTH MANAGEMENT SPACE IN INDIA IS HIGHLY COMPETITIVE WITH LARGE NUMBER OF DOMESTIC PLAYERS IN EACH SEGMENT

WEALTH MANAGEMENT COMPANIES IN INDIA

	Traditional banks	WMCs of NBFCs/ Brokers/ Investment banks	Online MF distributors/WM platforms	Independent Advisors (IFAs)	AMCs	Private Client Law Firms/Trustees/Custodians	Multi-Family Offices
Mass affluent	       	            	            	   	          	<p>Custodians</p>   <p>Private Client Law Firms and Trustees cater to HNI and UHNI segments</p>	<p>Multi-Family Offices cater to HNI and UHNI segments</p>
HNIs	   	     			     	     	  
UHNI's	   	     	<p>NIL (can get some share of the AuA pie)</p>	<p>NIL (can get some share of the AuA pie)</p>	     	     	  

Note: This is an illustrative representation and not an exhaustive list of players in each segment

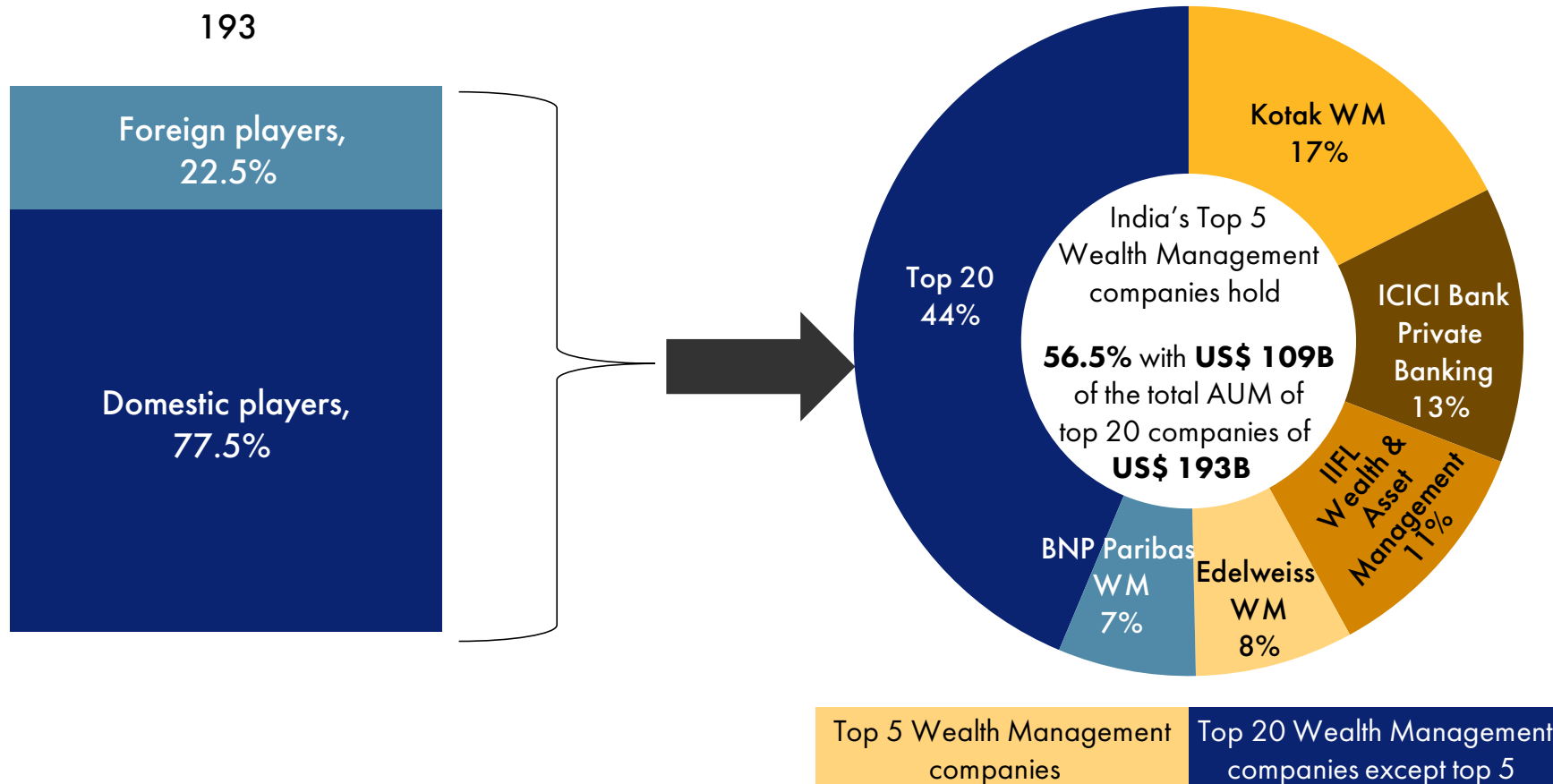
Sources: Company websites, Praxis analysis

INDIA'S WM SPACE: WITH ~77.5% SHARE BY AUM, DOMESTIC PLAYERS LEAD THE WM SPACE IN INDIA; 4 OUT OF 5 TOP WMCS BY AUM ARE DOMESTIC

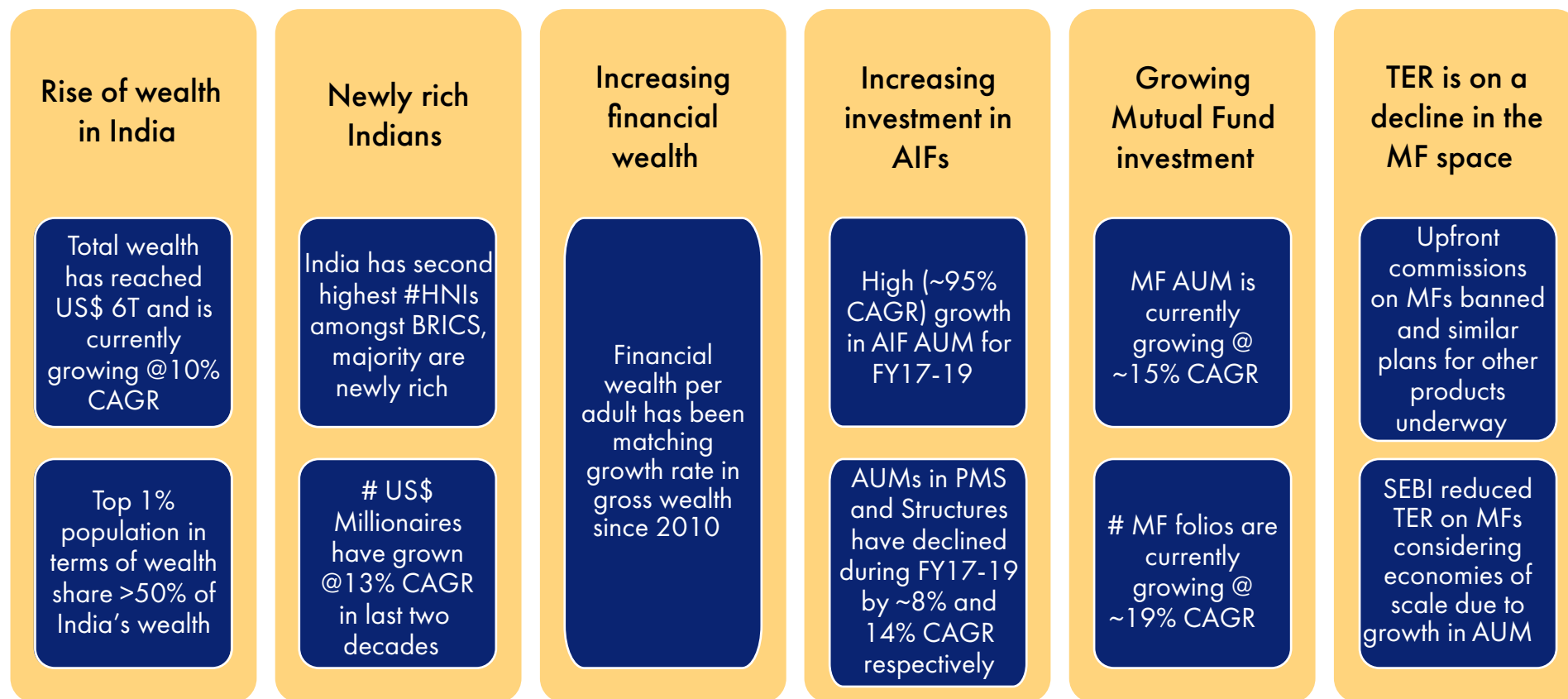
In the top 20 WM companies, domestic companies lead with an ~80% AUM share

Top 5 WM companies hold ~57% AUM share amongst the top 20 WM companies

DISTRIBUTION OF DOMESTIC AND FOREIGN PLAYERS IN TOP 20 COMPANIES BY AUM (US\$ B, 2018)



GROWTH IN THE WMC SPACE: HEALTHY GROWTH IN # HNIS AND FAVORABLE ECOSYSTEM FOR INVESTORS BECAUSE OF REDUCING TER AND BAN ON UPFRONT COMMISSIONS

