

Managing your money using Value Investing principles!



Note from CIO - Mr. Rajeev Thakkar

In January 2019, we bought ₹ 7 crores worth of Amazon Inc. at a price of \$1,466 / share.

This amounts to around 0.5% of our total AUM. It will not move the needle significantly either on the upside or the downside since the position is tiny. Indeed the position size is less than the daily NAV movement on many days recently given the volatile markets. However the investment needs to be explained for the following reasons:

Questions

- The investment looks optically expensive. Is there a style drift from the approach of investing only in stocks trading at less than intrinsic value?
- In the past we have said that we do not know how to value Amazon. What changed?
- Either one should have a full position or none. Why buy only 0.5%?

Answers

- If one uses a typical metric of say Price / Earnings Ratio, the stock looks very very expensive. We have been railing against expensive consumption related stocks in India for more than 2 years now. Amazon may seem to fall in the same category. The answer is that P/E ratio is not very helpful if the reported earnings are not "correct" for some reason. The reported earnings may be "correct" from the accounting perspective and indeed may have been audited by the best of the auditors. However they should be representative of investors true economic earnings and sustainable. If the earnings are overstated or depressed due to certain factors, they give a misleading P/E ratio. In the case of Amazon, the P/E ratio is not representative due to the following
 - Mature categories (like say physical books or ebooks on kindle) are hugely profitable while other categories lose money.
 - Mature markets (say the USA) make money while newer markets (say India) lose money.
 - A business segment with massive potential on a relatively small base with runaway growth rates (is the cloud computing segment) within the overall company which gets clubbed with the retailing business at the bottom-line.
 - Un-monetised / partly monetised levers in advertising, media and subscription, third party sales and logistics.
- Familiarity with the company has been there for about two decades while we have been watching it closely for about a decade. Our YouTube presentations on this company go back about 4 years. We have been systematically underestimating the levers that have been pointed out above. In the later part of 2018, our understanding of the cloud business was much better than it was earlier and that is what tipped the scales.
- While plugging in numbers in a spreadsheet and even back of the envelope calculations justify purchasing Amazon, the Benjamin Graham readings have been an impediment in building a larger position. The approach we have is that we will either keep buying on each substantial fall in the share price or we will wait to have the reported numbers crystallise our thinking more and more to add to the position. Again if we find our assumptions not validated by the company performance and if we think there is a mistake, we would not hesitate to sell.

Parag Parikh Long Term Equity Fund

Multi Cap Fund - An open ended equity scheme investing across large cap, mid cap, small cap stocks.

FACT SHEET - JANUARY 2019

A scheme designed for genuine Long Term Investors!

Name of the fund	Parag Parikh Long Term Equity Fund
Investment Objective	To seek to generate long term capital growth from an actively managed portfolio primarily of equity and equity related Securities.
Type of the Scheme	Multi Cap Fund - An open ended equity scheme investing across large cap, mid cap, small cap Stocks.
Date of Allotment	May 24, 2013
Name of the Fund Manager	Mr. Rajeev Thakkar - Equity Fund Manager (Overall 16 years of experience in fund management) Mr. Raj Mehta - Debt Fund Manager (Since January 27, 2016) Mr. Raunak Onkar - Fund Manager for Overseas Securities (Since Inception)
Assets Under Management (AUM) as on January 31, 2019	₹ 1,530.60 Crores
Average AUM for the Month	₹ 1,483.69 Crores
Net Asset Value (NAV) as on January 31, 2019	Regular Plan: 23.626 Direct Plan: 24.3600
Entry Load	Not Applicable
Exit Load	Exit Load is changed w.e.f. July 7, 2014. You are requested to refer to the SID (Page 89).
Weighted Average Expense Ratio	Regular Plan: 2.16%* Direct Plan: 1.41%* *Including additional expenses and GST on management fees
Benchmark Index	Nifty 500 (TRI)
Minimum Application Amount	New Purchase: ₹ 1,000 Additional Purchase: ₹ 1,000 Monthly SIP: ₹ 1,000, Quarterly SIP: ₹ 3,000

