

DISCLOSURE DOCUMENT

FOR

PORTFOLIO MANAGEMENT SERVICES



FRACTAL
CAPITAL
INVESTMENTS

FRACTAL CAPITAL INVESTMENTS LLP (LLPIN: AAP-2274)

PORTFOLIO MANAGER (SEBI PMS Registration No: INP000007146)

Reg. Off: C-402, Lokhandwala Residency, Off Dr E. Moses Road, Manjrekar Marg, Worli, Mumbai -400 018

Corp Off: AWFIS, 10TH Flr, Parinee, Crescenzo, B-Wing, G-Block, BKC, Bandra(E), Mumbai – 400 051

FORM C

Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 [Regulation 22]

We confirm that:

- i) the Disclosure Document forwarded to the Board is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by the Board from time to time;
- ii) the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision regarding entrusting the management of the portfolio to us / investment through the Portfolio Manager
- iii) The Disclosure Document has been duly certified by an independent Chartered Accountant on 17th May, 2023. The details of Chartered Accountant are as follows:

Name of firm: Kamlesh P. Mehta Associates

Proprietor: Kamlesh P. Mehta

Membership No:045573

Address: 606, Aura Biplax, Above Kalyan Jewellers, SV Road, Borivali (West) Mumbai - 400092

(Enclose a copy of the chartered accountant's certificate to the effect that the disclosures made in the document are true, fair and adequate to enable the investors to make a well informed decision)

Date: 17th May, 2023.

Place: MUMBAI



MITEN M LATHIA

PRINCIPAL OFFICER
Fractal Capital Investments LLP
10th Floor AWFIS, Parinee Crescenzo,
BKC, Bandra (East), Mumbai 400051

DISCLOSURE DOCUMENT
OF
FRACTAL CAPITAL INVESTMENTS LLP
PORTFOLIO MANAGEMENT SERVICES

Dated: 17th May, 2023



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Disclosure Document

(i) The Document has been filed with the Board along with the certificate in the specified format in terms of Regulation 22 of the SEBI (Portfolio Managers) Regulations, 2020.

(ii) The purpose of the Document is to provide essential information about the portfolio services in a manner to assist and enable the investors in making informed decisions for engaging a portfolio manager.

(iii) The necessary information about the portfolio manager required by an investor before investing, and the investor may also be advised to retain the document for future reference.

(iv) The name, phone number, e-mail address of the principal officer so designated by the portfolio manager is

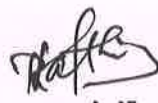
Name	Miten Maganlal Lathia
Phone number	+91 98202 89028
E – Mail Id	MITEN@FRACTALCAPITAL.IN



A handwritten signature in black ink, appearing to read "Miten Maganlal Lathia".

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1. DISCLAIMER CLAUSE:

The Disclosure Document has been prepared in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and filed with SEBI. This Disclosure Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of the Document.

2. DEFINITIONS:

In this Disclosure Document, the following words and expressions shall have the meaning specified herein, unless the context otherwise requires:

“Act”	means the Securities and Exchange Board of India Act, 1992.
“Agreement”	means the agreement executed between the Portfolio Manager and its clients in terms of Regulation 22 (1) and Schedule IV of the Regulations stating therein the terms and conditions on which the Portfolio Manager shall provide the portfolio management services to that client.
“Assets”	shall mean the Portfolio and/or Funds.
“Board”	means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Act.
“Client (s) / Investor (s)”	means any person/entity that enters into the Agreement with the Portfolio Manager for availing the services of the Portfolio Manager.
“Custodial Services”	means Custodial Services as defined in Securities and Exchange Board of India (Custodian of Securities) Regulations, 1996 as amended from time to time.
“Custodian”	means a SEBI registered Custodian who enters into an agreement with the Portfolio Manager to provide the Custodial Services and presently Kotak Mahindra Bank Limited is appointed to act as the Custodian.
“Depository”	means depository as defined in the Depositories Act, 1996 and includes NSDL and CSDL.
“Depository Account”	means one or more account opened, operated and maintained by the Portfolio Manager in the name of the portfolio manager or the Client, as the case, for the purpose managing custody on behalf of the Client with a Depository Participant.
“Depository Participant”	means any entity or person with whom the securities of the Client may be held in dematerialized form in an account opened for the purpose and registered as such with any of the Depositories in line with the SEBI (Depositories and Participants) Regulations, 1996.
“Disclosure Document”	This document issued by Fractal Capital Investments LLP for offering portfolio management services, prepared in terms of Schedule V of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 as amended from time to time.
“Discretionary Portfolio Management Services”	means the portfolio management services rendered to the Client, by the Portfolio Manager on the terms and conditions contained in the Agreement, whereby the Portfolio Manager exercises discretion with respect to investments or management of the Portfolio of Securities or the Funds of the Client without the consent of the Client.
“Financial Year”	means the year starting from April 1 and ending on March 31 of the following year.
“Fractal Capital /Portfolio Manager”	means Fractal Capital Investments LLP.
“Funds”	means the money placed by the Client with the Portfolio Manager and any accretions thereto.



