

Parag Parikh Financial Advisory
Services Limited

Portfolio Management Scheme



About us

Parag Parikh Financial Advisory Services Ltd. is a leading Investment Advisory Firm with a reputation built on performance. With over two decades of rich and varied experience, a thorough knowledge of the markets, proficiency in risk management, innovative and focused research, we offer advise on investing in the equity and fixed income markets and mutual funds.

We follow a philosophy which focuses on doing the right things rather merely doing things right and also believe that monetary rewards do not take precedence over an ethical approach to our work. Our employees, who are aligned with this philosophy, are considered to be our most important assets.

The application of concepts of Behavioral Finance forms the core of the business model of PPFAS.

Our clients include Financial Institutions, Mutual Funds, Foreign Institutional Investors, Banks, Corporates and Individual Investors.

Our Products

The products and services offered by us broadly include :

Retail and Institutional Broking
Wealth Management Services
Portfolio Management
Financial Planning

Our Chairman



Our Chairman Mr. Parag S. Parikh, possesses over two decades of experience in the stockmarkets, having started off as a sub-broker in 1979 and purchasing his Bombay Stock Exchange Membership in 1983. He has always striven to be a stockbroker with a difference.

He is an alumnus of Harvard Business School and is a keen student and proponent of the field of "Behavioural Finance". He has also written a number of articles on this subject in several of India's leading business and financial publications.

He has authored a book titled "Stocks to Riches" (published by Tata Mc Graw Hill) It succinctly highlights the human side to investing and is a must-read for the layman as well as the professional stock-picker.

We at PPFAS are constantly striving to incorporate the principles of Behavioural Finance in our approach to the market and investment advice.

COGNITO

Our Flagship Portfolio Management Scheme

Leveraging on its strength of investment research, PPFAS launched "Cognito" Portfolio Management Scheme in 1996. This is a discretionary Portfolio Management Scheme in which the decisions of buying and selling of shares are done entirely by us at our discretion.

The mission statement of our Portfolio Management Division has always been "We create high net worth individuals. We do not chase them".

Philosophy and Objectives

We at Parag Parikh Financial Advisory Services Limited (PPFAS) are firm believers in the tenets of **Value Investing**. We believe in the **Law of the Farm** which implies that there is a time lag between sowing and reaping, and our current efforts will have a large bearing on the fruits ultimately reaped by us. We also believe that Money Management is **a Profession and not a Business**.

The same sets of beliefs have percolated down to the fund management style followed in our flagship scheme named Cognito.

The Scheme, which is managed by Mr. Rajeev Thakkar, believes in investing in companies, which look reasonably valued/**undervalued on a Current rather than Prospective basis**. The stress is on capturing the value currently embedded in the scrip rather than paying a huge premium for something as nebulous as 'Future growth'. No doubt, the growth potential is considered, but the weightage accorded to the same is not unduly high.

This style results in two fallouts:

1. **Our universe of companies is limited**, as many of the scrips currently fancied by the market may not meet our stringent evaluation criteria simply because their stock prices already price the future prospects to a large extent.
2. The scrips, which are ultimately chosen by us, form part of our portfolio for lengthy periods of time thereby **reducing Portfolio Turnover to a minimum**.

We divest whenever we believe that the undervaluation in the scrip is no longer present and the market has fully valued/begun overvaluing the company.

"Cognito" currently manages assets in excess of INR 70 crores.

Our Guiding Principles

1. The core holdings of clients are generally **held for a long period of time**. The holdings are sold only if there is a significant over valuation of the company or the business fundamentals of the company change adversely.
2. The company is in a business with **good economic characteristics** and has a long term competitive advantage.
3. The management of the company is very competent and works genuinely in the shareholders interest.
4. The shares of the companies are available at reasonable valuations.
5. Have a small and focused portfolio.

Operational details

The Software used by us for the PMS is known as PMS Integra (Developed by Miles Software Ltd.). This software is used by several other firms in Mumbai and is robust enough.

Orders are generated client-wise and each client's portfolio is distinct. All clients can check their portfolio through a **Password Protected option on the PPFAS Website**. The updated statement of holdings will be uploaded on the Website once every week.

The execution of orders for the PMS is undertaken by our in-house Dealers. We do not outsource this activity to any other broker.

Clients earn through dividends declared by the companies in their portfolio as well as Capital appreciation earned from these companies. These returns are measured by using the XIRR Metric. There is no assured return in our Portfolio Management Schemes. However, we strive to provide Absolute Returns.

The accounts and operations of our PMS Clients are **audited by Deloitte, Haskins and Sells**, internationally renowned firm of auditors. The audited reports are sent to the clients every 6 months.

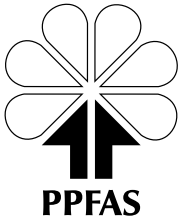
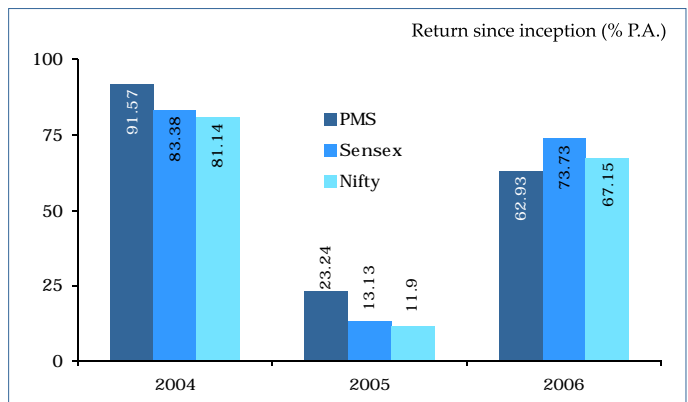
Our Charges

Our clients may opt for any of the following fee structures :

Option 1 : Variable Structure
1% of NAV + 10% of the Portfolio Gains (Fee under this option is charged on a half yearly basis)

Option 2 : Fixed Fee Structure
2% per annum of the NAV (Fees under this option is charged @ 0.5% on a quarterly basis)

Historical Performance (as audited by Deloitte Haskins and Sells)



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