
**Moderator:** Good day ladies and gentlemen, welcome to the Outreach call hosted by PPFAS Mutual Fund. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity to ask questions after the presentation conclude. If you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Raunak Onkar. Thank you and over to you, sir.

**Raunak Onkar:** Hello, good morning everyone. Thank you for joining us on this bimonthly conference call for our partners. We have on the call Raj Mehta from fund management team, myself from the fund management team Raunak Onkar and Mahesh Sarode, who heads the partner relations. So any questions regarding the partners queries from transaction point of view, app point of view, you can direct it to Mahesh and his team. Whereas any questions regarding investment management, Raj and I will be helping you to address those questions.

The agenda for the call is very simple, its just to introduce ourselves to some of the partners, some of the partners who have recently joined or impaneled with us may not be aware of what PPFAS Mutual Fund is or the history of the organization. So we'll give a brief few minutes presentation regarding the history of the firm. And then we can open it up for Q&A. And we can address whatever questions you might have.

So just a brief background about PPFAS. So it's not a very friendly or a very popular brand in terms of recall or a brand recall. But PPFAS the sponsor companies Parag Parikh Financial Advisory Services. PPFAS has a history of about 40 years. Mr. Parag Parikh, the late Shri. Parag Parikh was the founder. And when the firm was started, he was a stockbroker and also an independent investor. So over a period of time I think Parag's legacy in the industry is that he's one of the first people to start sell side equity research by giving out printed research reports to Indian fund houses. And at that time, you only had the insurance, the large insurance companies and UTI who are the major financial institutions who were investing in the market. So he was one of the last impaneled brokers in the 13, 14 top brokers in the country. And from that point onwards till 1991, before liberalization happened when the new international brokers came in, it was a decade of run where he was one of the few people who was providing research reports and quality long term picks for all the clients. Then everybody came in with the international model of research reports, foreign brokers came in, so the competition intensified. So somewhere close to 1996 we decided that not just our ability to identify stocks was good, but we also decided that, we had some investment management category as well. So we started a portfolio management scheme of PMS, we got a license in 1996 and from 1996 till 2013 May, the PMS was operational. And from May 2013 onwards, we became an AMC with a mutual fund license. So, we started our flagship mutual fund scheme, Parag Parikh long term equity fund in May 2013. The tax saver fund was started last year, and the liquid fund was started a year and a half. So, it's a legacy of 40 years that we have been working with and as an organization we have several offices now. The main office of course is in Mumbai Nariman Point. We have offices now in Pune, Delhi, Bangalore and opening up in Chennai as well very soon. It's although the brand may not be very familiar but lot of people in the market know Parag and the firm PPFAS is making inroads now into the mutual fund industry as well.

The idea behind the investment philosophy is very simple, try and understand the law of farm that when you sow something today, you can't immediately reap tomorrow morning, it's like a seed that has to go through seasons, investments also have to go through its own cycles. And sometimes it might take a while before you decide. So, the long term investment philosophy has been ingrained with us right since the beginning. And the investment principles were also very clear cut since the beginning, we decided that we understood value investing as a philosophy of investment. And we thought that we'll stick to that there's no point in doing too many things and trying to adapt to ourselves too much. But value investing is very core principle very understand that if you can figure out the value of a business and you can hold on for a period of time and the businesses a good runway, you should be able to create wealth over a long period of time. So I am referring to the presentation which Mahesh had sent in the link, you can also refer to those slides and you'll get a good flow and a visual idea of what I'm trying to say.

So, the investment approach is simple. The idea is to partner with promoters or management's, who are friendly towards minority shareholders. So as a mutual fund, we will be minority shareholders in the company just like any other public shareholder. And we need to be sure that these people who are operating the business are competent, they know how to run that business. They have a vision for running that business and growing that business. At the same time they should not cheat minority shareholders of their rights over a period of time. Also businesses that we purchase, these are not just stocks that we buy and sell and trade. These are basically underlying businesses which we try to understand. So all our research team they are primarily business analysts and later stock analysts. So the job of the research team is to understand the business in and out and give recommendations of how the business is going to perform. So clearly the business will have a good track record of running. And it will be in an industry which has a reputation of making profits. So sometimes businesses maybe of, the management maybe a very good quality, but the business itself may not generate a good return on capital over a period of time. So that also reduces the chance of investors making money over a period of time. So the point is to find businesses which allow you to make a good return on capital over a long period of time. The business should also have some sort of competitive advantage in terms of being differentiated little bit from other competition, so they can sustainably keep growing with that competitive advantage. The business should generate a lot of cash, preferably a low debt business, if we are investing in a non-banking kind of a business. The debt in the business should be low, which allows that business a lot of room in terms of situations where the cycle turns against them. The business can survive and thrive over a period of time, because there is no debt, which has to be paid immediately. So low debt businesses are preferred. And the last and most important point is that no matter how good the business is, no matter how good the management is, we will only buy the shares in that business if the valuations are reasonable. So there is no point in chasing something which we know is very good and everybody else also knows is very good, or is fancy in the market we basically want to buy businesses and partner with people only when the valuations are in our favor as an investor. That's a very simple approach for investment.

