Here's the full transcript of the interview:

N Mahalakshmi: First of all, thank you so much, Mark, for again, this incredible opportunity you've flown in, especially for our event. And this is a premier platform and this is our first time and doubly happy to have you here. Before I dive into the questions, since the time you started Ashmore, has this been the toughest phase for emerging markets?

Mark Coombs: I think it depends on which market you are. Emerging markets...

N Mahalakshmi: As a whole, I'm saying as a whole.

Mark Coombs: Yeah, emerging markets are not the same. They're different. They're different sizes, different aspects. I think it's harder for some than it was and it's easier for some than it was. As a whole, there were more people attracted to emerging markets through the 2000s. They followed, if you like, the superior growth rates and the opportunities. Some of the conflict that's gone on since 2021-22 has made people... Certainly the Americans think that they're a bit concerned about being outside America. So that's reduced the natural flow to emerging markets. But within emerging markets, I think growth is superior and there's a lot going on. And for our businesses, which are based on domestic markets, not just international flows, I think times are not too bad, actually.

N Mahalakshmi: Okay. So first things first, what is your view on Donald Trump's policies? There has been a lot of back and forth in terms of tariff. First, he announced some tariffs, then it was deferred, then it is back on the table. What was talked about with respect to China, 60% tariff, we are nowhere close to that. Some of those fears seem to be receding. Some others are coming back to the table. What's your view?

Mark Coombs: Yeah, I think the problem with policy is that people like certainty. Investors like certainty and clarity. And so at the moment, we've got a situation where nobody is quite sure what degree of tariff may or may not be charged on whom for what kind of sectors. So in terms of the idea of tariff, I mean, there was a world years ago, and it was all tariff and no tax. A tariff was the tax. That's what happened in terms of the US. And that's a little bit how we believe Donald Trump is thinking. I think things need to settle down.

We need to understand at what point tariffs are set to come into force and remain with a degree of permanency as opposed to a geopolitical negotiating tool. So I think we need a little bit of time to see how it all works out. I mean, there is no question that if you're trying to drop personal tax rates in the US and you're trying to reduce the deficit, there's a series of things you can do. And if you can find thoughtful ways to tariff certain trade flows in a relatively non-inflationary way, you can see why that's attractive to an incoming president. The devil is in the detail. Can you do that?

N Mahalakshmi: And what do you think will be the impact with respect to China and India? You know, there was this thought process that if there are high tariffs on

China, then maybe India will benefit because a lot of sourcing can happen from India. But the counterpoint to that is if there are lots of overcapacities in China, that will sort of flood the rest of the markets, and India will actually not benefit from that.

Mark Coombs: Yeah, that's a really good question. And you see that fear moving around with flow, if you think about not just domestic investors in India, but you think about global investors trying to pick the winner between India and China. I think it's going to depend on a few things. I think if you're the American president that currently sits there, you would regard China as your greatest competition. You may or may not be right in the long term, but clearly China plans to be the biggest economy in the world. And has made no bones about it and plans to exercise that any way that it can over the long term.

If you're not a Chinese investor, that makes it quite a difficult place to invest from time to time, because you're not certain about policy. It is relatively opaque in the way that it operates. Yes, it's big. It has some big structural challenges at the minute, not least massive youth unemployment. And it's going through a difficult reset. Does it long term do better than it is now? Almost certainly. Is it in the price? Some people would say yes. There's been a big shift out of Indian equity into Chinese equity, for example, having been the other way around for a couple of years.

I think the way we think about it is, and I said this right at the start, you want to be in countries that you're relatively certain of what the policy is. Business will work it out. If we know what the rules are, and as long as there are rules and a rule of law to enforce them, we'll figure out how to invest and where to invest. So we can absorb a tariff here, a tax rate there, a particular incentive to stimulate tech in that place or not in the other place. But we require certainty.

So for me, in terms of long term structural investing, I want a place that has that and where capital can flow relatively freely. The challenge for non-Chinese investors now looking into China is, yes, the stock market may be relatively cheap and one can trade that. But to be a very long term structural investor is quite difficult if you're not certain what the rules are going to be, if you're not Chinese and if you're from overseas.