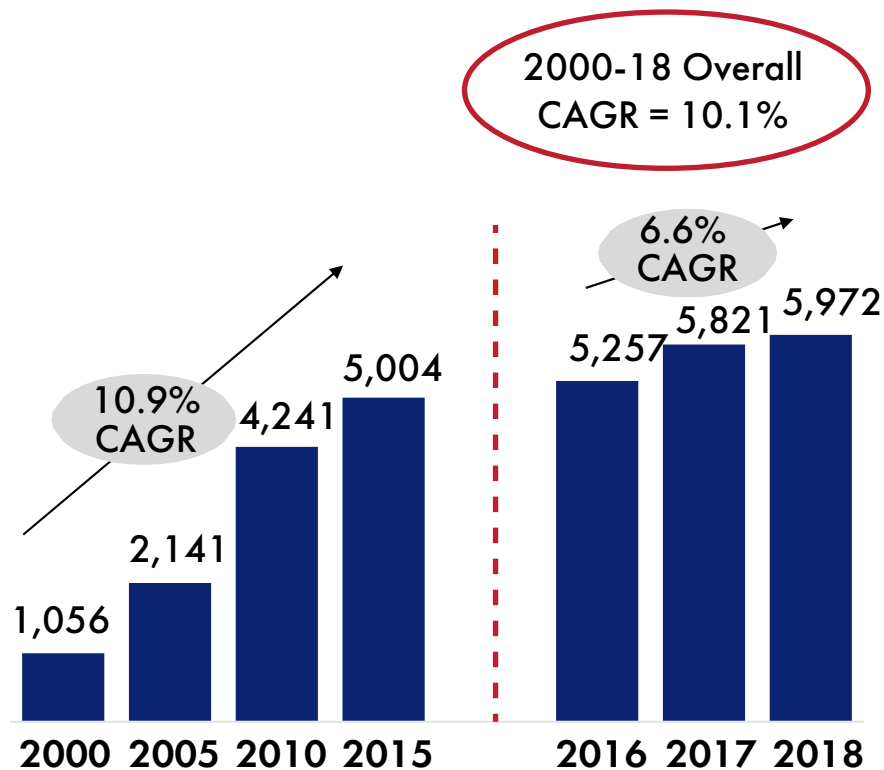


INDIA'S HOUSEHOLD WEALTH: CONSISTENTLY RISING OVER PAST TWO DECADES; HNI SEGMENT OFFERS GOOD OPPORTUNITY FOR THE FUTURE OF THE WM INDUSTRY

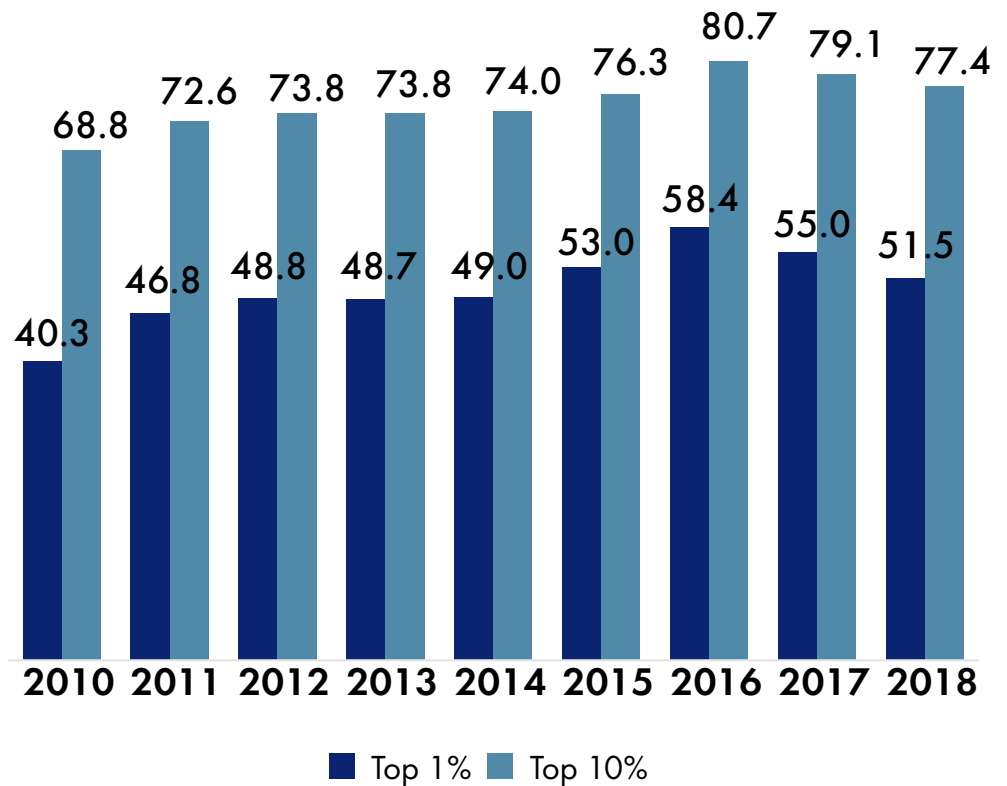
India's household wealth has reached ~US\$ 6T after growing at a CAGR of ~10% during 2010-18

In terms of wealth, top 1% population in India share more than 50% of the country's total wealth

TOTAL WEALTH IN INDIA (US\$ B)



SHARE OF TOTAL WEALTH FOR TOP 1% AND TOP 10% POPULATION IN INDIA (%)



Note: Top 1% population needs annual pretax income threshold of \$81K for 2017 according to World Inequality Database

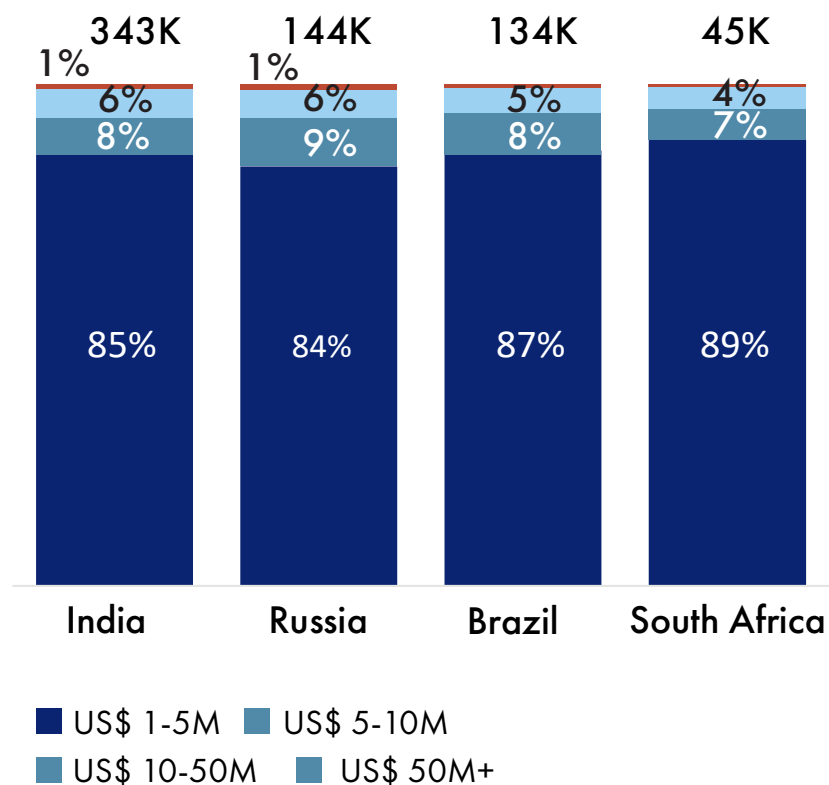
Source: Global Wealth Databook 2018, Oxfam 2019, Swiss Bank, Praxis analysis

AMONGST BRICS ECONOMIES, INDIA HAS SECOND HIGHEST NUMBER OF HNIs, WHICH HAS GROWN AT ~13% CAGR FOR 2000-18 AND PROJECTED TO GROW AT ~9% CAGR FOR PERIOD 2018-23

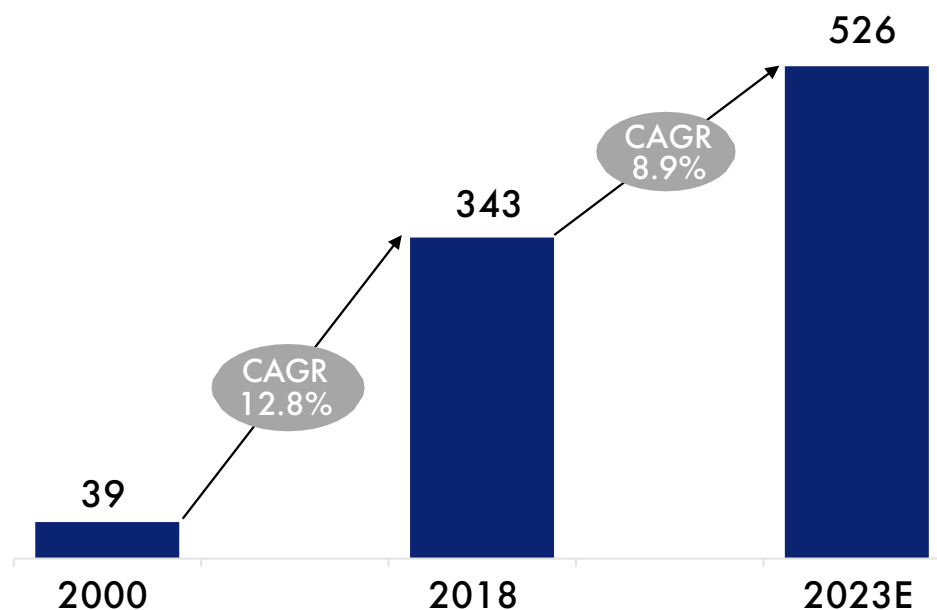
India has the second highest # HNIs; ~85% of the HNIs are in the US\$ 1-5M bracket, implying majority are newly rich

