

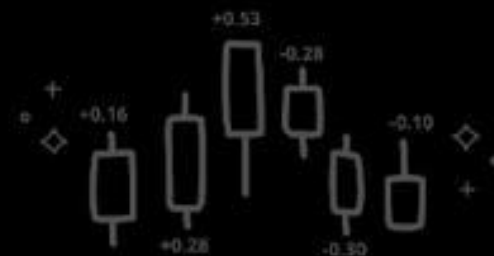
BE FINANCIALLY INDEPENDENT

ANAND RATHI
Private Wealth. uncomplicated

Presents

WEALTH RENDEZVOUS

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Size of Wealth Management Industry

Financial Assets of Indian households

	Financial assets Total	Currency	Deposits	Equity	Mutual Funds	Govt Securities	Small Savings	Insurance	PF and Pension
Rs. Lakh crore									
2012	128.5	11.5	44.8	4.4	8.8	1.2	21.7	17.9	18.2
2023	370.8	31.2	129.3	23.6	23.7	2.0	42.6	60.4	58.0
% share									
2012	100.0	8.9	34.9	3.4	6.9	1.0	16.9	13.9	14.1
2023	100.0	8.4	34.9	6.4	6.4	0.5	11.5	16.3	15.6

Key Takeaways:

- Indian households allocated heavily with almost 63% of their financial assets in low but guaranteed returns assets, such as deposits, small savings and pension and provident funds.
- Almost 9% of the financial asset is held in cash with no return.
- Between 2012 and 2023, direct equities and mutual funds maintained a combined share of 12-13% in financial portfolio.

Return on overall wealth as transaction takes precedence.

Analysis of the savings portfolios of Indian households

Portfolio Returns

Instrument	Deposits	Equity	Equity Mutual Fund	Govt Securities	Small Savings	PF, Pension	Insurance	Weighted Avg. Return
Expected annual rate of return, %	6.5	11.0	14.0	7.0	7.3	7.0	5.0	6.6

Source: RBI, CEIC and Anand Rathi Research.

Key Takeaways:

- With the existing asset allocation, given the expected rate of return for each category, Indian households are expected to generate an average annual return of **6.6% p.a.** on their financial portfolio.
- This means that Indian households would earn in line with inflation. As such, not making significant real return on their savings.
- Anand Rathi Wealth clients in the last 10 years have earned returns in the range of **12% - 14% p.a.** on their overall portfolio. The audited Anand Rathi model portfolio return for the period 2014 -23 stood at **12.4% p.a.**

Long Term Equity View:

Nominal GDP Growth and NIFTY 50 return

Year	FY 2001-12	FY 2012-23	Total 22 years 2001-23
Nifty Return (CAGR)	14.9%	11.4%	13.1%
Nominal GDP growth (CAGR)	13.6%	10.9%	12.3%

Data Source: MOSPI, RBI, NSE

Conclusion

- Data for the past 22 years suggest that the Nominal GDP growth and NIFTY returns are closely associated.
- With inflation expected to be around 5 – 5.5%, nominal GDP growth would range around 11-12% for FY 2023-24. In the past, similar level of GDP growth, on an average, resulted in Nifty 50 return of 11-12%.
- Investments through mutual funds are expected to deliver an alpha of 2% - 3% over Nifty 50. Therefore, equity MF portfolio should grow in the range of 13% - 15% p.a. over a 2 – 4 year period.

The above data and its interpretation is illustrative and should not be construed as any advice or recommendation. The client should independently review this data and consider their own financial situation to arrive at a decision for his/her investments.

Long Term Equity View:

Long Term Growth Indicators

Sr.no.	Growth Parameters	2022-23	2023-24
1	Real GDP	7.2%	7.3% ('E)
2	Inflation	6.7%	5.4% ('E)
3	IIP	5.2%	6.4% (YTD)
4	Direct Tax collection growth	19.7%	22.7% ('E)
5	GST Growth	22%	11.4% (YTD)
6	SIP Inflows	1.5 lakh Cr	1.84 lakh Cr
7	FPI Inflows	16.5 BN USD	21 BN USD

