JHP

SECURITIES

Leading Intelligent Ideas

"An expert is one who knows more and more about less and less."

Nicholas M. Butler

Who we are

We are one of India’s most trusted portfolio managers.

Leveraging our three-and-a-half-decade old capital market insights and value picking coupled with a proven track record in value creation, we have emerged as a preferred portfolio manager for clients.

Vision

To become the most client-centric, insightful and trusted partner for long term wealth creation

Mission

Our mission is to deliver superior risk adjusted investment results and to conduct our business with the highest integrity

Our services

- Portfolio management
- Lending (NBFC)
- Broking

“Investment success doesn’t come from buying good things, but rather from buying things well.”

Howard Marks

Our investment philosophy

In managing investment portfolio of our clients, there is no one size that fits all.

Making prudent investments is a scientific art, which thrives on commercial expertise. The art evolves continually and we nurture it with a narrower focus and deeper commitment.

5 pivots of our investment philosophy

- **Robust Business**
- **Long-term horizon**
- **Margin of Safety**
- **If nothing attracts, hold cash**
- **Volatility is an opportunity**

1. Robust business

Investing in a stock is, in fact, investing in a business.

Robustness of the business (and not the stock), hence, becomes critical. We deploy copybook method of assessing and experiencing the business – surveying its customers, retailers, distributors etc. Projecting the size and pace of its growth potential, interacting with its management and testing its business model against simulated operating environment of extreme stress gives us a fair idea on its investment worthiness.

2. Long-term horizon

Value investing is as much about time as it is about money.

Just like a business needs time to deliver good returns, a reasonable amount of investors' time also ought to be on the side of an invested business. Trusting the efficacy of our pre-investment research and continual monitoring post investment, we stay tuned to the potential long term value accretion instead of being swayed away by momentary fluctuations in their quarterly or yearly performances.

3. Margin of safety

Margin of safety remains the fulcrum of all our investment decisions.

Practicing a strict valuation discipline, we prefer to buy a stock when it is available below its fair value. We aim to ascertain the true worth of the business without being influenced by what its stock use to trade at in the past. Unexpected things may still cause a stock to remain below its fair value for long. Precisely why we begin with a small position and steadily build it by adding stock on subsequent declines.

4. If nothing attracts, hold cash

Our top priority is to avoid permanent loss of capital.

Although we always look for businesses that we can buy and forget, we proactively increase our margins of safety at times of elevated valuations or higher volatility. If we don't find any stock worth our buy, we don't shy away from holding cash in those times.