Though millionaire's growth is projected @9% 2018-23 but it has already grown @13% in last 18 years

HNI DISTRIBUTION AS PER NET WORTH IN EMERGING COUNTRIES (2018)



NUMBER OF MILLIONAIRES, INDIA (IN '000)



Note: Millionaires have a net worth of >US\$ 1M

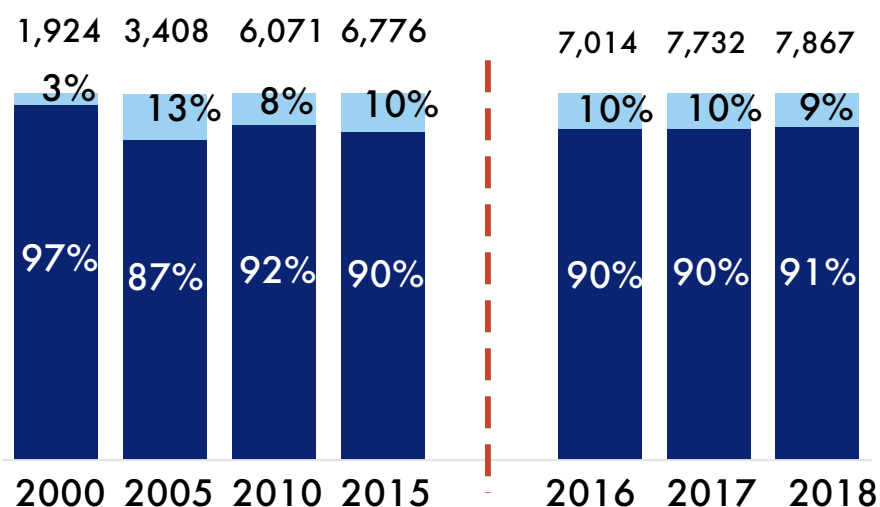
Source: Global Wealth Databook 2018, Praxis analysis

INDIA'S WEALTH-MANAGEMENT SPACE IS UNDERGOING CHANGES WITH INCREASING DEBT PER ADULT; GROWTH IN FINANCIAL WEALTH HAS STABILIZED AT ~10% OF GROSS WEALTH

Financial wealth per adult has a constant trend of ~10% of gross wealth since 2015

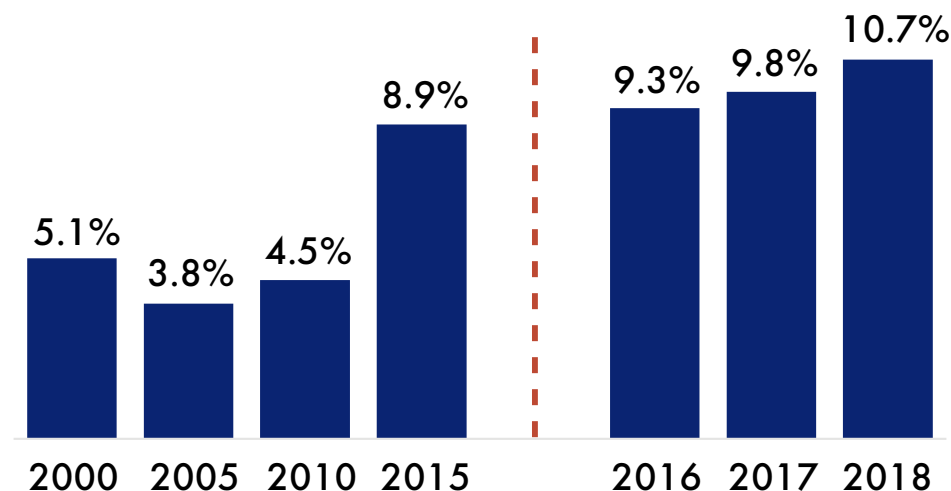
Though millionaire's growth is projected @9% 2018-23 but it has already grown @13% in last 18 years

GROSS-WEALTH PER ADULT COMPOSITION IN INDIA (US\$)



■ Non-financial wealth ■ Financial wealth

% DEBT PER ADULT PER GROSS WEALTH (US\$)



	2000	2005	2010	2015		2016	2017	2018
Gross	1,924	3,408	6,071	6,776		7,014	7,732	7,867
Debt	98	130	272	602		655	758	843
Net	1,826	3,278	5,799	6,174		6,359	6,974	7,024

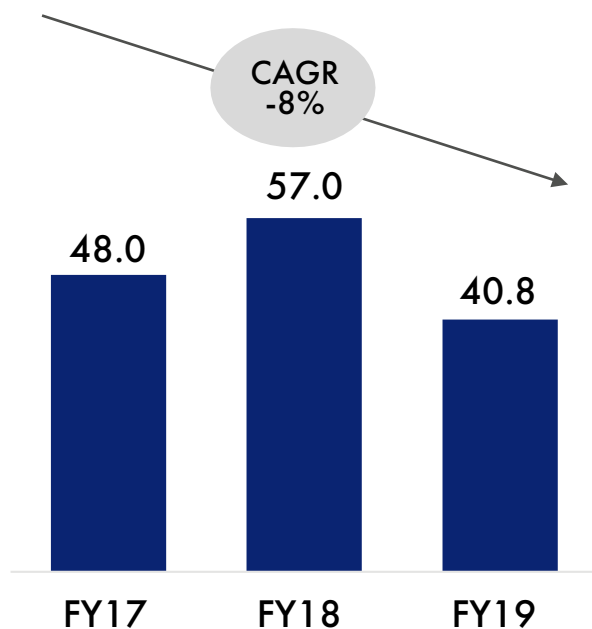
DURING FY17-19, WHILE INVESTMENTS INTO AIFS HAVE GROWN AT ~94% CAGR; THE OTHER TWO MAJOR EXOTIC PRODUCT CATEGORIES I.E. PMS AND STRUCTURES HAVE DECLINED

Investment in PMS has been fluctuating around US\$ 50B in last 3 years

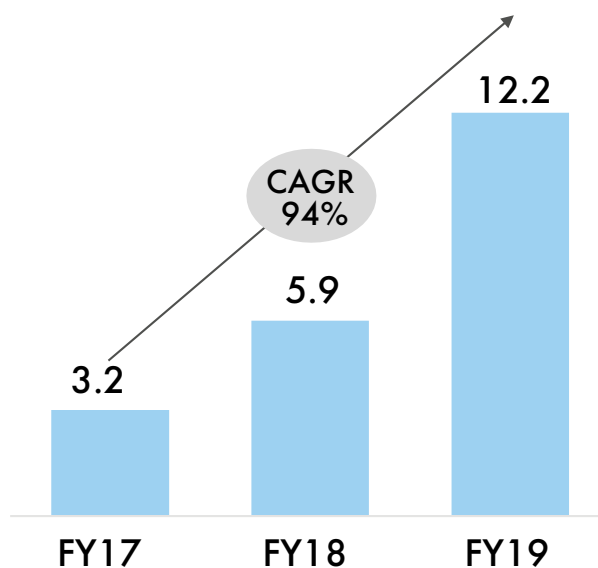
AIF has increased at 94% CAGR during FY17-19

Growth of SPs have declined at 14% CAGR from FY17-19

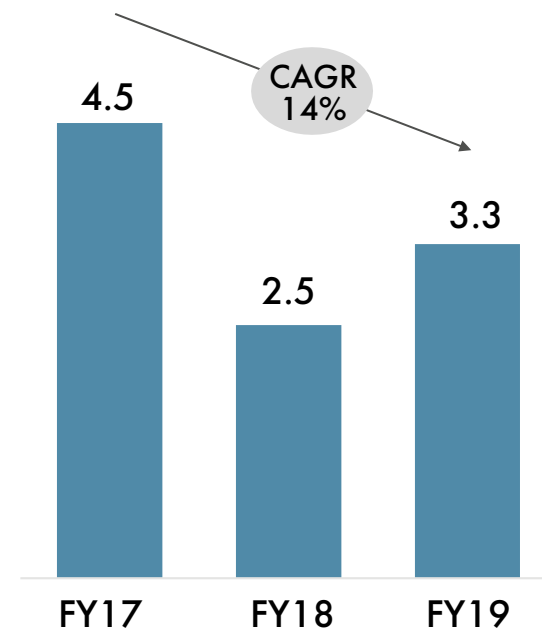
INVESTMENT IN PMS FROM FY17-19 IN INDIA (US\$ B)



INVESTMENT IN AIF FROM FY17-19 IN INDIA (US\$ B)



INVESTMENT IN STRUCTURED PRODUCTS FROM FY17-19 IN INDIA (US\$ B)