So the idea behind the firm we understand we are value investing kind of investors. We make choices based on fundamentals of a business. We try and optimize by providing research all the tools, but the most important thing is that we also invest a lot in our investors. So, the section on the website which says skin in the game, you can actually see how much the promoter family is invested, how much the fund management and research team has invested in the scheme. You can even see names of all the employees from the sponsor company as well as the AMC company and how they have invested and this information is updated quite frequently. So you can see skin in the game is there along with all our investors. Also, we realize that as a mutual fund product, we try to optimize tax efficiency by making sure people are sticking with us for long term. But at the same time, we also have a unique feature where we invest outside of India. So in the same mutual fund scheme, we realized that there are so many businesses in India, which are pretty good, but there are also great businesses which are outside of India and which are also available at a reasonable price and run by very competent people. So we figured out that if we can create a scheme for ourselves where we can invest our own money and invest internationally as well the mutual fund scheme becomes a very tax efficient way of doing that. And lastly, we consider the fund management as a profession and we are not just running this for a business, the point is to make sure that we are providing the right kind of advice at the right time to our investor partners who are there with us. So like I mentioned in the beginning, we have three main offerings. One is the Parag Parikh long term equity fund, our flagship fund which has started in May 2013. This is a go anywhere fund basically can invest internationally in any geographies that we like and can also invest across market cap, it's a multi cap and a multi geography kind of fund. And most of the equity funds that we have are suitable for only investors who have a long term horizon. The second product we launched was, again, based on our investor feedback and partner feedback is that they wanted a liquid fund for doing systematic transfers from their lump sum amount to the equity fund. So we launched a Parag Parikh liquid fund in May 2018. Again, it's an open ended scheme. It's an alternative for a fixed deposit in the bank and if you want to invest in long term equity fund or taxable fund this is a good way to just with the app transfer money directly into the desired scheme. And lastly, again with partner and investor feedback, we launched Parag Parikh tax saver fund in July 2019. Now, this is like a regular real access fund, but the only differences is with the long term equity fund is that we cannot invest in international stocks in this fund. So it provides you the ATC benefit up to 1.5 lakh and the scheme has to minimum own 80% of investment in Indian equities. So these are our main offerings.

So I'll just walk you quickly through the scheme. So I'll start with the Parag Parikh long term equity fund our flagship fund. So like I mentioned, the principles of investments are already laid out. The point was to create a Swiss army knife kind of a tool right, I mean a scheme that does a lot of things for you. So, sometimes the scheme can also have cash, because the valuations will be unattractive so it acts like a balanced fund. Sometimes the scheme will have so, right now the scheme to maintain the tax efficiency based on the Indian equity mutual fund rules, we need to keep 65% of our investments invested in Indian equities or Indian stocks. And the rest of it we can invest either in international stocks or we can keep in debt depending on the valuations and opportunities available. So, at the moment we are 30% invested in international stocks, about 10% will be cash and the rest of it will be Indian equities. So, this fund really provides us the opportunities that provide us the chance to invest anywhere in the world where the research team and fund management team are capable of finding opportunities So, in the beginning people used to ask, do you want to invest in global stocks when India is growing country. So it's a fair point, but most important thing is, that if you look at the market cap of India, total market cap of companies in India, that comes to about 2% of the global listed companies market cap. So, if that is such a small amount of India's contribution to the global market cap where are all the other companies who are so large and listed all over the world. So, clearly India represents a small part of the market cap but also India represents a small part of the investment universe that is out there. So, firstly, when you invest in stocks itself, you also diversify yourself from the country specific risks that we might have. So, there might be an IL&FS issue, there might be a demonetization, there might be other problems that are happening very locally which are linked to only Indian companies and Indian businesses, those problems will not affect the foreign companies at the same time. Any global issues that may happened will affect all the markets together, but very India specific issues may not affect foreign companies. So it helps us to reduce some country specific risk, which we deal with.

Secondly, if you look at some of the history of the market its quite interesting to see that the past one year, five year and even 10 years record, S&P 500 would have beaten NIFTY in the previous 10 years before that NIFTY 50 would have beaten the S&P 500. So the winners generally keep on rotating. So we need to also understand that, there may be a great opportunity for investments in India, but there might be certain times when other countries might also outperform Indian indices or Indian stocks. So we need to figure out that winners also keep rotating and we should have the flexibility of investing in any of the winners which we want to invest. Also, it provides us with a wider choice of company to invest in like I mentioned, if only 2% of the companies by market cap are registered in India, so many other unique businesses are available outside. So I think everybody first will have a smartphone now a days and one of the smartphones will be basically either an android or an iPhone. Now both these companies are international companies one is Google, one is Apple. Now if you are relying on these companies on a daily basis, why should we not be able to invest in the companies which are there who are providing these products for us. So as customers we benefit a lot from social media a lot from all these technology, but as investors why should we deprive ourselves by not being able to invest. So I think it provides us a unique opportunity and a wider choice to invest in such technology advance companies and you can go anywhere and also the valuation sometimes are quite interesting. So over a period of time, you could have seen companies like Nestle India or companies like 3M India, and if you compare them with valuations like price to earnings multiple or cash flow multiples or even balance sheet multiples, you would see that they are at the higher range of their historical valuations. But if you compare with their parent companies and remind you all these companies which are MNC companies in India will actually be only Indian subsidiaries exposed to the India business only. But when you look at the parent company, which are international companies and globally exposed companies, their valuations are substantially lower. And in many cases the growth rates are also similar, because they're exposed to emerging markets as well as developed markets. So that reduces some of the volatility in the earnings and cash flows. The balance sheets are far stronger if you look at those companies at the parent level. So it provides us with a valuation arbitrage also to participate in the same opportunity, at the same time to get a global exposure with less risk. Some of these parameters we realized were very useful while constructing this scheme called long term equity funds. I think I will let Raj chip in and discuss the advantages of the Parag Parikh liquid funds. Raj.

