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Moderator: Good evening, ladies and gentlemen, welcome to the call hosted by PPFAS Mutual Fund. The Fund is represented by Chief Investment Officer, Mr. Rajeev Thakkar and Fund Managers, Raunak Onkar and Raj Mehta. We will begin with an introduction to Parag Parikh Conservative Hybrid Fund by Chief Investment Officer, Mr. Rajeev Thakkar. This will be followed by the Q&A session. Only those questions which have been preapproved by the PPFAS Mutual Fund Team will be a part of this session. All participant lines will be in the listen only mode throughout the call. I would now like to hand the conference over to Mr. Rajeev Thakkar. Thank you and over to you, sir.

Rajeev Thakkar: Thank you. Welcome everyone for this conference call. Thank you for taking the time out and attending this. As you know, we have filed for the Conservative Hybrid Fund and it will launch on 7th of May, I will just give you highlight about it and what is the thinking behind coming out with this product and where do we see it fitting with the investor need or the kind of investor who should be investing in this fund. For a long time, we have endeavored to keep our product architecture very simple for the end investor as well as for the distribution community. So, as you are aware, we run one equity fund in the general category which is the Flexi Cap Fund which is the go anywhere fund across market cap, across sector, and to an extent across geography. We have one liquid fund which is essentially a cash management tool. We have one ELSS Fund which largely replicates the Indian equity stance of the Flexi Cap Fund. So we have limited number of strategies in that sense. These are the three existing funds that we run.

For a long time, distributor partners as well as investors were looking at us for some kind of a debt offering which would meet their fixed income asset allocation needs. So this Conservative Hybrid Funds that we are launching is our attempt to meet the fixed income needs of the end investor. So broadly, I will just touch upon briefly the asset allocation and the Conservative Hybrid Fund, the investment pattern and then take you through the rationale as to why a Conservative Hybrid structure as compared to any other structure. So the Conservative Hybrid Fund will invest a minimum of 75% in debt securities. This would be government securities, state government securities, PSU bonds or corporate bonds. It can invest 0 to 25 in equity and within equity class, it can invest 0 to 10 in REITs or InVITs, real estate investment trust or infrastructure investment trust.

So I will take you through the rationale behind choosing the conservative hybrid structure as opposed to any other structure. So personally, just like as I said, the flexi cap fund is a go anywhere equity fund, we wanted a fixed income structure which would enable us to take advantage of opportunities that we see in the fixed income space irrespective of where they arise. So at some point in time, state government securities may look attractive, at some point in time, corporate bonds may look attractive, sometimes you may see medium term paper being attractively poised, so sometimes you may see long-dated paper look attractive. So the scheme gives us flexibility to invest more or less across the yield curve and across the government and PSU and corporate bond spectrum.

Also, the structures of real estate investment trust and infrastructure investment trust have been newer additions in the Indian market. Now, in our mind, these are attractive instruments for a fixed income kind of investor. The reason being that 90% plus of the cash flows to these trusts has to be paid out to the end investor. So a real estate investment trust will have all these office parks which they have let out to multinational companies and things like that or blue chip Indian corporates, they get regular cash flows from their tenants which in turn they pass on to the investors. Now, not only are these instruments giving attractive wheels as of now, what also happens is typically these kind of rental agreements have a rent escalation clause**.** So every 3 years or so, typically rent would go up by around 15% on an average about 5% per year, so that also is an attractive thing for the fixed income investor because the underlying yield goes up somewhat over a period of time.

Equity as an asset class, we have received some questions as to will it replicate the Flexi Cap Fund or the Tax Saver Fund, the highlight of equity component in the conservative hybrid fund is that we are looking at providing a sustainable cash flow to the investor without taking too much risk, so equity here will be largely equity instruments which either carry fixed income characteristics in terms of not very expensive earnings multiples, good cash flow yield in terms of either dividends or share buybacks or sometimes arbitrage positions, sometimes you could have special situations like open up for or a buyback, so we will strategically use this equity component to either give fixed income kind of returns or in some case outright equity positions which in our view are low risk opportunities for the fixed income investor.