Note: Millionaires have a net worth of >US\$ 1M

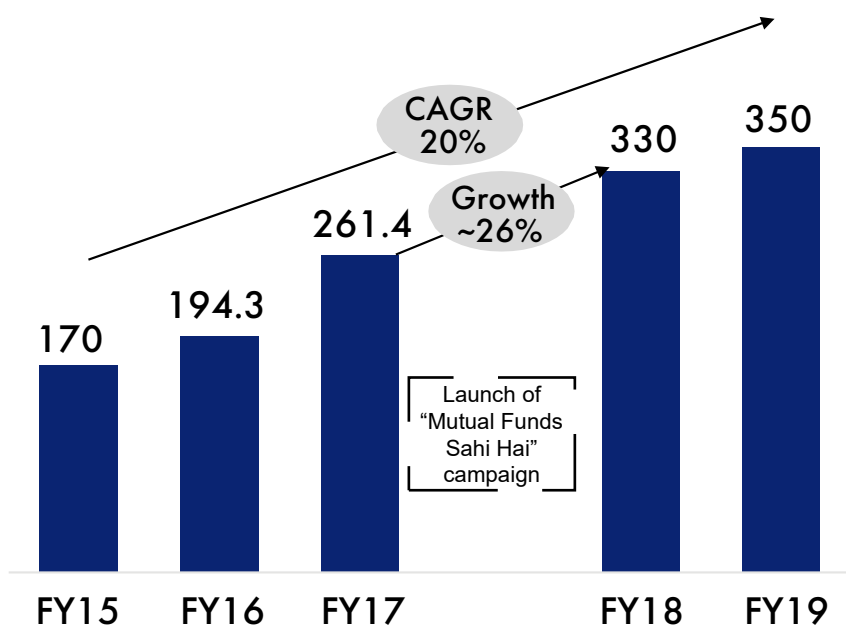
Source: Praxis analysis

CHANGING INVESTOR ATTITUDE IS LEADING TO FINANCIALIZATION OF SAVINGS WITH BOTH MF AUM AND FOLIOS GROWING AT AROUND 19% CAGR

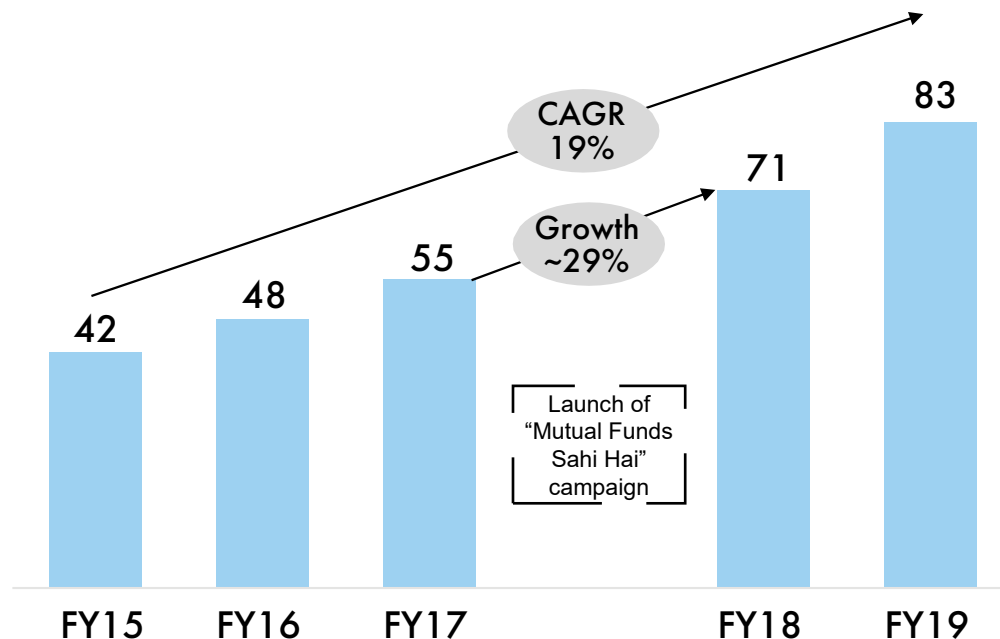
Mutual Fund AUM has grown at a healthy CAGR of ~20% over the last 3 years

Growth in folios has roughly doubled after the launch of the MF Sahi Hai campaign: From ~14% CAGR, FY15-17 to ~29%, FY17-18

MUTUAL FUND AVERAGE AUM (US\$B)



MUTUAL FUND FOLIOS/ACCOUNTS (# M)



Note: INR 70 = US\$ 1

Sources: Association of Mutual Funds in India, Praxis analysis

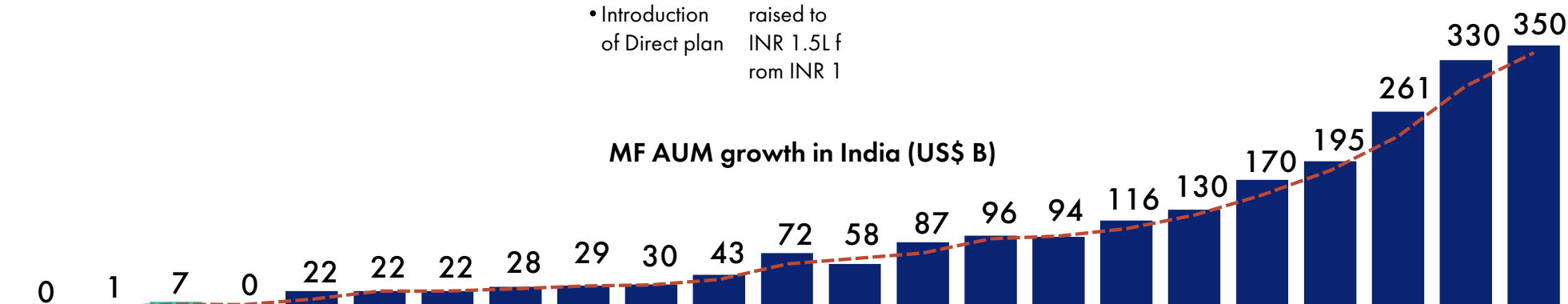
WITH GROWING AUM, TOTAL EXPENSE RATIO (TER) HAS BEEN BROUGHT DOWN BY REGULATORY INTERVENTION CITING THE REASON OF ECONOMIES OF SCALE FOR AMCS AND DISTRIBUTORS

Period	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Distributor commission from AMC books	11%	14%	11%	13%	11%	16%	19%	19%	22%	22%

FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
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- Prior to this upfront as well as TER was allowed, Sebi banned entry load on MF
- Fund investment and advisory fees to be $\leq 0.20\%$ of daily net assets of the scheme lower TER
- AMCs to decide on distribution of TER fee regulatory giving way to free market
- Fungibility of TER allowed.
 - Entire exit load to be credited to the scheme
- Entry loads banned to support retail investors
 - Only certified advisers to give financial advice – by SEBI
 - Introduction of Direct plan
- Defined 'long term' for debt mutual funds as 36 months.
 - Tax exemption limit for investment in financial instruments raised to INR 1.5L from INR 1
- SEBI asked fund houses to shift from colour coding to riskometer which classified schemes based on the risk profile
- Provided easy entry to the foreign fund managers keen to enter India
- MF recategorization into five categories by SEBI → clarity for investors
- Upfront fees of 1% withdrawn 20% of the liquid scheme corpus to be invested into liquid assets - SEBI
- Outlawed upfront commission, distributor will get only 'trail commission'






















MF AUM growth in India (US\$ B)



Note: TER = Total Expense Ratio, US\$ 1= INR 70

Sources: Association of Mutual Funds in India, Praxis analysis

WM INDUSTRY HAS BEEN LEVERAGING THE RECENT ADVANCES MADE IN THE FIELD OF CHOICE ARCHITECTURE AND BEHAVIORAL ECONOMICS BY CREATING USE-CASES FOR MARKETING AND AWARENESS

Tools 	Description 	How can it help? 	Use-cases 
Translate to overcome inertia 	<ul style="list-style-type: none"> Improve comparability and evaluability of attributes 	<ul style="list-style-type: none"> By reducing cognitive effort required for decision making By explicitly calculating probabilities and consequences 	<p>Get Rs 1 Cr. life cover at Rs.16 a day </p> <p>Highlighting daily cost of term insurance vs. annual premium</p> <p>SIPs calculations for goals e.g. children's education</p>
Help make future choices 	<ul style="list-style-type: none"> Myopic decision making Inability to make predictions 	<ul style="list-style-type: none"> By helping investors with envisioning future By planning in a structured way using historical data 	<p>Insurance ads  Investment Policy Statement  Less tax on long term investments  Limited time offers </p>
Reduce choice overload 	<ul style="list-style-type: none"> Overwhelms customers which leads to: <ul style="list-style-type: none"> Postponement of purchase Decreased satisfaction 	<ul style="list-style-type: none"> By reducing decision variables in selecting wealth products By providing decision support tools 	<p>Wealth advisory services  Decision support tool: Annual cost of healthcare  Ecommerce product Ranking and Arrangement </p>
Define default actions 	<ul style="list-style-type: none"> Most exercised options are default options Endowment effect Failure to change because of associated effort or negligence 	<ul style="list-style-type: none"> By setting up persistent, re-occurring, and predictive defaults 	<p>Default option: Employee health insurance  Default options: MFs, long term investments, SIPs </p>
Itemize and aggregate 	<ul style="list-style-type: none"> Bias to allocate resources/wealth equally across categories 	<ul style="list-style-type: none"> By itemizing best options for more allocation and aggregating other options for less allocation 	<p>Itemize MF Types  Aggregate all other asset classes </p>

“MUTUAL FUNDS SAHI HAI” CAMPAIGN RESONATED WELL WITH PEOPLE AND HAS LED TO A HUGE INCREASE IN AVERAGE AUM SINCE ITS LAUNCH IN MARCH 2017

Campaign genesis



Campaign objectives and rollout



Campaign impact



- Launched in Mar'17 by AMFI Financial Literacy Committee under SEBI guidance



Marketing Budget
INR 100Cr.+

- To make MFs less intimidating by bringing MFs into everyday conversation
- Simple jingles/one line statements as discussion starting points

- # regional languages = 8
- Campaign website provides detailed information about MFs and location of MF offices and distributors
- # website visits = ~2.25Cr.

