



## PPFAS Long Term Value Fund (An Open Ended Equity Scheme)

A scheme designed for genuine  
Long Term Investors!

<b>Investment Objective of the Scheme</b>	The investment objective of the Scheme is to seek to generate long-term capital growth from an actively managed portfolio primarily of Equity and Equity Related Securities. Scheme shall invest in Indian equities, foreign equities and related instruments and debt securities.		
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<b>Risk Category of the scheme</b>	<b>BROWN - HIGH RISK</b>		
Blue colour refers that principal investment will be at low risk	Yellow Colour refers that principal investment will be at medium risk	Brown Colour refers that principal investment will be at high risk	

**Investors should consult their financial advisers if in doubt about whether this scheme is suitable for them.**

**PPFAS** 

There's only one right way®

**MUTUAL FUND**

SPONSOR: **PARAG PARIKH FINANCIAL ADVISORY SERVICES LIMITED**



## Outlook

We have completed one year since our scheme launch.

To recap, we have moved from a sense of complete pessimism in mid 2013 to an era of optimism in 2014. A new government is in place at the centre in India, the Taper in Quantitative Easing by the Fed has been taken in stride, our currency which was collapsing and reached a low of 67 to the dollar is back to around 58.50 levels. All seems to be well.

As is always the case, most money is made by buying at the time of pessimism and selling in a period of euphoria. As I write this, the NAV of the PPFAS Long Term Value Fund (Direct Plan) is up by about 34% in 1 year from launch. The relative performance has also been good. While we have seen a decent bounce from the lows, we are nowhere near euphoria kind of valuations and the best course would be to stay invested.

There are a lot of questions as to whether India is now entering a golden era led by the new government or is it just hype. There is no clear answer here but these are the factors to ponder.

1. The narrative has changed from creating rights based entitlements like Right to Education, Food Security Bill etc. to creating growth and jobs, controlling inflation, giving priority to education and so on. This is broadly encouraging as efforts at re-distribution can only go so far and the effort should ultimately be on increasing economic activity. Some of the other soundbites like minimum government and maximum governance are also promising.
2. There will be some low hanging fruits in terms of quicker approvals / execution but most of the measures required to control inflation, bring back growth etc will require time to implement.
3. A large majority is a necessary condition to take tough measures. Whether it is sufficient only time will tell. We do not know whether the will to contain Oil sector subsidies or to tackle perennial problems like Air India is there and whether there is a willingness to be unpopular in the short run.
4. A change in government will not convert companies and sectors beset by bad corporate governance, capital intensity coupled with low return on capital, low entry barriers etc into wealth creators. Hence, the criteria for stock selection will not change irrespective of the government.

Given this backdrop, there are obvious questions

- a) Is it time for a 100% India allocation?
- b) Will not the appreciation of the Rupee work against an internationally diversified portfolio?

PLTVF has the flexibility to be 100% in Indian equities. However we are choosing not to do that at this time. The reasoning is simple. We are not there to time markets or to "maximise" returns. We aim to select high quality businesses available at attractive valuations. An International diversification gives us more choice and at the same time reduces portfolio volatility.

It is true that in any period which is marked by a very strong run in the Indian markets, the PLTVF would lag in performance but this is a choice we have made. We believe that over a cycle or an approximate investment horizon of more than 5 years, the benefit of having invested in international stocks would outweigh the short term

under-performance.

As far as currency goes, we are hedged to the extent of approximately 90% of our exposure and hence do not worry about the currency too much. We do however have the remaining 10% un-hedged. This would be 10% of say about 25% to 30% of international equities exposure. Hence the currency exposure would be about 2.5% to 3% of the total corpus.

Also lets face it, India is dependent on a weak currency led export growth. In IT we are service providers / manpower providers and not innovators or product driven companies. In Pharma we are generic providers. We need a weak currency to keep our exports robust and to be competitive. Else inflation and low productivity would cause our exports to collapse. Hence we would be very surprised if the Indian Rupee were to head back to the 40s anytime soon.