Again, a question, why not aggressive hybrid fund which gives equity taxation and why go for a conservative hybrid fund structure where your fixed income kind of taxation, the reason being that, for the equity investors, we already have the flex cap fund for someone who has higher risk appetite and that gives you the equity taxation structure of 10% of the capital gains. When it comes to fixed income investing, we believe the inflation indexation is a very big attraction for the debt taxation. So after three years of investment in the growth plan, whatever capital gains come about, you can avail of the inflation indexation and the tax would be only at 20% on post indexation plus surcharges applicable. So this becomes very attractive for the fixed income investor. So equity taxation at 10% is great if you are going to get 10%, 12%, 15%, 20% kind of returns, but if you are going to get may be 6, 7, 8, 9 kind of returns, then inflation indexation can become more attractive for the fixed income investor because that gives you some amount of tax shelter and taxation is only on the real returns that the end investor generates. So, who is the target investor or whom is this product designed? So there can be two kinds of potential investors, the first investor is a younger investor who apart from equity investment as part of asset allocation, who wants to put some money in fixed income security. So this could be 25-year-old, 30-year-old, 40-year-old, 50-year-old, who wants to let us say, put aside 10-15%, 20-30% of the savings every month into fixed income kind of investment and not put everything in equity. So for that kind of individual, this provides a good avenue for parking money and compounding it in a tax free manner in a growth plan and on redemption, obviously there will be capital gains tax, but the investor will get indexation benefit. So this is one target segment. The other target segment is people who require regular cash flows. This could be people who are in retirement or closer to retirement.

Now, these people require regular cash flows from the corpus that they have paved over the years. They need a reasonably attractive return, at the same time, they are looking at tax efficiency. Now, for such people, the growth plan plus systematic withdrawals would be a good option to consider. So what we don’t realize is even fixed income investors have long-term time horizons in many cases, so people who are opting for Varishtha Bima Yojana or the senior citizen schemes typically invest for the long term, even fixed deposit, we make 5-year, 7-year deposits to get slightly higher interest rates.

A person retiring at 60 based on our life expectancy may be 20 or horizon for even fixed income security. So such people can park their money and once either start SWP immediately or though SWP post 3 years depending on their preference and can gain advantage of that indexation benefit and take benefit from the fixed income securities and the REIT and the equity investments that we will make. What will be the composition of the debt investment, largely it will be central and state government securities, AAA, PSU bonds and corporate bonds. That is largely the kind of investment pattern that we envisage. Maturity, we have our choice, meaning we could be at the short end of the curve where, let us say, liquid funds at the shortest end are giving anywhere 3 quarter 3 half kind of returns per annum.

At the longer end, 10-year bonds etc., you can go closer to 7%-7.5% depending on the instrument. What we will be doing is, we will not be speaking to the very short end of the curve, we will be in the medium to long-dated bonds. The combination of medium to long-dated bonds plus REIT investments plus equity investments means that the NAV will move in the band, It will not be very stable NAV like a liquid fund, meaning every day you could see small growth, it has not been like that, meaning NAV could bounce around slightly, obviously not as much as equity funds. Equity is a completely different asset class, but here given that we are saying the potential investor should be there for a minimum 3 years, they can ride out that small up and down on account of interest rate movements or slight up and down in the equity and REIT prices, but the underlying cash flows of all these instruments, whether it be government or corporate or state government securities or REITs or equities, the underlying cash flow will be therefore the investors and as long as they have reasonably medium to long investment horizon, they should be more or less fine, even with the somewhat volatile NAV. Raj, would you want to add anything to this or maybe we can open it up for questions if there are?

Raj Mehta: No, I think you have covered everything, so we can go to Q&A.

Moderator: Certainly sir. We will start the question and answer session. We have the first question from Mr. Anand Kumar towards Parag Parikh Conservative Hybrid Fund. The question is, why conservative and not aggressive fund when debt market is not promising?

Rajeev Thakkar: I partly addressed this question in the opening remarks. A person looking at a 65-35 kind of allocation can anyway put money in our Flexi Cap Fund and put part of the money in the Conservative Hybrid Fund. In the equity portion, they will get equity taxation and in the debt portion, they will get indexation benefit. So to my mind, it would be best of both words. For a person who is looking at long-term debt accumulation, I think this is a good opportunity, given that especially for high income earners, given that after the budget amendment, voluntary ETFO contribution or the high contribution to Employee's Provident Fund has become unattractive. Now, that will attract taxation. So for accumulation vehicle, Conservative Hybrid fund would be a good choice. Even for retiring this would be a good choice. So this is designed for people requiring regular cash flow. Aggressive hybrid fund is very difficult to convey this message to investors or to give confidence to the investors to do a SWP on an aggressive hybrid fund. So that is the reason for going for Conservative Hybrid Fund.

