

# ETMarkets Smart Talk | Wealth creation sees new highs in FY25, tier-2 cities drive growth: JM Financial's Anuj Kapoor

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## Synopsis

There is a significant focus on global diversification using Liberalised Remittance Scheme (LRS), Overseas Portfolio Investment (OPI)/ Overseas Direct Investment (ODI) route and integration of investments with migration decisions.



Looking beyond index levels, the corrections and recovery have been disproportionate, creating opportunities for stock selection in the space.

*“The record liquidity created in FY25 with monetization in equity capital markets has created new pockets of wealth and enhanced client assets,” says [Anuj Kapoor](#), Managing Director & CEO, Private Wealth and Alternatives, [JM Financial](#).*

*In an interview with Kshitij Anand of ETMarkets, Kapoor said: “The active involvement from the younger generation in managing wealth on the back of access to information, analytical tools, etc. is also witnessing an uptick,” Edited excerpts:*

## Q) What are the key trends shaping the private wealth management landscape in 2025?

A) Well, the record liquidity created in FY25 with monetization in equity capital markets has created new pockets of wealth and enhanced client assets.

There is a significant focus on global diversification using Liberalised Remittance Scheme (LRS), Overseas Portfolio Investment (OPI)/ Overseas Direct Investment (ODI) route and integration of investments with migration decisions.

In addition, exponential growth has been witnessed in direct opportunities across listed and unlisted equities and in the private debt space.

Therefore, there is a need for holistic solutions beyond investment management such as legacy planning, immigration, etc. and that gives an edge to integrated players like JM Private Wealth.

The client base of private wealth management is steadily getting broadened geographically with Tier 2 cities becoming major consumers of wealth management products and services.

The active involvement from the younger generation in managing wealth on the back of access to information, analytical tools, etc. is also witnessing an uptick.

A shift towards business models beyond ESOPs, with resource sharing becoming more direct and visible and the meaningful rise in the institutionalization of different investment structures especially with the increase in the number of family offices will define the wealth management landscape, going forward.

## Q) After a bearish February we entered a bullish March. How is the market looking for the 1st month of the new financial year?

A) The correction in the markets which started in late September 2024 was due to a mix of domestic and global factors. Some domestic factors that are responsible for the correction include weak GDP numbers in Q2, muted corporate earnings, and consequent valuation concerns.

Among global factors, the sell-off by FPIs led to a sharp correction and China becoming attractive on the back of stimulus packages amidst cheaper valuations are the two key elements. Flows towards the US also impacted Indian markets with optimism on the back of US exceptionalism, rising yields and US Dollar Index (DXY).

After the correction of almost 16-17% in [Nifty](#) and 24-27% in mid and small caps from the peaks, market bounced back in March 2025. There has been a recovery from the lows of around 6-7% in Nifty and 10-12% in mid and small cap indices.

Whilst difficult to call it bullish yet, the recovery has been on the back of valuations moderating to longer term averages especially in the large cap segment, better GDP print in Q3, a balanced budget, recent liquidity measures by the [RBI](#) and positive consumption indicators.

March has also witnessed the return of FPI flows into the market due to rise in uncertainties around new US administrative actions.

Furthermore, there has been a pullback in the rise of DXY and compression in the treasury yields from its highs. Rally in Chinese equities also remained limited to tech names lately, compared to the broad-based run seen in late last year.

We maintain a cautious stance on the markets directionally, looking at the multiple moving parts globally.

However, with reduced valuation concerns, the upcoming earnings cycle will be of key interest that may determine the direction of the markets.

## Q) FPIs flows seem to be showing signs of turnaround – how do you see the trend in FY26?

A) After an intense sell-off of around USD 25 billion over the past 6 months, FPI flows seem to be reversing. We attribute the reversal to a recent correction in the US equities, normalizing DXY and softening treasury yields.

Furthermore, a reduced valuation premium of India over EM indices and reduced attractiveness of Chinese valuations after the sharp rally have also helped.

