

'Global turbulence will not hurt India's long-term growth'

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The global recessionary trend has failed to dampen the domestic market, which remains buoyant, thanks to economic growth, says Anthony Heredia, MD and CEO, Mahindra Manulife Investment Management. Excerpts:

Have Indian markets become expensive after the recent rally?

Valuations are best seen in a relative perspective. If you look at global markets, one could argue that Indian

markets are more expensive. If you consider the headwinds that most global economies are facing, India is in a much better place. There are also relative valuation differences within sectors and sub-sectors, and this allows opportunities for stock selection even after the run-up. Given the market levels and global headwinds, volatility will continue through most of next year.

Why should investors consider your recently-launched small-cap fund?

The policy measures taken over the last few years can be transformational in terms of the opportunities created. The

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ANTHONY HEREDIA
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winning companies of tomorrow may come from unexpected places and from relatively small beginnings. Small-cap funds are in a great position to capture this change. This journey,

however, will be eventful, and, therefore, our small-cap fund is suitable for retail investors with minimum five-year horizon.

Will the US Fed rate hike

impact FPI flow into India?

Foreign Portfolio Investors net outflows have been constant for over a year-and-a-half now, led by a variety of factors, not just the US rate expectations or monetary tightening. However, in the last few months, even in the backdrop of the Fed raising rates, FPIs have been net buyers and this has a lot to do with the long-term outlook for the Indian economy relative to the rest of the world.

Will the turbulence in major global economies hit India's growth story?

The turbulence in global markets will inevitably have an

impact on all major markets.

We do not see this turbulence hurting the long-term growth story, but it will certainly play out in terms of increased volatility, and we must accept that as part of the market dynamic and react accordingly.

Will mid- and small-cap funds bounce back after the meltdown?

To be fair, the meltdown has not been very sharp. While the index performance may have been tepid, the fund performances tell a different story. Interestingly, among fund categories, small-cap and mid-cap funds have seen the maximum level of alpha generation by the industry.