Moderator: Yes, we have the second question from Mr. Suraj Jatwani towards Parag Parikh Conservative Hybrid Fund again, the question is, can we expect better return from Credit risk, bond funds, PSU debt fund? Second is, how you can manage debt part of fund like a bifurcation of duration and accrual or Gilt bond, CP and CD**?** How much percent allocate in it?

Rajeev Thakkar: So, each kind of category will be having a different risk and return profile categories that you have listed out. As I mentioned in the opening remarks, here the objective is to have flexibility in terms of maturity and in terms of whether to invest in central government, state government or PSU or corporate bonds. Largely, we will be speaking to the best quality asset paper, so we will not be going down the credit risk part. There could be some amount of interest rate risk given that we are buying medium to long-term bond, but we will not be taking credit risk to a larger extent. We will try and keep credit risk to the minimum and we will try and have medium to long-dated bonds. Now, given that we are expecting the end investor to have slightly longer investment horizon, they should be able to ride out the interest rate volatility in the interim and again, the objective is not to bet on interest rate movements or to get too much directional trading or anything like that go up and down the yield curve. That is not the objective. The objective is to have high quality underlying assets which can provide regular cash flows to the investors.

Moderator: Yes, we have a question from Mr. Shakti Mehra for Parag Parikh Conservative Hybrid Fund, any two reasons we should invest in the same?

Rajeev Thakkar: I think I have covered the reasons to invest in the opening remarks. Broadly, as I said, two categories of people, one category who as part of their strategic debt allocation, people who are accumulating money for long term, partly in debt, for them this can be positioned. The second category of people is, people who want regular cash flows. For them, we can go up with the systematic withdrawal plan. The scheme can provide regular cash flows as well as some element of inflation hedge.

Moderator: Yes, we have a question from Mr. Seetharaman Muthukumar for Parag Parikh Conservative Hybrid Fund, average yield to maturity is 3.58% for the most of the schemes in the market, how your fund is going to be different and why investor has to invest his heart and money in this fund?

Rajeev Thakkar: So, you have made a very interesting observation, so funds which are sticking to the very short end of the yield curve are anywhere 3 quarter or 3.58 that you mentioned would be looking at somewhere around 6 to 9 months, 1 year kind of paper. When we extend the maturity, we are looking at state government bonds, dealing anywhere at 6.5 to 675 kind of YTM, we are looking at corporate bonds trading at those kind of yield plus we are looking at REITs and small equity allocation, so we are not sticking to the extreme short end of the yield curve and given that we expect investors to have slightly longer investment horizon, the YTM of the portfolio we should expect to be higher than the very short end of the yield curve.

Moderator: Yes, we have a question from Mr. Ravikumar Nandalal Purohit for Parag Parikh Flexi Cap Fund, the question is why team is not working on distributor app, I am a distributor and I like your product, also I want to promote your product, but when it comes to connecting the investor, then app is not user friendly, app is best for direct plan, but as a distributor I think there should be a separate platform, only link generation facility is there, I have done a lot of SIP through Axis IFA Connect, but sorry to say, why team is not working on distributor app?

Rajeev Thakkar: Thank you for the feedback. In fact, the team has been working very hard to add various features and I would think in internal meetings, they have been saying we should be in a position to launch something within a month's time, but you will see some developments on this front very soon. The team is at work, let me assure you and hopefully we should have a best-of-class distributor app also launched. Thank you.

Moderator: Next question is from Mr. Prashant Badgujar for Parag Parikh Flexi Cap Fund. The question is, why Parag Parikh SIP is not possible through online portal, it is difficult for us to submit hard copy of application form during this COVID-19 pandemic?

Rajeev Thakkar: There are facilities for online submission, may be the distributor app may have some issues which again as I said, they are working on it and they will be launching it, but I think there should be definitely **22.37____** media either through the CAMS platform or through our own platform, I would urge you to either speak with Mahesh or Shailendra or Ashok or someone in our team and they will be able to guide you. I take your point that with the pandemic, paper forms become very difficult to execute, I am sure we will be able to fund solution, so kindly get in touch with Mahesh or Shailendra or Ashok, please.