“Investment Amount”	The money or securities accepted by the Portfolio Manager from the Client in respect of which the portfolio management services are to be rendered by the Portfolio Manager in accordance with the minimum requirement under the Regulations.
“Non-Discretionary Portfolio Management Services”	means the portfolio management services rendered to the Client by the Portfolio Manager on the terms and conditions contained in the Agreement, where the Portfolio Manager invests in a Portfolio of Securities for and on behalf of the Client with the consent of the Client,
“NRI”	Non - Resident Indian
“Portfolio”	Means the total holdings of Securities belonging to the Client.
“Portfolio Management Fees”	means the fees payable by the Client of the Portfolio Manager as specified in the Agreement.
“Principal Officer”	means the Designated Partner of the Portfolio Manager namely Mr. Miten Lathia, who is responsible for the activities of portfolio management and has been, designated as Principal Officer of the Portfolio Manager.
“Regulations”	shall mean Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 read with rules, amendments, circulars, clarifications and guidelines issued by SEBI in relation thereto from time to time.
“Securities”	shall mean bonds, notes, shares, units of Mutual Funds, convertible securities and such other instruments including foreign securities as permitted by law and under the Regulations, which may from time to time be held in the Portfolio under the terms of the Agreement

3. DESCRIPTION

i) History, Business and Background of the Portfolio Manager

Fractal Capital Investments LLP is a Limited Liability Partnership. It was incorporated under the Limited Liability Partnership Act, 2008 on 8th May 2019 having its Registered Office at C-402, Lokhandwala Residency, Manjrekar Marg, Worli, Mumbai - 400018 and principal place of business at AWFIS, 10th Floor, Parinee Cresenzo, B-wing, G-block, Bandra Kurla Complex, Mumbai 400 051.

The objective is to work in the area of wealth maximization of clients while maintaining the basic tenets of investments i.e. safety, liquidity and returns. The same would be achieved through offering of various capital market products including Equity, Debt, Hybrid instruments and Mutual Funds, (as permitted under the Regulations), through PMS platform, depending upon the understanding of risk appetite and various other factors of the Clients. The services are offered to each Client under an Agreement on an exclusive basis.

ii) Promoters of the Portfolio Manager, Designated Partners and their background

A. Organizational Structure of Fractal: Fractal comprises of 2 Partners and 2 Designated Partners. The Designated Partners and the Partners are the same individuals.

Details of the Partners

Name	Age	PAN	% profit and loss
Miten Lathia	45	AARPL8183C	50
Sanjeev Goswami	50	AGWPG2477M	50

B. Designated Partners of Portfolio Manager and their background:

Name	Miten Maganlal Lathia
Age	45 years
DIN	0008747753
Address	502 Hingiri, Neelkanth Vihar, Vidyavihar (E), Mumbai – 400077.
Experience	23 years




Professional Summary	Miten Lathia is a Chartered Accountant and a Chartered Financial Analyst. He has been associated with equity markets since 1999. He has worked with stock broking houses like SSKI, Enam Securities, Brics Securities. He has been a research analyst at HDFC Asset Management. He has been a fund manager for HDFC Capital Builder Value Fund for 8 years (May-12 to May-20).
Other Directorships	Director in Fractal Capital Advisors Pvt Ltd. Designated Partner in Proppain Developers LLP, Commprop Gains LLP

Name	Sanjeev Goswami
Age	50 years
DIN	00336389
Address	C-402, Lokhandwala Residency, Manjrekar Marg, Worli, Mumbai - 400018
Experience	25 years
Professional Summary	Sanjeev Goswami is a Bachelor of Engineering (Electronics and Communications) from Delhi College of Engineering and Post Graduate Diploma in Business Administration (Finance) from Xavier Institute of Management, Bhubaneswar. He has worked as equity research analyst at First Global Stock Broking, B&K Securities, SSKI Securities. He has also worked with IDFC Capital as Managing Director in the investment banking domain. He was vastly involved in corporate finance activities like equity / debt / mezzanine fund raising, mergers and acquisitions and corporate advisory across sectors.
Other Directorships	Fractal Capital Advisors Pvt. Ltd.

