

'Ignore war headlines, focus on fundamentals for long-term wealth'

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MUMBAI

PPFAS Mutual Fund used March's market turbulence to its advantage, finding opportunities to deploy cash, according to chief investment officer Rajeev Thakkar. Speaking as part of the Mint Money Guru series, Thakkar explained why war and ceasefire headlines matter little for long-term investing and how he is approaching equities in the current environment.

How did you navigate March's volatility, and what key portfolio change did you make?

We tell investors that if they want to invest for one year or less, they should put their money in liquid funds, arbitrage funds, or money market funds, all suitable for short-term investments. For people with money for three to four years, we suggest hybrid funds that combine equity and debt. We ask them to invest only in

pure equity funds if they have money for a period of more than five years. For anyone with a longer-term time horizon, all these things even out. Be it war, inflation, interest rates, lower GDP (gross domestic product) growth, or currency movement, they mean-revert over a period of time. Our focus has been on management quality, earning visibility, balance sheet strength, pricing power, and valuations. So, we have been using volatility to our advantage, deploying wherever we

find opportunities and selling wherever the opportunity comes.

Has the announcement of the two-week truce changed how you are looking at certain segments of the equity market?

Not really. Some pre-existing trends in the business world might accelerate a bit because of this. The world has been moving away from fossil fuels towards renewables, including solar, wind and

nuclear for primary energy as well as for transportation, where people have been trying to electrify. That trend will gain importance not only from an environmental perspective but also for energy security. You don't want some external event to bring your country to a grinding halt. So, those trends might accelerate a bit, but otherwise, not much changes.

Would you say that the current 20% of flexi-cap AUM held in cash at the end of February is usual for PPFAS? Did you get an opportunity to deploy in March?

It is not usual. For the last two years, we have been a bit cautious about the market given valuations. In this period, we have seen time corrections and, in some cases, price corrections as well. Small- and mid-cap stocks have corrected, and earnings have had time to catch up. Given all of that, valuations are more reasonable now, and opportunities are emerging. The cash gave us the opportu-



nity to buy during a sell-off in March. But the cash percentages vary; if you start with a 20% allocation to money market and cash securities, 80% is in stocks. If the market falls 10%, that becomes 72%. So, optically, in terms of percentage, cash looks higher; even if you deploy money, it seems as if cash has not come down. But we opportunistically deployed some money last month. At the end of March, our flexi-cap

fund held 18.94% in cash. **Before the war began, markets were already falling due to valuation concerns and persistent selling by foreign portfolio investors. Do these concerns still remain?**

To an extent. India has been an outlier in terms of valuations in the emerging market space. Emerging economies such as China and South Korea had not done well for quite

some time, but this has changed due to the peculiar nature of industries in various markets that are in an upcycle, such as electronics manufacturing, chips, and memory units. So, low starting valuations as well as higher earnings growth have made them a bit more attractive for emerging managers. FPIs have been sellers, but given the time, the price correction, and somewhat of a return to normalcy in Indian markets, I think it will become attractive even for foreign investors at some point.

AI stocks are rising globally, but Indian IT stocks have fallen sharply. How are you expecting them to perform?

AI can potentially improve productivity significantly for developers and others who build custom software. Does it mean that a middle manager

or someone who is a non-technical person just goes on to Claude, puts in a prompt and magically the entire company gets computerized? The answer is no. That's taking things to an extreme. Given the improved productivity, Indian companies will add significant value. In fact, you could see an expansion in



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Rajeev Thakkar
Chief investment officer,
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demand, people could find more use cases, given that they can stretch their IT budgets further with the improved productivity. Even to implement some of these newer AI capabilities, you will require people, and our compa-

nies will be able to provide that. Of course, there are some trends one has to be aware of—this trend of global captives coming here, to that extent, the amount of work that gets outsourced reduces because they have their own centres in

India. But I think the pessimism is overdone in terms of the sell-off we have seen.

After the war-led correction, what is your view on valuations of different segments of the market?

The sell-off was broad-based. Individual segments that were more sensitive to oil sold off faster and recovered faster after the announcement of a ceasefire. Otherwise, the sell-off was more or less across the board. Our approach is on individual-stock basis, but overall, one has seen a somewhat steeper price correction especially in the small- and mid-cap space. That was also a space which was more overheated about two years ago. So, things are coming back to normal levels gradually. Currently, the bulk of the investments would be in large caps, which is also the nature of the market or the nature of the profit pool—the top 100 companies typically account for 65-75% of the overall profit pool in the country.

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