Moderator: The next question is from Mohammed Zebran for Parag Parikh Conservative Hybrid Fund. The question is, how safe is your fund if in future we come across the situation like last year where we saw defaults and few companies unable to service debts due to pandemic and were looking for moratorium? And the second question is, what should be the minimum duration for the NFO?

Rajeev Thakkar: We realize that safety of principal is paramount in the mind of the investor and typically the fixed income investor is a risk averse investor and is not looking at taking high risk because if the investor had high risk appetite, the investor would have gone for equity like instruments. So given that background even the one fixed income scheme that we have been running, the liquid fund, you will have noticed that the objective is on safety rather than earning the highest yield, so same approach we will have in the conservative hybrid fund also. The risk that we will be taking will be to an extent interest rate risk where because of small movements in interest rates going up and down, the NAV will go up and down marginally, but we will not be taking large credit risks where we have the fear of the borrowers defaulting or things going into moratorium and things like that. Also, given that a lot of our investments will be in government securities, those securities can be used to raise liquidity at a very short notice, so even in a global financial crisis, 2008-2009 kind of situation or what we saw in 2020, typically the central bank, whenever they open up liquidity facilities for mutual funds, typically the first asset class that they open it up for is, government. So as I was saying, we have no intention of going to lower rated papers and getting into trouble as far as the borrower quality goes or defaults and moratorium and things like that, we will be sticking with government and high quality AAA corporate and PSU bond and just because someone has a AAA rating, doesn’t mean we will automatically invest in that security. Our own credit risk assessment will play a big part in selecting of securities. Again, the per issuer concentration, we will keep extremely limited, so while there could be some NAV up and down on account of interest rate movements or market prices, we definitely will not want to take high credit risk in this scheme.

Raj Mehta: There was another part to that question, so what should be the minimum duration for the NFO, so for the new scheme, what we are saying is that the minimum time horizon that an investor should have should be a minimum of 3 years, so that you get indexation benefit on the taxation side and the longer the time horizon you have, the shorter the volatility in terms of the returns that you will get from this scheme, so that is the ….We can move to the next question.

Moderator: The next question is from Mr. Aditya Malhotra for Parag Parikh Conservative Hybrid Fund. The question is, how will the equity strategy for this fund be different from the equity strategy of ELSS fund?

Rajeev Thakkar: So, ELSS fund was largely replicating the stock picks of the Flexi Cap Fund. In the Conservative Hybrid Fund, given that we will have around 15% kind of equity allocation, we will not have so many number of stocks and our focus will be on stocks with good cash flow for investors where dividend plus buybacks are good or where there is some special situation kind of opportunity or there is an arbitrage kind of opportunity, so the equity strategy of this thing will be different from the other two equity schemes. There would be some overlap of stocks obviously, but it will not have as many number of stocks as in the equity schemes that we run, the number of stocks will be limited given that there is limited equity exposure and sometimes you may have a differentiated portfolio given that there could be some special situation or arbitrage kind of opportunities.

Moderator: The next question is from Mr. Ashish Kathuria for Parag Parikh Flexi Cap Fund. The question is, given that there has significant upside in US market and more so in tech stocks and valuations have swelled, do you feel the risk has increased significantly considering the fiscal stimulus and other monetary policy stimulus by US would gradually decrease and how are you going to look ahead at next 5 years with current valuations? Also, would you suggest LS buying now or through staggered purchases?

Rajeev Thakkar: So, markets world over have gone up very significantly over the last 12 to 15 months and obviously some valuations have gone up. As far as our US investments go, the valuations despite the run-up look reasonably okay, given that the underlying business has gone very significantly. So even before COVID, the trends towards shifting from physical retail to e-commerce, from traditional TV to over the top screening media applications, print and TV advertising towards digital advertising, on premise servers to cloud computing, all these things were preexisting. However, with COVID, the trends have got accelerated in a very big way and the valuations despite the increased prices are not unreasonable, in fact they are cheaper than many of the Indian stocks with far lower growth rate, so we are not uncomfortable with our US tech position and it is reasonable and wherever we see valuations getting out of and we are trimming positions, we are exiting certain stocks and we are monitoring the overall portfolio. So I don’t think there should be any worry on that front. For fresh investments, I think staggered investments are always better, because it gives mental comfort to the client to stay the course. If there is a lump sum investment and for some reason there is volatility and there is 5% or 10% movement, then that panic creeps in, whereas the staggered investment always gives comfort to the client to stay the course, so I would recommend a staggered investment. Raunak, anything you want to add on the US investments and things like that?