**Raj Mehta:** So coming to the liquid fund compared to the other liquid funds in the industry. Our liquid fund is a little different in the sense that we have very little exposure to the corporate papers, we are more inclined towards sovereign rated papers and a few very high quality corporate papers. So if you compare the returns of our liquid fund with the others in the industry, it could be a little lower. But I would say that our liquid fund is somewhere in between the overnight fund category and the liquid funds in the category. So, we would typically give returns which are higher than the overnight fund. But at the same time, we would give liquidity and the lower credit range compared to the other liquid funds in the industry. So liquid scheme was launched with the aim that, it would be an enabler to do transfers to our equity fund and to enable our investors to park money for short term. So that's the main thesis behind the liquid fund. I would now again give the call back to Raunak to go ahead with the tax saver fund.

**Raunak Onkar:** Yes, thank you Raj. Tax saver fund like I mentioned, it's a typical ELSS fund with lock in period, you get the ATC benefit up to 1.5 lakh and 80% of the corpus has to be invested in Indian equities. The only difference with the other equity fund is that this fund only invest in Indian stocks and cannot invest in foreign stocks. I think some of the basic pros and cons of different funds are mentioned in the slide. So you can definitely go ahead and if any questions regarding the schemes you can definitely ask Mahesh and his team later on as well. So I will just quickly walk you through our investment team. So Raj and myself, both of us are in the investment team, and we work with Rajeev Thakkar our Chief Investment Officer. Rajeev Thakkar has been with the firm since 2002. Raj and me both have almost around a decade of experience in the fund. Both of us are in our first jobs and we have grown along with the investment team while working with PPFAS.

Again, there are several avenues that you can invest in the fund. A lot of online tools are available I think Mahesh and his team can also definitely guide you if you need any help in terms of ways to invest in the scheme. The point of the scheme, the first thing that we do generally is to prepare our client and to help them understand what kind of investors we are and what is our investment philosophy. So, we also let our investors know that who should invest in this scheme. So it may not be a scheme for everyone, the first thing that people should know that equity investments are for the longer term, if somebody thinks that equity investments are like trading opportunities, they are not the ideal kind of investors we would like to onboard. Also, we prefer to invest in investment products, which are very simple to understand. So if you look at the schemes that we have, we total have only two equity schemes and one liquid fund that's it. And that keeps it very simple for investors to choose between what to invest in and where the investment team and the rest of the staff of the company is also investing and can also track those things. And basically, we want people who are not afraid of stock market volatility because equity investments, you see the charts of any equity market over a period of time. It is bound to be volatile, its never going to be a straight line like a fixed deposit growing year-on-year. So sometimes they will be stock market panics. Sometimes there will be extremely exuberant times when everybody is happy about their investment portfolio. So yes, these volatility provides us with an opportunity to find great ideas sometimes also deploy cash more proactively. So volatility should not be some source of fear for our investors. And if people are generally aware of these three principles, these are good kind of investors to onboard for us. So, I am done with the presentation. Thank you for listening patiently. I would love to take any questions that the partners might have.

**Moderator:** Certainly. We will now begin the question and answer session. We have first question from Mr. Aditya Gondar from Kolkata. Please go ahead.

**Aditya Gondar:** Sir, I wanted to say that the markets have corrected a lot only due to the coronavirus or due to some other reasons you said because I don't think that virus has impacted so much of the Indian market. China market is down by only 1% Indian market only 14% so what is the other reason for such sharp correction?

**Raunak Onkar:** So, I will give one answer and if Raj also has a point to add, I will ask him to add afterwards. So, one thing is that this is a medical emergency that has happened all over the world. And even right now if you look at so many businesses supply chains are actually global. So China may be one part of the supply chain. Some other countries in Europe might be some other part of the supply chain. Customers are again across different geographies. So, how business will be affected is not entirely clear, as long as you are aware of specific examples where something is shut down or something is affected clearly. So looking at stock market prices is one thing. But the impact on businesses will actually be known once the company's management will start disclosing their quarterly results and come on conference calls and address how their individual supply chains have been affected. So if you look at many major cities in India, most of the businesses are being shut down as a precaution. So clearly, there will be some slowdown in economic activity for a few days. So it's not necessarily true that when we say that business is not being affected in India, and it's only affected outside of the country, it's going to be affected all over the world, in all major cities. Because this cities will have to take precautions in terms of avoiding the spread of the virus. And as for the specific impact on each and every businesses that will also be clear over a period of time once we start getting some management feedback, because lot of these things are currently up in the air, the data most people are focused on is only about the medical conditions, but how each and every business will be affected will have to be seen. Raj do you want to add something to this?

**Raj Mehta:** Yes, just one point. So Raunak mentioned about the supply chain issues that the companies will face, so that will only be on the supply side of it. Also, on the demand side of it, there will be some impact because most of the countries as you said they are either working from home or they have stopped international travel, international customers coming into their countries, and so the demand will also be impacted. So right now it's very difficult to quantify the impact on the profitability of the companies both on the demand as well as on the supply side. So we'll have to wait and watch what happens.

