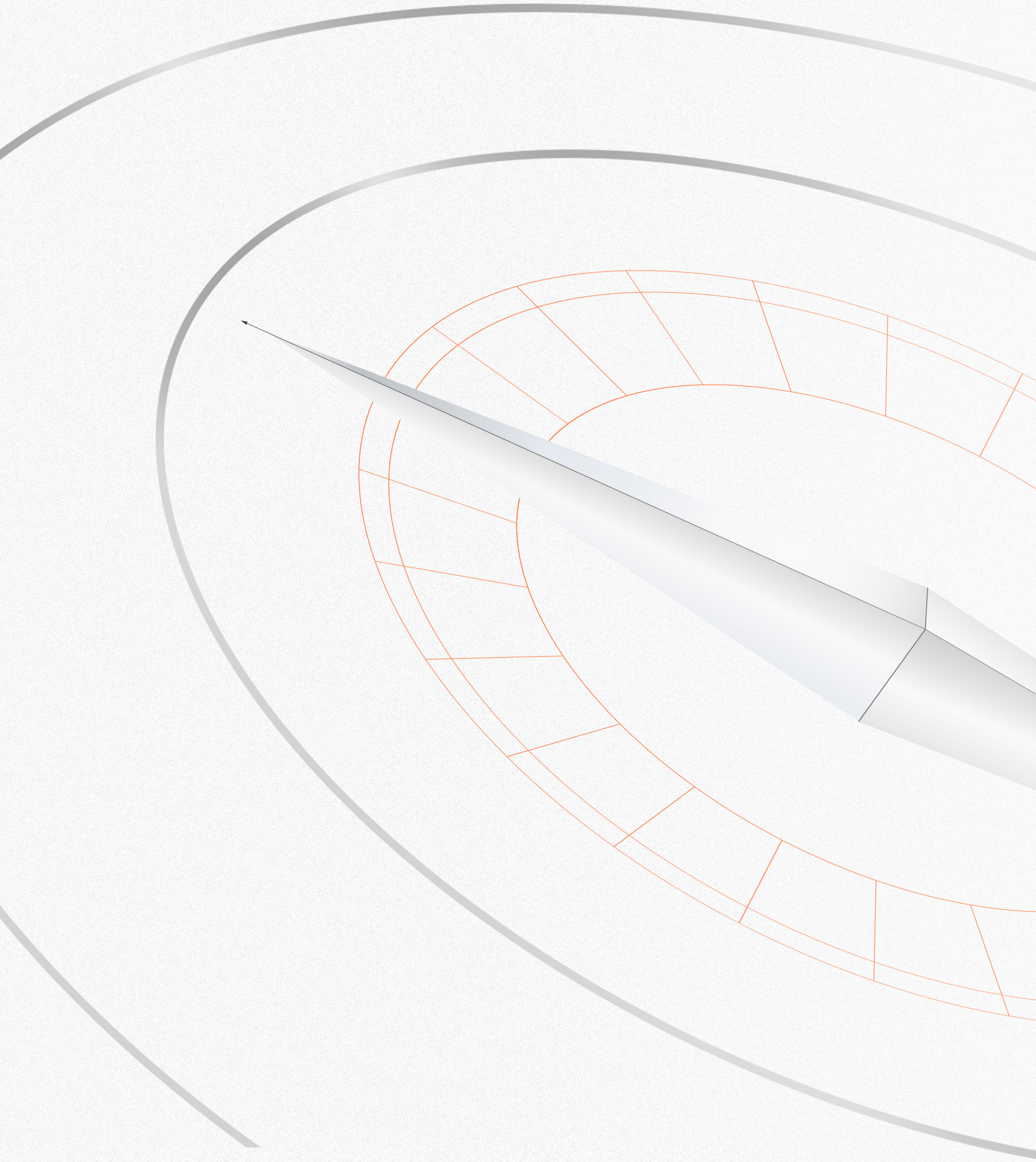
wealth 360ONE



THE WEALTH INDEX

Disclaimer

This publication presents the results of a survey conducted jointly by CRISIL and 360 ONE Wealth among High Net worth Individuals (HNIs) and Ultra High Net worth Individuals (UHNIs) in India. 360 ONE Wealth or CRISIL cannot verify the authenticity of the responses provided. Moreover they represent the views of those who responded to the survey, and may not necessarily reflect the views / investment behaviour of the wider universe of HNIs and UHNIs.

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About 360 ONE Wealth

360 ONE Wealth, a part of the 360 ONE group, is among the leading wealth management firms in India. 360 ONE is the investment and financial advisor to 7,500+ relevant families in the HNI and UHNI segments, with an AUM of around ₹ 5,69,300 crores (~$ 68 bn). It is the first pure wealth management company to get listed on the leading stock exchanges of India.

360 ONE Wealth advises clients to preserve, protect and grow their wealth and legacy. This is consistently achieved through rigorous research and an unparalleled team of product experts across diverse asset classes, ensuring the highest standards of financial stewardship. With this unique proposition, the firm is truly able to align with clients' interests, to be on the same side of the table.

360 ONE Wealth is one of the pioneers in the industry to bring about product innovations. The firm has won more than 170 awards of repute in the last 16 years, and its latest wins include Best Private Bank Award, India at Euromoney Awards, Best Domestic Private Bank, India at Asian Private Banker Awards for Distinction and Asiamoney Private Banking Awards 2023, Best Private Bank for HNWIs, India at The Asset Triple A Private Banking and Wealth Management Awards 2023, Best Domestic Bank in India at WealthBriefing Asia Awards 2022 and 2023 and Best for Wealth Transfer/Succession Planning at Asiamoney Private Banking Awards 2022.

Headquartered in Mumbai, 360 ONE has 1200+ employees and a presence in 5 major global financial hubs and 26 locations in India.

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Preface

India's billionaire count has surged to 334[1], marking a sixfold increase since its debut 13 years ago, indicating a significant shift in the country's wealth landscape. This growth is a testament to India's economic ascent, which has created a fertile ground for wealth creation.

Globally, 2,781 billionaires[2] call the shots, with India ranking third behind the United States and China. Mumbai stands tall as Asia's billionaire capital, a hub for wealth creation and investment.

The country's economic growth story is impressive, with India poised to become the third-largest economy by 2031. According to CRISIL's India Outlook Report, the Indian economy is projected to reach $7 trillion by 2031, trailing only the United States and China.

This economic ascent has created a thriving environment for wealth creation, with opportunities abound in various sectors. The ultra-rich club is expanding, and its members are becoming wealthier.

As the Indian economy grows, so does the complexity of wealth management. High-net-worth individuals (HNIs) and Ultra-high-net-worth individuals (UHNIs) are seeking diverse investment options beyond traditional assets like bank deposits, listed equity, gold, and real estate.

Alternative investments such as Alternative Investment Funds (AIFs), Portfolio Management Services (PMS), Real Estate Investment Trusts (REITs), and Infrastructure Investment Trusts (InvITs) are gaining traction. Private equity, structured credit, commodities, and investments abroad via the Liberalised Remittance Scheme (LRS) are also becoming increasingly popular.

To cater to this evolving investment palate, multi-family offices, single-family offices, boutique wealth management outfits, and full-stack wealth managers are offering a range of services. These services extend beyond investment guidance and management to include estate planning, philanthropy management, and tax advisory.

The Wealth Index is an attempt to understand the myriad behaviours of HNIs and UHNIs across India. We explore their investment preferences, awareness, and responses to external triggers in the domestic and global economy.

We also examine their engagement levels with wealth managers, perception of succession planning, and philanthropy. Our aim is to provide a comprehensive insight into the evolving wealth landscape in India.

By understanding the investment behaviors, preferences, and strategies of India's HNIs and UHNIs, we can better appreciate the country's wealth creation story. This report is a timely insight into the world of India's ultra-rich, offering valuable takeaways for wealth managers, investors, and policymakers.

[1] The Hurun Global Rich List
[2] Forbes

Foreword

Karan Bhagat
Founder, MD & CEO,
360 ONE

Understanding the Investment Patterns of India's Wealthy

The foundations of wealth, much like the earth's resources, are shaped by demand and supply — the most basic of economic forces. Yet, human behaviour often defies pure economic logic when it comes to wealth creation and investment decisions. Factors like personal biases, familial influence, and convenience come into play, making the financial landscape more intricate than a simple calculation of returns.

As a seasoned, singularly-focused authority in the world of wealth management, we closely partner with our clients to help them navigate the intricacies of wealth with precision and purpose, putting us in the unique position to offer insights that are often not revealed. The 360 ONE Wealth Index, offers a deep dive into the behaviour and investment patterns of India's HNIs and UHNIs. To truly grasp how the wealthy navigate their financial journeys, it is essential to understand who they are, where they come from, and how they build their fortunes. In the first chapter, we introduce the respondents: their demographics, geographical spread, sources of income, and the ever-growing influence of women in the world of wealth creation.

Our aim is to provide a comprehensive picture of India's evolving wealth landscape and thereby offer a strategic compass to navigate the evolving world of wealth management. These insights reinforce existing trends and reveal new dimensions of how the wealthy manage and grow their assets. As the financial landscape evolves with new investment avenues and rising market participation, the wealthy must stay ahead by leveraging expert knowledge and seizing opportunities. The task is not merely to grow wealth but also to preserve it, ensuring that it endures across generations.

We hope this report offers valuable insights into the behaviour of India's wealth creators and inspires meaningful conversations about the role of your wealth manager in a rapidly changing economic landscape.

Yatin Shah

Co-Founder, 360 ONE
CEO, 360 ONE Wealth

India is witnessing a transformative phase in wealth creation, driven by a dynamic blend of entrepreneurship, the democratisation of wealth, and the growing scale of businesses. With a significant number of family-run enterprises reaching new heights, we are also seeing an unprecedented rise in succession planning. The greatest transfer of wealth in history is underway, as families look to pass on not just assets but legacies to the next generation. IPOs, business transfers, and liquidity events provide a new financial landscape for promoters, while also amplifying the need for structured and insightful wealth management practices.

This growing liquidity is driving the financialisation of assets, making it crucial to understand the behaviours and needs of India's wealthiest families.

As wealth creation accelerates through core businesses and professional ventures, the focus has now shifted from mere wealth creation to optimisation and preservation, ensuring that wealth is sustained and managed effectively for generations to come.
At 360 ONE Wealth, we have had the privilege of working closely with some of the most prominent families across India—industrialists, entrepreneurs, and professionals. Our long-standing relationships, nurtured over generations, have given us valuable insights into their evolving attitudes, preferences, and objectives. Over time, we have developed a robust governance framework to ensure that wealth is preserved and passed seamlessly from generation to generation, while continuously adapting to changing market dynamics.

The 360 ONE Wealth Index offers an in-depth analysis of the investment behaviours and preferences of HNIs and UHNIs. As India's leading wealth manager, we take pride in serving as trusted advisors, providing a structured approach to managing and growing wealth while safeguarding it for the future.

It is particularly encouraging to see that investors place high importance on a wealth manager's track record, reputation, and engagement model. This demonstrates the evolving priorities of the wealthy, who increasingly value professional advice for peace of mind and long-term security. Our research-driven approach ensures that we optimise portfolios through deep analysis and an institutional framework that is built for lasting success.

The insights presented in this report not only strengthen our ability to serve as wealth managers but also offer you, the reader, a deeper understanding of the shifting trends and behaviours shaping India's wealth landscape. We hope this knowledge will spark meaningful conversations with your wealth manager and empower you to make informed decisions for your future.

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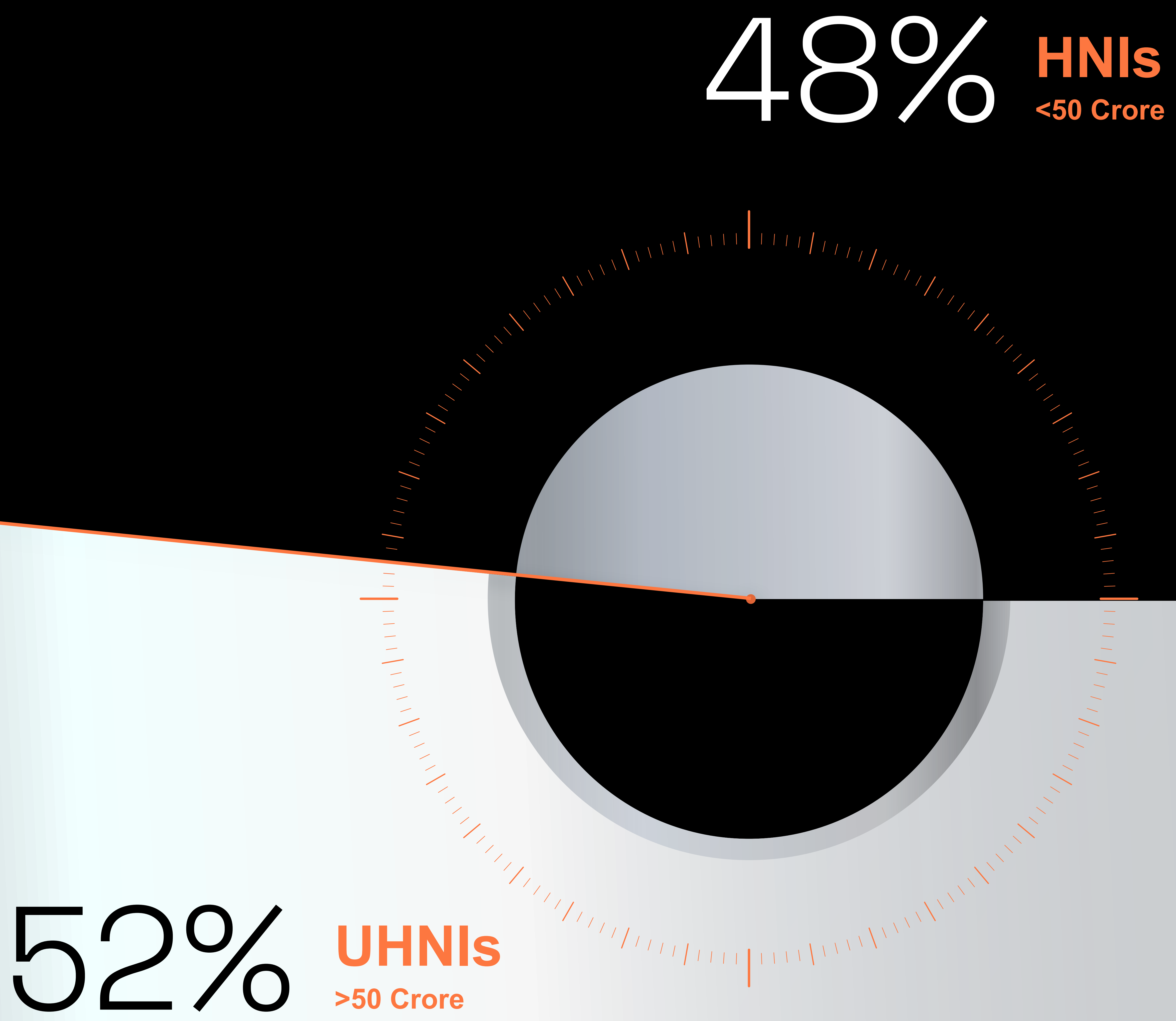
Chapter 01

The Respondents

This report presents insights from an extensive survey conducted with as many as 388 UHNIs and HNIs across India.

- UHNIs were identified as those with investable assets above ₹50 crore. In US dollar terms, that would be $6 million (based on the conversion rate of ₹83/$).
- HNIs were identified as those with investable assets below ₹50 crore.

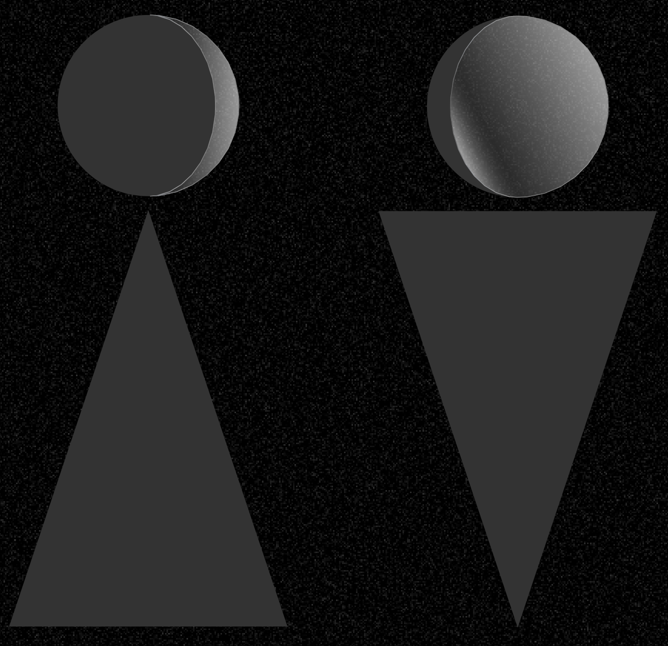
All the individuals surveyed had a net worth of more than ₹50 crore.



Who they are

Female

13%



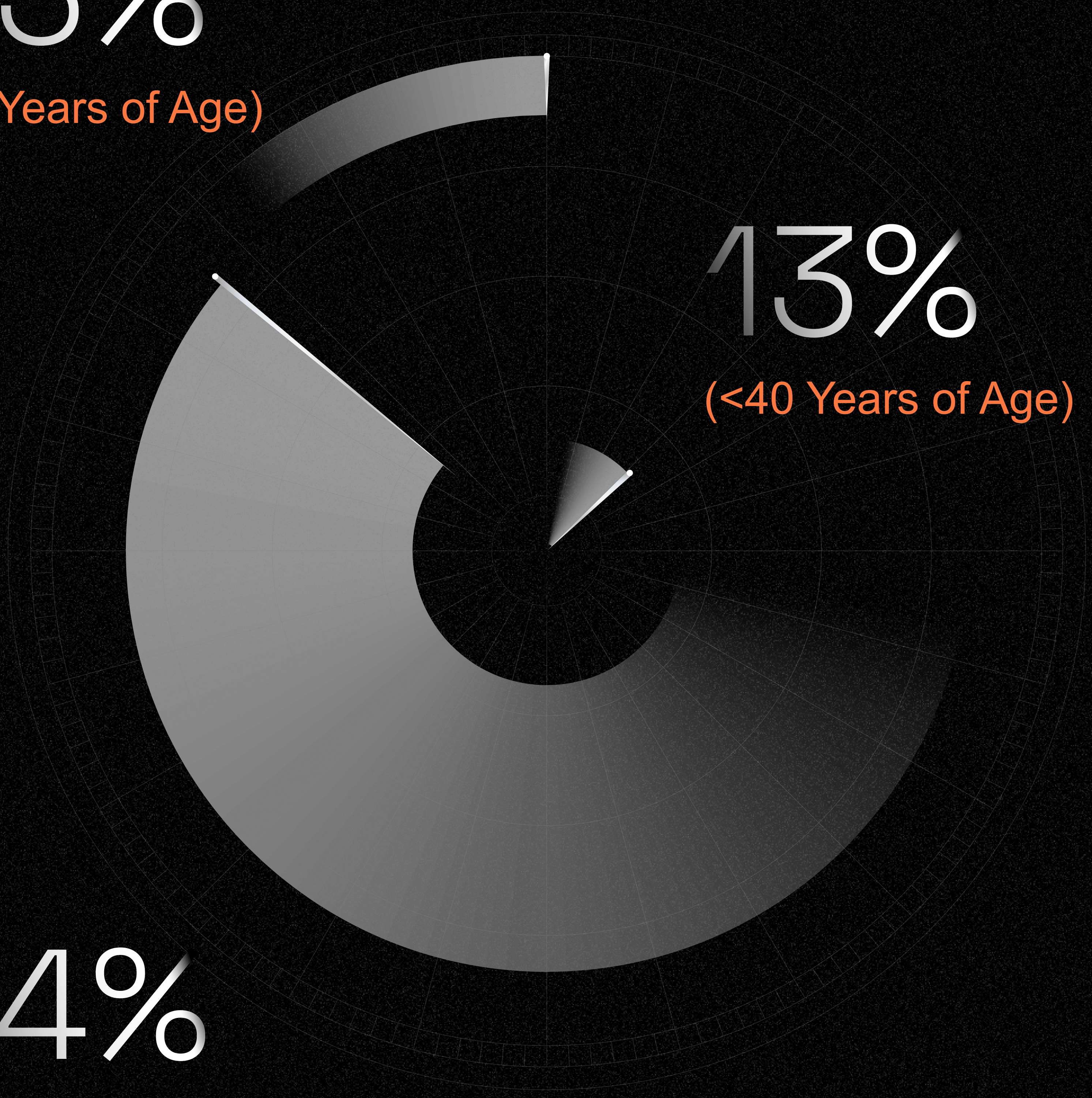
Male

87%

The survey participants were carefully selected to represent a wide range of characteristics, including age, gender, location, income level, and industry - from established businesses to startups. This report offers a comprehensive overview of investment trends and behaviours among UHNIs and HNIs. It delves into their investment approach and strategies, providing insights into their financial habits and preferences. Additionally, the report highlights significant variations in their investment methods, offering a thorough understanding of their mindset when it comes to managing their finances.

23%
(>60 Years of Age)

13%
(<40 Years of Age)



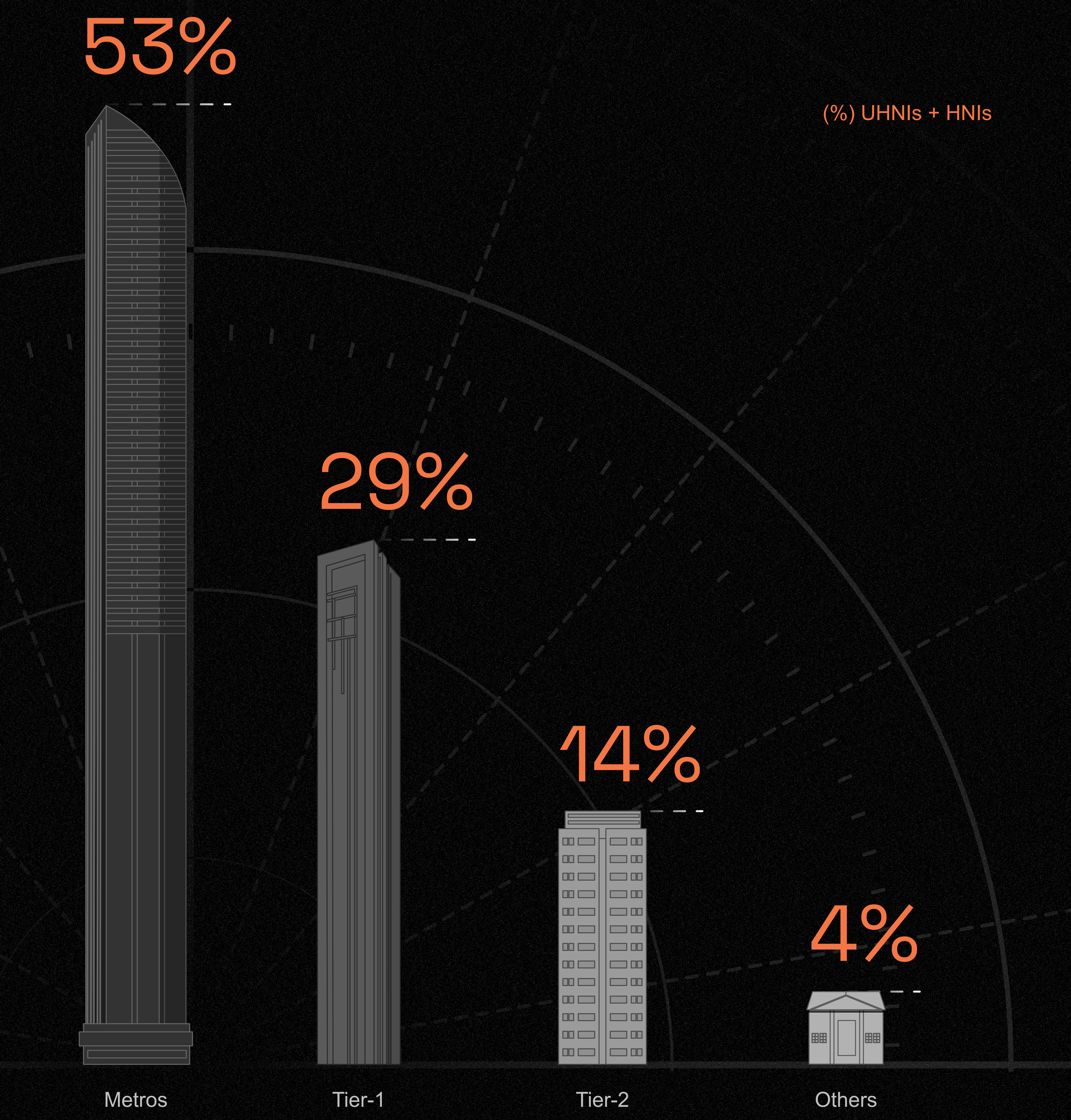
64%
(41-60 Years of Age)

The survey respondents were predominantly male, making up 87% of the total sample. In terms of age distribution, the majority (64%) were in the 41-60 age range, typically associated with the wealth accumulation phase. A smaller portion (13%) was under the age of 40, while 23% were older than 60 years.

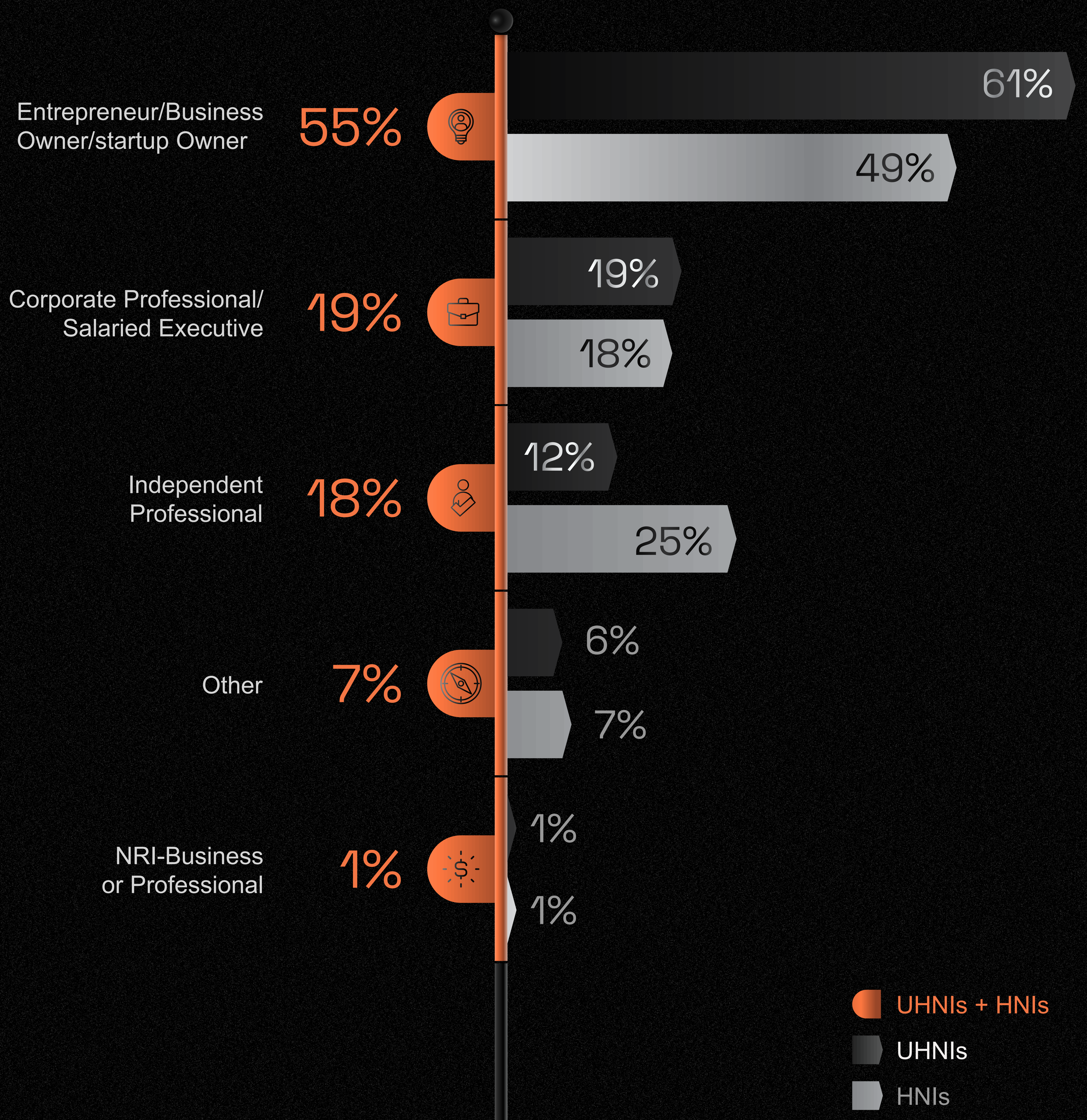
The age profile was consistent across both male and female respondents.

Where they live

The majority of survey participants (53%) were from metro cities such as Mumbai, Delhi, Chennai, and Kolkata. However, there is a notable trend of affluent individuals residing in non-metro regions too. This indicates a widespread distribution of wealth across the country. Specifically, 29% of respondents were from Tier-1 cities such as Pune, Bengaluru, and Hyderabad, 14% were from Tier-2 cities such as Indore, Chandigarh, and Surat, and the remaining 4% were from smaller urban centres.



What they do



*Total might not add to 100 due to rounding off.

Of the surveyed, a greater proportion of UHNIs were entrepreneurs (61%) than in the case of HNIs (43%). It is not surprising, then, that salaried or independent professionals comprise 43% of HNIs compared to 31% of UHNIs.

Building blocks of wealth

Most respondents attributed their wealth to their business or profession, along with personal investments and savings from earnings or bonuses. Inheritance accounted for less than a tenth of respondents, indicating that most of them are self-made in terms of wealth creation. About 10% each attributed their wealth to the sale of real estate or their business.

Risk appetite tends to increase with the amount of accumulated wealth. This is likely because a significant proportion of the ultra-wealthy are entrepreneurs or startup founders who have already demonstrated their risk-taking ability through their ventures.

Rise of women with wealth

In another era not so long ago, the wealthy used to be a rich-old-man's club. Not anymore. More women are joining the workforce, delaying marriage, and striving for financial independence through careers or entrepreneurship. They now make up a significant portion of the newly wealthy.

More than 40% of wealthy women are aged 51-60. Those aged 61-80 account for 20% of the respondents, while women in the 41-50 age group total 24%. This means about one in three women become wealthy before the age of 50.

Interestingly, women tend to favour lower-risk, stable products. Only 14% of respondents have invested in the stock market for more than five years, compared with 26% of wealthy men. This indicates that many women entered the market during or after the pandemic.

A DBS Bank - CRISIL survey of 800 self-employed and salaried women across 10 cities found that only 15% invested in mutual funds and 7% in stocks. Even if all mutual fund investments were in equity funds, their total equity exposure is just 22%.