C. Key Personnel /Key Employees for Portfolio Management Services and their background:

Name	Miten Maganlal Lathia
Age	45 years
Address	502 Himgiri, Neelkanth Vihar, Vidyavihar (east), Mumbai, Maharashtra, 400 077
Designation	Principal Officer
Experience	23 years
Professional Summary	Miten Lathia is a Chartered Accountant and a Chartered Financial Analyst. He has been associated with equity markets since 1999. He has worked with stock broking houses like SSKI, Enam Securities, Brics Securities. He has been a research analyst at HDFC Asset Management. He has been a fund manager for HDFC Capital Builder Value Fund for 8 years (May-12 to May-20).

Name	Sanjeev Goswami
Age	50 years
Address	C-402, Lokhandwala Residency, Manjrekar Marg, Worli, Mumbai - 400018
Designation	Head of Research
Experience	25 years
Professional Summary	Sanjeev Goswami is a Bachelor of Engineering (Electronics and Communications) from Delhi College of Engineering and Post Graduate Diploma in Business Administration (Finance) from Xavier Institute of Management, Bhubaneswar. He has worked as equity research analyst at First Global Stock Broking, B&K Securities, SSKI Securities. He has also worked with IDFC Capital as Managing Director in the investment banking domain. He was vastly involved in corporate finance activities like equity / debt / mezzanine fund raising, mergers and acquisitions and corporate advisory across sectors.

Name	Meet Dand
Age	23
Address	B/14 Jagganath niwas, Shastri nagar, Opp to Jainam hall, L.B.S Marg, bhandup,(w) Mumbai
Designation	Compliance Officer and Manager – Operations
Experience	Less than 1 year
Professional Summary	Worked in backend operations as well as branch operations.




D. Details of Group companies/ firms of the Portfolio Manager:

The Portfolio Manager has only 1 group company, i.e. Fractal Capital Advisors Pvt Ltd.

E. Details of the services being offered: Discretionary Services/ Non-Discretionary Services/ Advisory Services/ Structured Products

(i) **Investment Advisory Services:** Under these services, the Client is advised on investment decisions, as agreed upon in the Agreement, within the overall profile without any back-office responsibility for trade execution, custody of securities or accounting functions. The Portfolio Manager will render the best possible advice to the Client keeping in mind his needs, the environment, risk appetite and the professional skills. The advice may be either general or specific in nature and may pertain to a specific existing portfolio or construction of a new investment portfolio. The services offered will be non-binding in nature and the fee charged will be as per the Agreement.

(ii) Discretionary Services:

In accordance with the terms and conditions as contained in the Agreement, the Portfolio Manager shall be acting in a fiduciary capacity with regard to the Client's account consisting of investments, accruals, benefits, allotments, calls, refunds, returns, privileges, entitlements, substitutions and/or replacements or any other beneficial interest including dividend, interest, rights, bonus as well as residual cash balances, if any (represented both by quantity and in monetary value). The Portfolio Manager shall be acting both as an agent as well as a trustee of the Client's account.

The Portfolio Manager will provide Discretionary Portfolio Management Services which shall be in the nature of investment management, and may include the responsibility of managing, renewing and reshuffling the portfolio, buying and selling the Securities, keeping safe custody of the Securities and monitoring book closures, dividend, bonus, rights etc, so that all benefits accrue to the Client's Portfolio, for an agreed fee structure and for a definite period as described, entirely at the Client's risk.

The Portfolio Manager shall have the sole and absolute discretion to invest in respect of the Client's account in any type of Security as per executed Agreement and make such changes in the investments and invest some or all of the Client's account in such manner and in such assets as it deems fit that would benefit the Client. The Portfolio Manager's decision (taken in good faith) in deployment of the Client's account is absolute and final and cannot be called in question or be open to review at any time during the currency of the Agreement or any time thereafter except on the ground of malafide, fraud, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with the relevant acts, rules and regulations, guidelines and notifications in force from time to time.

