



Coming out stronger from a second wave

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Ajit Menon
CEO

Dear Investors,

We have just completed a financial year that is difficult to describe in a single word. “Unprecedented“ possibly does not capture the wide range of emotions, like anxiety, depression, sense of relief etc that we went through as a society. Just as we thought that COVID was being relegated to history, it has reared its ugly head in the form of a second wave. This is again causing anxiety and a sense of gloom among the majority and understandably so. As an individual it is taking extra efforts to keep up the spirits. Likewise as an investor, it is going to take greater efforts to stay focused on financial goals and ride the volatility if it sets in.

The big question is, if the second wave has set in, why aren't equity markets reacting to the news like they did the last time around? While no one knows how things will shape up, one possible explanation can be that markets are always forward looking and are looking at the post pandemic picture. The vaccination drive is going on strongly. The developed world economies will possibly complete vaccination for a major portion of their population in the next 4-6 months. We may take a little longer but we will get there. There is no crystal ball to tell us about the post pandemic world. However If we want to guess what is likely to happen on the economic front when vaccination is completed, we could revisit history. If we look at the aftermath of events like 9/11, Great Financial Crisis of 2008, SARS that shook the global economy, one thing is clear that humans revert to most of their original habits unless they find a more convenient alternative. Post 9/11 most people wanted their offices away from Manhattan. As things normalised Manhattan is more crowded than it was in 2001. Hongkong has a similar experience after SARS. The point is while some parts of our lives will change maybe like shift from physical to online shopping because it is a convenient alternative, can there be a superior alternative to meeting college batchmates in person? Unlikely. So some parts of our lives will change, some will revert to normal and some will evolve.

Our fund managers are focussed on identifying changes and the likely winners and losers to align our portfolios. As an investor all we have to do is keep liquidity, stay focused on the asset allocation and not redeem in panic. If markets present opportunities and if your asset allocation / risk appetite permits add to equities. It is the only asset class that captures gains from innovation which tends to rise during such times.


There are businesses globally that are likely to benefit from trends like digitisation, on demand economy, mobile payments etc that the pandemic has accelerated. You can get exposure to such business through our PGIM India Global Equity Opportunities Fund and PGIM India Emerging Market Equities Fund.

The other likely outcome of the pandemic could be that strong companies will become stronger. We have always focussed on buying quality companies as defined by higher Return On Equity, low Debt and positive operating Cash Flows. You can take assistance from your Mutual Fund Distributor / Registered Investment Advisor to assess your overall holdings on these parameters. Try to have a low overlap of stocks across your different portfolios so that you get genuine diversification.

Lastly but most importantly please take care of your primary wealth i.e. your health. Following simple protocols like wearing a mask are the first line of defence. Immunity is the second line of defence. The vaccination/ medication comes after that. If we collectively engrain this into our outlook, we will soon come out of this pandemic stronger.

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