"*Intrinsic* Floater"

Proposition

P R O P O S I T I O N

Overview

TrustLine Holdings Pvt Ltd, incorporated in March 2004, is a leading Chennai based Equity Research and Business Analytics Firm. Financial Research is the core activity of TrustLine. The company tracks and studies over 800+ businesses in the small and medium cap. sector as part of its investment research. The company took the major initiative of obtaining SEBI registration for Portfolio Management Services in April 07 and availed the registration vide Reg. No. **INP000002254** in July 07. As part of this initiative, the company undertook major investments in the core areas of operations such as research and client investment management by IT enabling these functions. These investments underscore our strong commitment to grow this portfolio management services business in a focused and dedicated manner. We believe that specialization often produces very good business economics and builds durable competitive edge. At TrustLine, Asset Management (PMS/AIF) is our specialization and we will continue to focus on this space to grow our business. From this perspective we are an unique organization that is only into Asset Management (PMS/AIF) with no other intermediary business like broking or any other related services. This sets us apart from competition and gives us a unique competitive advantage.

Intrinsic Floater Fund : Product Details

Intrinsic Floater is an arbitrage fund from TrustLine staple . This fund aims to provide stable moderate returns by investing in equity and debt securities of companies that are impacted by corporate events such as open offers, delisting, mergers, acquisitions, asset sales, restructurings, reorganizations or other special situations.

With main objective of Capital preservation across market cycles the fund aims to generate superior returns (about 400 to 500+ basis points over FMP / FD returns) than fixed income instruments (Fixed deposits, Bonds, etc) by identifying and quickly executing the low risk unique event based arbitrage opportunities.

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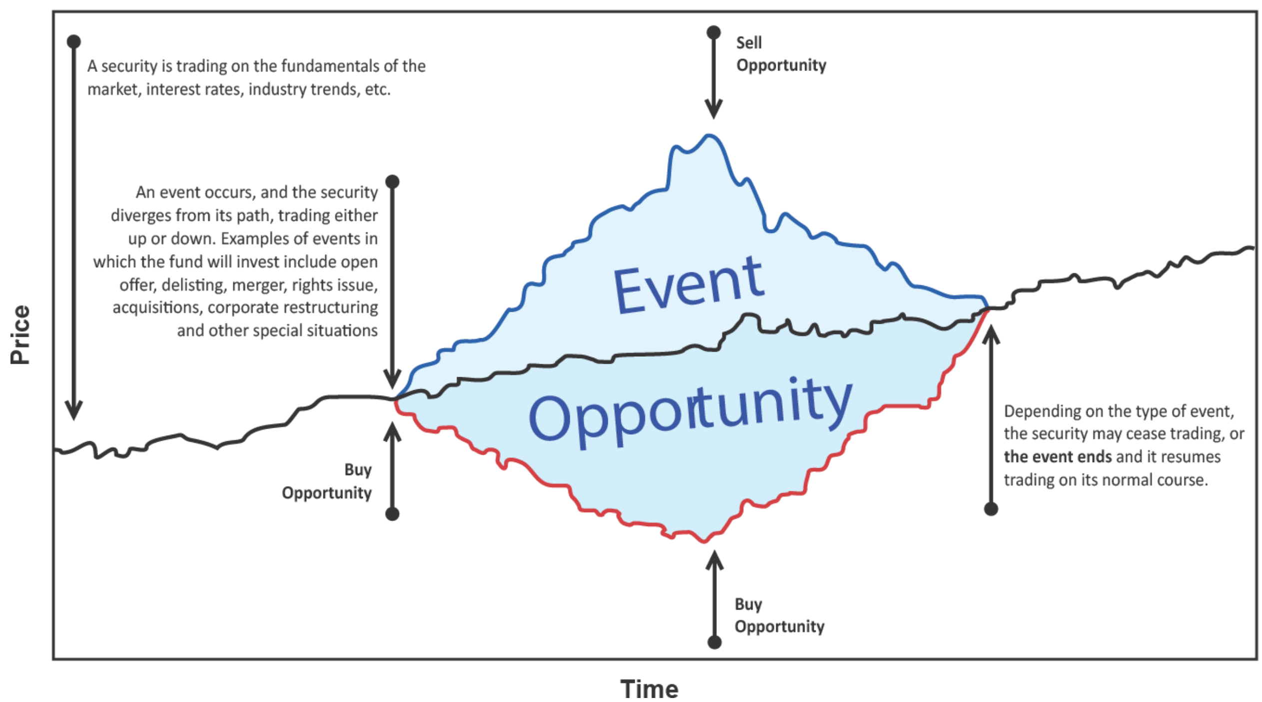
Typically, arbitrage opportunities emerge in above mentioned situation due to the perceived discount in the pre-event market price in relation to the post event market price happens largely due to the following reasons.