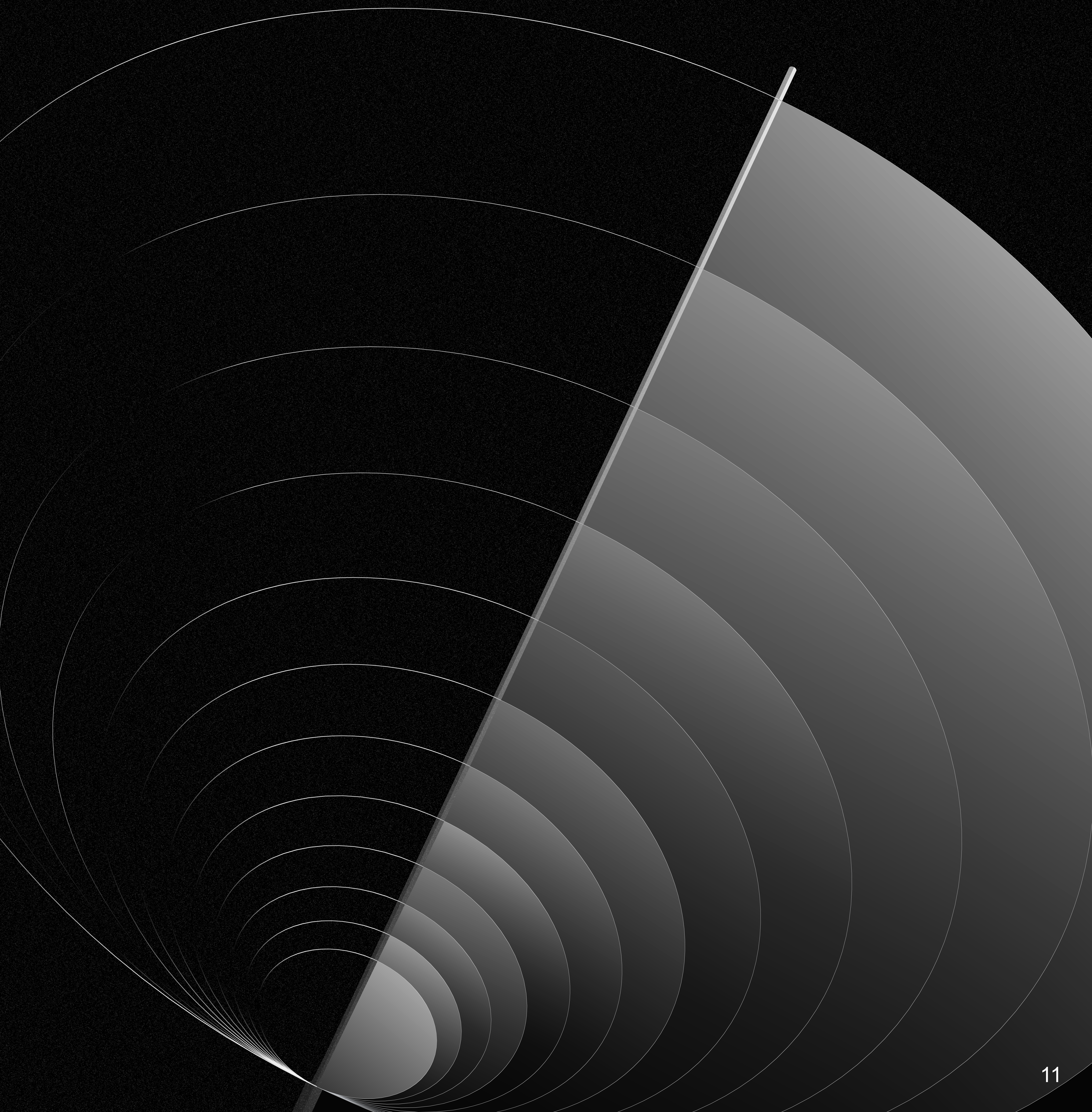
This highlights the investment behaviour of women across economic strata. Their lower risk appetite might be due to nascent levels of expertise and confidence in making equity investments or because equity products haven't been marketed well to them. Wealth managers must understand clients' asset preferences and educate them on the importance of equity for long-term wealth generation.

The same survey also revealed that half of the women respondents rely on family, friends, and colleagues for financial information. While we all repose faith in our family and friends, it's more prudent to consult a wealth manager who can offer objective advice on various asset classes to diversify risk and maximise returns. More importantly, the advice from wealth managers will be based on their experience and a thorough understanding of financial products.

Encouragingly, 67% of female respondents prefer to engage regularly with their wealth manager to discuss their portfolios and opportunities. Despite their more modest return expectations of 10-12% compared to male counterparts, they value ongoing financial discussions.

Cut to the Chase: Key Highlights

Chapter 02



The global economy has faced multiple challenges over the past few years triggered by a once-in-a-century pandemic: a sharp economic slowdown that warranted hyperactive monetary policies, which in turn helped produce the scourge of inflation. Throw regional wars into the mix and supply disruptions reared their head again after sending shockwaves around the world during national lockdowns that were announced early during the pandemic.

India, too, has had to face some of these challenges. But the domestic economy has beaten the odds, with the stock market going through a multi-year bull run after recovering from the March 2020 crash.

How did such events and uncertainties affect wealthy investors? Have investors adjusted their strategies, priorities, or investment behaviour? How confident are they about managing their wealth?

This survey intended to uncover just that – put a finger on the pulse of the wealthy.

Experience and wealth managers are the key to peace of mind

The survey showed that nearly 90% of the total respondents were concerned about the effect of external events on their wealth, with those over the age of 60 far less worried than the younger generation yet to reach 40 years of age. This is probably because living through market cycles makes one more resilient.

However, a more obvious reason could be that wealth managers filtered the noise, made sense of market upheavals, and guided their clients through turbulent financial conditions.

Unsurprisingly, the assurance of wealth or cash flows increases one's mental and emotional bandwidth to deal with challenges.

The respondents were mostly confident about achieving their long-term financial goals, thanks to the buffer of wealth. UHNIs were largely unaffected by external triggers (90%) compared with HNIs (76%). Salaried and independent professionals, who have greater visibility on cash flows, were less worried about their finances than entrepreneurs, whose businesses can take a hit from any economic turbulence.

Complex financial products require greater awareness

The respondents were most comfortable with stocks, mutual funds, and fixed-income securities. They were less familiar with Portfolio Management Services (PMS) and Alternative Investment Funds (AIFs) on account of them being newer investment avenues.

Awareness levels for investors need to increase further when it comes to investing internationally through GIFT City, large-value funds, structured credit, real estate investment trusts (REITs), and unlisted equities.

Experts in demand

Wealth advisors play a key role in portfolio construction, complex product guidance, legacy planning, and navigating market volatility. While 24% of respondents fully rely on professionals, 77% seek some level of assistance. Additionally, 44% of respondents expect both advisory and product selection services,(or 63% of respondents expect advisory, product selection services and guidance with Alternative investment opportunities) with 93% emphasizing the importance of involving external professionals in succession planning.

A quarter of the respondents said they fully rely on professionals to manage their investments, while more than half are dependent to some degree on wealth managers. On the whole, a mere 12% of respondents said they make their investment decisions on their own, while a huge 77% require professional assistance.

Drilling deeper, the survey showed that 87% of UHNIs depend partially or fully on wealth advisors. And while HNIs seem to be more hands-on when it comes to managing their wealth, with a smaller 65% requiring professional help to some extent, they continue to depend on wealth managers for specialist areas like product selection, alternative investment opportunities, and advisory services.

The respondents also expect varied services from the experts they consult. Overall, 63% of respondents expect advisory services as well as assistance in selecting products and alternative investment opportunities. Notably, broking services are more popular among HNIs (12%), indicating a preference for direct trading.

Finally, the survey showed that an overwhelming 93% of respondents agreed it is critical to involve external professionals for succession planning.

Wealthy don't hesitate to pay for professional help

Contrary to popular belief, the wealthy don't hesitate to pay when it comes to employing the services of a wealth management firm. In fact, their top considerations when choosing to do so is not the cost of the service but its track record and performance followed by the reputation and prestige of the firm. Clearly, the returns on investment matter far more than the fees professionals charge to generate those returns!

The survey showed that 30% of the respondents preferred advisory services by paying a fee, based on the assets under management. This is a transparent fee structure that allows investors to get personalised advice on an ongoing basis.

The elderly are aggressive investors

The survey belied the notion that people become more cautious about their investments with age and focus more on preserving, rather than creating wealth.

In fact, the main goal for respondents above the age of 60 years is not wealth preservation but capital appreciation and they have a higher allocation to equities than other age groups. Keeping cash in hand is not a key objective either, which means they want their money to work as hard as possible in growing their wealth.

This group doesn't see any significant change in their portfolio in the near term.

Ultra-wealthy are not risk averse

Entrepreneurs, business owners, or startup founders accounted for 61% of the UHNI respondents, compared with 49% for HNIs. This indicates that the ultra-wealthy are more willing to take risks to multiply their worth. More HNIs (43%) identified themselves as salaried or independent professionals compared with UHNIs (31%).

For wealth managers, this break-up of respondents is important in understanding the requirements of the two sets of investors and tailoring their offerings accordingly.

Gold is a strategic portfolio hedge

Equity is the most preferred asset class with 39% of respondents picking it as their top choice. This is followed by debt and real estate at 20% each. Gold, at 10%, acts as an optimal portfolio hedge.

The respondents view gold as an excellent way to diversify their portfolio as the yellow metal reacts differently to different economic conditions and geopolitical uncertainties than other asset classes.

Indeed, diversification doesn't mean simply buying different assets. Instead, it involves investing in assets that may respond differently to the same factors.

Strong home-country bias means huge untapped potential

The Indian stock market's strong performance in recent years - benchmark indices have more than tripled since the pandemic-induced crash of March 2020 - has led to a 'home-country bias' among investors. As a result, the survey found that only 41% of respondents are eager to invest abroad, although UHNIs show a greater keenness to do so (51%) than HNIs (30%).

Home-country bias is the tendency among investors to persistently favour the domestic market and expecting a higher return from it than other markets.

The survey also points out that interest in the Gujarat International Finance Tec-City (GIFT City), which offers several tax incentives to boost investments across borders, is yet to gather momentum. On the bright side, a majority of respondents (55%) said they knew about GIFT City, with awareness levels particularly high among UHNIs (72%). And while HNIs are not as familiar about this major new development, it does present itself as untapped potential for investors.

Accredited investors yet to take off

In 2021, the Securities and Exchange Board of India (SEBI) introduced the category of accredited investors. The thought process behind this was to differentiate experienced and wealthy investors from those who may not be completely familiar with the investments they are making and, therefore, may be at a higher risk of losing their money. Accredited investors are allowed to invest in unlisted securities and other high-risk instruments.

As is to be expected with a fairly new concept, the survey shows that almost 85% of respondents have not applied to become an accredited investor, indicating that it is yet to take off.

Philanthropy goes beyond just optics

The wealthy aim to give back to society and make a positive impact, with 82% of the respondents saying they were either currently engaged in philanthropy or plan to do so in the next two years. Interestingly, a third of the respondents were also open to working with others to maximise the impact of their philanthropic efforts.

ESG - Walking the Talk

Most wealthy investors understand that businesses which assess and manage risks linked to environmental, social, and corporate governance factors tend to be more resilient in the long run. A resounding 70% put it as a critical aspect in business.

Chapter 03

Risk Mitigation requires Expertise

The wealthy are wealthy for a reason — they know what they are doing and how to handle their money. But with expert guidance, their investment decisions can reap greater rewards and reduce the risks associated with their portfolios. Reduction of risk is particularly crucial as it cannot be boiled down to a single, investor-friendly number as is the case of returns. Mitigating risk requires a holistic approach, with every component of the portfolio warranting a close look so that it aligns effectively with the overall goals.

Investing 101

Asset allocation and diversification should form the core of any well-crafted investing philosophy. Apart from being central to the core tenets of investing, asset allocation and diversification are also important in mitigating risk and any savvy investor should ideally adopt them.

Diversification is a multi-layered concept. Investors should diversify their assets across multiple classes like equities, debt, commodities, cash, real estate, precious metals, and perhaps even art. Each of these asset classes provides different returns depending on economic developments, thereby providing some degree of diversification.

Further diversification can be achieved within each class. For example, within equities, funds can be allocated on the basis of market capitalisation, sector, geography, and strategy. As such, investors can spread their investments across large-cap, mid-cap, small-cap, and micro-cap stocks or across various sectors of the economy, like infrastructure, healthcare, information technology, metals and natural resources, energy, and banking and financial services.

Investing outside the home country in stocks of international companies – either in developed markets or emerging ones – can provide additional buffers to the portfolio by insulating it from country-specific shocks.

Finally, investors can adopt different strategies by looking at growth stocks, searching for value, taking contrarian bets, punting on momentum stocks, or even adopting a passive approach by putting their money into index funds and Exchange Traded Funds (ETFs).

Beyond the world of equities, instruments such as bonds, market-linked debentures, and mortgage-backed securities can be crucial too as the variability in returns of the various components of the portfolio in response to developments brings stability to the whole. As the graphic shows, the returns on various asset classes in 2021 ranged from -4.5% for gold to 61.9% on small-cap in the equities space.

Asset-wise performance over the years

In 2022, gold was the best-performing asset class. In 2023, equities ruled the roost, with mid-cap and small-cap stocks delivering astounding returns.

This clearly demonstrates that no single asset class reigns supreme year after year, furthering the case for diversification.

	Cash	Debt short term	Debt long term	Equity large-cap	Equity mid-cap	Equity small-cap	Gold
2008	8.4%	9.5%	9.1%	-51.8%	-59.4%	-69.4%	26.7%
2009	4.9%	6.6%	3.5%	78.5%	99.0%	116.2%	22.2%
2010	5.1%	4.7%	5.0%	17.9%	19.2%	16.3%	21.9%
2011	8.2%	7.8%	6.9%	-24.6%	-31.0%	-36.0%	30.7%
2012	8.5%	9.1%	9.4%	27.7%	39.2%	37.5%	10.9%
2013	9.0%	8.3%	3.8%	6.8%	-5.1%	-7.7%	-13.5%
2014	9.2%	10.5%	14.3%	31.4%	55.9%	69.6%	0.3%
2015	8.2%	8.7%	8.6%	-4.1%	6.5%	10.2%	-8.0%
2016	7.5%	9.8%	12.9%	3.0%	7.1%	0.4%	10.5%
2017	6.7%	6.0%	4.7%	28.6%	47.3%	57.3%	2.7%
2018	7.6%	6.7%	5.9%	3.2%	-15.4%	-26.8%	7.0%
2019	6.9%	9.5%	10.7%	12.0%	-4.3%	-8.3%	23.0%
2020	4.6%	10.4%	12.3%	14.9%	21.9%	25.1%	26.3%
2021	3.6%	4.4%	3.4%	24.1%	46.1%	61.9%	-4.5%
2022	5.1%	3.6%	2.5%	4.3%	3.5%	-3.6%	14.1%
2023	7.1%	7.3%	7.3%	20.0%	46.6%	48.1%	13.0%

Source: NSE, BSE, CRISIL MI&A Research, India Bullion and Jewellers Association Ltd, Yahoo Finance

1. Colour shades indicate performance; dark green denotes top performer, while red denotes underperformer
2. Asset class representation - cash: CRISIL Liquid Fund Index; debt short term: CRISIL Short Term Bond Fund Index; debt long term: CRISIL Composite Bond Fund Index; equity large-cap: Nifty 50; equity mid-cap: Nifty Mid-Cap 100 Index; equity small-cap: Nifty Small-Cap 250 Index; gold: closing spot rate

Equity for the Win

Among the wealthy, equities is the most preferred asset class with a 39% share in the portfolio, while debt and real estate come a distant second at roughly 20% each. Wealthy investors tend to park only about 10% of their portfolio in gold to act as a hedge.

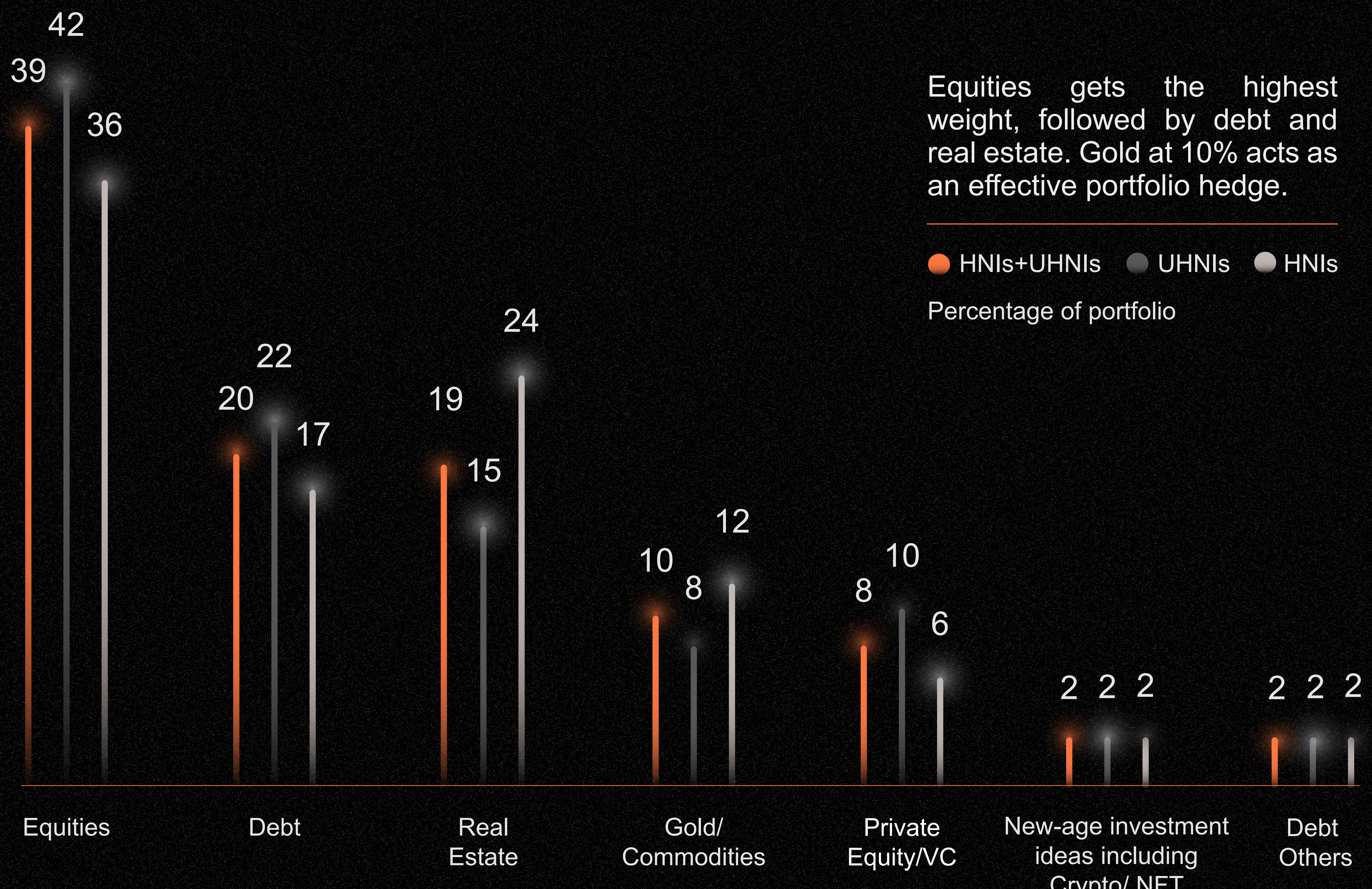
Despite being already heavily invested in equities, the respondents expressed their desire to further increase their allocation to this asset class over the next few years.

UHNIs plan on exploring investments in real estate or private equity, while simultaneously increasing their exposure to fixed-income instruments to balance the extended holding period and mitigate risk.

When it comes to more modern asset classes, UHNIs show a higher preference for AIFs, including venture capital and private equity, as well as for startups in the form of angel investors. This shows that India's elite are increasingly looking to participate in the astonishing growth displayed by the startup ecosystem and unlisted equities in general. HNIs, on the other hand, show a greater preference for real estate.

As for new-age asset classes such as crypto and non-fungible tokens (NFTs), the survey found that the wealthy have some exposure to them, albeit minuscule at just 2%.

Preferred portfolio distribution - equities take the cake

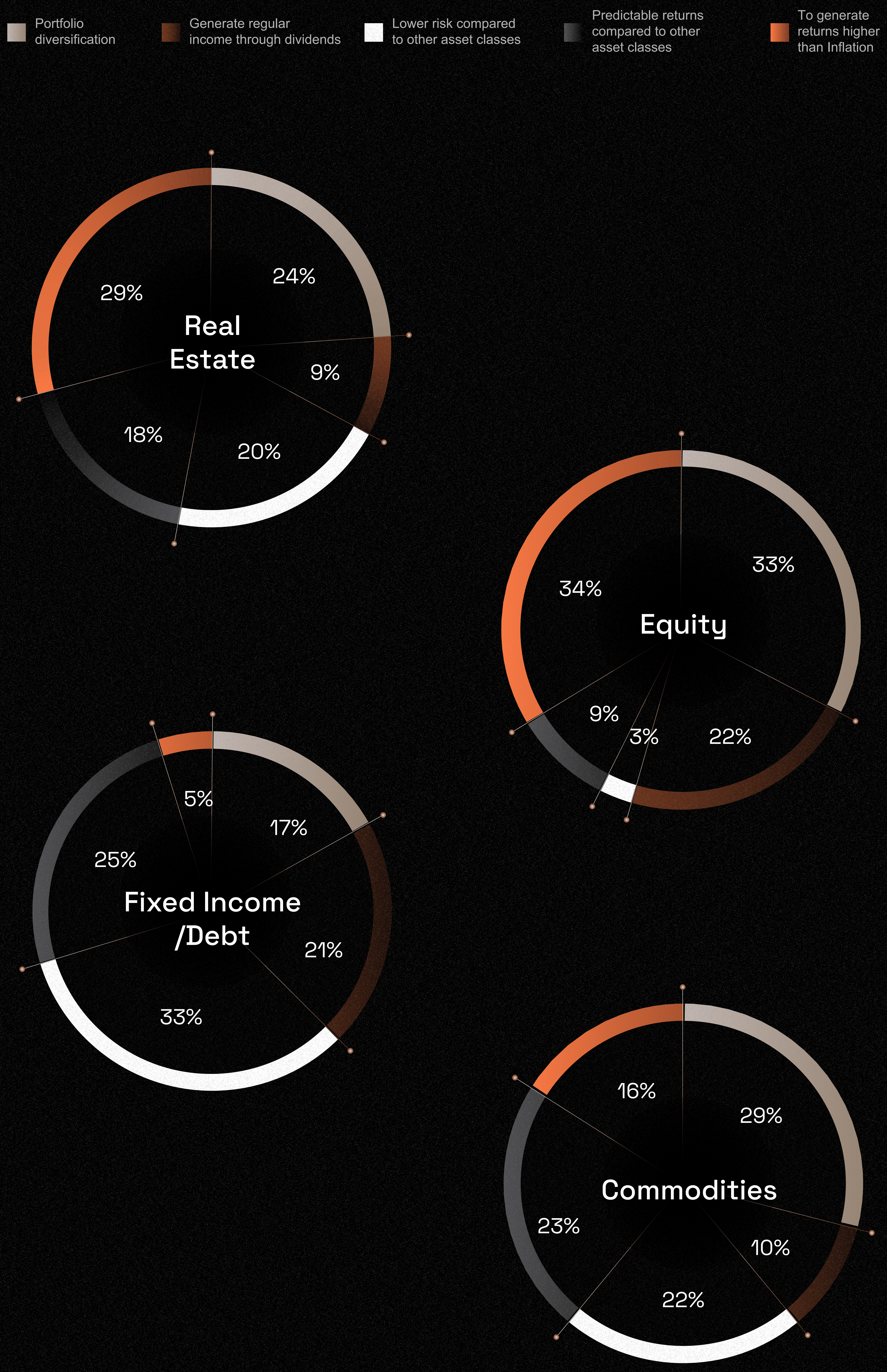


Source: CRISIL MI&A Research, 360 ONE

Since various asset classes have different characteristics – the rate of return, their reaction to domestic or global developments, the appropriate holding period, among others – the reason for investing in them also differs.

Do you want inflation-plus returns? Choose equity. Or go for fixed-income products if you need to lower the risk profile of your portfolio or generate predictable returns.

The raison d'etre of investing in different assets



UHNIs+HNIs   Percentage of portfolio   *Total might not add to 100 due to rounding off.

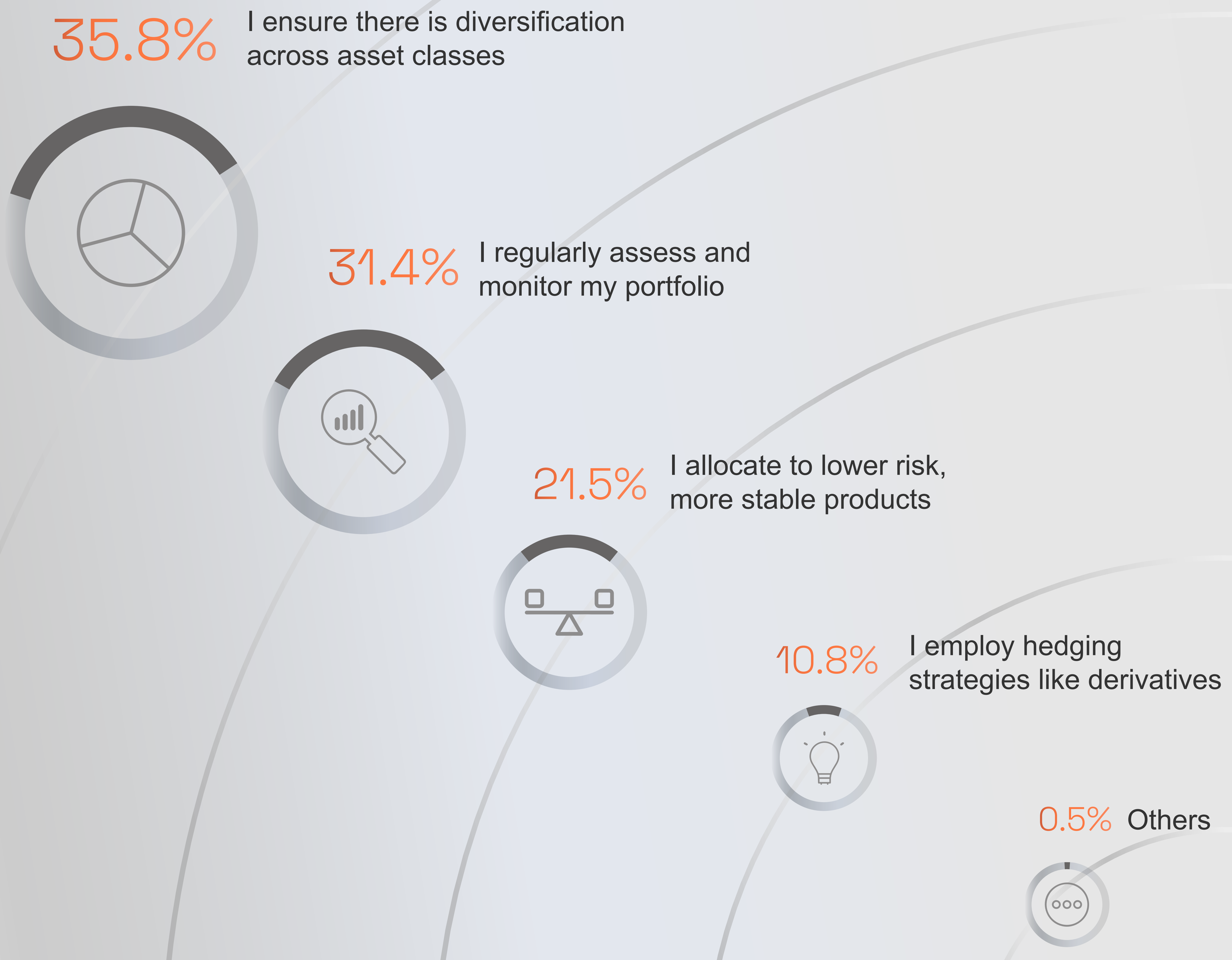
Risk Mitigation

Typically, the returns on asset classes tend to self-correct over time. This means rallies and sell-offs eventually balance themselves out. A well-diversified portfolio can help investors ride out the troughs and benefit from peaks without having to make difficult forecasts and then timing the market.

Depending on where one stands in relation to a market cycle, investors must also take a call on matters such as where surplus funds should be deployed or whether an exit from a particular asset class is required. Duds within a category must also be weeded out to maximise returns of a portfolio.

The survey showed that the wealthy utilise various strategies to mitigate the risks to their portfolios. Diversification and close monitoring of the portfolio are the clear favourites, while more than a fifth of respondents deploy their funds in stable, low-risk products to help reduce risk. Finally, just under 11% use more advanced strategies such as derivatives to hedge their risks.

How do you reduce your portfolio’s risk?

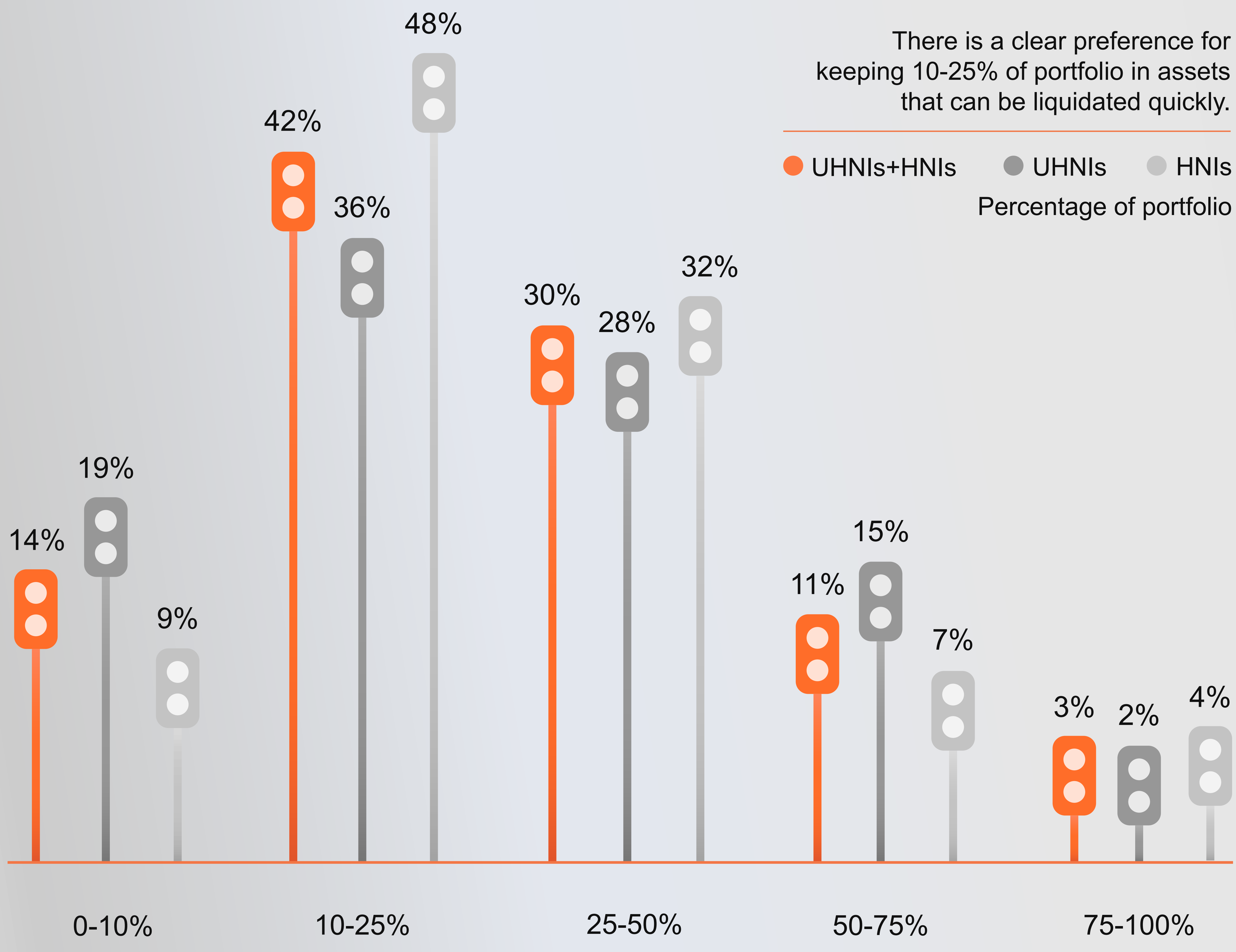


How long a person remains invested in a particular asset class is contingent on their liquidity requirements as well as their understanding of the category. Liquidity, or the ease with which one can exit a position, is a critical factor while constructing a portfolio as it enables investors to rebalance and take corrective action as per evolving market conditions. Therefore, a fraction of the portfolio must be invested in assets that allow a quick exit.