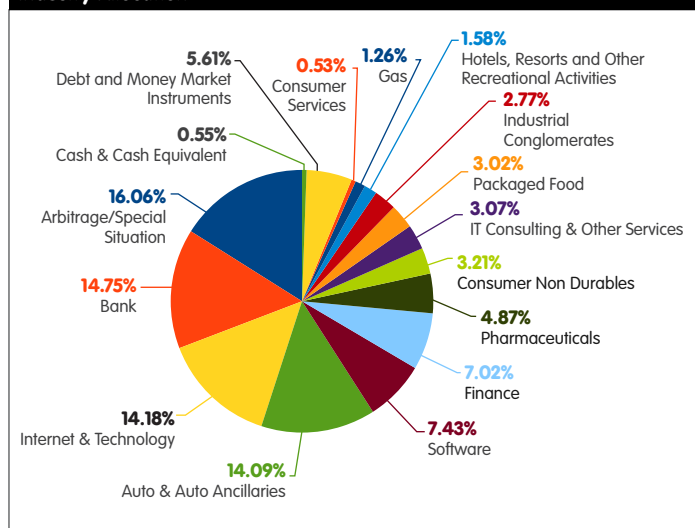
Quantitative Indicators

Beta	0.66
Standard Deviation	10.91%
Sharpe Ratio	0.58
Portfolio Turnover (excl Equity Arbitrage)	4.61%
Portfolio Turnover (incl Equity Arbitrage)	237.04%

- Above figures are annualised.

- Risk free rate assumed to be 6.50% (FBIL Overnight MIBOR as on 31st January, 2019)

Industry Allocation



Portfolio Disclosure

Core Equity		
Name	Sector	% of Net Assets
HDFC Bank Ltd	Banks	7.89%
Bajaj Holdings & Investment Ltd	Finance	6.27%
Persistent Systems Ltd	Software	5.33%
Balkrishna Industries	Auto Ancillaries	3.62%
Axis Bank Ltd	Banks	3.57%
Hero Motocorp Ltd	Auto	3.48%
ICICI Bank Ltd	Banks	3.29%
Zydus Wellness Ltd	Consumer Non Durables	3.21%
Maharashtra Scooters Ltd	Auto Ancillaries	2.26%
Mphasis Ltd	Software	2.10%
Mahindra Holidays & Resorts India Ltd	Hotels, Resort and Other Recreational Activities	1.58%
Dr.Reddys Laboratories Ltd	Pharmaceuticals	1.51%
Lupin Ltd	Pharmaceuticals	1.27%
Indraprastha Gas Ltd	Gas	1.26%
IPCA Laboratories Ltd	Pharmaceuticals	1.19%
Sun Pharmaceuticals Industries Ltd	Pharmaceuticals	0.90%
ICRA Ltd	Finance	0.75%

Arbitrage

Housing and Development Finance Corporation*	5.17%
Tata Steel*	3.07%
Maruti Suzuki India Ltd*	2.77%
Century Textiles Ltd*	1.77%
State Bank Of India Ltd*	1.51%
Yes Bank Ltd*	1.03%
LIC Housing Finance*	0.61%
Tata Motors Ltd*	0.13%
Total	65.54%

Overseas Securities, IDRS and ADRs

# Alphabet Inc (Google Class C)	Internet & Technology	9.97%
# Suzuki Motor Corp (ADR)^	Auto & Auto Ancillaries	4.73%
# Facebook INC	Internet & Technology	4.21%
# International Business Machines Corp	IT Consulting & Other Services	3.07%
# Nestle SA ADR^	Packaged Foods	3.02%
# 3M Co	Industrial Conglomerates	2.77%
# Amazon.com INC	Consumer Services	0.53%
Total	28.30%	

Debt and Money Market Instruments

TREPS	3.06%
FDR	2.55%
Invested Total	99.45%
Cash and Cash Equivalent	0.55%
Net Assets	100.00%