So what I think you're seeing at the minute is the relative attractiveness of India, geopolitically we can get into, but even economically, where there's certainty of policy and there's some structural reform going on here and the whole move to digitalization and bringing more people into the net, it's a very attractive place to invest if you were doing a straight one-to-one comparison, not just on scale, but on certainty.

And on terms of rules under which you can operate and invest for the long term. As investors, here we can trade everything, that's all jolly good fun. But what really helps us is not day-to-day and second-to-second trading, but being able to commit capital for the really long term and then trade around the margins. But you want to be long and right and then trade around the margins. What you don't want to do is have to keep going, oh my goodness, they're going to shut the gates on capital flows or they're going to start saying they don't want foreign companies or they're going to start saying healthcare should no longer be a private sector business. These are things not happening in India, but they are the risk in China. So for me, structurally, India is more attractive long term. China is of course massive and will be the biggest global economy. How you play that is much trickier without certainty.

N Mahalakshmi: Okay, this is also a thought actually a lot of other investors echo and I often find this, most foreign investors, at least we speak to, seem to be saying that we're good to invest in China as a tactical opportunity. There might be a bounce and we'd want to capture that. Because we've burnt our fingers over the last 10 years, the Chinese markets have gone nowhere, paltry returns and equities, so big money is not going back to China. So are we just extrapolating? Are we prisoners of a long period of outperformance? Are we underestimating China's ability to come back and score in the next decade? Will that be a mistake?

Mark Coombs: I think there's a lot in that question. We've been investing for a really long time and we've been investing in China for a really long time and India and in different ways and at different times. And you always have the issue in China and at some points you're concerned about having that in India or in anywhere in the UK. Is it a level playing field with the state? Am I going to be competing with the public sector? Am I going to be able to play in the right way? And for a long period of time in China, you're always concerned, was subsidy going to SOEs? Was there a problem with SOEs? You've invested private capital for the long run. Could you make a good return on it? Because you are going to get structurally beaten by the domestic investor or the domestic party. So that was a big concern for us in terms of China. I think that concern still exists.

I think what is going to happen though, the sheer numbers of people, the sheer scale of the market means that the market will over time grow. Yes, it'll have its moments where you have a population trend that isn't so fabulous at the minute. They'll fix that. Whether it's 25 years away or not, that is going to get fixed. It's big. There's lots of people. There's going to be lots of consumption. So I don't think you can afford to ignore it.

It is true that one has to take, I would say, a much more tactical view of China today. And you can because the markets are liquid enough than you might have done 20 years ago when you said, I've just got to be in China. I mean, there are people that are doing just fine, foreign investors in China. There are sides of the financial sector that are growing. It's just, it's more tempting to be tactical.

N Mahalakshmi: You talked about Indian markets and some of the allure, but somehow over the last six months, we've seen such accelerated pace of foreign selling. It just seems to be unrelenting. Nearly $26 billion has moved out of Indian equities alone in the last six months. Now, we have a long structural story. There is certainty with respect to policy. Then why this level of exodus?

Mark Coombs: Yeah, because everybody's not a structural investor. Unfortunately, or fortunately, depending on how you want to look at it, India is regarded as up there as one of the most significant economies in the world in the future over the next 10, 20, 25 years. And it is a natural choice for big global investors to look for bigger markets to invest in. If we just leave the domestic side, domestic investors out for the minute.

So what happens is when people get excited, they look for a big market to play in. And if you think about it, what you're seeing now, the last five or six months of foreign capital disappearing from India, the equity market in particular, the daily traded equity market where they can change their minds, was really about two things. It was about had India run too far and based on very long-term numbers, you could say that the level of P, et cetera, was high in terms of a 25, 30-year period where it should have been, particularly in the smaller mid-cap space.

But it was also people going, well, hang on a minute. I'm an emerging market investor with a global fund. It's about relative value. And China had been slammed for so long. And the big way we outperformed in equities over the last four years, to be honest, was massively overweight India three or four years ago and underweight China. And a lot of global investors have switched that trade. So China is so cheap. The monetary policy bazooka in China was fired in September. They are getting serious about the fiscal.