According to the survey, there seems to be a clear preference among the wealthy to allocate 10-25% of their portfolio into assets that can be liquidated in 3-5 days, with the split being 48% for HNIs and 36% for UHNIs. This disparity can largely be attributed to UHNIs' larger wealth base and greater risk tolerance, allowing them to take a more long-term view.

The Importance of Liquidity

Percentage of portfolio that can be liquidated in 3-5 days



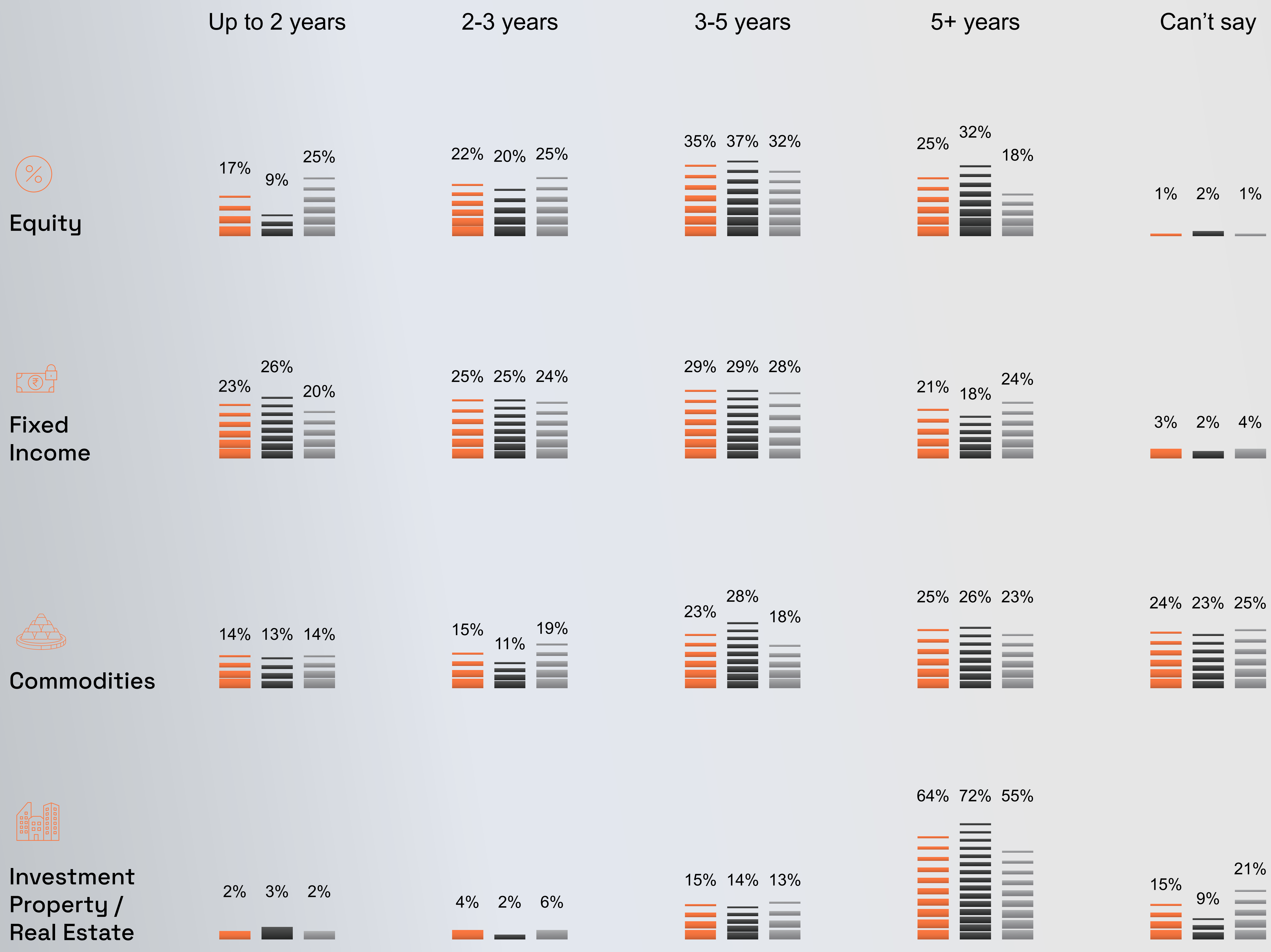
To hold or not to hold

How long should an investor hold on to any asset? The answer to this question depends on the asset in question.

As is to be expected, real estate is held for by far the longest period of time, with 64% of respondents saying they hang on to these investments for a minimum of 5 years. This is a reflection of the respondents being comfortable with real estate as an asset class. In contrast, only a quarter of the respondents hold on to their equity and commodity investments for at least 5 years.

When it comes to the short-term, 23% of respondents said they hold fixed-income instruments for less than 2 years.

Time invested in each asset class



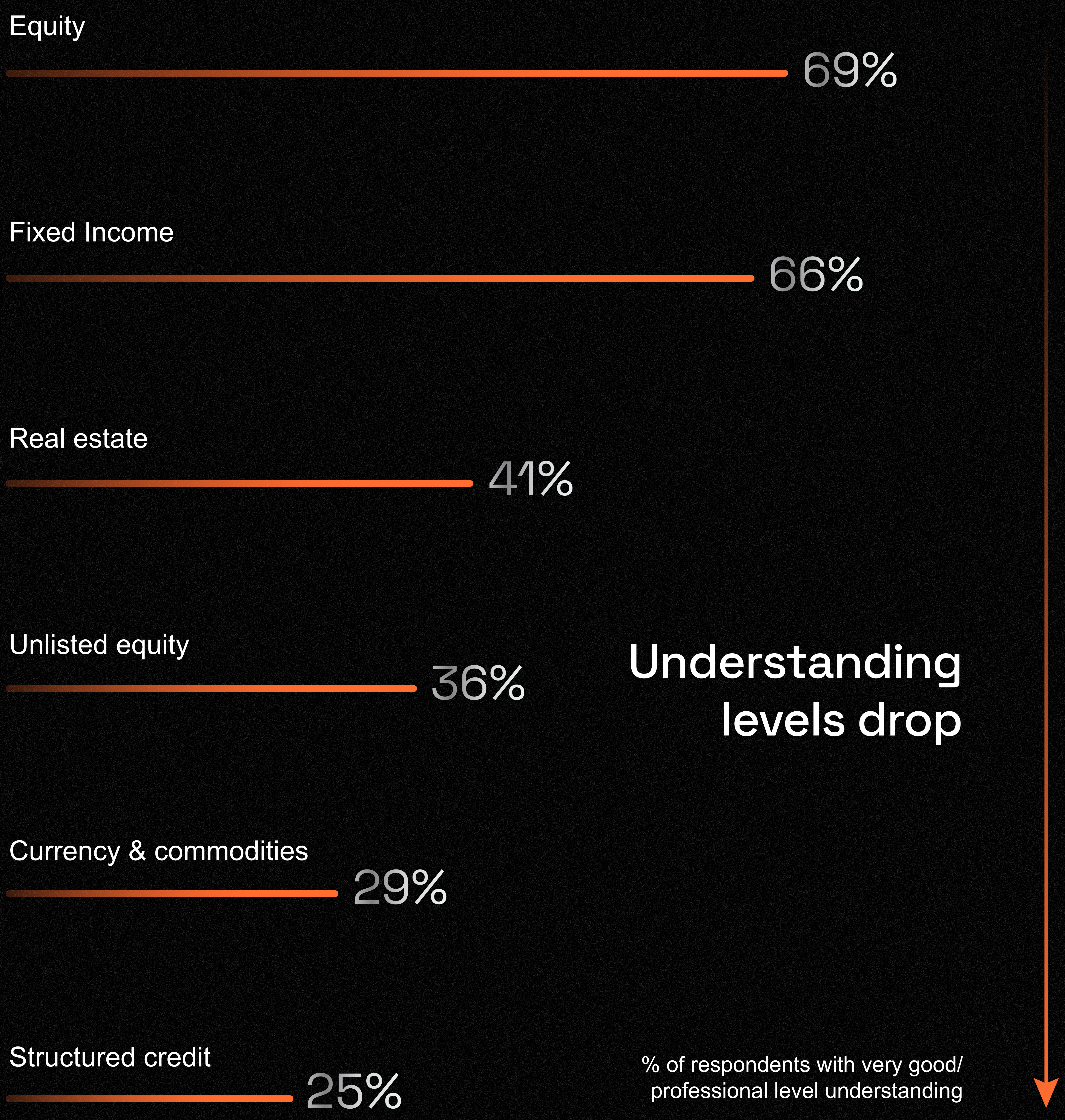
Real estate is the longest-held asset class, with 64% of respondents holding onto it for over 5 years. UHNIs tend to hold equities for longer periods, whereas 50% of HNIs prefer shorter holding periods for their equity investments.

UHNIs+HNIs UHNIs HNIs Percentage of respondents

How well do you know what you are investing in?

Complex financial products confuse many, highlighting the need for wealth professionals.

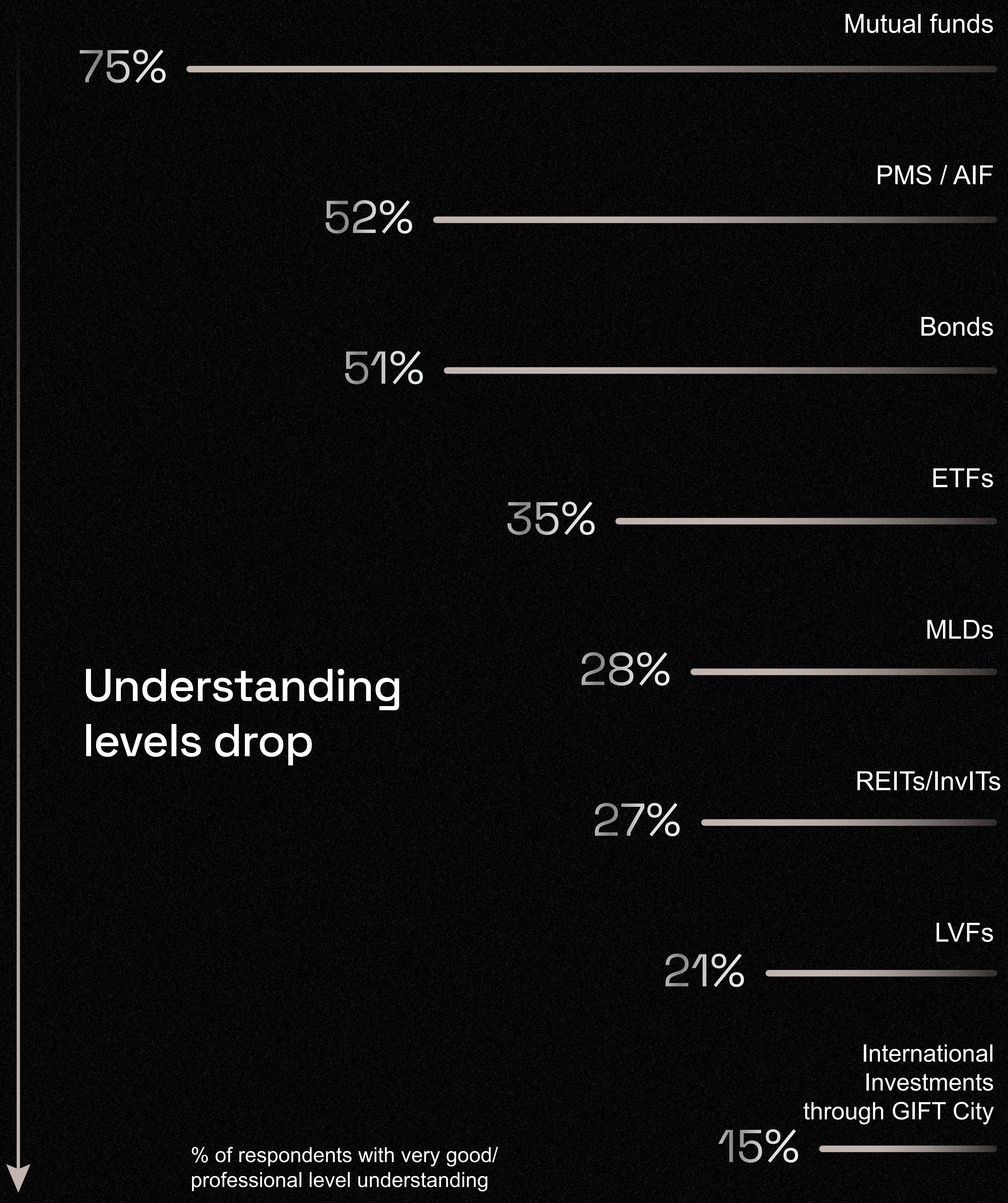
Asset Classes



The study revealed an interesting dichotomy in the respondents' understanding of various asset classes. On the one hand, they demonstrated a high level of familiarity and comfort with traditional asset classes such as equities, fixed income, and real estate. This suggests that they have a solid grasp of the fundamentals and mechanics of these asset classes. On the other hand, their understanding of alternative asset classes like unlisted equities, structured credit, and currency and commodities was significantly lower.

Similarly, when it comes to investment products, the study found a clear correlation between complexity and understanding. Respondents showed a high level of comfort and understanding with simpler products like mutual funds, which is likely due to the extensive investor education and awareness efforts in this space. However, as the complexity of financial products increases, understanding drops significantly. For instance, products like PMS, AIFs, MLDs, and REITs, InvITs saw lower understanding levels. This underscores the crucial role of wealth experts in guiding clients through the intricacies of complex financial products, empowering them to make informed investment decisions and navigate the nuances of these sophisticated assets with confidence.

Investment Products



Advanced products require advanced knowledge

Sophisticated investors understand the need to diversify their portfolios fairly well and have a good mix of the major asset classes. However, the emergence of new investment avenues and their advanced nature can lead to even these investors missing out on opportunities.

Consider the example of real estate. Traditionally, Indian households have held a majority of their assets in the form of real estate and gold, with this figure standing at 71% as of March 31, 2023. As per the survey, while more than half the respondents own a second home, two-thirds of them have a very limited understanding of more contemporary real estate instruments such as Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs).

According to a CRISIL analysis, traded REITs and InvITs had, on average, delivered an internal rate of return (IRR) of 8.52% and 10.52%, respectively, as of May 6, 2024.There is, however, a significant variation in returns among each of these categories – while REITs have delivered an IRR of 3.36-12.33%, the range for InvITs is 5.51-15.62%.

However, almost 75% of respondents do not have very good or professional understanding of REITs and InvITs – either as an asset class or as investment products. This makes the role of a wealth manager crucial.

The problem is similar when it comes to more sophisticated investment products such as PMS and AIFs, with 72% of respondents admitting that they had, at best, 'some understanding' of another product such as market-linked debentures.

It is difficult to overstate the impact of not having complete technical knowledge of such nuanced products and asset classes. For example, equity strategies dominate within AIFs, accounting for 74% of valuation as of September 2023 – even though AIFs offer a range of strategies that provide access to physical assets through financial products, including REITs, InvITs, and real estate and infrastructure-focused AIFs.

Category	No of schemes	Pooled IRR (%)	Benchmark used for PME+*	PME+
Equity Funds	87	27.08%	BSE 500	15.49%
VCFs	142	23.75%	BSE 500	16.68%
Infra	11	12.32%	BSE India Infrastructure	16.43%

Wealth Managers offer depth & nuance

Sure, advanced financial products warrant expertise for successful execution of an appropriate investment strategy. But even popular and well-known instruments such as mutual funds require an in-depth examination through a nuanced eye for the best results.

The survey's results show 75% of respondents had 'very good' or 'professional' understanding of mutual funds, suggesting proficient knowledge of the same. However, there are multiple schemes, funds, and strategies across the equity-debt spectrum. In all, there are more than 1,500 mutual fund schemes. Ensuring that one picks the best of the lot to invest in and then closely monitors the performance of them all is no easy task for an individual and investors can often gravitate to the most recent out-performer, which may not always be desirable.

This highlights the expertise wealth professionals bring to the table even for products that sophisticated investors think they are well versed in.

In the hands of a professional wealth manager with a deep knowledge base, a portfolio can bring in regular cash flows without any procedural or operational hassles while also taking care of any regulatory aspects, thus ensuring investor protection.

CRISIL AIF benchmarks	No of funds	Aggregate IRR	PME+ (CRISIL Composite Bond Fund Index)
Real estate funds	82	8.45%	7.06%
Debt funds	82	12.73%	6.11%
Infra	11	12.32%	BSE India Infrastructure

Data as of September 30, 2023 I Source: CRISIL MI&A Research I PME: Public market equivalent

Key Takeaways

1

The wealthy employ a range of strategies to mitigate risks to their portfolios, with diversification and close monitoring being the clear favourites. More advanced strategies such as the use of derivatives to hedge risks are employed by roughly one-tenth of respondents.

2

The wealthy above the age of 60 years have a higher allocation to equities compared with other age groups. They see no significant change in their portfolio in the near term and prioritising cash is not a significant objective either. This is completely in sync with their stated objective of wealth appreciation.

3

Maintaining some semblance of liquidity is a key consideration for wealthy investors, with nearly half of surveyed HNIs preferring to allocate 10-25% of their portfolio into assets that can be liquidated in 3-5 days.

4

The survey results emphasise a critical element of wealth management, which is the role of the wealth manager. Wealthy individuals may be more sophisticated with the financial landscape than most, but they need the expertise and guidance of seasoned professionals to make the best of their wealth and the available options.

5

Even fairly simple products such as mutual funds can trip up knowledgeable investors due to the sheer diversity of options that are available in the market. With more than a thousand mutual fund schemes to choose from, picking the best and keeping an eye on their performance is tricky.

Chapter 04

Greater Awareness can help reap Available Opportunities

There are plenty of investment avenues available to the wealthy. But what is really needed to maximise the return is greater awareness. A wealth manager can be instrumental in expanding investors' horizons and squeezing the most out of the pool of options.

The liberalisation of the Indian economy has made overseas investment a viable strategy for domestic investors. And while the number of Indians investing abroad has increased in recent years, it remains minuscule. A wealth manager can help overcome the home bias and any information gaps about overseas markets and improve risk diversification.

A comparison of the Indian and key global equity markets over the past 10 years shows a positive correlation, but the highest score is just 0.5, well below the level of 0.8 that is indicative of a strong correlation. The less-than-strong correlation between Indian and overseas equity markets presents a good investment opportunity to improve portfolio diversification.

Calendar-year performance of global equity indices in %

	Dow Jones	FTSE 100	Hang Seng Index	Nasdaq Composite	Nikkei	S&P 500 International	S&P BSE Sensex	S&P BSE Sensex TRI	Singapore Straits	Brazil - Bovespa index	China - Shanghai Composite
2007	6.43	3.80	39.31	9.81	-11.13	3.53	47.15	48.84	16.63	43.65	96.66
2008	-33.84	-31.33	-48.27	-40.54	-42.12	-38.49	-52.45	-51.79	-49.41	-41.22	-65.39
2009	18.82	22.07	52.02	43.89	19.04	23.45	81.03	83.30	64.49	82.66	79.98
2010	11.02	9.00	5.32	16.91	-3.01	12.78	17.43	19.14	10.09	1.04	-14.31
2011	5.53	-5.55	-19.97	-1.80	-17.34	0.00	-24.64	-23.64	-17.04	-18.11	-21.68
2012	7.26	5.84	22.91	15.91	22.94	13.41	25.70	27.99	19.68	7.40	3.17
2013	26.50	14.43	2.87	38.32	56.72	29.60	8.98	10.70	0.01	-15.50	-6.75
2014	7.52	-2.71	1.28	13.40	7.12	11.39	29.89	31.87	6.24	-2.91	52.87
2015	-2.23	-4.93	-7.16	5.73	9.07	-0.73	-5.03	-3.68	-14.34	-13.31	9.41
2016	13.42	14.43	0.39	7.50	0.42	9.54	1.95	3.47	-0.07	38.93	-12.31
2017	25.08	7.63	35.99	28.24	19.10	19.42	27.91	29.56	18.13	26.86	6.56
2018	-5.63	-12.48	-13.61	-3.88	-12.08	-6.24	5.91	7.23	-9.82	15.03	-24.59
2019	22.34	12.10	9.07	35.23	18.20	28.88	14.38	15.66	5.02	31.58	22.30
2020	7.25	-14.34	-3.40	43.64	16.01	16.26	15.75	17.16	-11.76	2.92	13.87
2021	18.73	14.30	-14.08	21.39	4.91	26.89	21.99	23.23	9.84	-11.93	4.80
2022	-8.78	0.91	-15.46	-33.10	-9.37	-19.44	4.44	5.80	4.09	4.69	-15.13
2023	13.70	3.78	-13.82	43.42	28.24	24.23	18.74	20.33	-0.34	22.28	-3.70

Stock markets from across the world do not necessarily move in tandem and their performance is not linked.

Colour shades indicate performance: green cells denote maximum returns that year, and red cells denote minimum returns that year

Source: CRISIL MI&A Research

Trailing returns of global equity indices in %

Index	1 year	3 years	5 years	7 years	10 years
BOVESPA	22.3	8.6	3.0	8.4	10.3
China Shangai	-3.7	-6.5	-0.5	-1.5	3.5
BSE Sensex	18.2	14.9	14.9	15.5	13.0
BSE Sensex TRI	19.8	16.3	16.3	16.9	14.5
Dow Jones	13.5	7.5	10.3	9.6	8.6
FTSE 100	2.9	5.4	2.8	1.2	1.4
Hang Seng Index	-13.6	-13.7	-7.7	-3.4	-3.0
Nasdaq Composite	43.3	5.3	17.9	15.6	13.7
Nikkei	28.2	6.7	10.8	8.3	7.5
S&P 500 International	23.9	8.6	13.9	11.3	10.0
Singapore Straits	-0.3	4.4	1.2	1.7	0.3

Returns as on 31 Dec 2023

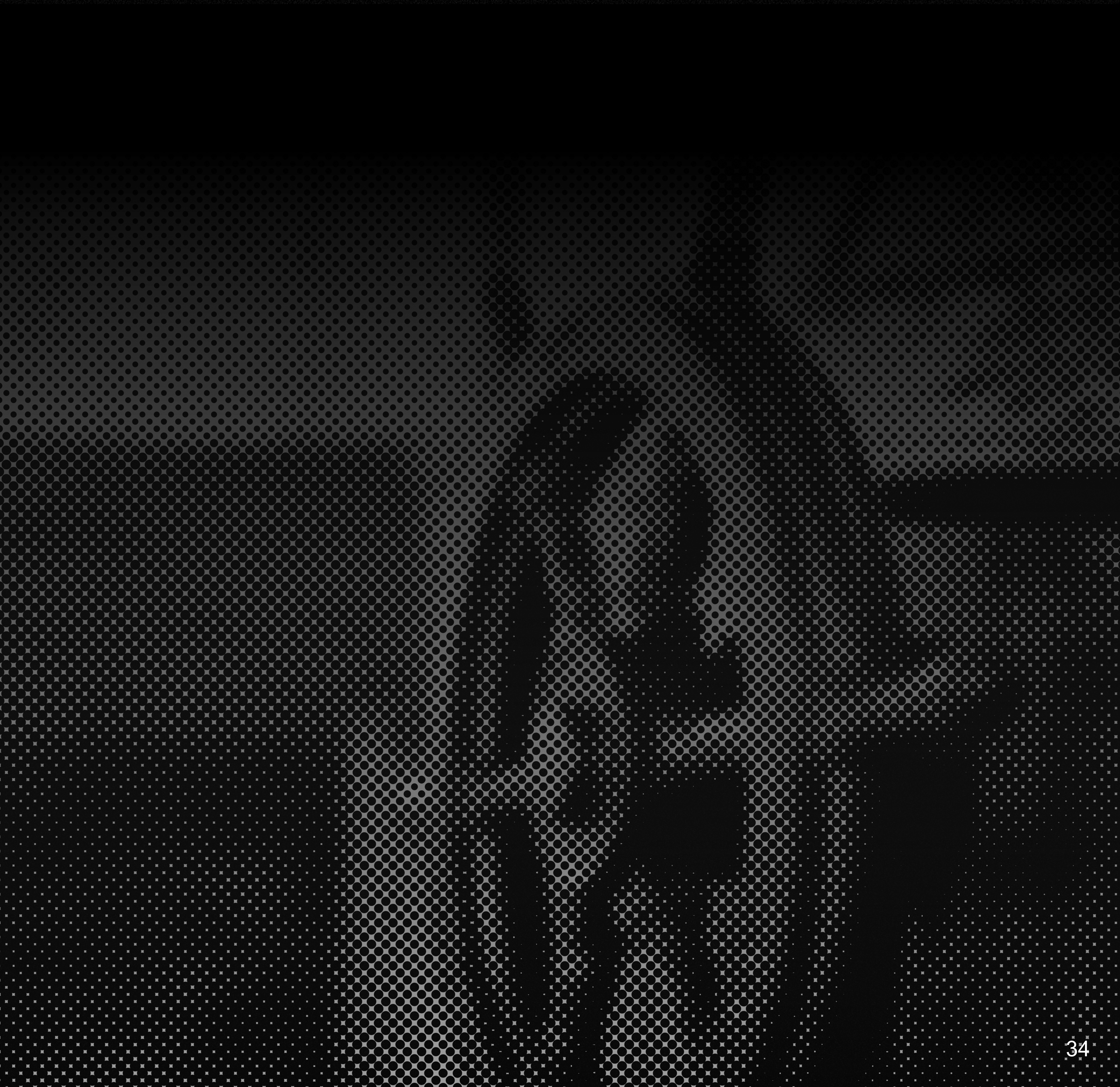
Putting money to work abroad

The number of Indians investing abroad through the Liberalised Remittance Scheme (LRS) has been rising steadily each year. Transfers for deposits, property purchases, and investments in equity and debt instruments abroad increased to $2.45 billion in 2022-23, showing a compound annual growth rate (CAGR) of 26% from $963 million in 2018-19. Investments in equity and debt make up more than half of these investments and have clocked a CAGR of 31%.

The LRS, was introduced in 2004 and allows Indian residents to remit up to $250,000 every financial year for various current and capital account transactions. These include investments in financial securities such as bonds and shares as well as immovable property.

Family members are permitted to pool their remittances such that family of four can collectively invest up to $1 million in a year.

Corporates are allowed to invest up to half of their audited net worth in offshore markets.



