

PPFAS Mutual Fund



Disclaimer

- The Scheme **Parag Parikh Long Term Equity Fund** is governed by SEBI regulations and the statutory documents can be found at amc.ppfas.com

Outline

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2. Professionals NOT Business persons
3. Investment philosophy and process
4. Parag Parikh Long Term Equity Fund scheme design
5. Track Record and suitability
6. Thoughts on Mutual Fund vs. PMS vs. AIF structures

1.

Company, Founder and Team background

Founded by late Mr. Parag Parikh

PPFAS

- Origins as a stock broker (early 80s)
- Portfolio Management (1996-2013)
- Mutual Fund 2013 onwards



Neil Parikh

CEO

- BA in Economics from University of North Carolina
- MBA from IESE Business School Barcelona
- With PPFAS from 2004



Rajeev Thakkar

CIO

- CA, CWA, CFA
- Portfolio Manager / CIO since 2003 of PMS / MF
- With PPFAS from 2001



Raunak Onkar

Head - Research

- BSc. - IT
Bombay University
- MMS - Finance Bombay
University
- With PPFAS from 2009



Independent AMC & Trustee Directors (Partial List)

- P A Balasubramanian (Ex Member Actuary IRDA, various LIC positions)
- Rajan Mehta (Founder Benchmark Asset Management - ETF pioneers in India, Merrill Lynch and DSP Merrill Lynch)
- Arindam Ghosh (Ex CEO Mirae Asset Management India)
- Rajesh Bhojani (Ex Birla Sunlife Insurance, UTI, Zurich India Asset Management)

2. Professionals NOT Business persons

Fiduciary

- Alignment of interests via “Skin in the Game”
- No clutter in offerings (& hence no survivorship bias)
- No flavour of the month schemes
- Open channels of communication

We have our skin in the game

Total number of units held by 'Insiders' in the scheme as at 29-03-2019 = 4.635 crore units of Rs. 10 each.

[Click here for more details.](#)

The market value of these holdings as on 22-04-2019 is Rs. 120.87 crores. . This amounts to 6.70% of the current AUM.

3.

Investment Philosophy and Process

Approach

- Equity ownership is part ownership of a business
- Focus on business prospects and intrinsic value, not stock prices
- Promoter / Management quality paramount
- Quality at reasonable price approach rather than cigar butt kind of value
- Business should earn decent return on capital over a cycle
- Don't prefer excessive leverage or capital intensity

.... Approach

- Bottom up, individual stock picking approach
- At the same time keep environment in context
- Absolute returns first, relative returns later
- Dislike big drawdowns, permanent loss of capital
- Don't obsess over full deployment at all times
- Approximately around 20 - 25 positions. Reasonable balance between concentration and diversification
- Low churn of portfolio

4. Parag Parikh Long Term Equity Fund Scheme Design

Scheme

- Multi cap scheme (Across large, mid and small caps)
- Option to invest up to 35% in overseas stocks
- Flexibility to stay in cash / equivalents while waiting to deploy in equities
- Tax advantages of a domestic equity fund (10% taxation on long term gains at redemption, long term defined as 1 year for tax purposes).
- Around 80% of currency exposure hedged, provides around 4% additional yield currently plus eliminates currency risk

Advantages

- Almost a go anywhere kind of mandate giving flexibility
- Lower volatility on account of multi geography diversification
- Benefits of operating in multiple markets
- Arbitrage (Stanchart IDR vs. underlying)
- Valuation differentials (Suzuki vs. Maruti)
- Unique opportunities (Alphabet, Facebook etc.)
- Tax advantages and No LRS issues, No Estate Duty
- Tax ~~haven~~ heaven

5. Track Record and Suitability

Parag Parikh Long Term Equity Fund

Lumpsum Investment Performance (Compounded annual returns)

Date	Scheme	Benchmark	Index	Index	Value of Investment of Rs. 10,000/-			
	PPLTEF	Nifty 500 (TRI)	Nifty 50 (TRI)	S&P BSE Sensex (TRI)	PPLTEF	Nifty 500 (TRI)	Nifty 50 (TRI)	S&P BSE Sensex (TRI)
Since Inception	16.90%	14.53%	13.48%	13.84%	24,925	22,116	20,947	21,347
Mar 28, 2018 to Mar 29, 2019 (Last 1 Yr)	11.48%	9.70%	16.40%	18.71%	11,152	10,973	11,645	11,877
Mar 31, 2016 to Mar 29 2019 (Last 3 Yrs)	14.02%	15.88%	16.10%	16.64%	14,812	15,546	15,637	15,857
Mar 31, 2014 to Mar 29, 2019 (Last 5 Yrs)	16.21%	14.42%	13.07%	13.12%	21,183	19,604	18,474	18,518

SIP Investment Performance (Assumption : ₹ 10,000/- is invested on the first of every month)