Raunak Onkar: So, in the international equity portion, like Rajeev said the tech investments we have also grown the underlying business in the past year and a half, whereas there are certain pockets in the US markets in tech and other areas where valuations have gone up stratospherically and that is also because these companies have recently listed their far more popular brands and the business models also don’t generate the kind of cash flows like the larger tech companies generate. So some of the older and stable names are doing well and are reasonably valued. Some of the newer companies are benefiting because of digital advertisement penetration and growing market share, but I agree to some extent that there are areas where the valuations have gone completely crazy. We definitely keep monitoring them company by company. We don't like to categorize them, although it is good to call them as pang, pang itself are different business models inside of that acronym, so we look at them company by company and prospect by prospect of each of these businesses and then we take a call.

Rajeev Thakkar: And there was a question on the macro in terms of fiscal stimulus and monetary things and all that, see these are difficult questions and difficult to know beforehand what course the policy will take, when will be the reduction in deficits and fiscal stimulus, what will be the exact impact and things like that. What is in our hand is to select great businesses, to keep track of the valuations that which they trade and to adjust positions according to valuations and the size of opportunities and let the company performance takes its own course. So whether we go into a inflationary scenario or whether we go into deflationary scenario or whether stimulus is high or low, the underlying business trends are clear, so as I mentioned things like shift towards e-commerce, streaming content, digital advertising, in India we have some platform place where NSG exchange or commodity exchange or depository or things like that. These are either monopoly businesses or duopoly kind of businesses with good return on equity kind of characteristics, low leverage, mindful of the valuations that we pay, so broadly things should be fine. I don't think worrying too much about macro helps in any scenario because there will always be some parameter or the other which causes concern and which would lead us astray in terms of our investment journey.

Moderator: Yes, we have a question from Mr. Kunal Bhatia for Parag Parikh Flexi Cap Fund, given the increasing restrictions and impact on consumer demand, how are you thinking about your holdings in the auto sector and the largest Indian holding in the portfolio whose profits primarily come from a business which again has been significantly impacted?

Rajeev Thakkar: With COVID, there has an impact on the month and days where there are these COVID related restriction and typically there is a pent-up demand effect. So either people stock up before the lockdown or immediately after the lockdown there is buying. So the way we are looking at the current restrictions is unlike 2020 where people had absolutely no clue about what COVID was, today we are in a situation where we are clear on the treatment protocols, we are placing movement restrictions, at the same time, taking care of important economic activity like manufacturing and things like that. Businesses have gotten used to working in a COVID environment, we have vaccines which are already there and we clearly know the course of action is to increase vaccination of people, so the time for which restrictions will last in 2021, the expectations, it will be far lesser as compared to 2020 and the impact on the economic activity will be lower than what we saw in 2020, despite the more number of cases this time around. The period is expected to be short. Auto, obviously there are challenges in terms of the dealerships being closed and consequently they are having difficulty in terms of selling their products and at the same time chip shortages creating some supply bottleneck, but at the same time, there is a tendency that given the health consequences, there will be some preference for personal mobility rather than shared mobility, so both aspects are there. Yes, near term is going to have challenges for the auto companies, you referred to our investment in ITC, we have discussed this in the past, but again so their tobacco sales may be impacted in some areas because of the COVID restrictions, their FMCG portfolio, especially food related things will be under the essentials category and may in fact see some beneficial impact on account of people having in-home consumption. So again I see it as a phenomenon which will last, may be a quarter or so and things would be more or less normal. Raj, you want to add anything on that or Raunak, anything to add?

Raj Mehta: No, as you said, ITC is a pretty diversified company in that sense, so one segment may not go ahead, but the other segment will cope-up with the demand and overall, you will see a minimal impact on the earning, so we saw that last year as well with both auto as well as the ITC, so first couple of quarters were really bad for them, but we saw the recovery which happened in the second half, so again as Rajeev said, may be a quarter might be impacted, but post that, there could be a recovery in both the segments.