Correlation of S&P BSE Sensex with global indices

Investing in markets that are weakly correlated with India can improve portfolio optimisation

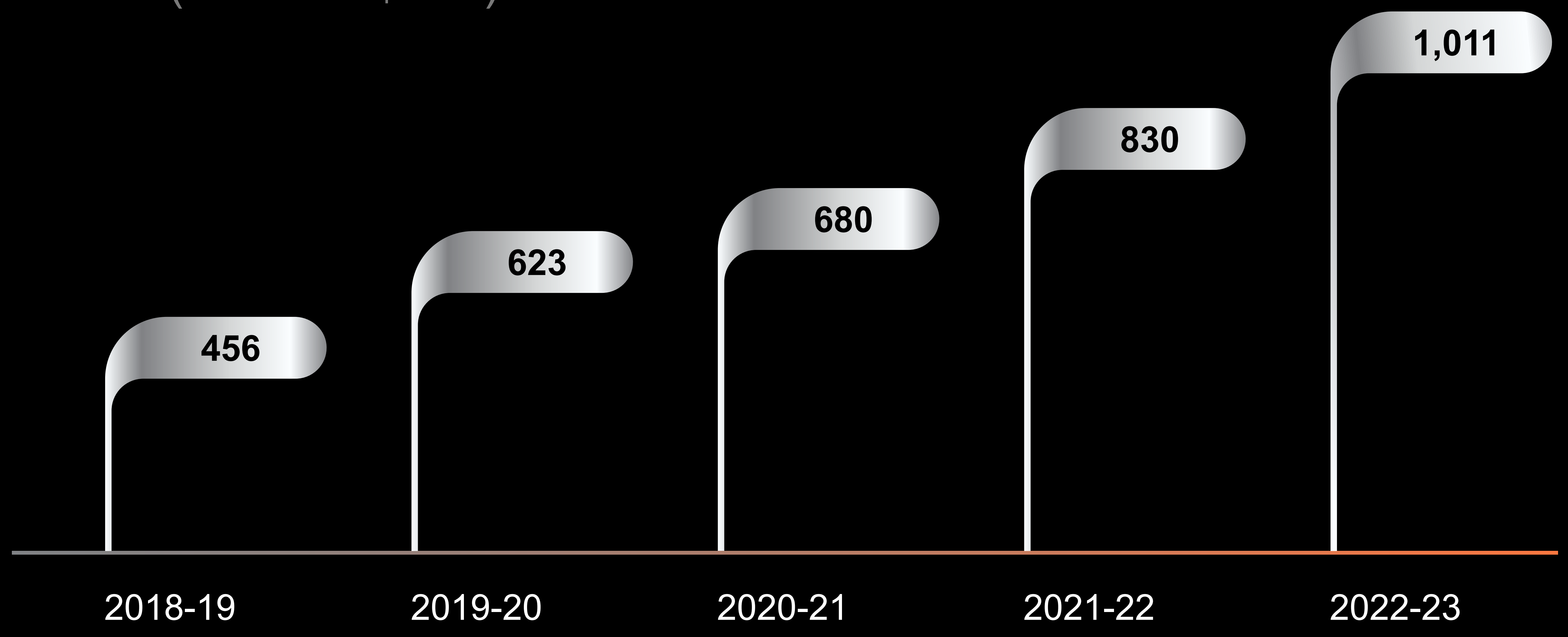
S&P BSE Sensex vs Singapore's Straits Times Index	0.51
S&P BSE Sensex vs HongKong's Hang Seng	0.44
S&P BSE Sensex vs UK's FTSE	0.44
S&P BSE Sensex vs Japan's Nikkei	0.33
S&P BSE Sensex vs US' Dow Jones	0.32
S&P BSE Sensex vs US' S&P 500 International	0.31
S&P BSE Sensex vs Brazil's Bovespa	0.29
S&P BSE Sensex vs US' Nasdaq Composite	0.27
S&P BSE Sensex vs China's Shanghai Composite	0.05

Source: CRISIL MI&A Research

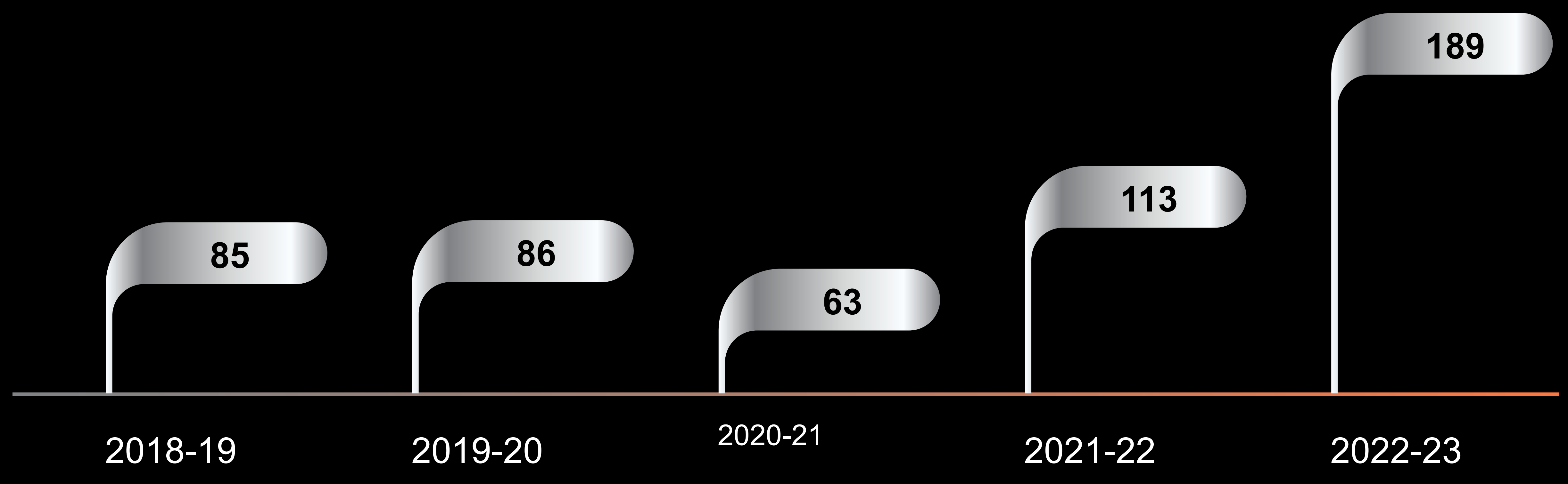
Correlation with S&P BSE Sensex

Investments through LRS

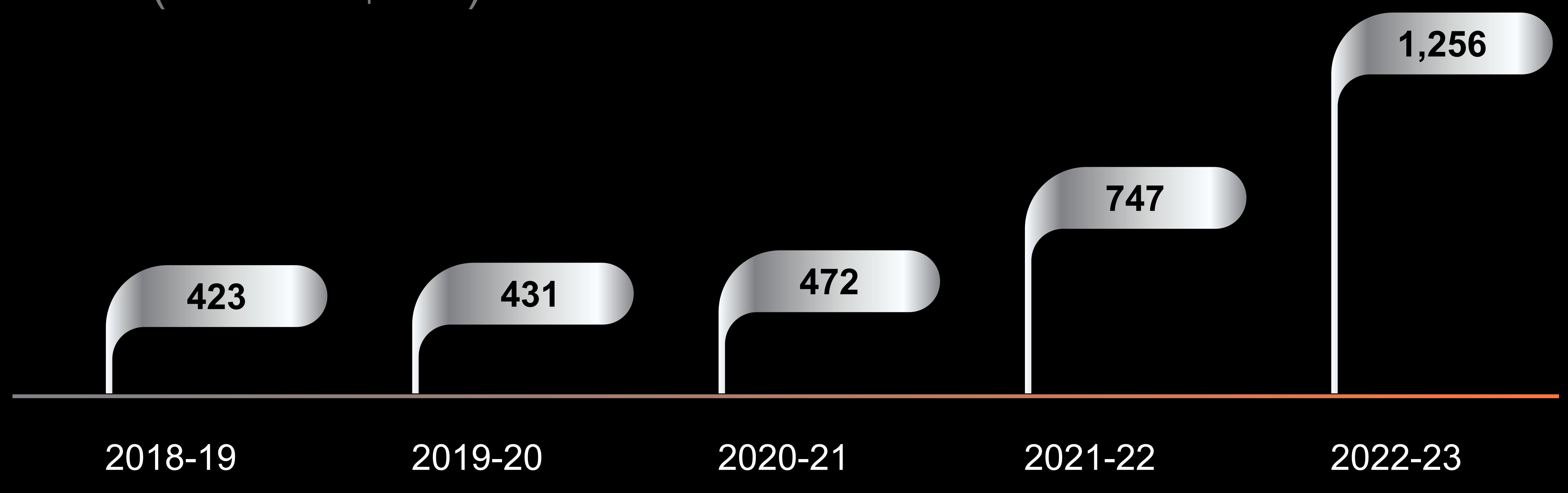
Deposits
(Value in $ mn)



Purchase of immovable property
(Value in $ mn)



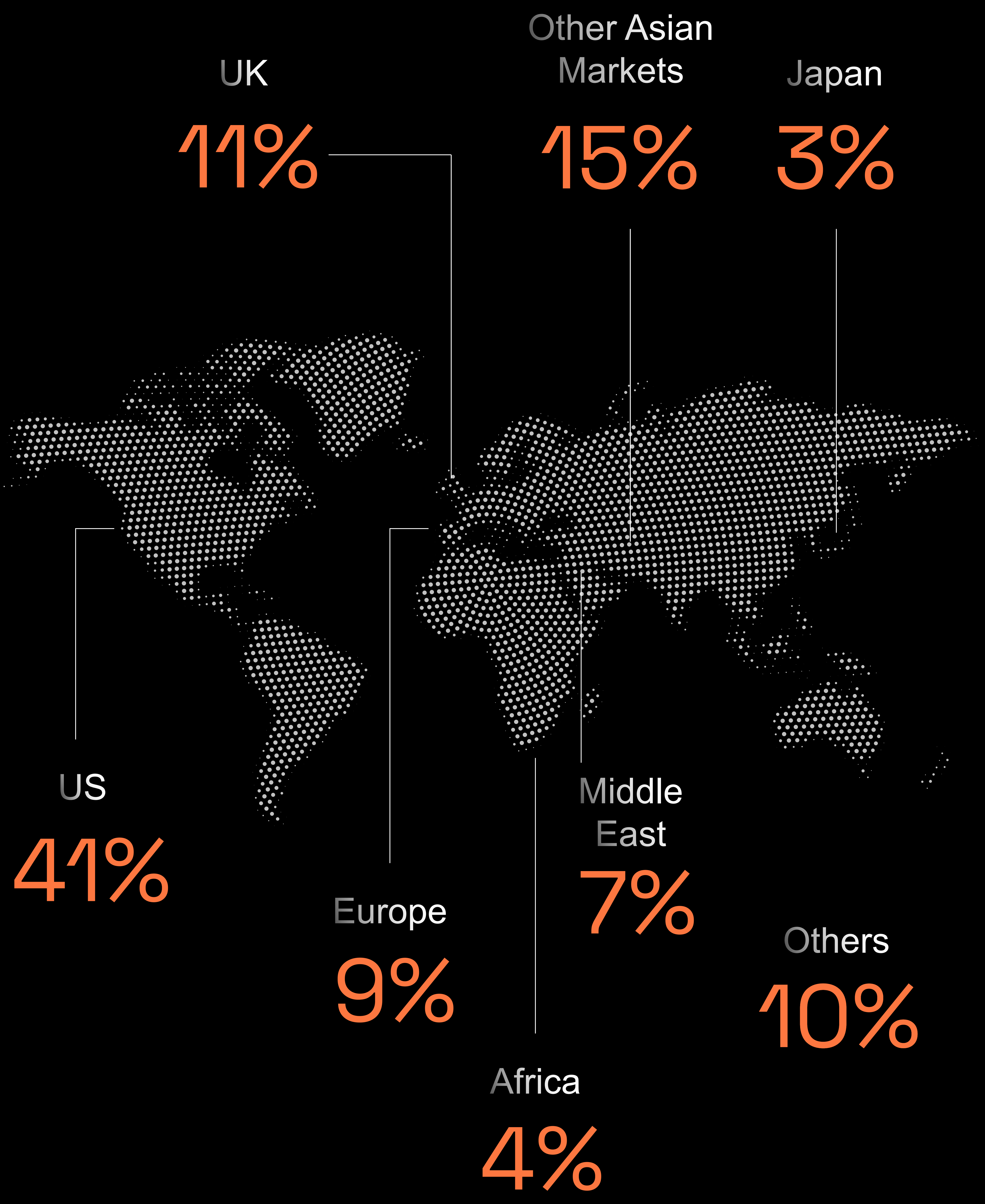
Investment in equity/debt
(Value in $ mn)



Source: Reserve Bank of India, CRISIL MI&A Research

Respondents' preferences for investing overseas

% UHNIs + HNIs



USA: The favourite overseas investment destination

Percentage of respondents

Source: CRISIL MI&A Research and 360 ONE

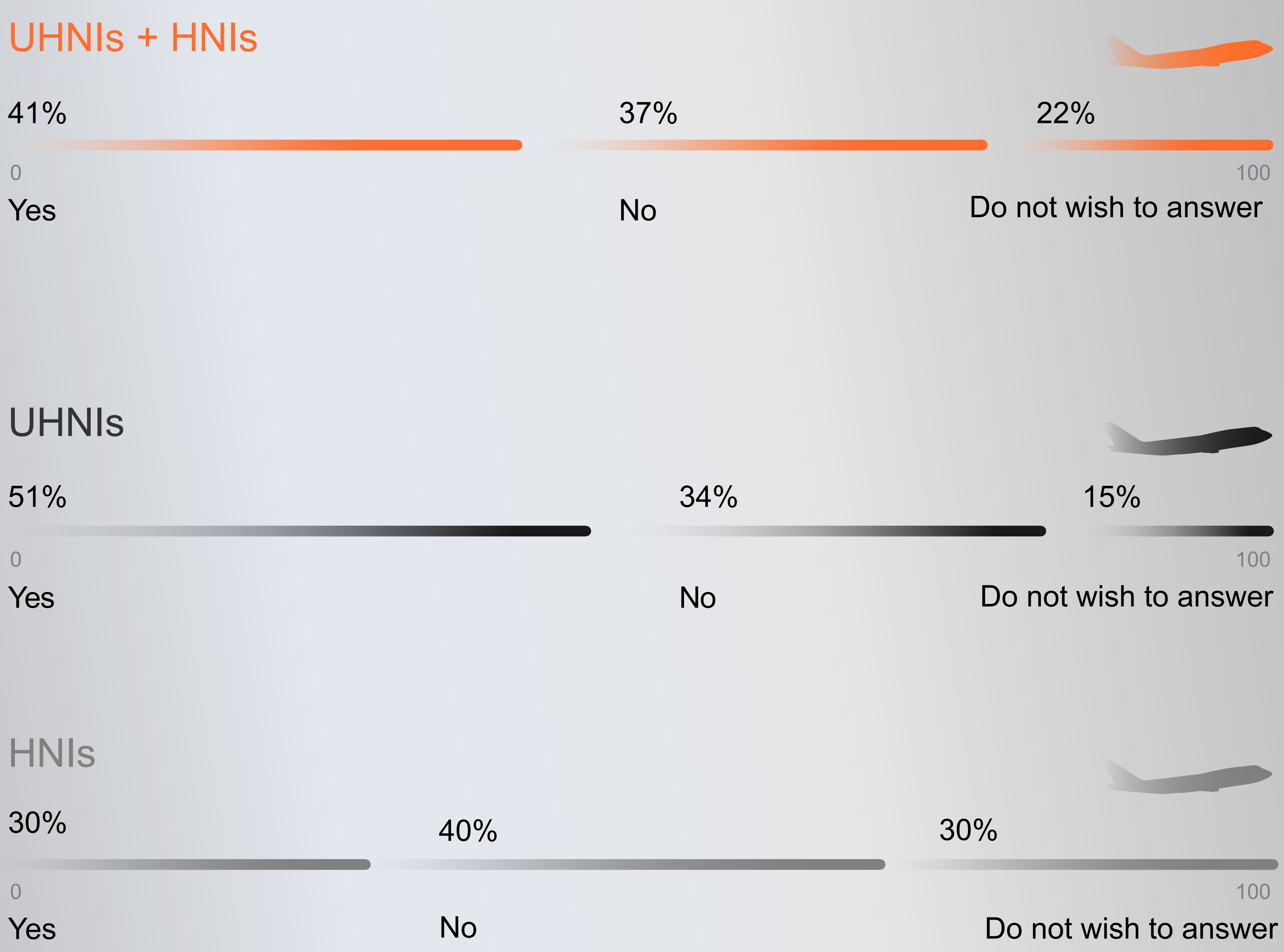
wealth 360NE

Are the wealthy willing to invest abroad?

UHNIs+HNIs UHNIs HNIs

Percentage of respondents

More UHNIs than HNIs are eager to invest overseas.



Investing Abroad - To be or not to be

The US dominated as the most preferred investment destination with 41% of the respondents choosing Uncle Sam over other markets. This should not come as a surprise as the US is the world's largest economy and US equities account for more than 70% of the global developed markets.

According to the survey, only 41% of the respondents expressed eagerness to invest abroad. But this has to be taken with a pinch of salt as 22% did not wish to answer.

The lack of enthusiasm about investing abroad is probably on account of the Home Country Bias and the Recency Bias.

Home Country Bias is when investors consistently prefer to invest in their domestic market. This bias is especially strong when investors expect higher returns from their home market, but it persists even when the domestic market underperforms compared to international peers. This preference is often more about comfort and familiarity than actual returns.

Recency Bias is when investors place too much importance on recent events when making investment decisions. The strong performance of the Indian stock market in recent years has fuelled high expectations, leading investors to favour local investments.

GIFT City – A piece of foreign land in India

The Ahmedabad-based Gujarat International Finance Tec-City, or GIFT City, is a free trade zone designed to be a global hub for financial services, akin to Singapore and Dubai. It offers tax incentives to attract global firms and financial products and helps facilitate the flow of services across borders. GIFT City also serves as a seamless gateway to the world for Indian investors through the Family Investment Fund (FIF) Structure.

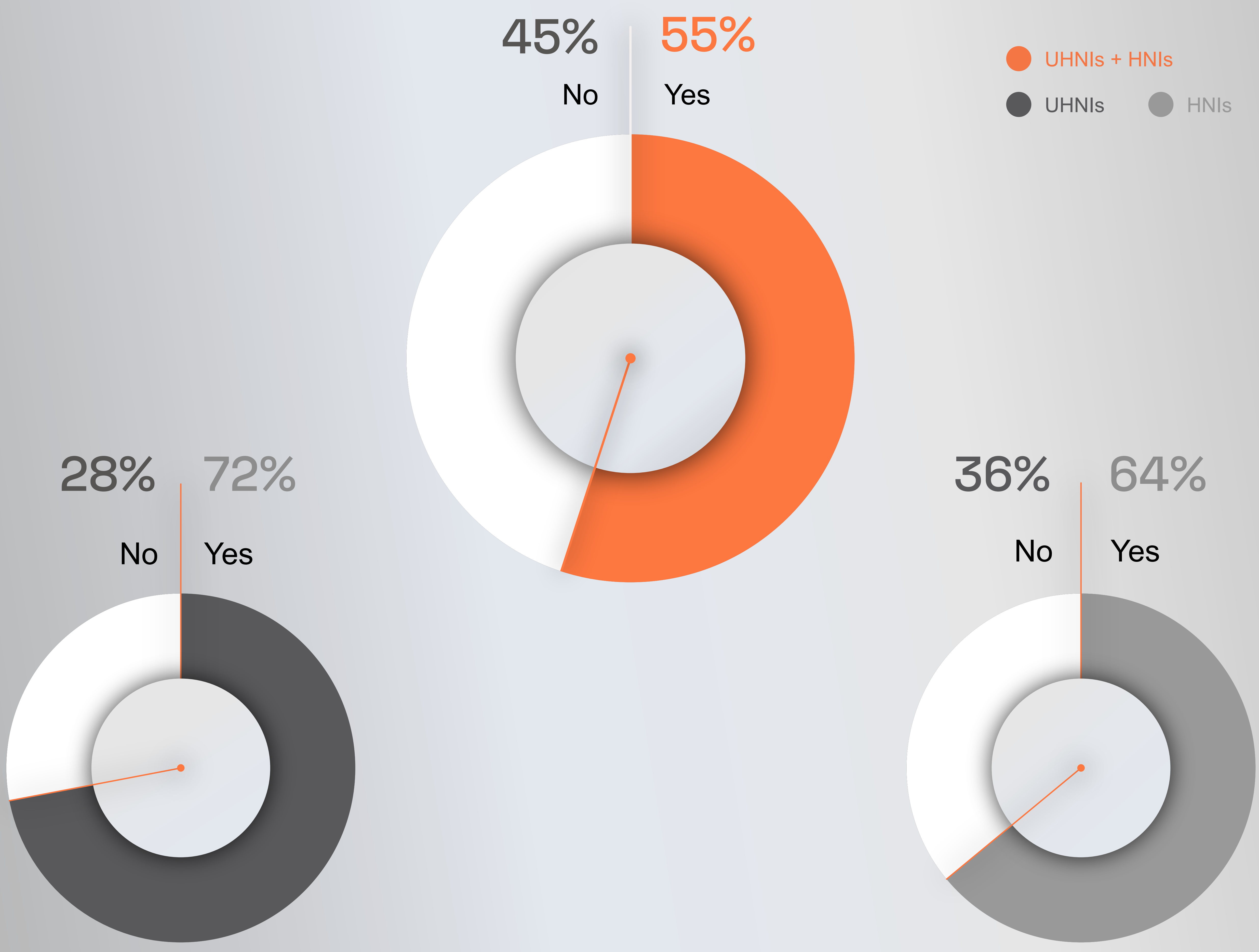
Despite being established in 2015, GIFT City is a fairly new as well as complex concept. This explains the low awareness about it among investors. Our survey showed that only 55% of respondents were aware of GIFT City, with 53% showing no interest in it.

FIF – All in the family

Family Investment Funds, or FIFs, are dedicated investment vehicles designed to help family offices manage their investments. At the International Financial Services Centre (IFSC) in GIFT City, these funds must maintain a minimum corpus of $10 million within three years of registration, similar to what is expected in other financial hubs such as Singapore.

FIFs established in GIFT City's IFSC are treated as Indian residents for tax purposes but as foreign residents or offshore units from an exchange control perspective. They receive various incentives, including regulatory concessions for overseas investments, tax benefits, and logistical perks.

Are you aware of GIFT city?



Accredited Investors & their edge

The SEBI introduced the concept of accredited investors in 2021. To qualify for the same, a business entity must have a minimum net worth of ₹ 25 crore, while an individual's liquid net worth should be at least ₹ 5 crore along with an annual gross income of ₹ 50 lakh.

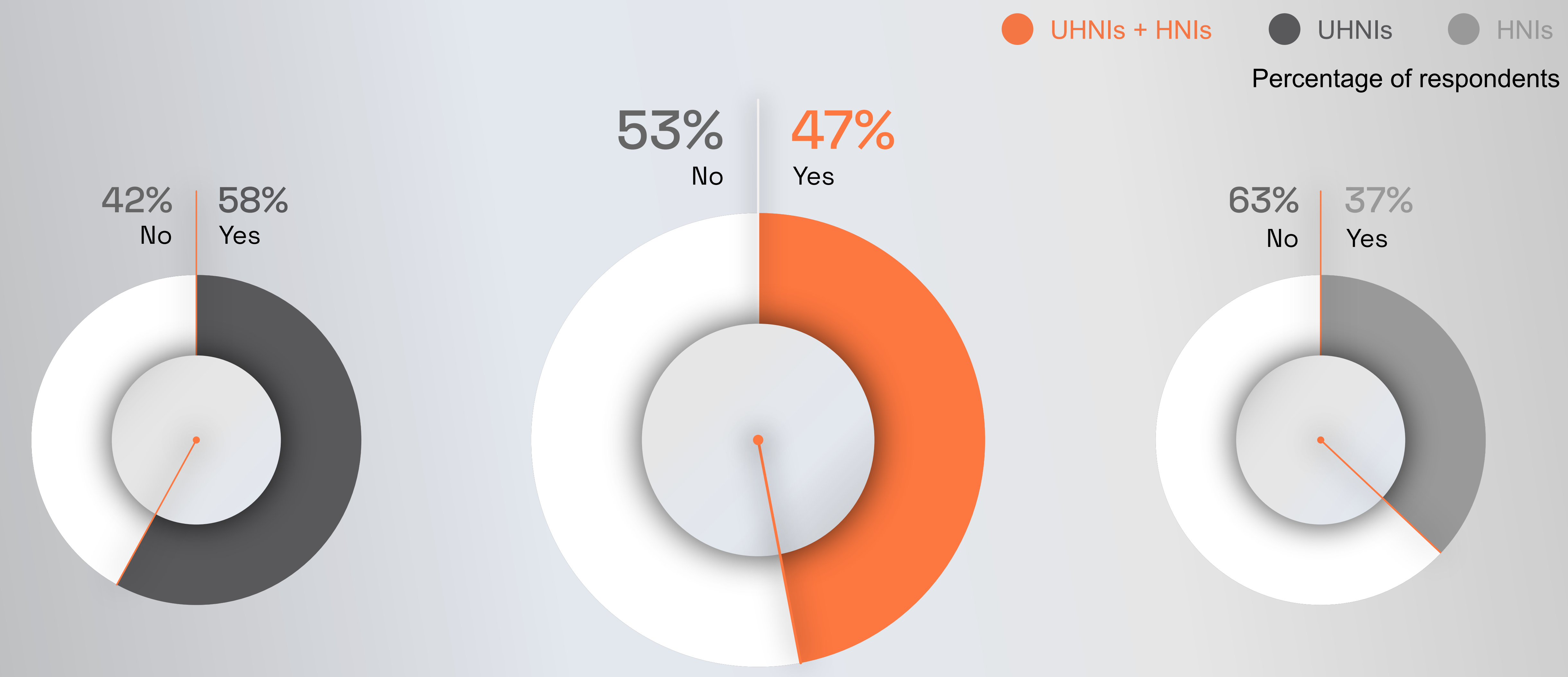
This category was created for experienced and wealthy investors who understand various financial products and their associated risks and returns, enabling them to make informed investment decisions. Accredited investors are considered capable of handling relatively riskier investments due to their financial capacity and ability to absorb potential losses.

According to the survey, while nearly half the respondents are aware of the accredited investor category, 85% of them have not applied to become one. Currently, India has only a couple of hundred or so accredited investors. This highlights the role wealth professionals can play in educating the wealthy about the advantages of the 'accredited investors' tag.

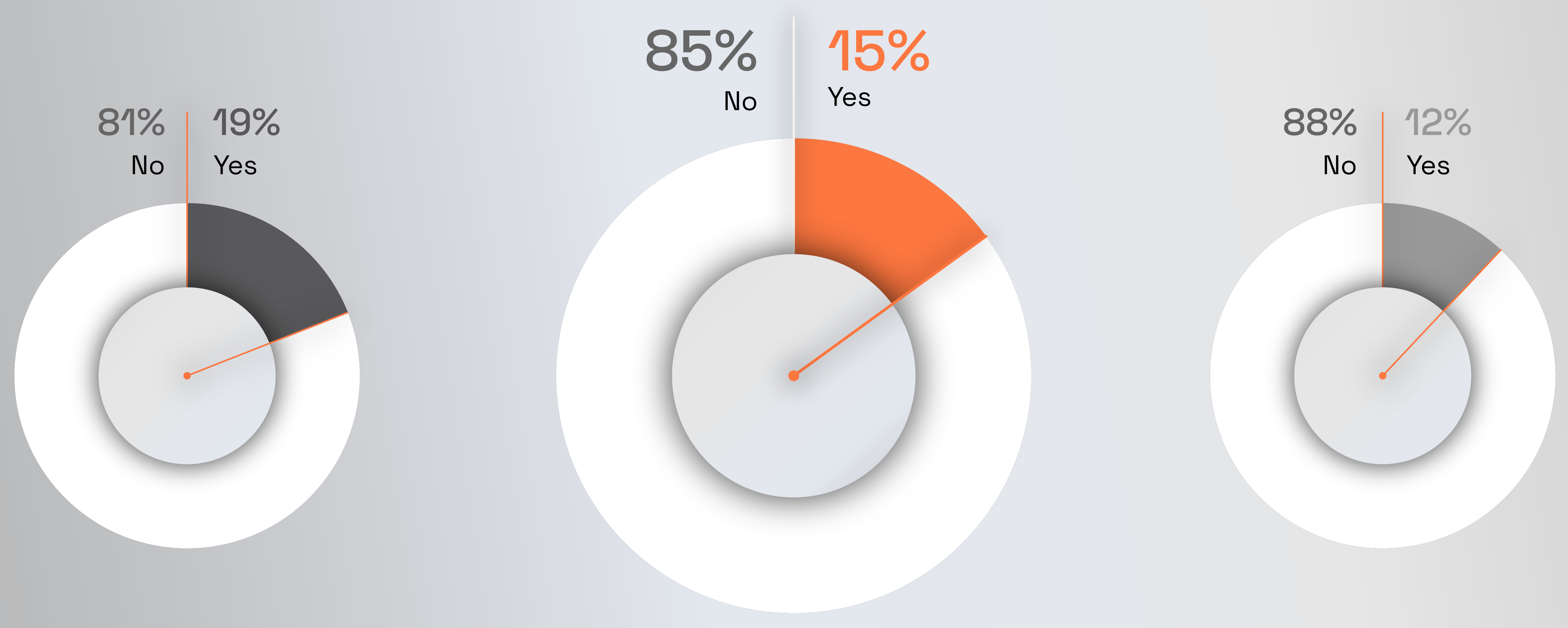
The concept of accredited investors has been around in the US since the 1980s. According to the Securities and Exchange Commission (SEC), there are 24 million accredited households in the US, making up 18.5% of all households. The threshold for accreditation is a minimum annual earned income of $200,000 for individuals, $300,000 for married couples, or a net worth of $1 million for either, excluding the value of their primary residence.

Untapped potential of Accredited Investor tag

Have you heard about the accredited investor status?



Are you an accredited investor?



Key Takeaways

1

Indians are increasingly investing abroad under LRS, but there is plenty of room to expand to maximise returns as well as diversify the portfolio.

2

The correlation between Indian and global equity markets is positive, but fairly low. This presents a good opportunity to improve portfolio diversification. At present, the US is the most favoured destination when it comes to Indians' overseas investments, with more than 40% of survey respondents picking it as their preferred choice.

3

GIFT City is a great opportunity for wealthy Indian investors. However, given that it is a fairly new and complex concept, awareness about it remains low.

4

Wealth managers can play a key role in helping investors make full use of the opportunities that are available to them, be it appropriate international diversification of their portfolio, taking advantage of new avenues such as GIFT City through family offices, or by becoming accredited investors.

Chapter 05

Wealth Appreciation & Protection are Shifting Goal Posts

Contrary to popular perception, seniors are not overly preoccupied with protecting their wealth while investing. The factors key to determining the wealth accumulation mindset include expectations about returns and the stage of wealth accumulation the investor is in.

Investment goals can be broadly classified into three categories: capital appreciation, wealth preservation, and income generation. Strategies such as asset allocation, diversification, tactical calls, risk mitigation, liquidity management, leverage, and inflation protection are employed to achieve these goals.

Depending on market volatility, personal circumstances, and the stage of wealth accumulation, an individual's focus will shift between these three objectives. And the focus determines the level of risk and leverage the investor is willing to take on.

Wealth begets Wealth

With a large corpus providing adequate buffer, UHNIs are more inclined to take risks to multiply their wealth. According to the survey, 39% of them cited capital appreciation as their primary investment motive, while 22% favoured wealth preservation. This is likely because 61% of those surveyed from this category were entrepreneurs, who are inherently high-risk takers.

On the other hand, HNIs, who are mainly salaried or independent professionals, cited income generation as their top investment priority (35%) followed by capital appreciation (32%).

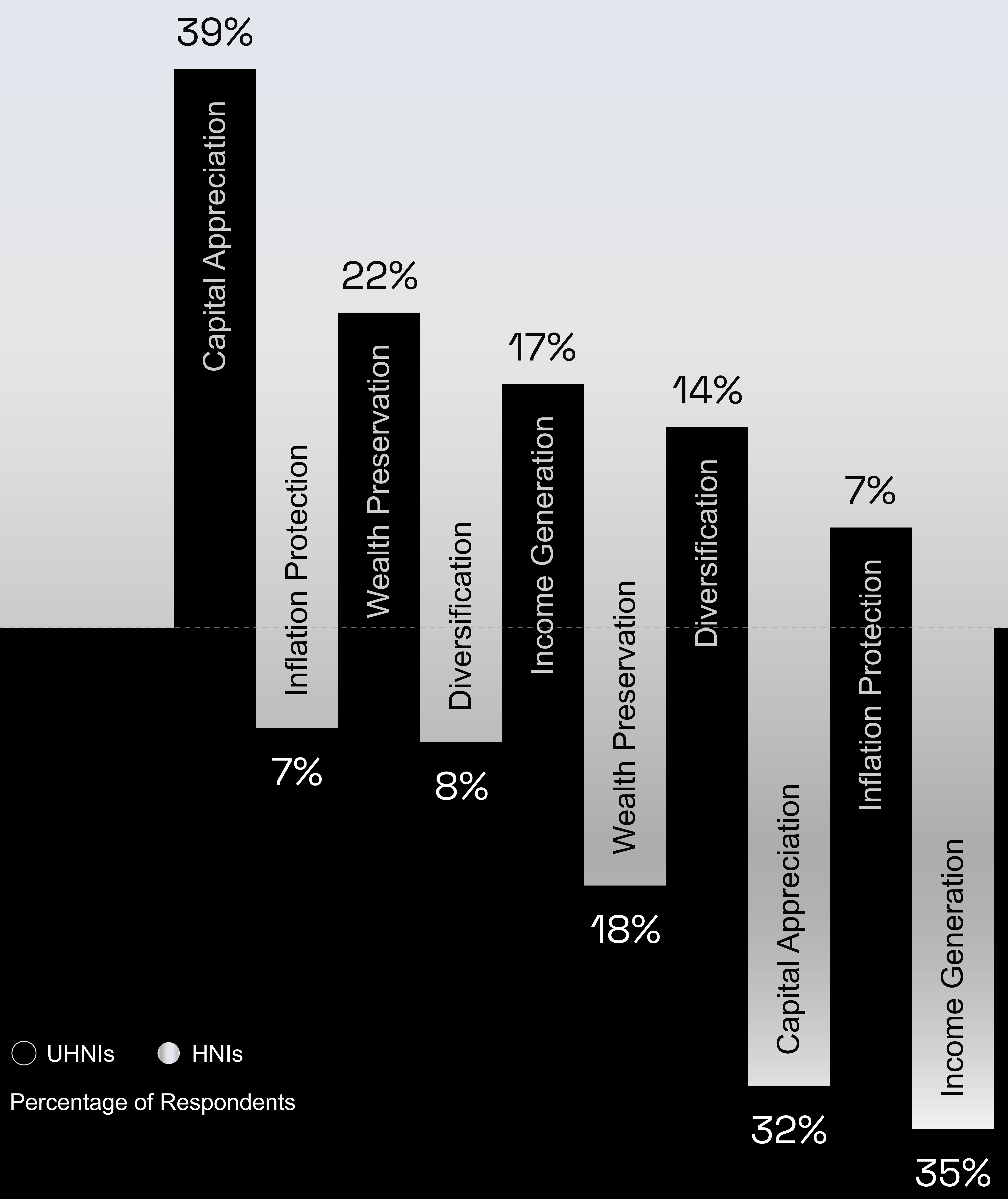
Interestingly, investors above the age of 60 years focus on capital appreciation followed by wealth preservation and income generation. This defies the notion that as investors get older they become more cautious. Moreover, only 5% in this age bracket use hedging strategies, which is lower than other age groups. This is indicative of either an aggressive investment mindset or the need for greater awareness about these strategies.

