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Can a portfolio manager create a permanent bull market for your wealth?

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Synopsis
Many big and small investors have thought exactly like this in the past several months! Of course, we have seen that the markets have kept on going up despite all the doubts and scepticism.

Shankar Sharma & Devina Mehra
Co-founders, First Global

Shankar Sharma heads the global strategy group at First Global. Referred to as 'The Alchemist of Dalal Street' by Forbes magazine, he is known for rightly predicting the 2000 dotcom bust, the 2008 market crash, the Indian market bull run since 2009, the oil price crash in 2008 and the oil bull market in 2016. A Dean's List alumni from Asian Institute of Management, Manila, Sharma had a successful stint with Citibank, before founding

Can smart fund managers create a permanent bull market in your portfolio? We absolutely believe they can!

But first: Why is this question at all relevant? Well, it is very logical for you to think that markets have gone up a lot and, therefore, should you be investing right now or not?

Many big and small investors have thought exactly like this in the past several months! Of course, we have seen that the markets have kept on going up despite all the doubts and scepticism.

As a result of this hesitation, many investors have lost the chance of a lifetime to make massive profits, because their wealth management companies or portfolio management services failed to guide them on how to create a permanent bull market in their portfolios.

his own venture, First Global (www.firstglobalsec.com) in 1990. He is very active on social media and can be followed at Twitter (https://bit.ly/3fIPN68), Facebook (https://bit.ly/3kkHQYf), LinkedIn (https://bit.ly/3fFwt9A), Instagram (https://bit.ly/3gO1klC) and Youtube (https://bit.ly/3ih1z9h). Devina Mehra, Co-founder and Chairperson of First Global, is an IIM-A gold medalist. She, too, had a seven-year-long stint at Citibank before launching India's leading institutional brokerage firm. She spearheaded First Global's globalisation over two decades ago, making First Global the first Asian (ex-Japan) firm to become a member of the London Stock Exchange and then the NASD. Some of her major calls were identifying the cashflow turnaround in Amazon at a price of $11 and highlighting the accounting shenanigans in Worldcom and Enron well ahead of the scandals. Her twitter handle is @devinamehra. Both of them have been quoted widely on Global as well as Indian markets by global financial media like Wall Street Journal, Barron's, Business Week, Fortune, Forbes, CNBC, Financial Times etc

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What is the solution, then?

Let's understand some key things first.

1. There is nothing called a bull market or a bear market. A bull market and a bear market co-exist at any point in time. What this means is that certain categories of investments will be in a bear market while at exactly the same time, certain categories will be in a bull market!

For example, in the last 10 years:

- Emerging markets were in a bear market while the US markets were in a bull market, despite both being equities!
- Overall, equities were in a bull market while commodities were in a bear market.
- The US dollar was in a bull market while emerging market currencies were in a bear market.
- In 2020, Indian IT & pharma stocks had a massive bull market, while simultaneously, Indian banking had a massive bear market (Bank Nifty was up just 1-2% for Calendar 2020!)

The point that we are trying to make is that of simultaneous bull markets and bear markets. They coexist. All the time.

It takes deep understanding of markets to figure this out. And exploit it.

2. Smart, proactive Asset & Sector Allocation, coupled with tight, tactical risk management can indeed create a permanent bull market for your wealth.

The question to ask here: is your investment manager or wealth advisor capable of understanding, and then exploiting these simultaneous bull markets and bear markets? Or are they just a one-trick, equity bull-market pony?

Also, the question to ask is: how good is your investment manager at the business of managing risk while continuing to generate returns.

To give you an example of what we did at First Global this year:

- In India, in February last year, we saw plenty of dangers looming up because of the virus. As a result, we immediately took protective action

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through our Tactical Insurance for Portfolio Protection Strategy: TIPP Tech. And by buying government treasuries.

The TIPP Tech saved our clients from a lot of damage in India as well as in the global stock markets. From that point onward, i.e., March-end, we remained fully invested, riding the entire bull market.

