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# Quest for alpha driving capital from public markets to private assets: JM Financial Private Wealth CEO Anuj Kapoor

*'We have been advising clients to diversify their portfolios by investing abroad for the last few years. This becomes increasingly relevant in the current scenario of Indian rupee devaluation,' Kapoor tells Moneycontrol*

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Anuj Kapoor - Managing Director & CEO - Private Wealth, JM Financial Services Ltd

With equity benchmarks hovering close to record highs and valuations still looking a bit stretched, investors are reassessing where the next leg of returns will come from.

In an interview to Moneycontrol, JM Financial Private Wealth managing director and CEO Anuj Kapoor shares how clients are recalibrating asset allocation, why private equity and private credit are seeing a growing interest and how AI is reshaping advisory models. **Edited excerpts of the interview:**

## With equity markets near record highs and interest rates expected to ease gradually, what are you advising clients on asset allocation over the next 12-18 months?

While headline indices are hovering near all-time highs, the underlying market dynamics reveal a dichotomy. The rally's breadth has been notably narrow, indicating a concentration rather than broad-based participation.

Following a period of modest time correction and relatively sharp underperformance against Developed Market (DM) and Emerging Market (EM) peers, the Indian markets now trade at relatively reasonable valuation (though not inexpensive in absolute terms). As the calendar year concludes, it is an opportune time for investors to review their asset allocation and evaluate their portfolios to remain aligned with their original risk mandates.

Within equities, large caps retain their appeal. Yet, they inherently offer more modest earnings growth compared to their mid and smallcap counterparts. 2025 is poised to conclude with large caps decisively outperforming mid/small caps, effectively snapping a multi-year streak of underperformance. Post-correction, smallcap segments appear better positioned than midcaps; however, given that the broader market remains elevated, a discerning, bottoms-up stock selection approach is preferred to navigating risks and identifying true alpha opportunities.

Shifting to fixed income, we prefer high-yield credit, including private credit over high-grade credit. This is underpinned by factors such as declining interest rates, robust corporate & bank balance sheets and low systemic risk perceived for credit. A likely revival in credit growth led by private capex may lead to more supply of papers in the space. A tactical opportunity is also available for duration play looking at the elevated term spreads.

In alternatives and hybrids space, we find REITs & InvITs reasonably attractive at this point. Both in the listed as well as unlisted space depending on the risk appetite. A structurally declining interest rate outlook and growing supply of high quality infra and real estate provide investors good choices in this space. Regulatory support and pools of capital coming in the space further support the outlook.

We have been advising clients to diversify their portfolios by investing abroad for the last few years. This becomes increasingly relevant in the current scenario of Indian rupee devaluation.

## Are you seeing any shift in client behaviour — from public markets to private assets or from growth to capital-preservation strategies?

We are observing a migration of capital from public markets into private assets, driven primarily by quest for alpha. This migration is a clear indicator of the market's increasing maturity and evolving profile of the investor base.

As wealth levels rise and the next generation of entrepreneurs assumes control of family wealth, there is an increased propensity and willingness to take incremental, calculated risks in pursuit of outsized returns. Given the elevated valuations observed in listed equity markets, private assets offer compelling, alpha-generating opportunities that exhibit low correlation with traditional asset classes, enhancing overall portfolio diversification.

## JM Financial has a strong franchise in private equity, private credit and structured products. How big a role do alternatives play in client portfolios today compared to three years ago?

Compared to the environment few years ago, we now face pronounced trade uncertainty, earnings momentum is yet to pick up and private sector is largely deferring significant capital. In such a macroeconomic environment, generating consistent alpha within traditional, liquid listed markets becomes increasingly difficult due to limited tailwinds and elevated volatility.

Consequently, our investors are increasingly diversifying their portfolios into alternative assets. Allocations to private equity, private credit, and structured products such as MLDs, etc. are being looked at as effective strategies for low correlated alpha generation. With declining return expectations from public equity markets, alpha seeking investors are looking at private equity across stages and allocations are generally going up.

In the private credit sphere, with the constructive outlook mentioned before, there is a clear shift in risk appetite and we find client evaluating opportunities across the spectrum from performing credits to sectoral and venture credits. Furthermore, convertible instruments are finding lot of interest with primary market timelines getting pushed in some cases. We are looking to play to our strengths in private equity, real estate and structured credit, and offer well thought out products to our clients for risk diversification.

