INTERVIEW: RAJEEV THAKKAR

CIO & DIRECTOR, PPFAS ASSET MANAGEMENT

Overcrowded financial services space not a constraint

*PPFAS MF is the most recent entrant in the MF space. **Rajeev Thakkar**, CIO & director, PPFAS Asset Management, is confident that the fund house will make a mark even in this overcrowded space by delivering on long-term performance. In an interview with **Ashley Coutinho**, he says that PPFAS, which has assets of about ₹150 crore as of June 30, is focussing on just one scheme at the moment and is encouraging investors to stay invested for at least five years.*

With over 40 fund houses in the business, the MF business seems overcrowded at the moment. Several fund houses, especially the smaller ones, are struggling. What makes you confident of succeeding in this business?

In a lot of sectors, a number like 40 would sound excessive. For example, it is difficult to imagine 40 telecom companies or 40 car manufacturers co-existing in the market place. However, the financial services space is different. The website of RBI, for instance, lists more than 80 banks that are present. Closer to the securities market, one just has to look at the number of stock brokers and portfolio managers that exist.

In our view, investment management is a profession and not a business. In a profession, one acts in a fiduciary capacity for the client. There are about 7,000 stocks listed on the exchanges and an undue concentration of assets in a few hands would make the market very volatile and create problems of 'too big to fail'.

The MF business has generally been an AUM game. With the dynamics of business changing post 2007, it has become more and more difficult for newer players to gather assets. How do plan to garner enough assets in this environment and attract investors?

A lot would depend on the business plan. A fund house with high fixed costs will need a high AUM to sustain itself. On the other hand, a fund house with a low fixed cost structure can flourish even with a lower AUM. In the recent past, we have had a fund house like Benchmark Mutual Fund, which had a differentiated offering combined with low operating overheads, and was quite successful in the ETF space. Similarly, we are trying to carve out our own niche in the market and we do not aspire to be the biggest fund house. Our focus will be to stick to our investment objectives and deliver performance to investors over time.

You plan to focus your attention on just one scheme. What is the idea behind the strategy?

The traditional route has been to launch multiple schemes. In the past, this was partly driven by the upfront expenses that were allowed to be charged to the scheme at the time of launch. Having numerous schemes tends to confuse investors. Even Sebi has been encouraging fund houses not to launch numerous schemes where there is hardly any differentiation.

We will take advantage of whatever equity opportunities are available to us within this single scheme (Long-Term Value Fund). The scheme objectives and investment pattern gives us sufficient flexibility to do this. However, we are not ruling out launching a liquid scheme or debt funds in the future. Also, a dramatic change in the regulatory environment may prompt us to launch a tax-saving scheme or a pension scheme.

What are key selling points of your scheme PPFAS Long Term Value Fund?

There are several points of differentiation. First, the scheme will be the sole focus of the investment management team. Second, the sponsor company, promoters as well as key employees are co-investors with the other unitholders in the scheme; so, the interests of everyone involved are aligned. Third, the scheme has a flexible asset allocation, which allows it to invest up to 35% of its assets in overseas stocks. The scheme can also invest in debt instruments if suitable investment opportunities are not available for equity investment. We are also communicating on our website and application forms that this scheme is suitable for only those investors who have an investment horizon of more than five years.

What is your equity outlook for FY14?

I do feel that the market will be volatile. The key triggers to monitor will be the current account deficit, foreign exchange rates, interest rates, FII flows as well as the political situation. However, the most important trigger over the longer term is corporate earnings. And we believe that the corporate sector will deliver good returns to investors in the long term.