

AXIS SECURITIES

EXCLUSIVE INTERVIEW

Naveen Kulkarni

CIO & EVP

Axis Securities PMS

“PMS products have several advantages, and they will continue to grow faster than the industry. Customisation presents a solid prospect that other themes cannot deliver”

1 What is your perspective on the markets at current levels? With over Rs 1 lakh crore in FII outflows and a depreciating rupee, how have you positioned your portfolio



The markets today are in a phase of technical correction which is on account of both global as well as a few domestic factors such as a miss in earnings. While the overall earnings growth trajectory has not changed materially, the risk appetite for Indian equities has reduced significantly because of multiple reasons. One of the key reasons is also the supply of equities from promoter entities including IPOs. After all, markets are a function of demand and supply and higher supply results in higher pressure on prices in the short term.

Nonetheless, the market valuations have become reasonable and H2FY25 is likely to be significantly better than H1FY25. The prevailing factors are not only providing downside protection but would also open significant upside potential. Thus, this is a good time to invest. As for our strategies are concerned, our portfolio positioning is based on earnings visibility, quality of companies, and portfolio liquidity. These are our key focus areas to manage the market volatility.

2 What are the key trends currently shaping global equity markets



The US election verdict will have a significant impact on the global equity markets in the forthcoming months. Trump administration will be quite different compared to the last four years. The initial impact will be a stronger dollar but over the medium term, there will significant changes that could lead to higher inflation and US GDP growth rate. Oil prices are likely to head lower. Broadly, more factors appear positive for Indian equities over the longer term.

3 What impact will the US election might have on Indian markets or any sector(s) in particular



The US election results will impact Indian IT, Pharmaceuticals, Energy and a couple of other sectors directly. However, there will significant second-order impact of new administration on a wide range of sectors which are difficult to configure at this juncture. Indian IT sector could benefit from a stronger dollar and US economy which will also benefit other export-oriented sectors in the medium term.

We focus on investment styles depending on domestic as well as global macroeconomic conditions. For example, in a high-inflation environment, 'Value' will be the dominant style of investing. On the other hand, in a very low interest rate and inflation environment, our focus shifts to 'Growth' investing. We also keep adjusting the 'Quality' quotient of the portfolio depending on market volatility. Once we assess the dominant investment style, we focus on bottom-up themes within those styles with a particular focus on valuation and earnings parameters to assess the undervalued sectors or stocks. This approach captures both bottom-up and top-down approaches very well.

4 Given the rapid changes in both global and Indian markets, how do you determine which sectors to focus on for growth, and what factors are most crucial in identifying undervalued sectors or emerging opportunities that are set to outperform



5 As an experienced CIO, how do you ensure that Axis Securities' PMS offerings evolve to meet the shifting preferences of today's investors, especially with the growing appetite for niche investment strategies



Overall, our focus is to be more data-oriented in assessing investment strategies. More importantly, we strive to deliver better risk-adjusted returns which tend to be more sustainable over the long run. Thus, as we evolve in our investment journey, we will be using more and more data tools like machine learning and artificial intelligence to bring better investment products. We currently have one product based on quantitative and machine learning themes which delivers a very high Sharpe ratio to investors. In the long run, we want to be more focused on using quant models plus fund managers' skills to deliver better quality returns to our investors.

PMS products have several advantages, and they will continue to grow faster than the industry. Customisation presents a solid prospect that other themes cannot deliver. Also, PMS products can be priced according to the needs of the investors which is another significant positive that many other products fail to achieve. Thus, the prospects of the PMS industry continue to remain quite bright.

6 With the PMS industry in India experiencing rapid growth, what do you believe are the key factors driving this expansion



7 What factors do you believe are driving the increasing adoption of alternatives among Indian high - net - worth individuals and ultra - high - net - worth individuals, and how do you expect their investment preferences to evolve over the next 5-10 years

Alternatives can offer exotic options to investors that cannot be offered under any other mandate. Thus, alternative products market with wide-ranging mandates like absolute return are set to grow over the long term and will outpace the industry growth by a significant margin.

