

QUICK CHAT

New kid on the block

Parag Parikh, Chairman, Parag Parikh Financial Advisory Services (PPFAS) is the latest entrant in the over-crowded asset management business. In this interaction with Chirag Madia, Parikh divulges how he plans to be different and create long-term value for retail investors



Why do you want to get into asset management business?

For us, mutual fund is not a business, it is a money management profession. We will do things which benefit the clients. Currently, we notice the mad fight for assets under management (AUM) by AMCs, because the profession has become a business. Our foremost goal of getting into asset management, is to make money for the retail investors.

I am not concerned if the assets we manage are large or small. We want the investor's money to be managed in a very transparent manner. More than two decades

ago, we started as a broker firm and gradually moved into the portfolio management services (PMS). The mutual fund is a logical extension and transition for us. I genuinely believe that mutual fund is a very good asset class for investors. As we have the expertise in money management, we can add lot of value to small investors.

There are over 44 fund houses, what differentiation will you offer to investors?

Our biggest differentiation will come from our knowledge of behavioural finance and its application, which drive our investment decisions. We don't want to come up with several schemes and confuse investors. We are not here for asset gathering and want to be as transparent as possible. We will start with one equity scheme and stick to it. I would warn investors against investing in our scheme for the short-term of 3-5 years, which I plan to mention in the offer document because I believe equity investing is for the long-term.

There will be no exit load charged from investors when they exit the scheme. I can't stop them if they want to move out from my scheme. We will also stop taking fresh money once we feel that the markets are over-heated or valuations have become too high. We will be transparent and declare the money that I and my fund managers invest in the scheme.

How do you plan to manage the equity fund?

We will manage our mutual funds the way we manage our PMS, including the similar cost structure. For us, stock investing is buying a business and that is the process we follow in our PMS. So, the first thing that we look for when buying a stock is credible management. We also look at business with certain characteristics and invest in companies which require the least amount of capital, have a good return on investment (ROI) and pricing power, with hardly any debt.

The same process is followed in our PMS and their performance has been very good with consistent returns, which we also hope for our mutual fund scheme. ■

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