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Short-term tactical adjustments don't work, says Vetri Subramaniam of UTI



Vetri Subramaniam, head - equities, UTI Mutual Fund, was one of the speakers at Cafemutual Confluence 2018. ET.com Mutual Funds spoke to Subramaniam to find out his views on the current market and what strategy should investors adopt to stay on course.

You spoke about earnings and valuations in your session. Could you tell us how both these parameters are in line with returns?

Returns and earnings are eventually in sync with each other. But it's not a straight linear line because the valuations create curves around the line. Change in valuations is not something that you can scientifically forecast because it is a lot to do with the collective conscious of people and what they believe to pay for in equities. Which is why SIP is important. It tells you to ignore those valuations.

The importance and benefits of SIPs have been discussed throughout the day. There was also talks about asset allocation. Do you think just starting a SIP and continuing with it solves all the problems?

The SIP at some level is an entry strategy. It solves your problem of how do you get into equities in a sensible way. But no investor can run away from the fact that eventually you have to practice some level of asset allocation in your aggregate portfolio. So I think any discussion which stops at saying do SIP and all your problems are solved is incomplete. Because you haven't solved the problem of what would happen to that investor's portfolio over time. SIP solves your entry but not how you convert it into income.

We are currently witnessing volatility in both debt and equity markets. This is when we are speaking extensively about asset allocation. What is your thought about it?

I think asset allocation is something that you have to practice at all times. Simply because you don't know when times like this will come. Asset allocation doesn't have relevance because of today's market or anything. This is something which should go on at all times.

Many investors opt for tactical calls in volatile markets like the current one. Do you think it makes sense to stop and restart your SIPs to earn more?

The data shows that stopping and starting your SIPs doesn't work. It is actually counterproductive. Because you will end up investing less money, your return may or may not change very dramatically. But you are left with a problem that you have underinvested. This means that you have to put that money somewhere else but most asset classes won't give you the returns equivalent to equity. So you are left with a shortfall interim if achieving your eventual financial goals. So, the short-term tactical adjustments don't work.