- ✓ Asymmetric information distribution about the event.
- ✓ Difference in investment objectives.
- ✓ Expectation among investors on stock price movement and market conditions.

Anatomy of an Event



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Comparison : Intrinsic Floater V/s Debt funds V/s Equity funds

	Fixed Income	Intrinsic Floater (event driven Aribitrage fund)	Diversified Equity Fund
Asset Class	Debt	Debt & Equity	Equity
Investment focus	Debt driven	Event driven	Equity Driven
Investment Strategy	Fixed income, bonds, gilts, money market securities, etc.,	Open offer, delisting, mergers, rights issue, restructuring, special situation & debt instruments	Varies based on equity investment strategy
Return profile sought	Low	Low to Medium	High
Risk profile	Very low risk	Low risk	High risk
Correlation v/s Sensex	Low	Low	High
Expected Standard Deviation	Low	Low	High
In-depth Fundamental Analysis	No	Yes	Yes
Typical Event Duration	Varies	3-12 months	Varies
Importance for Management & Corp Governance	Low	High	High
Complexity of analyzing Opportunity	Low	High	High
Decision making cycle	Relatively longer	Very short duration	Relatively longer
Tax Impact	High	High	Low
Recommended Allocation	20%	40%	40%
Suggested holding period	12 Months	18-24 Months	>36 months.

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Some of the arbitrage opportunity arising out of Corporate events are explained below :

- **Open Offer** – Open offer can be both voluntary and mandatory.
  - ✓ Voluntary open offers are normally offered by controlling shareholders to public shareholders. This can be both by way of Tender offer and Market buyback.
    - E.g. Borosil, Amrutanjan, Reliance etc.,
  - ✓ Mandatory open offers are driven by regulatory compulsion (takeover code) when substantial changes in shareholding happens. When an investor increases his stake beyond 25% he is required to make an open offer for additional 26% (SEBI take over code 2011). Typically this happens in acquisition when the existing promoters sell their ownership to a new entity / acquirer.
    - E.g. Camlin, AP. Paper, Sabero Organics,etc.,
- **Delisting** – Typically MNCs and companies with 75% + promoter holding (25% public float is mandatory) prefer to delist from exchanges. Delisting process involves a book building process for price discovery and conditional upon the promoter getting a minimum of 50% of the residual shareholding as well as crossing beyond 90% in the process.
  - E.g. UTV, Binani Cement, Alfa Laval, etc.,
- **Merger Arbitrage** – Refers to the investment practice of capturing the difference between the end value of a corporate reorganization and the prevailing market prices of the securities of the companies involved prior to the consummation of the reorganization. It is a highly specialized investment approach designed to profit from the successful completion of such reorganizations. The discrepancy in value is attributable to risks that are inherent in corporate reorganizations, which include the possibility the transaction will not be completed and the time it takes for corporate reorganizations to be completed.
- **Convertible Arbitrage**: Convertible arbitrage is a specialized strategy that seeks to profit from mispricing between a firm's convertible securities and its underlying equity. The common example is the mispricing between the FCCBs issued by the company and underlying stock prices. Also price differential exits between the preference stocks and the underlying stock of the company.

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- **Rights Arbitrage** – Refers to the investment practice of participating in Rights issue of well managed companies offered at steep discounts by leveraging the under-participation from retail and other fragmented shareholders. it is a specialized situation designed to give a return of over 15% annualized in selective opportunities.

- **Special situations** like high dividend yield and bonuses from strong companies if evaluated carefully will offer significant capital gains with limited risk.

In the above arbitrage opportunities Trustline will invest in companies which are

- Proven management.
- Profitable and well run companies
- Transparent arbitrage opportunities and not speculative.
- Where there is limited risk if the arbitrage opportunity arising out of a corporate event goes wary. (typically not more a 5-10% downside risk)

Asset Allocation / Portfolio structure

The fund will primarily invest in fixed income securities with an option to invest up to 80% in Equity. While the fixed Income securities & Liquid funds generally provide steady and consistent return, the arbitrage component would enhance the return of the total portfolio to offer a potentially higher return to the investors over a long term.