**Aditya Gondar:** And Raj sir I wanted to know about the returns in the interest cost category, can you highlight some, what difference can you expect in the ultra-short and the liquid category?

**Raj Mehta:** So we only have a liquid fund. So I'll talk about our own liquid fund. So if you see the yield to maturity of our liquid fund, it's around 4.94%. So, I would say it would range from 4.5 to 5%. Right now, unless RBI does some rate cuts going ahead, it might go a little lower also if the RBI cut rates.

**Aditya Gondar:** And Raunak sir I wanted to know about the volatility how much volatility and do you see in the market because could we invest long term or in a staggered way that is the question?

**Raunak Onkar:** I think volatility is very hard to predict even when the market is doing fairly normal. Without any turmoil or pandemics, you still can't predict the volatility. I think from a temperament point of view, if it is easier for you to sleep at night by investing small chunks of money at different intervals, I think you should do that. Lump sum it will be only for people who are certain that okay, this money I don't care has to be invested for a very long period of time. It can go at some point in time in the fund and stay invested. Staggered investments, like SIP and all will help you at least psychologically prepare, if there is a sharp fall in the market.

**Aditya Gondar:** And across the market cap which one do you find a reasonable value large cap, mid cap, small cap or all the three market caps are fairly priced?

**Raunak Onkar:** So, over there also you have to be very selective. So if you look at our scheme fact sheet, which was released for the month of February. We are right now heavily invested in larger cap companies. So if you look at some of the international companies from the portfolio, all of them are.

**Aditya Gondar:** Large cap has already, one second excuse me for disturbing but large cap already gave us good return, over exposing it or do you find opportunity in that area?

**Raunak Onkar:** So, when we research companies although we are aware of the market cap of the company that is not the only selecting criteria for that company. So, each and every company if they are a large cap company by their size, the company also has to go through the research filter that we have that, is this company capable of growing over the next few years, do they have enough competitive advantage that competition can be kept at bay and this company can benefit. Also, does the company have good management, do they have good shareholder friendly management and at the same time are the valuations renewable to buy the company's shares. So, some of these companies have been in the portfolio because they meet all these criteria. So, there may be other large cap companies who are extremely well run or maybe having a good runway but might be very expensive to invest in. So, those companies are not part of the portfolio. So, the design of the….

**Aditya Gondar:** Because we saw some pharma space also you have taken and so do you see pharma growth in the year by. Because pharma four years of negative returns, so clients will think about your portfolio pharma allocation that is why?

**Raunak Onkar:** So if you see the pharma allocation, you might see four, five companies with small percentage of investments so total pharma exposure in the scheme will be close to 6%. So the idea behind that all.

**Aditya Gondar:** So, what is the pharma outlook, pharma outlook in the short term or in the long term?

**Raunak Onkar:** So, I don't have a short term outflow but in the long term I know that there will be a demand for generic medicines all over the world. And the companies that you see now portfolio IPCA lab, Dr. Reddy's, Lupin, Cadila Healthcare, Sun Pharma. These are global companies who have the capacity to sell across all geographies. And they already have marketing teams all over the world. They also have cheap access to API's, and they're vertically integrated and they can manufacture at scale whenever the demand is there. The only reason why most pharma companies are not doing well is because of the regulatory checks that they have not been able to meet the standards of US FDA. So because of that some of their plants had to be shut down, some of the imports from US was stopped. So these things have led to a lot of confusion in the industry as to which company individually might do well or not do well over a period of time. So the company might be doing very well.

**Aditya Gondar:** When can we expect recovery sir?

**Raunak Onkar:** So there is no timeframe you can put to these things, right. So each company will have its own recovery period. But what we realize is a bunch of companies who are exposed to the same genetic opportunity and can take advantage of global demand, they should be able to do well. And the moment that we had entered into some of these companies is after they started facing the FDA issues. So we never bought these companies when they were doing very well. So when the FDA issue started, the news was so bad, the stocks crashed quite severally. That's when we realized that, let's look at these companies from the assets that they have, the capability that they have and can they come around over a period of time out of the situations, so most companies are pleased very well by that point of view.

**Aditya Gondar:** And the last one is that, the investing in the SBI do you see the volume near the portfolio. Do you think it should be adding to the portfolio?

**Raunak Onkar:** So I cannot give buy or sell recommendation we had evaluated the SBI cards IPO, we have not invested in the IPO that's all I can say. That is a matter of fact.

**Aditya Gondar:** Do you find value in addition to your portfolio and your Parag Parikh Equity Fund**?**

**Raunak Onkar:** We keep a track of opportunities, but valuations don't seem interesting right now. If it seems interesting we'll take a look again and figure out.

**Moderator:** Thank you Mr. Aditya.

**Raunak Onkar:** Operator, can you just instruct people to please limit questions to one or two questions so everybody gets a chance to ask if they have.

**Moderator:** Okay sir. We have next question from Mr. Anand Kumar from Bangalore. Please go ahead.

**Anand Kumar:** I had just a small two, three questions. Number one question are you making any adjustment in your international portfolio? Number two question, are you making any prediction for oil leverage and the loss offset and the last question, how much risk will be in liquid fund?

