

# Client Associates

Private Wealth Management

TRUST . TALENT . TRANSPARENCY

## STRATEGIC ASSET ALLOCATION

Allocate portfolio based on long term expectations of return, risk and correlation

## INVESTMENTS

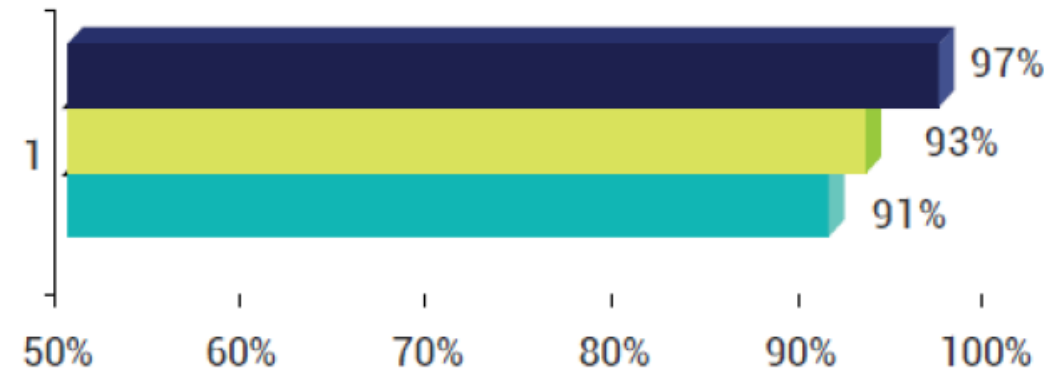
Market timing decision based solely on price movements, volume, data and expectations

## SECURITY SELECTION

Active management of specific securities within an asset class

## How much do these affect the Portfolio?

- Security selection accounts for 4.0%
- Tactical asset allocation is possible for debt instruments in short-term



- Strategic Asset Allocation
- Strategic AA + Tactical
- Strategic AA + Tactical + Stock Selection

# Winners Keep Rotating – Asset Allocation is the Key

## INDIA

| 2013                   | 2014                   | 2015                   | 2016                   | 2017                  | 2018                  | 2019                   | 2020                   | 2021                  | 2022                   |
|------------------------|------------------------|------------------------|------------------------|-----------------------|-----------------------|------------------------|------------------------|-----------------------|------------------------|
| International<br>45.7  | Small-cap<br>62.9      | Credit risk<br>10.00   | G-sec<br>15.0          | Small-cap<br>59.6     | Gold<br>8.4           | International<br>31.8  | Small-cap<br>30.8      | Small-cap<br>62.8     | Gold<br>11.3           |
| Large-cap<br>9.0       | Mid-cap<br>54.7        | Corporate bond<br>9.00 | International<br>12.5  | Mid-cap<br>48.1       | G-sec<br>8.0          | Gold<br>21.1           | Gold<br>27.6           | Mid-cap<br>39.2       | Credit risk<br>5.2     |
| Real estate<br>7.5     | Large-cap<br>29.9      | Mid-cap<br>7.4         | Corporate bond<br>12.0 | Large-cap<br>27.9     | Large-cap<br>5.9      | Large-cap<br>12.6      | International<br>19.0  | International<br>29.1 | Large-cap<br>2.7       |
| Credit risk<br>7.0     | G-sec<br>17.0          | G-sec<br>7.0           | Credit risk<br>12.0    | International<br>12.3 | Corporate bond<br>5.0 | G-sec<br>12.0          | Mid-cap<br>18.8        | Large-cap<br>22.0     | Corporate bond<br>2.7  |
| Corporate bond<br>6.00 | Credit risk<br>14.0    | Small-cap<br>6.1       | Gold<br>10.9           | Credit risk<br>8.0    | Credit risk<br>5.0    | Corporate bond<br>10.0 | Large-cap<br>14.6      | Credit risk<br>8.6    | T-Bill<br>2.5          |
| T-Bill<br>5.5          | International<br>13.6  | T-Bill<br>5.4          | Real estate<br>9.6     | Corporate bond<br>7.0 | Real estate<br>4.8    | Credit risk<br>8.0     | G-sec<br>12.8          | Corporate bond<br>4.9 | G-sec<br>2.3           |
| G-sec<br>2.0           | Corporate bond<br>13.0 | Real estate<br>4.5     | Mid-cap<br>8.0         | Real estate<br>6.4    | T-Bill<br>4.1         | T-Bill<br>4.2          | Corporate bond<br>12.3 | Real estate<br>3.1    | Real estate<br>1.4     |
| Mid-cap<br>-5.7        | Real estate<br>11.9    | International<br>4.2   | T-Bill<br>4.7          | Gold<br>6.0           | International<br>2.4  | Real estate<br>4.2     | Credit risk<br>11.4    | G-sec<br>2.2          | Mid-cap<br>-2.2        |
| Small-cap<br>-9.7      | T-Bill<br>5.7          | Large-cap<br>-5.0      | Large-cap<br>1.9       | T-Bill<br>4.0         | Mid-cap<br>-13.4      | Mid-cap<br>-4.0        | T-Bill<br>3.1          | T-Bill<br>2.0         | Small-cap<br>-7.5      |
| Gold<br>-18.0          | Gold<br>2.2            | Gold<br>-7.9           | Small-cap<br>1.8       | G-sec<br>2.0          | Small-cap<br>-23.5    | Small-cap<br>-9.0      | Real estate<br>1.2     | Gold<br>-2.7          | International<br>-10.0 |

