



India Elections 2019: 3 Ways to Bet on India's Growth

Description

India's prime minister Narendra Modi has retained his position as the country's leader. His political party won a sweeping majority in India's parliament today. Widely regarded as a pro-business, pro-reform administration, the Modi government could solidify the country's position as one of the fastest-growing economies in the world.

India's benchmark **Nifty 50** index is up 6.2% this week as exit polls began indicating the results. The index is up 58.75% over the course of the administration's first term. Meanwhile, the country has jumped 53 places on the World Bank's *Ease of Doing Business* ranking over the same period.

Assuming that the government can sustain the same pace of economic development for the next five years, investors should look for ways to add exposure to Indian equities to their portfolio. Here are three instruments retail investors can use in Canada:

iShares India Index ETF ([TSX:XID](#))

This exchange-traded fund is probably the most convenient instrument for macroeconomic exposure to Indian growth. The index closely tracks India's benchmark aforementioned Nifty index, including the 50 largest companies in the country by market capitalization.

The index includes India's largest private bank, **HDFC Bank**, as well as **Reliance Industries**, the conglomerate owned by the country's wealthiest person, Mukesh Ambani, information technology consultancy giant **Infosys**, and the country's largest cigarette manufacturer, **ITC Ltd**.

However, the ETF has under-performed its benchmark index by a wide margin since its inception. Adjusted to the Canadian dollar, India's Nifty index has returned 9.2% compounded annually since January 21, 2010, the date of inception. The ETF has returned just 7.93%, a difference of 102 basis points.

Fairfax India Holdings ([TSX:FIH.U](#))

For investors seeking a more sophisticated approach to Indian investments, Prem Watsa's investment vehicle is the perfect option. **Fairfax India Holdings** ([TSX:FIH.U](#)) currently manages a portfolio of private Indian stocks and bonds worth billions of dollars.

The stock currently trades at a [3.4% discount to book value](#), a clear opportunity for value investors to jump in. Prem Watsa has been vocal in his support for Modi's government over the years, so he likely views today's election results as a *buy* signal.

BMO India Equity Index ETF ([TSX:ZID](#))

Another ETF that tracks the wider Indian market, the BMO India Equity Index holds only a few stocks that differ from the iShares ETF mentioned above. As far as I can tell, the two ETFs are nearly identical — except that the management fee on this ETF is 0.65%, while iShares charges 0.98% at the moment.

Investors may also want to monitor them both to see whether either one offers a better discount to net asset value at any point.

Bottom line

The fact that India's incumbent administration has retained its majority for another term is excellent news for emerging market investors. As China struggles with growth and a contentious trade war, India could soon replace it as the world's primary engine for economic growth.

The promise of political stability for the foreseeable future makes India a prime destination for investors. All three stocks listed here are worth a closer look. However, investors need to pick their instruments based on currency risks and relative differences in portfolios and expense ratios.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:FIH.U (FAIRFAX INDIA HOLDINGS CORPORATION USD)
2. TSX:XID (iShares India Index ETF)
3. TSX:ZID (Bmo Msci India Esg Leaders Index ETF)

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