

Why Devina Mehra is bullish on silver

[Iash Kriplani](#)



Devina Mehra, MD and chairperson, First Global.

Summary

First Global MD & chairperson expects silver prices to go up more than gold

Gold is shining bright. Prices of the yellow metal have been soaring since the beginning of March. While many investors are now adding gold to their portfolio, Devina Mehra, chairperson and managing director of First Global is looking to add some silver to her commodity portfolio as she sees relative gold-silver trade as being favourable to silver.

“Even compared to gold, silver is beginning to look good. Unlike gold, silver also has some linkage to industrial demand. The US leading indicator on industrial production is also looking good. So, all this put together bodes well for silver,” she says.

Barring some legacy stock holdings, about 90% of Mehra’s investments are channeled through funds and portfolio strategies offered by First Global, which offers both an India PMS (portfolio management service) as well as globally diversified investment solutions across geographies and asset classes.

While Mehra is overweight on Indian equities, she says investors should be wary of small-caps.

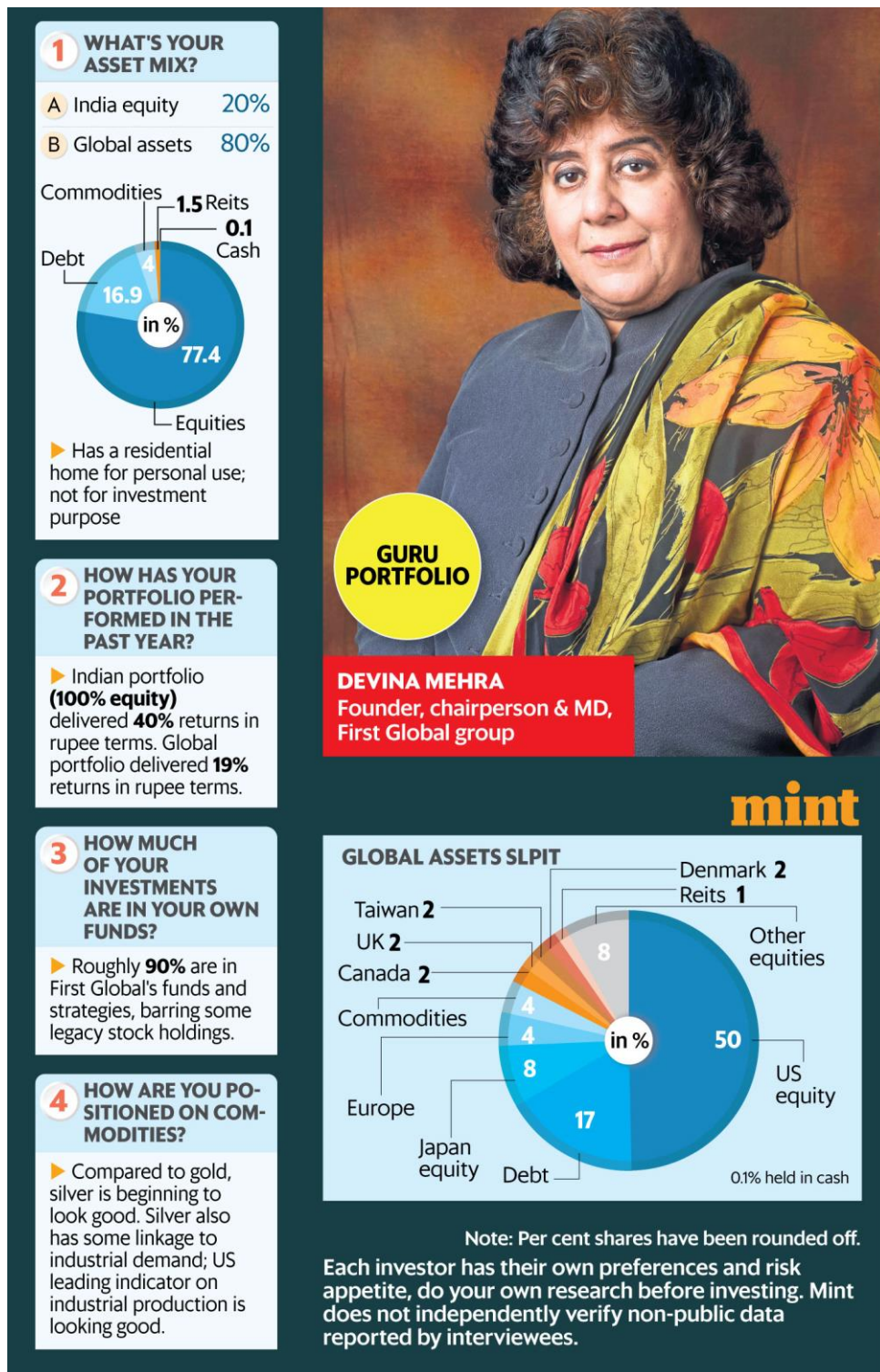
“Small-caps have seen a sharp rally in 2023 at the index level. This is also a (small-caps) segment where things like stop losses don’t work because many of these companies just go into oblivion. Recall, in 2008-2009, the small-cap index itself crashed almost 80%, so a lot of stocks were completely wiped out. The index recovered back in 2016 but, in 2018, it again crashed nearly two-thirds. During such euphoria, people forget all that,” she pointed out, during an interaction with *Mint* for the Guru Portfolio series. In this series, leaders in the financial services industry share how they are handling their finances and investments.