SIP
CHOTO SAHI...PEN
LANBI HONI CHAHIYE.



Print, TV, Radio, Hoardings /
Out of home, Digital Innovative
media: jingles in Mumbai locals,
association with web series



Why is investing better than saving?

- The campaign won several awards, but the real success is investors' changed perception toward MFs

- Speed reading of the disclaimer created suspicions about MFs
- Low penetration of MFs category compared to other financial products

“More people have bank accounts, credit cards and invest in insurance policies than they do in mutual funds.”

—Juzer Tambawala, Digital
Committee, AMFI

Hoardings: Campaign messages in different languages



	July 2017	July 2018	July 2019	CAGR
Avg AUM (US\$ B)	262	330	369	26%
Retail AUM (US\$ B)	56.7	78.9	109.7	39%
# Folios (US\$ M)	0.8	1.1	1.2	35%
SIP monthly contribution (US\$ B)	0.80	1.16	1.90	74%
# unique investors (basis PAN) (M)	12.1	17.2	24.5	43%

“Mutual Fund investments are subject to market risk.
Please read the offer document carefully before investing”

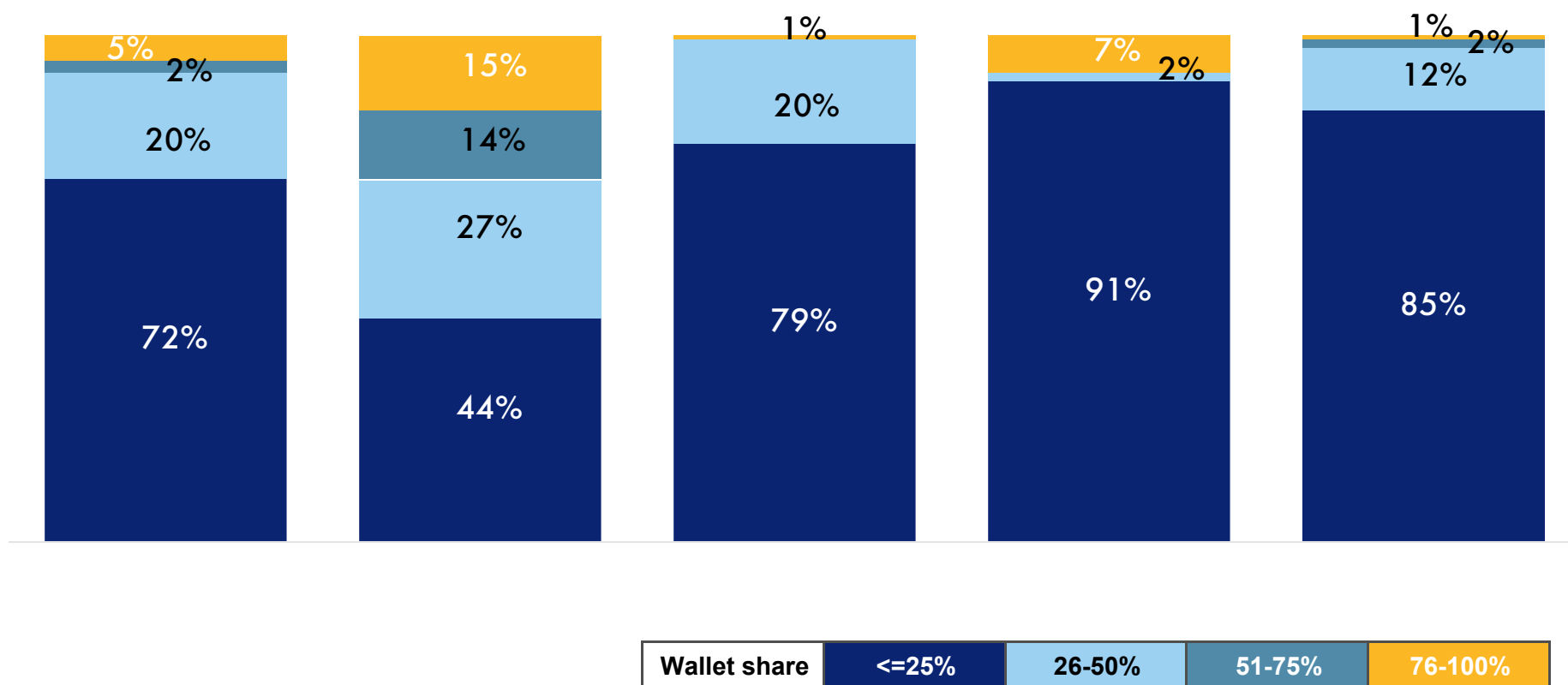


MUTUAL
FUNDS
Sahi Hai?

APPROACH TO WEALTH MANAGEMENT: WMCS HAVE THE HIGHEST WALLET SHARE AMONG THE DIFFERENT WM CHANNELS WITH ~29% OF THE TOTAL RESPONDENTS PARKING > HALF OF THEIR WEALTH WITH THEM

Q: How do you manage your wealth? (Multiple select and split across selected options – should add up to 100%)

% DISTRIBUTION OF INVESTORS' WALLET SHARE FOR DIFFERENT WMCS, N=122



Note: An illustration to read the chart: 44% of the respondents manage less than 25% of their portfolio with WMCS

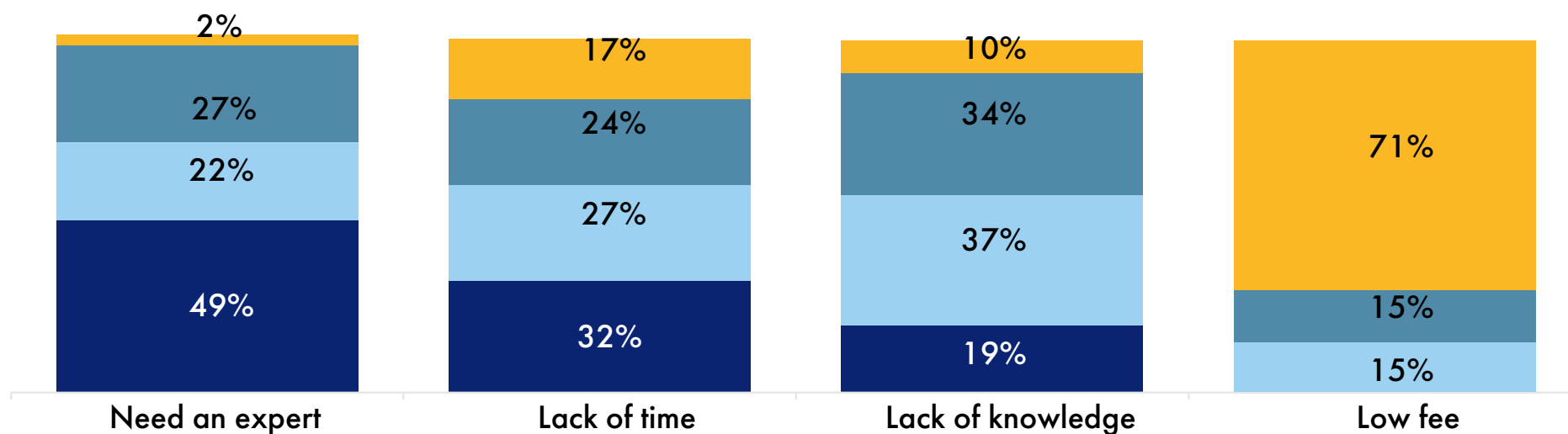
Sources: Association of Mutual Funds in India, Praxis analysis

PREFERENCE FOR WM SERVICE PROVIDER: NEED FOR A PROFESSIONAL EXPERT AND LACK OF TIME ARE TOP 2 REASONS FOR INVESTORS NOT CHOOSING TO SELF MANAGE THEIR WEALTH

Q: Why do you not manage your wealth yourself? (Rank in decreasing order of importance, 1 being most important and 4 being the least important)

Reasons for using wealth manager to manage portfolios

N=41 (INVESTORS NOT DOING WM ON SELF MODE THROUGH ONLINE PLATFORMS OR DIRECT PLANS)



“Business owners do not have time to monitor their portfolio, while professional salaried class might have. Business owners believe that the best use of their time is to grow their business.”