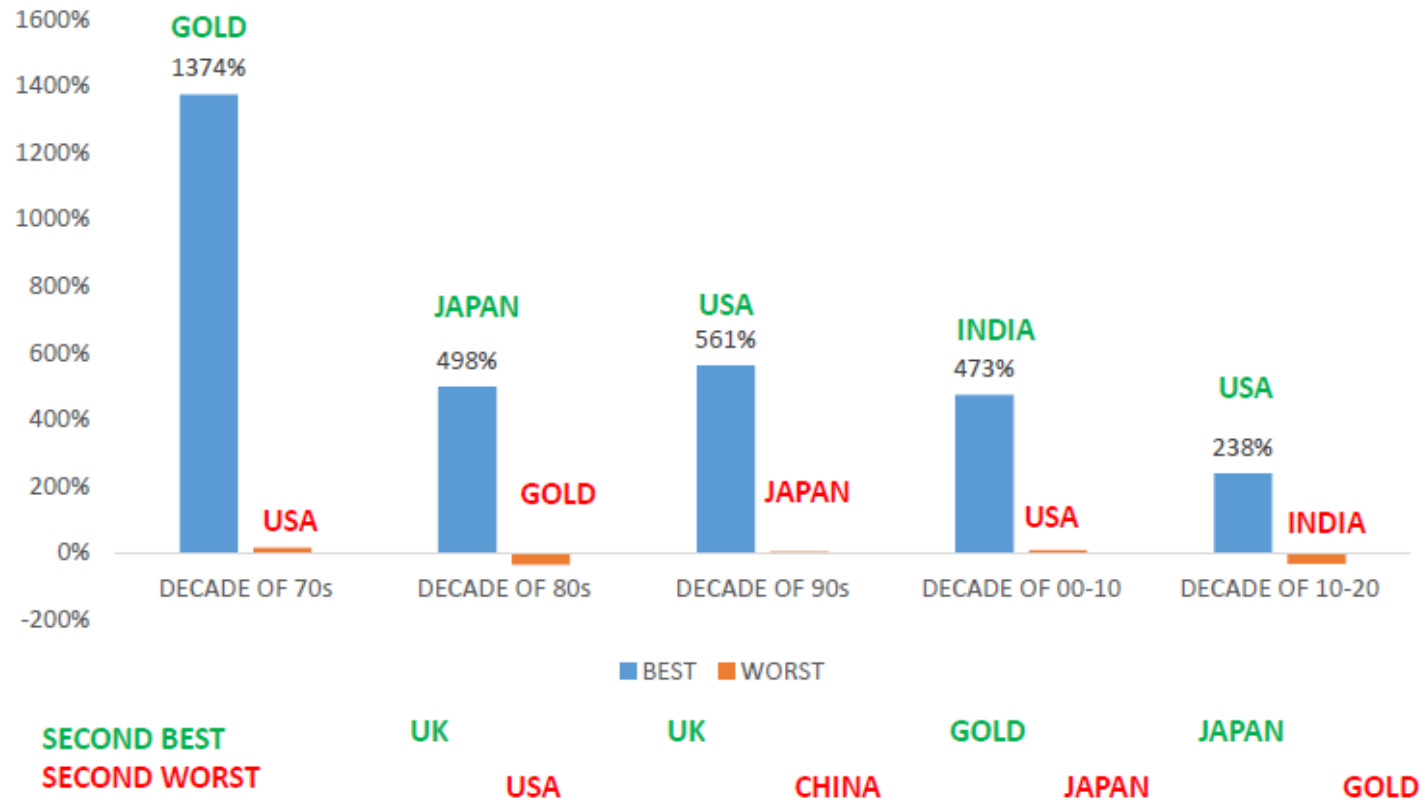
## GLOBAL

| 2013                  | 2014                  | 2015                  | 2016                 | 2017                  | 2018                   | 2019                  | 2020                 | 2021                  | 2022                   | 10 Years             |
|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|------------------------|-----------------------|----------------------|-----------------------|------------------------|----------------------|
| Small Cap<br>41.0%    | REITs<br>30.4%        | REITs<br>2.4%         | Small Cap<br>26.6%   | EM<br>37.3%           | Cash<br>1.7%           | Large Cap<br>31.2%    | Large Cap<br>18.3%   | REITs<br>40.5%        | Comdty<br>17.5%        | Large Cap<br>12.5%   |
| Mid Cap<br>35.2%      | Large Cap<br>13.5%    | Large Cap<br>1.3%     | Mid Cap<br>20.5%     | Int'l Stocks<br>25.1% | Bonds<br>0.1%          | REITs<br>28.9%        | EM<br>17.0%          | Comdty<br>31.1%       | Cash<br>1.4%           | Small Cap<br>10.8%   |
| Large Cap<br>32.3%    | Mid Cap<br>9.4%       | Bonds<br>0.5%         | Comdty<br>12.9%      | Large Cap<br>21.7%    | TIPS<br>-1.4%          | Mid Cap<br>25.8%      | Mid Cap<br>13.5%     | Large Cap<br>28.8%    | EW<br>-11.5%           | Mid Cap<br>10.7%     |
| Int'l Stocks<br>21.4% | Bonds<br>6.0%         | Cash<br>-0.1%         | Large Cap<br>12.0%   | Mid Cap<br>15.9%      | Large Cap<br>-4.6%     | Small Cap<br>22.6%    | Small Cap<br>11.4%   | Small Cap<br>26.8%    | TIPS<br>-12.2%         | REITs<br>6.4%        |
| EW<br>10.7%           | Small Cap<br>5.5%     | Int'l Stocks<br>-1.0% | EM<br>10.9%          | Small Cap<br>13.1%    | REITs<br>-6.0%         | Int'l Stocks<br>22.0% | TIPS<br>10.8%        | Mid Cap<br>24.5%      | Bonds<br>-13.0%        | EW<br>5.1%           |
