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Maintain savings ratios of 20% +: Jayant Pai

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In an interview with **Yogita Khatri of Myiris.com**, **Jayant Pai, Vice President, Parag Parikh Financial Advisory Services (PPFAS)** says, "I believe that 2011 will be a year where conservatively managed funds with a large-cap orientation will perform better as compared to their riskier peers."

Jayant Pai is currently designated as vice president, Parag Parikh Financial Advisory Services (PPFAS). He is a certified financial planner (CFP). He has had two stints at PPFAS. During the first innings (from April 2005 to June 2007) he played a key role in setting up the financial planning division, which is now part of the wealth management group. He also played a part in developing the institutional broking business and in procuring clients for the portfolio management division. He commenced his second stint in May 2010 wherein his mandate broadly involves assisting the financial planning practice as well as undertaking certain media and communications related activities.

> What are the emerging trends in wealth management in India?

Wealth managers are making greater efforts to tap the 'Mass Affluent' segment. Though the exact definition varies, this category usually includes clients having a net worth between Rs 30 lakhs and Rs 5 crores. Today, products which were meant exclusively for the high net worth segment (1 million dollars and above) are available to the mass affluent segment. Hence the minimum ticket size for real estate funds, structured products etc. is down to around Rs 10 lakhs as against the earlier cut-off of Rs 25 lakhs and above. Besides foreign banks, many Indian stockbrokers and banks are also setting up wealth management arms to cross sell to their existing clientele. Portfolio management services are a common offering among the broker-led firms. Also, some firms are using the financial planning platform as a means of attracting clients.

> The recent fraud case in a bank's wealth management unit has put a spotlight on the way wealth management businesses are conducted. Do you see that as a positive or a negative development for advisors? How do you see the business environment for advisors in 2011?

Foreign banks have a chequered history with respect to various activities in India (and globally). Surely this incident will lead to some strengthening of controls at all outfits. However, the current remuneration structure in these firms will always induce employees to cut corners in order to attain their targets. I do not foresee any great improvement going ahead. In fact, Citibank themselves have not admitted to any wrongdoing. They are treating this as a case of individual misdemeanour.

> Is there a global benchmark for planners that can be immediately applied to India?

Wealth management is a fairly opaque and personalized industry. Hence standardized global benchmarks as such cannot be applied. However, foreign banks do adopt global best practices to the extent possible in their local outfits. These standards could pertain to sales tactics, technology and internal controls.

> What are the aspects that matter you when selecting funds for your clients? Your top 3 equity fund picks and debt fund picks with key attributes you like in them?

I try to match the personality of the client to the personality of the fund house. For instance, I suggest funds from Fidelity or Templeton for conservative clients and those from Reliance, Sundaram or IDFC for those whose risk appetite is greater. Besides this, the asset allocation decision is based on the usual factors such as financial goals, debt position etc.

I believe that 2011 will be a year where conservatively managed funds with a large-cap orientation will perform better as compared to their riskier peers. Hence my top three equity funds for 2011 are: Fidelity Equity Fund, Franklin Bluechip and Quantum Long Term Equity Fund.

This will also be a year when interest rates will stabilize at a higher level. Hence I would prefer short term debt funds as compared to income or gilt funds. There is not much difference between the top performers in this category. However, based on the three year performance and the risk profile I like HDFC Short Term, Templeton India Short Term Income Plan (TISTIP) and Reliance Short Term Fund.

> How many fund houses do you deal with? In which fund house do you have the maximum AUM (in terms of percentage)? Tell us your favorite all-time MF schemes and fund managers.

We deal with a variety of fund houses and have AUM spread more or less equally between the top 4 houses.

There are no favorite all time schemes or managers. However, I like funds and managers who follow a disciplined investment process and who stick to their stated mandate. From that angle I like Sandeep Kothari (Fidelity), Prashant Jain (HDFC), K. Sivasubramaniam (Franklin Templeton) and Atul Kumar (Quantum).

> Which are the product segments (e.g. equity MFs / PMS/ debt funds/etc) that you are likely to focus on more in this year and why?

We believe in a balanced approach always. We run one of India's oldest PMS equity schemes and I always recommend the same to those clients who are seeking a value-investing oriented fund. Within mutual funds we usually prefer those with a long track record with a demonstrated ability to outperform over bull and bear phases. Our approach to advising remains the same year after year. I do not foresee 2011 to be any different.

> What is your market outlook for 2011?

I believe that there is too much consensus regarding Indian earnings growing at 20% + this year. Hopes could be belied on that front owing to higher than expected interest rates and input costs. Also, in case developed markets stabilize more this year, the interest in India could wane. Hence I think the market will give single digit returns at best this calendar year. We may even end up slightly lower than last year's level if there is a contraction of PE ratios.

> How can technology help in financial advisory business?

It can be a useful supplement but cannot supplant the customized advisory role. Within technology, solutions on the `Cloud` will gain prominence over the next few years as scaling up is easier and initial costs are lower.

> What three books related to personal finance would you recommend every person read and why?

1. The Millionaire Next Door by Thomas J. Stanley and William D. Danko : It highlights how frugal habits can lead to amassing of great wealth over the long term. This is a personal finance book which stresses on the `saving` aspect rather than merely the `earning` aspect.
2. Rich Dad, Poor Dad by Robert T. Kiyosaki : This is a favorite book for many readers. It dwells on the importance of financial literacy in addition to other formal education.
3. Essential Guide To Carefree Retirement by Gaurav Mashruwala : This book is not easily available but it is worth the effort. It is one of the few books tailored for Indian readers.

> Is there anything else you would like to share with our readers?

Do not take decisions regarding purchase of funds only based on recent performance. Do not worry too much about market direction. Keep investing in a disciplined manner every month. Maintain savings ratios of 20% +. Do not mix insurance and investment requirements.

All the best for 2011 and beyond.....

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