5. Volatility is an opportunity

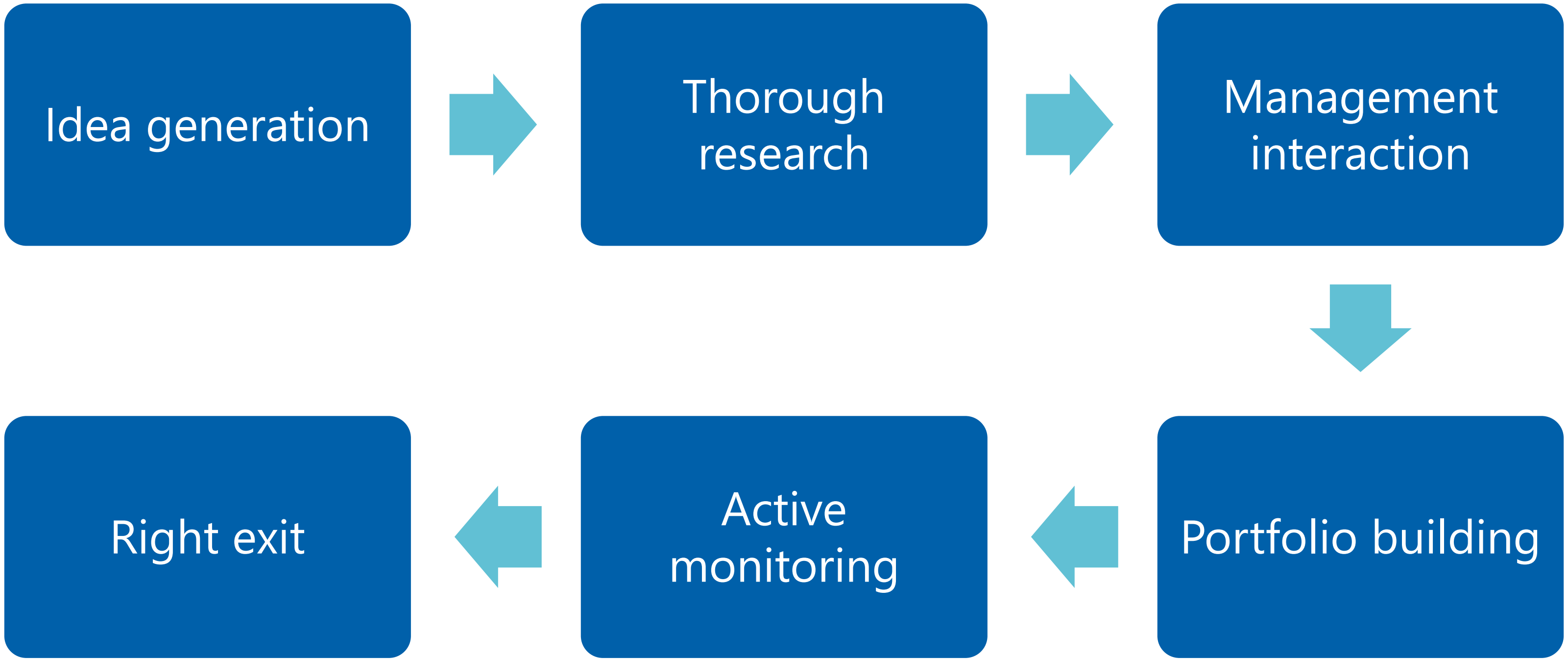
Embracing volatility is the mark of a value investor.

From time to time, irrational behavior in the market causes stocks to trade below or above their fair value. More often than not, such times are marked by high uncertainty and consequently high volatility. Unlike those who don’t know what a company is worth, we seize the opportunity of a business’s value and price difference.

"The stock market is filled with individuals who know the price of everything, but the value of nothing."

Phillip Fisher

Our investment process



Idea generation

We discover prospective investment options through market screening and our own watch/wait list.

We question, “Is this a high-quality business?”, would we still like to own it for 5-10 years if the stock markets close tomorrow? Only those investment ideas which elicit an affirmative yes to both these pertinent questions proceed to the next level.

Thorough research

Shortlisted idea is then dissected further at our research desks.

Deploying our proprietary evaluation methodology, the research team undertakes extensive number crunching and analysis. Quantitative evaluation is then supplemented with on-ground qualitative investigations – store visits, customer dipsticks, plant visits, vendor interactions, etc. The idea progresses to the next stage only after a positive validation from our research team.

Management interaction

The stage is set now for the next step – interacting with those at the helm, the management team of our target company.

Conducting detailed interactions and seeking management's views on past performance, future prospect and competitive landscape helps us see the idea from the owner's lens. Prompting them with some real observations, suggestions and feedback on their business, we subtly gauge the receptivity and earnestness quotients of promoters. This step helps ascertain the governance and leadership quotient of our target company.

Fair value

Now that management interaction too returned a positive feedback, it's time to stress test our idea.

Taking into account the known risks and also simulating for some unknown ones, we try to quantify their impact on the business, its competitiveness and its expected profitability and cash flows. Essentially, we try to forecast what could happen to the business in the most adverse environment. This structured process helps us to determine the margin of safety. Target buy price for a stock is then arrived at by also accounting for the margin of safety in our valuation.

Final checks

Now that our research assessed that the business will survive the worst-case scenario, it is a high-quality business, we must factor in our last assessment check.

That of whether the stock is available at a good price now, or it has to go on our waitlist. The good price ought to factor in potential risks and a large safety margin.

Portfolio building

With all the boxes ticked, now is the time for our research team to develop an investment roadmap.