| REITs<br>2.3%         | EW<br>4.0%            | TIPS<br>-1.8%         | EW<br>10.0%          | EW<br>12.6%           | EW<br>-7.2%            | EM<br>18.2%           | EW<br>7.8%           | EW<br>16.3%           | Mid Cap<br>-13.3%      | Int'l Stocks<br>4.4% |
| Cash<br>-0.1%         | TIPS<br>3.6%          | Small Cap<br>-1.8%    | REITs<br>8.6%        | REITs<br>4.9%         | Small Cap<br>-8.6%     | EW<br>17.5%           | Int'l Stocks<br>7.6% | Int'l Stocks<br>11.5% | Int'l Stocks<br>-14.4% | TIPS<br>1.0%         |
| Bonds<br>-2.0%        | Cash<br>-0.1%         | Mid Cap<br>-2.5%      | TIPS<br>4.7%         | Bonds<br>3.6%         | Mid Cap<br>-11.3%      | Bonds<br>8.5%         | Bonds<br>7.5%        | TIPS<br>5.7%          | Small Cap<br>-16.1%    | Bonds<br>1.0%        |
| EM<br>-3.7%           | EM<br>-3.9%           | EW<br>-4.7%           | Bonds<br>2.4%        | TIPS<br>2.9%          | Comdty<br>-13.1%       | TIPS<br>8.4%          | Cash<br>0.4%         | Cash<br>-0.1%         | Large Cap<br>-18.2%    | EM<br>0.6%           |
| TIPS<br>-8.5%         | Int'l Stocks<br>-6.2% | EM<br>-16.2%          | Int'l Stocks<br>1.4% | Comdty<br>0.7%        | Int'l Stocks<br>-13.8% | Comdty<br>7.6%        | Comdty<br>-4.1%      | Bonds<br>-1.8%        | EM<br>-20.6%           | Cash<br>0.6%         |
| Comdty<br>-11.1%      | Comdty<br>-18.6%      | Comdty<br>-28.2%      | Cash<br>0.1%         | Cash<br>0.7%          | EM<br>-15.3%           | Cash<br>2.0%          | REITs<br>-4.6%       | EM<br>-3.6%           | REITs<br>-26.2%        | Comdty<br>-2.0%      |

