

'Basic principle in investing is to sidestep the big losses'

You can go wrong many-a-times, so use stop losses for risk control, suggests Mehra

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Investing in international equity has become the rage only in recent years. But, for Devina Mehra, founder, chairperson and managing director (MD) at First Global, an early entrant into global investing, having exposure to global stocks has been an obvious choice for a long time.

Going global

"During the Asian crisis, markets such as Indonesia, Taiwan, Thailand, and South Korea were down 50 to 90% in dollar terms. These were not basket case countries and yet they were in that situation. So, that's what got me thinking about going global, both as a business and in my personal portfolio. At that time, though, you didn't have the flexibility to invest globally as an individual," says Mehra. She spoke with *Mint* for our annual series on the personal finance journey of financial services industry leaders.

Today, Mehra has 85% of her personal portfolio in equity and commodities. The latter includes both commodity company stocks and direct

exposure to commodities such as oil and gas, gold and other metals. Of this, almost 68% is invested in global stocks and commodities and the rest in Indian stocks. In global equity, Devina has the largest exposure to the US, though it has less weight than that assigned to the country in benchmark multi-geography indices.

She holds another 15% in fixed income, largely US Treasuries and other investment-grade papers. "With interest rates moving up, especially from very low levels, globally, the fixed income portfolio had to be managed even more actively than the equity portfolio, the past year and a half," remarks Mehra. Both in India and globally, fixed income is probably not a particularly good place to be in this year. Almost all her investments are in First Global's products except for the Indian stocks she has held from before. First Global started its India portfolio

management service (PMS) only two years back.

Mehra doesn't 'invest' in real estate and the only property she owns is the place in Mumbai where she lives.

Risk control is key

"Liquidity is something I put a great premium on. So, I like to be in investments that are liquid and have publicly traded prices. So, my bias is towards equity," says Mehra. She, however, recounts, how in February 2020, they went into single-digit equity exposure at First Global which was "pretty drastic" but it paid off. Seeing pictures of deserted tourist attractions in Europe, made her realize that something unprecedented was underway. "After March 2020, we got back into equity, first in our global products and then in India. We also used put options to hedge against sharp market falls."

To her, the basic principle in investing is to sidestep the big losses.

"Investing is a loser's game so first make sure you remain in play, only then your returns will come. "If any fund or scheme goes down by, say, 35%, then you need a 50% plus rise to even get back to zero," adds Mehra,

giving an example to emphasize her point.

In fact, given her focus on liquidity and risk control, she ensures that First Global holds only up to 15% or so of its total equity exposure in small-cap stocks. "In small-caps, we often find that liquidity might be great when you are buying, but when you try to sell liquidity might disappear," says Mehra. By small-caps, she means companies with a market cap of ₹1,000 – 5,000 crore.

Advice to investors

According to Mehra, asset allocation and risk control must be the two key focus areas for any investor. But, first one needs to find out what his/her current asset allocation is, something most investors are not aware of.

"All investment books highlight how 85-90% of returns are determined by asset allocation and not security selection. So, one must get this right."

1 WHAT'S YOUR CURRENT ASSET MIX?

A	India Equity	17%	✓
B	Global Equity & Commodity*	68%	✓
C	Fixed Income	15%	✓
D	Real estate	Nil	
F	Alternative asset class	Nil	

*includes commodity company stocks and direct commodities

2 DO YOU PLAN TO CHANGE YOUR ASSET MIX?

A	Yes	
B	No	Nil

3 WHAT'S YOUR LARGE, MID AND SMALL CAP MIX?

A	Large and mid caps	85%
B	Small caps*	15%

*Companies with mkt. cap of ₹1,000 - 5,000 cr

4 IN GLOBAL EQUITY, WHAT'S YOUR GEO-WISE ALLOCATION?

A	US	60%
B	Canada	5.50%
C	Other developed markets	22.50%
D	Emerging markets (ex-India)	9%
F	India	3%

5 WHAT IS THE EXPOSURE TO YOUR OWN SCHEMES?

▶ Over 90% portfolio is in First Global products

6 WHERE DO YOU INVEST IN DEBT?

- ▶ US Treasuries and investment-grade papers
- ▶ Focused on inflation-protected and floating rate products

7 WHAT EMERGENCY CORPUS DO YOU MAINTAIN?

▶ No specific allocation. Sufficiently invested in liquid assets that can be used.

8 ONE STRATEGY THAT WORKED IN THE LAST 1-2 YEARS?

▶ Moving into commodities at the right time

9 ONE THAT DIDN'T?

▶ Conservative strategy of global diversification instead of concentrated US exposure & hedging (cost) against crashes impacted 1-year returns

10 ADVICE TO INVESTORS

- ▶ Get asset allocation right; that drives returns
- ▶ Have risk control measures such as stop losses



Devina Mehra
Founder, chairperson & MD at First Global

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She suggests that investors should tell themselves that they can go wrong at least 30-40% of the time, if not more. So, having risk control measures like stop losses is necessary. These rules must be set up-front and then followed clinically. She elaborates on how the risk control system is implemented at First Global. "We have a human plus

machine model on the buying side but on the selling side, we have no human intervention. So, I cannot override the system no matter what."

Note to readers: The article highlights Mehra's asset allocation and investment strategies. Each individual should tailor investments to their risk appetite and time horizon.