

Interview with Jaiprakash Toshniwal, Fund Manager and Senior Equity Research Analyst at LIC Mutual Fund Asset Management Ltd

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At the core of our investment philosophy is a commitment to delivering sustainable, long-term value for our clients, states Jaiprakash Toshniwal, Senior Equity Research Analyst and Fund Manager - Equity at LIC Mutual Fund Asset Management Ltd.

How do you assess the current state of the Indian equity market? What are the major factors influencing its performance?

The Indian equity market has demonstrated strong performance recently compared to the recent past. We attribute this positive trend to underlying earnings growth, a policy focus on the manufacturing sector, and various economic policy initiatives. The key driver of market performance, in our view, is the trajectory of earnings growth. Encouragingly, the outlook for earnings growth appears positive, with noticeable improvements in leading macroeconomic indicators.

Regarding interest rates, the prevailing consensus suggests that they have either peaked or are nearing their peak. Consequently, we maintain a constructive outlook on the markets. However, it is important to note that the recent geopolitical crisis may introduce some uncertainties, particularly in the supply chain, which could impact sentiment.

Please explain your investment philosophy and approach to stock selection. How do you integrate fundamental and technical analysis when making investment decisions?

At the core of our investment philosophy is a commitment to delivering sustainable, long-term value for our clients. Our approach is grounded in a combination of rigorous research, a disciplined investment process, and a keen focus on risk management. Our investment approach revolves around emphasising earnings growth and valuation. We assess the trajectory of earnings by making reasonable assumptions informed by both primary and secondary research.

Using this estimation as a foundation, we analyse the valuation to ensure prudent investment, avoiding overpayment. Additionally, we employ a funnel approach, filtering out companies with corporate governance issues, limited business scalability, lower capital efficiency etc.

What has been the most challenging aspect of managing funds, especially in volatile market conditions?

The most challenging aspect of managing funds in volatile markets is navigating heightened uncertainty, emotional investor behaviour, and adapting investment strategies. Our primary focus is on the sustained trajectory of earnings growth over the medium to long term. Short-term fluctuations, often influenced by market noise, do occur, but we refrain from taking immediate action unless they have a detrimental impact on our anticipated earnings trajectory.

Numerous studies and evidence highlight the advantages of long-term investments in wealth creation, and investors should be mindful of these considerations. Successfully navigating the short-term volatility in the market requires strategic agility and a commitment to long-term goals.

What would be your advice to a new investor, who wants to invest Rs 1 lakh in equity mutual funds?

Participating in equity investment necessitates a comprehensive grasp of individual risk tolerance, investment goals, and return expectations. The market provides various investment options, ranging from low-risk index funds to higher-risk thematic and sector funds.

It is prudent to choose investments that align with one's risk tolerance and investment horizon. Seeking advice from a registered investment advisor can help in pinpointing an appropriate investment strategy.

How do you foresee the future of fund management and equity research evolving? Are there any emerging sectors or technologies that you think investors should keep an eye on?

Every industry undergoes continuous improvement, and the fund management profession is no exception. A commitment to perpetual enhancement and adaptation should form the nucleus of fund management and research. We believe in identifying emerging sectors, even when their current market size is modest, but with the potential for significant growth. Any sector that addresses customer needs while generating profits for stakeholders contributes to creating wealth for investors. Emerging technologies like AI, EV, data science and analysis exemplify areas that may yield alpha for investors, showcasing the evolving landscape where innovation intersects with investment opportunities.

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