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Strong economic growth to deliver better market returns

With nearly two decades of experience in financial services spanning corporate finance, investment banking and funds management, **Sandesh Kirkire**, *chief executive officer of Kotak Mahindra Asset Management Company, says administered interest rate regime has made retail investors predominantly oriented towards guaranteed return products. In an interview to* FE's **Saikat Neogi**, *he explains that over a medium to long-term perspective, the investible potential of the Indian equity market remains strong. Also, it is important to inculcate better understanding of investment products, including mutual funds among retail investors. Excerpts:*

Globally, mutual funds are the most preferred route for retail investors. Why has it not picked up so much in India and what needs to be done?

The administered interest rate regime has made retail investors predominantly oriented towards guaranteed return products. In such a conservative investment backdrop, the growth of equity mutual funds has been noteworthy in the last two decades. Actually, less than 10% of the financial assets of retail India is in equity markets. Unit-holders in equity mutual funds are more or less equal to demat holders in the country. This is when the Indian stock market has been around in some form or other since 1870. So, I would say that the concept of equity mutual fund has picked up rather well. Though, more can certainly be done.

In a volatile market, how should retail investors look at stocks and equity-linked mutual funds in the near and medium term?

"Over the medium to long term, the investible potential of the Indian equity market remains strong. India has grown at about 13-15% (nominal GDP) for the past few years and may continue the same for the next couple of years as well. In that sense, the markets should deliver similar returns"

We must appreciate the fact that retail investors in India remain highly susceptible to volatility changes in the equity market. So yes, from a short term perspective, the investor may remain apprehensive about the participation, given the uncertainty emanating from the euro zone. But over a medium to long-term perspective, the investible potential of the Indian equity market remains strong. And that conviction is not lost on domestic investors as well. Look at our growth estimates. India has grown at about 13-15% (nominal GDP) for the past few years and may continue the same for the next couple of years as well. In that sense, the markets should deliver similar returns. This I believe stands out in the global economic map.

How should fund houses educate retail investors about financial markets and mutual fund products?

I think that the education process has to be kept very simple. While wealth creation is a long-term process, it is actually accessible to everyone. We at Kotak Mutual Fund regularly conduct investor awareness programmes, presenting basics of investments. The mutual fund industry, together with Association of Mutual Funds in India, has now standardised modules which are used for investor education. The purpose of the same is to inculcate better understanding of investment products, including mutual funds.

How are retail investors looking at Gold Exchange-Traded Funds (GETFs) and how the appetite for this paper can grow at a time when gold prices are touching new highs?

Indian retail investors have traditionally been gold price sensitive. The new highs may deter fresh investments. Having said that, given the spectre of uncertainty in the global markets, purchases motivated by value hedging may continue to be seen in GETFs. We believe that every portfolio should have an exposure to gold. Gold ETF is the best method to achieve a hassle-free gold investment.