(iii) Non-Discretionary Services

Subject to the provisions of the Agreement, the Portfolio Manager will provide Non-discretionary Portfolio Management Services as per express prior written instructions issued by the Client from time to time, in the nature of investment consultancy/management and may include the responsibility of managing, renewing and reshuffling the portfolio, buying and selling the Securities, keeping safe custody of the Securities and monitoring book closures, dividend, bonds, rights, etc. so as to ensure that all benefits accrue to the Client's Portfolio, for an agreed fee structure and for a definite described period, entirely at the Client's risk. The deployment of the Client's account by the Portfolio Manager on the written instructions of the Client is absolute and final and can never be called in question or shall not be open to review at any time during the currency of the Agreement or any time thereafter. The rights and obligations of the Portfolio Manager shall be exercised strictly in accordance with the relevant Acts, rules and regulations, guidelines and notifications in force from time to time.

4. PENALTIES, PENDING LITIGATIONS OR PROCEEDINGS/ FINDINGS OF INSPECTION OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR INITIATED BY ANY REGULATORY AUTHORITY

(i)	All cases of penalties imposed by the Board or the directions issued by the Board under the Act or Rules or regulations made thereunder.	NO
(ii)	The nature of the penalty/direction.	NO
(iii)	Penalties imposed for any economic offence and/ or for violation of any securities laws.	NO
(iv)	Any pending material litigation/legal proceedings against the Portfolio Manager / key personnel with separate disclosure regarding pending criminal cases, if any.	NO
(v)	Any deficiency in the systems and operations of the Portfolio Manager observed by the Board or any regulatory agency.	NO

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(vi)	Any enquiry/ adjudication proceedings initiated by the Board against the Portfolio Manager or its directors, principal officer or employee or any person directly or indirectly connected with the portfolio manager or its directors, principal officer or employee, under the Act or rules or regulations made thereunder.	NO
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5. SERVICES OFFERED

The Portfolio Manager offers Investment Advisory, Discretionary & Non-Discretionary Portfolio Management Services to its prospective clients. The common approach to investing for all its clients is to focus on preserve and, then, grow the portfolio value. The goal is not necessarily to outperform a rapidly rising market, but as far as possible, aim to avoid big declines in a falling market such that over a long-term time horizon, the portfolios outperform the relevant benchmark.

A. Investment Advisory Services

Under these services, the Client is advised on investment decisions, as agreed upon in the Agreement, within the overall profile without any back-office responsibility for trade execution, custody of securities or accounting functions. The Portfolio Manager will render the best possible advice to the Client keeping in mind his needs, the environment, risk appetite and the professional skills. The advice may be either general or specific in nature and may pertain to a specific existing portfolio or construction of a new investment portfolio. The services offered will be non-binding in nature and the fee charged will be as per the Agreement.

B. Discretionary & Non-Discretionary Portfolio Management Services (PMS)

Under these services, the investor has to invest a minimum of Rs 50 Lacs, which could be contributed in any form i.e. transfer of existing securities or cash or a combination of both. The minimum size of the portfolio at the time of initial investment under the Discretionary and/or Non-Discretionary Funds Management Service is kept at Rs. 50 lakhs in line with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020. However, the Portfolio Manager reserves the right to prescribe a higher threshold product-wise or in any other manner at its sole discretion. The Portfolio Manager will ascertain the investor's investment objectives using its proprietary "Risk Profile Questionnaire" to achieve optimal returns based on his risk profile. The client could choose an investment strategy different from that suggested by his/her risk profile and final allocation decision among various investment strategies is that of the client.

- Under the Discretionary Portfolio Management Service, investment decisions (including but not limited to the choice of security, portfolio construct as well as market timing) are at the sole discretion of the Portfolio Manager. The securities invested / disinvested by the Portfolio Manager for Clients may differ from Client to Client, depending on their risk profile or other factors. The Portfolio Manager's decision in deployment of the Client's funds is absolute and final and can never be called in question or be open to review at any time during the currency of the agreement or at any time thereafter except on the ground of fraud, malafide, or gross negligence.
- Under the Non-Discretionary Portfolio Management Service, investment decisions are taken at the discretion of the Investor i.e. the Portfolio Manager exercises no discretion in investment decisions. The Portfolio will be managed as per express prior instructions issued by the Client from time to time. The Portfolio Manager inter alia manages transaction execution, accounting, recording of corporate benefits, valuation and reporting aspects on behalf of the Client but entirely at the Client's risk.

C. Investment Approach and Philosophy

Our service offerings are driven by our core set of beliefs that guide us to develop a consistent Investment Strategy which help us to avoid the mistakes and oversights that consistently underlie investor behavior.

Subject to the applicable Laws at the relevant time, the Portfolio Manager shall not at any time in future invest in any associate or group companies.

