

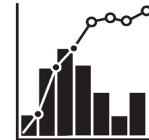
Research Report

Mutual Fund : Parag Parikh Flexi Cap Growth

Call : Buy (Current NAV : 81.77)

Risk : High

Date : 28/June/2024



MarketMarvels Analysts

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About the Fund : The Parag Parikh Flexi Cap Fund (PPFCF) is an open-ended equity oriented fund managed by Parag Parikh Financial Advisory Services Pvt. Ltd. (PPFAS Pvt. Ltd.), an Asset Management Company (AMC) incorporated in 1992 as an investment advisory firm. Founded by Parag Parikh, a dedicated proponent of value-investing principles, the AMC is currently led by Neil Parag Parikh, who serves as Chairman and Chief Executive Officer. The company's management team, known for its strong ethical standards, includes Rajeev Thakkar as Chief Investment Officer and Equity Fund Manager, and Raunak Onkar as Fund Manager and Research Head.

PPFCF, with assets totaling ₹66,383.82 crore, is diversified across all market capitalizations and includes investments in select companies listed on US stock exchanges. Notably, the fund includes ₹424.50 crore of assets owned by the management, reflecting their "skin-in-the-game" strategy, which aligns their investment decisions with the interests and risks of the fund's investors.

The Fund Portfolio : The fund portfolio is strategically allocated, with 70.52% of the total AUM in Indian listed equities, 14.39% in foreign listed equities (primarily on US exchanges), 0.02% in derivatives, 3.71% in the Indian Money Market (Debt), and 11.53% in TREPS. The equity portfolio comprises fundamentally strong companies acquired at undervalued prices by the fund management, with an average P/E ratio of 16.52, indicating overall undervaluation [1]. The Indian equity investments are concentrated in just 30 companies, with the top 10 holdings accounting for 54.59% of the total AUM.

To manage long-term volatility against market cycles, the portfolio is hedged with derivatives resulting in a Beta of 0.72. Cash and cash equivalents are optimized through investments in the money market and TREPS, allowing flexibility for future opportunities. Additionally, the fund diversifies against Indian economic risks by investing in US-listed companies. Overall, the fund management has excelled in minimizing downside risk of the fund.

The Fund Performance : As demonstrated in Table 1, the fund has outperformed the benchmark over 1-year, 5-year, and 10-year periods. However, the direct plan of the fund

underperformed the benchmark by 5.28% over the 1-year period. Despite this short-term underperformance, the fund has the potential to outperform the benchmark in the long term due to the fundamental strength of the companies in its portfolio. The true value of the fund lies in the undervaluation of its portfolio companies, rather than its short-term performance.

Date	Scheme		Benchmark	Index	Performance with the Benchmark
	Regular Plan	Direct Plan	Nifty 500 (TRI)	Nifty 50 (TRI)	
Since Inception (24 May, 2013)	19.59%	20.44%	15.94%	14.19%	Over-performed
May 31, 2023 to May 31, 2024 (Last 1 Year)	32.21%	33.21%	35.06%	22.95%	Under-performed
May 31, 2021 to May 31, 2024 (Last 3 Years)	19.89%	20.96%	18.08%	14.44%	Over-performed
May 31, 2019 to May 31, 2024 (Last 5 Years)	23.45%	24.57%	17.83%	14.93%	Over-performed
May 30, 2014 to May 31, 2024 (Last 10 Years)	18.27%	19.15%	15.06%	13.42%	Over-performed

Data Source : Parag Parikh Flexi Cap Fund Monthly Disclosure Document for the month of May 2024. The above performance is for lumpsum investments.

Table 1 : The fund performance compared with benchmark

Peer Fund Comparison : As shown in Table 2, among the top three funds based on the 5-year return, the PPF CF is the only value-investing based fund. The other two funds employ a momentum investing strategy, as indicated by their turnover ratios. Typically, the momentum strategy tends to outperform in low volatile market conditions. In contrast, the value strategy has the potential for long-term outperformance, as it is grounded in business fundamentals rather than stock price movements.

The total expenses of the PPF CF are slightly higher in the direct plan but lower in the regular plan compared to its peer funds. The higher expense ratio in the direct plan can be attributed to human fund management, whereas the other two funds are automated. Conversely, the regular plan of PPF CF has a lower expense ratio due to lower distribution expenses.

Conclusion : Considering all aspects of fund management and total expenses, it is recommended to invest in the PPF CF direct plan for the long term. Depending on their needs, investors can choose either the SIP method or lump sum investments. Although, in

theory, lump sum investments have been shown to be slightly more profitable compared to the SIP method.

Fund	5-year Return	Total Expense Ratio (TER)		Turn-over Ratio	Sharpe Ratio	Exit Load	Portfolio Management Strategy
		Regular	Direct				
Parag Parikh Flexi Cap Growth	24.57%	1.37	0.62	0.2033	1.09	2% for 365 days; 1% for 730 days	Value
Quant Flexi Cap Growth	34.29%	1.77	0.59	NA *	1.37	1% for 15 days	Momentum
JM Flexi Cap Growth	27.66%	1.93	0.44	1.3849	1.53	1% for 30 days	Momentum

* Not available from the Quant Flexi Cap Fund's fact sheet for the month of June 2024, but the turnover could be higher because of the momentum trading strategy applied to manage the fund portfolio.
Data Source : Factsheets of the respective funds for the month of May/June 2024.

Table 2: Comparison among the top three funds based on 5-year return (CAGR)

Notes :

1. Source : Online mutual fund research portals.

Disclaimers :

1. The above analysis is based on the publicly available data from the mutual fund's disclosure documents, and the data available with AMFI.
2. The analyst has never approached the fund management or the fund officials for any internal information.
3. The analyst is neither an executor nor a distributor of the fund or AMC.
4. The analysis is an original piece of work and has not been copied from other reports/analyses.
5. Investing in mutual funds is a long-term process that carries certain risks. Past performance of the fund does not guarantee future returns.
6. To streamline the report, a few critical points of the analysis have been highlighted. However, this report alone is not sufficient for making investment decisions. Investors should consult additional sources and conduct further analysis before making any investment choices.

Disclosures :

1. **Sreenivasa Sarma Bhagavathula**, the analyst of this report, is a SEBI registered Research Analyst with the registration number **INH000013439**
2. SEBI registration need not guarantee the returns on investments.

3. The analyst holds the fund units as detailed below :

Name of the Fund	Last transaction (Buy/Sell)	Date of the last transaction	Total number of Units held as on the report date
Parag Parikh Flexi Cap Regular Growth	NA	NA	ZERO (or NIL)
Parag Parikh Flexi Cap Direct Growth	Buy	30/August/2021	45,589.862

4. Several paragraphs of the report have been rephrased using AI tools such as ChatGPT to improve the quality of the content.

5. For any queries on the research report, please contact help@marketmarvels.in

For **MarketMarvels Analysts**

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