**Raunak Onkar:** Raj, do you want to take the liquid fund question first?

**Raj Mehta:** Yes, so as I said, in the liquid fund our portfolio is more inclined towards sovereign rated papers. If you see the last factsheet, about say 82% of the portfolio is invested in sovereign rated government securities and treasury bills, about 14% was in overnight money. So that's about 90% plus of the money in sovereign rated instruments, whereas only 4 to 5% in high rated corporate papers. Of course this 4 to 5% can go to 10, 15, 20%. But we have an internal limit where we don't want to go beyond a certain percentage of the portfolio in corporate papers. And in that also we have our own credit research where we have a set investment universe where you want to stick to high quality corporate. And yes, so there I don't see much trade risk. But obviously, if we are investing in some corporate papers there will be some credit risk, which could come in the future, but coming to the credit risk on a scale of 10 we would be very low on the credit risk fund compared to the industry.

**Raunak Onkar:** Yes, the first question regarding the international investments, the only change that we have made to international portfolio, and which was in the month of February, was exiting 3M the parent company of 3M India. So that's the only change we have made and also the business outlook of that company, we thought we it will be better to find other opportunities and the valuation is also catching up. At the same time, the business growth was suffering in some of the key geographies that they were working on. So we will keep evaluating it if we thing it's more valuable in the future, we might also consider it but at the moment, that's the only change and over a period of time we have also been deploying cash in the ideas that we already own. So that's an update about international part. I missed your second question can you repeat that please?

**Anand Kumar:** See, we are having now the oil leverage like the cost has gone down. How much do you think this leverage can offset the loss?

**Raunak Onkar:** So one thing is clearly as an oil importing country, it will be beneficial for us. But at the same time, like Raj mentioned earlier the demand also will suffer because of the global pandemic, some supply chains may be disrupted over a period of time. So, I think we'll have to just wait and watch and track individual businesses and the impact on the same rather than giving a blanket generalization it's very hard to predict.

**Moderator:** Thank you, Mr. Kumar. We have next in queue Mr. Vinit Doshi from Pune. Please go ahead.

**Vinit Doshi:** So, my question is, which market you think are more safe US market or Indian market that is my first question and which market will give better return in coming time and next question is the top holding which currently we are having that is Alphabet or Amazon or HDFC, what impact do you see on these stocks because of current situation?

**Raunak Onkar:** Sure, I think the second question is easiest to answer. It's very hard to predict is the answer, which market will do better or worse. Instead of looking at the markets as a average, what we look at is individual companies which might do better over a period of time, investment process is the beginning. So, I think we'll stick to that process and let the indices do whatever they want to do. Lot of times we incurred indices even I have mentioned indices in the example before in the commentary that last 10 years this market did well, 10 years before that Indian markets did well. But if you look at individual businesses, some of the businesses products significantly outperformed in either markets depending on the opportunity they had and the scale of growth that they were able to achieve. So Amazon was growing at the same time since 2000 to 2020, 20 years run of Amazon is quite amazing if you look at it from that point of view. So it was also part of the US market when US market did not do at all anything, they were flat for 10 years. So, you have companies which will do well, and you have the indices, which will show us the average which may not be the right picture from a portfolio point of view. So it's very hard to predict which indices will do which markets will do better. The first question you asked was about, sorry can you repeat it once?

**Vinit Doshi:** Yes, so which market will be more safe to invest at this moment?

**Raunak Onkar:** Yes. So when we look at international investing, so even India, of course is a key market with 65% allocation that we have in the portfolio. But internationally also we are quite selective as to which markets we want to invest in. So although we are an international fund, and we are capable of investing in any country in the world, we don't do that. What we do is we want to go to developed markets where stock market history is quite good, corporate governance rules are quite well followed. At the same time they have some rule of law which can help minority shareholders and the businesses that we invest in are global companies. So generally right now, we have companies in the portfolio which are listed in the US market, but actually they can come from a developed market. So in Asia, we look at developed Asia like South Korea, Japan. In Europe, we look at Western Europe which is developed part of the European market and in America we look at North America based companies so most of the companies.

**Moderator:** Thank you, Mr. Joshi. We have next in queue Mr. Aditya from Pune. Please go ahead.

**Aditya:** So, I have one question. So can we, in our fact sheet can we display, can we show the standard deviation of the fact sheet fund vis-à-vis the benchmark, NIFTY or Sensex that is the only question which I have. So, like we show the returns year-on-year for various time period. So can we show the standard deviation as well?

**Raunak Onkar:** Standard deviation as a quantitative indicators is already part of the **(Inaudible) 37:20** from indices exactly you can refer to value research, they had index we can try the categories standard deviation there. So, displaying in the fact sheet, because the fact sheet has a limited space to display a lot of relevant content and a lot of regulatory requirements are there in terms of how you represent the fact sheet. So, if we think that data is valuable to many people we will consider that.

**Moderator:** Thank you Mr. Aditya. We have next question from Mr. Himanshu Maheshwari from New Delhi. Please go ahead.

**Himanshu Maheshwari:** In normal circumstances, I would not have asked you this question. But I'm almost tempted to ask. Like, can any back funds be so safe that they can whether this Corona kind of a storm.

**Raunak Onkar:** I will respond to Mr. Maheshwari's question. So it's a fair question. The thing is right, if you look at some of the debt fund categories, most of these NPA issues are very well known and well documented. So it's very hard so when you decided to start the liquid fund the point was to make sure that it is a liquid fund, liquidity is the primary criteria and safety of that fund because most of the investors who put money in the liquid fund are STP investors who want to do switch transactions from the liquid fund to the equity fund. So, our stance was clear that we will only go with sovereign rated and very high rated corporate paper if we have to invest in corporate, but most of it 70% will be in the sovereign debt kind of situation. So, we are from that point of view very clear, what will happen across the market, I think we will have to wait and see because RBI also is monitoring the situation, they keep on coming up with stimulus and other things. So, we are seeing what is happening. Clearly from our liquid fund point of view, we have decided this is our stance, and even if it costs us less return, it's okay. The point is to keep it safe.