Indian equities

Mehra has 20% of her investment portfolio in Indian equities, while 80% is in global assets.

In First Global’s India portfolio management services (PMS), large-caps comprise 69% of the allocation, mid-caps take up 24%, small-caps are 6%, and the remaining 0.5% in cash. For its India PMS, First Global considers stocks with more than Rs20,000 crore market cap as large-caps, between Rs5,000 crore and Rs20,000 crore as mid-caps, and between Rs1,000 crore and Rs5,000 crore as small-caps. “We limit our exposure at Rs1,000 crore threshold,” she says. This is different than Amfi thresholds laid down for mutual funds; where stocks with more than Rs50,000 crore market-cap fall under large-cap category; Rs15,000-50,000 crore in mid-caps and the remaining 4,000-odd stocks below Rs15,000 crore market-cap fall under small-caps.

Overall, Mehra is bullish on Indian equities. "In India, we see some volatility over the next two-three months, possibly due to the election overhang. But overall, from one-two year perspective, India is looking good," said Mehra.



Global play

Mehra's global assets include a wide range of investments, including global equities, fixed income (debt), and commodities. Within global assets, 80% is in global equities (the largest chunk is invested in US equities), 17% is in debt and 4% is in commodities.

Of the global portfolio, about 50% is in US equities, 8% in Japan, 4.2% in Europe, 2.2% in Canada and 2% in Indian equities. Other countries such as United Kingdom, Taiwan, Denmark, Germany and Netherlands take up 1-2% each.

Mehra says she is now more comfortable with global equities as the market rally, especially in the US, has become more broad-based.

"Earlier, the rally was quite narrow as only tech stocks were driving the global rally, more so in the US. But in the last six months, the markets have broadened. The small- and mid-cap indices in the US are starting to look good. So, I am much more comfortable now in equities," she points out. Mehra is slightly overweight on US vis-a-vis the global multi-asset benchmark indices tracked by First Global.

Mehra's commodity exposure has slid from 9% last year to just 4%. She had started building-up allocation to commodities in 2022, as commodities were the only asset class looking good back then. "At that point across geographies, all asset classes were down, except oil. But that's not the outlook anymore, hence we have cut commodities exposure in our portfolio," she says.

She adds that the reason for increase in debt exposure from 14% last year to 17% now is also that a lot of commodity allocation has been moved to fixed income over the past year. The fact that interest rates have been higher has also helped this allocation.

As mentioned earlier, Mehra now plans to add silver to the global portfolio's commodity exposure, due to its linkage to industrial demand.

Portfolio performance

Mehra's Indian portfolio, which is 100% Indian equities, delivered 40% returns in rupee terms in the past year. The global portfolio, which is much more diversified across different asset classes, delivered 19% returns in rupee terms in the past year.

Mehra says her exposure to Japan did well in terms of markets and exposure to AI (artificial intelligence) chipmaker Nvidia did well in terms of individual stocks.


Other markets

Other than India and the US, Japan is one of the markets that Mehra is bullish on. "We were watching Japan since the beginning of last year for a bottoming out. Our internal systems confirmed the bottoming-out in April last year. Since then, we have been overweight on Japan, which has played out well for us. We have been watching China for a bottoming-out, but that has not happened yet as per our systems. But, it is a major market, which is really at a low point. I expect that at some point or the other, it will bottom-out," she says. Mehra's funds are also overweight on Japan, Taiwan and Denmark.