Clearly documenting the investment rationale, quantum of investment, entry positions and price levels for position building. Subject to the market scenario being apt and risk-reward equation matching with our investment strategy, investment plan is actioned. The businesses which are high-quality, but are too highly priced get transferred to our wait list until reaching our target range.

Purchasing a stock is just the beginning. Our real value is in further reducing your risk of investing in this new business through the next two steps of our investment process.

Active monitoring

Now that the stock is in our portfolio, we refresh all the memories and perception carriages from the long evaluation process.

Only then can we treat the stocks as if we were looking at them for the first time. We continue with researching the company, building and updating our models and exercise of assessing the value of business with a much sharper concentration, if new situation or information warrants us to revalue, we retain it only after being sure that it is still a good investment. In case new research shows it as no longer a good investment, we promptly sell the stock without any hesitation.

Timely exit

We entered the investment with a clearly defined exit plan.

Following it religiously, we sell the stock at the emergence of any of the following triggers:

- Stock reached its full potential
- Better alternative is found that offers higher risk-adjusted returns
- We continuously re-evaluate our portfolio. If we discover that our initial thesis is unlikely to play out (something unexpected happened), such that the stock no longer appears attractive, we exit the stock.

“Long ago, Ben Graham taught me that ‘Price is what you pay; value is what you get.’ Whether we’re talking about socks or stocks, I like buying quality merchandise when it is marked down.”

Warren Buffet

Why you'll love being our client !

Skin in the game

Our PMS team manages a sizeable proprietary corpus of our promoters.

The team's investment prescription for you often mirrors our own invested portfolio and investment strategy. Team's track record on proprietary corpus is discretionarily made available to serious prospects.

Customised portfolio

We customise your portfolio in line with your investment objective and horizon.

Just because we made a good purchase a year ago does not mean it's a good stock for you right now. Customisation is thus prompted which contemporaries your portfolio with the time of investing.

Contrarian approach

The world of equity investing has many a success stories.

One common feature of all these successes is absolute neutralisation of sentiment, emotion and speculation. Opposite of the herd is often the path to successful investment. We do not hesitate to even take cash calls, i.e. holding on to cash in times of absurd valuations, awaiting patiently for corrections, so as not to risk capital.

Transparency

We are very transparent in our transaction with clients.

Management fee, the only compensation that the client needs to pay us, is clearly defined. Client login and real time portfolio watch gives you complete and absolute access at all times.

Trust

Trust is the fulcrum of our business foundation.

Boasting of client relations, many of whom continue to grow for well over three decades, and a large portion of new account acquisition coming from referrals, we value your trust more than the fee you pay to us.

Accessibility

To have access to higher echelons of insight and decision making cuts the chase at critical times.

Amidst the burgeoning crowd of technology-enabled large investment advisors, at JHP, we prefer to remain boutique with active participation and oversight of our top management to every client portfolio.

To top it all, clients always find those at the helm of JHP highly accessible at all times.

Consistency

Thanks to the co-founders being a part of our investment team, there is a consistency in our investment philosophy.

“A great business at a fair price is superior to a fair business at a great price.”

