



## Recovering At A Different Pace, India Is A Unique Opportunity

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Chuck Jaffe, in this episode of The NAVigator podcast interviewed James Thom, senior investment manager in Aberdeen’s Asian equities team based in Singapore and portfolio manager for The India Fund. Read the Q & A below as James says that the country's economic recovery from Covid-19 has resulted in astronomical growth levels - significantly higher than in



James Thom

the United States - that have the potential to continue longer, since the recovery there is still in early stages. Still, with vaccination levels low and concerns over variants, Thom noted that he expects more volatility ahead during the recovery process before, ultimately, the nation's demographics win out and pay off in a long-term growing market ahead.

The podcast can be found on AICA’s website by clicking here: <https://aicalliance.org/alliance-content/pod-cast/>

**CHUCK JAFFE:** James Thom, lead manager of The India Fund is here, and we’re talking about investing in India in these market times, this is The NAVigator. Welcome to The NAVigator, where we talk about all-weather active investing and plotting a course to financial success with the help of closed-end funds. The NAVigator’s brought to you by the Active Investment Company Alliance, a unique industry organization that represents all facets of the closed-end fund industry. From users and investors to fund sponsors and creators, if you’re looking for

excellence beyond indexing, The NAVigator's going to point you in the right direction. And today, well, it's pointing us in the direction of James Thom, who's lead manager of The India Fund and senior investment manager for Aberdeen Standard's Asian Equities team based in Singapore, so it's pointing us a long way away. But if you want to learn more about Aberdeen Standard, which operates the India Fund, that's AberdeenStandard.com. And if you want to learn specifically about the India Fund, a closed-end fund, it's AberdeenIFN.com, IFN also being the fund's ticker symbol. To learn more about investing in closed-end funds generally, check out the Active Investment Company Alliance website, AICAlliance.org. James Thom, thanks so much for joining me on The NAVigator.

**JAMES THOM:** Hi Chuck, great to be with you.

**CHUCK JAFFE:** These are particularly interesting times for India because of what we see happening both economically in India and around the globe, but also because of Covid, which isn't necessarily an economic story but which has become *the* economic story. So why don't you first get us up to date on what is happening both with the economy generally there and with where they are with Covid, because there was a time when India and their Covid problems were dominating what we were hearing in the news media here. That's calmed down but I don't know that that means there's been enormous change in the Covid situation.

**JAMES THOM:** No, you're absolutely right, India had a torrid time with Covid and we all saw the headlines with the huge numbers of cases on a daily basis coming through India in the early parts of this year. I'm pleased to say that that kind of second wave of Covid has now passed almost as quickly as it's arrived, and the situation today is pretty good. There are pockets of higher incidences, particularly down in the south of the country, but overall the picture is much improved. And with that, economic activity is coming back quite strongly. So India had a terrible year last year, as I guess the whole world did with a sharp contraction in GDP, this year the IMS is expecting it to grow by over 9% as it rebounds from that. So the picture is improving and certainly earnings that we follow very closely of corporates seem to be tracking in line with expectations. I will caveat that with the fact that India remains vulnerable to a further wave, perhaps more so than some of the other parts of the world because the vaccination rates are still relatively low but it is accelerating fast. It's funny, India's now vaccinating seven million people a day. So whilst there is risk of a third wave, it's a positive story in terms of the acceleration in the vaccination program.

**CHUCK JAFFE:** With the 9% growth you're talking about in India, is that starting to get on the downslope? Are we going to start to see things slow down and taper off in that recovery, or is that still on the uptick because they were so late into the recovery?

**JAMES THOM:** My honest view is that I think it's going to be a bit of a bumpy ride. So that 9%+ growth is coming off a low base last year. It is still accelerating but at risk of further waves of Covid infections, that's over the short term. So if we look sort of through the rest of this year that's how it's looking. I think the difference and perhaps the really attractive bit of the economic story for India is on the more medium term view, where I think there's a strong case to be made and plenty of evidence to point to the fact that it's on the cusp of a very meaningful kind of cyclical rebound. So India has been in the doldrums now for several years, well before Covid struck, and is due that rebound. And it looks as though it is in the early stages of that and could see a very meaningful increase in medium term GDP growth over the next several years.