Why do they invest?

Capital appreciation is top investment motive.

(%) UHNIs + HNIs
Percentage of Respondents

UHNIs emphasise more on capital appreciation...



...HNIs seem to focus more on income generation

Source: CRISIL MI&A Research, 360 ONE

A Fine Balance

While the survey results indicate contrasting preferences between capital appreciation and wealth preservation among UHNIs and HNIs, the two groups seem to agree that the key to consistently growing wealth lies in identifying the sweet spot between risk and return.

This is reflected in the fact that almost two-thirds of survey respondents said their investment style looks to strike a harmonic balance between risk and return.

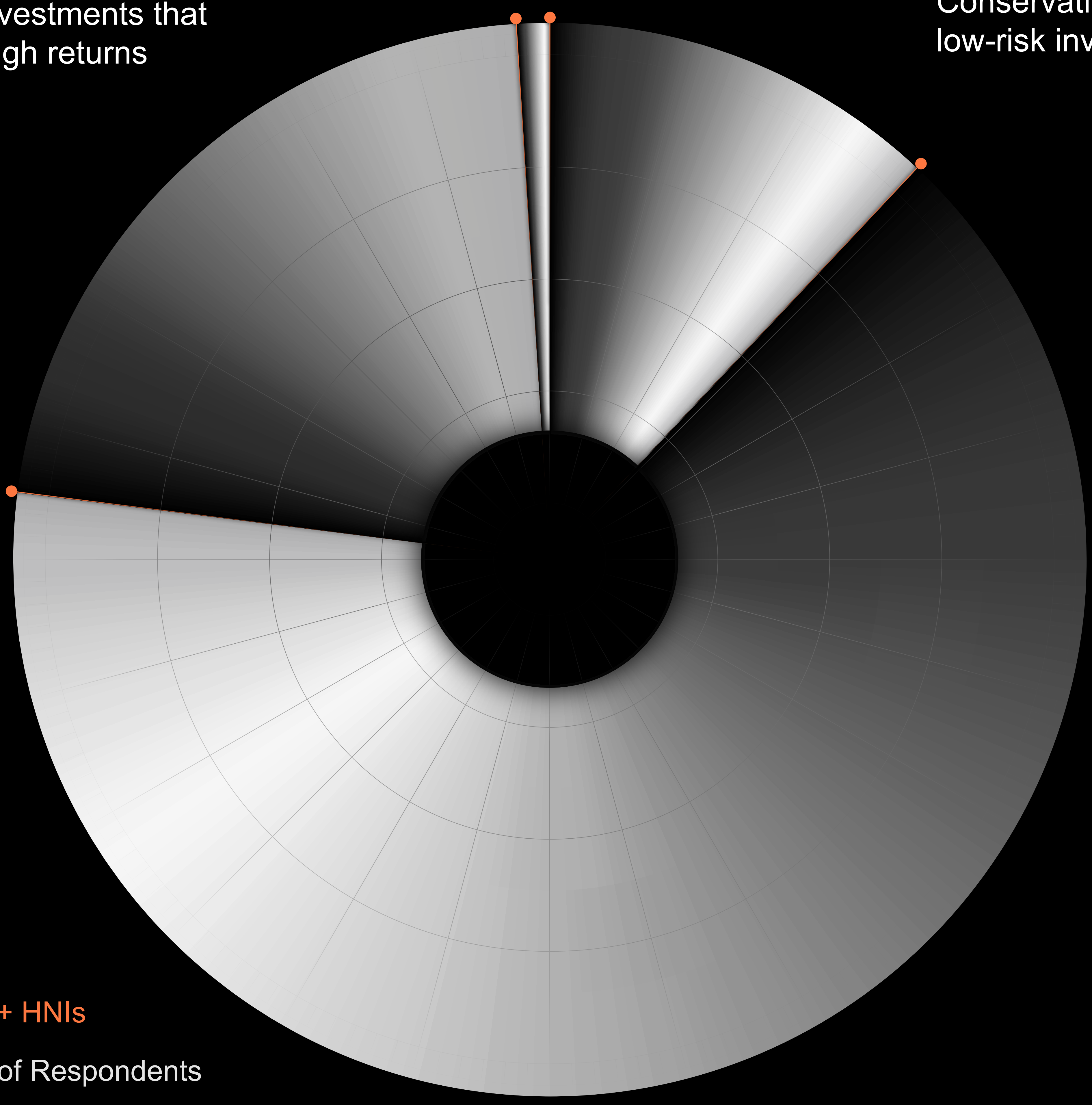
The risk-return balance

Most respondents prefer striking a balance between risk and return.

1%
Others

22%
Aggressive: I am open to high-risk investments that generate high returns

12%
Conservative: I prefer low-risk investments



(%) UHNIs + HNIs

Percentage of Respondents

65%
Balanced: I look at a mix of risk and return

Source: CRISIL MI&A Research, 360 ONE

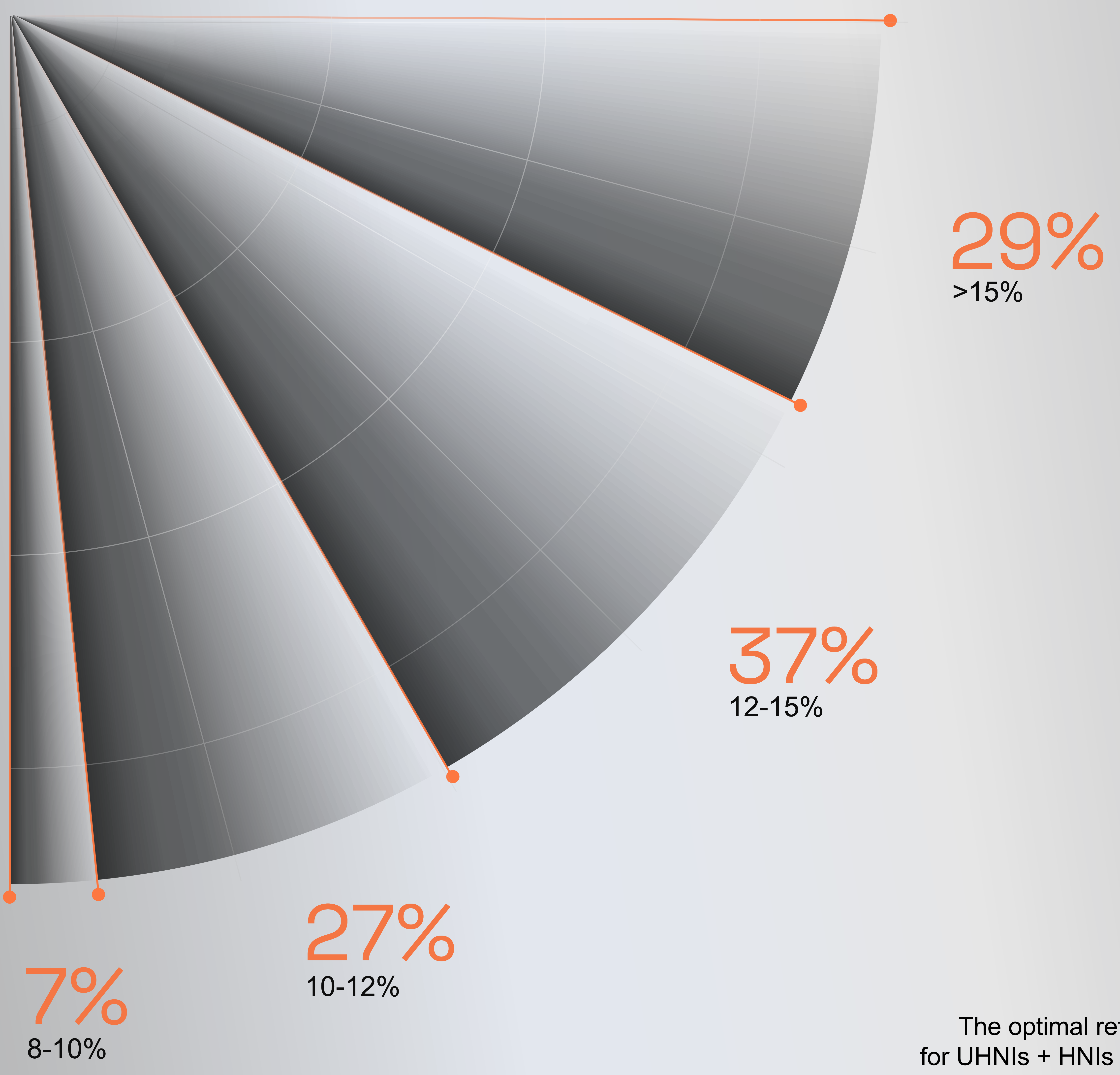
With the Indian economy expected to grow by 7% or more for a fourth straight year in 2024-25 and retail inflation continuing its post-pandemic downward journey, it is reasonable to expect a double-digit return on one's investment. It is no surprise then that 66% of the survey's respondents expect at least a 12% annual return on their investments.

It is interesting to note that contrary to the risk perception as indicated by the primary investment objectives, 40% of HNIs seek a return of more than 15% compared to only 19% of UHNIs. While a larger proportion of UHNIs target capital appreciation over wealth preservation, their expectations are rather toned down in comparison, with 72% of them settling for a 10-15% return.

The survey also revealed some other notable trends: entrepreneurs and independent professionals expect higher returns compared to salaried individuals. Additionally, women generally expect returns in the range of 10-12%, which is lower than what men would like.

Great Expectations?

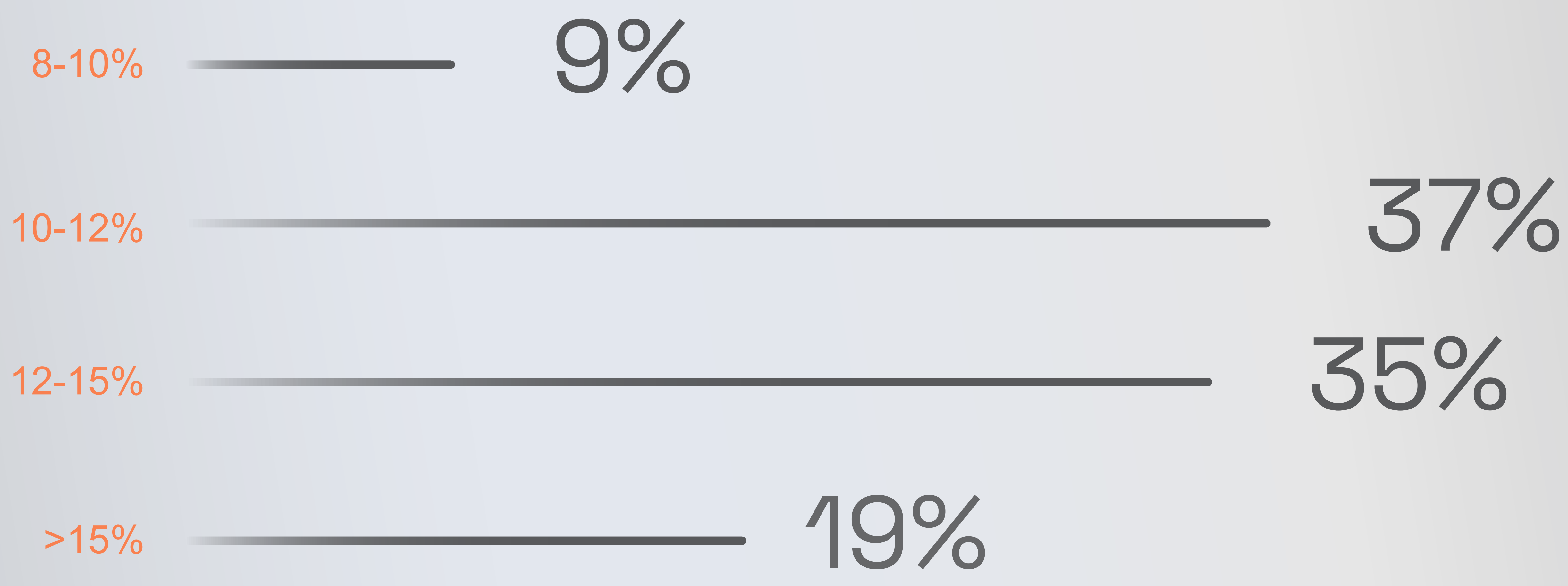
Expected rate of return



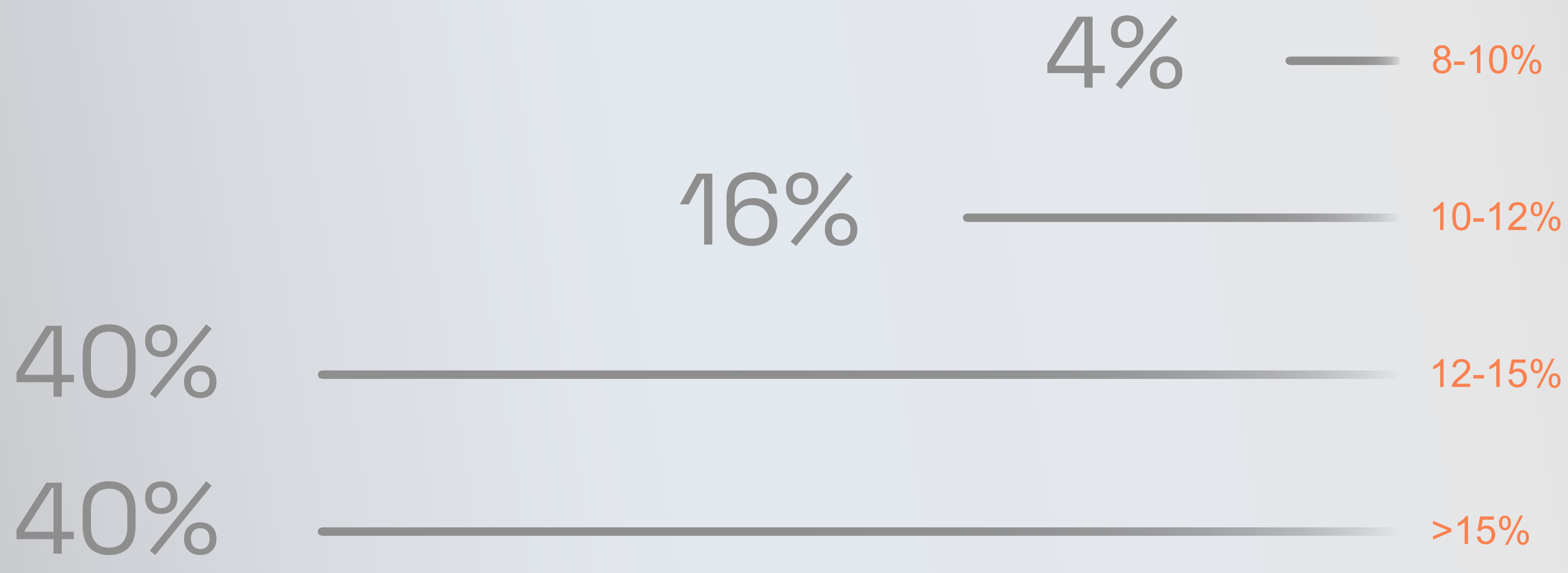
The optimal return range for UHNIs + HNIs is 12-15%

Source: CRISIL MI&A Research, 360 ONE

HNIs have higher expectations from the return on their investments than UHNIs



Return Expectations - UHNIs



Return Expectations - HNIs

Percentage of Respondents

Source: CRISIL MI&A Research, 360 ONE

Quantifying success in investments

Over one-third of the surveyed respondents said they consider their investments to have been successful when they outperform the market. However, a larger 41% indicated they aim for a positive return regardless of market performance. This suggests a significant shift in investment mindset, particularly when the market is underperforming and returns can be negative.

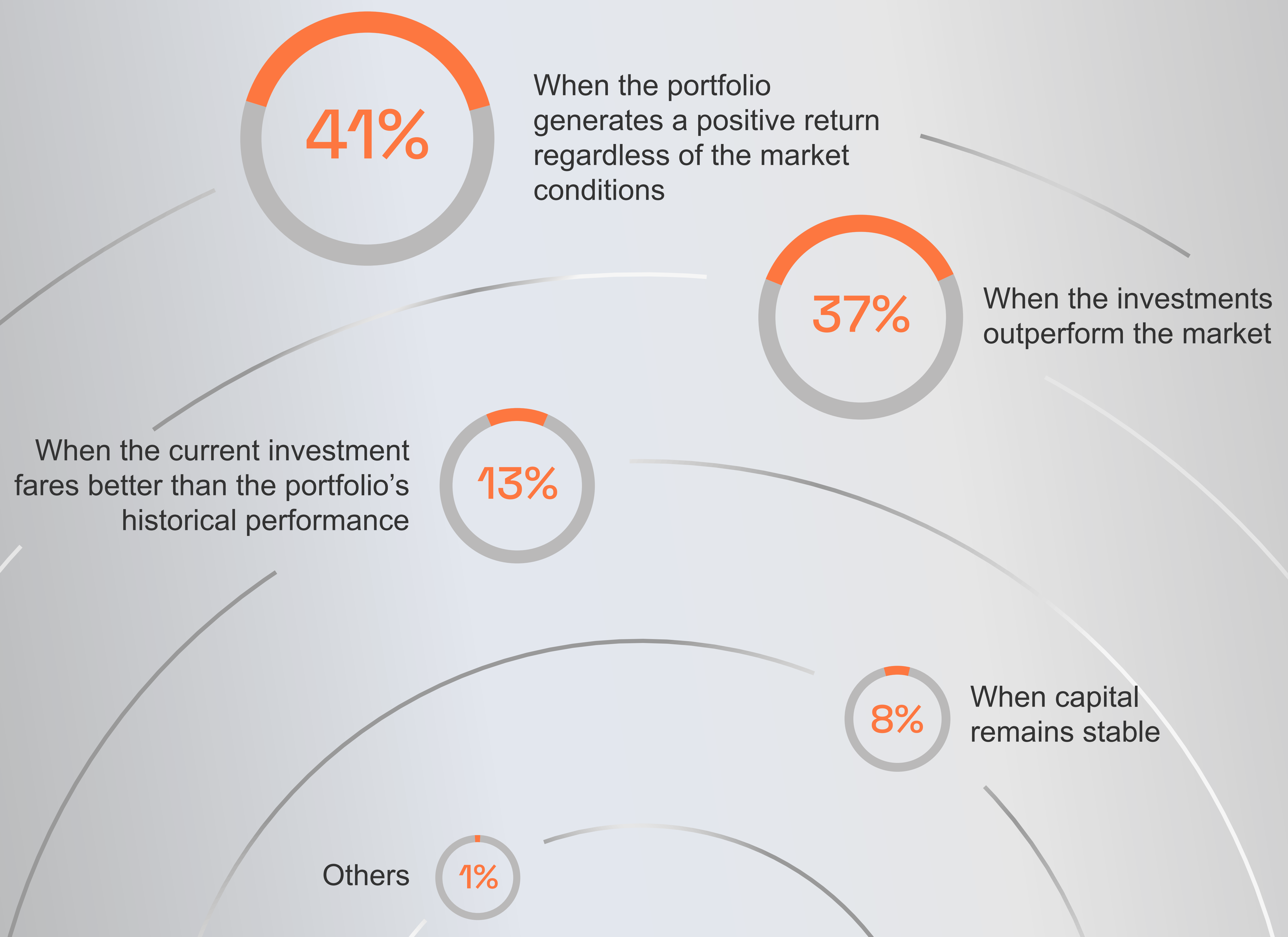
Instead of merely striving to beat the market, a sizeable portion of wealthy investors want positive returns even when market conditions are unfavourable. This change reflects a more nuanced and adaptable approach to investment amidst fluctuating economic conditions and volatile global developments.

What investment success means to the wealthy

● UHNIs + HNIs

Percentage of Respondents

Beating the market is key, but a positive rate of return is more important.



Source: CRISIL MI&A Research, 360 ONE

UHNIs and HNIs are not big on leveraging their investments

UHNIs + HNIs

28%
Real Estate

19%
Equity Portfolio

18%
Other Businesses (e.g. Startups, Private Holdings, IPOs)

No leverage in personal matters

The survey showed the wealthy are strategic when it comes to the use of leverage.While they may leverage collaterals and investments to scale their business, they do not do so when it comes to their personal investments. Broadly, their personal portfolio is not linked to any loans or liabilities and their investment strategy is not impacted by the cash flows of the business. This is probably because liquidation of a leveraged portfolio will need the consent of the lender.

There are, however, a few exceptions: 28% of respondents said they leveraged their real estate portfolio, followed by equity (19%) and investments in other businesses such as start-ups, private holdings, and initial public offerings (18%).

Among UHNIs, the share of respondents who leveraged their assets was slightly higher compared to HNIs: 29% versus 27% for real estate, 22% versus 14% for other businesses, and 21% versus 17% for the equity portfolio.

UHNIs leverage more than HNIs

Source: CRISIL MI&A Research, 360 ONE

UHNIs HNIs Percentage of Respondents

Key Takeaways

1. Wealth tends to generate more wealth. With a large corpus and a focus on capital appreciation, UHNIs are more inclined to take on higher risk.

2. HNIs prioritise income generation and conservative investments even though they have higher return expectations.

3. The wealthy are well aware of the concept of risk premium. Those who expect returns of more than 12% have the majority of their investments in high-risk, high-return assets such as equities (42%), real estate (22%), commodities (10%), and private equity (8%), with only 19% of their portfolio in fixed income.

4. Contrary to the popular belief that people become more cautious with age, the primary investment objective for those above the age of 60 is capital appreciation, followed by wealth preservation and income generation.

5. Use of hedging among the senior citizens surveyed is lower than for other age groups, indicating either an aggressive mindset or the need for greater awareness.

Chapter 06

Growing Relevance of Succession Planning

Succession and legacy planning ensure smooth leadership transitions. These aspects should be addressed in a timely and complete manner given their multi-layered and complex nature that can extend beyond choosing heirs.

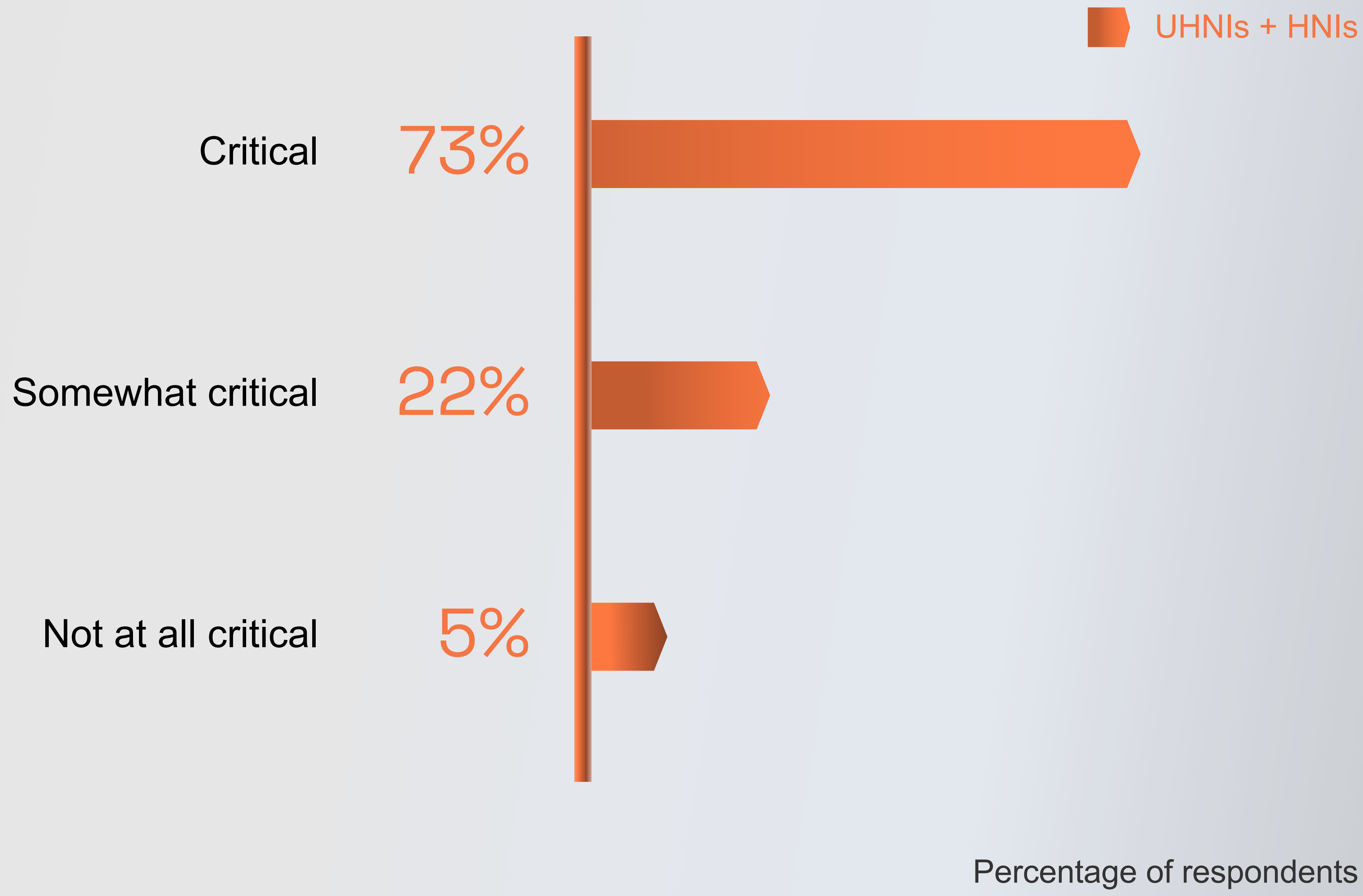
One must not ignore succession planning. It is not optional, but rather a strategic necessity to preserve heritage and solidify family legacy.

At a more practical level, it is a conflict-resolution mechanism, promotes collaboration, alleviates family strife, fortifies business continuity and smoothens intergenerational wealth transfer.

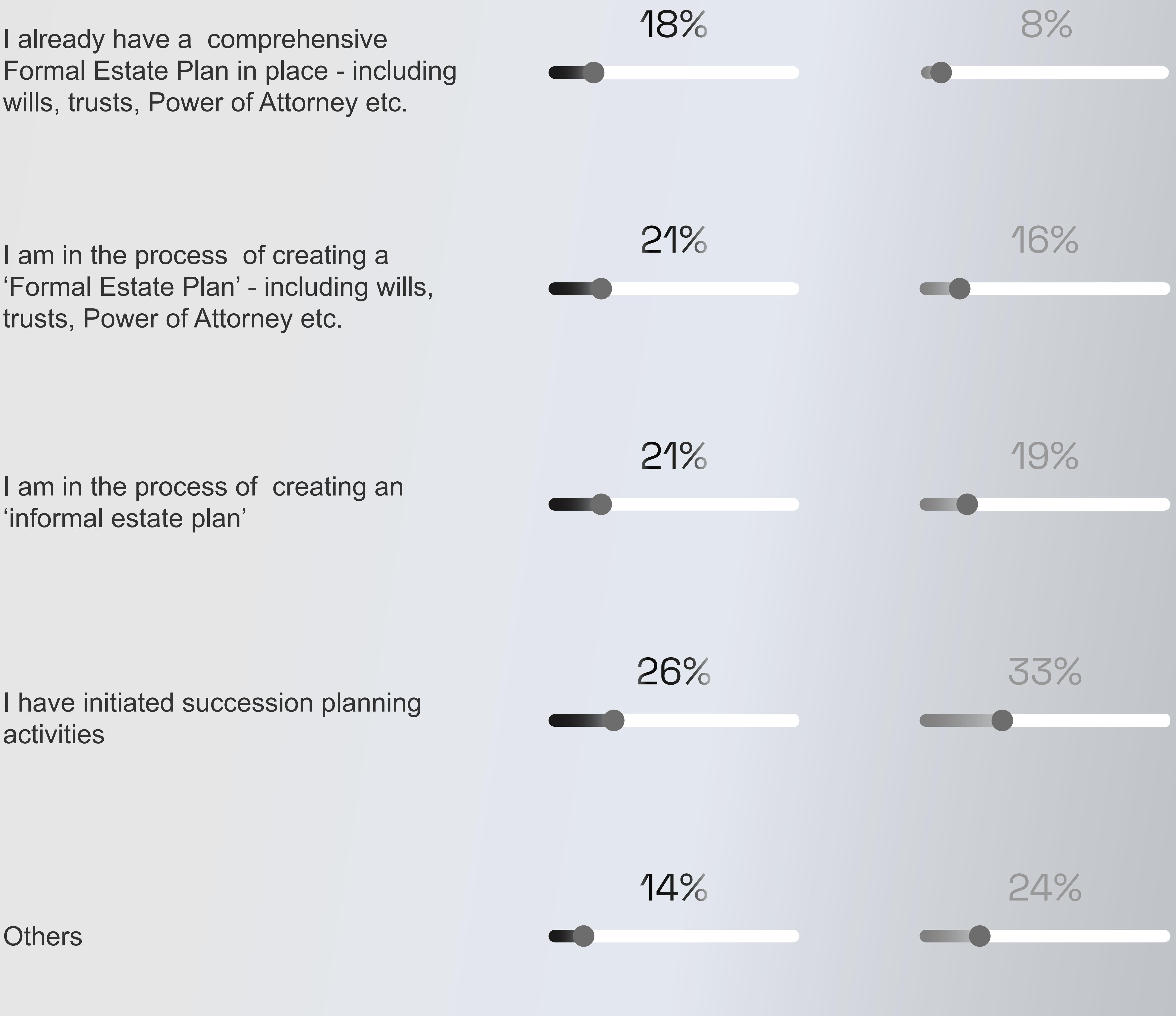
According to the survey, 72% of respondents believed that a succession plan is critical. Among UHNIs, this awareness is even more pronounced, with 78% considering it essential and 74% having already discussed it with family members. Additionally, 86% of UHNIs have either started or completed an estate plan, either formally or informally.

For HNIs, the figures are slightly lower, with 64% having held family discussions on succession planning and 76% having either started or completed their estate planning.