However, from October, we started to buy a matrix of Put options, via TIPP, again which was hedging different elements of our portfolio at different points in time. Therefore, we kept on capturing the upside that the markets gave us, without running the risk of big losses.

b. On the global side where there are far better risk management and investment options available, it is so easily possible to diversify beautifully across the world, into several uncorrelated asset classes, and individual stock positions, that one can escape big meltdowns: just the massive range of choices available: 13,000 stocks, 100s of fixed income assets and REITs, dozens of commodities (previous metals, industrial, strategic like Rare Earth), all, when combined together into a perfect portfolio symphony, can capture most of available upside, without endangering portfolio safety.

And one can hedge each security, as well as a basket, too! Just imagine the flexibility on offer globally!

See how we did it in 2020? We moved away from our large American technology stocks positioning around August last year and increased our positions in emerging markets and commodities.

As a result, we have had a very decent run even from the time that the NASDAQ became wobbly, with a flat-lining of major stocks like Amazon, Netflix, Facebook, Microsoft (these stocks have done almost nothing since August 2020!)

This is because we have had commodities that have done very well. We have had Bitcoin, which has done very well, and we have had global REITS that have done very well.

Therefore, tactically, we left the ageing bull market in FAANG stocks and fully exploited the younger bull market building up in other asset classes.

Further, our portfolios have been extremely well-balanced, with our overlay of TIPP Tech. Therefore we kept on capturing most of the upside that was on offer across the world, without running the risk of suffering massive losses, should the market have fallen.

The way we do things at First Global, whether in our India PMS or Global PMS and Global Fund, is completely different from the rest: we are extremely vigilant at all points in time and we keep adding layers of protection of risk management, on an ongoing basis.

We always keep scanning the environment for durable shifts in trajectories of asset classes, sectors, countries. Then, by tactically hedging our portfolios, through a combination of TIPP Tech and Tightened Stop Losses, we almost ensure that even if there is a massive crash, we don't suffer massive losses as other PMS and funds routinely do. (Some losses can and will happen, of course. We are concerned only about big losses).

This creates sustainable portfolio returns, even if it means foregoing some extra upside, once in a while. Nobody minds that!

What should be your takeaway?

Simple: You just need to choose your investment manager or wealth adviser wisely and then leave the tactical aspects like asset classes and sectoral allocation, the risk management to that carefully chosen investment manager.

And only then can you enjoy the full benefits that the market offers. Your fund management & PMS service provider should be able to deliver this tactical risk management in order to smoothen out your portfolio returns by prevention of massive losses, thereby creating a near-permanent bull market in your portfolio.

If they can't ensure this, they don't deserve to manage your wealth. If your choice of investment manager is right, you have solved your problem. All that you need to do is ensure that your investment manager has the capabilities to navigate good markets as well as bad ones; that's all the analysis and research you need to do.

If this so-called liquidity-driven market collapses, is your investment manager or wealth adviser already aware of this risk and have they done adequate, proactive risk management and sectoral diversification?

Investing Heaven is possible: one can participate in all the bull markets that are happening in India and globally, while not running the risk of massive capital loss: that is what this business of investment & portfolio management is all about.

And to answer the question, the secret to creating a permanent bull market is nothing but smart proactive allocation, and risk management. That's what smart money managers do.

(Shankar Sharma is Vice Chairman & Joint MD, and Devina Mehra is Director & Chief Investment Strategist at First Global. Views are their own)

(Disclaimer: The opinions expressed in this column are that of the writer. The facts and opinions expressed here do not reflect the views of www.economictimes.com.)

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Shankar Sharma undoubtedly has clarity of thought and excellent execution abilities. But readers must understand that his strategy is edge-of-your-seat roller coaster ride trading as the way to wealth creation. It's not investing. Investing is buying into businesses that become multi baggers over time. There's a difference in pace and time. The end result of his continuous trading strategy is... Read More

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When something is too good to be true , it is just that , not true. You cannot jump from asset to asset across the globe and get each call right. The writer is also strangely silent on the broker commissions and capital gains tax implications for each transaction

DPR 10 days ago

excellent article

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NEXT STORY

Sensex closes 222 points higher as RIL helps market break 2-day fall

By Shubham Raj, ETMarkets.com Last Updated: Feb 11, 2021, 04:28 PM IST

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Synopsis
Foreign institutional investors have continued to buy Indian stocks in heaps keeping indices at record high levels.

