SMART **SELECTIONS**

Fund analysts tell us how they're positioned for the current climate in fixed income

SVEN ROERING
Managing Partner
Tenzing Pacific Investment Management
Vietnam

We commenced exposure to India at the beginning of February 2016, which currently sits at 3-5%.

As emerging markets suffered as a result of currency issues and waning demand for their exports, it was important for us to find a compelling emerging market allocation that could drive our portfolios during 2016.

India became attractive to us as the policies of Prime Minister Modi seem to be resonating with foreign investors, and the economy is currently characterised by relatively good fundamentals.

Consumer confidence is at an all-time high. Intuitively, there would be further benefit to consumers from lower commodity prices.

The central bank has instituted relatively accommodative monetary policy – this could be an issue if inflation persists at current rates. There seems to be plenty of opportunity for growth within the financial services, technology and the auto sectors in particular, where India has the lowest concentration of car ownership among many emerging market peers, with only 18 cars on the road for every 1,000 people.

Our only worry is that many equities are currently trading at significant premiums to developed counterparts, which would mean we will only increase allocation if prices soften.

India, however, presents a fantastic domestic growth story, with a young, consumption-driven population and modest trade exposure to an ailing China. Our preferred fund is **Franklin India**, which conforms to our ideal allocation, although greater exposure to cyclicals would be preferable.


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STEVE BRICE
Chief investment strategist
Standard Chartered Bank
Singapore

We currently have a small exposure to Indian equities in all of our Asian mandates. The exposure is approximately 5-10% of the overall equity allocation.

Our Indian equities exposure is currently implemented through three avenues: individual Indian company US ADRS, an India ETF and an actively managed onshore Indian fund through a Mauritian feeder structure.

We are, however, evaluating the feeder fund structure and may replace it with another fund with a simpler structure.

We have generally always maintained some exposure to Indian equities as the Indian market is somewhat de-correlated with the rest of Asia, which is heavily dependent on China. The past six months, however, have been challenging as Indian stocks suffered a de-rating.

Some of the individual stocks, for instance, have suffered steep corrections, and we have taken the opportunity to buy more of them to bring the exposure back up to the targeted levels.

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SAMEER BHATIA

Indian equity specialist
Taurus Family Office
Singapore

The outlook for Indian equities is negative, in line with the overall outlook for global equity markets.

Given global risk aversion, India is grouped within emerging market risks, and that is a contributing factor to the sell-off in equities.

In such a scenario, fast-moving consumer goods, IT and pharmaceuticals are some of the countercyclical stocks. A weakening rupee will be a positive contributing factor for the IT sector, particularly as it services large global corporations that are based in the US or Europe.

It's important to note that risks are always there; however, the focus should be on how the market is reacting to these risks. Currently, everything seems risky, including Indian politics. The inability to pass key bills and fractured mandates in the state elections present risks to the market.

We don't recommend a set exposure for any of our clients as it will depend on the function of an individual's portfolio and the point at which that client needs the funds.

However, if someone is starting a portfolio, it is a reasonable time to start buying during the dips. On the other hand, those with more mature portfolios who are closer to retirement should focus on protecting their gains and lightening their portfolios.

CLIVE MCDONNELL

Head of Equity Investment Strategy
Standard Chartered Bank
Singapore

Although we believe India offers an attractive long-term investment opportunity, we are currently cautious towards the equity market.

Government policy, as reflected in the recent budget, is headed in the right direction, aided by low energy prices. Low inflation and fiscal consolidation is enabling the Reserve Bank of India to respond in kind with lower interest rates.

The key headwind from an investment perspective is the negative view of international investors towards emerging markets. Year-to-date $55 billion has flowed out of EM, compared with inflows of $4 billion in 2015.

India has not been spared, as reflected in the 6% decline in the SENSEX year-to-date.

We do note that the equity market and USD/INR has rallied sharply since the end of February. However, for now we view this as a rally from oversold levels as opposed to a rally driven by a change in fundamentals for global or local asset markets.

We were positive on India through May 2015, downgrading our assessment to cautious thereafter. We currently suggest investors focus on the GSAM India fund.