– HNI Business owner, Gurugram

“I need some one who could take care of my wealth and keep me updated. Some one who could provide me with in-depth analysis and knowledge on investments”

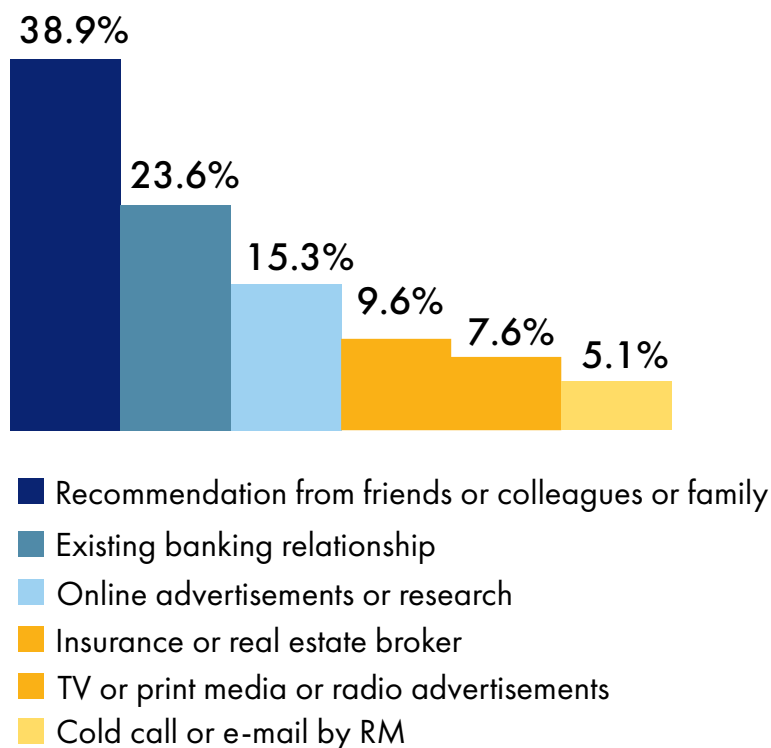
– HNI Business owner, Mumbai

SOURCE OF AWARENESS: RECOMMENDATION FROM FRIENDS AND FAMILY AND EXISTING BANKING RELATIONSHIPS INFLUENCE SELECTION AND THEIR ROLE INCREASES WITH AGE

Q: How did you come to know about your current Wealth Management services provider(s)?

(N = 106, excludes self or IFA managed investors)

INFLUENCERS IN MAKING THE PLATFORM SELECTION, N=106



Note: N=106 (less than Total N=122) because this question was not asked to 16 respondents whose wealth was managed by self or IFA; 2. This question accepted multiple answers so N can not be determined for individual age groups or city groups

Sources: HNI consumer survey, In-depth Interviews, Praxis analysis

“Recommendations by known people acts as a screening tool in the process of selecting WMC.”

– HNI Professor, Kolkata

“Investments have increased because of awareness initiatives by AMCs, WMCs, and news channels.”

– HNI Businessman, Delhi

“Childhood friend, was in same school. Came to know he is a Relationship Manager in a Wealth Management firm, so trusted him.”

– HNI Businessman, Bengaluru

“I am currently availing WM services from my wealth manager since the last 5 years – prior to that the portfolio was handled by my father before his death.”

– HNI Businessman, Surat

“I started banking with a Bank based WMC and had a good experience, hence started with giving a small amount to the RM for 1-2 years and then decided to switch from my previous Wealth Manager once I was convinced that my portfolio is doing well.”

– HNI Businessman, Mumbai

“My current wealth manager is the only one who responded to my query for a wealth manager.”

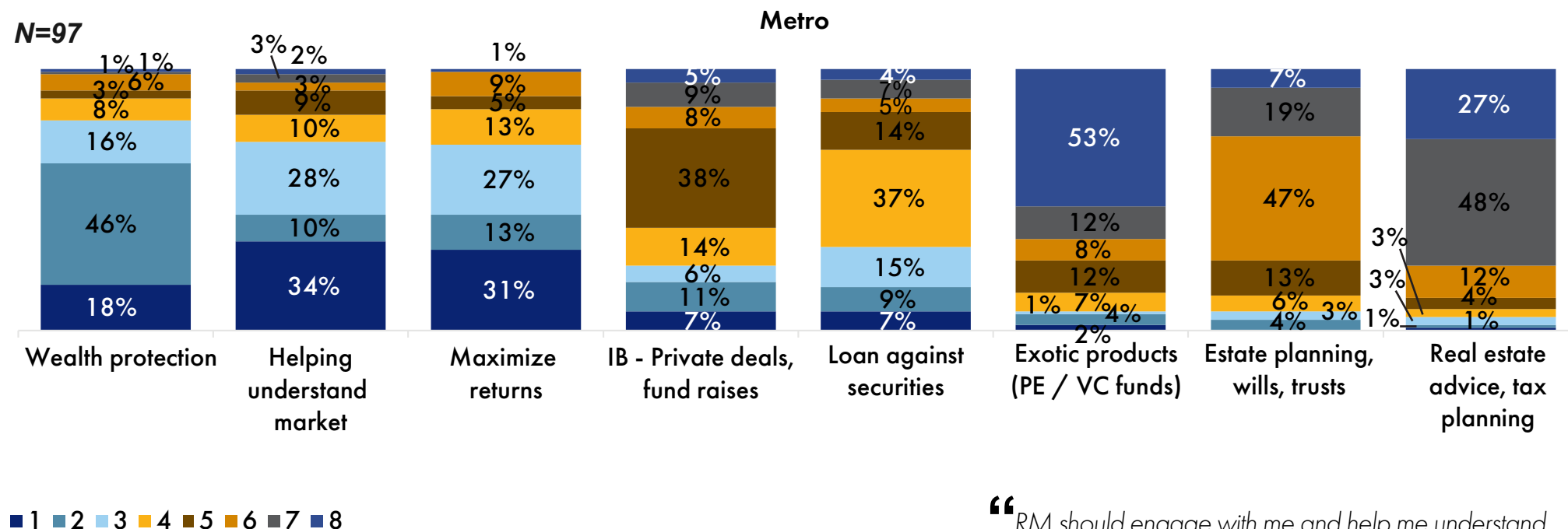
– HNI Advocate, Pune

“Was recommended my current wealth manager by a friend, who was using since 3-4 years.”

– HNI Businessman, Bengaluru

EXPECTATIONS FROM WEALTH ADVISOR: CUSTOMERS USE WM SERVICES FOR BETTER WEALTH PROTECTION AND MAXIMIZATION OF RETURNS; NOT LOOKING FOR VAS AND EXOTIC PRODUCTS

Q: What objectives do you want your wealth manager to achieve for you? (Rank in decreasing order of importance, 1 being most important and 8 being the least important)

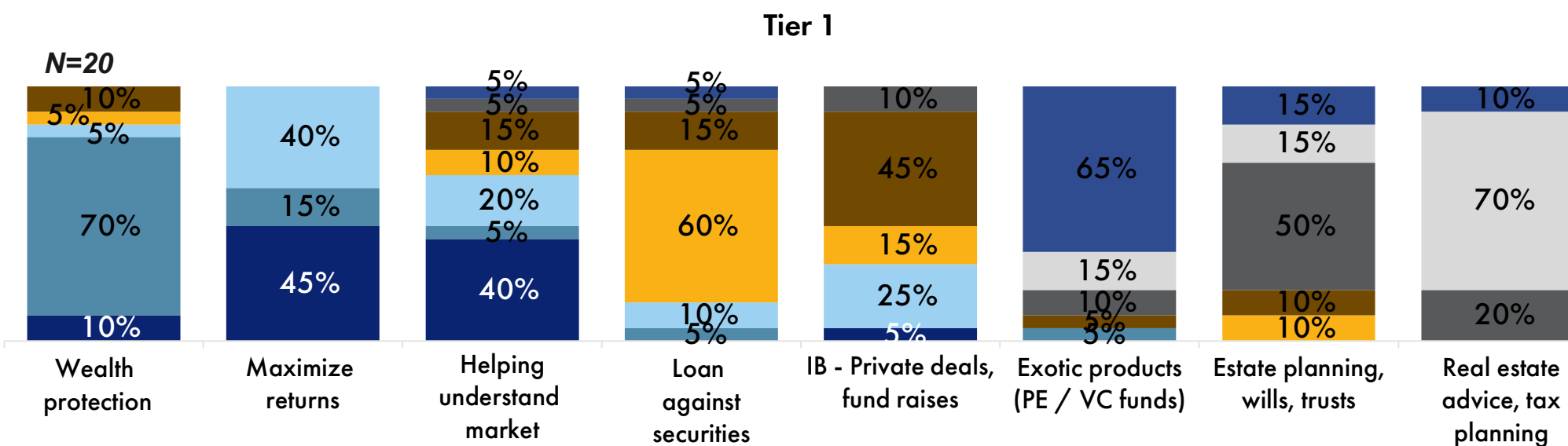


“RM should engage with me and help me understand markets. He should recommend funds and time of entry and exits. I do not like advisors who are incompetent and only look for meeting their sales targets.”

- HNI Businessman, Gurugram

EXPECTATIONS FROM WEALTH ADVISOR: CUSTOMERS USE WM SERVICES FOR BETTER WEALTH PROTECTION AND MAXIMIZATION OF RETURNS; NOT LOOKING FOR VAS AND EXOTIC PRODUCTS

Q: What objectives do you want your wealth manager to achieve for you? (Rank in decreasing order of importance, 1 being most important and 8 being the least important)



“A wealth manager should understand investor’s need, identify gaps and then it will be very easy to win the relationship.”