- **Real GDP:** GDP growth remain robust. As per first advance estimates growth projected at 7.3% in FY 24 vs 7.2% in FY 23.
- **Inflation:** Inflation has come down below the RBI tolerance level. India have managed inflation better than the advanced economies.
- **IIP:** IIP growth for the current year so far have been up by 6.4% although some moderation witnessed in Nov'23 and Dec'23.
- **Direct tax collection:** Direct tax collection for the fiscal is expected to grow above 20% y-o-y. So far government has already collected 77% of the target.
- **GST Growth:** GST collection still remain strong. The month of Jan'24 witnessed second highest collection ever.
- **SIP Inflows:** Monthly SIP inflows are currently above 17000 Cr. In CY 2023 witnessed SIP inflows of 1.84 lakh Cr vs 1.5 lakh Cr in CY 2022.
- **FPI inflows:** FPI inflows of 21 Billion USD in 2023 whereas inflow of 16.5 Billion USD in 2022.

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Methods of Wealth Management

Transactional

- Views
- Product
- Group of products
(Portfolio)

Holistic

- Define Objective
- Strategy chosen
- Implementation
- Monitor - Management
Information System (MIS)

Defining Objectives

- Reaching a corpus of **Rs. 20 crores in about 6 years** and Rs. 40 crores in about 12 years from Rs. 10 crores (the corpus is after payment of all taxes) with Beta of <0.5
Which means a **14% p.a. pre-tax return*** which is significantly higher than HNWI
Inflation of 7.5% p.a.
- To **limit tax impact** on overall portfolio returns, on an annualized basis, **at 13%**
(Section 111, 112, 48, 73, 44 AD, 35)
- Creating liability free asset to **safeguard** against external risks
- Establishing a **clearly laid out estate plan** to ensure near zero transmission loss of wealth from one generation to the next

Mathematics Vs Perspective

First Step of being mathematical is to measure numbers :

- MF Audit
- PMS Audit
- Direct Equity return per annum
- Real Estate Audit
- Insurance Audit

Mutual Fund Audit Report

MF Audit MIS			In comparison to NIFTY50						In comparison to AR Model Portfolio						
Month of Audit	No of Audits	Amount Audited (In Cr)	No. of Portfolios Underperformed NIFTY50	Current Value of Portfolios Underperformed NIFTY50 (In Cr)	Extent of Underperformance	No. of Portfolios Outperformed NIFTY50	Current Value of Portfolios Outperformed NIFTY50 (In Cr)	Extent of Outperformance	No. of Portfolios Underperformed AR MP	Current Value of Portfolios Underperformed AR MP (In Cr)	Extent of Underperformance	Value differential (Due to Security Selection) (In Cr)	No. of Portfolios outperformed AR MP	Current Value of Portfolios Outperformed AR MP (In Cr)	Extent of Outperformance
Mar-23	49	143.8	25	88	-1.5%	24	55	1.0%	45	139	-2.5%	-9.56	4	5	1.3%
Apr-23	57	217.2	33	130	-1.3%	24	87	1.3%	53	203	-2.4%	-14.15	4	14	0.8%
May-23	89	344.4	61	243	-1.4%	28	101	1.7%	87	327	-2.0%	-29.65	2	17	1.7%
Jun-23	125	522.9	58	123	-1.5%	67	400	1.9%	116	419	-1.6%	-26.95	9	104	1.2%
Jul-23	160	402.1	94	216	-1.5%	66	186	1.7%	151	365	-2.5%	-35.18	9	37	0.6%
Aug-23	177	437.1	58	125	-1.5%	119	312	2.1%	163	408	-2.93%	-42.00	14	29	1.2%
Sep-23	195	427.7	66	145	-1.4%	129	283	2.3%	184	405	-2.99%	-45.27	11	23	0.4%
Oct-23	205	584.0	68	237	-0.8%	137	347	3.8%	198	565	-2.48%	-63.19	7	19	2.5%
Nov-23	153	369.4	44	90	-1.5%	109	279	2.7%	146	358	-3.22%	-38.49	7	11	0.9%
Dec-23	196	451.3	42	119	-0.9%	154	332	2.6%	185	415	-2.98%	-46.48	11	36	1.4%
Jan-24	204	773.6	66	145	-1.6%	138	629	2.8%	190	702	-2.53%	-68.58	14	72	1.5%
Feb-24	228	833.2	53	153	-1.3%	175	680	3.1%	214	803	-3.43%	-86.86	14	31	1.2%
Mar-24	250	746.7	50	96	-1.5%	200	651	2.7%	234	724	-2.75%	-81.35	16	23	2.1%
Apr-24	218	564.5	39	72	-1.5%	179	493	3.1%	199	532	-2.71%	-53.69	19	32	1.6%
May-24	60	238.8	14	58	-1.5%	46	180	3.5%	54	223	-2.80%	-20.64	6	15	1.7%
Total	2543	8272	901	3041	-1.45%	1642	5231	2.60%	2382	7742	-2.68%	-743.30	161	530	1.26%

