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India is at nascent stage in terms of MF investment penetration: Karan Doshi

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In an interview with Ashwini Kunder Talurmath of Myiris.com, **Karan Doshi, Senior Equity Research Analyst & Fund Manager LIC Mutual Fund Asset Management** says, 'In the mid-long term, outlook remains positive supported by consolidation, digitalization, economy revival and regulatory reforms.'

Interview Excerpts:

1. How do you see the new virus variant impacting the Indian market?

While the post pandemic recovery has started, the emergence of the new variant and its spread across various countries, has again brought some uncertainty. Virus issue now seems to be in the transitory phase. As per media sources, Omicron variant, though fast spreading, has not proved to be fatal as of now.

2. How do you sum up 2021 in terms of primary markets and your outlook for 2022?

2021 has definitely been a good year for primary markets. India has seen record fund raising through primary issuances in 2021 to a tune of above Rs 1 lakh Cr where majority were new-age tech enabled businesses.

While buoyant secondary markets, low interest rate and abundant liquidity has helped primary market, one key thing to note is that we have seen many interesting new generation companies have been successful in raising money. New generation businesses need to be evaluated in a different way since these are loss making entities.

In addition, rising participation of retail investors with the increased digitalization provided major support to the equity market. The listing of IPOs has enabled investors to participate in few fast-growing companies.

Outlook for 2022- While there is always money available for good quality asset irrespective of market conditions, but in general, fortunes of primary markets are tied up to how secondary market behaves. In the mid-long term, outlook remains positive supported by consolidation, digitalization, economy revival and regulatory reforms.

3. What are the benefits of mutual fund and why someone should invest in mutual fund rather than direct equity?

There are wide range of options in terms of asset classes (Equity, Debt, Gold, etc.) depending on one's financial goals, returns expectations and risk tolerance. MF are best suited for new investors or informed investor where one can participate in equity market with SIP or lump sum. MFs have Professional with over decade experience in fund management. For Knowledgeable investor who invests directly in equities, MF investments serves as diversification.

4. Mistakes do investors make while investing in Mutual funds?

Investments in mutual fund should be done along with proper understanding of the product and then allocate in different asset classes depending on their risk appetite. Investor buys fund on recommendation/joining the herd rather than based on personal risk and return expectation. Investors sometimes lose patience or do not give the requisite time for an investment to provide the desired rate of return, and hence redeem prematurely.

5. Why are mutual funds making a rush for investing in IPOs?

The massive surge in IPOs is a reflection of buoyancy in the secondary market. Liquidity in both global and domestic remain strong. Furthermore, the low interest rate environment has led to increased exposure to the equity market in lieu to get attractive returns. Mutual funds are not rushing in all IPOs but evaluating IPOs based on reasonably niche business, good management competence, track-record, technology led and growth potential are likely to continue to see a good response.

6. New fund houses launch innovative schemes. Do you think one should be cautious about new investment themes?

India is at a nascent stage in terms of MF investment penetration. From a value-add perspective, Fund houses are looking for alternate ways to add value to investors. For investors, it's a good thing as they get many options to choose from and can spread their risk across different strategies and categories of asset classes.

Investors should study carefully new themes being offered, and if the theme fits into their strategy either for diversification or for return enhancement, based on their risk appetite, one should make a decision Investors should select the product based on his investment understanding, Risk tolerance and investment Goals.

7. What are the key risks that investors have to face in 2022?

One key risk investor must watch out for is impending liquidity tightening and rising inflation across the globe can create volatility. Big events like Evergrande's default could have ripple effect on Global growth. Upcoming state elections in India and midterm elections in US.

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