Is succession planning critical?



At what stage are you at with your succession plan?



Source: CRISIL MI&A Research and 360 One

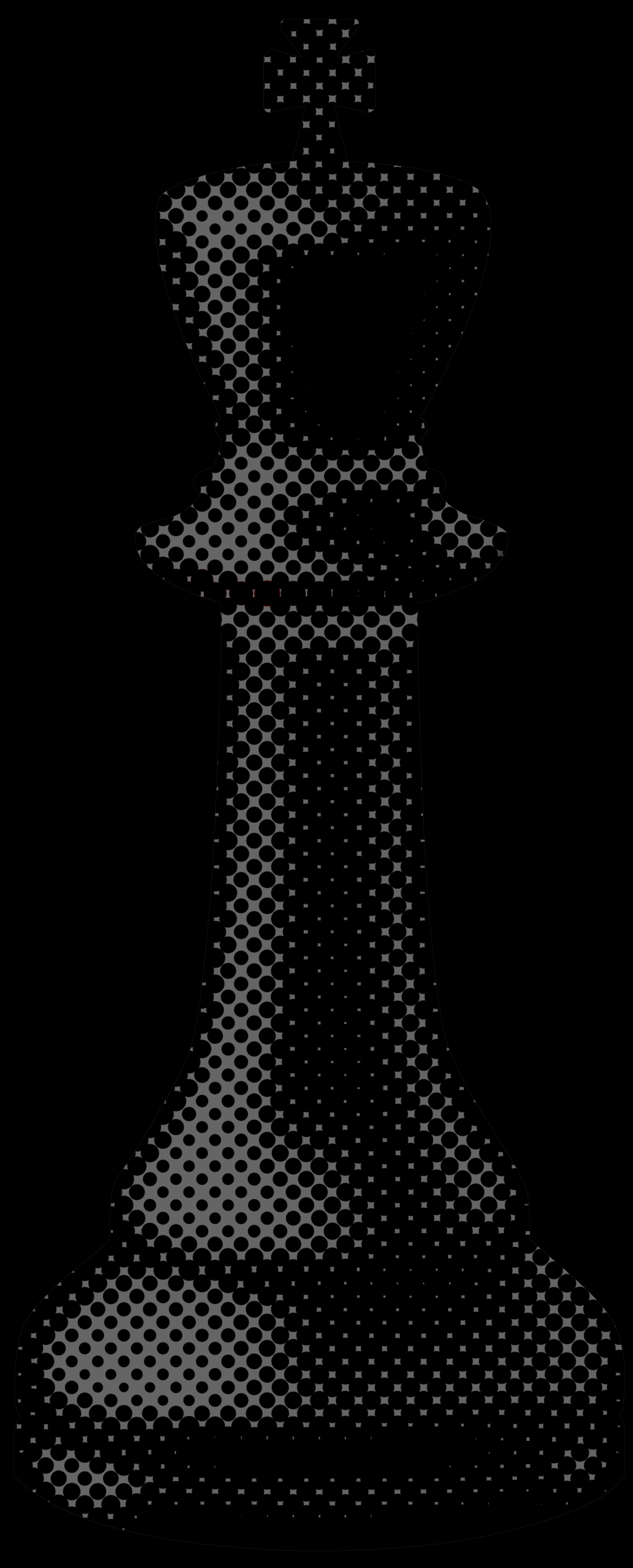
Have you communicated your succession plans to your family or beneficiaries?

	UHNIs	HNIs
I have not initiated any discussion on my legacy and succession plan with family members or beneficiaries	24%	34%
I have initiated discussions on my legacy and succession plan with family members or beneficiaries	26%	25%
I have discussed my legacy and succession plan with some of my family members or beneficiaries	26%	12%
I have discussed my legacy and succession plans with all family members or beneficiaries	22%	28%
Others	2%	2%

Source: CRISIL MI&A Research and 360 One

How to plan for your succession

There are three major models of succession planning:



Will: A legal document that outlines the distribution of wealth after a person's demise.

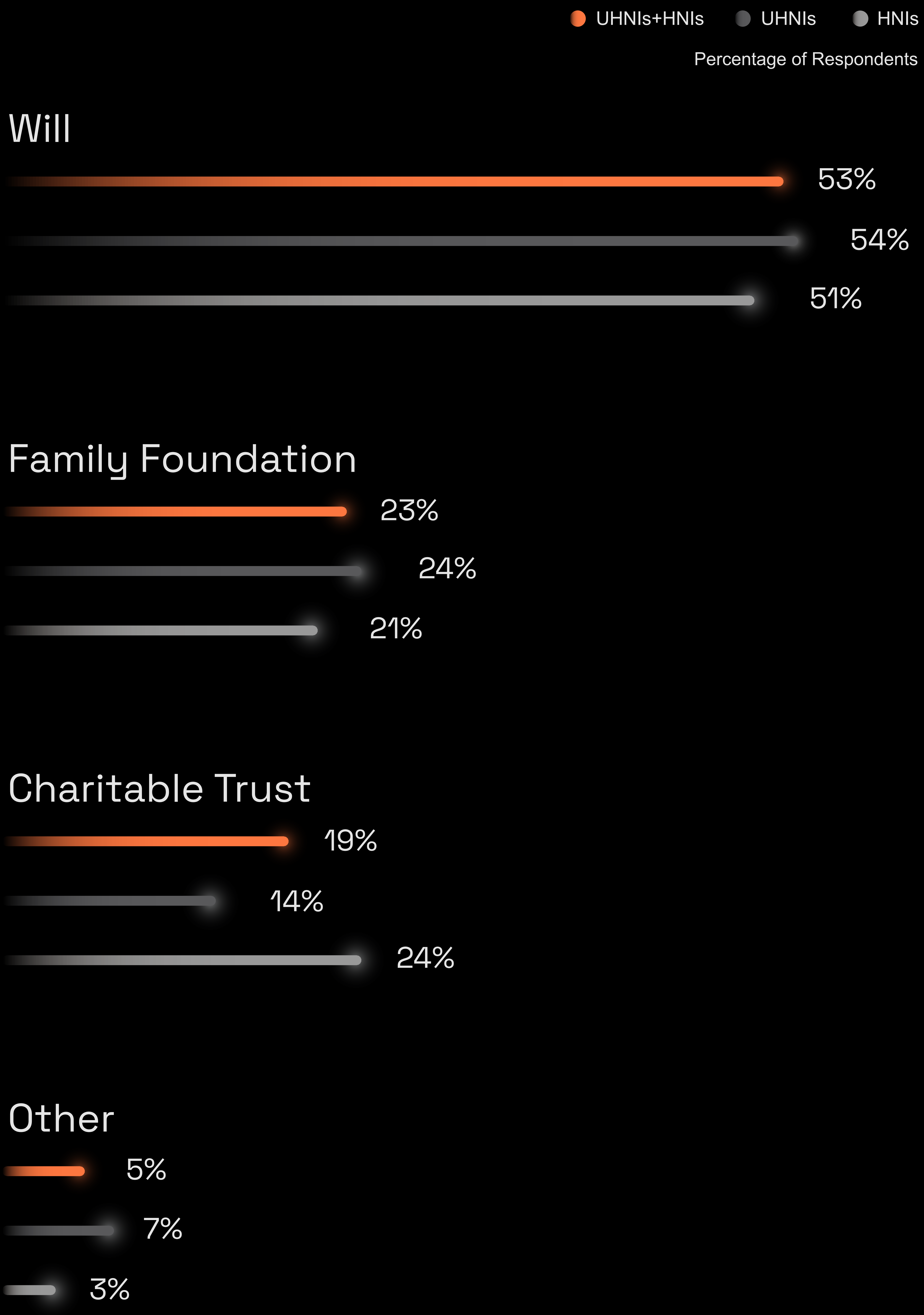
Trust: Ownership of the wealth is transferred to a private trust, which manages the funds and disburses them to the beneficiaries according to the rules outlined in the succession plan.

Foundation: Foundations, such as trusts, serve as enduring structures that extend across generations, fostering family legacy and supporting philanthropic endeavours.

The survey showed that wills are the most popular method for succession planning among both UNHIs and HNIs, with more than half of the respondents picking this route. Family foundations and charitable trusts follow at 23% and 19%, respectively.

If one looks beyond the will, there is a clear divergence between the two groups on the other options. While HNIs chose charitable trust as the second-best option, UHNIs preferred the family foundation.

Avenues considered by UHNI and HNI for succession planning



Leaders running family businesses have an innate desire for the next generation to carry forward their legacy.

According to the survey, half of the respondents expect their next generation to join the family business. Of the remaining half, 20% do not expect the next generation to join, while 30% are either unsure or undecided. Unsurprisingly, a higher percentage of senior citizens have clarity on their succession plans compared to the younger generation.

Interestingly, a higher percentage of HNIs (55%) expect the next generation to join the family business compared with 46% for UHNIs. Almost one-fourth of the UHNIs surveyed expect their next generation not to join the family business compared with 16% for HNIs.

A popular back-up plan in case the next generation does not join the family business is the business succession plan (25%), which is more common among UHNIs (32%) than HNIs (13%). Other strategies include focusing on maximising business profitability for a future sale (22%), exploring potential mergers (19%), and seeking external management (13%).

Business Continuity-Keeping it in the family

Will the next generation join the family business?

50% of the wealthy indicated their next generation will join their business to carry forward their legacy.

● UHNIs + HNIs   Percentage of Respondents

Yes

50%

Not sure/
Yet to be decided

30%

No

20%

Source: CRISIL MI&A Research

Navigating the Succession planning Challenge

Succession planning is not just about listing beneficiaries and determining how much each will inherit. The wealthy can have a complex balance sheet and there are a number of questions that must be answered so that the entire process is smooth and not full of hiccups. For instance:

• Does the estate have any liabilities?

• Are there any ongoing legal issues that need to be investigated and resolved?

• Have all the assets across geographies been taken into account?

• Are there any assets apart from financial investments – such as real estate, art, cars, collectibles, and antiques – that need to be taken care of?

• Who will take over the business and in what capacity?

• How much of the estate will go to charity and will a family charitable foundation be set up?

• What is the tax impact of wealth transfer?

The wealthy are extremely receptive about availing professional advice, with 69% in agreement that it is critical to involve external professionals to ensure succession planning and the transition is smooth.

While there is a clear understanding that professional advice is crucial for a smooth succession plan given what is at stake, there is some way to go before actions match awareness as a very small number of the wealthy have a formal estate plan in place.

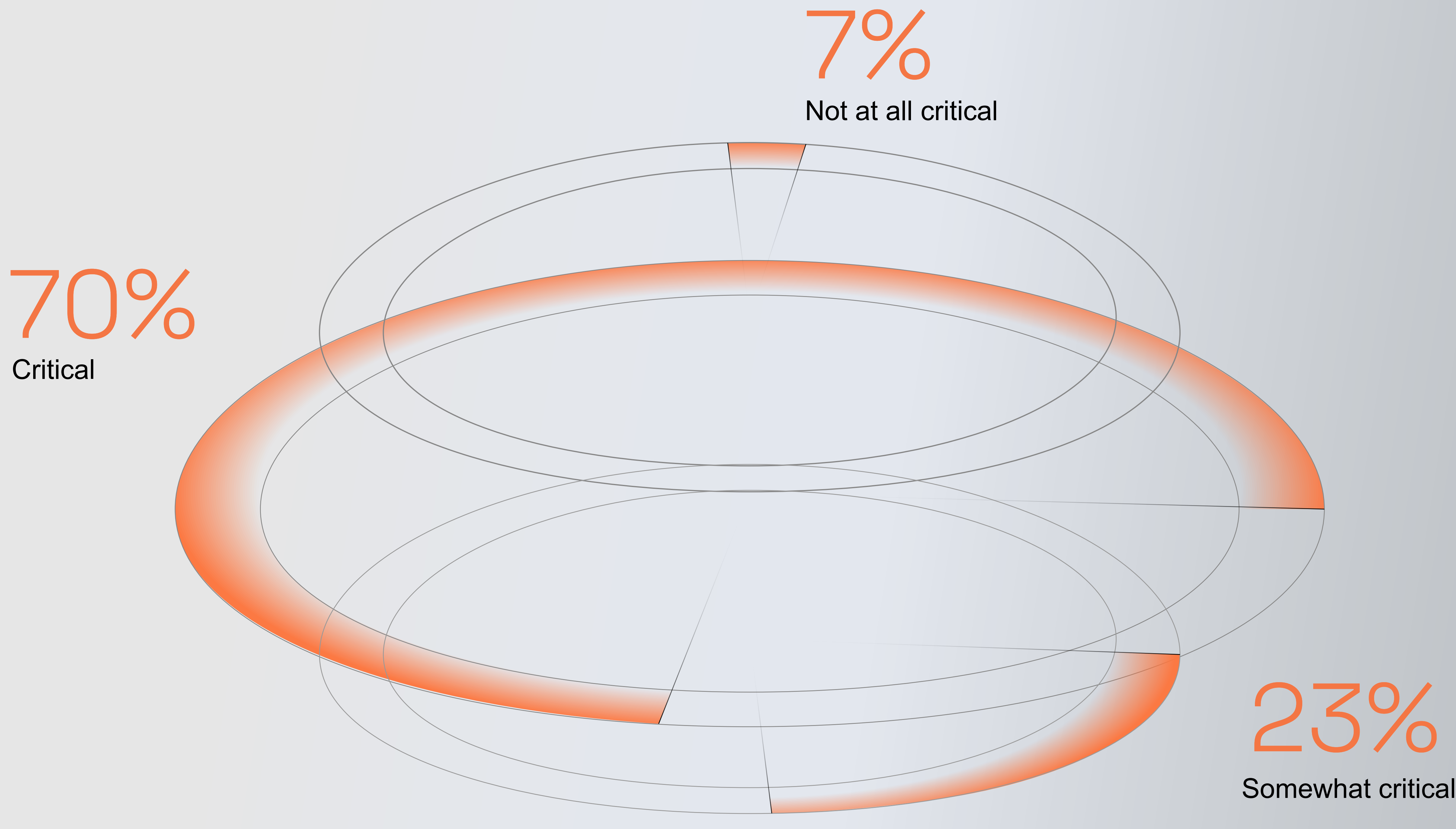
It is also not just about writing a will. Be it a family foundation, charitable trust, or business plan succession, there are numerous complexities for an individual to tackle. Moreover, as there is a gap between intentions and actions, a wealth manager can effectively bridge the distance by facilitating discussions and monitoring.

Is succession planning critical?

UHNIs + HNIs

Percentage of Respondents

Majority of the respondents think it is critical to seek professional help for succession planning.



Key Takeaways

1

Succession and legacy planning is not just about making a list and extends beyond naming heirs to understanding whether there are any liabilities, legal issues, and the tax impact of a wealth transfer, among others.

2

Business owners must also prepare for the possibility that their children may not be interested in taking over the family firm. This creates the need for a business continuity plan, be it a future sale, mergers, or appointing new management from outside.

3

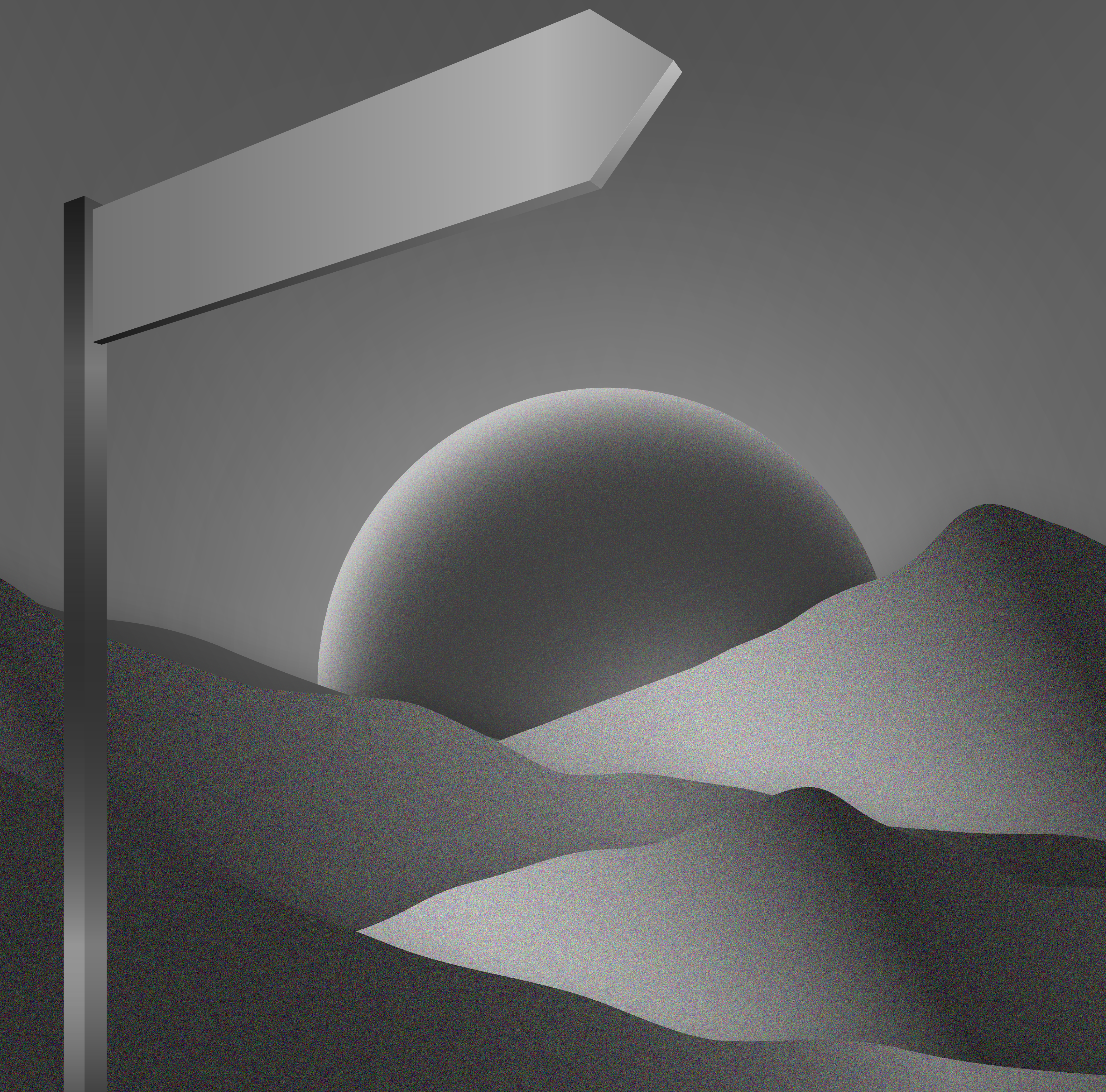
Philanthropy is a growing activity among the super-rich, with wealthy individuals driven to use their privilege to give back to society and make a positive impact.

4

While the survey shows the wealthy understand the need for professional advice to create a smooth succession plan, there is much to do to actually implement these intentions and have a formal estate plan in place. Given the complexity of the entire process, consulting a wealth manager can be a wise choice.

Chapter 07

Rise of the Wealth Manager



The relationship between clients and their wealth managers has many layers and contains numerous intangibles.

The wealthy often have a high-risk appetite, but the majority still rely on the expertise of wealth management professionals to guide their investment strategies. Wealth managers provide a balanced approach that is crucial to achieving better long-term financial outcomes and combine wealth creation with the need to preserve capital.

What investors seek from wealth managers

The survey showed that advisory services (23%), product selection and distribution (21%), and alternative investment opportunities (19%) are at the top of investors' wishlist for wealth managers. This should come as no surprise given the growing canvas of investment products available, their complexity, and the importance of asset allocation and position sizing.

Broking services are particularly popular among HNIs, indicating a preference for direct trading.

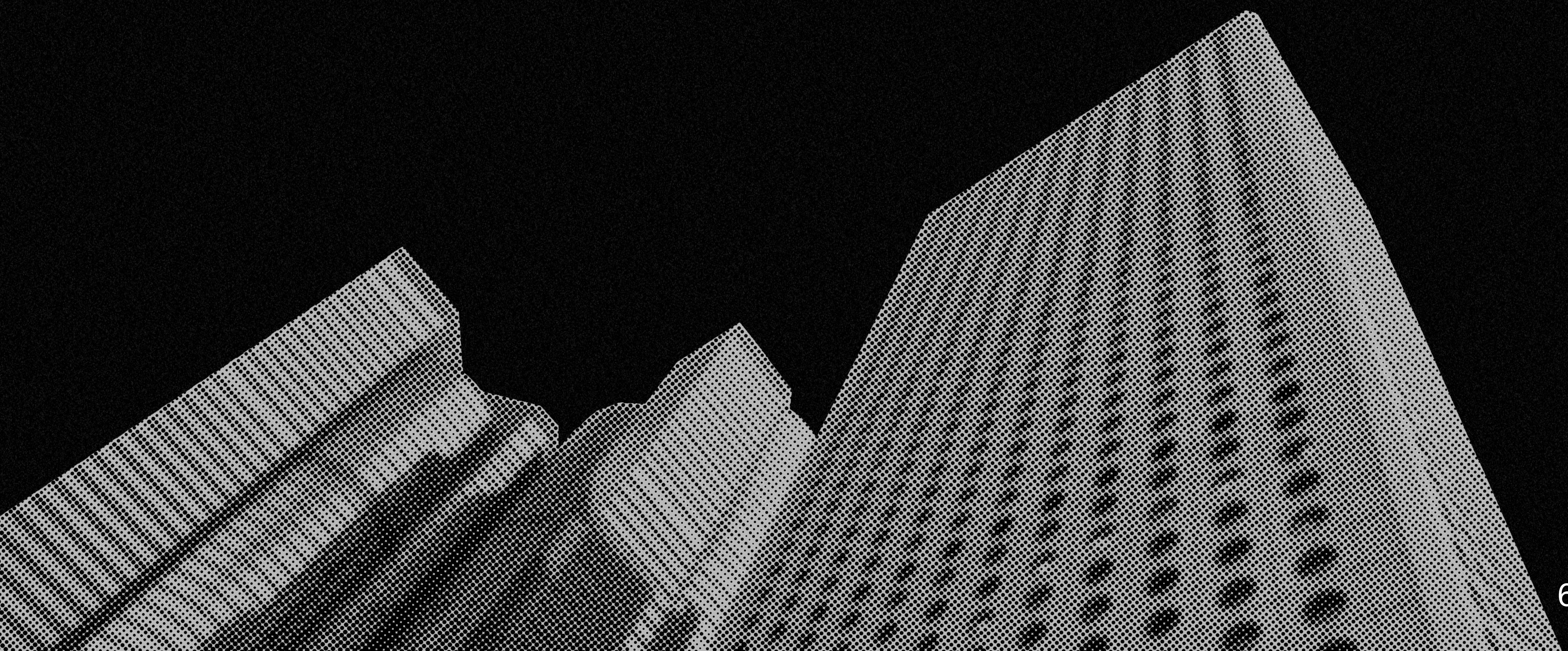
What do UHNIs and HNIs seek from wealth managers?

23%	Advisory
21%	Product Selection / Distribution
19%	Alternative Investment Opportunities
10%	Succession Planning

9%	Broking
8%	Family Office Services
3%	Lending Solutions / NBFC
3%	Corporate Treasury Management
3%	Bespoke Experiences

*Total might not add to 100 due to rounding off.

(%) UHNIs + HNIs
Percentage of Respondents



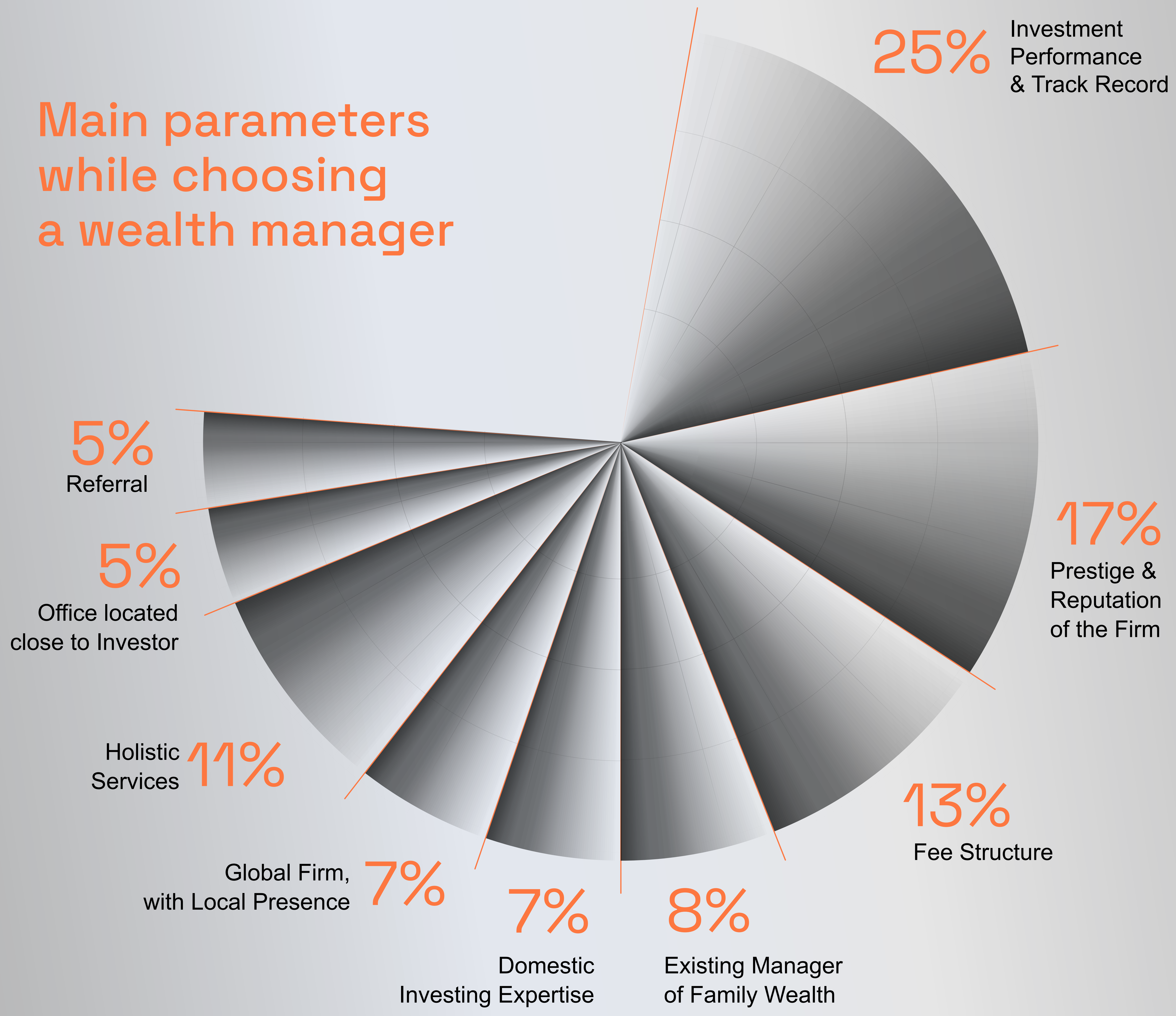
How to choose a wealth manager

Several factors influence an investor's decision to sign up with a wealth manager, including their track record, reputation, fee structure, existing relationship managing family wealth, location of headquarters, local office presence, and referrals.

A quarter of wealthy investors prioritise the track record of a wealth manager while deciding whom to pick. However, this isn't the sole criterion, with 17% of respondents keeping in mind the prestige and reputation of the wealth management firm.

The fee structure for services is crucial for 13% of respondents, while the suite of services that are provided is a significant factor for 11%.

Main parameters while choosing a wealth manager

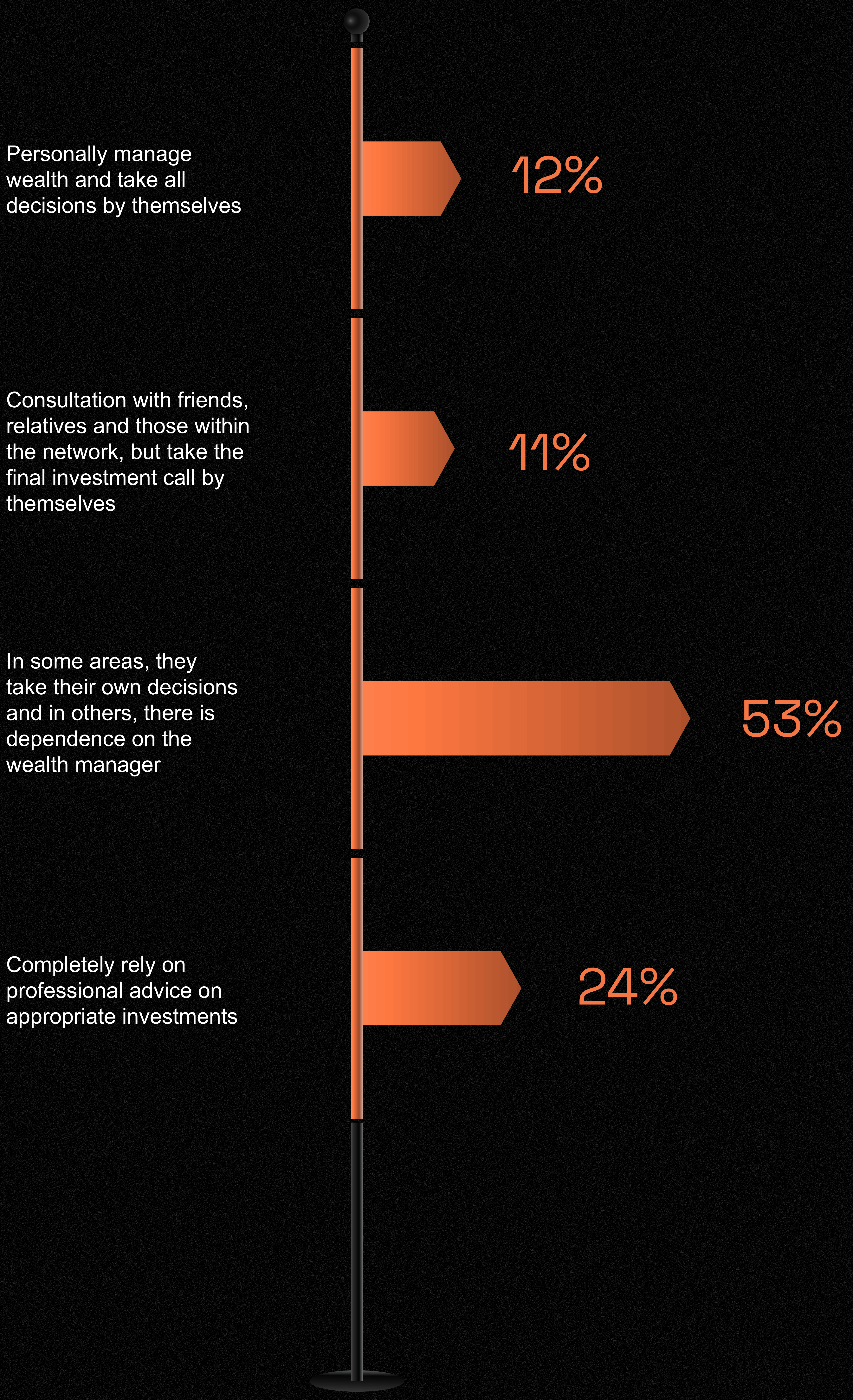


Track record is the most important criteria for investors while choosing their wealth manager.

