Neil Parag Parikh, Chairman, CEO, PPFAS Mutual Fund

'Investing via SIPs is a good strategy'

Fund management consistency and discipline are extremely important to take decisive actions on the portfolio

At a time when the market had recently crossed the historic height of 50,000, the investors have been advised to be equanimous. "Have patience and a long-term horizon to achieve your financial goals," says Neil Parag Parikh, Chairman and CEO, PPFAS Mutual Fund, in an exclusive interview with *Bizz Buzz*

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The industry has crossed the mark of Rs 31 lakh crore of late in terms of AUM? How do you see things going forward?

I believe the future for our industry is extremely bright. We are just scratching the surface. We are still in the early stages of growth as genuine interest in mutual funds has only come in the last decade post demonetisation, poor returns from real estate and the move towards financialisation of savings. This trend will continue and pick up pace. The penetration into mutual funds is less than 10 per cent in India whereas the world average is more than 60 per cent. The potential for growth is immense.

The market has recently touched the 50K mark. What would be your advice to the investors?

Be equanimous. Do not get too high when things are going great and do not get too low when things are bad. One needs to be calm and take rational decisions and not be swayed by the moods of the market. Have patience and a long-term horizon to achieve your financial goals. This is not the time to get too adventurous, rash and overconfident with one's investment process and decision-making. Stick to your asset allocation and practice commonsense investing. The markets are inherently volatile, so going through ups and downs are part and parcel for equity investors. Investing via SIPs is a good strategy.

Your flagship scheme, Parag Parikh Flexi Cap Fund, emerged as an outperformer in Covid time. What led the growth?

We have been following our investment discipline, process and philosophy for more than 20 years, earlier as a PMS and now as a mutual fund. So, the conviction and confidence in our investment approach has always been high. Fund management consistency and discipline is extremely important to take decisive actions on the portfolio.

Secondly, we do not force ourselves to invest if opportunities are not available. We rather remain in cash and wait for opportunities and right valuations. This helped when the market fell sharply, and we could deploy our cash at some good valuations. The fund has a go-anywhere approach to investing. We can invest up to 35 per cent of the portfolio in overseas securities. The wide mandate and our investments in some truly innovative and growing companies have also helped in fund performance.

> **We believe banks might face some uncertainty on repayments by borrowers resulting in bad loans, from a medium-term perspective. At the same time, we found relative valuations attractive in some other companies. As such, we have cut some exposure to banks and allocated wherever we saw more visibility and attractiveness**

Investing a certain portion in the overseas market is a new trend these days. You pioneer in that. Can you share an overview of why people want to invest abroad when the Indian market performs equally good?

I am a big proponent of having some part of the portfolio diversified outside of India. There are a few reasons for this. We reduce the country-specific risk, which in turn reduces the overall portfolio risk. This means that any events that are India-specific such as demonetisation, border tension with neighbours, GST-related issues and bad monsoons will hamper the Indian portfolio. The overseas portfolio will be unaffected by such events. As Indians, our consumption patterns are not reflective of the listed space in the country. For example, we use foreign-made mobile phones like phones and Samsung. We watch Netflix and Amazon prime, consume Coke and Starbucks, chat on Whatsapp and search on Google. If we are such avid consumers of these brands, then surely, they could also make for great investments, whenever the valuations are appropriate. The Indian rupee has on average depreciated by around 4 per cent to the US dollar. So, when you invest abroad, one has already benefited from the weak rupee by making around 4 per cent without the stocks moving even a cent. All the capital appreciation is over and above this currency premium. Thus, one is already getting fixed income like returns without any stock appreciation.

ITC is your top Indian Holding, but the stocks have been in the news for various reasons, value, stock price movement and ESG. Does it make sense to have ITC in the portfolio?

The fact that ITC is one of our top holdings, should signal that it makes sense for us to hold the stock. Surely, the stock has been a terrible performer since the last many years. We bought the stock post Covid fall in March/ April when the price plunged to new lows. For us, at that time it made sense to buy into the company. There is always value at a particular price, especially for well-run, quality businesses. Our investment team does thorough research and investigates all factors before buying into a stock. We are satisfied with our rationale to buy into ITC.

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You have reduced your exposure in the banks. Do you see any problem coming in that space?

Due to the pandemic and RBI measures thereafter, we believe banks might face some uncertainty on repayments by borrowers resulting in bad loans, from a medium-term perspective. At the same time, we found relative valuations attractive in some other companies. As such, we have cut some exposure to banks and allocated wherever we saw more visibility and attractiveness. We continue to remain positive on the larger private sector banks from a longer-term perspective.

Pharma funds/stocks have risen in the last one year. Why haven't you thought of increasing exposure in the pharma space?

Our approach to the pharma sector has been that of a basket approach. Due to the FDA issues and pricing concerns, we had bought into these companies once the FDA warnings were issued and these companies were available at rock bottom valuations. So, we built small positions in 5-6 pharma companies where we liked certain qualities and business characteristics along with them being run by credible managements.

Tell us something about your Tax Saver Fund? How is it different from your flagship scheme?

The launch of Parag Parikh Tax Saver Fund (PPTSF) in 2019 was more an outcome of us bowing to the persistent demands of a section of our fellow unitholders, who since 2014 or so, desired a Scheme which combined the merits of our approach to money management, with the Income Tax benefits offered u/s 80C. The main differences between PPTSF and Parag Parikh Flexi Cap Fund (PPFCF) lie in the absence of international stocks in the former's portfolio and the fact that a minimum of 80 per cent must be invested in equities at all times, as compared to 65 per cent in the latter. Both these points of divergence are due to regulatory stipulations.

Can we expect more schemes from PPFAS Mutual Fund?

Yes, we are in the process of launching a debt fund. I think there is a demand for a debt product from our fund house and now we are in a position to launch such a product.

What is your expansion plan?

The number of products from our fund house will be limited. Like I mentioned, only a debt fund is in the pipeline. There is a long runway for our current offerings, and focus has always been on enhancing the digital experience and devoting increasing attention and resources to this area over the past two years and the past few months have only seen an acceleration of this trend. I also maintain that it will still be important to have physical presence in key geographies. From a single office in Mumbai just three years ago, we have now set up branches in Bengaluru, New Delhi and Pune, with representative offices in Chennai, Hyderabad and Kolkata. Ahmedabad is also on the horizon. However, in keeping with the DNA of our fund, we will prefer to take measured steps and not bite off more than we can chew, by rushing headlong into anything.