Funds: EEM, VNQ, MDY, SLY, SPY, EFA, TIP, AGG, DJP, BIL

# Best of Past may NOT be Best of Future

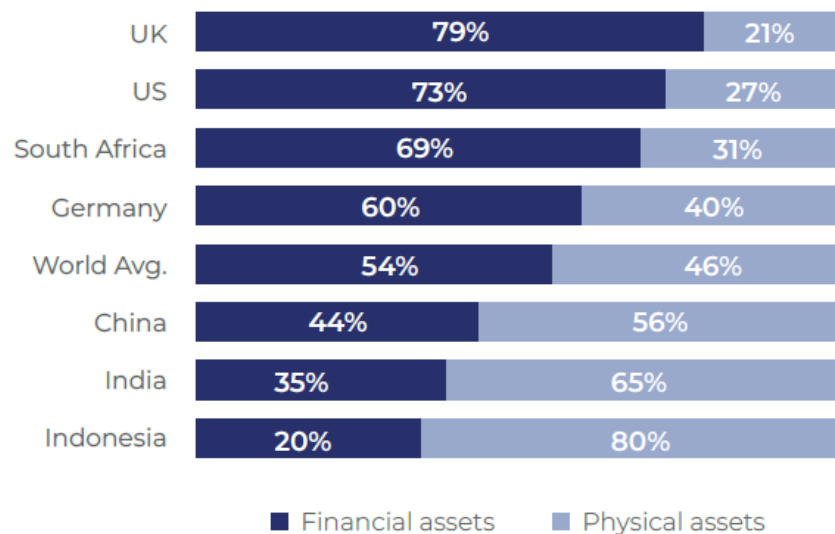
### THE BEST GET HEAVY WITH EXPECTATIONS