Moderator: We have a question from Mr. Kunal Bhatia again for Parag Parikh Conservative Hybrid Fund. The question is, will be an overlap between the equity holdings in the flexi cap or tax saver fund and the hybrid fund in so far as high dividend yield stocks are concerned and given the preference for high yield, would PSU stocks also find a place in the hybrid fund?

Rajeev Thakkar: The equity portion will not be replica of Flexi Cap or the ELSS fund, but they are sure there could be some overlap between the two, the preference for high cash flow yielding stocks will be there, so I am not sure about PSU. If some opportunity comes up, we could have something in the PSU basket, but otherwise the usual suspects like let us say the IT related stocks or some of the FMCG related stocks or some of the holding companies that we own, so it could be a mix of existing and newer stocks. Again, as I mentioned that we could avail of arbitrage opportunities or special situation opportunities and things like that. The equity portion of conservative hybrid fund will be looked at independently. There could be overlap and there could be completely different stocks as well, so it will depend on what kind of opportunities come our way.

Moderator: We have a question from Shruti Bhat for Parag Parikh Tax Saver Fund, the question is, I noticed that four to five pharma stocks comprise 2 to 4% of the total portfolio, just wanted your thinking behind such a small allocations spread across 4 to 5 stocks, it seems to add little value to the portfolio even if the stocks gives stupendous returns, I understand the basket approach, but the position size is as such that they are unlikely to move the needle, grateful for your response?

Rajeev Thakkar: I think the answer is already contained in the question in terms of the basket approach. Ranauk, you want to take this and address it?

Raunak Onkar: Yes Rajeev, so with the pharma stock as we have said the basket approach suited us more in terms of picking the sectoral allocation at least because all the companies in that list are generic exporters who we bought the shares when the stocks were hit because of the FDA issues. Now, as the issues were getting resolved slowly and steadily and market exposure also is growing for these companies and of course, there are other competitors as well, so the basket approach will continue because we are not sure which single company might do very well. In fact, we haven't added significantly to the pharma stocks in the portfolio, you can verify that from the portfolio disclosures and yet as the stock prices itself has kept steadily growing up in the last year, they have maintained their allocation. So that actually is the testament of diversification that we just wanted to invest in the bunch of companies which have similar characteristics in that sector and retain the sector exposure other than committing to one single company which may or may not do well because of any of the other micro as well as macro issues that the company might face.

Moderator: We have a question from Mr. Vikrant Gupta for Parag Parikh Tax Saver Fund, the cash levels in the Tax Saver Fund are significantly higher than the Flexi Cap Fund, is there a particular reason for the diversions given the AUM of the tax saver is substantially smaller and so opportunities should not be difficult to identify?

Rajeev Thakkar: So, as you are aware, the mandate of the two steams is somewhat different given that the Flexi Cap Fund can invest up to 35% of its investments and overseas stock. If you look at the Indian equity allocation of the Flexi Cap Fund, it is slightly more than 65% whereas the Indian equity allocation of the tax saver fund would be around 82-83%, so obviously the Indian equity allocation of tax saver fund is much more than the flexi cap fund. The Indian equity allocation in the tax saver fund is around 82-83% as compared to around 65-66% in the Flexi Cap Fund. Given that the stock prices have run up sharply, some of the stocks we have not been chasing at higher and higher valuation and that has led to some increase in cash levels, but we will deploy that as and when the opportunity arises. So sometimes the deployment can be very soon in case of a sharp correction or in case some opportunity comes by. So I don’t think too much focus should be given there and we will be able to deploy things soon.

Moderator: We have a question from Mr. Kunal for Mr. Rajeev Thakkar, both the equity funds have about 35 to 40% exposure to IT Tech and software companies, while these are cash generative high ROC businesses, but given the disruptions in these sectors, are you comfortable with this sectoral concentration?

Rajeev Thakkar: Firstly, the tech allocation in tax saver fund will not be that high and even if you consider the Flexi Cap Fund, painting everything with the same tech brush may not be the ideal situation in my view, so the question is an open question as to whether Amazon is a tech company or Amazon is a retailing company given that their competition is with the likes of Walmart and Costco and Big Bazaar and DMart across the world. Is Google and Facebook advertising companies or tech companies is again open to question, because they are competing with the traditional print and television advertising for share of advertising dollars. So all of these companies are very different from the HCL Techs and the Persistent Systems and the Infosys of the world because these are mainly IT services companies. Also, an interesting question is there about disruption, now disruption would matter a lot if they are tied to a particular platform or to a particular technology. Now, IT services companies service a variety of industries, service a variety of tech platforms and their employees keep learning the newer technologies and so the same. In the past, when they were working on mainframe computers and then they moved to the clients over environment and then they moved to the internet environment and now increasingly they are working on cloud computing or on mobile app ecosystem and sensors, each transition, they retrain their employees on the newer technologies and they offer a service and they serve a diversified range of clients as well as they serve diversified range of industries. So I don’t think there is any cause for concern. Raunak, would you like to add things over here?

