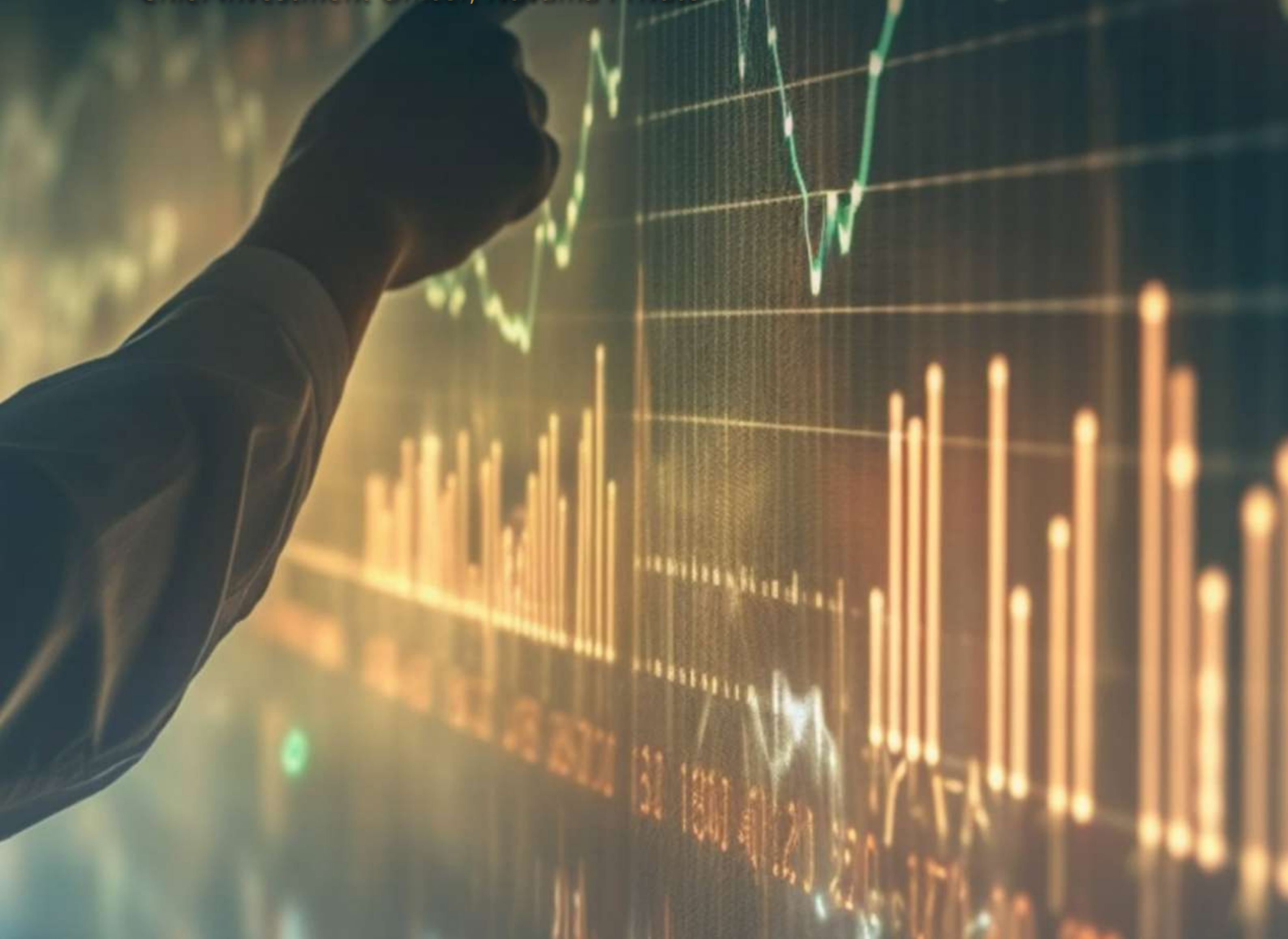
ASK Property Fund

Real Estate EDGE

Edition 4 | April 2025

Decoding Debt Strategies for Discerning Investors

An exclusive conversation with
Mr. Onkarpreet Singh Jutla, CFA
Chief Investment Officer, Nuvama Private



Onkarpreet Singh Jutla
Chief Investment Officer
Nuvama Private

Onkarpreet is Chief Investment Officer at Nuvama Private. He has close to two decades of investment experience both in discretionary fund management and Private Banking Advisory Desk.

In his current role, Onkar oversees onshore India and offshore investment product platform for Nuvama Private which includes origination, due diligence, on boarding and monitoring of products across asset classes He closely liaisons with key clients for market views and curating muti asset portfolios. He is Member – Global Investment Committee for Nuvama Private to take call on asset classes on monthly basis.

His last assignment was with Kotak Wealth Management (erstwhile ING Private Banking) as Vice President – Products. He started his career with Indian bank as a part of the team managing its Proprietary Book in Direct Equity/Equity Mutual Funds etc.