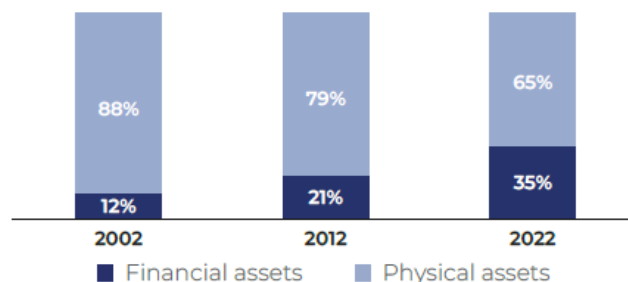
Source: Bloomberg Economic Data

# Distribution of Assets - Globally

Distribution of Financial and Physical Assets Globally



How India has progressed in last 2 decades

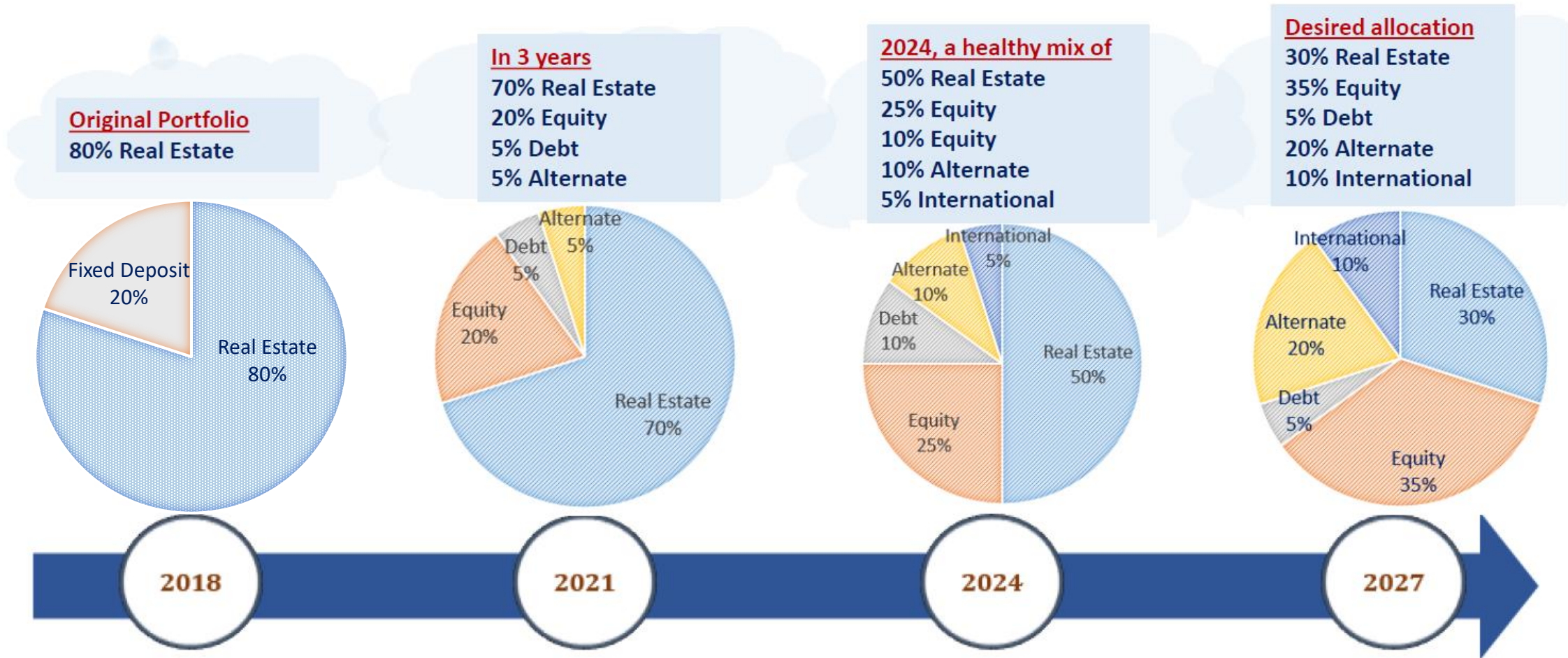


Asset allocations across wealth spectrum in India

|                               | Indian Retail Investor | Indian HNI | Indian Family Office |
|-------------------------------|------------------------|------------|----------------------|
| Property                      | 49%                    | 27%        | 15%                  |
| Gold                          | 15%                    | 5%         | 2%                   |
| Debt*                         | 31%                    | 21%        | 13%                  |
| Equity                        | 4.5%                   | 37%        | 50%                  |
| Alternatives                  | 0.5%                   | 10%        | 20%                  |
| Post-tax Portfolio Return     | 6.9%                   | 10.3%      | 11.9%                |
| Wealth Multiple Over Lifetime | 28x                    | 135x       | 278x                 |



