Julius Bär

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RESEARCH METHODOLOGY – INDIA
JULY 2022

EQUITY RESEARCH

GENERAL
Julius Baer Wealth Advisors India Research conducts mainly secondary equity research aimed at creating value for our clients through single stock recommendations and thematic investment recommendations. Primary sources of information are company data (financial reports, corporate websites, presentations, conference calls, management meetings), broker reports, Bloomberg, Capitaline, FactSet, etc.

METHODOLOGY
Analysts base their investment ratings on the analysis of a company's business model, the market in which the company operates (growth outlook, demand/supply, technological developments, etc.), the company's market position, the competitive environment, the balance sheet, the legal framework, and various risk factors. The analysts then compare the findings of their company analysis with market expectations and what is already reflected in the current share price. Different valuation methodologies are applied depending on the industry group, among them discounted cash flow valuation, sum-of-the-parts valuation and comparative valuation multiples. The most commonly used comparative valuation multiples are P/E (price-to-earnings ratio), EV/EBITDA (enterprise value to earnings before interest, taxes, depreciation and amortisation ratio), P/S (price-to-sales ratio), and P/B (price-to-book ratio).

RATINGS
The investment ratings in use are Buy, Hold, and Reduce.

Buy	Expected absolute return of 15% and above in the coming 12 months, unless otherwise stated.
Hold	Expected absolute return of between 5% and 15% in the coming 12 months, unless otherwise stated.
Reduce	Expected absolute return of 5% and below in the coming 12 months, unless otherwise stated.

Under review: An investment rating may be put under review by the relevant analyst due to significant unexpected events or news impacting the business activities of the company. In such cases, the current investment rating should be disregarded until the analyst publishes an updated investment recommendation.

The risk rating (**High/Medium/Low**) is a measure of a stock's expected volatility and risk of losses in the case of negative news flow. This non-quantitative rating is based on criteria such as historical volatility, industry, earnings risk, valuation, and balance-sheet strength.

MEANS OF COMMUNICATION AND PUBLICATIONS
The research reports are circulated to clients and internal staff by email, sent out from a common research-specific email ID (Julius Baer India Research).

The coverage universe is flexible. Coverage of companies can be initiated and discontinued based on the outlook for the company, its management, financials, any significant development, share price upside potential, or any such similar criteria.

Buy-rated equities are updated on a quarterly basis. Hold- and Reduce- rated equities are updated as events warrant, but no less than semi-annually.

The research team may provide updates on various sectors/industries as a part of strategy/thematic report. The sector updates would generally cover information pertaining to the sector such as macro environment, key developments in the sector, valuations of the companies within the sector, the near-term headwinds/tailwinds, etc.

METHODOLOGY REVIEW

This document will be reviewed at least every two years or as changes in the Julius Baer Research Methodology occur.