The following reflect our core beliefs and Investment Philosophy which lead to potential to generate superior returns without taking commensurate risk.

(i) **Market Efficiency:** We believe skill and consistency can deliver the "Knowledge Edge" to generate superior returns. No market is perfectly efficient and some inefficiency is inevitable, much more pronounced in emerging markets. Low market capitalization leading to lack of interest by market participants like research analysts and investors which leads to market inefficiencies is one of the major market anomalies. Other market anomalies include over conservatism and over confidence which is displayed by investors.

(ii) **Market Timing:** We do not rely on our predictive ability which is required to correctly time markets on a regular basis. Our philosophy is to stay fully invested whenever attractively priced securities are available. Concern about market timing may cause us to tilt towards more defensive investments, increase selectivity or act more deliberately.

(iii) **Longer Time Horizon:** We believe taking long term view will often involve taking a stance that is at odds with



the market consensus. The belief is that the new information and company performance will come to light over a period of time which will validate our opinions and steer the consensus in our favour.

D. List of Offerings

The Portfolio Manager offers two distinct "Investment Approaches"

- (a) FCI LLP WEALTH BUILDER
- (b) FCI LLP WEALTH OPTIMIZER
- (c) FCI LLP WEALTH OPTIMIZER II
- (d) FCI LLP OPPORTUNITIES
- (e) FCI LLP NON-DISCRETIONARY PMS

Under these services, within the overall Client profile, the portfolio is managed at full discretion of the Portfolio Manager.

FCI LLP WEALTH BUILDER – INVESTMENT APPROACH

- Investment Objective

The Investment Objective of this "Investment Strategy" is to create significant value over long term by investing in a concentrated portfolio of Indian equities which are significantly below intrinsic value in the opinion of the Portfolio Manager and with strong long-term prospects. As the equity returns are non-linear, the objective is to stay invested till the return objectives are fully realized and avoid staying invested in an idea longer than required. The Portfolio Manager will opportunistically re-allocate money across stock ideas dynamically.

- Portfolio Composition / Security Type

The portfolio shall be primarily invested in India listed equity. Cash may be deployed in instruments such as Liquid funds or Overnight funds of Indian mutual funds or in listed debt securities to optimize on risk reward.

- Basis of Selection of Securities

Bottom-up over Top-down: We combine top-down and bottom-up approaches in our Investment process. At a top-down level we consider the macroeconomic themes and look to identify potential macroeconomic risks or industry-specific issues which could adversely affect returns. The top-down approach is used for determining the overall assumptions on industry specific matters. However, we believe the company specific fundamentals are the key to alpha generation over long investment horizon thus focus on bottom-up fundamental research.

Growth over Value: Our approach is in-between the traditional growth and value styles – where we look for undervalued companies that operate differentiated business models with the potential for stable earnings growth in varying market conditions. However, we have bias towards Growth believing that earnings and free cash flow growth is the key long-term driver of stock performance. We believe in growth companies with proven business model with growth potential that is under-estimated by the market.

BMV Approach: We follow BMV (Business, Management & Valuation) approach in our fundamental research, where Business takes precedence over Management and Management takes precedence over Valuation. Irrespective of valuation, we will stay away from businesses where we have structurally negative view / lack of proper understanding of business or discomfort with the management and/or corporate governance practices.

Clear Price Targets: We seek to invest in companies that in our view have sustainability of business growth and are trading at a substantial discount to their true (intrinsic) value. Post our fundamental research process we will have a clear Price Targets to Buy / Sell. Our Target Entry Price will be arrived at by assuming that the return exceeds the cost of equity by a decent margin over the holding period of investment. We will also maintain the discipline of exiting an investment if the price overshoots Target Exit Price by a large margin, even it happens very early in the Investment horizon. Though we will have Buy-and-Hold strategy, we will not refrain from booking super-normal returns if they are driven by unrealistic expectations from the company.

Minimal Diversification: We will not over-diversify the portfolio in order to track the benchmark returns. Over diversifications not just compromises potential returns it also takes away lot of management time. We will target a portfolio of around 15 stocks with a range of 12-18 stocks. We will endeavor to ensure that no single investment will have portfolio weight of more than 20%. Similarly, no single investment will generally have portfolio weight of less than 2%.