Raunak Onkar: No Rajeev, you had summarized it quite well. In fact, the cash generating aspect is something that attracts us a lot to these companies, but as long as the cash generation will remain strong and it is our competence as well to determine whether this cash generation will continue or not and the valuations will be attractive enough to hold on to these companies, so these are some of the best kind of companies where you know that there is a long-term cash generation record of these companies and government standards are also quite well managed. I think some of these are good opportunities when the valuations correct are available at cheaper rates also.

Moderator: We have a question from Mr. Ravi Mathur for Mr. Rajeev Thakkar. Namaste, what impact do you think this second wave and the resultant effect be on the portfolio of both flexi cap and tax saver fund and generally on the Indian economy, is it advisable too for new clients to be introduced in the PPFAS family through the hybrid fund and eventually to the equity funds?

Rajeev Thakkar: The COVID situation has been with us for more than a year now, so I don’t think you should expect any significant changes in the portfolio on account of COVID situation. In any case, our preference is for cash rich companies or companies with low leverage and companies which are not very vulnerable to external stocks, so I don't think you should expect any significant impact on the portfolio companies that are there in terms of the names that you see in the fact sheet. Impact on the economy obviously will be bad for quarter or so that is our current base case estimation, but again one has to take it in its stride and look to beyond that. Which team or which fund would be the best introduction to the PPFAS family, I think that would be driven by the asset allocation needs of the client? So if the client is a young 25-year-old or 30-year-old who is looking to build a long-term corpus, then a Flexi Cap Fund would be great. If the client is looking to save tax in 80C, then the ELSS fund would be great and if a retiree is looking to park purpose for systematic withdrawal, then Conservative Hybrid Fund would be a good choice. I think, largely it would be driven by the nature of the client's requirements. If people are coming in the equity funds, I would recommend staggered investments rather than a single lump sum investment, purely from behavioral aspects of the client, meaning keeping the client comfortable and helping them stay the course.

Moderator: The next question is from Mr. Amit Garoya for Mr. Rajeev Thakkar. Why do we not launch Ultra Short Category Fund for STP purpose or 6-month plus parking purpose?

Rajeev Thakkar: As of now, we don't have a plan of doing that. I think the liquid fund would be an option or then may be third party short-term funds can be used. So currently the focus is on managing the limited number of schemes and managing them well, so between a liquid fund and ultra-short-term fund, the yield difference may not be very meaningful, sure there would be a small yield pickup, but as of now, we don't have a plan in the ultra-short-term category.

Moderator: Next question is from Mr. Navneet Modi for Parag Parikh Conservative Hybrid Fund, how will you decide equity allocation, will you manage that actively?

Rajeev Thakkar: Equity portion will be managed actively, and it will be driven largely by the opportunity set available, so if opportunities are very limited, there could be minimal equity allocation and we could be in arbitrage kind of position. If good opportunities are there, it could be slightly higher within the bands permitted as per the mandate and as per the offer document, but surely it will be actively managed.

Moderator: Next question is from Mr. Arvind Pamnani for Parag Parikh Flexi Cap Fund, where to submit forms at Kalyan?

Rajeev Thakkar: I would request you to contact Ashok or Mahesh from our team. We have your contact details; someone will reach out to you shortly in this regard and help you out.

Moderator: Next question is from Mr. Prakash Solanki for Parag Parikh Conservative Hybrid Fund. NFO have debt taxation or equity, if it has debt than short-term gain for regular income received will create taxation, lump sum investment for three years can only benefit of long-term indexation?

Rajeev Thakkar: The tax will be that of debt and indexation benefit and capital gains benefit will be available only for 3-year plus kind of investment and the fund is designed for medium to long-term investors rather than for managing short-term cash flows, so you are correct, it is not designed for under 3-year investments.

