The Economic Times
Title : Arthveda's Ready for Foreign Investment Play
Author : Shailesh Menon
Location :
Mumbai:
Article Date : 08/24/2015

DHFL group's equities asset management arm plans to raise $1 billion from investors that will be parked in US, Japanese and European stocks

Arthveda Capital, the equities asset management vertical of the DHFL Group, is entering the business of taking up overseas investment mandates. The firm intends to raise over $1 billion from investors that will be parked in US, Japanese and European stocks.

It has received a “soft commitment“ for investments worth $250 million from a few institutional investors, including some European pension funds. The firm is in the process of getting final approvals from the Securities and Exchange Commission (SEC), the US capital markets regulator.

“The fund will be managed across a mix of weighted ETFs (exchange traded funds), UCITS (for non-US investors) and separately managed accounts,“ said Vikas Gupta, executive vice-president, traded markets, Arthveda Fund Management.UCITS refers to the European Union's undertakings for collective investment in transferable securities directive that allows regulatory approval from one country to apply in all member states.

The fund's offerings will include a strategy that picks undervalued US equities; a focused portfolio of 50 high-growth, highperformance stocks; a US equities dividend fund; a global dividend fund (covering European, US, UK and Japanese stocks); an India-focused strategy; and a weighted S&P ETF strategy . Arthveda ex pects to roll these out toward the last quarter of 2015, when overseas investors reshuffle their portfolios.

“Domestic participation in these funds will be very minuscule, close to $600 million would be raised from US retail investors. The remaining would be mobilised from European and Gulf-based investors,“ Gupta said.

From a business point of view, Arthveda will earn about 1% of the assets managed. The firm ex pects the fund to get capitalised in three months after the rollout.

However, actively-managed fund pools are drying up in developed markets. US-based investors in particular are moving their money from actively managed mutual funds to passive index-based strategies.

Numerous studies have shown that index funds, with their low costs and ability to mimic the returns of markets both broad and narrow, steadily outperform the re turns of most actively managed funds Arthveda officials, however, are confident of beating benchmark returns.

“These are tried and tested strategies We've enough back-tested research to state that these strategies would work. Also, our investment parameters are pre-defined There's limited human intervention or bi as. Institutional investors are excited about our funds,“ Gupta said.

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