Broadly we are positive on the outlook for Indian and global equities. Debt investments for us would continue to be opportunistic and will not be a primary area of focus. We have to be on the lookout for inflation and growth levels globally. If inflation threatens to spiral we could see a rising interest rate cycle and that would be negative for global equities.

<b>Name of the Scheme</b>	PPFAS Long Term Value Fund
<b>Investment Objective</b>	To seek to generate long-term capital growth from an actively managed portfolio primarily of equity and equity related securities.
<b>Type of the Scheme</b>	An Open Ended Equity Scheme
<b>Inception Date</b>	May 28, 2013
<b>Name of the Fund Managers</b>	<b>Mr. Rajeev Thakkar</b> - Equity Fund Manager (Overall 10 years of experience in fund management) <b>Mr. Vishal Shah</b> - Debt Fund Manager (Since Inception) <b>Mr. Raunak Onkar</b> - Fund Manager for Overseas Securities (Since Inception)
<b>Assets Under Management (AUM) as on June 30, 2014</b>	₹ 451.86 Crores
<b>Net Asset Value (NAV) June 30, 2014</b>	<b>Regular Plan:</b> 14.0692 <b>Direct Plan:</b> 14.1380
<b>Exit Load</b>	Exit load is changed w.e.f. July 7, 2014. You are requested to refer to the SID (Page 79).
<b>Expense Ratio</b>	Regular Plan : 2.50%* Direct Plan : 2.00%*
<b>Benchmark Indices</b>	CNX 500
<b>Minimum Application Amount</b>	New Purchase: ₹ 1,000 Additional Purchase: ₹ 1,000 Monthly SIP: ₹ 1,000 Quarterly SIP: ₹ 5,000