Moderator: Next question is from Mr. Mukesh Patel for Parag Parikh Conservative Hybrid Fund. How much similarity would be there in the equity portion of hybrid fund and existing equity funds? Will the universe be different and how many stocks in the equity portion of hybrid fund?

Rajeev Thakkar: Number of stocks will be very limited given that the exposure will not be very high. On the similarity and difference, I have already addressed it earlier, so there could be some overlap and there could be some differences.

Moderator: Next question is from Mr. Nishit Kapadia for Mr. Rajeev Thakkar. Are you planning to bring hybrid product with equity taxation, if yes, by when? If no, how your NFO will be better than above-mentioned product?

Rajeev Thakkar: As of now, there were no plans for any other scheme, so this is the only NFO on the horizon for now. So we have no plans for another hybrid fund and again given our thinking that for a debt kind of product, the indexation benefit is of greater benefit rather than taking equity kind of taxation minus the indexation benefit, so that was the thinking and again, although the name is Conservative Hybrid Fund, we are looking at it as our **(57:50) debt offering** and we are going to invest in securities with debt like characteristics. People who are looking at higher equity allocation could choose a mix of our Conservative Hybrid Fund and our Flexi Cap Fund, so no other plans as of now.

Moderator: Next question is from Mr. Sreenath for Parag Parikh Conservative Hybrid Fund, what will be the modified duration range of the conservative hybrid fund?

Rajeev Thakkar: As I said, maturity will be between 5 and 10 years, largely that is the thinking as of now. Again, the mandate is flexible, we can choose the maturity depending on the opportunity set available. So given that we will be in this range, duration should be, I would say somewhere between 6-7 or there above kind of thing, but again, it is just an estimate. Exact duration will be known every month from the factsheet, but it will not be at least for now at the short end of the yield curve, it will buy medium to long dated bonds, so you can expect the duration to be slightly on the higher side.

Moderator: There is one more question from Mr. Sreenath, how Parag Parikh Conservative Hybrid Fund differs from other products in the market?

Rajeev Thakkar: I think I have described the scheme in great detail, so those are the product characteristics. I think one in the asset class of one opportunities at which people have not availed so far has been the REIT and InVIT segment which offers reasonably good yields and possibility for increase in those yields over time or capital appreciation over time. So that is largely the differentiating factor.

Raj Mehta: One other differentiating factor that could be there is the expense ratio that we have kept for the scheme, so if you look at the category expense ratio and compare it to our expense ratio, it is much lower compared to the category, so that could also help in getting little higher returns for the investors.

Rajeev Thakkar: Yes, we are at 30 basis on the direct plan and 60 basis on the regular plan. So as compared to the category, keeping expense ratio under control will enhance the return for the end investor.

Moderator: We have our last question from Mr. Sunil Ram for Parag Parikh Flexi Cap Fund, the question is, when do you think would be a good time to trim your holdings in the US companies that are currently held in the portfolio? Any specific items or metrics you are on the watch out for that could trigger reduction in their weightage in the portfolio? Also how do you think they differ from some of the NIFTY 50 stocks of 1970s?

Rajeev Thakkar: Our investment approach is on a stock by stock, line by line basis, so it will never be that let us sell all our US stocks or let us buy a big quantity of US stocks and different stocks again, it may not be a bullet entry or exit, we may enter in a staggered manner or we may sell in a staggered manner depending on the valuation and the attractiveness of the opportunity set. All along we have been saying that our preference will be for Indian plus global equity portfolio because that will lower the portfolio volatility and allow us to avail of opportunities in all the markets. So in the current situation, for example where India is seeing the impact of a big second COVID wave, global markets obviously are not affected so much by the Indian second wave which has helped us withstand the volatility in the Indian markets. So we will, for the most part try and continue to have India plus overseas kind of exposure. I don't think we are in a NIFTY 50 kind of situation, each situation is different and we will again be guided by individual stock valuations and opportunities. If we feel something is over extended or overvalued and we are not comfortable, we would reduce the weightage or we would exit the position completely. Thank you so much everyone for taking the time out and participating in the call. I look forward to interacting with you again at a later date. Thank you. If there are no further questions, we could end the call.

Moderator: Yes sir. Ladies and gentlemen, this concludes your conference for today. We thank you for your participation and for using iJunxion Conference Service. You may please disconnect your lines now. Thank you and have a great evening.

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