UHNIs + HNIs Percentage of respondents

How do the wealthy make investment decisions?

On the whole, a mere 12% of respondents said they make their investment decisions on their own, while a huge 77% require professional assistance.



UHNIs + HNIs

Percentage of Respondents

Just over 10% of respondents said they take their investment decisions themselves. At the other end of the spectrum are those who depend entirely on their wealth managers. This segment is far larger and accounts for 24% of all respondents.

A majority of investors seem to do a bit of both: make some decisions on their own and seek advice and guidance from wealth managers on matters that require technical expertise and knowledge. On the whole, 77% of respondents rely on wealth managers to some extent for making their investment decisions.

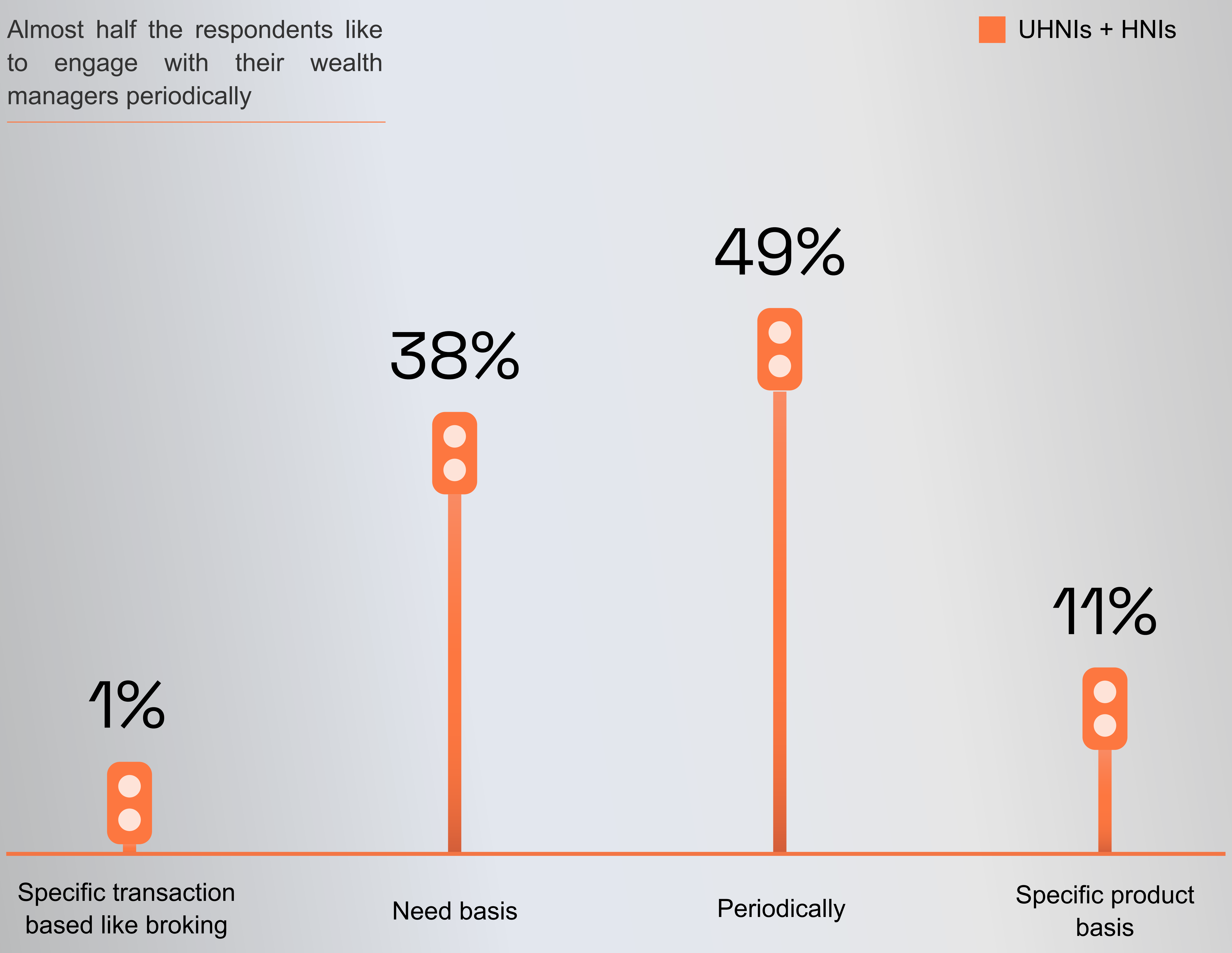
In terms of age, investors under 40 years prefer managing their wealth themselves. In contrast, for those over the age of 60, the financial advisor is the primary source of information.

How frequently do investors engage with wealth managers?

The respondents follow a mixed approach while scheduling reviews with their wealth managers. While half of them believe there is a need for periodic reviews, the other half prefer meeting their advisors on an as-needed basis or to discuss specific products, transactions, or queries.

Younger clients tend to connect with wealth managers only when specific assistance is required, rather than having pre-scheduled conversations. When they do opt for periodic reviews, they favour quarterly meetings over monthly check-ins. On the other hand, clients over 60 years of age prefer regular engagements with their wealth managers.

Almost half the respondents like to engage with their wealth managers periodically



Percentage of Respondents

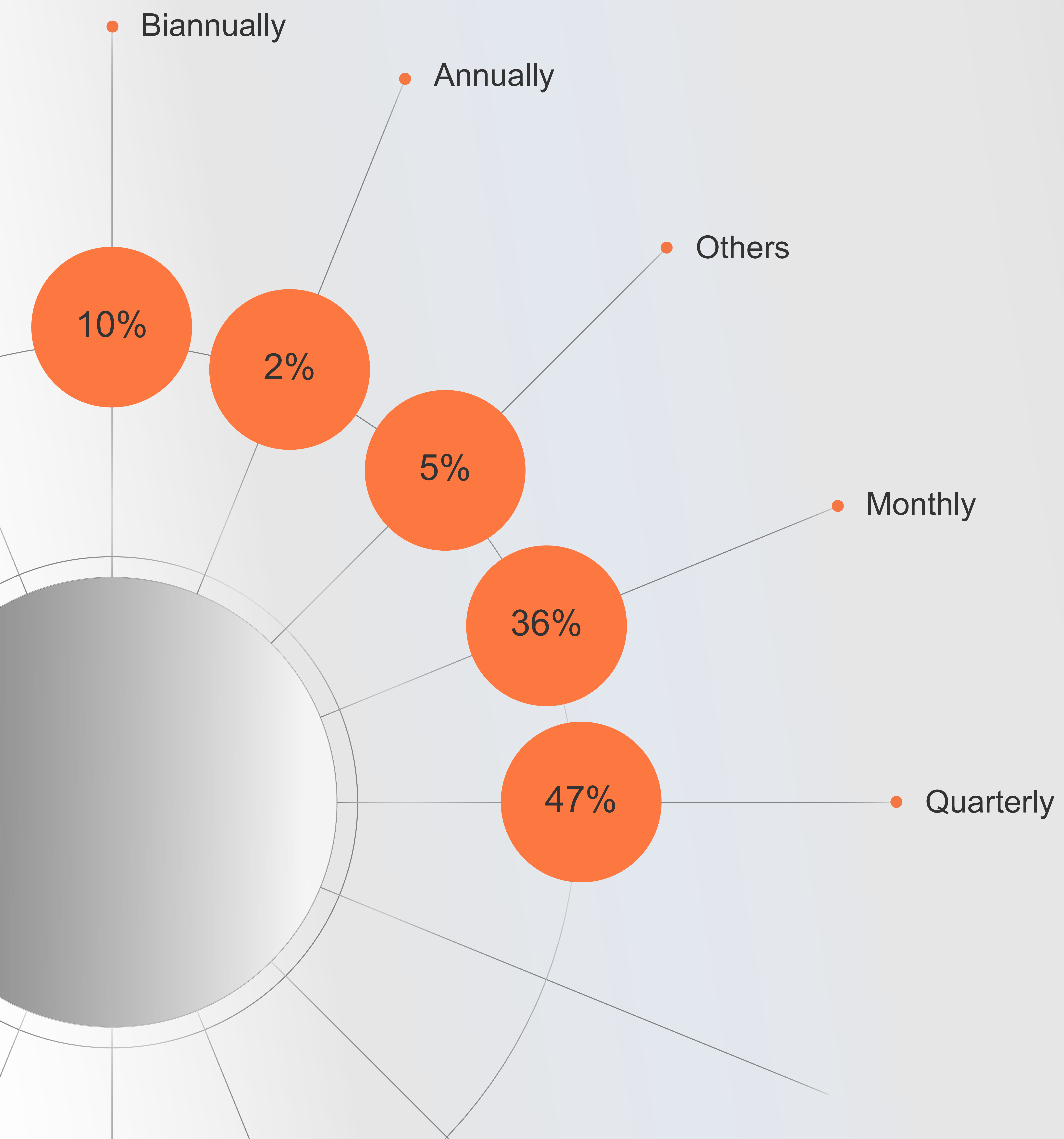
Total might not add to 100 due to rounding off

How often do the wealthy like their portfolios reviewed?

'Quarter to quarter' isn't just a concern for finance and business professionals due to regulatory norms, with 47% of wealthy investors preferring to review their portfolios every three months. One in three go even further and conducting monthly reviews. This shows that the vast majority of wealthy investors are actively involved in understanding, tracking, and managing their money even when an expert is handling it for them.

UHNIs+HNIs

Percentage of Respondents



Terms of Engagement

Preferred engagement structure with the wealth manager

Two approaches stand out – the advisory-AUM-fee-based approach and product selection-based framework.

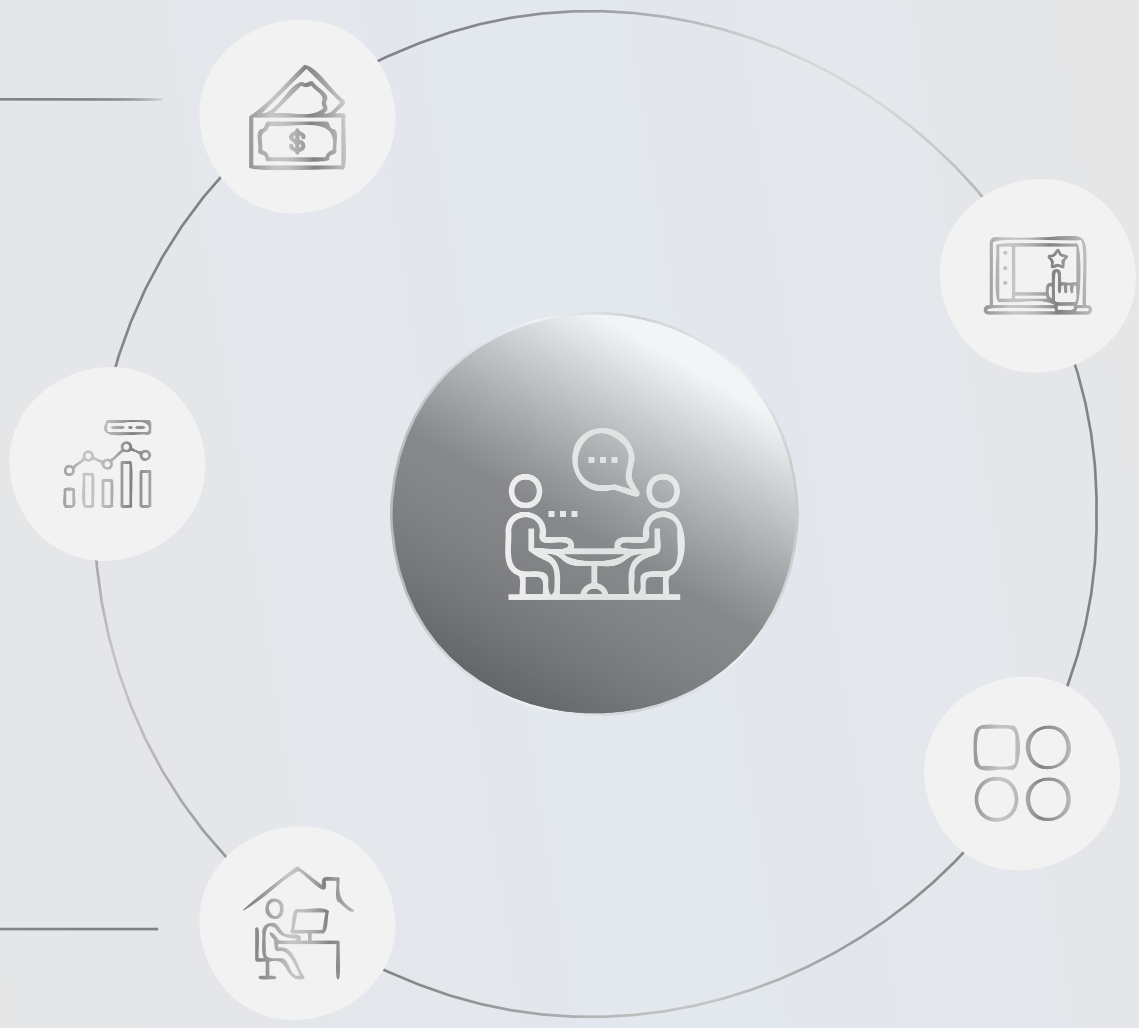
UHNIs+HNIs UHNIs HNIs

Advisory-AUM-fee based

30% 32% 28%

Product Selection-based

29% 31% 26%



Discretionary managed portfolio

22% 26% 18%

Others

2% 1% 3%

Family office-led advisor

17% 10% 25%

Wealth managers engage with investors through various structures depending on the level of involvement and the rules of engagement. While there are no clear favourites, two approaches stand out as preferred modes.

The advisory-AUM-fee-based approach is favoured by 30% of wealthy investors. This method offers ongoing and personalised advice with a transparent fee structure. Close on its heels at 29% is the product selection-based framework, which emphasises access to specific financial products.

The discretionary framework, where investment experts manage portfolios, is also popular with the UHNIs, while family office-led advisory services appeal to a sizeable number of HNIs.

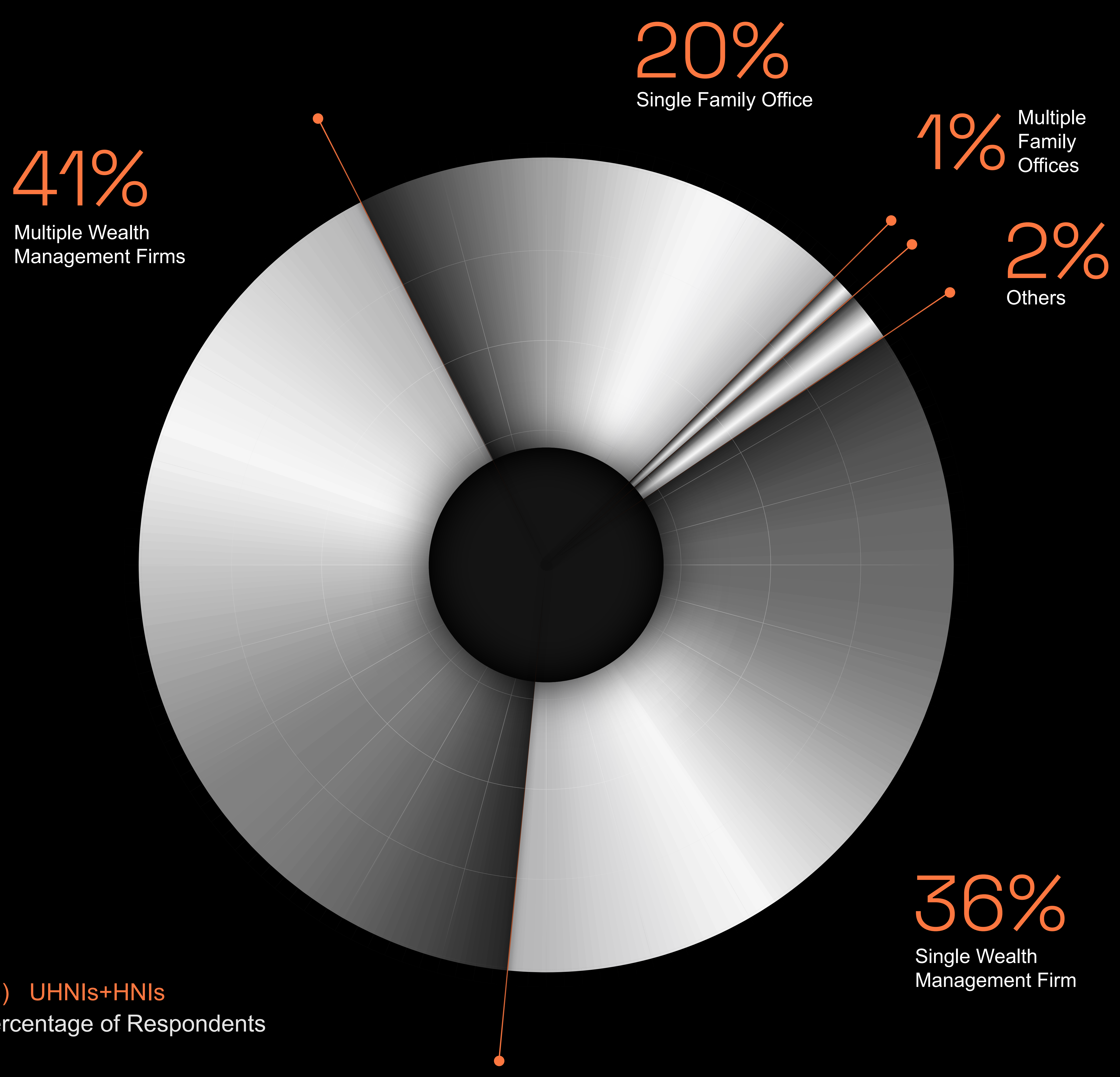
Two heads are better than one

The wealthy prefer to spread their bets not only when it comes to allocating their portfolio but also in selecting the partners to whom they entrust the responsibility of managing. As per our survey, 41% of respondents said they work with multiple wealth management firms. This practice is particularly common among those under the age of 40.

Having more than one wealth manager helps mitigate the risk of an investment bias from a single manager and provides the reassurance of a second expert opinion with a parallel portfolio. It also allows investors to leverage the strengths of different firms, as some may excel in one asset class while others may be renowned for another.

Also, there is an element of secrecy. The wealthy are not often forthcoming in disclosing to one firm how much of their wealth is allocated to another firm.

How many advisors do the wealthy consult?



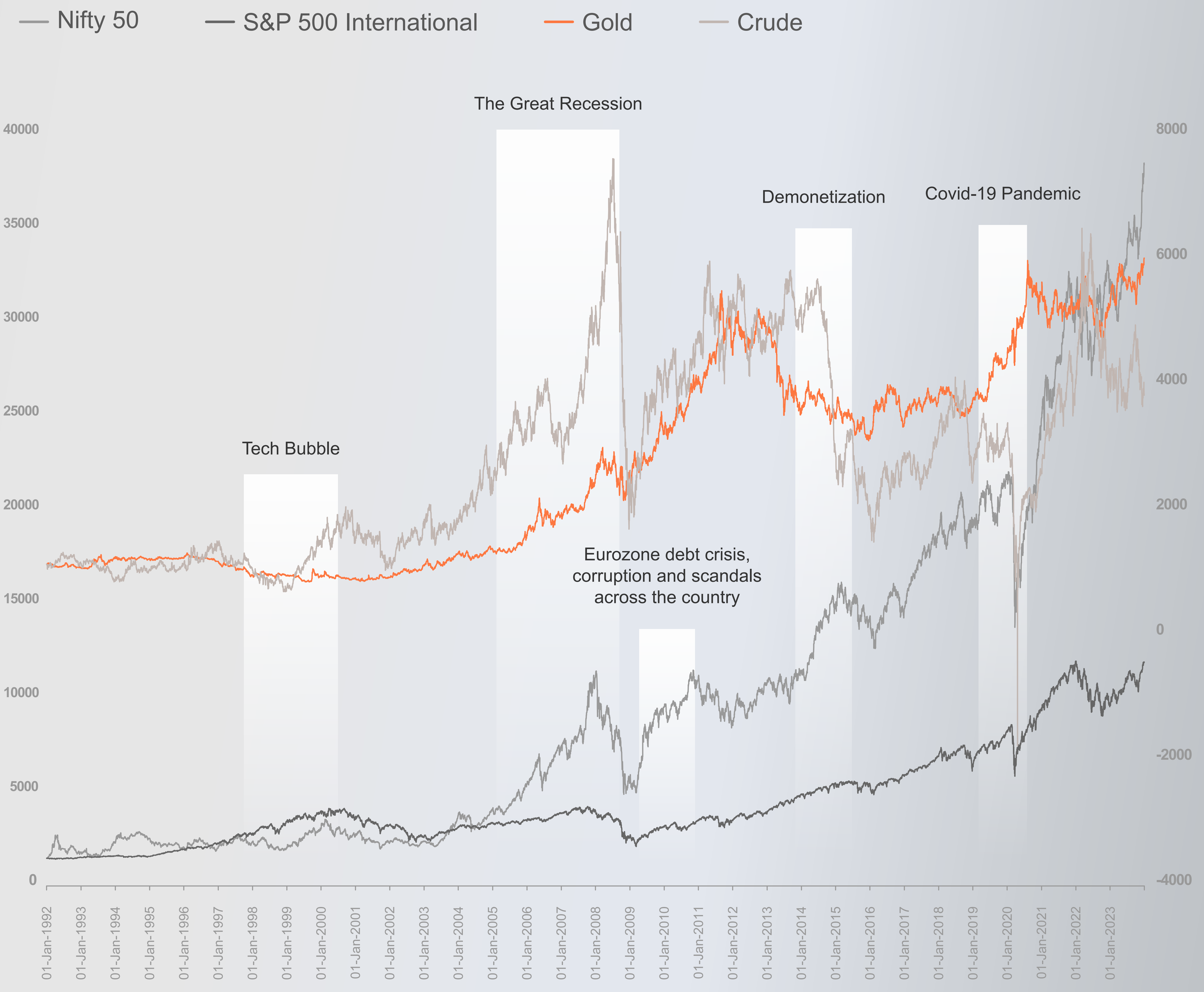
Weathering the Storms

Over the past few years, the global economy has faced multiple challenges. The pandemic-induced lockdowns and supply-chain disruptions led to a rare outright contraction in world GDP. According to a report by the European Investment Bank (EIB), global merchandise trade declined by 7% in 2020.

India's economy was already experiencing a slowdown prior to the pandemic, with GDP growth at a mere 3.9% in 2019-20. This was followed by the Indian economy contracting by 5.8% in 2020-21 due to pandemic-driven lockdowns.

However, the global economy bounced back swiftly in 2021. This rapid recovery brought inflation back into focus, exacerbated by disruptions from geopolitical uncertainties and tensions.

Impact of global events on markets, gold and crude all prices



Source: CRISIL MI&A Research and 360 One
1FEIB report – Business resilience in the pandemic and beyond
2IMF - https://www.imf.org/en/Blogs/Articles/2024/03/07/Red-Sea-Attacks-Disrupt-Global-Trade

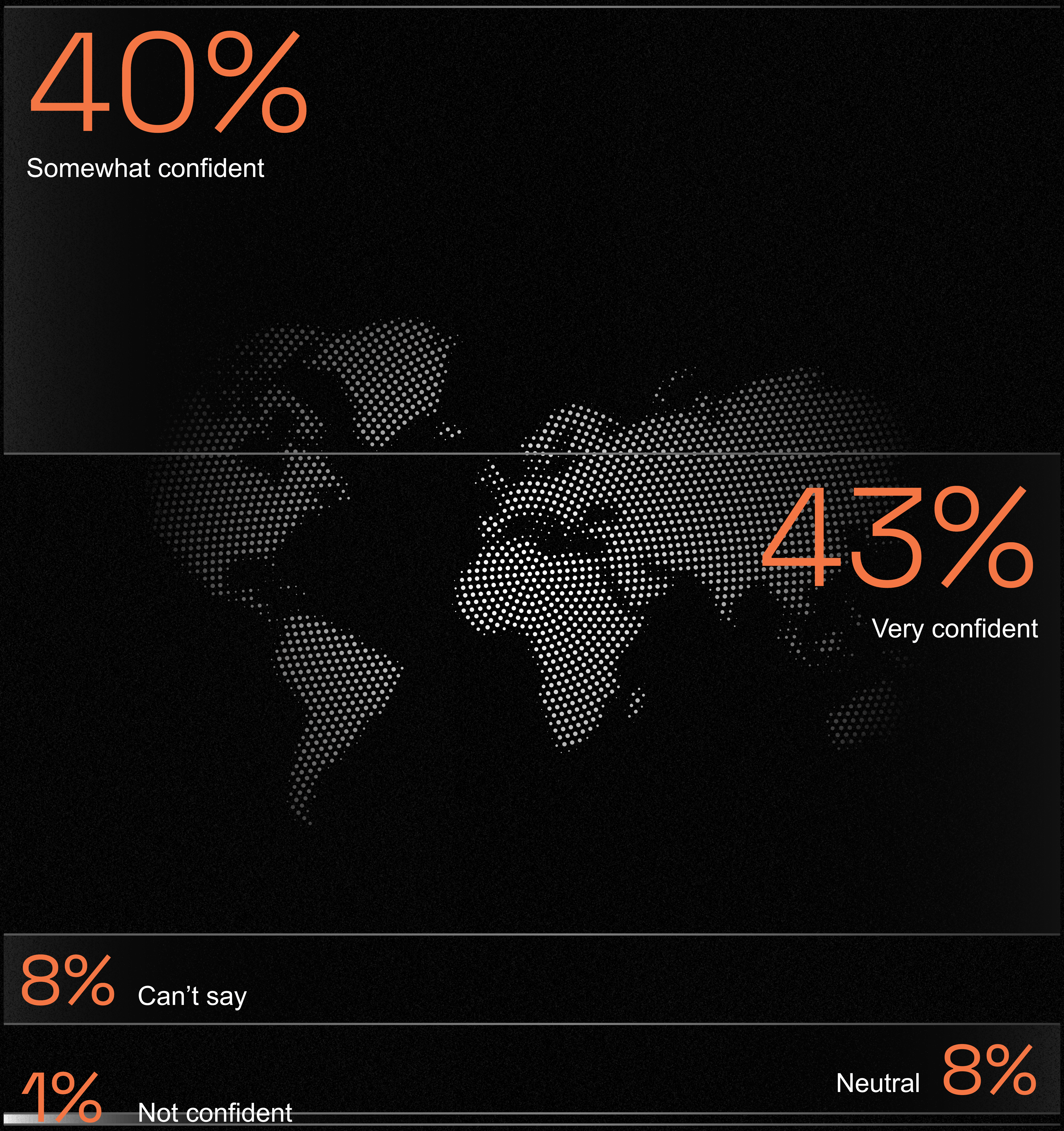
The majority of those surveyed are confident about achieving their long-term financial goals, with confidence levels rising in line with the quantum of wealth as the extra corpus provides a cushion during periods of uncertainty.

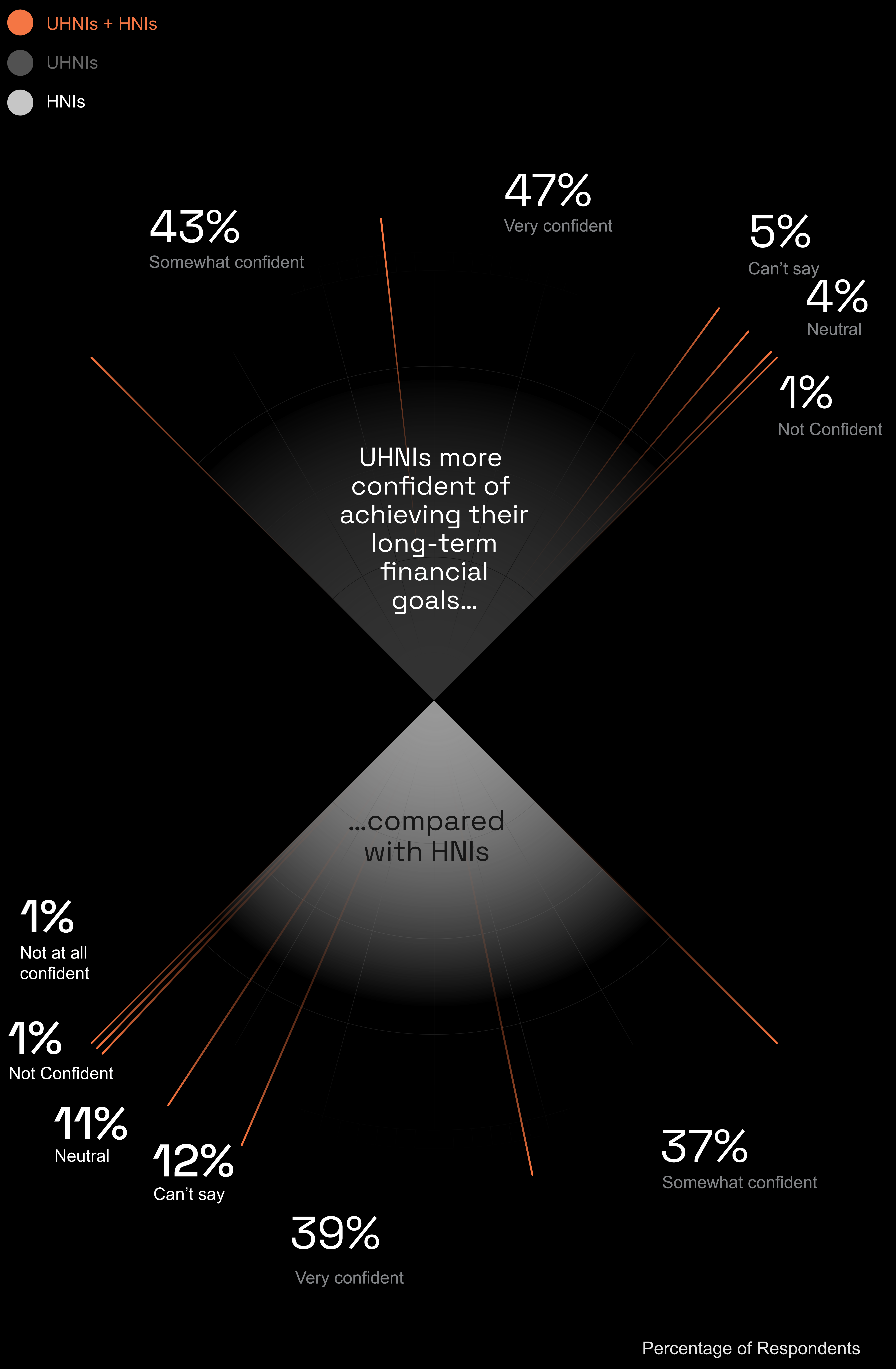
Additionally, salaried and independent professionals display more confidence compared to entrepreneurs, who face higher uncertainty due to the inherent risks in their businesses – both from internal and external factors.

However, there are concerns in the short run, with nearly 90% of the respondents expressing anxiety about how the interplay of external and internal factors could affect near-term goals. Overall, mature investors (over 60 years) were far less concerned compared to the younger generation (under 40 years).

Are you confident of meeting your long-term financial goals?

