



COVID-19 and the Market

This Twitter Meet was held on March 20, 2020 and was aimed as a follow-up to [a Note](#) on COVID-19 and the current market scenario, penned by our CIO, Mr. Rajeev Thakkar.

This is what was asked...and answered : (We refrained from answering stock-specific queries, as we do not answer such questions on social media. Our preferred platform for those are our Unitholder Meets held periodically in various parts of the country. The next such Meetings are scheduled to be held in Bengaluru and Mumbai during the last quarter of 2020)

Questions may have been lightly edited for the purpose of clarity.

Q: Team, the real strength of our fund is 'downside protection', compared to other funds. But are you drawing down funds too fast, in this mayhem? As it not an aggressive fund will it take time to recover compared to other funds?

@RajeevThakkar: We were having some cash going into the fall which we are deploying. As far as which funds will rise the fastest...no views

Q: Have we started deploying 10% cash?

@RajeevThakkar: Yes, we have

Q: Considering the pace with which the global markets are falling, is this a temporary thing or has it turned into a prolonged recession? What are your thoughts on this. And how are you going to take benefit of this situation with respect to PPLTEF?

@oraunak: Many of the ideas we like are available at reasonable valuations. We have to choose carefully among them & allocate capital. As for how long it will take to recover, it's too soon to say for sure. Crashes & their effects can be temporary, we need to be mindful of our choices.

Q: Will the airline & hospitality sectors bounce back and would you consider allocation?

[@oraunak](#): I think some sectors can take longer to bounce back, how long is hard to predict. Our selection criteria remains the same, if we find a great business run by good management at a great price, we may consider it. Thank you for your question.

Q: 1. How much cash are you still holding?

2. Are there any plans for new stocks in the portfolio after the recent correction?

3. Who are the experts to follow for understanding the correct picture of the slow down?

Thanks in advance.:)

[@RajeevThakkar](#): Been deploying cash. My estimate would be ~ 8% in LTEF and ~15% in Tax Saver would be our current cash position. The number changes depending on inflows and on stock price movements (fall in stock prices means cash % creeps up). Have been looking at more companies, lets see.

Q: What is the strategy @PPFAS for retail investors and what @PPFAS is doing? Deploying or awaiting better opportunities?

[@RajeevThakkar](#): We have been deploying. Retail investors should stick to their asset allocation and SIPs and ride this out

Q: Sir. I am Not Shattered. Willing to Pump In Funds. Is SIP the only option according to you to opt or Should I add through a Lumpsum Mode also simultaneously

[@RajeevThakkar](#): Difficult to time, however panic subsides before economic recovery based on history

Q: Due to the pandemic, what should we expect in terms of churn in the portfolio? Also will the cash component increase or decrease?

[@RajeevThakkar](#): Not churning but deploying cash. Cash component should decrease

Q: I have been gradually shifting from liquid to Equity Fund of PPFAS but the market keeps falling. What does history tell us? Should I wait longer to shift to equity?

[@RajeevThakkar](#): Historically panics have subsided before the economic recovery

Q: When there is no/low growth in developed countries and even with interest rates going -ive , growth is still not coming, does it make sense in holding equities? Also, with interest rates going to 0 and -ive , how will insurance companies in these countries manage?

[@RajeevThakkar](#): At the depths of panic, it usually seems crazy to own equities. Great question on developed country insurance companies, don't have clarity yet. In India we have positive rates.

Q: What is your view on GSec yields for next one year and are you contemplating moving towards starting debt funds? Like PSU Debt Fund or corporate bond fund?

[@raj_mehta89](#): Difficult to predict the Gsec yields with what is happening globally. We have seen central banks cut rates and we may see RBI also do the same. As of now, there are no plans to launch any debt funds.

Q: Sir your view on the Banking sector as there is no monopoly now , due to technology advances every bank is capable of having good technology-based banking.

[@RajeevThakkar](#): Technology was never a barrier. Given the troubles of Yes Bank / IL&FS, new licences may be hard to come by. The sector is not a monopoly but there is no open competition as well

**Q: 1. Have you exited or reduced any of the portfolio holdings in this Carnage
2. Any additions to the portfolio**

[@raj_mehta89](#): We have been deploying cash in this mayhem. Whether it is to existing holdings or new additions, you will have to wait for the March factsheet to be released. It will be released latest by April 10th.