Eventually, you will get some level of growth coming back. If the state is underpinning property asset values by sucking them up from the private sector, you're hitting a floor. And once you do that, the chance of the natural demographic growth, which hasn't been great, comes back. China is just a whole hell of a lot cheaper. And India got so expensive in relative terms globally, not just against China. So there has been a lot of switching out of India into China, a lot of which is not permanent capital.

N Mahalakshmi: Okay. Now, a lot of money that has come into India, at least in terms of fund flows, I'm saying in terms of fund collections, has come through India dedicated funds, not through the emerging market funds post-COVID at least. Now, do you see any time in future? Now, of course, we are underway a fairly serious correction at least. If you just look at the post-COVID period, this is the first time we are seeing a more than 10, 15% correction in the market. Do you see India becoming an asset class by itself? How far are we from that point?

Mark Coombs: Yeah, I do. I think that will definitely happen. All markets- By when? Week on Friday. I'll be here Thursday. I'll take the hat around, give me the money. We'll invest it. You'll do great. Which is a basic rule, of course.

N Mahalakshmi: No, on a serious note, like three years, five years? What would be your bet?

Mark Coombs: Well, I think it depends on your perspective. I mean, and a lot will depend on what happens geopolitically. And it's been very interesting seeing the evolution since 20 of how some of the larger institutional investors invest globally. It used to be when we went and spoke to the biggest investors, be they pension funds, be they sovereign wealth funds, they said, oh yeah, yeah, I should buy that. Here's some money. Or maybe I won't give you the money. I'll give it to some other idiot. But here's the money. They didn't really get into the nitty gritty of what they were buying.

And they just, we'll leave it to you to pick China over India, over Russia, over Brazil. And that was one of the biggest frustrations for my colleagues as we built local businesses where our longer term bet was two things would happen. The domestic markets would get much bigger and that would drive the machine. But also global investors would start to say, I need to pick the winners. But while you had the, it's ironic, but while you had all the benefits of globalization, you had a bit of a blurring at the edges of the foreign investor picking who to win. So yes, structurally investing in terms of manufacturing happens country by country.

But the financial pool of capital tended to be just by EM. So we spent 20 years trying to say, yeah, but there's a time you might wanna buy Mexico and not Brazil. And a long time trying to persuade people to do that. The geopolitical stress of the last three or four years, ironically, has started some of the biggest investors thinking, wait a minute, I've got it. American pension funds are now asking us to pitch to manage money, ex-China. We want EM, ex-China. And as soon as they start thinking that way, that means that they start thinking, well, hang on, if I don't want China, maybe I do want something. And what we've seen over the last 18 months is we're having increasing conversations. We have an Indian team who are very good at what they do.

And they're being asked to go and speak to the Americans and Europeans and even those in Asia, talk about India-only money. And when people start thinking about India-only fund investing and India-only separate account investing, that immediately tells you you're getting to the point where you're a market of your own. Is it a black and white switch on, switch off? No. But is it happening over the next five to 10 years? I think any serious global investor will have to have money in India, more or less, from five years' time, maybe from today. I mean, we do.

N Mahalakshmi: Right. Now, Indian markets have been actually the worst performer this year amongst emerging markets. I think it's the third worst. There was only, I think, Indonesia and Taiwan, which have lost about 11%. We've lost about 8%. Now, in one way, it is good because valuations become cheaper. A lot of the foreign investors who are probably waiting on the sidelines might want to get in. But how do you think, realistically, foreign investors look at this when you see this level of volatility?

Mark Coombs: How do I think they look at value here?

N Mahalakshmi: Yeah. How do we view the volatility in India at this point in time?

Mark Coombs: Yeah, I think, if I look at my fund managers who manage global books, it's quite interesting. You see a lot of investor psychology through the people you work with. I think they've all been looking for a moment to buy the market. I think they felt it's expensive and they thought it was very expensive and then they thought China was cheap. And so they've reduced their massive overweight to India and they started to buy China. At the same time, the institutions I mentioned before that are starting to look at single countries and trying to pick winners that have already started to pick India are saying, yes, it's all too expensive. But yes, I'm in here. And if my allocation is as it goes up and down around the margin, but structurally, I'm committed, even in liquid product, they're looking at chance to buy. I think they're saying, we're getting questions from the US, through Europe, through Asia. Is it time to buy India now?