35%

65%

94%

6%

PMS Audit Report – FY 23-24

PMS Audit MIS			In comparison to NIFTY50						In comparison to AR Model Portfolio						
Month of Audit	No of Audits	Amount Audited (In Cr)	Current		Value differenti al (in Cr)	Current		Extent of Outperfo rmance	Current		Extent of Underper formance	Value differenti al (In Cr)	Current		Extent of Outperfo rmance
			No. of Portfolios Underper formed NIFTY50	Value of Portfolios Underper formed NIFTY50 (In Cr)		No. of Portfolios Outperfo rmed NIFTY50	Value of Portfolios Outperfo rmed NIFTY50 (In Cr)		No. of Portfolios Underper formed AR MP	Value of Portfolios Underper formed AR MP (In Cr)			No. of Portfolios Outperfo rmed AR MP	Value of Portfolios Outperfo rmed AR MP (In Cr)	
May-23	12	14.7	11	14	-15.48	1	1	0.8%	12	15	-5.32%	2.00	0	0	0.0%
Jun-23	28	22.0	24	19	-42.35	4	3	2.1%	28	22	-7.20%	4.86	0	0	0.0%
Jul-23	38	57.9	24	27	-47.09	14	31	2.2%	35	54	-3.76%	5.74	3	4	0.8%
Aug-23	44	66.8	24	41	-56.08	20	26	2.6%	43	66	-5.24%	9.72	1	1	17.8%
Sep-23	46	90.6	25	48	-52.65	21	42	3.5%	45	89	-6.05%	13.62	1	1	2.8%
Oct-23	32	47.6	13	8	-43.73	19	39	3.8%	32	48	-3.92%	5.88	0	0	0.0%
Nov-23	39	63.2	16	37	-52.48	23	27	4.0%	38	62	-6.84%	11.13	1	1	7.1%
Dec-23	60	213.0	29	177	-63.75	31	36	6.4%	60	213	-5.92%	60.32	0	0	0.0%
Jan-24	68	144.6	31	62	-7.01	37	83	4.2%	61	135	-5.46%	22.38	7	10	6.1%
Feb-24	85	166.4	37	44	-5.09	48	122	8.7%	78	144	-5.92%	27.31	7	22	18.9%
Mar-24	47	293.6	25	33	-3.45	22	261	3.4%	44	291	-4.75%	48.31	3	3	9.8%
Apr-24	70	282.0	36	205	-2.86	34	77	4.2%	67	281	-4.56%	119.37	2	1	13.3%
May-24	5	10.1	2	1	0.00	3	9	5.1%	4	9	-5.02%	0.84	1	1	0.8%
Total	574	1473	297	715	-392.03	277	758	4.54%	547	1428	-5.25%	331.49	26	45	12.63%

52%

48%

95%

5%

Direct Equity Return (per annum)

Particular	Purchases	Redemptions	Net Purchase	Dividends	Closing value	Absolute Gains	XIRR	Nifty IRR	Alpha	Opportunity Loss
Direct Equity of Mr. M	63.39	40.27	23.12	1.18	32.90	10.96	8.93%	10.74%	-1.81%	2.22