## In the broking space, tech platforms have outperformed traditional financial services firms. How do you see the dynamic playing out in the wealth management space between new-age tech wealth managers and the traditional bank/NBFC sponsored wealth platforms?

The current wealth management landscape is characterised by a clear segmentation of services and clientele. Wealth tech platforms predominantly serve the retail and affluent classes, providing accessible, execution-focused solutions. Traditional wealth outfits cover the entire spectrum but maintain a major focus on high-net-worth (HNI), ultra-high-net-worth (UHNH) individuals and family offices offering comprehensive advisory services.

Technology primarily acts as a medium of execution for many investors. For investment advice, the need for a human touch remains strong, particularly during volatile market environments.

This is especially true for sophisticated and complex products, such as private markets and structured solutions, which necessitate expert human guidance and trust. Generational preferences reinforce this divide: new-age investors are inclined towards tech-based platforms, while older generations still favour the physical or "phygital" (physical and digital) model. These human touch points are projected to remain relevant for at least the foreseeable future.

To remain competitive, legacy wealth outfits must enhance their technological capabilities. The human touch point is still a significant edge for traditional platforms but it is contingent on them catching up on the tech curve.

There is space for both models. One solves for access, while the other is more relevant for evolved products and solutions. Both models are expected to converge in the long run to remain relevant — the pace and magnitude of this convergence remains to be seen.

## What kind of growth has the JM Private Wealth platform seen in recent years? What's your current AUM. What are the growth targets for the next two-three years?

Our primary focus has been the growth of our recurring AUM, a strategy that has resulted in our AUM growing by close to 2x in the last 18 months. We are now targeting to triple our revenue in next three years.

To achieve these targets, we plan to double our relationship manager count, ensuring enhanced client coverage and service, especially in tier 2 and 3 cities. We continue to strengthen and enhance our presence in Singapore, Middle East and explore new international geographies.

We place a strong emphasis on expanding revenue streams, with a continued focus on building recurring assets and introduce a suite of differentiated product offerings, developed on our in-house platforms and backed with years of research and expertise

## Which client segments are driving incremental growth right now — first-generation entrepreneurs, promoter families, or professional HNIs — and how does that shape your product mix?

Being part of an integrated institution, traditionally promoter families have been a dominant contributor to our business and, consequently, a key growth driver. Lately, however, professional HNIs have emerged as one of the biggest drivers, serving as a crucial source for building high-quality, recurring revenue streams.

To cater effectively to these key segments, our core offerings include tech-enabled experiences. Technology is central to our business at every stage. From client onboarding through to reporting and execution, our tech platform enhances the overall client experience and the ease of transactions.

We are concentrating on expanding our fee-based advisory services to increase wallet share and diversify our revenue streams. We also emphasise constant innovation and differentiation in our product suite, particularly within the high-yield and alternatives space.

## How do you balance growth in AUM with profitability, especially in a market where fee compression and higher RM costs are becoming structural?

In every business with high growth potential, competition is intense; therefore, pressure on yields or margins is nothing unusual. We believe in the philosophy of delivering high-quality advice/ offerings to our clients, trusting that revenue and yields will naturally follow. Having said that, several strategies help us manage this: a focus on increasing wallet share and creating additional streams for fee-based charges. In the case of distribution, the

sheer volume and scale of our business allow us to command revenue-sharing terms from manufacturers that are generally better than the market average. Furthermore, our presence in the transactional segment helps us enhance overall yields, while our recurring AUM provides the advantage of compounding benefits.

To address RM costs, we are being selective with new recruits, focusing on lateral hires who possess a proven ability to acquire and retain high-quality clients. We are also investing in talent from business schools and nurturing them to be effective wealth managers in future

## Do you believe AI can meaningfully impact advisory quality in private wealth, or will it remain largely a support tool?

AI has the agility to perform both functions - presently its mostly used as an enabler or a supporting tool but meaningful impact can be created by having a wide range adoption of AI in the System. Investing is both an art and science with emotions being at the cornerstone. Its very unlikely for AI to replace humans entirely but the future will have AI meaning fully impacting the quality of research and analysis to deliver outcomes for clients. Training and client confidentiality are, needless to say, uncompromisable during this adoption. AI based delivery cornered with human acumen and trust is how we expect the private wealth model to evolve.

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