- HNI Businessman, Delhi

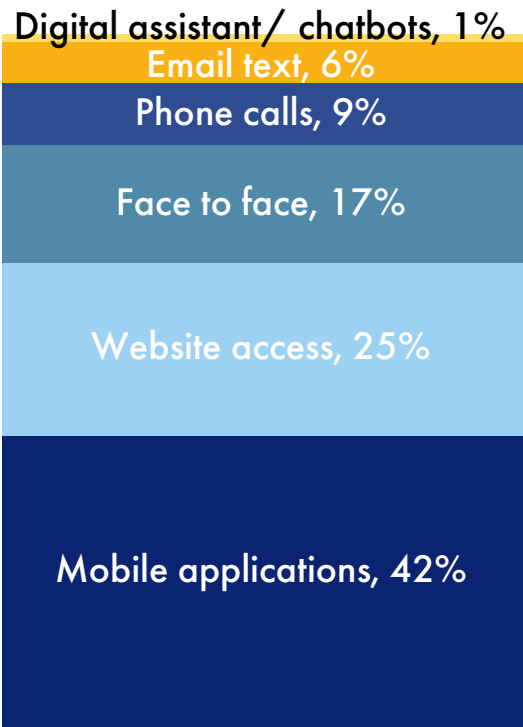
COMFORT IN MAKING INVESTMENT DECISIONS ON ONE’S OWN TRANSLATES INTO COMFORT IN DIGITAL ADVISORY; WM INDUSTRY IS WITNESSING A SHIFT IN RELATIONSHIP DYNAMICS

Mobile applications and website access are top favorable modes for financial advice

Digital ways of Wealth Management is changing the nature of relationship from complex buying to a simple one

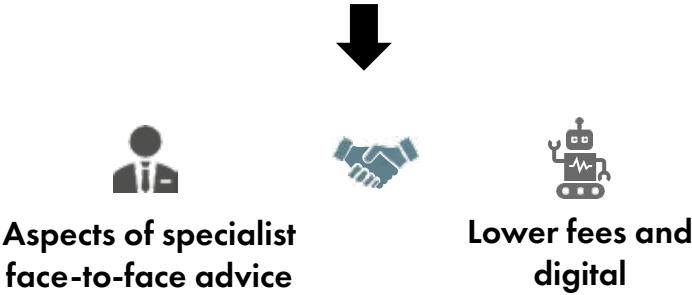
Q. How clients prefer to get their financial advice?

PREFERENCE FOR MODE OF FINANCIAL



	Interaction level →	
	Low	High
Low regularity	Marketplace Exchange	Complex Buying
High regularity	Simple Relationship	Complex Relationship

Since “personal touch” will always remain sacrosanct in the Wealth Management industry, **hybrid model might evolve**



UPI 2.0: INSTRUMENTAL IN IMPROVING ADOPTION OF ONLINE MODE OF INVESTMENT BY LOWERING LEARNING CURVE AND REMOVING TRUST ISSUES; HAS ATTRACTED WALLET PLAYERS IN WM SEGMENT

Inception:



- Started in 2016 by National Payments Corporation of India (NPCI)



Adoption:

- Value of transaction: US\$ 20B (FY19)
- 143 banks offer UPI
- 5.35B UPI transaction as compared to 4.41B debit card transactions (FY19)



Services provided:

- Financial service: Fund transfers
- Nonfinancial services: Balance enquiry

UPI journey and benefits

Objective of UPI	<ul style="list-style-type: none"> More context to the underlying transactions addresses concerns related to transactions
UPI 1.0, Apr 16	<ul style="list-style-type: none"> Transactions were payer initiated and focused on P2P transfers
UPI 2.0, Aug 18	<ul style="list-style-type: none"> WMCs can send a digital invoice along with a collect request Higher transaction value limits Recurring mandates
Benefits	<ul style="list-style-type: none"> Simplicity and ease of transacting -No need for bank account details or IFSC code Merchants can also make / collect requests One app is used for multiple bank accounts Added security features No transaction fee Recurring mandates for SIPs Reduction in MF unit allotment time: In liquid funds units only allotted when fund house receives money; UPI helps in immediate transfer of funds

UPI in Wealth Management

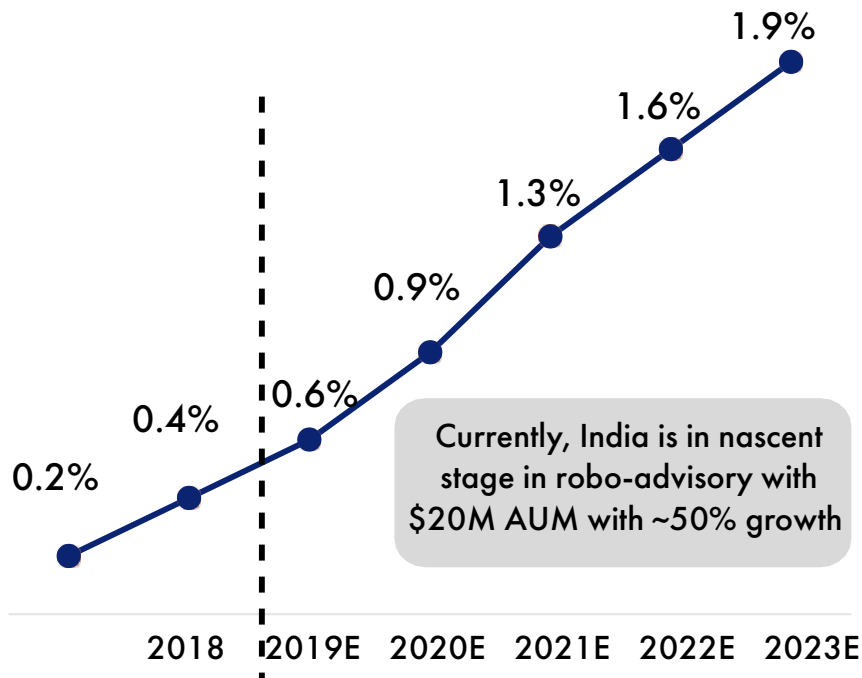


BY 2023E, ROBO-ADVISORY MARKET PENETRATION RATE IS EXPECTED TO REACH 1.9% OF THE GLOBAL WEALTH AUM; TECHNOLOGICALLY AND FINANCIALLY ADVANCED USA LEADS THE SEGMENT IN 2018

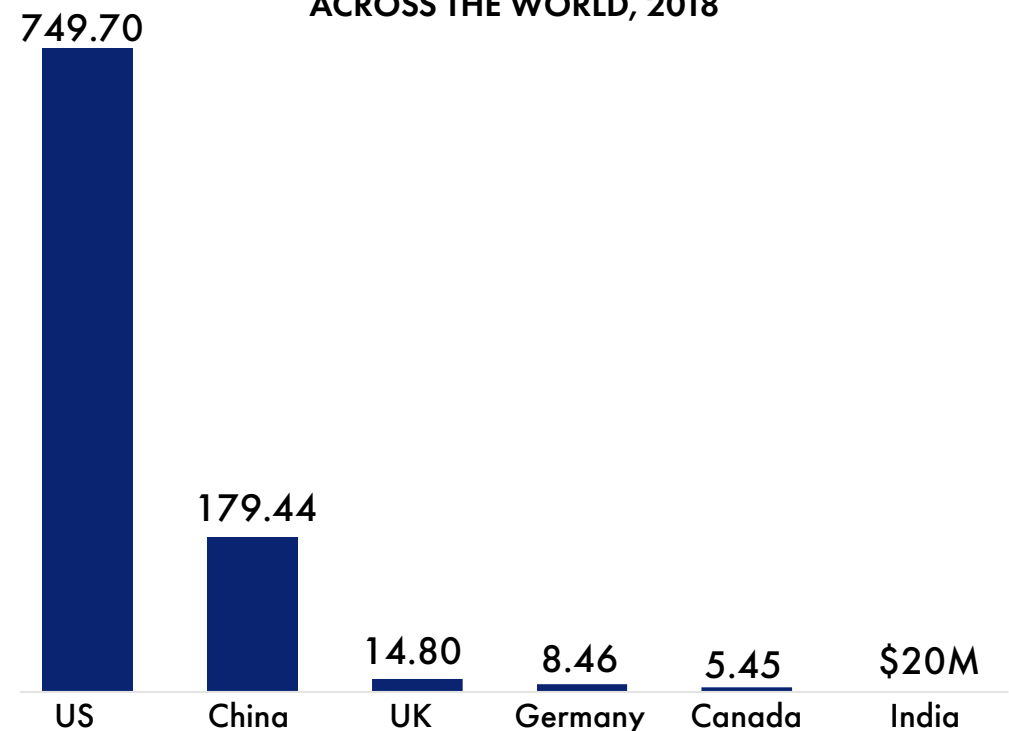
Market penetration rate is on the rise as robo-advisory costs less than traditional advisory and is easily accessible

United States stands out as the global leader with the highest AUM under robo-advisory

ROBO-ADVISORY PENETRATION RATE IN GLOBAL WEALTH AVERAGE AUM (%)



AUM (US\$ B) UNDER ROBO-ADVISORY ACROSS THE WORLD, 2018



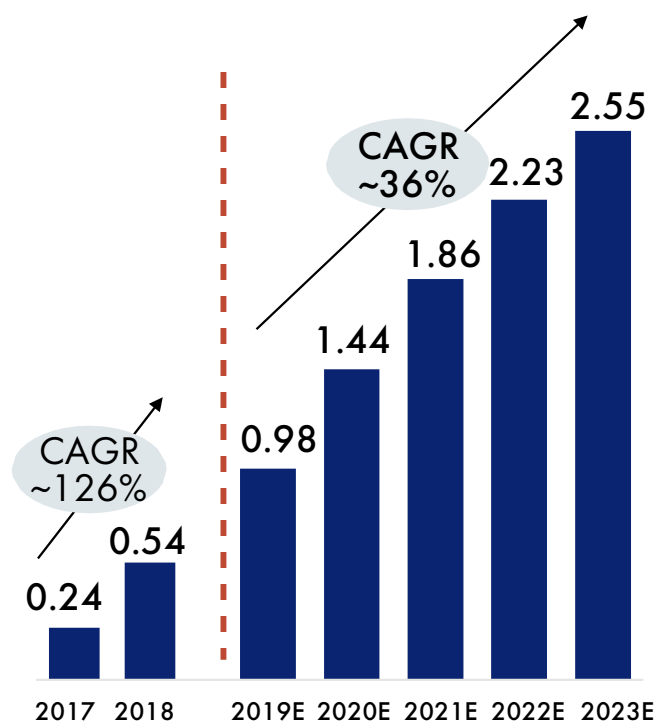
GLOBAL, ROBO-ADVICE IS ESTIMATED TO GROW AT CAGR 36% FOR THE PERIOD 2019-23 AS ADOPTION BY INVESTORS IS ESTIMATED TO GROW AT ~40%; AAUM PER INVESTOR ESTIMATED TO PEAK IN 2019

