

Indian investors hit hard by US tech rout

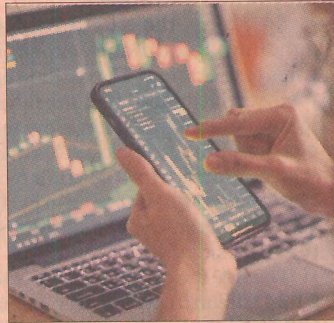
Over ₹12,000 crore MF money tied up in global tech giants

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THE RECENT ROUT in the share price of Facebook parent's Meta Platforms on Thursday and the estimated \$1-trillion loss in the market cap of big US tech giants this week have hit Indian investors quite hard.

Worse still, most of these stocks were already down between 30% and 70% since the beginning of the year. The latest crash would have put further pressure on the investors holding these stocks.

According to data from primemfdbase.com, Indian mutual funds held stocks worth a



little more than ₹1,100 crore in Meta at the end of September 2022. In total, the schemes had over ₹12,300 crore invested in top tech companies like Meta, Netflix, Alphabet, Amazon and Microsoft. These holdings would have taken a significant beating in the recent fall.

For example: Meta, alone, is down over 30% in the past month

MF EXPOSURE TO US TECHNOLOGY STOCKS

Value of holdings (₹ cr)*

YTD (% chg)

Meta Platforms	1,121	70.7 ▼
Netflix	1,966	50.5 ▼
Amazon.com	1,962	39.3 ▼
Alphabet	4,140	33.6 ▼
Microsoft	3,177	29.5 ▼

*Aggregate holding of international funds as of Sept 30, 2022 Source: primemfdbase.com

while Alphabet is down around 8%. Several schemes have invested a substantial portion of their corpus in the technology stocks given their high weighting in indices such as Nasdaq 100 and NYSE FANG.

Tech stocks account for over 25% weighting in the S&P 500 index as well.

That's not all. Indians sent \$19.6

billion abroad in FY22 as per the RBI data, of which investment in equity/debt comprised \$747 million. Of this, \$300 million would have made its way into stocks and ETFs, with 40% or more being invested into technology stocks, industry estimates suggest.

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Technology stocks have led the market decline in the US this year and have derated as the yield curve has shifted upwards.

Meta shares slid about 25% on Thursday, its biggest one-day drop since February, on a disappointing revenue outlook amid a challenging time for digital-advertising companies. Shares of Alphabet have slid nearly 6% in the past five sessions as its third-quarter revenue and earnings missed expectations amid slowing advertising sales. Amazon shares dropped close to 20% in after-hours trading on Thursday as the company said its all-important holiday shopping season would be smaller than expected.

"I do like US tech stocks, but the situation is painful because equities are in no man's land right now and people are very, very bearish under these circumstances," said Sean Darby, chief global equity strategist at Jefferies.

"The multiples that you would give to growth equities is going to become more challenging. The paradox is that if we're wrong and this is not a growth recession but a balance sheet and credit solvency one, then many of the tech stocks will do relatively well because the market will place a premium on their cash flows. You think the multiples adjusted for lower earnings but then rates move up and adjust the multiple again," added Darby.

According to experts, there are two elements controlling Indians' holdings abroad: Performance of US equities and that of the US dollar.

"After a brief lull, investments in technology stocks have started gaining traction in the last two months as valuations have become relatively more attractive because of the steep correction. This may be a good time to invest, especially in the cash-rich and larger market-cap companies such as Alphabet, Apple and Microsoft," said Sitashwa Srivastava, co-founder and co-chief executive officer, Stockal.

Indian investors need geographical diversification and international funds is the most convenient way of taking exposure to global markets. Direct investments can be done through an overseas trading account with a domestic broker which has a tie-up with stockbrokers in the US, or an overseas trading account with a foreign broker which has a presence in India.

However, global stocks should be part of the ancillary portfolio and the allocation has to be done accordingly, said experts.

"Investors should not look at timing the market and putting in lump-sum amounts just because the tech stocks have fallen. I wouldn't be brave enough to put a lumpsum amount just because tech stocks have fallen. That would be akin to timing the market," said Vicky Mehta, an independent analyst who tracks mutual funds.

"No one really knows how much pain is still in store for the tech sector. What if these stocks keep falling in the next two quarters as well? Having said that, this would also be a terrible time to sell. Instead stick to your asset allocation and add

tech or global stocks gradually if the overall allocation has come off," Mehta added.

Srivastava says that investors continue to park their money in dollars as they believe the dollar will continue to rise against the Indian rupee. "The cash balances with us have risen from 3-4% last year to 10% because more and more people are keeping money in cash. We are launching fixed income products to enable investors to park their money temporarily," he said.

For many Indian investors, US investing is synonymous with the popular FAANG stocks. Other popular tech stocks include the likes of Tesla, GameStop, AMC Entertainment, Palantir Technologies and NIO..