Some caution has seeped into domestic investors.

NEW DELHI: Reliance Industries single-handedly lifted equity benchmarks on Thursday, helping both indices snap a two-day losing streak as India Inc continued to report better-than-expected financial results for the October-December period.

Foreign institutional investors have continued to buy Indian stocks in heaps keeping indices at record high levels. However, some caution has seeped into domestic investors.

The 30-share pack Sensex added 222.13 points or 0.43 per cent to close at 51,531.52. Its broader peer NSE Nifty advanced 66.80 points or 0.44 per cent to settle at 15,173.30.

"The domestic market closed with slight gains after its range-bound rally, tracking gains in index heavyweights and positive European & Asian markets. The upward movement in the market was supported by energy, telecom and FMCG stocks with small caps outperforming. Dip in January auto retail sales numbers pushed the sectoral index into the negative territory while PSU banks also remained under pressure," said Vinod Nair, Head of Research at Geojit Financial Services.

Market at a glance

- MRF tanks 7% after co announces Q3 nos, dividend
- Magma Fincorp jumps 10% after Adar Poonawala buys stake
- Titan Company drops over 2% after Q3 earnings
- RIL emerges top bluechip gainer, adding 4%
- Coal India closes down 1% after Q3 results

Among the bluechip scrips, Hindalco was the top gainer, rising 5.51 per cent. Reliance Industries,Sun Pharma, Adani Ports, GAIL, Power Grid, Bajaj Finance, UPL and BPCL were other gainers.

IPO Allotment Status | Stock Screener | Sensex | Stock Market | Stock Recommendations | IPO | Upcoming IPO | Gold Rate | Top Gainers | Rupee Vs Dollar | Share Market | Silver Price | Nifty 50 | Nifty Bank | Infosys Share Price | Crude Oil Price

Eicher Motors was the top loser in the Nifty pack for a second straight day, falling 2.56 per cent. Titan, L&T, Tata Motors, Coal India, HDFC Life Insurance, JSW Steel and Cipla were others that ended in the red.

Broader market indices ended with gains outperforming their headline peers. Nifty Smallcap added 1.81 per cent and Nifty Midcap added 0.18 per cent. Nifty 500 -- the broadest index on NSE -- gained 0.50 per cent.

Edelweiss Financial Services, Vodafone Idea, Hudco, BASF, IDFC and Amber Technologies were top gainers from mid- and small-cap indices, climbing in the range of 6-9 per cent.

Graphite India, IOL Chemicals, HEG Infra, MRF, Fortis Healthcare and Apollo Tyres were major losers from the broader market space, falling in the range of 3-8 per cent.

The sectoral matrix on the NSE was mixed. Nifty Metal was the top gainer, up 1.02 per cent, followed by Nifty FMCG and Nifty IT. Nifty PSU Bank was the top loser, down 1.25 per cent, Nifty Auto and Nifty Realty were others that ended in the red.

"We reiterate our bullish view on the markets, however, traders should maintain extra caution in the selection of stocks now. A decisive break above 15,250 would trigger a

Market breadth was in favour of gainers as 1,725 stocks ended in the green, while 1,261 counters settled with cuts. As many as 267 securities hit 52-week highs, mostly from the smallcap space. Meanwhile, 33 scrips hit 52-week lows, mostly from the microcap space. About 340 stocks hit upper circuit limits and 211 lower circuit limits.

European markets were trading on a mixed note at the last count. London-based FTSE was up 0.04 per cent

further upmove, else consolidation will continue."

— Ajit Mishra, Religare Broking

while Paris dipped 0.23 per cent and Frankfurt added 0.37 per cent. In Asia, most major markets were closed due to holidays.

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