Q: Articles surfacing that algorithmic (algo.) based trading led to such swift correction of 25% in US in a matter of a month. If future corrections are also as swift, how will SIPs be able to take the benefit of a fall in NAVs if it lasts for such a short period. Do you advise putting lump sum?

[@RajeevThakkar](#): This has been around for long. Even 1987 crash in the US was attributed to portfolio insurance algos. For the long term investor nothing changes

Q: What could be the impact of covid 19 in the short term and how bad the situation can be for the economy?

[@RajeevThakkar](#): Assume 2-3 quarters of reduced GDP

Q: One of the peer AMCs stated that this market correction can lead to change in leadership positions. And they were inclined on adding PSUs, Infra & Utilities.

**What's your view on these value pockets or are you more inclined to buy growth stocks?
Appreciate your view.**

[@RajeevThakkar](#): Quality growth at reasonable prices coupled with good capital allocation and governance guided our investing in the past and will continue to do so in the future

Q: Considering the social media frenzy era and "market experts" using the medium to convey their thoughts, the intellectual capability of investors is always being tested. How do you think social media has changed market dynamics compared to the 90s?

@RajeevThakkar: There is no evidence for this that I have but social media seems to be aggravating the up and down moves. The more manic / depressive Mr. Market is the better for longer term investors

Q: Will you be diversifying into more stocks or buy more within the existing universe of your portfolio stocks? #askppfas

@oraunak: That depends on the opportunities available. We have been adding to some of our existing holdings. The broad investment universe remains the same: great businesses, run by good managements that are available at great prices. Thank you for your question.

Q: 1. Is this like previous crises or a whole new paradigm?

2. What will not change? e.g. need for power, internet etc

3. Reduce allocation to less impacted economies?

4. Can fair values be determined currently? If not, is it better to wait on the sidelines?

@RajeevThakkar: Very little except. to the most impacted (Russia/ Saudi / Oil / Metals etc). Expectation is that things will be back to normal / "new normal". Fair value cannot be determined with precision but range can be estimated. Think 1 year Earnings have gone but stock prices lower by 35%

Q: What is your approach for Long Term Equity und in the current market scenario? What kind of recovery and growth can one assume for the coming decade?

@RajeevThakkar: Assuming a 1 year impact on corporate profitability but a 35% discount on stock prices. Looking at this time as an opportunity to deploy funds

Q: I think really excellent work by you guys ...@oraunak reduce your streaming time and buy streaming...

@oraunak: Thank you for the kind words. We already own businesses which are directly / indirectly related to streaming. :)

Q: Due to this slowdown what will be effects on the financial system. And can this system survive without any government intervention. #askppfas

How would you view companies increasing prices (soap hand wash etc) now in times of crisis Unethical/untouchable or opportunist #askppfas

@RajeevThakkar: It will need government intervention and government / RBI intervention is there and will be there.

Q: Do you expect prolonged recession? Should we preserve and add on to cash position? What is the use of equity investing if we are not booking profits on time? #askppfas

@RajeevThakkar: Given the huge fiscal and monetary measure, I would expect the impact to be temporary. In any case stock prices have corrected significantly and in my view more than reflect the fall in economic activity

Q: When you launched a tax saver fund that time all private banks (especially HDFC Bank) were at peak valuations, still your top holding basket is full of private banks. Why you build narrative to support such valuations now we are seeing how they all are collapsing.

@RajeevThakkar: Not building any narrative. All stocks and indices have "collapsed", some more/ some less. Happy with the companies that we own and the prices we pay for them. Since scheme launch is a very short period but scheme has been more resilient than indices / peers

Q: Hi..So follow-up question...which streaming stock is in your portfolio?....I don't think there is any.

@oraunak: Youtube, Amazon Prime :)

Q: Why has the portfolio so underperformed, even when compared to peers? Current 1 yr returns for the fund are at -15%.

@RajeevThakkar: True the NAVs have fallen but underperformed? Sir, request you to recheck numbers on research websites like Value Research (Multi-Cap category).