Charlie Munger

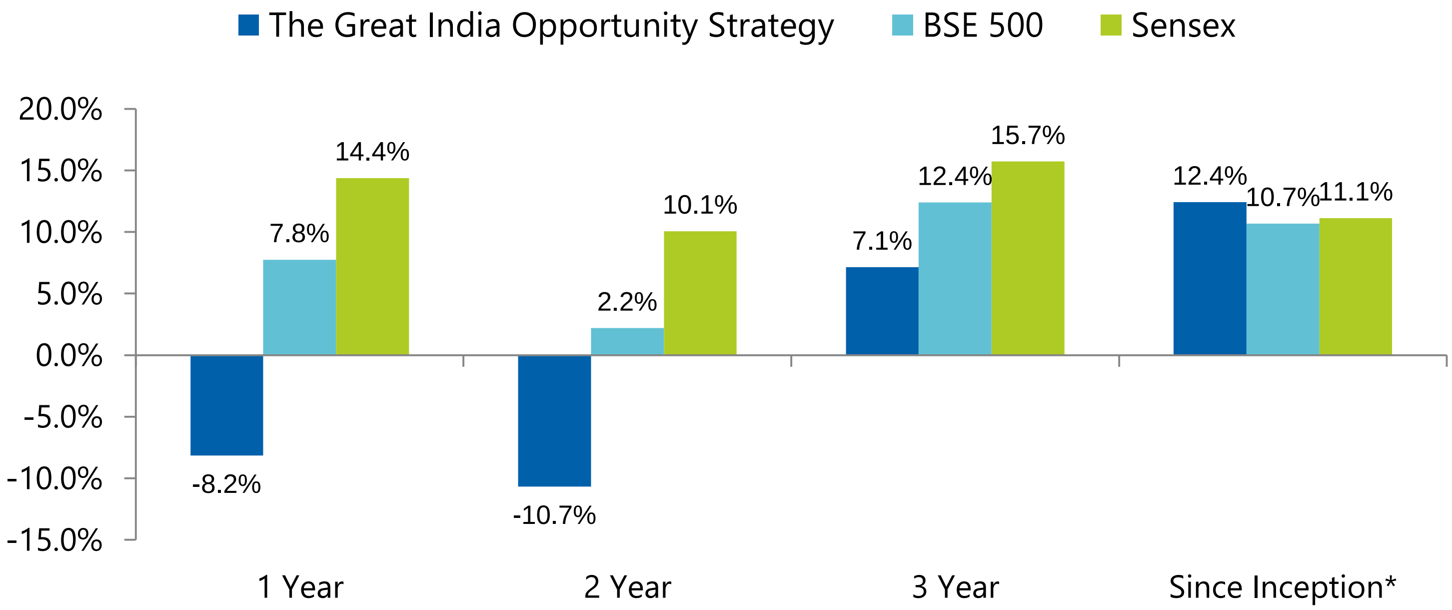
Product – Incredible India!

Strategy description

- Incredible India is designed to be a diverse portfolio composition of solid small, mid-sized and large companies with attractive long-term potential.
- This product is appropriate for judicious participants seeking quality returns albeit with a medium to high appetite for risk.
- The portfolio manager will employ both the ‘value’ and ‘growth’ styles to stock selection.
- The stock picking style will be bottom-up micro across all market spaces (sectors/themes).
- The indicative asset allocation at different moments could be: equity (100% to 65%), and cash/liquid schemes of mutual funds/ETFs (0% to 35%).
- The equity allocation would be spread across 7 to 25 ideas from the large-cap, mid-cap, small-cap and micro-cap universe.