**Himanshu Maheshwari:** Well, because I am seriously thinking of taking out at least short term money from debt fund that's why I'm almost tempted to ask. I am afraid that the investors money is not forfeited, because in equity funds that can be recovered, but that fund its almost a temporary or permanent loss.

**Raunak Onkar:** Sure. I understand I think, each factsheet if you need to understand which debt fund you've invested in and see the factsheet from individual fund point of view that's all I can suggest.

**Moderator:** Thank you, Mr. Maheswari. We have next in queue Mr. Satish from Mumbai. Please go ahead.

**Satish:** I have two questions to ask. My first question is like would you advise investors to do a lump sum, in this market scenario or they should continue with the SIP and my second question is like with respect to the portfolio allocation and the hedging strategy of the flagship product, so I believe like 30 to 40% of the investments are hedged by way of like in terms of derivative position. So like given the scenario, like after a severe crash so are we reducing our hedging position and there is a net open position or will the destructive continue for more time and then after that, at the attractive levels that can be reduced?

**Raunak Onkar:** Interesting question. So I'll answer the first question. I think lump sum and SIP is actually a matter of temperament in terms of can you handle the short term volatility of the portfolio. So, if you have investors who are unable to handle the short term volatility of the portfolio, SIP route is actually a preferred route, where you steadily invest over a period of time and you get average returns, smooth returns over a period of time. Lump sum is only for people who are okay that it's going to be a long term investment anyway, whatever market is I don't mind, put it into the equity and forget about it kind of situation. So, I think most investors temperamentally will prefer not to have shorter term drawdowns. So if that is the situation, SIP is a preferred option. From the hedging point of view. So I'll just give a quick background on why the hedging exists. So a lot of people may not be aware of why we hedge the portfolio, the US exposure at least. So, up to 30% of the portfolio is in the US securities right now and about 90% will be hedged at the moment. And we keep looking at the hedge almost on a monthly basis in terms of how much the exposure is. So, we cannot go, it cannot exceed the hedge beyond 100% naturally. So, we keep a balance up to 90% and keep evaluating on a monthly basis. What the hedging has done for us is, so normally as rupee depreciates over a period of time, you people think that why do you need to hedge if rupee depreciates so how you are going to benefit. But the moment we hedge we actually lock in that gain over annualized basis of the gain that rupee would have made if it depreciates naturally so we are locking in when we enter the contract at that moment. So hedging what it does is it smoothens out some of the volatility for the foreign exchange and allows us to focus only on the business of the companies were invested in, rather than worrying about the foreign exchange going up and down over a period of time. From a portfolio point of view something we keep evaluating on monthly basis and we disclose in the factsheet also and the portfolio distribution also.

**Satish:** Okay, like apart from the international exposure, what we are able to see like in terms of domestic exposure also like many of the companies are being hedged. So, in that case there will be no impact in terms of rupee depreciation or appreciation impact?

**Raunak Onkar:** Yes. So, the hedge part which you mentioned which is the arbitrage part in the fact sheet. So, arbitrage is actually a cash equivalent for us. So, what we do is, so for example, since we have a requirement of 65% invested in Indian equity, sometimes we may have say only 60% invested in the equity which is the core equity portfolio and the rest 5%. We haven't deployed yet, because the valuations are not feasible for us to invest in or we think that they will wait for an opportunity in terms of finding the right kind of business to invest. So it might be lying in cash so, instead of keeping it in cash and to shore up our Indian equity exposure, we might do a cash future arbitrage. So, that means we buy the shares in cash market and short the same quantity in the futures market. So, that there is no net exposure to us. So, whatever the stocks will do we have locked in that price at that particular point. So, in the factory you would have seen about close to 5% is in the February factsheet is in the arbitrage portion and which keeps changing. So, these stocks are not part of the core portfolio they are just arbitrage which will also change over a period of time depending on what possibilities and yield is available in the arbitrage market.

**Moderator:** Thank you, Mr. Satish. We have next in queue Mr. Praveen from Bangalore. Please go ahead.

**Praveen:** Are you seeing any possibility of recovery in the short term considering that the whole impact is global and there is a lot of lockdown happening, is there any scenario where you are seeing a quick recovery or are we settling in for a long period of?

**Raunak Onkar:** Whatever price recovery or price movement that we see right now. Their volatility is very hard to predict as to which direction it is going. So we are seeing half a week the market goes up, half the week the market goes down, it's actually quite interesting to see the volatility. But the problem is, if you look at individual businesses some of them will have a few quarters of impact at least. So most of the companies have not reported the quarters numbers yet. So once the start giving the commentary will have some better idea as to how it is affecting each and every business. So this quarter numbers will have the impact from January to March. So we'll actually know how the supply chains have been affected, what kind of issues the companies have faced. So companies where the businesses were very robust and supply chains were not very complex. They might actually be interesting in terms of not having lost too much opportunity. But what opportunity they will not lose in supply, they will lose in demand because the ultimate demand may not come for the businesses. So from point of view of quantifying short recovery and long recovery, we just have to look at data first and then build our view on the basis of what data is coming out.

