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Udayan Mukherjee
on the Sensex
stocks of 2030

IPOs:
Boom
or bust?



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NETFLIX'S INDIA PUSH

THE \$25-BILLION STREAMING GIANT SEES INDIA AS ITS MAJOR GROWTH MARKET AND IS LINING UP A SLEW OF OFFERINGS. BUT COMPETITION FROM GLOBAL AND LOCAL RIVALS IS INTENSIFYING



EXCLUSIVE INTERVIEW WITH
FOUNDER & CO-CEO REED HASTINGS

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NJ GROUP FORAYS INTO RULE-BASED INVESTING

Not content with just being India's largest mutual fund distribution firm, NJ Group is now venturing into the asset management business with a novel mutual fund built on rule-based investing. Although there are many bank-sponsored mutual fund houses, this is probably the first instance of a pure distribution house launching its own mutual fund house.

NJ Group is the largest mutual funds distributor in India. You have shown that it is possible to be on the investor's side and yet enjoy stellar success...

Formerly called NJ Advisory, NJ Asset Management is a SEBI registered Portfolio Manager which has been in the business of rule-based active investments for the last 11 years. As one of the biggest portfolio managers in the country, it currently manages over Rs 2,800 cr for more than 3,400 investors. Being in business over the last 11 years, we have gathered significant knowledge and deep customer insights, which have played a key role in our success in the industry today. Having had a great run as a distributor, we believe we are in a great position to now contribute as a participant as well.

NJ will be the first fund house in the country that will exclusively run rules-based investing schemes. Can you elaborate on it? What kind of strategy do you have in place?

Globally, over the past decade or so, rule-based active strategies are the in-thing, and fund flows have emerged as a leading investment approach. We expect this trend to continue internationally and want to pioneer it in India. Our focus will be on rule-based active investment products. Rule-based investing is a term that is used interchangeably with a lot of others like Smart Beta, Strategic Alpha, etc. The essence of rule-based active investing lies in the intersection between passive replication and discretionary management. It is an attempt to capture the benefits of both approaches. One such strategy that has succeeded globally is factor-based investing, which seeks to select stocks that have certain desirable characteristics (called factors) that contribute positively to performance.

There are plans to launch a New Fund Offer in October. What kind of mutual schemes are



Jignesh Desai & Neeraj Choksi, Co-Founders, NJ Group

customers likely to see? How do you see this catering to the customer in the current market?

Our first offering will be the NJ Balanced Advantage Fund, which allocates assets between equity and debt markets dynamically and seeks to deliver superior risk-adjusted returns. The USP of the NJ Balanced Advantage Fund is that it is perfectly suited to current market conditions, offering a dynamic mix of equity and debt which varies based on market valuations and other economic factors. With an investor-first approach at the core of our strategy, this offers the opportunity to calibrate exposure to equities and seeks to reduce the volatility experienced by investors when they invest in this fund.

This is probably the first instance of a pure distribution house launching its own mutual fund house. Do you see any major gaps that you intend to address?

The equity MF industry today is dominated by actively managed funds and participants that focus predominantly on active fund management. On the other hand, there is a growing opportunity in rule-based investing that has attracted a lot of attention and AUM in developed markets, which is more or less missing in India.

NJ Balanced Advantage Fund follows NJ Mutual Fund's rule-based active investment philosophy which ensures

that both asset allocation and stock selection happen based on rules without any human intervention. Once asset allocation, stock selection, and weightages are decided based on our proprietary protocols, these cannot be changed. This makes the process inherently disciplined and eliminates human bias.

This process is repeated at predetermined intervals which allows the portfolio to change with the times like in an active fund. This rule-based active investment philosophy makes NJ Balanced Advantage Fund quite different from other funds.

By focusing only on smart-beta funds, NJ India aims to tread a path that only a handful of fund houses have dared to take... What kind of response are you expecting? How do you plan to tackle the associated risks?

We believe that there is room for innovation in the way money is managed. We have always had a data-centric approach to our businesses and would like to extend this data centrality to the investment function as well. We have put in a lot of effort over the last few years to develop factor attribution tools and a factor library. These allow us to not only decompose the performance of any portfolio to its factor-specific attributes but also to develop proprietary multi-factor strategies for both asset allocation and stock selection. These are very clearly differentiated from the predominantly active approach of the MF industry as well as passive replication strategies.



Rajiv Shastri, Director & CEO, NJ AMC