

Why Shankar Sharma is against a DIY approach while investing in US markets

“There is no point owning one Tesla share. Even a few shares of any of the so-called FAANG group is not going to serve any purpose for an Indian investor,” says well-known market expert Shankar Sharma.

Everyone who is even remotely related to the stock markets knows that Sharma believes in calling a spade a spade. He minces no words while driving home a point.

At a time when there is a huge rush of Indian investors looking to invest in the overseas markets, Mr Sharma, who along with his wife Devina Mehra founded First Global Securities way back in 1990, says that overseas investment is highly recommended but it is not a do-it-yourself (DIY) product.

This assumes significance as the last few months have seen many brokerages in the country partnering with platforms that offer overseas trading facilities to the Indian retail investors. Firms like Stockal, Winvesta and Vested Finance are some of the leading platforms that offer overseas investment services in India.

The rush to offer such facilities was fuelled by the heightened investor interest in the FAANG group in 2020. FAANG is an acronym for Facebook, Amazon, Apple, Netflix and Google (now known as Alphabet). The pandemic saw a surge in the business of these companies and investor interest soared especially with the entry of a huge number of millennials in the stock market.

“One needs some expertise in other markets and not just the US. There is a vast universe of stocks outside the popular FAANG group. In fact, there are many that have given better returns than FAANG,” said Sharma.

If an Indian investor wants to buy just one share each of Facebook, Amazon, Apple, Netflix and Google, the total cost would be over \$6,800 or more than Rs 5 lakh. Incidentally, platforms that offer overseas trading services also offer fractional ownership facilities.

Sharma, however, believes this approach does not work as the volatility in the international markets is huge and owning a share or a few shares of a few companies exposes the investor to volatility risks without providing any benefits of diversification.

Indeed, as the current year saw Tesla shares touching a high of \$880 in January before falling to a low of \$563 in March. It is currently trading at around \$707.

Similarly, Peloton Interactive, an exercise equipment company based in New York, which emerged as a darling of the stock markets in 2020 with its shares surging nearly five times from \$31 to \$152, is currently trading at around \$97.

“People hear about stocks after they have already gained a lot. Basically, the popularity reaches the average retail investor after the stocks have become popular,” said Sharma, adding that global markets are not all about the US as last year saw Vietnam, South Korea and Taiwan feature among the best-performing markets globally.

The spike in investor interest also led to many mutual funds in the country launching funds targeted at overseas investments or market their existing such funds with renewed vigour.

To iLeading fund houses including Parag Parikh MF, Motilal Oswal MF, Franklin Templeton MF, Axis MF, ICICI Prudential MF, Edelweiss MF, Nippon India MF and Aditya Birla MF among others have funds that invest in the overseas markets.

You need a good quality fund manager to manage such a product, says Sharma while reiterating that for an average individual investor, managing overseas investments is just not possible given the different time zones and factors affecting the various markets and sectors; not to forget the huge volatility.

First Global Securities has two funds—Global Multi Asset Allocation Portfolio (GMAAP) and Global Freedom Fund (GFF)—that invest in global markets with both gaining around 36% in 2020.

He, however, adds that every Indian investor should have an exposure to the global markets as each country has its own share of risks like currency, inflation, political uncertainty and economic growth that affect equities and hence one should diversify across countries.

“Building a good portfolio is like building a good cricket team. You need different kinds of players like batmen, pacers, spinners, all-rounders etc. Similarly, you need different types of stocks in your portfolio,” said Sharma.