N Mahalakshmi: Right. I asked this question to Howard Marks also, and I'm going to ask this question again to you. What is your sense of, what are the chances that the US economy will actually slip into recession this year? Because government job cuts, potential inflation coming back, all of these look like not very happy things.

Mark Coombs: I think there's definitely a reasonable chance. Recession, obviously, depending on, let's say you define it as two negative quarters of growth, which is a traditional definition. That would be a lot. I think it's going to depend. This is what I talked about earlier about policy. If you have too much policy uncertainty, the first thing investors do is get out or do nothing or sit in cash. There are a lot of investors in the US already sitting in cash. And there are foreign investors who say, I've got way too much US dollar. What on earth do I buy? Where do I go from here?

And the longer policy uncertainty continues and people aren't sure of the direction, I think the chances are that the consumer in the US listens, hears and feels that. And then whether they're losing their job or not, they find the guy down the road lost their job and they just do less. So the things to really look for are activity levels in terms of consumer construction and all that kind of stuff. Employment is really a lagging indicator for all of that. It's really what do you see in terms of the front end, in terms of what purchasing managers are thinking. All that kind of inflation, again, is a lag. It'll follow all of that.

So I think there is a chance that there's already, the conversations we're having in the US at the minute, there's definitely, if you're talking to people in the Midwest, it's, well, I'm just going to wait and see what I do for now. And yeah, I had cash and I was going to buy long bonds now because I thought duration rates were going to keep coming down. Maybe I'll just wait for the minute. So I think what you're getting is a little bit of a pause into, you had the election. This is a business president. Everything's going to be fabulous. Markets went crazy. Everybody bought AI. Isn't that fabulous? The world's over changing. And now people go, oh, wait a second. And at the same time, you've got the suspicion that, like every other technology advance, the second level of advance is to reduce the cost of it dramatically. So as the first producer, you make a lot of money initially, but then you have massive competition. It doesn't stop the adoption. It still becomes a widespread thing, but it gets steadily less profitable for the manufacturer.

So where do I see that in terms of the US? Do I see recession? Probably not. But I think what we will probably not get is a lot more rate cuts, despite the fact there'll be massive political pressure. Because if you're the central bank, if you're the Fed, you should be taking a longer term view. And although the president might try and lean on you, this Fed president, he's got 18 months to go. He's going to try and do the right thing. So I think you're probably going to, it's going to be a little bit wait and see. You might get one other cut. But then the real question is, do you get rate increases? And it's totally going to depend on inflation. But what I do think is the Fed will take a wait and see between 2% and 3% inflation. If inflation doesn't pop through 3% and get going, I think they're going to do nothing. And if it doesn't pop through 3%, I think they'll resist some kind of recession.

And also, we just don't know how inflation these tariffs are going to be. There are tariffs that are not that inflationary. There are tariffs that will impact some countries, not others. You know, services tariffs are not there at the minute, which is a good thing for India. Services is a big deal for India, and tariffs are not there, which means the relative cost still stays pretty cheap. Also, India is producing some things that are pretty hard to tariff equal to start producing them in America. So there'll be winners and losers of tariff stories. But I think recession is possible. I think it's not likely in the next three months. I think interest rates will sit in quite a narrow band.

N Mahalakshmi: What is your sense on fund flows into emerging markets? Do you see a huge reversal this year, or is that wishful thinking?

Mark Coombs: Well, what we saw from 22 was American capital panicking and hiding behind the sofa, so exiting pretty rapidly. So we saw a lot of negative flow through 23, 24. That slowed down quite dramatically. We're now seeing, as I say, people starting to say, is it time for me to buy emerging market equity and fixed income? Let me think about value. What supported that a little bit, which I think has slowed the flow down, is people just are so long, the US. I mean, if they had a US equity position, shut their eyes, it went up 20% for a while.