Debt play

Mehra says she has cut the portfolio's allocation towards high-yield debt in US as credit spreads in US are at historic lows. "When interest rates in US are 0.5-1%, you need some credit risk to get any return at all in fixed income. But we are not in that situation anymore," she says.

The fixed income investments of First Global's funds are all held via exchange traded funds or other mutual funds, never in single company bonds.



GURU PORTFOLIO

DEVINA MEHRA
Founder, chairperson & MD,
First Global group

5 WHAT HAS BEEN YOUR DEBT PLAY?

▶ We manage debt also as per our systems. Most recently, we have cut duration and credit exposure.

6 WHAT EMERGENCY CORPUS DO YOU MAINTAIN?

▶ No specific allocation since I invest only in liquid, exchange-traded assets that can be used

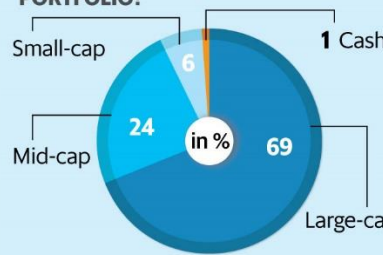
7 ONE STRATEGY THAT DIDN'T WORK IN THE LAST YEAR?

▶ We tend to maintain a broad diversified portfolio, but global markets were extremely narrow in the first 10 months of 2023. Last 6 months, the rally has broadened, favouring our strategy.

8 ONE STRATEGY THAT WORKED IN THE LAST YEAR?

▶ In terms of country; going overweight on Japan equities at the right time has played out well and in terms of stocks; Nvidia has done exceptionally.

WHAT'S THE MARKET-CAP SPLIT OF YOUR INDIAN PORTFOLIO?



▶ The India PMS uses its internal market-cap buckets; not Amfi's market-cap definition.

9 DO YOU EXPECT INTEREST RATES TO REMAIN HIGH?

▶ Yes, we always expected rate cut to happen later than sooner. Now, US Fed chairman's statement has also signaled the same.

10 WHAT'S YOUR ADVICE TO INVESTORS?

▶ Small-caps appear frothy, limit exposure. Get your asset allocation right—including global diversification—it drives bulk of returns. Investing is a Loser's game; always keep stop-losses.

Note: Per cent shares have been rounded off.

Each investor has their own preferences and risk appetite, do your own research before investing. Mint does not independently verify non-public data reported by interviewees.

Interest rates

“We were always in the camp that proposed interest rate cuts will happen later than sooner. This year, there were some expectations that rate cuts will start in March, which also seemed very unlikely to us. When inflation reaches that high, it usually doesn't come down in three-four quarters. So, we were not expecting rate cuts in 2023 or in early 2024," Mehra says.

“US Fed chairman Powell's dovish stance in November appears to have backfired. Inflationary progress has stalled in the first quarter of 2024, as evidenced by US Fed chairman Powell's recent statement, where he said that the recent inflation data did not give confidence and indicated that it is likely to take longer than expected to achieve that confidence," she points out.

Geo-political tensions

Are growing tensions between Iran and Israel a reason for worry from the perspective of the markets?

“We looked at every geopolitical upheaval over 50 years: the two Gulf wars, US invasion of Afghanistan, US bombing of Libya, 9/11, every disruption. We find there is some turmoil around that date (of the event), but every single time, the markets forget about it in a few months even though the conflict doesn't end," Mehra says.

“It's a very strange thing that no matter how mismatched the adversaries are, as in the case of US and Vietnam or US and Afghanistan, no conflict gets over in a matter of weeks. They get dragged out. But the markets (if your narrow focus is markets) forget it," she adds.

“The only lasting impact is on oil and gold, which historical data shows lasts about a year since such major events. In case of oil also, even if an oil-producing nation is involved in the conflict, they want the oil supply to continue at the end of the day. Commodities is one bull market that nobody desires so sanctions don't work well for oil" she explains.

Advice to investors

She cautions investors to be very careful of small- and micro-caps right now. Besides this, Mehra says investors should look at global diversification. “When I started working, the dollar was trading at Rs12, today it is Rs83-plus. So, the rupee has depreciated by about 85%," she says.

“And then, get your asset allocation right as this determines most of one's returns. First, look at which asset classes in which geographies you hold. Most people don't even know what their current asset allocation is. So, that's important. And always focus on risk-management first before trying to maximize returns. Investing is a loser's game— so if you don't lose, you win. You can make mistakes along the way, but ensure your losses from such mistakes are not huge. Use strict stop-losses," she says.