Most investors are confident of achieving long-term financial goals





Source: CRISIL MI&A Research, 360 ONE

Key Takeaways

1

Investors seek wealth managers primarily for advisory services, product selection and distribution, and alternative investment opportunities.

2

While the fee structure is an important consideration in choosing a wealth manager, other criteria such as past performance hold more weight for many individuals. Respondents over 60 years of age place greater importance on past performance and track record compared to other age groups.

3

The preference for the discretionary-managed engagement framework among UHNIs compared to HNIs goes some way in explaining why the ultra-rich like to meet their wealth manager more frequently to be updated on the decisions being made.

4

Utilising the services of more than one wealth management firm is not a sign of lack of trust but the maximisation of investment knowledge and expertise and can mitigate any investment bias or risk.

5

Wealth managers provide invaluable expertise in managing the client's money as well as their emotions. The high-velocity, high-volume barrage of information, however irrelevant or inconsequential, can trigger impulse-driven actions by investors. A wealth advisor can ensure such abortive decisions are avoided in times of volatility.

6

Most respondents are confident about achieving their long-term financial goals, with salaried and independent professionals more assured compared to entrepreneurs, who face higher uncertainty from inherent risks in their businesses. However, wealthy investors have some concerns about how the interplay of external and internal factors could affect near- term goals.

Chapter 08

The Conscientious Investor

Investors are increasingly becoming more and more diverse. Wealth managers must adapt accordingly.

Wealth demographics are constantly changing. Unlike the past, when wealth was concentrated among men aged 50 and above, the success of startups has created a generation of millionaires in their 20s and 30s. Gender-neutral employment strategies and a thriving entrepreneurial ecosystem have also increased the number of wealthy women.

The new generation of investors seeks more than just commercial returns. They are increasingly conscious of how wealth is created, its impact on their future, climate and sustainability, and the broader societal impact. These factors are becoming key determinants of their investment style.

Wealth managers need to adapt to these changing client requirements and perspectives and move beyond the traditional focus on financial returns to address these broader concerns.

Environmental, social, and governance (ESG) parameters provide a framework to assess the sustainability and ethical impact of a company's operations and practices. This includes how an organisation manages water, controls air pollution, treats its workers, and cares for minority shareholders.

ESG considerations not only reflect the growing environmental awareness but also make companies more resilient to the impacts of climate change in the long term.

Investments guided by ESG principles help manage risks by encouraging companies to conduct business responsibly and sustainably. This attracts investors to companies with strong ESG practices.

The survey shows that ESG investing is more than just a fad or a feel-good factor for the wealthy. They are making significant decisions to invest in assets and securities with a clear ESG link. The wealthy have a refined understanding of ESG and prefer formalising good investment practices. Climate change affects everyone, and recent natural disasters underscore the urgency to act now.

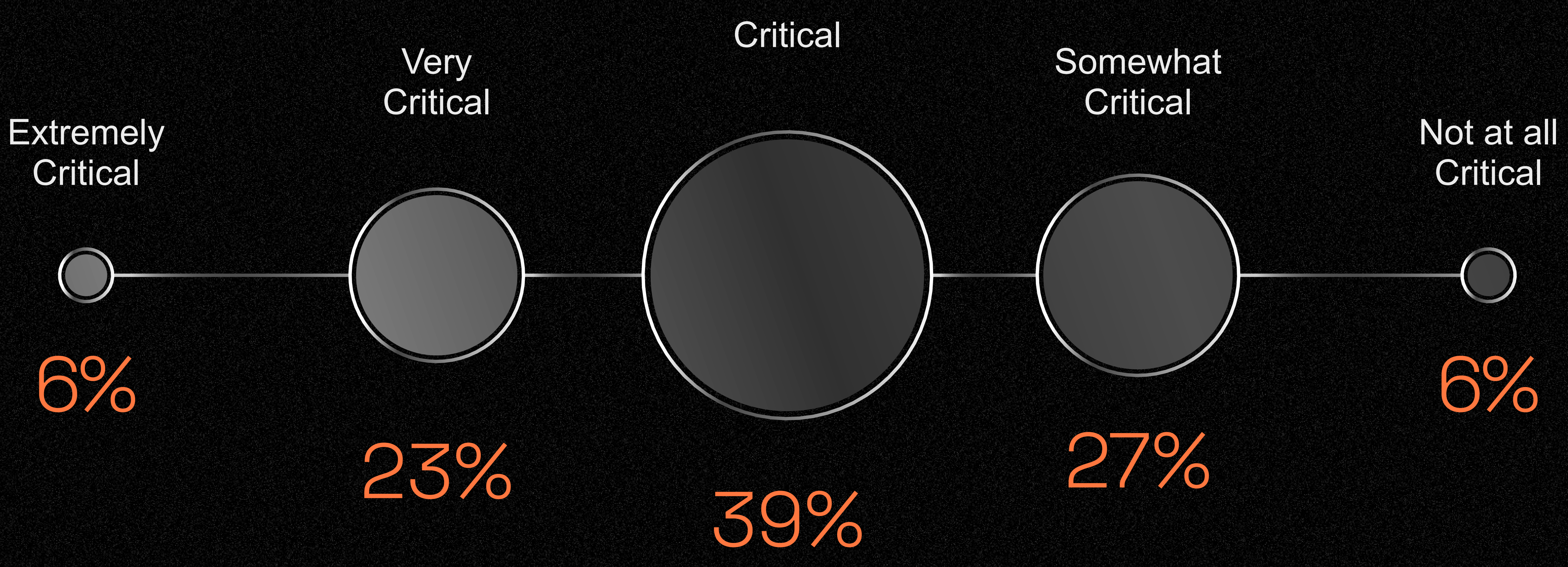
Clearly, there is a demand for ESG-related products. According to the IFC-Amundi Green Bond report, the issuance of green, sustainability, sustainability-linked, and social bonds in emerging markets surged by 45% in 2023 from 2022.

Further, the Securities and Exchange Board of India's (SEBI) Business Responsibility and Sustainability Report (BRSR) framework mandates the top 1,000 listed entities by market capitalisation to include BRSR disclosures in their annual reports. This will help investors make more informed investment decisions and encourage companies to take their sustainability scores seriously.

Is ESG critical to investing?

94% of respondents felt ESG is critical to investing to some extent.

Percentage of Respondents
(%) UHNIs+HNIs



As per the survey, 68% of respondents felt that ESG is a critical initiative in investing, while another 27% considered it 'somewhat critical'. This is evident from the increasing adoption of the ESG framework in investment strategies, though on a smaller scale.

While only a small proportion (6%) of respondents are willing to allocate more than 30% of their investable assets to ESG-related instruments, over 50% stated that would invest up to 10% of their assets in such areas.

Meanwhile, 42% of respondents are willing to invest 10-30% in line with ESG principles. This means most wealthy people have ESG-linked investments ingrained in their strategy.

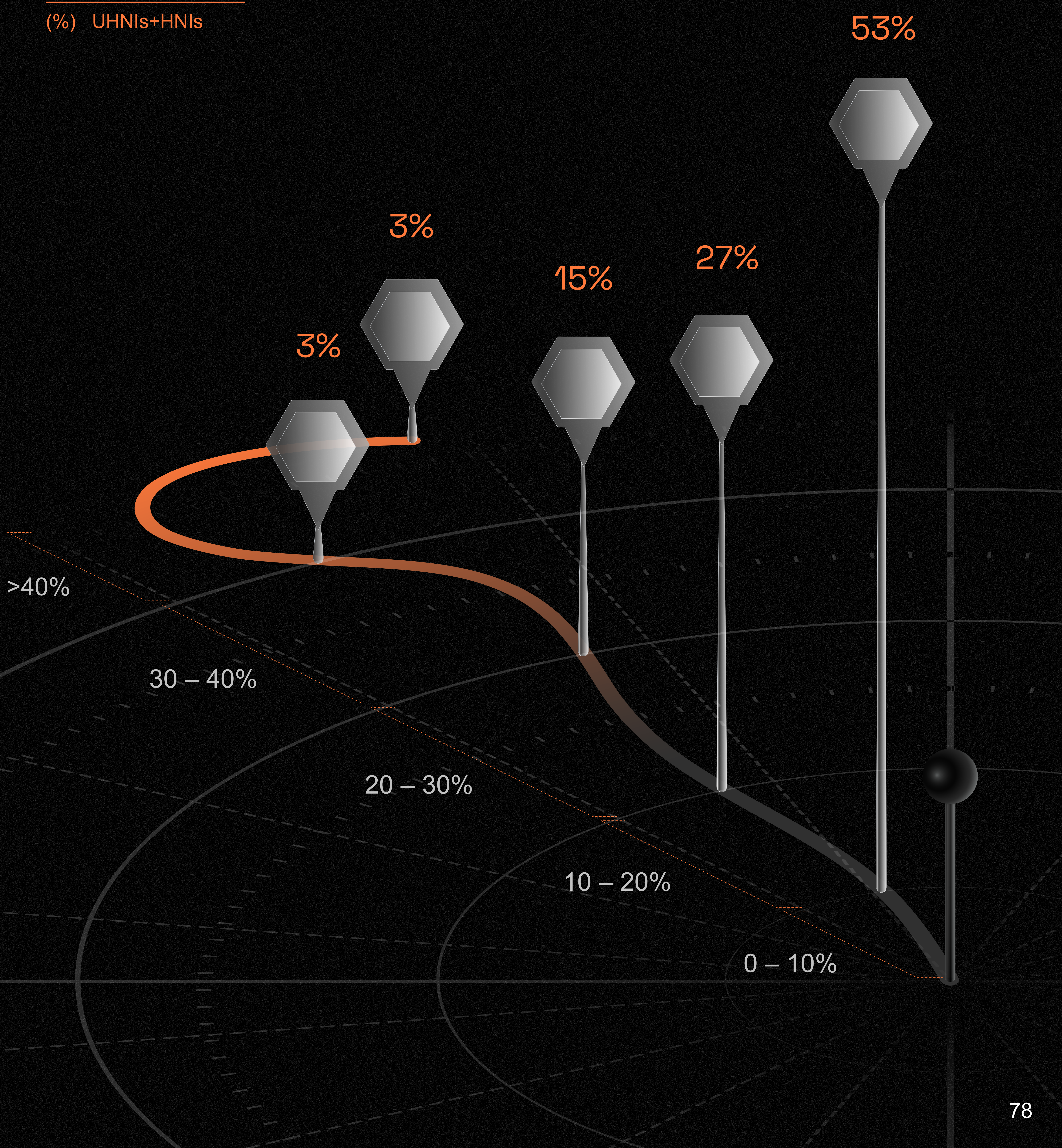
Is the future green?

More than 50% of UHNIs and HNIs stated that they were willing to invest 0-10% of their assets in ESG related investments, while 27% were likely to invest 10-20%.

ESG as percentage of portfolio

Green shoots of ESG investing are visible

(%) UHNIs+HNIs



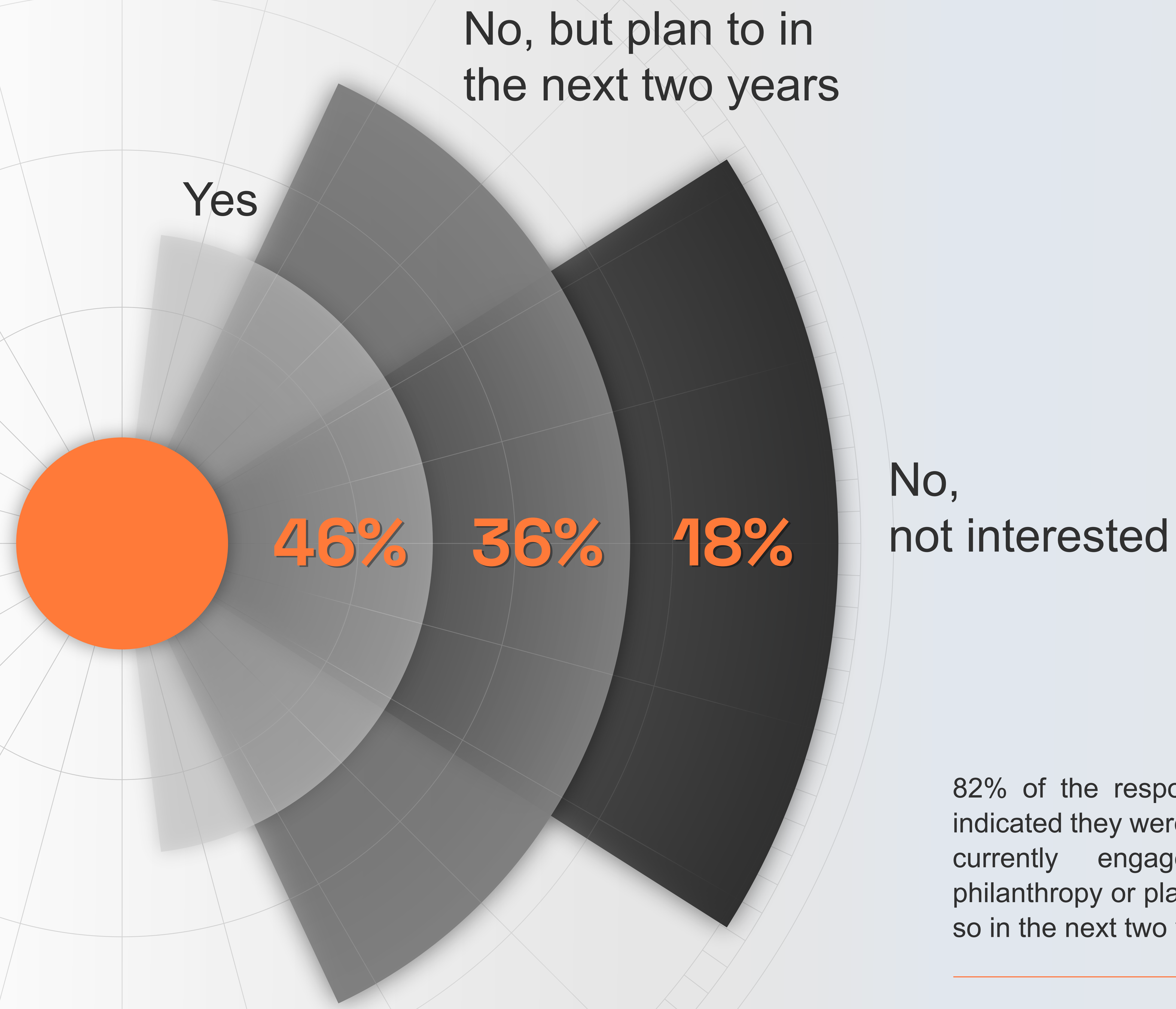
Giving back to society

What is common between MacKenzie Scott, Bill Gates, Warren Buffett, George Soros, Azim Premji, Michael Bloomberg, Li Ka-shing, Priscilla Chan, Mark Zuckerberg, Mukesh Ambani and family, Oprah Winfrey, JK Rowling, and Shiv Nadar?

Apart from the fact that they are all immensely rich, the common thread running through these names is that they all have been giving back to the society through philanthropy. The super-rich are disproportionately predominant philanthropists. According to the Ultra High Net Worth Philanthropy 2024 report, the ultra-rich – those with a net worth of at least \$30 million – donated \$190 billion for philanthropic causes in 2022, with the world's 3,200 billionaires accounting for 8% of all individual donations.

In our survey, as many as 82% of respondents were either currently engaged in philanthropic activities or plan to do so in the next two years. UHNIs and those above 60 years of age are more inclined to be philanthropists having already provided for their families. The relatively younger members of the wealthy seem to have different priorities, at least for now.

Do you donate?

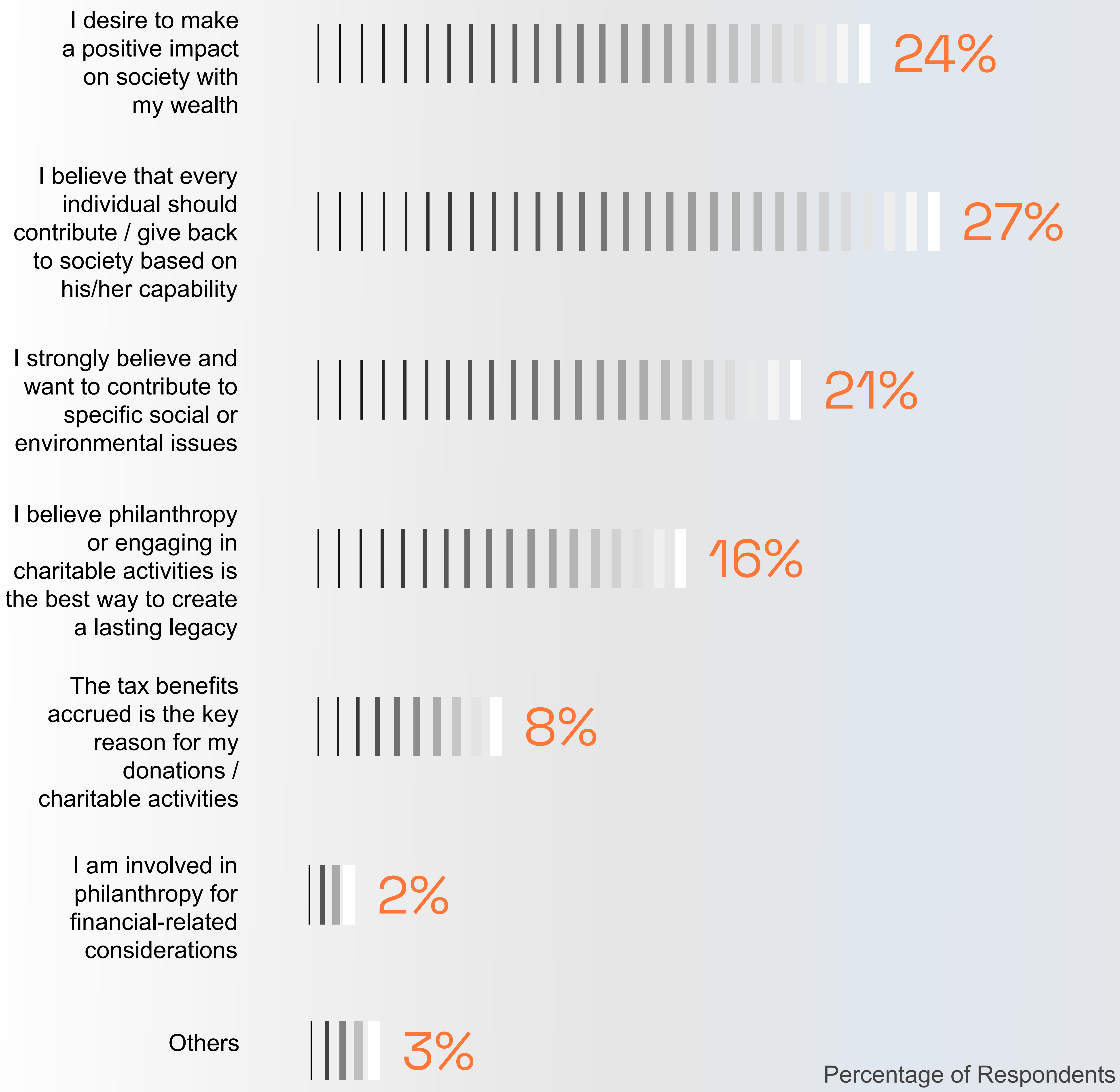


82% of the respondents indicated they were either currently engaged in philanthropy or plan to do so in the next two years.

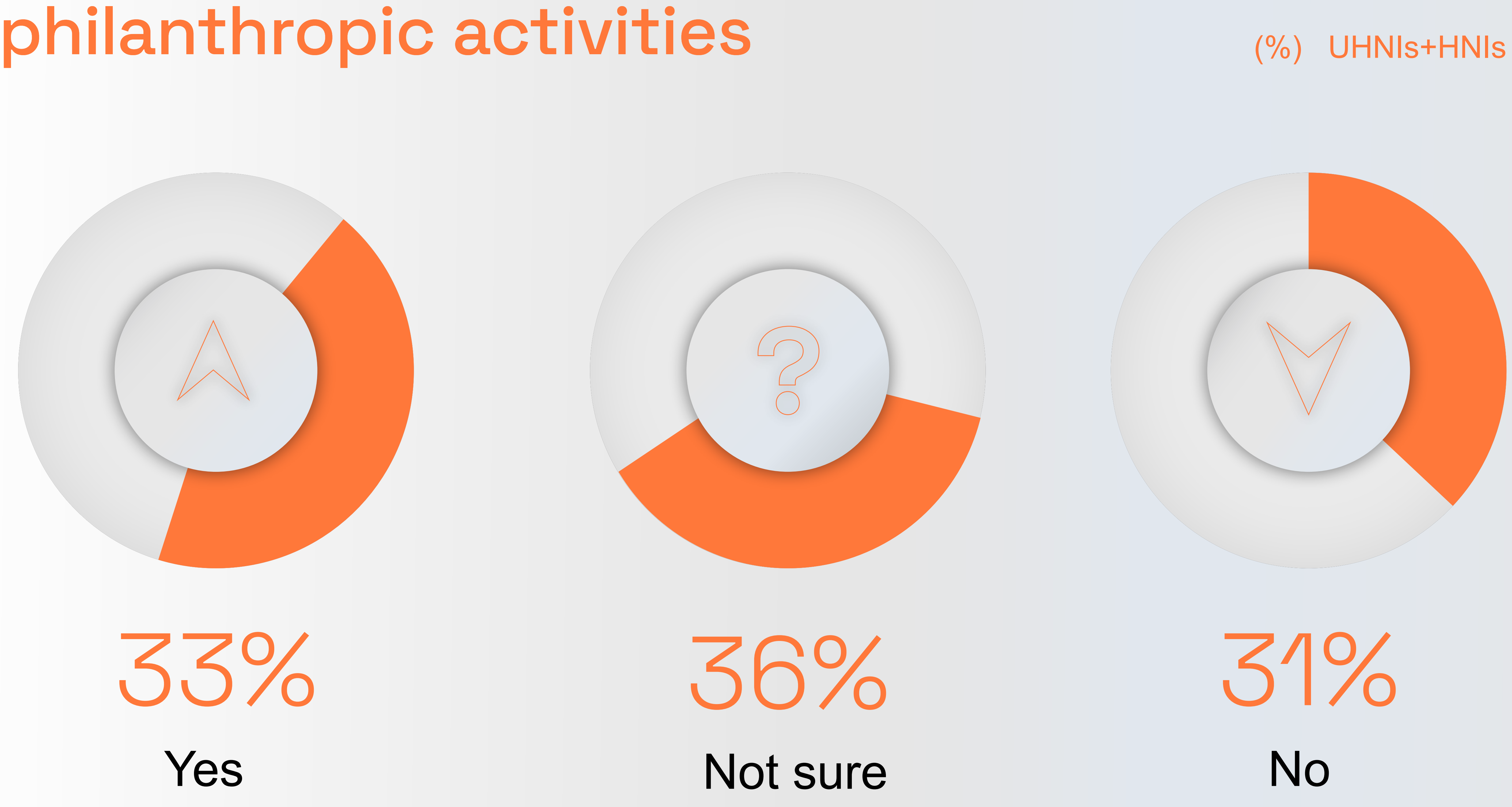
(%) UHNIs+HNIs
Percentage of Respondents

Source: CRISIL MI&A Research

Primary reasons why UHNIs + HNIs pursue philanthropy



Preference for collaborating in philanthropic activities



Annexure

Profile of Respondents

Working status	Total	HNIs	UHNIs
Full-time employed	60.4%	74.7%	47.3%
Self-employed	26.4%	11.2%	40.3%
Retired	6.5%	7.1%	5.9%
Semi-retired	4.2%	3.5%	4.8%
Part-time employed	1.4%	1.8%	1.1%
Currently not employed/ homemaker	1.1%	1.8%	0.5%

Sources of Wealth	Total	HNIs	UHNIs
Business (entrepreneur) / profession	27.1%	26.6%	27.6%
Personal financial investments	22.7%	23.9%	21.5%
Savings through earnings/ bonus over time	14.8%	14.4%	15.2%
Inheritance	9.6%	12.0%	7.4%
Profit from sale of real estate	9.8%	12.2%	7.6%
Sale of a business / businesses	8.8%	5.3%	12.2%
ESOPs / bonus	4.0%	3.0%	5.0%
Would rather not say	3.0%	2.6%	3.4%

Industry associated with or employed in	Total	HNIs	UHNIs
Healthcare and pharmaceuticals	22.0%	34.8%	10.4%
Manufacturing	14.7%	12.2%	17.0%
Technology and e-commerce	7.2%	4.9%	9.3%
Real estate	6.6%	6.1%	7.1%
BFSI	4.9%	4.3%	5.5%
Consulting	4.9%	6.1%	3.8%
Chemicals	3.8%	2.4%	4.9%
Services	3.8%	4.3%	3.3%
Engineering and capital goods	2.9%	2.4%	3.3%
Retail	2.9%	3.7%	2.2%
Media and entertainment	2.6%	0.6%	4.4%
Legal	2.3%	1.8%	2.7%
Education	2.0%	1.8%	2.2%
Government	1.7%	1.8%	1.6%
Tourism and hospitality	1.7%	1.2%	2.2%
Agriculture and allied industries	1.4%	0.6%	2.2%
Apparel and textiles	1.4%	1.2%	1.6%
Asset management	1.4%	0.0%	2.7%
Automobiles and components	1.4%	0.6%	2.2%
Energy	1.2%	0.0%	2.2%
Metals and mining	0.9%	0.6%	1.1%
Telecommunications	0.6%	0.6%	0.5%

Stake in primary business	Total	HNIs	UHNI
Under 25%	15%	15%	16%
25 - 49%	18%	15%	22%
50 - 74%	14%	14%	14%
75 - 99%	10%	12%	9%
100%	10%	12%	9%
Would rather not say	32%	34%	30%

Education	Total	HNIs	UHNIs
Indian university	75.2%	72.5%	77.8%
Foreign university	24.8%	27.5%	22.2%

Qualification	Total	HNIs	UHNIs
Graduation	21.3%	21.3%	24.6%
Postgraduation	39.6%	39.6%	32.2%
Professional	38.2%	38.2%	42.7%

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University / College attended in India	Total	HNIs	UHNIs
University of Mumbai	22.0%	26.4%	19.5%
IITs	13.6%	6.2%	20.1%
Delhi University	12.2%	14.0%	7.5%
University of Pune	9.5%	18.6%	2.5%
IIMs	6.8%	4.7%	8.8%
University of Madras	3.7%	1.6%	5.7%
NIT Trichy	2.4%	0.0%	4.4%
Bangalore University	2.4%	1.6%	3.1%
CMC Vellore	2.0%	3.1%	1.3%
NIT Warangal	1.4%	0.0%	2.5%

University / College attended overseas	Total	HNIs	UHNIs
Harvard University	2.0%	1.6%	2.5%
University of Oxford	2.0%	3.9%	0.6%
University of Cambridge	2.0%	3.1%	1.3%
Stanford University	1.4%	1.6%	1.3%
University of Michigan, Ann Arbor	0.7%	0.8%	0.6%
London School of Economics and Political Science	0.7%	0.8%	0.6%
Massachusetts Institute of Technology	0.3%	0.0%	0.6%
University of Chicago	0.3%	0.8%	0.0%
Princeton University	0.3%	0.8%	0.0%
National University of Singapore	0.3%	0.8%	0.0%

City of residence	Total respondents	HNIs	UHNIs
Mumbai	29.7%	23.5%	35.3%
Delhi	15.0%	16.5%	13.6%
Pune	11.3%	16.5%	6.5%
Bengaluru	7.3%	4.7%	9.8%
Chennai	6.8%	6.5%	7.1%
Ahmedabad	6.8%	10.0%	3.8%
Chandigarh	6.5%	10.6%	2.7%
Hyderabad	3.7%	2.9%	4.3%
Nagpur	1.4%	0.0%	2.7%
Indore	1.4%	0.0%	2.7%
Kolkata	1.4%	1.2%	1.6%
Patna	1.1%	1.2%	1.1%
Vadodara	0.8%	0.6%	1.1%
Rajkot	0.8%	1.2%	0.5%
Jaipur	0.6%	0.0%	1.1%
Surat	0.6%	0.6%	0.5%
Ludhiana	0.6%	0.0%	1.1%
Others	4.2%	4.1%	4.3%

Property type	Total	HNIs	UHNIs
Bungalows / villas	58%	62%	53%
Apartments	42%	38%	47%

Property size	Total	HNIs	UHNIs
Up to 4,000 sq ft	23.8%	21.2%	26.2%
4,001-6,000 sq ft	37.8%	51.8%	25.1%
6,001-8,000 sq ft	17.4%	15.3%	19.3%
8,001-10,000 sq ft	8.7%	5.9%	11.2%
10,001 sq ft & above	4.8%	2.4%	7.0%
Can’t say	7.6%	3.5%	11.2%

Preferred distribution across asset classes	**Under 40**	**41-50**	**51-60**	**Above 60**
Equities	36	36	38	45
Debt	22	18	18	25
Private Equity / VC	10	10	10	7
Real Estate	17	21	22	15
Gold / Commodities	10	12	11	7
New-age investment ideas such as Crypto / NFT, etc.	4	4	2	1

Engagement with Wealth management firms / family offices	**Under 40**	**41-50**	**51-60**	**Above 60**
Single wealth management firm	19.6%	39.1%	41.1%	32.9%
Multiple wealth management firms	50.0%	35.9%	38.0%	47.6%
Family office	23.9%	22.8%	19.4%	17.1%
Multiple family offices	2.2%	0.0%	0.0%	1.2%
Others	4.3%	2.2%	1.6%	1.2%

Key sources of information for the investments	Under 40	41-50	51-60	Above 60
Financial news and publications	20%	19%	22%	19%
Investment seminars / conferences	5%	6%	7%	5%
My primary financial advisor	18%	18%	20%	26%
My Chartered Accountant (CA)	10%	9%	7%	6%
Networking with other investors/ industry professionals	11%	12%	11%	8%
Personal research	12%	16%	15%	13%
Friends & family	12%	12%	10%	9%
Engagement with fund managers	10%	7%	8%	11%
Investment-oriented books	2%	0%	1%	2%
Other (please specify)	0%	0%	0%	0%

Engagement in philanthropic activities	Under 40	41-50	51-60	Above 60
Yes	43%	34%	50%	52%
No, but plan to in the next two years	35%	45%	35%	29%
No, not interested	22%	20%	15%	18%

How well do you know what you are investing in?	1	2	3	4	5
Asset Classes					
Equity	0%	6%	28%	61%	8%
Unlisted Equity	5%	21%	38%	30%	6%
Fixed Income	1%	6%	27%	57%	9%
Structured Credit	10%	23%	42%	23%	2%
Currency & Commodities	13%	27%	31%	22%	6%
Real Estate	7%	14%	38%	28%	13%
Investment Products					
Mutual Funds	0%	3%	22%	64%	11%
PMS / AIF	8%	7%	32%	44%	8%
ETFs	12%	16%	37%	28%	7%
Bonds	5%	11%	33%	44%	7%
MLDs	15%	16%	41%	23%	5%
REITs/InvITs	14%	19%	40%	21%	5%
LVFs	18%	26%	35%	18%	3%
International investments through GIFT City	34%	24%	26%	11%	4%

1- No understanding
2- Little understanding
3- Some understanding
4- Very good understanding
5- Professional expertise