What's also supporting it a bit, I think, is they're seeing absolute performances pretty good within EM equity and EM fixed income. I mean, fixed income was the best performing bond market the last three and five years, despite our flow. I think we're seeing investors sort of take stock. If I look at our client base, our best clients have been with us a really long time, and they have a strategic allocation, and they bring it up, and they bring it down. So if they're nervous, they brought it all down tactically through 23, 24. So they're still in the game, but they're much smaller, and they're open to be reallocating to us. That's true in equity and in bonds. And if anything, the US is very much an equity market, so they prefer equities. So the first thing that will be as a flavor of return from the US will be people buying equities. We're seeing a tiny, tiny bit of interest in the mutual fund space, particularly in things that are seen as friends, looking for single country product or for product, where it is French or in type story, not something that's seen as a competitor to the US.

N Mahalakshmi: Will it be necessary for Fed rates to come down for reverse flows to start to happen?

Mark Coombs: No, I don't think so. I think the key thing is positive spread. I think it's a perception. I think what, again, like most things in life, when people feel there's some kind of floor or some kind of range that's established, then people start looking for the next place to go. Yeah, I mean, when everything's in one direction, people just tend to jump on the bus.

But once things have settled down, people start looking backwards at numbers and start trying to look forwards. So I think we're in a position where we get a little bit of stability in terms of US policy, and people say, figure out, is geopolitics going to literally blow me up? If it isn't, then I can start investing properly. And as I say, in terms of flow, we saw big outflow in 23, less so in 24, less so now.

N Mahalakshmi: One last question. What's your take on the dollar and gold? You know, gold for a large part was seen as a hedge for the dollar, but both of them have been pretty much moving in tandem.

Mark Coombs: What was the first thing? Gold and...

N Mahalakshmi: Dollar and gold.

Mark Coombs: Oh, the dollar and gold. Yeah. Well, gold is obviously a particular asset class that people here are very expert in. I'm not. So I think I don't really have a strong view in terms of dollar and gold, to be honest with you. I think the dollar is expensive. I think the dollar needs to weaken. I think rate cuts are unlikely to be the driver for weakness from here. I don't think we're going to see massive rate rises, but just in terms of absolute flows, I mean, the US is now a massive, massive debtor to the rest of the world. I talked to our clients in Asia and Europe, and they said, we can't buy any more dollar assets. We can't buy equities. So I think that's quite interesting. It's an EM positive story.

But I think it's also, ironically, I think we're going to have a euro positive story. The euro is going to have to use interest rates to support issuing a lot more debt to rearm. So I think actually, ironically, euro, which has been a bit, no idea what's happening with growth, I think the currency might see some support over the next year or so. I think EM will be part of the beneficiary of that. A lot of EM countries in that euro ambit.

N Mahalakshmi: Okay, Mark, just one last question. What is Ashmore's, you know, how large are you in India? How bullish are you in India? And how do you look at

India right now as a tactical market? Or is this like, do you exit at all? How is that portion managed?

Mark Coombs: Well, India is one of the economies that we've decided we want to be a long-term investor in. What does that mean? Ashmore invests in bonds, equities, and private capital. We do private debt, private equity. We're trying to be in any asset class where we think we can be good and in a place where we can be good at it. That depends on people. And it depends on the demographic being good for the economy. We want the bigger economies generally and rule of law.

So all those things, India ticks the box for us. We've been investing here for donkey's years, longer than we care to remember. It's one of the economies that we decided we wanted a local business. So we didn't just want to bring in global capital, which can flip from India to China and vice versa. We said to ourselves, wait a minute, India's an economy which, given the growth dynamic, we ought to be able to build a domestic business where we're appealing to domestic institutions and domestic retail investors to say, hey, we can manage your Indian money for you better than you can. We believe we found a group of financial professionals. I think we've got a great team here that can basically do a better job on the market and do it consistently over time.

So for us, India's a place where not only do we like to invest bonds, equities, and alternatives from offshore, we also want to do that from onshore. So we're building a domestic business. We're building a domestic asset management business. And I see India as one of the five or six economies where Ashmore will have a big Ashmore domestic business, unrelated to the global business, loving it, kissing it, feeding off it, sharing flows with it. But I think it's a place where we're going to build a big domestic asset management business. That's one of our targets.

N Mahalakshmi: Sure. That's all we have time for, Mark. It was absolutely incredible talking to you. Thank you so much.

Mark Coombs: Great. Thanks for your time. Thanks for listening to me. Thank you, everybody.

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