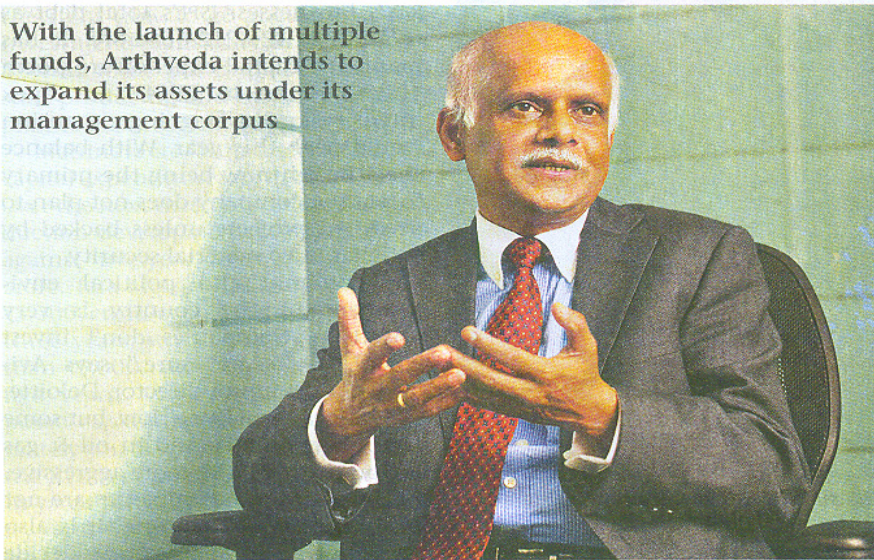


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FUNDS

New product to create Alpha

With the launch of multiple funds, Arthveda intends to expand its assets under its management corpus



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Sen: value-based investing to generate returns

While many people are aware about Kapil Wadhawan's venture Dewan Housing Finance (DHFL), the third largest home mortgage finance company, very few are aware about Arthveda, a company promoted by DHFL in the Alternative Assets fund category. Arthveda today manages funds of about ₹400 crore catering mainly to HNIs and ultra HNIs.

Arthveda recently launched Arthveda Alpha L50 under a PMS scheme. The same scheme would also, as an Alternate Investment Fund (AIF), target institutional investors at later date. Arthveda Alpha L50 investment basket is Nifty 50 companies, as Nifty 50 companies are relatively safe with large market cap and represent a larger number of sectors. They also have good liquidity that makes buying and selling easy. But Alpha L50 is not a passive fund as some of the Nifty 50 ETFs are. The big difference is that the Alpha L50 weightage of investment in these companies is not the same as the Nifty 50 weightage. Due to that, returns of the Alpha L50 would not mimic that of Nifty 50. Dr. Vikas Gupta, who is managing

the funds and is the man behind this concept, explains, "There are many companies in Nifty 50 that are highly valued. Since weightage in Nifty 50 is based on market cap, fund managers end up buying the over-valued stocks. By launching Alpha L50, we would under-allocate to higher valued companies and assign higher allocations to under-valued companies. By doing this we would create alpha for the investors". This means Arthveda will take a call, based on its own research, on these companies to decide what weightage needs to be given to each of the companies in the portfolio. But once the portfolio is made up, that portfolio will remain static for the next 12 months. The fund claims that by making the portfolio static for 12 months, the returns will be considered as long term and hence tax-free.

But this is easier said than done. The fund would use its own benchmark to decide which companies are undervalued and which companies are overvalued. Based on the internal research, the call would be made on the weightage. Gupta claims that they have done back testing of their methodology for the last 10 years

and claims that in such testing their picks outperformed the Nifty 50 returns quite handsomely. But proof of the concept is one thing, delivery in reality another. Alpha L50 needs to deliver returns that can create alpha for the investors. If the scheme fails to create Alpha, investors will be disappointed. Also, this is the first fund from Arthveda investing in direct equity and hence there is no track record.

First real estate fund

Under Alpha L50, PMS investors have to invest a minimum of ₹25 lakhs, while under AIF it would be minimum ₹1 crore. Bikram Sen, CEO of Arthveda, informs, "Our fund philosophy is value-based investing to generate returns for the investors".

But this is not the first fund launched by Arthveda. The first fund launched by Arthveda was in 2006-07, which was the first fund in the Indian real estate sector. The fund invested in various real estate projects and claims to have made six exits with IRRs in the range of 20-45 per cent. Another fund was launched in FY11-12 called Star Fund, again a real estate fund, where funds have invested in 30-35 projects in Tier II and III cities with a ticket size between ₹5 crore and ₹20 crore.

Another fund is Arthveda Anu (micro-infrastructure projects fund) that recently launched in the current financial year is investing in infra projects through companies' executing projects in roads, water, sewage and utilities. This fund is looking at ticket sizes of ₹2 crore to ₹20 crore.

With the launch of multiple funds, Arthveda intends to expand its assets under its management corpus. But all the schemes launched by the Arthveda are targeted towards the HNI and Ultra HNIs. It may not be a bad idea if Arthveda targets the retail investors too; that would help to expand the base as well as the corpus.