

Yogesh Patil of LIC MF says Budget 2021 likely to focus on ways to strengthen AtmaNirbhar Vision

The phenomenal journey of Sensex from 100 to 50000 has been enjoyed by all disciplined investors. The story has clearly highlighted the power of compounding with time, says Patil.

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JANUARY 30, 2021 / 03:23 PM IST



Given the weak revenue collections during the pandemic year, focus on boosting spends towards development expenditure and health keeping an eye on fiscal consolidation, **Yogesh Patil**, Fund Manager - Equity, LIC Mutual Fund said in an interview with Moneycontrol's Kshitij Anand.

Edited excerpts:

Q) Sensex touched 50K, but since then the index has fallen below crucial support levels. What should investors do now if someone plans to put fresh money?

A) Looking at just the listed market universe does not provide the real picture of the Indian economy. A sizeable component of GDP comes from the unorganised segment which has been losing share to larger and organised players (typically listed companies).

Surplus liquidity has meant all-time low-interest rates which have acted as a catalyst for leveraged consumption. Furthermore, India has been an outlier among emerging market peers in terms of foreign fund inflows.

All these factors together have led to a sharp rally and making valuation rich for the companies. New investors will be better off investing in good quality and growth-oriented companies or mutual funds having such investments in their portfolio.

The markets will remain volatile and in such a scenario, SIP works better than lump sum investing.

Q) We are just a few days away from Budget 2021. What are your key expectations from the Finance Minister?

A) Given the weak revenue collections during the pandemic year, focus on boosting spends towards development expenditure and health keeping an eye on fiscal consolidation.

We believe the focus of the Government would be on accelerating economic recovery despite challenging revenue collections.

Emphasis will be on the financial, healthcare, and infrastructure sector to strengthen the AtmaNirbhar Vision. The further granularity of PLI schemes to spur manufacturing might also be a part of this Budget. Apart from this, it could also aim for an aggressive divestment target in FY22.

Q) With markets hitting fresh record highs what should investors do with underperformers in their portfolio?

A) Predicting the markets is a futile exercise. My recommendation to investors would be to not give too much attention to news however, one needs to be cautious with respect to change in trend or long-term direction.

In a bull market, we tend to ignore risks and focus on returns. With more parameters, consistency and predictability is reduced which increases volatility. Do not change your investment philosophy based on index levels.

Sticking to your asset allocations and following a disciplined investment process is key to avoid taking undue risks beyond risk appetite.

While volatility will persist (and we cannot be immune to it), staying disciplined in investment will remain important and deliver satisfying performance in the long run.

Q) Which sectors are likely to be in focus in the next decade?

A) Economic recovery would benefit almost all sectors. In this context, the banking space seems well poised to grow with a pick-up in credit growth expansion and economic recovery.

Consumption is 60% of the GDP and consumption at the premium end continues to remain strong. Our sector wise preferences are IT, private sector banks, consumer discretionary, and select pharma and chemical companies.

Q) What are your views on December quarter earnings so far? Do you think that earning upgrades will only increase from here on for India Inc.?

A) After being laid down by the pandemic, good festive demand, faster recovery in the economy coupled with cost rationalisation has resulted in earnings upgrades across most of the companies who have so-far reported numbers.

The theme of consolidation and faster adoption of digital/technology is clearly playing out in this quarter. We would

wait for Q4 to be sure of this resurgent demand to know the sustainability of the same.

Q) How has been your journey in equity markets as Sensex rose from 100 to 50,000?

A) The phenomenal journey of Sensex from 100 to 50000 has been enjoyed by all disciplined investors. The story has clearly highlighted the power of compounding with time.

All consistent compounding companies have been classic examples of wealth creation. Equity has repeatedly proved itself as the best asset class among various asset classes.

Given the changing composition over the years, it would not be apt to comment on Sensex.

Q) The way the market moved in the last few months and if you have kept faith in equities when it was going down suggest the power of spending time in the market rather than timing the market. How can investors stay in markets for long term wealth creation?

A) We are bullish on the long-term theme of financialization of savings. And continue to remain bullish on equity as an asset class over the longer term notwithstanding the near-term volatility. The investor should have clarity about the investment objective in terms of time horizon, specific financial goals to be met.

It should be complemented with their understanding of where they stand on risk-taking ability and appetite. This will give clarity about how an individual can plan optimal asset allocation.

As indicated earlier, sticking to your asset allocations and following a disciplined investment process is key to avoid taking undue risks beyond risk appetite.

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