**CHUCK JAFFE:** How much of that recovery is also just fueled by simple demographics? I mean, it's not necessarily the story that is always talked about here, but we've seen it with what happened with the baby boom generation and the rest, the demographics have fueled a lot of different things. Well, Lord knows the demographic numbers in India are fascinating, is that a big part of what's fueling that story?

**JAMES THOM:** So the demographics are hugely attractive, so India has a population of almost now 1.4 billion people and it's a very young demographic. The median age is a little over 30, which is well below that of China for example, obviously a country with a similar sized population. I think the demographics just provide a structural basis for economic growth in India come what may. I think that the cyclical recovery that I'm talking about now, well, it's cyclical but it's also partly being driven and boosted along by some of the reform agendas that we're seeing Modi and the governments put in place to help support infrastructure spending in particular and also housing. So I think that's the sort of additional kicker that's going to set in here on this growth path over the next few years over and above these very attractive demographics.

**CHUCK JAFFE:** We're always talking about the politics here as it can impact the market, but in India it's Narendra Modi and he's been a reform candidate. Have the reforms been helping

the business community, and do they make things more attractive or are there possibilities that it will put a bit of a damper on recovery?

**JAMES THOM:** So I think when you look at Modi's reform agenda it's a little bit of a mixed bag from a business standpoint or looking through it from a business lens. Some of it's been very positive I think. There's been a big focus on cleaning up government, improving the efficiency of the bureaucracy, moving services online, all of which has sort of helped improve the ease of doing business. There's been quite a big sort of pushback against corruption, which sadly is sort of endemic in India, and I think that's helped level the playing field as well from a competitive standpoint. And the implementation of the goods and services tax, GST, has been a huge, hugely positive reform I think for the country, and the economy, and business alike. There've been a couple of false starts, but I think what we're looking now in terms of the reform agenda over the next couple of years, there is this big focus on infrastructure and capital expenditure, and I think that's going to be supportive for business and we're seeing that come through already in terms of better earnings for companies exposed to that. And also trying to boost the manufacturing sector and attract foreign direct investments so there's been a sort of revamp of this policy that was launched a few years back called Make in India, and this time it's got some substance to it and is having quite a bit of success in certain targeted sectors.

**CHUCK JAFFE:** So ultimately let's bring this back and away from the big picture and down to the nuts and bolts, the stuff that you do with the India Fund. We've got plenty of people here in the United States who they're underrepresented in their international investments, they certainly aren't focused on an area like India. So why India? What is it about India equities that a US investor should be thinking, "This is what it will do for my portfolio"?

**JAMES THOM:** Investing in Indian equities is a play on that long-term structural growth story. And as I've kind of outlined, I think now as an interesting time with some of the Covid risks receding, with some of the cyclical drivers coming through into the economy and growth picking up. There's also a huge amount going on in the tech sector in India with some very strong, robust companies that have been there for a long time that are really riding this wave of digitization and providing some services into that. So they're continuing to perform very well, but also a large number of new companies coming to the market in the internet space. So India is in a way sort of where China was, I don't know, 10-15 years back in that

respect. And having not been able to play that theme as an investor in the Indian equity market or public markets, now there's this opportunity to do that over and above just the structural long-term growth story. So we're focusing on lots of these sorts of opportunities, we continue to really be a quality manager. So we're trying to find just very well-run companies with strong positions in their respective markets, good balance sheets, good healthy cash generative companies generating superior returns, and the India funding is a high conviction collection of those sorts of stocks that position you around some of those really exciting growth scenes.

**CHUCK JAFFE:** James, thanks so much for taking the time out to discuss it with me.

**JAMES THOM:** Thanks Chuck, I've enjoyed it.

**CHUCK JAFFE:** James Thom is lead manager of The India Fund, senior investment director for Aberdeen Standard's Asian Equities team in Singapore. You can learn more about the firm at [AberdeenStandard.com](http://AberdeenStandard.com), and specifically about the India Fund at [AberdeenIFN.com](http://AberdeenIFN.com). To learn more about closed-end funds, interval funds, and business-development companies go to [AICAlliance.org](http://AICAlliance.org), the website for the Active Investment Company Alliance. On Facebook and LinkedIn @AICAlliance.

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