While evaluating potential equity investments, we focus strongly on the following fundamental characteristics:

- (a) **Economic Moat:** Technology combined with ease of raising capital is resulting in rapid disruptions in many existing businesses. We lay strong emphasis on the economic moat of any business i.e. ability of a business to maintain its



competitive advantage in order to protect/grow its markets share and earnings over long periods of time. The wide economic moat should result in significant value creation as measured by the difference between ROIC (Return on invested capital) and WACC (Weighted average cost of capital) as well as strong free cash flow generation.

- (b) **Management Quality:** We will be biased towards businesses where promoter holding is more than 33%. Promoter integrity, leadership team & corporate culture are important factors in creating a sustainably strong business. A unique leadership and corporate environment may contribute significantly to a corporation's prolonged economic success. Corporate governance becomes even more important in India as many companies have large promoter shareholdings with less reliance on professional management. Owing to the same, the independence of board to ensure oversight may be less reliable.
- (c) **Earnings Growth:** Our stock selection hinges primarily on the ability of businesses to generate consistent and superior earnings growth. We rely more on structural changes in the industry, business franchise and new market entry as the drivers for earning growth and stay away from global cyclical driven earnings growth. The business growth enablers could be market share gains, shift towards organized as well as growth in the opportunity size itself. Besides earnings growth, even quality of earnings has to be emphasized which gets impacted by various factors like inventory accounting, conservatism in bad debt recognition, depreciation rate, tax rate, capitalization of expense etc.
- (d) **Cash Flows:** Free Cash to the Firm is an important factor to generate value for businesses. However, some businesses may not be able to generate significant free cash flow if they are in the enhancing their operating capacities significantly, in which case operating cash flows become important. Pressure on operating cash flows is one of the early signs of increasing pressures in the business. Businesses that demonstrate growth in earnings without commensurate cash flow generation are avoided.
- (e) **Financial Discipline:** We believe that as the industry/product cycles are getting shorter with increased competitiveness, the companies with low leverage are much better placed in most businesses. The preferred businesses for investment are those that have lower debt compared to its immediate competitors as well as the industry average.
- (f) **Improving capital efficiency:** The focus will be to identify companies where there is evidence of trigger points which will lead to expansion of capital return ratios like RoCE and RoE. These are the periods when the equity value of a business shows multiplier effect and generate super normal returns, as was witnessed during the period 2003-2008 in Indian equities market.
- (g) **Business Valuation:** In arriving at the value of a security, we look at a variety of factors. Key focus is on cash flow, economic value added and also analyse trends in capital efficiency. We also examine valuation multiples like EV/EBITDA multiple, P/E multiple, Price to book and PEG ratio on an absolute as well as relative basis for determining the fair (intrinsic) value of the business. We believe in keeping significant margin of safety while evaluating an investment. The price value gap should be higher than the expected return to justify Entry Target Price. More often than not, good businesses going through a bad patch will provide enough price value gap.
- (h) **Monitoring:** We continuously monitor investments to validate our investment hypothesis. When the Exit Target Price, which is equal to or higher than the intrinsic value, is reached or when there has been fundamental deterioration in business models or market conditions in contrast to what was earlier envisaged, we will exit the investment.

- **Portfolio Allocation**

Allocation will be primarily towards Indian stocks. In the period that attractive opportunities are not available or the risk reward is seen as unfavorable by the Portfolio Manager the portfolio could be in cash or cash equivalent securities explained above.

Asset Allocation

Percentage of Portfolio Value	Minimum	Maximum	Risk Level
Equity	65%	100%	High
Cash and/or Liquid funds	35%*	0%	Low

**Implies preferably used when opportunities for equity investments are not attractive*

- **Benchmark selection**

Since the portfolio is primarily investing in Indian stocks the S&P BSE 500 Total Return Index has been chosen as an appropriate benchmark to compare performance in line with extant regulatory guidance. Upto 31st Mar 2023, the benchmark was the Nifty 500 Index. However, post that date, all performance data since inception is being reported based on the S&P BSE 500 Total Return Index to align with the regulatory guidance / norms.

- **Investment horizon**

The recommended minimum investment horizon for the Wealth Builder is three years for the portfolio to deliver on its intended strategy.

- **Risks associated with the investment approach**

Please refer to Clause No. 6 of the Disclosure Document for a comprehensive list of risk factors.

