INTERVIEW OF THE WEEK PRASUN GAJRI

'We are more comfortable with sectors linked to the domestic economy rather than the global economy'

Prasun Gajri, *CIO, HDFC Standard Life, spoke with* **Abhay Rao** *of* **The Financial Express**, *about the markets, investment strategies, life insurance and how best to deal with the current economic outlook. Excerpts:*

How do you feel about the current economic outlook in India? What is your opinion on the markets?

The economy is giving out mixed signals. On the one hand, the worst seems to be over and there are enough indicators to show that India is likely to grow at 5.5%-6.5% in the current fiscal. The consumption demand is holding up and there are efforts to support capital formation by spurring infrastructure spend. On the other hand, the fiscal situation needs careful handling. Overall, the optimism has to be tempered with caution. As for the markets, they have run up quickly on the back of sustained inflows, improving the economy and the positive outcome of elections. However, the run up will have to be supported by earning upgrades, continued liquidity support and the government delivering on the expectations of the market.

What are your investment plans and objectives for current financial year?

We do not have any specific annual investment plans. Our view is more long term and we continue to stick to our long-term objectives.

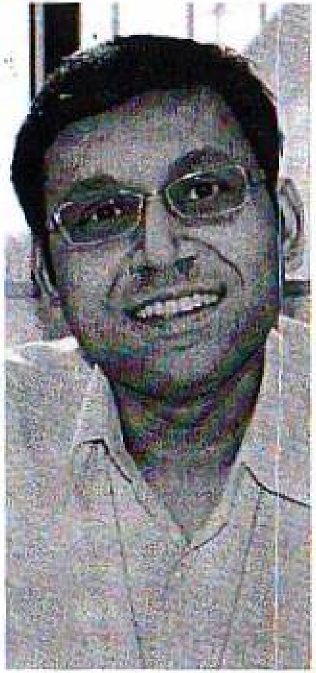
As a life insurance company, we understand that customers have invested their savings with us for the long term, with specific objectives in mind. Thus, our investment focus is based on the primary objective of protecting and generating good, consistent, and stable investment returns to match the investor's long-term objective and return expectations, irrespective of the market condition.

HDFC Standard Life has a mature investment-making decision process and has invested across various asset classes and categories. The Investment Committee of HDFC Standard Life plays a pivotal role in defining long-term investment policies, strategic asset allocation and monitoring the investment team performance on a continuous basis.

HDFC Standard Life has fully implemented a risk control framework to ensure that all types of risks are identified and measured. These are regularly reported to the board and this ensures that the company management and board members are fully aware of any risks and the actions taken to ensure they are mitigated.

How much of a cash reserve would you look to keep? How much percentage would you ideally be investing in the debt market? Do you feel the debt market still has something to offer investors?

Our funds have a well-defined investment mandate, which lays down the norms of investment in any asset class, including cash and fixed income. We will continue to stick to these norms as we have been doing earlier. As for fixed income investments, allocations depend upon the individual requirements and not necessarily on prevailing market conditions. We do not believe in altering the asset allocation based on short-term market movements. We believe that asset allocation call is most critical for generating long-term returns for any investor. This call is based on individual needs and risk appetite. Hence, if the asset allocation plan determines that investments should be made in debt instruments, then one should definitely look at the same.



We always advise investors to not time the market. Investments have to be based on a long-term plan, which should be carefully constructed. The idea for the investor is to be disciplined in investing as per the plan and not get carried away by either the fear or greed. We believe that they would do well if they consider life insurance as a long-term savings option since that is when the effect of compounding truly plays out. The volatility in the short term should not influence one's decision on an existing policy

As far as equity goes, which are the key areas you would look to invest in and why?

We believe that the Indian economy will be a growth spot even though we are not as sanguine about the global economy. We are more comfortable with sectors linked to the domestic economy rather than the sectors exposed to the global economy. In any case, we prefer to manage a well-diversified portfolio across sectors and will not want to have a concentrated portfolio across a few sectors even if they are attractive.

When do you feel a clear trend or direction will emerge that will give people some idea as to what is happening in the economy and markets?

It is very difficult to predict a time frame. There are mixed signals available from the global economy and it will be futile to predict the timing of any recovery.

What advice would you give to investors looking to invest in the markets as of now?

We always advise investors to not time the market. Investments have to be based on a long-term plan, which should be carefully constructed. The idea for the investor is to be disciplined in investing as per the plan and not get carried away by either the fear or greed.

We believe that they would do well if they consider life insurance as a long-term savings option since that is when the effect of compounding truly plays out. The volatility in the short term should not influence one's decision on an existing policy.

Are there any key mistakes you have seen people make whilst investing you could point out or share with us?

I guess a key mistake is to get swayed by short-term movements and believing that market timing is possible. Another issue is not spending adequate time to determine one's needs, risk appetite and a suitable investment plan. Investors in market-linked insurance should always remember that insurance is a long-term savings vehicle and they should remain invested for long-term.

Do you feel the constant booking of profits and long term investing are contradictory? What is the fine line one should draw between the two?

These are not necessarily contradictory. It all depends on the reason for doing profit booking. Let's assume you have a plan of keeping 50% each in equity and debt. If the equity market goes up by 30% and the debt market is flat, the asset allocation will be different from your desired allocation. In such a case, profit booking is to rebalance the portfolio and is in line with long-term goals.