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ET Alpha Wealth Summit | Is alpha dead in Indian markets? Devina Mehra says no, but the game has changed

Synopsis
Stock-picking is not over, but the way to achieve better returns is changing. Most investors are missing the real story. Devina Mehra of First Global highlighted that a narrow rally last year meant many portfolios suffered even as indices rose. She stressed that diversification is mathematical, not magical, and global investing is key.


On the recent boom in global investing interest, Mehra noted she began allocating overseas back in 1999, well before it became a mainstream conversation in India.

Stock-picking isn't dead, but the path to outperformance is shifting, and most investors are misreading what's actually happening beneath the surface of the indices. That was the core argument from Devina Mehra, Founder & CMD of First Global, at the ET Alpha Wealth Summit.

The pain investors felt wasn't random

Mehra pointed to a striking statistic: in a typical market, around 40% of stocks tend to outperform. But last year was anything but typical. At one stage, only 12-15% of stocks were beating the broader market, an unusually narrow rally.

That narrowness explains a confusing pattern many investors experienced: indices climbed, yet individual portfolios bled. Mehra noted that even as headline numbers rose, the average stock actually fell, and roughly 40% of stocks dropped more than 10%. In other words, the index masked real pain happening at the stock level.

The good news, she said, is that breadth appears to be returning, with a wider range of stocks now participating in gains, a healthier setup for active stock-picking going forward.

Her core rule: Never go all-in on equity

Mehra's standing advice hasn't changed regardless of market conditions: never put 100% of a portfolio into equities, and treat equity allocation as money that shouldn't be needed for seven to eight years. Equity remains the most volatile asset class, and living through that volatility in real time always feels unprecedented, even though, statistically, it isn't.

Why diversification isn't magic, it's math

One of the most useful frameworks Mehra offered was around why diversification works at all. She compared investing to a game that mixes luck and skill, and said spreading bets across more stocks doesn't make anyone a better picker; it simply reduces the role luck plays in the outcome.

Her analogy: flip a coin 10 times and you might land on seven or even nine heads purely by chance. Flip it 100 times, and the result converges much closer to 50-50. The same logic applies to stock portfolios, a 60-65% stock-picking success rate (which she called a genuinely strong ratio) only shows up reliably in results when spread across enough positions, such as 50 stocks rather than 15.

Her blunt warning to investors: be skeptical of anyone claiming to have a formula for picking multibaggers. Diversification, done properly, isn't a guarantee of multibagger returns, it's a way to make outcomes more dependable.

Going global, long before it was trendy

On the recent boom in global investing interest, Mehra noted she began allocating overseas back in 1999, well before it became a mainstream conversation in India. She also pushed back on a common psychological bias — the tendency for most people to assume they're better than average, much like the well-documented overconfidence seen among drivers who rate their own skills unrealistically high.

The takeaway

Alpha isn't dead, but Mehra's message was clear: durable outperformance comes from disciplined asset allocation and genuine diversification, not from chasing hot picks or assuming personal skill will outrun the odds.