He is a Gold Medallist in MBA (Finance) from ICFAI Business School, Hyderabad and is a CFA Charter holder from CFA Institute, USA.

Portfolio allocation strategies for ultra-high-net worth individuals (UHNIs) and high-net worth individuals (HNIs) depend on a multitude of factors, including wealth preservation, capital appreciation, income generation, product awareness and preference and risk appetite. Recent surveys indicate while Equity continues to be the most preferred asset class among HNIs and UHNIs in India, other asset classes like Debt, Real Estate, Gold, Private Equity etc also hold significant allocations (order not indicative of preference).

Within their debt portfolios, UHNIs/HNIs can diversify across various instruments including debt mutual funds, corporate bonds, government securities, private debt, real estate debt funds, etc each offering distinct risk-return levels tailored to meet specific investment objectives.

In this edition of Real Estate Edge, **Dipali Gandhi, Head - Research, Communication and New Initiatives at ASK Property Fund** engages in a discussion with **Onkarpreet Singh Jutla, Chief Investment Officer at Nuvama Private** to delve deeper into the evolving debt portfolio allocation strategies of UHNIs and HNIs. Below are the excerpts from their conversation.

Q A

What are the types of debt funds you position to the clients?

Debt allocation in a UHNI client portfolio can be broadly classified as **'High Grade'** and **'High Yield'**. This allocation is deployed via bonds, NCDs, mutual funds, REITs/InvITs and AIFs.

Mutual fund allocation is generally classified as **'High Grade'** as typical debt funds being looked by UHNI clients are money market funds for short term allocation, corporate bond fund for medium term allocation and select Gilt funds for long term duration. For temporary parking, overnight, liquid and arbitrage funds continue to be preferred choices. It may be worthwhile to note that overall flows to debt mutual funds have moderated over last 2 quarters post changes in taxation for such funds.

A significant part of debt allocation is in invested in **'High Yield'** category via performing credit funds, special situation funds, debt focused real estate funds, funds investing in operating assets (pre-REITs /pre-InvITs)) such as commercial real estate and infrastructure related sectors besides allocation to REITs/InvITs. The **'High Yield'** segment has seen significant growth in last 5-6 years and this segment is expected to grow further.

What is the typical allocation of HNIs/UHNIs to different type of Debt Funds? Has it changed over time? Please share your insights.

Debt mutual funds had been a preferred route of allocation before advent of REITs/InvITs in 2016 and pre-REITs/pre-InvITs fund from 2018 onwards. Given the tax superiority of debt mutual funds till mid - FY25, debt mutual funds continued to be a preferred option. However, a decent part of debt allocation, had also been deployed in performing credit funds, income generating vehicles like REITs/InvITs and AIFs investing in such opportunities. Moreover, direct allocation to bonds and NCDs has gone up besides select allocation to debt focused real estate funds. Market Linked Debentures (MLDs), which used to be second highest allocation for UNHI clients, has been completely wiped -out post taxation changes.

In the current volatile market, how important is debt fund allocation to your investors?

Debt allocation has ranged between 25-50% for UHNI clients. The primary objective of debt is to give stability to overall portfolio of UNHI clients and hence it becomes very important to decide how much of debt allocation must be in **'High Grade'** and **'High Yield'** buckets. Certain investment avenues in **'High Yield'** segment have an ability to provide non correlated returns and hence provide good stability to entire portfolio.

How do Real Estate Debt Funds compare vis-à-vis Other Debt Funds, Private Credit Funds, REITs/InvITs in terms of returns and risks?

Real Estate debt funds bridge the funding gap in bankable and non-bankable end use for developer. This segment was earlier dominated by NBFCs. Post NBFC crisis of 2018, real estate debt funds have been one of main sources of capital to projects especially in the early stage and have provided good risk-adjusted returns (with interim cash flows) to investors. The typical gross returns are in the range of 18-20%. The biggest advantage is that most of these funds are focussed on the residential real estate segment which is self-liquidating and the investments are backed by assets and project cash flows.

Q A

What kind of returns have different Debt Funds generated over the last 1, 3 and 5 years?

Debt funds, on an average across categories (ex liquid), have generated 8-9%, InvITs have been in the range of 8-10% cash yield, REITs are around 5-6% while performing credit funds have been able to generate 12-14% gross return.

What are your recommendations to the investors in the current market conditions?

From debt allocation perspective, it is select categories of Debt FoFs, Performing credit funds, debt focused real estate funds, funds investing in operating assets (pre-REITs/pre-InvITs) such as commercial real estate and infrastructure related sectors.

What are the key elements you look at while selecting a fund manager?

The key elements are quality of fund management team (experience, track record, deal sourcing), AUM and sponsor commitment. A significant weight in selection process is given to the fact how the fund management team has handled delays/delinquencies in any deal and managed exits.

For further information, please contact:

DIPALI GANDHI
Head-New Initiatives, Research and Communication
ASK Property Fund
dipali.gandhi@askinvestmentadvisors.com