

## Amitabh Mohanty

*Managing Director and CEO, JM Financial Asset Management Ltd*

### “Lack Of Investor Awareness Is The Biggest Challenge”

Even though the number of retail mutual fund investors in India has been reflecting an amazing growth curve, there are challenges that many investors face due to a lack of insights into how the mutual fund industry works. As indicated by **Amitabh Mohanty, Managing Director and CEO, JM Financial Asset Management Ltd.** in this interview, steps must be taken to fill the gap



#### **Given the current global economic scenario, what are your predictions for the Indian stock market in the next 12 months? How do you foresee the impact of potential US Federal Reserve rate cuts on the Indian economy?**

Rate cuts, if and when they happen, are positive for the valuation of risk assets, including emerging market equities and commodities. The Indian GDP is on a solid footing now and we are seeing announcements which indicate an impending corporate capital expenditure cycle with PSUs leading the way and private companies following suit. Stock markets will have their ups and downs but the underlying strength of our economy gives us the confidence to continue to back the India growth story.

#### **In light of recent market volatility observed during the election result week, how does JM Financial Asset Management manage risk within its investment portfolios? Please elaborate on any changes or adjustments made to your risk management strategies recently.**

While we watch and calibrate our portfolio strategies in shorter

timeframes, our risk management framework is built solidly to last the test of time as well as market gyrations. Our framework focuses on compliance, portfolio quality and liquidity as cornerstones of risk management. Our risk policies keep a fine balance between giving adequate freedom to fund managers while having strict parameters for investment management, liquidity and volatility.

#### **What do you consider the biggest challenges facing the asset management industry today? How are you preparing to address these challenges?**

The Indian asset management industry faces several challenges. However, we believe that the lack of investor awareness and education is the most pressing one. Despite the growing awareness, a significant portion of the 'Bharat' part of the population remains under-invested due to a lack of knowledge or misconceptions about financial products. The efforts undertaken in this aspect, while commendable, need to continue.

We are witnessing an unprecedented rise in technological advancements and the rise of financial technology companies offering 'do-it-yourself' (DIY) solutions that could pose a threat

to traditional asset management models. These new entrants often offer more innovative and cost-effective solutions, attracting technology-savvy investors. Ensuring robust risk management frameworks to mitigate operational risks, including those related to cyber security, fraud and compliance is getting increasingly important.

Some measures need to be followed to find the right solutions. Implementing comprehensive investor education programmes to improve financial literacy can expand the market. Using digital channels and social media to reach a wider audience can also be effective. The combination of physical and digital models needs to be leveraged better. Technology needs to be used for not only investors but also for partners, empowering them with solutions which can help them give better advice to their investors. In India, we still need the advice of someone we can trust.

While the DIY platforms are great when the markets are high, it is when the markets take a downturn that the informed distributor comes to the fore – someone who can guide investors, using the latest tools, on their investment journey irrespective of the market levels. For us, developing robust risk management frameworks to address operational risks, including cyber security measures and compliance protocols, is essential. Regular audits and adopting best practices in risk management can safeguard against potential threats. By addressing these challenges proactively, asset managers in India can not only survive but thrive in a competitive and evolving market landscape.

**Which sectors do you believe will drive the next phase of growth in the Indian economy, and why? Can you highlight any specific sectors where JM Financial Asset Management is currently bullish?**

Corporate India is in the midst of a capital expenditure cycle and we are bullish on financials, cement, commodities, capital goods, manufacturing and power where we see strong growth trends.

**How has been the performance of your flagship funds over the past year and what factors contributed to their performance? Also, could you tell us about any new funds or financial products that JM Financial Asset Management has launched or plans to launch soon?**

The performance of our funds has been satisfactory with alpha generation over the past year. What has been even more satisfying is that funds with distinct mandates have delivered good performance pointing to overall validation of our investment process. While the flagship JM Flexi-Cap Fund has done well, funds such as JM Mid-Cap Fund, JM Value Fund, JM Large-Cap Fund and JM Aggressive Hybrid Fund have scripted superior risk-reward.

However, past performance may or may not be sustained. We have taken a calibrated approach to new product launches with

the focus being on stabilising each new fund before proceeding with newer launches. We did an NFO of JM Mid-Cap Fund in November 2022 and after a brief hiatus did the NFO of JM Small-Cap Fund recently in May 2024. We aim to launch newer products in the future to fill our product basket.

**What is the investment philosophy that underpins the fund management strategies at JM Financial Asset Management? How do you ensure that your investment strategies align with your investors' financial goals?**

India is a market with strong growth prospects in the medium term. The stages of economic evolution have ensured strong rewards for disciplined and quality-conscious growth investors. Our investment philosophy which we call 'GeeQ' stands for growth of earnings with earnings quality and tries to focus on companies with high earnings growth while being cautious on balance-sheet quality. This along with active management for consistency of returns while keeping a sharp eye on risk endeavours to generate superior alpha for our investors.

**In today's digital age, in what ways do you ensure transparent and effective communication with your investors? How do you incorporate technological advancements like artificial intelligence and machine learning in your investment processes?**

We are very traditional when it comes to our investment processes. While we use a lot of data and AI to help us compile reports and data on companies, our team aims to put in the legwork to go and visit the companies and meet the management and not just number-crunching the data available. In our own small way, we are using AI in trying to make reporting easier by using visuals like graphs and charts to convey complex information clearly.

For example, we use AI to enhance our monthly market outlook so that users can watch it on the go. Our factsheets and account statements are also redesigned keeping the end investor in mind, making it simpler for them to read and understand them. We are increasingly using machine learning to help segment investors and partners based on their profiles and tailor communications to their specific needs and preferences. This will help us adopt a sniper rather than a shotgun approach, making it easier to know what works and then keep doing that better and in different ways.

The use of social media today has become a necessity and we actively use these platforms to share timely updates and engage with investors and partners. We are also taking the first steps to ensure compliance with regulatory requirements by automating internal monitoring and reporting processes. While these are the first steps, we envisage the use of AI in tools and advanced risk profilers and calculators that help our partners analyse portfolios better and therefore be able to offer better advice to their investors.