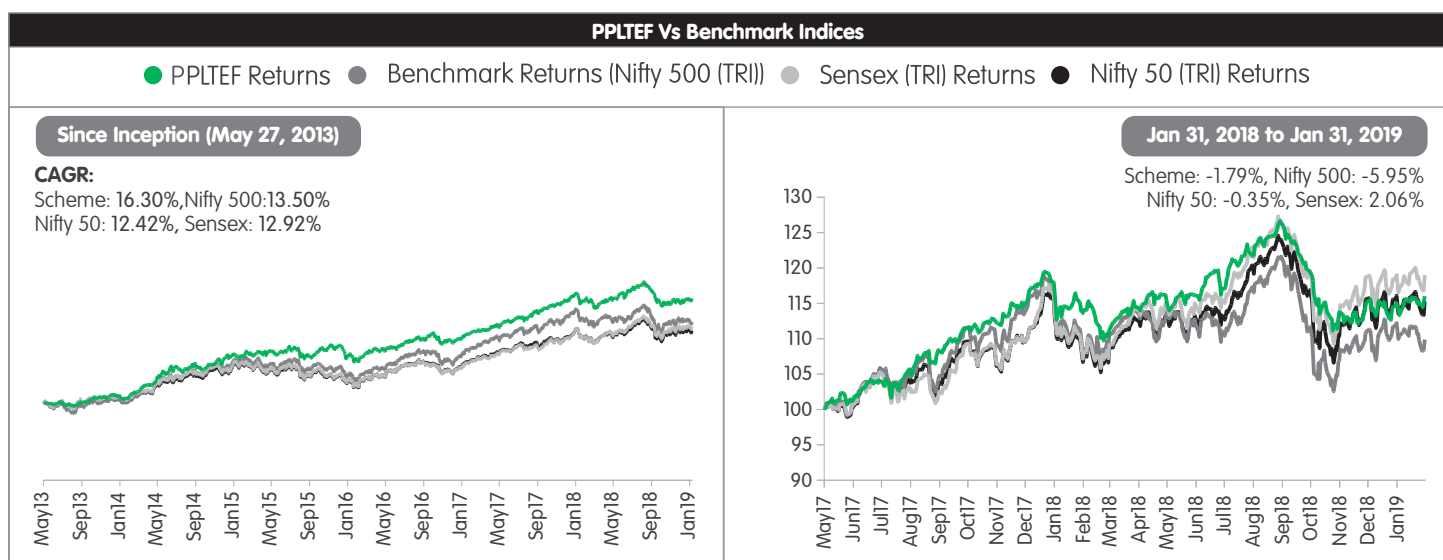
Currency hedge to the extent of approximately 85% of exposure.

* Hedged by offsetting derivative position

^ Traded on US OTC Markets

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	16.30%	13.50%	12.42%	12.92%	23,626	20,566	19,477	19,977
Jan 31, 2018 to Jan 31, 2019 (Last 1 Yr)	-1.79%	-5.95%	-0.35%	2.06%	9,821	9,405	9,965	10,206
Jan 29, 2016 to Jan 31, 2019 (Last 3 Yrs)	12.96%	13.80%	14.20%	14.86%	14,428	14,753	14,910	15,171
Jan 31, 2014 to Jan 31, 2019 (Last 5 Yrs)	17.35%	15.15%	13.61%	13.60%	22,268	20,256	18,930	18,929

SIP Investment Performance (Assumption : ₹ 10,000/- is invested on the first of every month)				
	Since Inception from June 1, 2013	Jan 31, 2018 to Jan 31, 2019 (Last 1 Yr)	Jan 29, 2016 to Jan 31, 2019 (Last 3 Yrs)	Jan 31, 2014 to Jan 31, 2019 (Last 5 Yrs)
Total Amount Invested	6,90,000	1,20,000	3,60,000	6,00,000
Market value of Investment	10,04,966	1,19,229	4,17,033	7,97,396
Returns (Annualised) (%)	12.97%	-1.19%	9.78%	11.31%
Nifty 500 (TRI) Returns (Annualised) (%)	11.16%	-4.58%	8.36%	9.73%
Nifty 50 (TRI) Returns (Annualised) (%)	10.99%	1.57%	10.81%	10.13%
S&P BSE Sensex (TRI) Returns (Annualised) (%)	11.55%	4.42%	12.58%	10.88%



