



JCP Investment Partners has successfully managed money through bull and bear markets for over 10 years.

JCP Investment Partners

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- Manages Australian shares for MLC, since 2001
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- Manages \$7 billion, across the company, as at 30 June 2011
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- Origins dating back to 1998
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- 100% owned by employees of the firm
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Why has MLC chosen JCP?



Michael Fitzsimmons
Chief Investment Officer

MLC use JCP because of the rigour of their investment process which emphasises very detailed industry and company analysis, leading to high conviction portfolios with pronounced growth characteristics that complement other MLC manager portfolios. JCP's growth bias comes from forecasting a company's longer-term cash flows and its valuing real growth options. JCP applies their process with discipline, incorporating sensible and well considered process refinements along the way.

Philosophy on investing

JCP has a unique investment philosophy that is based on the belief that financial markets are an 'emotional discount mechanism'. They discount underlying fundamentals with either excessive euphoria or undue desperation. Only in the long-run do markets properly reflect underlying business fundamentals.

To exploit this market inefficiency they use a research-driven, fundamental bottom-up process to gain an in-depth understanding of a company's underlying value and the risk associated with this value.

Investment process

JCP's distinct strength is the ability to combine the art and science of investing through unique idea generation and sophisticated portfolio construction.

Insight through idea generation is at the heart of the investment process.

JCP's large in-house research team is focused on generating investment insights from proprietary research. This research identifies the key drivers of each company's profitability and success. Various scenarios are explicitly forecast for each key driver.

This forecasting using scenario analysis allows the team to produce probability-weighted values for each stock using free cash flow discounted at the company's cost of capital. The analysis of scenarios also enables the generation of explicit probability-weighted risk measures for each company.





The process of efficient portfolio construction is a distinct advantage.









JCP utilises a proprietary optimisation process to generate portfolio ideas that conform to specific constraints that are placed on the model. This efficient platform allows the team to build tailored portfolios that take explicit account of, among other things, tax and franking credits, transaction costs and liquidity. However, the optimisation process does not dictate investment decisions.

The portfolio construction team consists of Steven Semczyszyn, Michael Fitzsimmons, Wes Campbell and Paul Turnbull. On a daily basis this team considers the ideas generated by the optimisation process in light of all relevant macroeconomic, industry and market factors.

Steven Semczyszyn, the Senior Portfolio Manager is responsible for all portfolio decisions.

Investment people

	<p>Michael Fitzsimmons Chief Investment Officer</p> <p><i>Years in industry: 20</i></p>		<p>Steven Semczyszyn Senior Portfolio Manager</p> <p><i>Years in industry: 12</i></p>
	<p>Wes Campbell Head of Institutional Business & Portfolio Manager</p> <p><i>Years in industry: 11</i></p>		<p>Paul Turnbull Head of Research</p> <p><i>Years in industry: 12</i></p>
	<p>Craig Turnbull Senior Research Analyst</p> <p><i>Years in industry: 10</i></p>		<p>Joel Small Senior Dealer</p> <p><i>Years in industry: 7</i></p>

	<p>Shane Priest Senior Research Analyst</p> <p><i>Years in industry: 20</i></p>		<p>Jean Dieudonne Senior Research Analyst</p> <p><i>Years in industry: 10</i></p>
	<p>Brendan Sproules Senior Research Analyst</p> <p><i>Years in industry: 8</i></p>		<p>Matthew Wilson Senior Research Analyst</p> <p><i>Years in industry: 11</i></p>
	<p>Paul Waterstone Research Analyst</p> <p><i>Years in industry: 4</i></p>		<p>David Cibura Senior Research Analyst</p> <p><i>Years in industry: 8</i></p>
	<p>Hardeep Hunjan Senior Research Analyst</p> <p><i>Years in industry: 6</i></p>		<p>Peter Harris Senior Research Analyst</p> <p><i>Years in industry: 12</i></p>

Stock story

INVOCARE (IVC)

JCP made its initial investment in IVC when it was floated out of private equity in December 2003. Its listing was keenly anticipated by senior analyst Shane Priest whose industry contacts had alerted him to the quality of the business and its imminent listing. IVC is the largest funeral operator in Australia (and now Singapore). It has a long operating history with a strong “culture of compassion” and stable of brands such as White Lady, Simplicity, Le Pine, and Guardian.

The stock’s more obvious strategic attractions were its strong positioning in an industry favoured by an ageing population. Less obvious were IVC’s scope to consolidate the industry with IVC the natural consolidator (valued as a separate strategic option), and the company’s very low operating risk (given the absence of any correlation of deaths to economic activity). JCP felt the market under-rated the consolidation option, and especially the company’s low risk, the value of which is much better trapped in JCP’s Discounted Cash Flow approach to valuation than traditional earnings multiple based valuation techniques.

The detailed bottom-up approach to the valuation task and JCP’s internal review process also resulted in the identification of potential value in a trust facility offered by IVC for the prepayment of funerals. Quantification of future cash flows from the trusts’ investment earnings less the costs of delivering the funeral services on average 14 years later attributed material “hidden” value in this off balance sheet asset.

JCP believes it took 3 or 4 years for the share market to start appreciating the value inherent in this prepaid funeral facility, the company’s low operating risk, and to a lesser extent, its industry consolidation option. JCP still feels that the market undervalues these elements and thinks that the stock is still underpriced.

This stock may no longer be included in JCP’s portfolio as their view may have changed since this document was prepared.

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