**Moderator:** Thank you, Mr. Praveen. We have next in queue Mr. Utkarsh Tiwari from USD Consultant. Please go ahead.

**Utkarsh Tiwari:** Sir, I had a question that what is the rationale of adding behind this Mahindra Holidays in your portfolio?

**Raj Mehta:** Yes, so the rationale for Mahindra Holidays is that whatever rooms that they are building, the capital expenditure which they are doing they don't have to put any additional capital to build new rooms, the capital expenditure as well as the operating expenditure which is maintaining the resort it's actually incurred by the members who enrolled for 25 year period. So they also have a shorter term memberships now 3 year and 10 year memberships but their flagship product is a 25 year product. And once the membership gets over say 25 years get over the company retains those rooms with themselves and they can sell it to another member at inflation adjusted rate. So, the business model is very sound and if you compare it to other peers in the industry say the hotel industry, they have to put in a huge capital to build rooms and at the same time the inventory is perishable. So if a room night is not sold today, they will not be able to recover that money whereas in Mahindra Holidays if you see the room is already pre sold for 25 years so they don't have risk of all these things. But at the same time, they haven't been able to communicate their strategies very well to the investor and that's why we have seen that the stock has not done well in the last few years. We look at the business at a asset level and we find it very attractive at these levels. So, that's how we look at Mahindra Holidays.

**Utkarsh Tiwari:** Sir one more follow up question. The thing is that it is creating a lot of capital asset in the long term for the company that is okay. But what about the profitability because if they are giving membership for a period of 25 years so that asset becomes a capital asset at the end of the 25 years. That becomes a capital asset in the balance sheet of the company after 25 years. But then to have such a very long period view of any business and ignoring the current profitability. What is your view on that?

**Raj Mehta:** No. So it's not that they are not earning profits for these 25 years, they are obviously making profits on during these 25 years as well. So, apart from selling the membership to the members, they also take annual fees from the members as well as when members go to the resort they spend on food, spa, the activities that they have. So all these activities actually results in profitability for them. What has happened is that, in the last three years there have been two accounting standard changes which have happened for them. So if you see the results, they are not exactly comparable over the last few years. If you see the profit and loss account, but if you see the cash flow numbers, they are pretty steady and you need to look at this business from a cash flow point of view rather than a P&L point of view, that's the change.

**Utkarsh Tiwari:** Okay, sir that is okay, but then how are the shareholder is this fund going to benefit in the short to medium term?

**Raunak Onkar:** So if the business is good.

**Utkarsh Tiwari:** If the price is not increasing and either you should keep on getting regular divided or price should increase, so if there is no price increase over the last few years I don't know the situation of dividend. So that I want to understand as a shareholder how long can this stock be held in the portfolio and somehow, I'm not getting convinced about this very long to the story.

**Raj Mehta:** Right so, price is an outcome where market players decided what price they want to pay for the company. But if you see say HUL, the price was stagnant for 10 years, but after then what returns they did give, ITC has been stagnant for the past 7, 8 years now. So price is a reflection of what market players is seeing the businesses to be valued at. So we feel that the prices are attractive and that's why we are holding on to it, we feel that sometime later the market will actually realize its price and we will actually gain from it.

**Raunak Onkar:** I will also add a small point to this. So, as a portfolio there will be some ideas which will not perform at a timeline that we expect them to perform. So, sometimes some ideas will underperform some will outperform tremendously. So that's how we build a portfolio. So from portfolio point of view, if you look at the allocation to Mahindra Holidays is close to 2%. So, up to 2% we can take that call that you can wait for a while if the business doesn't do well. Because 25% I can understand your question, that it will affect the portfolio severely in terms of a drag, but at 2% if the business is good we'll take a look at that from a long point of time.

**Utkarsh Tiwari:** Hopefully it is giving repressing the memory of Noida Toll Bridge story.

**Raunak Onkar:** Okay in what way sir?

**Utkarsh Tiwari:** Noida Toll Bridge you were holding in the portfolio for a very long period of time and suddenly the entire scenario changed, and you had to make exit at not at good price. So, similarly, so just try to compare the two stories Noida Toll Bridge and Mahindra Holidays.

**Raunak Onkar:** Actually, it's not very comparable sir. In Noida Toll Bridge there was a regulatory risk that we were aware of and it happened. So, in any business we are investing in, there will be some risk which are already there. And that risk either can happen immediately or can never happen and the business can continue to do whatever it is doing and can grow over a period of time. So in Mahindra Holidays also the risk is, okay price is not the risk, price is one part of that risk. The business risk, is the business table, is the business economics correct. If that answer is yes, and if the valuation is good, then it deserves to be a part of portfolio and the allocation will be based on what confidence we have in that business to grow over a period of time. So, there are companies in the portfolio like Alphabet, which are global businesses we have put 10% of the capital in those businesses. Now, those are phenomenal companies growing much faster at a global scale and they are very dominant in all the markets that they operate in. So, that kind of business deserves a higher location as a company which is an asset base kind of a company like Mahindra Holidays might deserve a smaller location. The comparison with the Noida Toll Bridge is yes, the risk realized and we were able to get an exit fortunately at that time, but these mistakes happen, in the portfolio not all the stocks will work at the same time.

