FORTUNE INDIA

India's wealthy investors turn selective on equities, diversify into private markets: JM Financial's Anuj Kapoor

As private credit and pre-IPO investments gain traction, Kapoor warns investors against mistaking higher yields for genuine diversification.



Anuj Kapoor, Managing Director and CEO, Private Wealth, JM Financial Services Ltd.

India's wealthy investors are not retreating from equities amid market volatility and global uncertainty, but are becoming more selective, favouring companies with strong balance sheets, predictable cash flows, and pricing power. At the same time, high-net-worth individuals (HNIs) and ultra-high-net-worth individuals (UHNIs) are diversifying beyond traditional equity and debt portfolios, increasing allocations to private markets, fixed income, and international assets.

"Clients are not retreating from equities. They are becoming more selective on what they own," Anuj Kapoor, Managing Director and CEO, Private Wealth, JM Financial Services Ltd., told *Fortune India* in an exclusive interview.

Indian equity valuations have eased to around 20.5 times trailing earnings, below the five-year median of roughly 22 times, while Nifty 50 profits grew about 18% in the June 2026 quarter. However, investors are increasingly questioning how much they should pay for growth. "The question is no longer which stock to buy. Clients now ask how long to stay invested, what proportion of their portfolio should be exposed to risk, and whether an investment aligns with their goals," Kapoor says.

This is driving preference for fundamentally strong businesses, particularly large-cap financials, select consumption and capital goods companies. Richly valued growth stocks and thinly traded small caps are seeing smaller incremental allocations. With crude oil above $100 a barrel and the rupee in the mid-90s against the dollar, companies with pricing power are also gaining favour.

"I would characterise this as a rebalancing of conviction rather than a move to cash. Quality businesses can withstand market cycles and create value over time," he says.

Private markets and global assets gain ground

A major shift Kapoor is witnessing is the movement of incremental capital towards private assets as elevated valuations and volatility make generating returns in public markets more challenging.

Investors are increasingly building multi-asset portfolios balancing income, downside protection, and diversification. While listed equities remain central, fixed income is attracting renewed interest following the RBI's October rate hike. Gold typically accounts for 5-10% of portfolios as a hedge, although recent price declines underline that precious metals are diversifiers rather than one-way investment bets.

Private equity, private credit, pre-IPO investments, REITs, InvITs, and structured products, including market-linked debentures, are attracting incremental allocations. However, Kapoor cautions that alternatives should be funded only with capital investors can afford to lock in for the entire investment tenure.

He recommends international exposure of 10-15% for most HNI and UHNI portfolios, rising to 20-25% for families with overseas liabilities, children studying abroad or relocation plans. Overseas investments provide access to sectors underrepresented in India, including artificial intelligence, semiconductors and global healthcare, while reducing single-country concentration.

Kapoor favours a diversified global core allocation complemented by selective exposure to energy transition, defence, healthcare and Asian markets rather than concentrated country bets. Investors must also assess tax, regulatory and FEMA implications before deploying money overseas.

Domestic flows cushion foreign selling

Foreign portfolio investors (FPIs) have withdrawn roughly ₹3 lakh crore from Indian equities in 2026 so far, nearly double the ₹1.66 lakh crore sold in 2025. Kapoor attributes the outflows to elevated crude prices following the West Asia conflict, rupee depreciation, and higher US Treasury yields.

Domestic institutional investors have absorbed a substantial part of the selling. They bought approximately ₹59,000 crore of equities in October up to October 23, against FPI sales of around ₹51,000 crore. Purchases stood at approximately ₹76,000 crore in September, supported by monthly systematic investment plan (SIP) inflows of nearly ₹25,000 crore.

"Foreign investors are no longer the sole price setters in our market, and domestic investors have become the stabilisers. Indian markets may no longer fall apart when FIIs sell, but they are not fully immune either. We still need FPI money for a bull market to sustain," Kapoor says.

He flags large IPO issuances, which absorb market liquidity, and a possible slowdown in SIP contributions as risks to domestic flows. He expects foreign investments to improve once crude prices and US yields stabilise.

Private credit needs rigorous scrutiny

As private credit and pre-IPO investments gain traction, Kapoor warns investors against mistaking higher yields for genuine diversification. "The test I apply is whether the returns come from a different source of risk, or from the same risk at a higher price," he says.

Investors should assess fund managers' performance across credit cycles, borrower concentration, collateral security, covenant enforceability and the proportion of income received in cash rather than accrued. Senior secured lending, asset-backed financing and investments with identifiable exit opportunities offer better risk diversification than unsecured lending to stretched borrowers.

Kapoor recommends limiting pre-IPO investments to 5-7% of portfolios, focusing on mature businesses with proven models, strong revenue visibility, sound governance, and credible exit routes. Investors must also account for the illiquidity of closed-ended Category II alternative investment funds (AIFs).

Fixed income and family offices evolve

The RBI's October 7 decision to raise the repo rate by 25 basis points to 5.50% has improved the appeal of fixed income. With the 10-year government bond yield around 7.2%, Kapoor favours high-quality short- to medium-duration bonds and accrual strategies, advising investors against aggressive long-duration exposure until the rate trajectory becomes clearer.

For most UHNI portfolios, he considers 25-35% allocation to fixed income and income-oriented strategies reasonable, with higher exposure for capital-preservation mandates.

Family offices, meanwhile, are moving towards institutionalised investment processes, including investment committees, formal investment policies, and defined asset-allocation and rebalancing rules. However, independent risk oversight, consolidated reporting, and succession planning remain areas requiring attention, he adds.