Performance of other scheme managed by same Fund Manager - Mr. Raj Mehta (Parag Parikh Liquid Fund)						
Date	Scheme	Benchmark	Additional Benchmark	Value of Investment of Rs. 10,000/-		
	PPLF (Regular Plan)	Crisil Liquid Fund Index	CRISIL 1 year T-bill Index	PPLF (Regular Plan)	Crisil Liquid Fund Index	CRISIL 1 year T-bill Index
Since Inception	6.37%	7.69%	7.34%	10,463	10,558	10,533
Jan 24, 2019 to Jan 31, 2019 (Last 7 Days)	6.17%	7.31%	9.44%	10,012	10,014	10,018
Jan 16, 2019 to Jan 31, 2019 (Last 15 days)	6.26%	7.32%	9.43%	10,026	10,030	10,039
Dec 31, 2018 to Jan 31, 2019 (Last 1 Month)	6.28%	7.43%	8.91%	10,053	10,063	10,076
Oct 31, 2018 to Jan 31, 2019 (Last 3 Month)	6.36%	7.68%	9.59%	10,160	10,194	10,242
Jul 31, 2018 to Jan 31, 2019 (Last 6 Month)	6.42%	7.64%	8.49%	10,324	10,385	10,428

- Note:**
- Different plans shall have different expense structures
 - Scheme returns shown are for regular plan
 - Past performance may or may not be sustained in the future
 - Greater than 1 year returns are CAGR returns
 - Data presented here is upto the last calendar month
 - Less than 1 year returns are annualised returns

We have our Skin in the Game

The combined holding of 'Insiders' in Parag Parikh Long Term Equity Fund amounts to 7.31% of the AUM as at January 31, 2019. For more details please visit the 'Scheme' section of our website.

Riskometer

This product is suitable for investors who are seeking long term capital growth.

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.

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

Investors understand that their principal will be at moderately high risk.

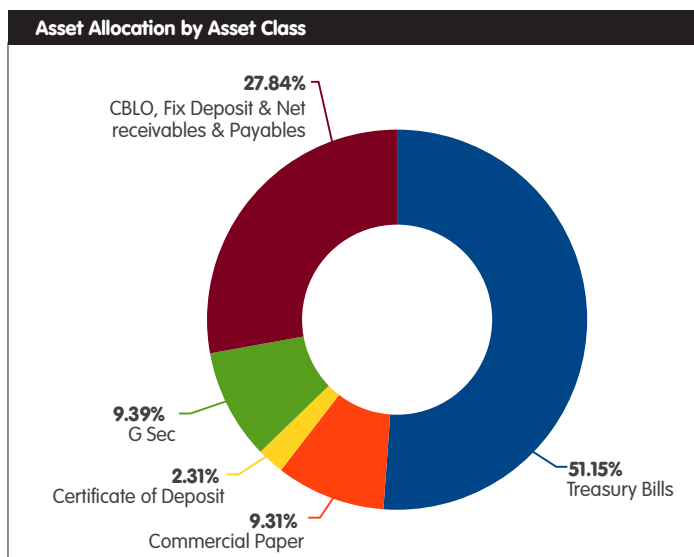
Parag Parikh Liquid Fund

An open-ended Liquid Scheme

Name of the fund	Parag Parikh Liquid Fund
Investment Objective	The primary investment objective of the Scheme is to deliver reasonable market related returns with lower risk and high liquidity through judicious investments in money market and debt instruments. (Non Guaranteed)
Type of the Scheme	An Open-ended Liquid Scheme
Date of Allotment	May 11, 2018
Name of the Fund Manager	Mr. Raj Mehta Fund Manager since inception. Has 5 years of work experience and also manages debt component of PPLTEF since Jan 2016.
Assets Under Management (AUM) as on January 31, 2019	₹ 213.36 Crores
Average AUM for the Month	₹ 212.28 Crores
Entry Load	Not Applicable
Exit Load	Nil
Weighted Average Expense Ratio	Regular Plan: 0.25%* Direct Plan: 0.15%* *Including additional expenses and GST on management fees
Benchmark Index	CRISIL Liquid fund index
Additional Benchmark	CRISIL 1 Year T-Bill index
Minimum Application Amount	New Purchase: ₹ 5,000 Additional Purchase: ₹ 1,000 Monthly SIP: ₹ 1,000

Quantitative Indicators*	
Average Maturity (Days)	33.38
Modified Duration (Days)	33.38
Yield to Maturity	6.58%