**Moderator:** Thank you Mr. Tiwari. We have next in queue Mr. Raj from Bangalore. Please go ahead.

**Raj:** Your stated investment style has been valued, valued style of investing. But if I see value research, the quote this one has a blended this growth as well as value investing. So is there any shift you are thinking now?

**Raunak Onkar:** Value investing as a category has also evolved, if you look at it from the Benjamin Graham point of view till what it is today, so a lot of people who are a hardcore value investing fans of Benjamin Graham they will never be able to understand growth kind of business where we have to pay up multiple higher multiple to buy a good quality business, they would rather go with business which are trading close to the asset value or close to the liquidity or whatever. International or global develop markets that works because you don't have promoter holdings in some companies and activist invests can actually realize the underlying value. But in market situation like India, where most of the companies are closely held by promoter and promoters families and friends. It's very hard to have an activist kind of a thing and realize value in such companies. So over a period of time what we realize is value investing it is evolved we need to also adapt to that and say that okay, can we invest in good quality businesses which are growing steadily over a period of time and can continue to grow with the same profitability, decent people and are they available at a reasonable valuation. So if the business work fits in this category, then I think it deserves to be a part of the portfolio. So a company like Amazon is a prime example. So if you look at the valuation metrics, you'll be shocked. So the price to earnings will be 70 times plus, price to cash flow will be quite high. The different light is because Amazon operates as a business where some of the older categories of that business are extremely profitable. But as they keep reinvesting the money into new categories, they keep generating P&L losses, but at the same time, the cash flow have kept on growing consistently over a period of time. So on a cash flow basis, if you look at a company like Amazon, it's a fantastic buy with a growing opportunity at a higher return on capital. Whereas on a P&L basis and the price to earning business, it will seem ridiculously expensive. So, I think you have to also adapt with the definition of value as to what it is and if a company has the ability to grow, it's much better because then the value gets added to the company's overall for a period of time.

**Raj:** Okay alright. So then that's a fair representation to say?

**Raunak Onkar:** It has to be sir. Growth is a component of value without growth, the value actually will come down for business.

**Raunak Onkar:** Thank you. We'll take last couple of questions since we are short of time.

**Moderator:** We have question from Ms. Shilpa Sheth from Mumbai. Please go ahead.

**Shilpa Sheth:** My question is that I am new to this platform and to the fund side I don't know how relevant this question is but I wanted to understand whether the fund has mandate to invest in gold?

**Raunak Onkar:** No, ma'am. So it's an equity investment fund only. So, as far as non-equity investments go we can only invest in debt products up to a certain limit.

**Shilpa Sheth:** Gold is what, you cannot invest in gold?

**Raunak Onkar:** No.

**Shilpa Sheth:** And second question is what you had answered already, was that your foreign stocks positions are hedged so far as currencies is concerned.

**Raunak Onkar:** Yes, up to some extent not entire extent.

**Shilpa Sheth:** Not entire extent and the third one is whether your equity portfolio has also have the Indian part, I didn't understand that part that is also hedged, how do you hedge that, so are you buying goods or something?

**Raunak Onkar:** No. So in the factsheet if you see there are different sections in the portfolio disclosure. When is SES or equity and which has some of the Indian listed companies in that followed by that you have a section called arbitrage. So, what arbitrage does is.

**Shilpa Sheth:** I understood where there is no opportunity you will arbitrage I understood that but I am talking about.

**Raunak Onkar:** So, we aren't hedging the core portfolio.

**Shilpa Sheth:** You are not?

**Raunak Onkar:** Yes, we are not.

**Moderator:** Thank you Ms. Shilpa. We have next question from Mr. Satish from Mumbai. Please go ahead.

**Satish:** I have one last question. Like after this Yes Bank fiasco which has happened over the last 10, 15 days. So does the outlook on the private banking sector has changed in terms of the exposure and the business going around?

**Raunak Onkar:** Thanks for the question. So, if you see the portfolio companies that we own, we have HDFC Bank, ICICI Bank and Axis Bank and for a long time, we have been only focused on the top three, four banks in terms of making them part of the investment universe. And the reason is, some of these banks they are operating already at scale, they are extremely well known brands, from consumer point of view also. So, these are extremely strong consumer brands, which people are aware of as very famous brands that they can trust and rely on. At the same time, as technology has been adopted these banks have also seen the technology strike reduce the costs of operations over a period of time. So, some of the benefits that any banks can get these larger banks which are already at scale can take more advantage of the same benefits. So we have in our investment universe focused only on the top three, four banks in terms of investable category of companies. Although we have tracked some of the other private sector banks, but we never wanted to invest in them because I think the kind of benefits in terms of cost of funds or technology advantage these larger banks have with the brand names, I think some of the other banks may not have. So we always focus on these four brands.

**Satish:** Okay, thank you.

**Raunak Onkar:** Operator we take that as the last question. I would just like to. So, thank you everyone, all the partners who attended the call. Thank you for asking your questions and thank you for your patience. Mahesh and his team are always available. You can ask them any pending questions that you might have. We have taken this initiative to do a bimonthly call to just communicate with our partners what we are thinking and if you have any questions regarding the investments. Raj and I will be again available in a couple of months to answer those questions. Thank you so much for your time and do stay in touch all the best.

**Moderator:** Thank you ladies and gentlemen, this concludes your conference call for today. We thank you for your participation and for using iJunxion Conference Service. You may now disconnect your lines and have a great day ahead. Thank you.