



IL NEWS

Our Senior Partner Shiju PV Quoted in Business Standard

AUTHOR IndiaLaw LLP

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In a recent article published by [Business Standard](#) titled “New asset class to encourage innovation, raise competition, say experts”, Our Senior Partner [Shiju P V](#) shares his expert insights.

Shiju Opined “It is a good opportunity for AMCs as they can have multiple avenues for investors. However, it requires them to develop the necessary expertise. It can eat into some portion of PMS investment, and there will be demands to allow them also to provide this new asset class”

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The Smart Investor

New asset class to foster innovation, raise competition

ADITHYAN KUMAR & KHUSHBOO TIWARI
Mumbai, 17 July

The new asset class proposed by the market regulator, which will fit in between mutual funds (MFs) and portfolio management services (PMS), will open up new business opportunities for domestic asset management companies (AMCs), but it may eat into some of the existing assets of MFs and PMS, believe industry experts.

The Securities and Exchange Board of India (Sebi) on Tuesday proposed a new investment vehicle catering to investors willing to take riskier bets. The regulator has mooted a minimum ticket size of ₹10 lakh, much below the threshold of ₹50 lakh for PMS.

"It is a good opportunity for AMCs as they can have multiple avenues for investors. However, it requires them to develop the necessary expertise. It can eat into some portion of PMS investment, and there will be demands to allow them also to provide this new asset class," said Shiju PV, Senior Partner, IndiaLaw LLP.

Radhika Gupta, MD & CEO, Edelweiss MF, also said that the introduction of the new asset class allows fund houses to build "multiple centres of expertise rather than a single style or individual driven business".

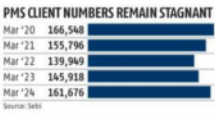
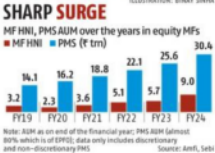
The proposed offering not just lowers the ticket size vis-a-vis PMS, but also opens up opportunities to design products that are possible through the MF and PMS structures. This, experts believe, will help the asset class to garner assets from the existing investor base of PMS and MFs.

"Competition is already high in PMS, both among peers and also from AIFs and MFs. The new asset class will only add to it. We hope that PMS providers are also allowed to operate such entities going forward, given their experience in managing high-risk strategies," said Deepak Shenoy, CEO of Capitalmind, a PMS firm, which has now also applied for an MF licence.

Some in the PMS industry believe the proposed offering can create a new investor base for PMS.

"Customisation utility of PMS will continue to be an unchallenged feature. The new asset class will hopefully also expand the funnel of new clients for PMS with wealth creation over a period. Their risk-taking may also increase once they test the new asset class and thus migrate to PMS later," said Sanjay Bhansali, CEO of Ambit Asset Management.

Wealth managers and investment advisors see the proposed offerings sitting well in their client portfolio. "It expands the range of choices that investors would have access to, and long-short strategies could be an option that investors can



consider within their range of options to consider under alternate assets," said Vishal Dhanwan, founder and CEO of Plan Ahead Wealth Advisors.

According to experts, a significantly large base of MF investors have the corpus to invest in the new asset class with a minimum ticket size of ₹10 lakh. At the end of the financial year (FY) 2024, high net-worth (HNI) investors had ₹9 trillion worth of investment in MFs. Their investments in MFs stood at ₹16 trillion at the end of FY21.

According to AMFI, any mutual fund investment account, which receives over ₹200,000 in a single instalment is considered an HNI account.

The HNI share in equity MF AUM has grown from 35.5 per cent to 38.3 per cent in the three-year period ending March 2024. The retail investors' share has declined from 55 per cent to 52.8 per cent.

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KHUSHBOO TIWARI
Mumbai, 17 July

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