

Personal Account

Ian Cowie



India gave me my first ten bagger — investors, ignore the region at your peril



Might a trade deal with the world's most populous democracy be among the first prizes won by our new prime minister, Rishi Sunak? I only ask because the collapse of talks to increase commerce between Britain and India was among the final failures of his ill-fated predecessor, Liz Truss.

To be fair, setbacks were flowing thick and fast for Truss by the time she dashed hopes of signing a deal before Diwali, the Hindu festival of light, last Monday. So this bit of bad news got next to no coverage in the UK.

But I noticed, because I have been investing in India for 26 years — and it was my very first ten-bagger (a share whose price went up ten times). Here and now, there are good reasons for investors to consider exposure to this vast country, with its young, often well-educated and entrepreneurial population.



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There's no need to take my word for this — the technology giant Apple (stock market ticker: AAPL) recently began producing its latest iPhones there. The idea is to reduce its reliance on China in case of a potential trade war — if not worse — with the US.

As it happens, I began investing in India and China at the same time, after business trips to Asia in the mid-1990s. However, I sold all my China investment trust shares a couple of years ago when I heard about the maltreatment of its Muslim minority, the Uighurs.

To be candid, I was surprised at the criticism my reports of that disposal attracted from some folk who had never shown any interest in investment. Events since then, in Europe as well as Asia, should have raised awareness of important differences between democracies and dictatorships, or economies that do — or don't — benefit from legally enforceable property rights.

Not so long ago, such talk might have sounded somewhat academic to those investors whose sole interest is maximising financial rewards. But I suspect more of us are now keen to minimise risks, and may become even more so in future.

Returning to my first Indian investment, I am jolly glad I bought shares in what is now JPMorgan Indian Investment Trust (JII) for 63p each in June 1996. They went through the “ten times” barrier years ago, and I bought some more on Monday for 819p.

Sad to say, they have not done terribly well recently, with total returns of 126 per cent over the past decade, followed by just 11 per cent over the past five years and a measly 1 per cent over the past year, according to the independent statistician Morningstar. This may explain why the shares I bought on Monday were priced 21 per cent below their net asset value (NAV).

That's a hefty discount for a diversified portfolio of blue chips that includes Hindustan Unilever, the Mumbai-based subsidiary of our consumer goods giant; and Reliance Industries, a multinational based in the same city that spans energy, telecommunications and media. JII's top holding is Infosys, the information technology group founded by the billionaire Narayana Murthy, who happens to be Sunak's father-in-law.

Now bear in mind that, over the same three periods mentioned above, the average UK all-companies investment trust delivered total returns of 122 per cent, zero and minus 27 per cent. Suddenly my first Indian investment trust does not look too bad.

Even so, I did begin to wonder when JII would get back into growth mode. So I diversified my exposure to this economy by investing in a medium and smaller companies specialist, India Capital Growth (IGC), in September last year, paying £1.21.

IGC turned out to be my top-performing investment trust during the third quarter of this year, surging 27 per cent during the three months to September. But that mostly won back ground lost earlier, and the shares trade around £1.25 today.



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Nor does either of these investment trusts pay any income to compensate shareholders for capital volatility.

More positively, the IGC fund manager Gaurav Narain told me: “Unlike many emerging markets that are focused on one or two sectors, such as mining or textiles, India offers a wide range of investible areas — including financial services, consumer and information technology.

“As multinationals diversify supply chains away from China, India has become a credible alternative. Its prime minister Narendra Modi’s reforms have also improved India’s economic stability.”

Closer to home, Narain’s analysis reminds me of the controversy surrounding our former chancellor Kwasi Kwarteng’s mini-budget last month. This prompted some critics — including the former American treasury secretary Larry Summers — to claim that Britain was “behaving a bit like an emerging market”.

The performance figures mentioned earlier show why it is foolish to use such a phrase pejoratively. If investors with UK all-companies shares had invested some of their money in this emerging market last year they would be better off than they are today.

Whether we like it or not, change is the only constant factor in finance and the way we live. On a purely personal level, writing this article reminds me that the Scots Presbyterian church in which I was baptised became a Shree Swaminarayan Hindu temple 45 years ago; that’s London for you.

Looking forward, I hope India will continue to reward investors who are willing to accept higher risks in pursuit of higher returns. Namaste!

[Read a breakdown of Ian Cowie’s “forever fund”](#)