How we brought a structured approach to managing Mr.Kumar's financial estate.

THE NEED

Mr.Vijay Kumar (fictitious name to preserve identity) is the CEO of a multi-national company headquartered in India. A well-informed investor, he makes good investment choices. His portfolio comprised of equity and debt mutual funds, stocks, bonds and various other capital market instruments.

When we met him, we found that over the course of many years, his portfolio had become scattered and not in line with his overall portfolio objectives.

Fresh investments were being made in instruments on their individual merit and not based on an overall investment framework. We found that Mr.Kumar wanted to be more in control of his investments.

OUR SOLUTION

We first worked on consolidating and presenting a one view of his investments. A thorough review of his investments showed Mr.Kumar a holistic view of his portfolio. We spent time understanding his long term goals and other preferences.

We created a brief investment framework in discussion with Mr.Kumar, that would serve as a guide sheet for aligning investments to his goals. We also created a strategic and tactical asset allocation plan for Mr.Kumar, and our monitoring framework acted as a sounding board.

We implemented the strategic asset allocation plan over a period of 1 year, taking into account, product features and investment taxation implications. IIFL Wealth Advisors conducted periodic reviews on the overall portfolio (once in a quarter, - his preferred timeframe), which helped Mr.Kumar track progress.

THE RESULTS

- Mr.Kumar was able to have anytime, anywhere access to his overall financial estate.
- His money was now being invested based his financial objectives. And these objectives were clear to all the stakeholders who were serving him.
- He was able to exit his high cost instruments and reduce overall cost of holding the portfolio.
- His investment taxation reporting was streamlined.

" In summary, we were able to create a structured framework to align his overall portfolio, which gave him greater control and satisfaction "

How we helped Mrs. James avoid the big mistakes, with the help of scientific valuation models.

THE NEED

Mrs. Karen James (fictitious name to protect identity) is an NRI based in Singapore. She is a member of the top management of a Fortune 500 company. She had 2 different accounts, to manage her investments in India and internationally. When we first met MrsJames in 2007, she was concerned about getting her international investment taxation in place. She had invested in various products in India and abroad and was not sure how to structure her portfolio in a manner that suited her best. She also wanted to streamline joint holder, nominations and other paperwork.

OUR SOLUTION

Our first step was to consolidate her multiple investments views into a single view and bring clarity to her investment landscape. We also found that MrsJames' investment decisions were arbitrary and largely based on market sentiments. We put in place an investment decision-making structure adapted from our valuation model to suit her requirement. This scientific valuation model came into play many times in the next few years helping her avoid big mistakes.

Earliest being in 2009, when the client wanted to sell some of her inherited stock as they were profitable for her anyway. Our valuation model showed that markets were trading at a 35% discount to their average valuations and that would not be an ideal time to exit.

During this time, the client also had substantial exposure to a particular sector in equity - one that would take a significantly longer time to generate returns and would be impacted the most in volatile times. Our model suggested reducing exposure to such sectors.

In 2012, our client was considering investing majority of her debt portfolio into locked in debt instruments, as the returns seemed to be attractive. Our model suggested that the client limit her exposure to locked-in instruments to10% of his portfolio, as locking up investments will mean that she will not be able to exploit the market opportunity in equity and debt. The client followed this model and kept her investments in open-ended instruments, which helped her build up equity in the next year.

THE RESULTS

- Our valuation approach to guiding the client proved effective and benefited her portfolio.
- Our approach helped MrsJames face lower downside in the portfolio during volatile times, while still remaining invested in equity.
- Equity market broad indices rallied 40% from 2013 to 2014 and MrsJames was able to participate in the rally thanks to our model.

" Our role is to help our clients avoid the big mistakes by using scientific valuation methods to guide their investment decisions "

How we created tailored investment solutions to meet Mr. Guha's objectives

THE NEED

Mr.Vikas Guha is a businessman who has been very successful in his first venture running a manufacturing company. He sold his business at the right time and was in a situation where he had a significant inflow of cash.

He had 3 objectives for this money

a. Plan for the long term financial wellbeing of his family

b. Set aside a portion as seed capital to start up his next venture

c. Be able to fund his next venture until it becomes fully profitable

Once the news of his sale became public, he was inundated with advisors and investment opportunities. Our client had some experience of investing earlier with mixed results. But now, he began to make investment decisions with multiple parties based solely on good returns. At one point, he had 9 advisors guiding him. Thus, his investments had no underlying theme. They were totally misaligned with his objectives

OUR SOLUTION

It was here that IIFL Wealth Advisors met Mr.Guha. Our solution was to create an investment structure that aligned perfectly to his investment objectives. His portfolio had 3 equal buckets

The first 33% of his portfolio was a 'Capital Protector', aligned to the long-term financial security of his family. This portion was built with good quality debt instruments, tax-free debt instruments and high quality dividend yielding equity instruments. The approach taken in this segment focused on Capital protection, defined income and high stability, with minimal risk of capital erosion.

The second 33% of this portfolio was a "Return Generator", attempting to earn higher returns, with a higher risk profile and smaller time horizons. Naturally, this segment had higher equity and stocks in this segment followed a constant compounding theme.

The last segment had a "Wealth Creator" Theme, and this would try to replicate the returns he made through his company. This segment had deep value stocks and theme based investments and opportunistic value investments across different asset classes.

THE RESULTS

Mr.Guha now had three specific investment accounts aimed at :

CAPITAL PROTECTION | RETURN GENERATION | HIGHER-RISK REWARD THEME

This design of investments aligned straight to his individual objectives, gave him comfort and allowed him to concentrate more on starting up his new business. Today, Mr.Guha's portfolio is fully aligned to his investment objectives. He now is able to comfortably provide for the long-term security of his family while ensuring that he has the cash flow and liquidity to start and sustain his new business venture.

" Our role is to provide differentiated thinking regarding investments by providing specially tailored products that align to our client's objectives. "