# Journey of a Family

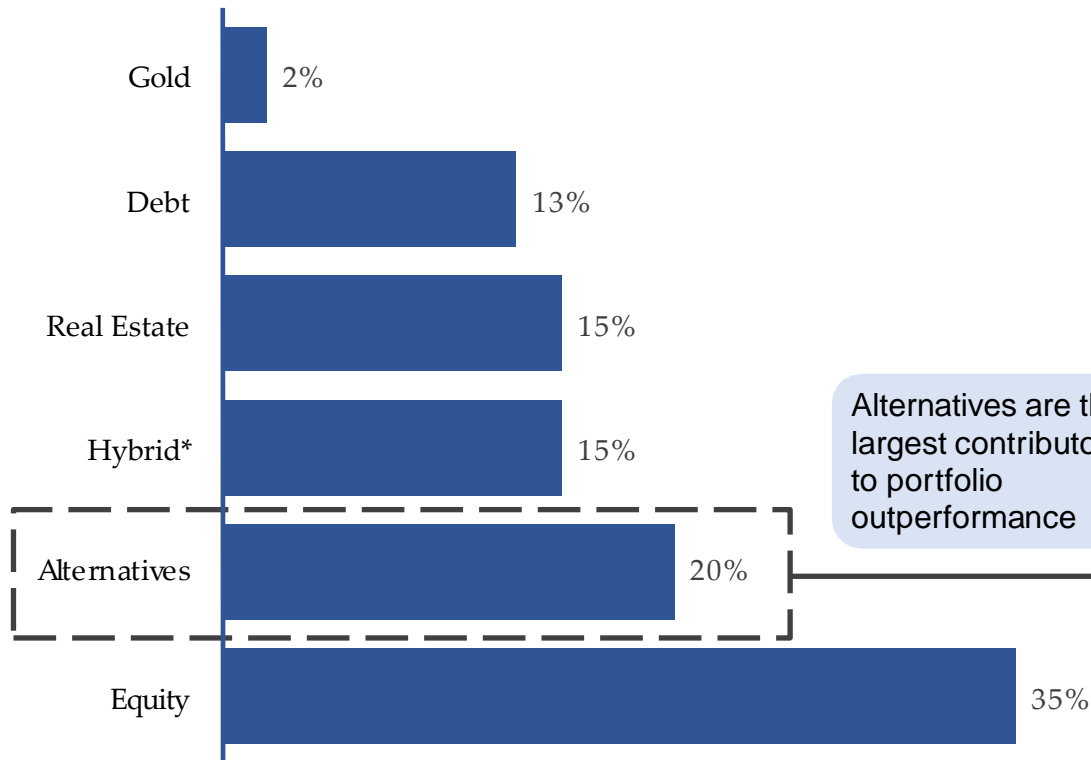


# Alternate Asset Class – Huge potential

Alternatives make ~20% of the portfolio of Indian family offices

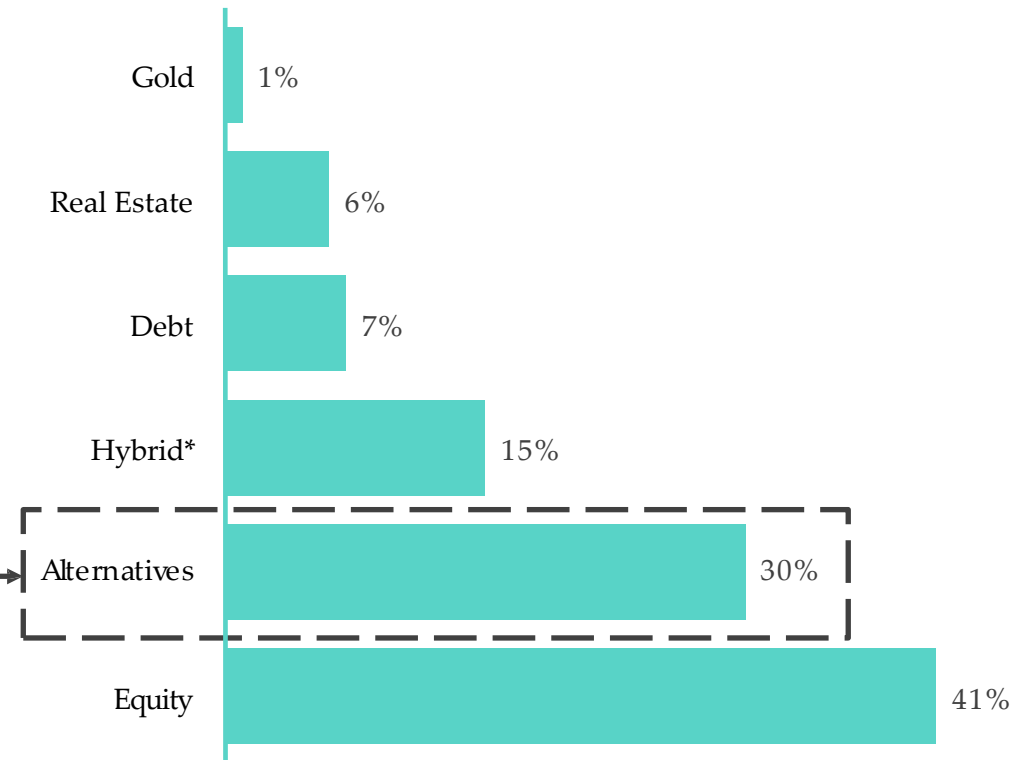
And yet contribute to ~30% returns of a typical portfolio

### Portfolio allocation by asset-type (%)



Alternatives are the largest contributors to portfolio outperformance

### Return contribution by asset type (%)



Source(s): Client Associates estimate based on their client portfolio  
Hybrid refers to Balanced Funds, which have a blend of public market equity and debt allocations, usually in a 60-40 ratio

# Secular Trend is Up, Despite Short Term Vagaries





# Financial Planning is incomplete without Preserving Assets

- India saw a rise of 116% in billionaire population between 2013-18 , the expected growth is 37% for next five years (2018-23)\*
- Significant number of wealthy families have not planned their succession;
- Less than 5% of family run businesses survive beyond 3 generations;