Q: What's your strategy in the present situation regarding global investment? What's the percentage of cash in your hand ?

@oraunak: The % of Cash was around 10% as of Feb 2020. The latest figure will be mentioned in the March end factsheet. Both domestic & international markets are offering great opportunities to invest & we are adding to some of our own stocks. Thank you for the question.

Q: Behavioral finance is one of the best thing that I learn from PPFAS. Sir at this point where you see the market cycle?

@RajeevThakkar: Clearly availability heuristic and fear seem to be at play

Q: Do you think that once the market is back to normal, a lot of the front line / favorite stocks would be hit permanently and many forgotten ones will lead the next rally ??

@oraunak: This is very hard to predict. Who leads the rally is known only in hindsight. We can position ourselves based on the businesses we understand and assess the impact of the current situation on a case to case basis. It might be a tough period in the short run for most businesses.

Q: Will PPFAS use the opportunity of deep market correction to restructure portfolio towards better businesses at reasonable valuations. Also how do they view their high financials weight which are expensive and recession/increased NPA threats?

@RajeevThakkar: Irrespective of market conditions, our attempt is to buy great businesses at reasonable prices will continue with the same.

Q: is PPLTEF reducing its exposure to US stocks and increasing exposure to the domestic markets? Or are the domestic markets not attractive yet?

@oraunak: Both markets are offering good opportunities. The final % of domestic vs international will be obvious only in the March end Factsheet. We have been deploying cash. Thank you for your question.

Q: Your tax saver fund (Parag Parikh Tax Saver) doesn't have global market stocks like Alphabet, Amazon, etc. Is this regulatory mandate or strategy?

@raj_mehta89: As per regulations, tax saver funds are not allowed to invest in foreign securities. They are mandated to invest at least 80% of the funds in Indian equities and the balance can be in debt/ cash.

Q: Is the market bottom near...or is it the start of a long-term bear market...which investment strategy will be good now..?

@RajeevThakkar: Difficult to say where is the bottom but all fiscal and monetary policy measure are being announced to ensure no long term bear market

Q: How is investor behavior during this crisis ? Are redemptions more than inflow? What is the cash level in the fund?

@raj_mehta89: The investors in our fund are usually long term investors and like minded. We haven't faced any major redemptions from our funds. Cash levels as on 29th Feb going into the fall was around 12%.

Q: Can you post MOM cash holding position for the last one year. This will help us to understand how effectively PPFAS manages future risk

@raj_mehta89: MOM cash positions for the last one year are available in our monthly factsheets. You can add cash & cash equivalents and the arbitrage positions. As on Feb end, we had 12% in cash & arbitrage.

Q: How do you gain sector understanding for industries that you cannot naturally relate to? Say IT, Pharma? How much time does it take on average to understand the ins and outs of any particular sector so that you understand the biz in the sector? What resources do you utilize?

@oraunak: B2B businesses like IT, Pharma are hard to understand by just reading the filings. Sector Macro, speaking to industry people, studying company filings, tracking industry conferences & data points give a lot of points to build a useful picture. It can take a long time to build conviction.

Q: What is the likely impact of the covid-19 situation on asset quality of Banks? How bad can it get and does it have a lasting impact ?

@RajeevThakkar: There will surely be some forbearance announcement from RBI. Let us see, this is a developing story as the media would say....

Q: You have not answered the 2nd part. Are you expecting the returns to go down further?

@raj_mehta89: Corporate papers, T-Bills and G-secs are marked to market every day. With this volatility, there might have been some negative days but there has been no credit default in our portfolio till date. We typically hold papers till maturity and hence MTM is reversed later

Q: With California and US states recommending work from home, and Europe under lockdown, do you see companies like Alphabet, FB and Amazon making a profit from more online activity indoors or foresee dip in revenue due to reduction in advertiser spending from job losses ?
#askppfas

@oraunak: Ad. demand from sectors affected by the global crisis might affect these companies in the short term. Purely ad driven businesses might hit a speed bump due to this. Advertising cycle in the long run should correlate to demand coming up, keeping a watch. Thanks for the Q.

Q: if I redeem all my unit before the market crashed and then start a new sip it is possible to get more benefits or better stay in the fund and ? What do you do with your investments which are already in the Fund?