Avg. AUM under robo-advice is estimated to grow at CAGR 36% from 2019-23E

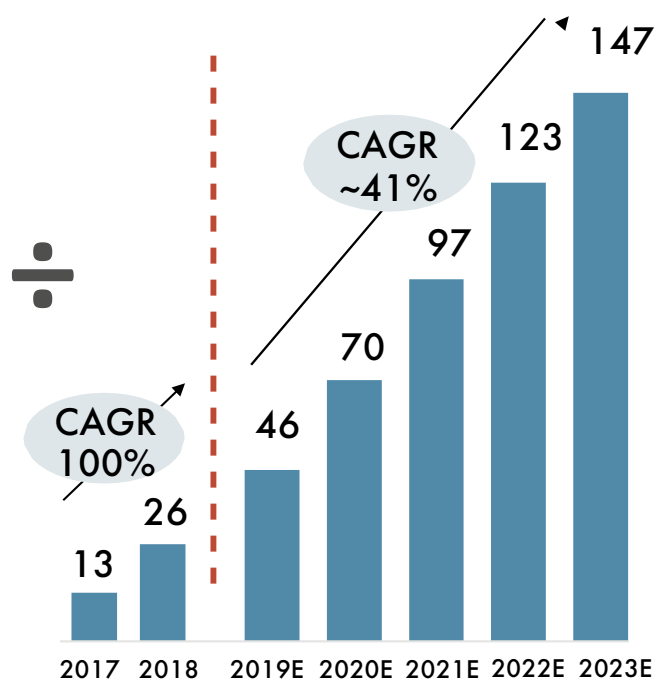
Adoption growth rate of Robo-advice is estimated to grow at ~40% from 2019-23E

In robo-advice segment, avg. AUM per investor is estimated to peak in 2019E and decreasing thereafter

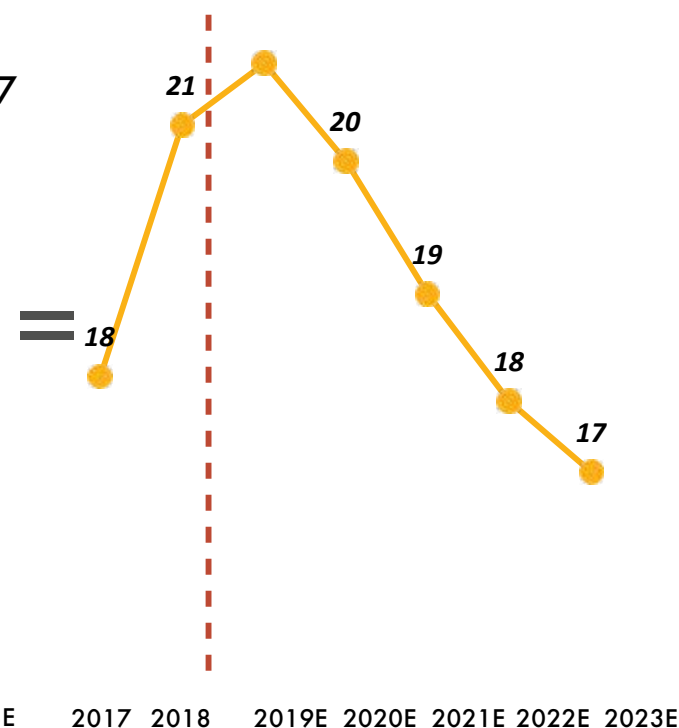
GLOBAL AVG. AUM UNDER ROBO-ADVICE (US\$ TRILLION)



GLOBAL # INVESTORS USING ROBO-ADVICE (MILLIONS)













GLOBAL AVG. AUM PER INVESTOR IN THE ROBO-ADVICE SEGMENT (US\$K)



Note: Average AUM (AAUM) = Starting value + End value / 2

Sources: Statista, Praxis analysis

NEW AGE WM COMPANIES ACROSS THE GLOBE: SOME OF THEM ARE COMPLETELY DIGITAL WHILE SOME OF THEM ARE FOLLOWING A HYBRID MODEL BETWEEN HUMAN AND ROBO-ADVISORY

Company 	Country, founded	AUM (US\$) \$		Licensed experts 	Focus 
	USA, 2015	33B+	✓	✓	<ul style="list-style-type: none"> • Understands goals, risk tolerance and timeline based on questionnaire • Goal based portfolio building, monitoring and rebalancing, tax planning • No advisory fee, no commission, just the ETF fee • Premium account offers professional guidance
Betterment	USA, 2007	10B+	✓	✓	<ul style="list-style-type: none"> • Retirement planners and Portfolio strategies • Partnership with Goldman Sachs to offer smart-beta portfolios • Partnership with BlackRock to offer income-based bond ETFs
PERSONAL CAPITAL	USA, 2009	10B+	✓	✓	<ul style="list-style-type: none"> • Free tools for analyzing: 401(k) fee, retirement planner, MF, and cash flow • Fee based advisory for US\$ 100K+ in assets
	UK, 2011	1.2B+	✗	✓	<ul style="list-style-type: none"> • Discretionary investment management • Primarily using ETFs
	Switzerland and USA, 2017	NA	✓	✓	<ul style="list-style-type: none"> • Alexa answers certain questions related to WM with info provided by UBS CIO
	USA, 1988	1B+	✓	✓	<ul style="list-style-type: none"> • Algorithms and models to run actively-managed funds • acquired FutureAdvisor in 2015
	Cyprus, UK, Israel, 2007	NA	✗	✗	<ul style="list-style-type: none"> • Social trading: <ul style="list-style-type: none"> ◦ Copy Traders: Auto-copy trades of leading traders ◦ Copy Portfolios: Machine learning to bundle top traders/assets ◦ Popular investor program: Most copied traders earn 2% annual fee on AUM just like fund managers just like fund managers • Trading in cryptocurrencies, stocks, currency pairs, ETFs, commodities • Zero commission on stocks just like Zerodha in India
	Hong Kong,	NA	✓	✗	<ul style="list-style-type: none"> • B2B robo-advice technology to reduce investment research cost • Provides an entire library of customizable smart portfolio templates

TECHNOLOGICAL, GOVERNMENT REGULATION AND CLIENT SEGMENTATION CHALLENGES FACED BY WEALTH MANAGEMENT FIRMS IN INDIA

Cyber security creates an unfavorable environment for investment due to security threat



Forecasted damages due to cybercrime by 2021



Shift of operations towards **IOT infrastructure** has exposed Wealth Management firms and clients to **cyber threat**



Unlike Europe, India still hasn't adopted **data protection** bill to the extent that is required for safety

Wealth Management companies face technological challenges due to the changing demography and fast pace of innovation



Adoption of AI into decision making and client-service in India has been lagging as compared to its global counterparts



Wealth Management companies find it tough to stay relevant to **new age investors, the millennials (18-35 years)** who are tech-savvy



RM led advisory model works well for only a certain section of investors (HNIs), while a **hybrid of RM led model and tech-based platform led model** seems to be more relevant offering for mass affluent, mass retail and millennial segments

Servicing across client segments is a constant challenge due to lack of awareness and large-scale diversity in client types

Insecure investor



- Lack of **financial literacy** amongst tier 2 and 3 cities
- **Product push** by advisors and high-profile scams

Shift in focus



- Focus has been on **HNI clients**
- Lack of service in other net worth segments

Identifying segments



- Challenge lies in identifying **unique requirements**
- Understanding **client preferences** is difficult due to large scale diversity

India's business environment poses unique constraints for Wealth Management companies



Budget'19 declared **highest tax** on HNI/s (42%)



India's compliance regulations require a lot of **paperwork** which **increases cost** for WM companies



Complex legal system and **slow-moving judiciary** hampers business processes and decision-making process


Contact us

We will be happy to share perspectives



Leader – Consumer and Digital, Mumbai

 madhur.singhal@praxisga.com

 +91 908 221 8254

 [Linkedin](#)

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FIG

Pre-deal support, commercial due diligence, post-acquisition value creation

BET

Next-gen practitioner-led business advisory and consulting offering lean-cost and long duration engagement



Data engineering and analytics, AI, ML, OpenData and visualization solutions



Cutting-edge technology-led business and market research and tools



Organization and Talent effectiveness



Praxis is 'Practical'



We work with agility, flexibility and embed with your teams to enable SUPERIOR OUTCOMES



We bring the best domain expertise with our deep pool of industry practitioners and implementation teams as two-in-a-box



We leverage technology deeply to enable higher ROI on your consulting and analytics spend

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Build together. Win together.

THANK YOU