Performance snapshot : CAGR Returns

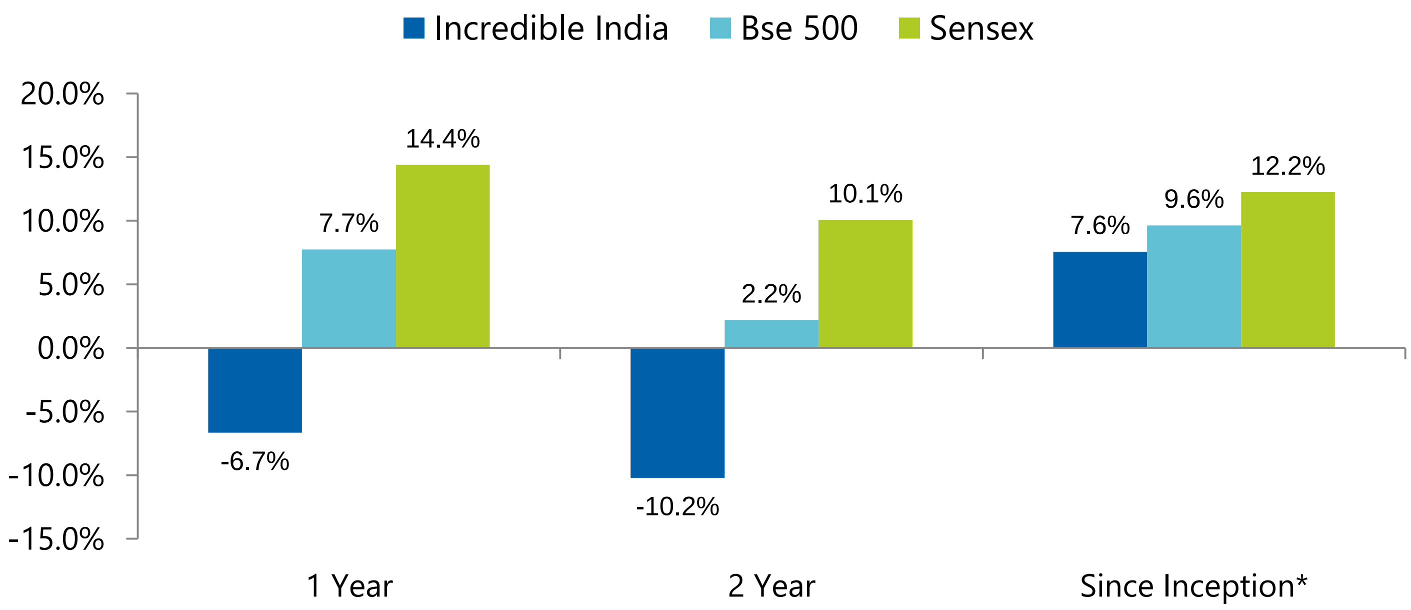
The Great India Opportunity Strategy* since inception has delivered a CAGR of 12.4% vs 10.7% by the BSE 500 Index and 11.1% by the Sensex. Thus delivering an alpha of 1.7% and 1.3% respectively.



Strategy Inception Date: 02/01/2013.
Please Note: The Above strategy returns are of a Model Client as on 31st December 2019. Returns of individual clients may differ depending on time of entry in the Strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Strategy returns shown above are post fees & expenses.
*The performance of the Great India Opportunity Strategy has been shown here to compare returns over a longer time frame, as the inception date of the Incredible India Strategy is 21/07/2016. Both the strategies have the same core features.

Performance snapshot : CAGR Returns

Since inception Incredible India Strategy has delivered a CAGR of 7.6% vs 9.5% by the BSE 500 Index and 12.2% by the Sensex. Thus delivering an alpha of -1.9% and -4.6% respectively.



Strategy Inception Date: 21/07/2016.
Please Note: The Above strategy returns are of a Model Client as on 31st December 2019. Returns of individual clients may differ depending on time of entry in the Strategy. Past performance may or may not be sustained in future and should not be used as a basis for comparison with other investments. Returns below 1 year are absolute and above 1 year are annualized. Strategy returns shown above are post fees & expenses.

Key feature & risk mitigation

A key feature specific to this product is capital allocation across more ideas, i.e. between 7 to 25; however this may be offset by:

- ❖ higher allocation to the more promising concepts, and
- ❖ overall portfolio quality/robustness owing to superior selection considerations.

Nonetheless, key risk mitigation methodologies will encompass:

- ❖ Rebalancing to model,
- ❖ Shift to cash/equivalent,
- ❖ Shift to defensive situations,
- ❖ Shift to inversely correlated assets,
- ❖ Hedge equity and/or cash/equivalent using derivatives.

The fund manager

Mr. Ameet Parekh

Mr. Ameet Parekh has over 25 years of experience in investment research and portfolio management. He has an impeccable track record at identifying stocks that have outperformed all benchmarks over very long periods of time. He has been with JHP since 20 years and is instrumental in developing the investment philosophy and research capabilities.

Product information

Mode of payment	By fund transfer/Cheque and/or Stock transfer
Investment horizon	Long term (3 Years +)
Benchmark	BSE 500 index
Account activation	Next business day of clearance of funds
Portfolio valuation	Closing NSE market prices of the previous day
Operations	- Investments managed on individual basis
Reporting	- Monthly performance statement - Transaction, holding & corporate action reports - Annual CA certified statement of the account
Servicing	- Dedicated relationship manager - Web access for portfolio tracking

“The stock market is designed to transfer money from the active to the patient.”

Warren Buffet

Thank you