@RajeevThakkar: Sir, very difficult (close to impossible) to know exactly when the crash is coming

Q: Saw one interview of @oraunak recently where he said fund strategy would remain the same. Given the general fall in the number of stocks, are we likely to see more allocation to same stocks or are there any fresh names/sectors in the offing? #askppfas

Many thanks for doing this btw. You didn't need to, but then this is what makes you different from the rest.

@oraunak: Thank you for your kind words. Yes, strategy won't change. We have been steadily deploying cash in the companies we like.

Q: Where is the link? Please use the livestream feature of YouTube. It notifies all the subscribers and visitors of the channels, easy to find, easy to ask question. Please provide the link of the stream to all unit holders before starting the event.

[@oraunak](#): It was a pre-scheduled Twitter Q&A for 1 hr [#askppfas](#). The transcript will be shared with every unit-holder, soon. Meanwhile [Rajeev's Letter](#) was shared with everyone via e-mail earlier to cover the same points. No YouTube livestream was needed in this case.

Q: Which pockets of the market do you currently see value in? Will you be increasing your existing investments or can we expect to see some new names in your portfolio? Adding domestic or foreign stocks?

[@raj_mehta89](#): We monitor existing as well as potential investments on a regular basis. With regard to new names, you will have to wait till 10th April when we release our March factsheet. Both foreign and domestic markets have fallen and are equally attractive.

Q: Will the current situation cause behavioral change in people to go back to savings first before spending on non-discretionary items? This in turn may have 2nd or 3rd order impact on businesses involved in providing loans to home appliances and electronic devices.

[@raj_mehta89](#): Definitely, in the shorter term there will be panic and people will postpone the discretionary consumption due to the lockdowns and economic slowdown. With non-essential shops & malls getting closed in some of the states, consumer financing companies may also see a slowdown.

Q: How will stimulus such as a rate cut and additional fiscal policy affect the markets considering there is not much in the medical front?

How are you deploying your cash reserves during this slowdown or at least how are you planning to deploy?

[@raj_mehta89](#): Globally, central banks have already cut rates and tried to stimulate the economy. It does, to some extent, help revive the economy faster. We have been deploying cash in this mayhem and taking advantage of this fall.

Q: We have seen the Bank sector doing prior to this. When we recover from this (hopefully we will) which sector is expected to do better.

2. Which sector may have long term negative effects, like for infra after 2008.

[@RajeevThakkar](#): Difficult to say. We go stock by stock in terms of deciding on investments and are not much into thematic or sector picking.

Q: Does your mandate allow you to invest in bonds

[@raj_mehta89](#): Yes. The mandate for Long Term Equity Fund allows us to invest upto 35% of our portfolio in debt instruments.

Q: I have a SIP in PPLTEF and wanted to add more, what will you suggest - Lump Sum or STP (if STP, over what period)?

[@RajeevThakkar](#): It is very difficult to time the bottom but one thing that we have seen in the past is that the panic will subside far before the economic recovery is underway.

Q: I would like to know the view of Mr. Rajeev Thakkar on PSUs which are at single digit low PE multiple. Would PPFAS like to add those to their funds?

[@RajeevThakkar](#): That is true, a lot of them are trading at very low valuations. Historically capital allocation / governance has been an issue. We are finding opportunities in non-PSU space as well. Let us see....

Q: Are there any redemption pressure on the mutual fund industry and PPFAS in particular

[@raj_mehta89](#): We haven't seen any major redemptions across our funds. Most of our investors are like minded and long term investors. In fact, we are seeing very good net inflows over the past few months. Across the industry also, we saw very good inflows in the month of Feb.

Q: Why do you hedge your currency exposure for international stocks when the long term trajectory for inr/usd is upwards?

[@raj_mehta89](#): On an avg, INR has depreciated 4-5% p.a. over the USD but the rates are very volatile in the shorter term. In order to reduce volatility and maintain our focus on the businesses we want to own, we hedge and capture that 4-5% upfront by hedging

Q: How safe is the liquid fund from credit risk in today's environment? #askppfas

[@raj_mehta89](#): Our portfolio has about 80%+ of the portfolio in sovereign rated securities and overnight money. Balance would be very high quality PSU's/ companies where we are comfortable with the credit risk. I would not say it is risk free but risk is pretty low

Q: Globally there is consensus on Airline industry disruption. What happens to industries making/supplying components to Airplane manufacturers?