FPIs would also be closely following the improving economic conditions in India across GDP numbers, RBI actions, inflation prints, consumption indicators, etc.

Though it is difficult to predict flows, we believe most of the excesses have now normalized and therefore do not see reason for large outflows from here on.

## Q) Any key developments or factors which one should watch out for in FY26?

A) In our opinion, the key monitorables going into FY26 are outcome of tariff and trade related actions on India and other major trading partners of the US, any deals or settlements on multiple ongoing wars, particularly impacting energy supplies, domestic economic recovery, especially on the consumption front and actions from the RBI as well as corporate earnings growth after a modest FY 25.

## Q) What should be the ideal asset allocation for you to suggest to your HNI & UHNI clients who are in the age bracket of 30-40 years?

A) Asset allocation is a highly customized process depending on individual objectives with nothing called an “ideal” allocation.

For an investor in the age bracket of 30-40 years, the available time horizon is the biggest advantage and hence, the corresponding risk appetite is higher. Allocation would predominantly be towards growth assets.

In the current context, we see a structural decline in the interest rates, advantageous for growth assets. Exposure to growth assets should be spread across listed equities (domestic and international), private equity/ venture capital opportunities, hedges such as Gold and hybrids like REITs/ Invits.

In fixed income, we would like to be underweight high-grade fixed income, included mainly for liquidity management, while being overweight high yield debt including structured debt and convertibles.

## Q) If someone is sitting on a net portfolio loss in 2025 – should they rejig the portfolio now? What are the key conditions which should get satisfied first before they rejig?

A) The recent sell-off in equities resulting in losses may warrant rebalancing the portfolio allocation. One needs to rebalance the asset allocation towards the strategic allocation, maintaining equal weight on equities.

Within equities, we remain overweight on large caps, as there is better bargain opportunities compared to mid and small caps segment, where valuations are still high vs historical averages.

One can relook at the positioning within equities, as recovery may not be proportionate to corrections seen recently and evaluate high yield debt which could give you better returns in 2025 compared to equity on a risk adjusted basis.

## Q) What are the queries/ feedback that you are getting from your clients?

A) Clients prefer to focus on high yield fixed income opportunities including convertibles and at the same time are showing openness to leverage, for opportunities with outcome certainty and with reasonable spreads.

They want us to focus on differentiated strategies in public equities such as those following mega trends and are purely bottom-up.

Other frequently asked questions are - should we stagger our purchase in equities or should we book profits and increase cash in the portfolio, what should be my equity allocation at the moment, should we buy more gold & silver and is the worst over for the markets and how much more will the Trump administration announcements and actions impact the markets.

## Q) If someone plans to diversify globally – what would be the ideal portfolio allocation? Direct stocks or ETFs?

A) Under the LRS limit, given the limited capital, most families opt for a balanced portfolio—not all-in equities, and not overtly conservative either. The focus is on capital preservation with reduction in India-specific risk while maintaining growth orientation.

ETFs are ideal for beginners or passive investors, as they offer diversification, low fees, and ease of execution. On the other hand, direct stocks are more suitable for experienced investors, but capital limitations often make it difficult to build a truly diversified portfolio.

For single-stock exposure, structured products can be a great way to participate with downside protection or leverage. To summarize, start with the core investments in ETFs and bonds, then build tactical/ satellite allocations with themes and direct equities.

## Q) How should one play the small & midcap theme in FY26?

A) After the correction, at index-level, large caps are closer to longer term averages and therefore reasonably valued. However, despite the larger drawdown, mid and small cap indices and stock valuations remain meaningfully higher than their longer-term averages on forward PE basis.

Looking beyond index levels, the corrections and recovery have been disproportionate, creating opportunities for stock selection in the space.

Therefore, a bottom-up approach is preferred over broad-based allocations. While we recommend remaining overweight on large caps, we would suggest waiting for better entry valuations in the mid and small cap space.

*(Disclaimer: Recommendations, suggestions, views, and opinions given by experts are their own. These do not represent the views of the Economic Times)*