	Since Inception from June 1, 2013	Mar 28, 2018 to Mar 29, 2019 (Last 1 Yr)	Mar 31, 2016 to Mar 29, 2019 (Last 3 Yrs)	Mar 31, 2014 to Mar 29, 2019 (Last 5 Yrs)
Total Amount Invested	7,10,000	1,20,000	3,60,000	6,00,000
Market value of Investment	10,80,936	1,25,471	4,29,556	8,16,099
Returns (Annualised) (%)	14.13%	8.71%	11.89%	12.30%
Nifty 500 (TRI) Returns (Annualised) (%)	13.06%	10.33%	11.64%	11.61%
Nifty 50 (TRI) Returns (Annualised) (%)	12.89%	15.34%	14.18%	12.17%
S&P BSE Sensex (TRI) Returns (Annualised) (%)	13.22%	16.41%	15.50%	12.68%

Morningstar data Returns

Trailing Returns

	<u>1-Day</u>	<u>1-Week</u>	<u>1-Month</u>	<u>3-Month</u>	<u>YTD</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>15-Year</u>	<u>Since Inception</u>
Total Return %	-0.25	0.63	1.62	7.43	8.40	9.35	14.40	15.86	—	—	17.60
+/- Category	0.93	1.62	0.94	3.03	4.78	8.83	2.04	1.54	—	—	—
+/- Index	1.14	1.81	0.57	2.10	3.57	5.46	-0.24	2.02	—	—	—
Morningstar Rating ^①							★★★★★	★★★★★			
Quartile Rank									—	—	—
Percentile Rank	1	1	2	2	1	2	29	32	—	—	—
# of Funds in Cat.	234	234	234	234	234	196	184	166	73	39	—

Fund return as of Apr 22, 2019 | Morningstar Rating as of Mar 31, 2019 | Category: Multi-Cap as of Apr 22, 2019 | Index: S&P BSE 500 India TR INR as of Apr 22, 2019 | Inception date May 24, 2013 | Time periods greater than 1 year are annualized

Morningstar data Risk (3 years)

Risk & Volatility Measures ⓘ

Trailing	Fund	Category	Index
Alpha	3.62	-1.16	—
Beta	0.58	0.95	—
R ²	69.89	86.87	—
Sharpe Ratio	1.18	0.79	0.94
Standard Deviation	9.17	13.35	13.17

Fund as of Mar 31, 2019 | Category: Multi-Cap as of Mar 31, 2019 | Index: S&P BSE 500 India TR INR as of Mar 31, 2019 | Calculation Benchmark: S&P BSE 500 India TR INR

Market Volatility Measures ⓘ

Capture Ratios	Fund	Category	Index
Upside	68	92	100
Downside	39	99	100

Drawdown	Fund %	Category %	Index %
Maximum	-10.74	-11.28	-12.26

Drawdown Peak Date	Drawdown Valley Date	Max Drawdown Duration
Sep 01, 2018	Oct 31, 2018	2 Months

As of Mar 31, 2019 | Category: Multi-Cap | Index: S&P BSE 500 India TR INR | Calculation Benchmark: S&P BSE 500 India TR INR | Drawdown as of Mar 31, 2019

Morningstar data Risk (5 years)

Risk & Volatility Measures ⓘ

Trailing	Fund	Category	Index
Alpha	5.85	0.77	—
Beta	0.61	0.99	—
R ²	61.31	87.42	—
Sharpe Ratio	1.11	0.76	0.75
Standard Deviation	11.16	15.17	14.36

Fund as of Mar 31, 2019 | Category: Multi-Cap as of Mar 31, 2019 | Index: S&P BSE 500 India TR INR as of Mar 31, 2019 | Calculation Benchmark: S&P BSE 500 India TR INR

Market Volatility Measures ⓘ

Capture Ratios	Fund	Category	Index
Upside	76	99	100
Downside	37	94	100

Drawdown	Fund %	Category %	Index %
Maximum	-12.12	-18.89	-18.54

Drawdown Peak Date	Drawdown Valley Date	Max Drawdown Duration
Dec 01, 2015	Feb 29, 2016	3 Months

As of Mar 31, 2019 | Category: Multi-Cap | Index: S&P BSE 500 India TR INR | Calculation Benchmark: S&P BSE 500 India TR INR | Drawdown as of Mar 31, 2019

Caveats on suitability

- The fund underperforms in periods of go-go bull markets (say 2017). In 2018, the fund was able to avoid the severe drawdowns seen elsewhere in the market
- The fund underperforms in periods where Indian markets are on a run and global markets are slow (say in 2014 post Indian General elections) and vice versa(say post demonetisation / GST etc.)
- The fund looks to invest over a period of at least 5 years and does not try to optimise over quarterly or annual time horizons. The fund does not shy away from short term unpopular investment actions.

6. Thoughts on Mutual Fund vs. PMS vs. AIF structures

Prefer MFs

- PMS / AIFs gives bragging rights - Not everyone can own a Rolls Royce
- Practically MFs win on almost all counts
- Ease and speed of onboarding
- Taxation (no dividend tax on underlying equity dividend, no capital gains tax till final redemption, in short compounding machines)
- Lower costs (management fee, brokerage, custody, audit etc.)
- Almost as flexible (No shorting, no leverage, position size limited to 10%)
- Why invest in un-levered, long only equity PMS or AIF?

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Thank you
Happy to answer questions