[@oraunak](#): Will be clearly impacted for now. Being a globally essential industry, the longer term impact of this needs to be watched. Can't generalise based on very few data points. Thank you for your question.

Q: Sir, when can we expect PPFAS to launch an equity oriented hybrid fund? #askppfas

[@raj_mehta89](#): As of now, we don't have any plans to launch any hybrid fund. We have enough flexibility in our flagship scheme Parag Parikh Long Term Equity Fund to go in cash whenever we feel the valuations are overstretched.

Q: Are the employees or Management of PPFAS invested in the Tax Saver Fund? #askppfas

[@npparikh6](#): [Yes...](#)

Q: After every market crash sector theme has been changed till dot-com, infra boom, pharma, consumption now r u looking for psu as? How do you see global supply chain disruption and how India benefits from it?

[@oraunak](#): PSU's haven't been our favourite partners to invest with, we do keep watch on select, well-run PSUs. The supply chain disruption may be temporary but demand might take longer to come back. India / abroad, businesses built with robust models have a good chance to see it through.

Q: 1. Is the Fund sitting on cash from inflows of the recent period?

2. Fall in NAV is more due to global holding or domestic ones? 3. Do you see value in financial services going forward?..Businesses look expensive.. They take too much leverage & don't generate that kind of ROE.

[@RajeevThakkar](#): Cash question answered earlier, kindly check. Both foreign and Indian holdings have fallen. Financial exposure is to stronger companies.

Q: Any change in how you calculate the NAV given the volatility in the US market?

[@raj_mehta89](#): NAV calculation is done as per SEBI regulations and AMFI Guidelines. We as a fund house cannot change the calculation methodology at our behest.

Q: Also why did Liquid Funds have -ive returns today?

[@RajeevThakkar](#): Treasury Bills and Commercial Paper are marked to market on prices determined by demand supply. Prices bounce around a bit in panics. No downgrade / default. In any case most exposure is sovereign. No worries.

Q: What's your view on 2 wheelers...You have a lot of exposure....Do you still think it's under penetrated? Hero better than TVS or Bajaj....from innovation point of view as well as future launches?

[@raj_mehta89](#): 2W as an industry has some legroom to grow. We focus on consumers shifting from 2W to 4W but there are many who are first time buyers and some who own both 2W & 4W, especially in rural areas. We have Hero, Suzuki and Bajaj Auto indirectly through Bajaj Holdings in 2W.

We thank all of you for your enthusiastic participation...and hope to have more such Meet-ups in the future.

Note: Viewers/readers should note that the objective of these transcripts is to communicate with our unit-holders and share with them our thought process. It should be noted that views expressed here are based on information available in public domain at this moment. Views expressed here can change depending on change in circumstances. Nothing discussed here, constitute a buy/ sell/ hold recommendation.

Parag Parikh Long Term Equity Fund - Riskometer

The investment objective of the Scheme is to seek to generate long-term capital growth from an actively managed portfolio primarily of Equity and Equity Related Securities. Scheme shall invest in Indian equities, foreign equities and related instruments and debt securities.



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

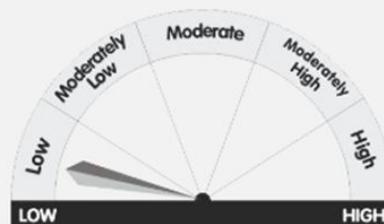
Investors should consult their financial advisors if in doubt about whether this scheme is suitable for them.

[Download SID/SAI and KIM here.](#)

Parag Parikh Liquid Fund - Riskometer

This product is suitable for investors who are seeking

- Income over short term
- Investments in Debt/money market instruments



Investors understand that their principal will be at low risk.

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

Parag Parikh Tax Saver Fund - Riskometer

This product is suitable for investors who are seeking

- Long term capital appreciation
- Investment predominantly in equity and equity related securities.



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

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

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.