

ArthVeda pioneers “Make in India” for Financial Services

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While “Make in India” for manufacturing is being discussed and debated on the grounds of competitiveness, quality and acceptability, ArthVeda Capital, the equities vertical of ArthVeda Fund Management Private Limited is pioneering the path for “Make in India” for Financial Services, specifically Fund Management.

The fact that Smart Alpha-based “Alpha India L50” is ranked #1 strategy in 2014 amongst long-bias, equity strategies by the Preqin Annual Global Hedge Fund Report 2015 shows that highly competitive, high quality and globally acceptable fund management services, strategies and solutions can come out of India. Smart Alpha, a variant of Smart Beta, is ArthVeda Capital’s rules-based investing methodology based on Warren Buffets’ value-investing principles designed to harvest pure-alpha, i.e. risk-free -returns along with the fundamental returns of the underlying businesses.

Mr. Bikram Sen, CEO, ArthVeda Fund Management Pvt Ltd said he was very proud of this recognition given to ArthVeda’s equity product by Preqin. *“This ranking proves that India can be a hub for global fund management services given the kind of talent and expertise that is available in India. Typically, the global financial hubs, such as Singapore, Hong Kong, Mauritius etc. are places where the Indian fund managers sit and manage the funds of Foreign Portfolio Investors (FPI or FII). The total FII money in India is ~\$0.5 Trillion and is expected to be in the range of ~\$3 Trillion in 2025. There is no reason, except certain taxation and regulatory issues, such as, “permanent establishment” (PE) why this cannot be managed from India.”*

Ms. Amy Bensted, Head of Hedge Fund Products, Preqin said, *“The Indian alternative fund market has witnessed rapid expansion in the past year as a result of the growing opportunities in the markets in the region. It has been reported that the Indian alternative fund sector has nearly doubled over the course of 2014.”*

(Considered to be an authority in reporting data and intelligence for global Hedge Funds industry, Preqin’s Annual Global Hedge Fund Report 2015 considered 11,200 hedge funds across the globe. Preqin is considered to be the global “go-to-portal” for informed investment-focused decision-making by the marquee Pension funds and Sovereign Funds.)

Commenting on the strategy, Dr. Vikas Gupta, EVP and & Fund Manager of Alpha L50 said, *“Smart Alpha is a highly structured investment framework that successfully marries the **value investing philosophies** of masters such as **Warren Buffett and Peter Lynch** with **rigorous evaluation techniques** and **rules-based approach** of academic finance. The degree-of-undervaluation-weighted allocation in Smart Alpha works across all major developed markets [**.ARTHUS500T**, **ARTHUK100T**, **.ARTHEUROT**, **.ARTHJAPANT**] in addition to emerging markets like India. For example, ArthVeda Alpha US500 [**.ARTHUS500T**] beats even Buffett’s Berkshire Hathaway [**BRK.B**]. Since Smart Alpha harvests discounts to intrinsic value it generates **2-10% excess returns** over the markets compared to the typical Smart Beta’s excess returns of 0-2%.”*

Smart Beta is middle-path between active investing and passive and is growing at the expense of both. Smart Beta, currently at ~\$0.5 Trillion globally, is frenetically growing at 60% p.a. and is expected to reach \$6 Trillion on the back of support from the largest pension and sovereign funds across the globe, such as the GPIF of Japan (\$1.3 Trillion), Norwegian Sovereign Fund (\$.9 Trillion) and Abu Dhabi investment Authority (\$.8 Trillion).

Asked about “Make in India” for FII funds from India, Dr. Gupta had this to say, “We definitely think

that the India-oriented FII money can be managed from India. More importantly, we think that India can be a hub for managing global strategies for Developed-market oriented strategies for global FIIs. We have a number of such Smart Alpha strategies for the listed equities in US, UK, Europe and Japan. If Indian fund management attacks that market we are looking at potentially trillions of dollars of assets and multi-billion dollar management fees and lakhs of jobs in the fund management ecosystem (i.e. custodians, trustees, administrators, lawyers, accountants etc.) coming to India.”