* Computed on the invested amount

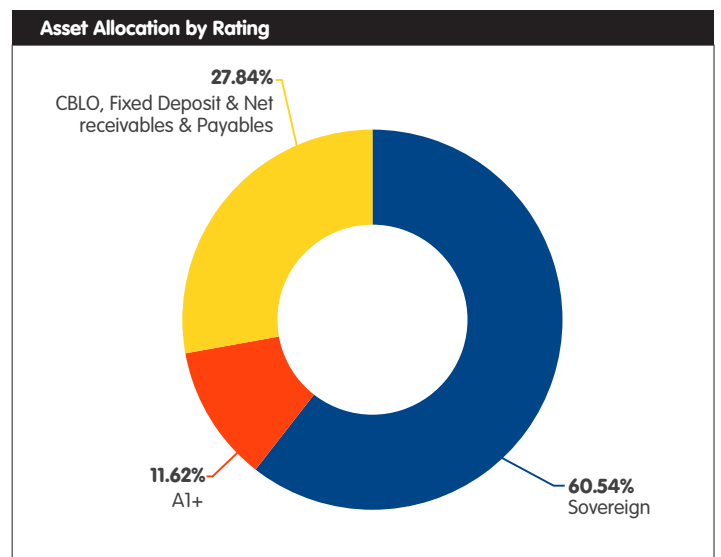


Portfolio Disclosure

Debt and Money Market Instruments		
Name	Rating	% of Net Assets
91 Days T Bill - 28 Feb 2019	Sovereign	9.33%
91 Days T Bill - 08 Feb 2019	Sovereign	4.68%
91 Days T Bill - 14 Feb 2019	Sovereign	4.68%
91 Days T Bill - 07 Mar 2019	Sovereign	4.66%
91 Days T Bill - 14 Mar 2019	Sovereign	4.65%
91 Days T Bill - 28 Mar 2019	Sovereign	4.64%
182 Days T Bill - 04 Apr 2019	Sovereign	4.64%
91 Days T Bill - 11 Apr 2019	Sovereign	4.63%
91 Days T Bill - 18 Apr 2019	Sovereign	4.62%
182 Days T Bill - 19 Apr 2019	Sovereign	4.62%
b) Government Securities		
8.28% RAJASTHAN SDL 2019 25 Mar 2019	Sovereign	4.70%
6.05% GOVT STOCK - 02 Feb 2019	Sovereign	4.69%
c) Commercial Papers & Certificate of Deposits		
NABARD CP 01 Feb 2019 - ICRA A1+	A1+	2.34%
HDFC Ltd CP - 01 Feb 2019 - CARE A1+	A1+	2.34%
IOCL 70D CP - 04 Apr 2019 - ICRA A1+	A1+	2.32%
NTPC LTD CP - 12 Apr 2019 - ICRA A1+	A1+	2.31%
AXIS BANK LTD CD - 25 Apr 2019 - CRISIL A1+	A1+	2.31%
d) TREPS		
TREPS		24.08%
e) Fixed Deposits		
6.75% FD HDFC (MD 19 Mar 19)		0.47%
7.40% FD HDFC (MD 04 Oct 2019)		0.47%
Invested Total		97.18%
Net Receivables/Payables		2.82%
Net Assets		100.00%

NAV Details		
Plan	Direct	Regular
Growth	1047.1386	1046.2596
Daily Dividend	1000.2000	1000.2000
Weekly Dividend	1001.5043	1001.4960
Monthly Dividend	1003.5050	1003.4976

Dividend History - Monthly Dividend Plan				
Record date	Direct		Regular	
	Retail	Corporate	Retail	Corporate
28th January 2019	₹ 3.55	₹ 3.28	₹ 3.49	₹ 3.23
31st December 2018	₹ 4.42	₹ 4.10	₹ 3.80	₹ 3.52
26th November 2018	₹ 3.61	₹ 3.34	₹ 3.53	₹ 3.27



Parag Parikh Liquid Fund

An open-ended Liquid Scheme

Lumpsum Investment Performance (Compounded annual returns)

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Note:

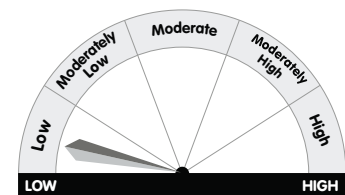
- Different plans shall have different expense structures
- Scheme returns shown are for regular plan
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- Greater than 1 year returns are CAGR returns
- Data presented here is upto the last calendar month
- The scheme has not completed one year since the date of launch
- Less than 1 year returns are annualised returns

This product is suitable for investors who are seeking*

- (I) Income over the short term
(II) Investment in debt / money market instruments.