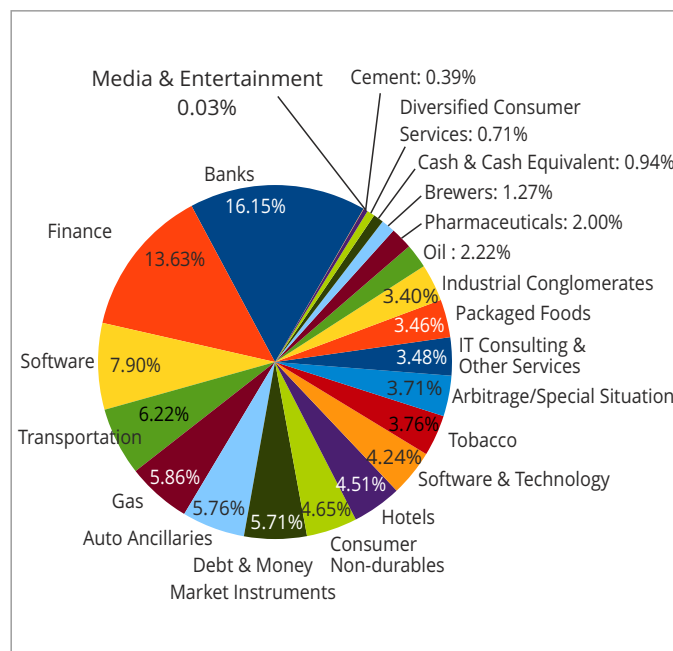
\* Excluding Service Tax

**Portfolio Disclosure**

Core Equity		
Name	Sector	% of Net Assets
ICRA Ltd	Finance	7.32%
Axis Bank	Banks	6.54%
IL&FS Investment Managers	Finance	6.31%
Noida Toll Bridge Co Ltd	Transportation	6.22%
Maharashtra Scooters Ltd	Auto Ancillaries	5.76%
Zydus Wellness Ltd	Consumer Non Durables	4.65%
Mahindra Holidays & Resorts India Ltd	Hotels	4.51%
Polaris Financial Technology Ltd	Software	4.48%
ICICI Bank	Banks	4.16%
The Jammu & Kashmir Bank Ltd	Banks	4.03%
Mphasis Ltd	Software	3.42%
Gujarat Gas Co Ltd	Gas	3.05%
Indraprastha Gas Ltd	Gas	2.81%
Selan Exploration Technology Ltd	Oil	2.22%
Wyeth Ltd	Pharmaceuticals	1.05%
Novartis Ltd	Pharmaceuticals	0.95%
MT Educare Ltd	Diversified Consumer Services	0.71%
The Ramco Cements	Cement	0.39%
Navneet Education Ltd	Media & Entertainment	0.03%
Arbitrage/Special Situation		
United Spirits Ltd	Arbitrage/Special Situation	3.71%
<b>Total</b>		<b>72.32%</b>
Overseas Securities, IDRS and ADRs		
Google - C Class <sup>#</sup>	Software & Technology	4.24%
British American Tobacco ADR <sup>#</sup>	Tobacco	3.76%
International Business Machines Corp <sup>#</sup>	IT Consulting & Other Services	3.48%
Nestle SA ADR <sup>#</sup>	Packaged Foods	3.46%
3M Co <sup>#</sup>	Industrial Conglomerates	3.40%
Standard Chartered PLC IDR	Banks	1.42%
Anheuser Busch Inbev SA ADR <sup>#</sup>	Brewers	1.27%
<b>Total</b>		<b>21.03%</b>
Debt and Money Market Instruments		
CBLO		4.38%
FDR		1.33%
<b>Invested Total</b>		<b>99.06%</b>
Cash and Cash Equivalent		0.94%
<b>Net Assets</b>		<b>100.00%</b>

# Currency hedge to the extent of approximately 90% of exposure.

**Sector Allocation**



**Quantitative Indicators**

Beta	0.66
Standard Deviation	13.23%
Sharpe Ratio	2.49
Portfolio Turnover	20.88%

Above figures are annualised.  
Risk free rate assumed to be 8.4872% (91Day T-Bill rate as on 30th June 2014).

**Performance of the Scheme**

NAV as on June 30, 2014 - Direct : 14.1380, Regular : 14.0692

Particulars	Since Inception (CAGR %)			
	Returns (%)		Current Value of Investment Of ₹ 10,000	
	Direct	Regular	Direct	Regular
Scheme	37.27	36.66	14,138.0	14,069.2
CNX 500	26.95		12,980.8	
CNX Nifty	22.75		12,512.2	
Sensex	24.33		12,687.4	
1 Year				
Scheme	42.82	42.19	14,282.0	14,218.6
CNX 500	36.87		13,687.3	
CNX Nifty	30.28		13,028.2	
Sensex	31.03		13,102.7	

Greater than one year returns are compounded Annualised Returns.  
\* Past performance may or may not be sustained in future.

## We have our skin in the game

The combined holding of 'Insiders' in PPFAS Long Term Value Fund amounts to **8.45%** of the AUM as at June 30, 2014. For more details please visit the '[Scheme](#)' section of our website.

### Investment Process

#### Identifying Investments

- Review public filings
- Periodic quantitative screens
- Tracking known businesses & industries
- Peer review of businesses

#### Fundamental Research

- Industry Analysis
- Competitive Analysis of business v/s Peers
- Review historical financial & operational data
- Qualitative evaluation of business & management

#### Valuation Study

- Historical normal valuation
- Peer comparison
- Internal estimates & range of intrinsic value

#### Portfolio Construction

- Buy / Sell Discipline: Opportunistic
- Security Risk Control: Not more than 10% of portfolio in a single security (as per SEBI Guidelines)
- Follow portfolio guidelines

### Portfolio Guidelines

Sr	Parameter	Guideline
1	Ideal Market Cap	Any Market Cap
2	Max Cash in Portfolio	Opportunistic retention or use of Cash (upto 35%)
3	Max International Limit	35% of overall portfolio
4	Max Single Position Size	10% (as per SEBI Guidelines)
5	No of Companies held	20-25 (in exceptional cases 25+)
6	Benchmark	CNX500
7	Our Performance Focus	Focus on absolute returns as well as beating the benchmark over the long term

If you would like to invest visit here.

[www.amc.ppfas.com](http://www.amc.ppfas.com)

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**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

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