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FCI LLP WEALTH OPTIMIZER & OPTIMIZER II – INVESTMENT APPROACH

• **Investment Objective**

The Investment Objective of this investment strategy is to build wealth over the long term by allocating between equity, commodity and debt mutual funds based on risk profile of the client and the risk reward of the asset class. *There are two investment schemes within Wealth Optimizer which are focused on income and growth assets respectively. The proportion of allocation to these schemes will be decided based on the risk profile or explicit instructions of the investor.*

	OPTIMIZER	OPTIMIZER II
OBJECTIVE	The Investment Objective of this “Investment Strategy” is to build wealth over the long term by investing in a mix of fixed income securities like bonds, debentures and debt mutual fund schemes.	The Investment Objective of this “Investment Strategy” is to build wealth over the long term by investing in a mix of equity mutual funds, gold fund/ETF/sovereign gold bonds.

• **Portfolio Composition / Security Type**

Portfolio will be managed in a discretionary manner, in a non-pooled account wherein the investments will happen directly in the client’s name Portfolio will be created and managed as per asset allocation based on client’s risk profile. *The risk profile will lead to either of the following five allocations between the two schemes – Wealth Optimizer and Wealth Optimizer II. Wealth Optimizer will invest in income assets only and Wealth Optimizer II will invest in growth assets only.*

RISK PROFILE →		Conservative	Moderate	Balanced	Assertive	Aggressive
Wealth Optimizer	Income Assets	100%	60-70%	44-55%	30-40%	0%
Wealth Optimizer II	Growth Assets	0%	30-40%	45-55%	60-70%	100%

Growth assets include equity mutual funds, gold fund/ETF/sovereign gold bonds. Income assets include debt mutual funds and listed fixed income securities. Maximum deviation of 10% from the stated mix can be expected due to the fluctuation in prices and assets chosen post which rebalancing might be done as appropriate. Also, deviation could be taken to optimize tax incidence.

• **Basis of Selection of Securities**

Portfolio will be managed in a discretionary manner, in a pooled account wherein the investments will happen collectively and be allocated to the client. Portfolio of Mutual Funds created and managed as per asset allocation based on client’s risk profile.

- (a) **Client Risk Profiling:** Invests predominantly in equity, debt and ETF mutual fund schemes.
- (b) **Asset class allocation:** Allocates among various asset classes based on estimated risk reward.
- (c) **Fund House Selection:** Invests based on the pedigree of the asset management company
- (d) **Scheme selection:** Allocation with due weightage to past performance and likely future performance based on known portfolios. Mutual fund selection based on FPI’s proprietary research methodology and portfolio manager’s view. There is a scoring pattern developed by FPI which ranks the mutual funds based on parameters such as risk adjusted returns, AUM for the scheme, fund manager credentials, bull and bear market performance, churning of stocks in the scheme, fund house credentials, to name a few.
- (e) **Rebalancing:** Focus on sticking to asset allocation through active monitoring of portfolio and rebalancing of invested amount on a periodical basis

• **Portfolio Allocation**

As mentioned above, portfolio will be allocated between the two schemes based on client risk profile and risk-reward of options.

• **Benchmark Selection**

The appropriate benchmark for the respective portfolio composition to compare performance are as follows. This has been chosen keeping in mind the allocation to growth and income assets.

Scheme Name	Benchmark
Wealth Optimizer	CRISIL Composite Bond Fund Index



- **Investment horizon**

The recommended minimum investment horizon for the *Wealth Optimizer and Wealth Optimizer II* is three years for the portfolio to deliver on its intended strategy.

- **Risks associated with the investment approach.**

Please refer to Clause No. 6 of the Disclosure Document for a comprehensive list of risk factors.

FCI LLP OPPORTUNITIES – INVESTMENT APPROACH

- **Investment Objective**

The Investment Objective of this “Investment Strategy” is to create significant value over medium to long term by investing in a portfolio of Indian equities which offer investment opportunities resulting from Corporate Turnarounds or Out of Favour Ideas, in the opinion of the Portfolio Manager, as explained below.

- **Portfolio Composition / Security Type**

The portfolio shall be primarily invested in India listed equity. Cash may be deployed in instruments such as Liquid funds or Overnight funds of Indian mutual funds or in listed debt securities to optimize on risk reward.

- **Basis of Selection of Securities**

The approach is to identify opportunities created by one of the following:

1. **Corporate Turnaround:** It can result from changing industry/company outlook due to favourable supply demand dynamics, better industry structure, change in management, favourable regulations, or better capital allocation policy.
2. **Out of Favor Ideas:** Over the long run, markets are fairly efficient, however, valuations can go to extremes owing to consistent preference of the market for stocks with certain characteristics and avoidance of certain others. In the long run, stock prices tend to track earnings and hence the opportunity to own mispriced stocks.