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

Riskometer



Investors understand that their principal will be at Low risk.

Definitions

Fund Manager	An employee of the asset management company such as a mutual fund or life insurer, who manages investment of the scheme. He is usually part of a larger team of fund managers and research analysts.
Application amount for fresh subscription	This is the minimum investment amount for a new investor in a mutual fund scheme.
Minimum additional amount	This is the minimum investment amount for an existing investor in a mutual fund scheme.
SIP	SIP or systematic investment plan work on the principle of making periodic investments of a fixed sum. It works similar to a recurring bank deposit. For instance, an investor may opt for an SIP that invests ₹500 every 15 th of the month in an equity fund for a period of three years.
NAV	The NAV or the net asset value is the total asset value per unit of the mutual fund after deducting all related and permissible expenses. The NAV is calculated at the end of every business day. It is the value at which the investor enters or exits the mutual fund.
Benchmark	A group of securities, usually a market index whose performance is used as a standard or benchmark to measure investment performance of mutual funds, among other investments. Some typical benchmark include the Nifty, Sensex, BSE200, BSE500, 10-year Gsec.
Entry Load	A mutual fund may have a sales charge or load at the time of entry and/or exit to compensate the distributor/agent. Entry load is charged at the time an investor purchase the units of a mutual fund. The entry load is added to the prevailing NAV at the time of investment. For instance, if the NAV is ₹ 100 and the entry load is 1%, the investor will enter the fund at Rs 101.
Exit Load	Exit load is charged at the time of redeeming (or transferring an investment between schemes). The exit load percentage is deducted from the NAV at the time of redemption (or transfer between schemes). This amount goes to the Asset Management Company and not into the pool of funds of the scheme.
Standard Deviation	Standard deviation is a statistical measure of the range of an investment is performance. When a mutual fund has a high standard deviation, its range of performance is wide implying greater volatility.
Sharpe Ratio	The Sharpe Ratio named after its founder, the Nobel Laureate William Sharpe is a measure of risk-adjusted returns. It is calculated using standard deviation and excess return to determine reward per unit of risk.
Beta	Beta is a measure of an investment's volatility vis-a-vis the market. Beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 implies that the security's price will be more volatile than the market.
AUM	AUM or assets under management refers to the recent / updated cumulative market value of investments managed by a mutual fund or any investment firm.
Holdings	The holding or the portfolio is a mutual fund's latest or updated reported statement of investments/securities. These are usually displayed in term of percentage to net assets or the rupee value or both. The objective is to give investors an idea of where their money is being invested by the fund manager.
Nature of Scheme	The investment objective and underlying investments determine the nature of the mutual fund scheme. For instance a mutual fund that aims at generating capital appreciation by investing in stock markets is an equity fund or growth fund. Likewise a mutual fund that aims at capital preservation by investing in debt markets is a debt fund or income fund. Each of these categories may have sub-categories.
Portfolio Turnover Ratio	A measure of how frequently assets within a fund are bought and sold by the managers. Portfolio turnover is calculated by taking either the total amount of new securities purchased or the amount of securities sold - whichever is less - over a particular period, divided by the total net asset value (NAV) of the fund. The measurement is usually reported for a 12-month time period.
Yield to Maturity (YTM)	The yield to maturity (YTM) of a bond or other fixed-interest security, such as gilts, is the (theoretical) internal rate of return (IRR, overall interest rate) earned by an investor who buys the bond today at the market price, assuming that the bond is held until maturity, and that all coupon and principal payments are made on schedule.
Modified Duration	Modified duration is a formula that expresses the measurable change in the value of a security in response to a change in interest rates. Modified duration follows the concept that interest rates and bond prices move in opposite directions.
Total Expense ratio	The total expense ratio (TER) is a measure of the total cost of a fund to the investor. Total costs may include various fees (purchase, redemption, auditing) and other expenses. The TER, calculated by dividing the total annual cost by the fund's total assets averaged over that year, is denoted as a percentage.



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Distributor Helpline	Call: 91 22 61406538, 918291979349, 918291979350 Email: partners@ppfas.com

Website: 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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The AMC (including its affiliates), the Mutual Fund, the trust and any of its officers, directors, personnel and employees, shall not liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this material in any manner. The recipient alone shall be fully responsible/liable for any decision taken on this material.