Real Estate Audit Report - FY 23-24

Sr.No	Month	Audits Done	No of Properties Audited	Avg holding (in yrs)	No of RE Portfolio underperformed Nifty	Buying Price (In Cr)	Expected Selling Price (In Cr)	IRR	If invested in Nifty 50 (In Cr)	IRR Generated in Nifty 50	Opportunity Loss (In Cr)
1	May	14	33	9.53	13	26.25	49.44	6.87%	76.13	11.30%	26.69
2	June	16	41	10.34	13	34.44	88.18	9.52%	114.09	12.05%	25.91
3	July	24	48	8.91	21	44.76	91.88	8.41%	148.06	12.98%	56.18
4	August	41	96	10.72	33	92.22	220.45	8.47%	323.31	11.78%	102.86
5	September	50	114	11.67	45	80.04	206.01	8.44%	408.92	13.19%	202.91
6	October	54	155	11.86	43	97.28	261.78	8.70%	564.16	13.38%	302.38
7	November	70	147	13.47	60	120.37	356.95	8.40%	823.85	12.99%	466.90
8	December	50	124	10.39	45	93.01	199.67	7.63%	373.24	12.69%	173.57
9	January	61	165	10.02	54	154.80	374.25	9.21%	594.41	12.66%	220.16
10	Feburary	48	143	10.73	42	128.07	328.88	9.19%	508.44	12.71%	179.56
11	March	18	45	11.48	17	36.00	103.28	9.62%	175.31	13.38%	72.03
12	April	37	129	10.31	29	94.66	238.06	9.36%	355.74	12.74%	117.67
Total		483	1240	11.06	415	1001.89	2518.83	8.69%	4465.65	12.85%	1946.82

85.92%

Key Takeways

- 1) 86% of the Real Estate Portfolio underperformed Nifty 50
- 2) 54% of the Real Estate Portfolio underperformed 10 Year G-Sec

Alpha

4.15%

Insurance Audit Report- FY 23-24

Insurance Audit MIS		Insurance Portfolio					Term Plan + Nifty Combination			
Audit Month	No of Audits	No of Policies Analysed	Invested Value (Rs in Cr)	Current Value (Rs in Cr)	IRR	Average Holding Period (Years)	Current Value (Rs in Cr)	IRR	IRR Differential %	Value Differential (Rs in Cr)
Apr-23	37	267	27.65	23.06	-8.20%	6.61	51.58	9.46%	17.66%	28.53
May-23	33	205	23.61	27.03	1.95%	9.03	44.05	11.18%	9.23%	17.02
Jun-23	51	351	45.54	48.65	0.32%	8.53	87.21	11.67%	11.35%	38.56
Jul-23	50	288	20.29	21.13	0.76%	7.96	39.28	11.98%	11.21%	18.15
Aug-23	45	174	19.70	19.07	-3.19%	6.36	33.15	12.61%	15.80%	14.08
Sep-23	51	314	25.53	30.66	0.48%	9.54	48.22	12.08%	11.60%	17.56
Oct-23	40	200	25.69	27.61	3.99%	8.54	42.17	11.50%	7.51%	14.56
Nov-23	28	335	29.35	22.46	-3.92%	2.00	44.43	10.70%	14.62%	21.97
Dec-23	69	403	37.99	39.26	0.03%	7.09	62.55	13.03%	13.00%	23.28
Jan-24	70	548	45.06	56.34	5.54%	7.23	104.84	13.25%	7.72%	48.50
Feb-24	57	347	32.42	33.90	2.72%	8.26	67.38	14.16%	11.44%	33.49
Mar-24	52	443	51.41	63.62	6.48%	8.97	119.78	14.38%	7.89%	56.17
Apr-24	63	379	43.27	48.38	2.42%	8.77	88.75	13.70%	11.27%	40.37
Total	646	4254	427.50	461.16	0.72%	7.61	833.40	12.28%	11.56%	372.24

Performance of Sample Portfolio in last 10 Years

Year	Sample Portfolio - IRR	NIFTY IRR	Beta
Apr 14 - Apr 24	14.62%	12.49%	0.49

- Sample Portfolio Return is greater than targeted return (14%) & is higher than NIFTY50 returns by 2.1% p.a.
- However risk of the portfolio measured by Beta is 0.49 which implies that risk of the sample portfolio is 51% less compared to NIFTY50.

For the period from 1 st April 2014 till 30 th April 2024	
Beta of the portfolio is 0.49 which implies	49% allocation to NIFTY 50 Index 51% allocation to Risk Free (Fixed Deposit)
NIFTY IRR for the period	12.49%
Risk Free Rate of Return for the period	6.50%
Portfolio IRR with same Beta generated by benchmark (Risk Adjusted Return)	9.43%
This leads to, the Jensen's Alpha (% p.a.)	5.19%
Value of Rs 10 Cr invested in the Sample portfolio	39.37
Value of Rs 10 Cr invested in portfolio with same Beta as Sample portfolio	24.75
Jensen's Alpha in Rs Cr.	14.62
Total Portfolio Gains on a base of 10 Cr for the period in Rs Cr.	29.37
Portfolio Alpha as a percentage of Total Portfolio Gains	49.78%