



There's only one right way[®]

Parag Parikh Financial Advisory Services Limited

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Cognito

**Portfolio Management
Scheme**

Cognito

Cognito is a discretionary Portfolio Management Scheme in which the decisions of buying and selling of shares are done entirely by the fund manager at his 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.

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

PMS fund management is aided by a robust software developed by Miles Software known as PMS Integra. Orders are generated client-wise and each client's portfolio is distinct. The execution of orders for the PMS is undertaken by our in-house dealers. We do not outsource this activity to any other broker.

Returns

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.

Transparency

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.

Clients can check their portfolio through a Password Protected option on the PPFAS Website. The updated statement of holdings is updated on a daily basis.

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