Investment in arbitrage opportunities will be balanced; typically the exposure to any arbitrage opportunity will not be less than 2.5% and not exceeding 20-25% of the portfolio. The higher allocation will be done gradually over time and only after better understanding and attractiveness of the opportunity.

Investment in certain arbitrage opportunities may have uncertainty on time period but when things unfold they tend give superior returns and enhance the overall return profile of the portfolio.

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Research Framework

We believe that our understanding of equity as an asset class and business fundamentals drives the quality of our research and differentiates us from our competitors.

Our research is a three stage process as depicted below:

At Stage – 1, the focus is primarily on Data Mining i.e collection and tracking of data-flow on individual companies and building a funnel that qualifies for further research based on further development in those companies. Tools used at this stage: Corporate Research Database Software, BSE – NSE News-Flow, IPO Prospectus, Annual Reports, Analyst Meet Transcripts etc.

At Stage – 2, the stronger prospects in the funnel is run thro’ the research template. This template is a very comprehensive research tool that has evolved over-a-period of long investment experience of our management. This tool has over 400+ check points, data points, data-filters, trigger-flags and Analytics. Tools used at this stage: Proprietary Research Template, Corporate Research Database Software, Valuation Model, BSE-NSE-Corporate Database, IPO Prospectus, Annual Reports, Industry Reports, Analyst Meet Transcripts etc.

Finally at Stage – 3, field work and market survey is carried out (scuttle-butt approach) to ratify the observations captured in the template. Tools used at this stage: Market-Survey-Template.

We believe that our research and experience enables us to identify the arbitrage opportunities and act swiftly to benefit out of those opportunities.

Research infrastructure

Research is our core process and in view of its criticality, it has been always a focus area for capital investment (both capex and proprietary) Our research support systems include.

- Corporate Research Database Software: to track historic data, news flow, corporate actions and valuation analysis.
- Discounted Cash flow model for computing intrinsic value.

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- TrustLine's proprietary tool for tracking arbitrage opportunities in corporate actions like mergers, restructuring, delisting, buybacks, open offers etc.
- Direct Management meeting.
- Analysts Network.
- Senior Management contacts in different Industry verticals.
- Fund Managers Network.

Fee & Return Sharing Structure

In view of our long-term approach, we have designed this plan as a 2-3 year investment horizon, renewable at the end of every year. Fee details are as below:

Return Sharing Fee Structure					
Option	Minimum Investment	Fixed Fee	Profit Sharing Fee*	Hurdle Rate	Exit Load#
Option 1	50 Lakhs	1.50%	Nil	Nil	1% Max.
Option 2	50 Lakhs	0.50%	15%	8%	1% Max.

* Profit sharing % applies to returns in excess of hurdle rate.
# If redeemed in part or full before one year of investment.

Payout of Fees

Fixed management fee is charged quarterly as per the above annual rates at the end of financial quarter on the daily average NAV basis. Profit sharing will be charged after twelve months of joining on every client year or on withdrawal of funds from the portfolio.

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Rolling Performance Data

TWRR* Method

Fund Performance (as on 31st Dec 2023)		Intrinsic Floater Fund	NIFTY 50 Hybrid Composite Debt 50:50 Index
3 Month Returns	(Absolute)	4.78	6.29
6 Month Returns	(do)	13.10	8.42
1 Year Returns	(do)	22.64	14.26
2 Year Returns	(Annualized)	13.99	9.28
3 Year Returns	(Annualized)	17.51	11.01
Since Inception (July 2012)	(Annualized)	11.78#	11.54

* Time Weighted Rate of Return
\# Returns are post all expenses including Management Fee and Performance Fee
- Performance data provided above are not verified by SEBI.

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Disclaimer :

- Performance related data provided here-in is not verified by SEBI.
- Direct plan is the default option.

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Delisting

suashish
Suashish Diamonds Ltd.

ESSAR
OIL & GAS

DENSO

INEOS STYROLUTION

RELIANCE
MediaWorks

FRESENIUS KABI

Buy Back

Indo Borax & Chemicals Ltd.

GARWARE-WALL ROPES

Panama
PETROCHEM LTD.

NUCLEUS SOFTWARE

MAJESCO

Demerger

POLARIS
live your dream

GHCL

Open Offer

liberty phosphate ltd

Mahindra composites

INTERNATIONAL PAPER

ACCELYA
Complexity Simplified

Special Situation

PNB GILTS LTD

allcargo

ITC
Enduring Value