India Strategies for Maximizing Returns

An active approach can help to manage the rich valuations of this growth market

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Investing in emerging markets requires an active approach as well as a disciplined investment process and rigorous risk management. We believe India, for example, is a long-term structural investment story but it isn't cheap. Even following a post-election correction, many stocks and sectors still command elevated prices.

So, it's crucial to assess company earnings projections against earnings multiples before committing to a stock. Investors need to be sure that a company's fundamentals and growth potential justify its price tag.

While valuations are elevated across many stocks and sectors in India, we would also say that the robust economic growth underpinning India's equity markets means that there are currently attractive opportunities available for active investors. Below are four key pillars that guide our approach to investing in the market.

1. Company research and engagement

Our investment team spends considerable time face to face with company executives, regulators and other corporate stakeholders. Their mission is to seek to uncover what makes good companies tick and what the variables are that may affect their success. Meeting and assessing company management is an essential part of our investment process. We believe on-the-ground insights are often undervalued by investors. It isn't enough to run programs and quantitative analysis to examine company fundamentals. Qualitative information derived from corporate engagement can be a key driver of alpha in portfolios.

2. Fundamental stock-picking and risk control

In tandem with research and corporate engagement is our fundamental analysis and stock picking approach. Experience has taught us that investing in emerging markets requires the ability to identify good companies at good prices, as well as the ability to look past the noise of the marketplace and maintain a long-term horizon. This helps us to build resilient and differentiated portfolios.

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And within our portfolios we have embedded risk management protocols which measure, monitor and revise where necessary the concentration of our holdings, and their individual and collective risk characteristics. Having invested in some of the largest constituents within the emerging markets universe for decades, we have navigated market cycles by building tightly managed portfolios that follow a disciplined fundamental investment process.

3. Portfolio construction

We believe a holistic approach that integrates robust risk management and deep fundamental research is essential to create resilient portfolios. Careful portfolio construction is crucial for investment success. Each stock is chosen for its potential role in balancing the portfolio, whether it's for growth, income, or hedging against volatility, ensuring an active and responsive investment strategy to achieve specific financial goals.

4. Partnering with clients

Active investment management also means actively partnering with clients. Investing in any asset class has two important dimensions. It is not simply about the potential returns a company or a portfolio can generate; it is also about what an investor's needs are. We place emphasis on being a reliable partner to our clients, working with them and going the extra mile servicing their needs.

Today's markets can be challenging to decipher. But at Matthews we believe that our experience, expertise, and patient long-term view can provide the gateway to sustainable returns for investors looking to broaden their portfolios and diversify their exposure to India.

Matthews: Specialized emerging markets expertise

Matthews has been investing in emerging markets since 1991. By focusing on these markets, with an investment philosophy that has been proven for over 30 years, we can provide investors access to dynamic parts of the world guided by a partner with deep expertise, experience and a record of success.

Discover the benefits of specialized emerging markets expertise with Matthews. Visit global.matthewsasia.com to learn more about our investment philosophy and capabilities.

Risk Considerations

Investments involve risk. Past performance is no guarantee of future results. Investing in international, emerging and frontier markets may involve additional risks, such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation. Additionally, investing in emerging and frontier securities involves greater risks than investing in securities of developed markets, as issuers in these countries generally disclose less financial and other information publicly or restrict access to certain information from review by non-domestic authorities. Emerging and frontier markets tend to have less stringent and less uniform accounting, auditing and financial reporting standards, limited regulatory or governmental oversight, and limited investor protection or rights to take action against issuers, resulting in potential material risks to investors. Pandemics and other public health emergencies can result in market volatility and disruption.

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