Clear Price Targets:

Post our fundamental research process we will have a clear Price Targets to Buy / Sell. Our Target Entry Price will be arrived at by assuming that the return exceeds the cost of equity by a decent margin over the holding period of investment. We will also maintain the discipline of exiting an investment if the price overshoots Target Exit Price by a large margin, even it happens very early in the Investment horizon. Though we will have Buy-and-Hold strategy, we will not refrain from booking super-normal returns if they are driven by unrealistic expectations from the company.

Appropriate Diversification:

We will not over-diversify the portfolio in order to track the benchmark returns. Over diversifications not just compromises potential returns it also stresses portfolio manager bandwidth. We will target a portfolio of around 20 stocks with a range of 15-25 stocks. We will endeavor to ensure that no single investment will have portfolio weight of more than 15%. Similarly, no single investment will generally have portfolio weight of less than 2%.

CORPORATE TURNAROUNDS

Corporate Turnarounds are among the most intriguing of investment opportunities. They offer both the potential of market-beating performance as well as the risk of value trap. Thus, it is imperative to focus on specific financial, competitive and structural characteristics that signal that the issues are temporary. Even companies that re-establish their performance after an extended period of underperformance may find their stocks held back by negative market psychology. An inferential analysis of a company's financial statements with focus on analyzing working capital, liquidity ratios, free cash flow statements, etc, or relevant industry understanding can give early signs of a positive change.

What went wrong?

We try and understand the severity of the company's issues. Some of the factors may stem from the company itself,

Katkar



including corporate governance; lack of professional management depth; an inadequate independence and experience among board of directors; creative accounting practices; failure to adopt to changing industry dynamics; poor capital allocation; high leverage; or insufficient operating controls. Other problems may be external, such as economic shifts creating headwinds for the business, technological change or regulatory constraints. We evaluate the factors that may have contributed to a company's decline, determine the severity of these factors and assess what corrective measures the turnaround strategy must pursue to successfully redefine the business.

While evaluating potential equity investments, we will focus on the following:

1. **Favourable supply demand dynamics:** We focus on situations which offer an improving demand-supply dynamic in the industry. Some industries have a long lead time for supply creation and thus extended period of super normal profit generation.
2. **Better industry structure:** We will look to exploit instances where the industry structure is transition with regards to its 8 key components, i.e. Competitors, Potential Competitors, Economies of Scale, Distribution Channels, Product Differentiation, Substitute Products, Customer Power & Supplier Power.
3. **Favorable regulations or government policies:** While regulated businesses are hard to forecast and value, there are often instances of benign industry outlook stemming from the regulations or government policies. Given that policies are often debated and then actioned there are opportunities in comprehending the impact of the changes to the business from the change in policies or regulations.
4. **Better capital allocation policy:** The way companies get valued depends quite a bit on the capital allocation policies. We intend to capture investment opportunities arising out of better capital allocation whether it is in the business or by way of return to shareholders.
5. **Strength of the core business:** Does the company have a viable core business and a sustainable competitive advantage that could enable it to thrive again? This will require analyzing whether the company has a viable core business, but is struggling with temporary setbacks that can be addressed—or a core business that has experienced a serious decline with an uncertain outcome.
6. **Management and decision-making quality:** We judge the decision-making skills and leadership of a company's management team. A company that recognizes the deficiency in the senior management and is willing to make necessary changes to get back on track is more likely to undergo the type of transformation that will create shareholder value.
7. **Clean accounting:** During distress, it's extremely important to judge the conservatism and transparency of the financial reporting. We undertake an in-depth, forensic analysis of financial statements to determine if the company's accounting policies reflect the economic reality of the business. We assess the quality of the company's earnings, make accounting adjustments to normalize for non-standard accounting.
8. **Balance-sheet strength:** Strengthening the company's balance sheet and cash position is the first order of business for a turnaround, and can provide the company with valuable strategic options. In turnaround situations, companies with excessive leverage don't have the luxury of time to solve their problems. Too much of a delay could spell their doom.
9. **Free cash flow:** Free cash flow being the lifeblood of a business is especially true in turnarounds. The ability of management to take control over the cash flow pipeline and make vital internal investment decisions often determines the ultimate success of the turnaround strategy. A company's articulated strategy should demonstrate the ability to generate or greatly improve free cash flow in two years or less.

OUT OF FAVOUR IDEAS

When industries fall out of favor, the market capitalisation of companies sometimes falls far below what an acquirer would pay for the entire company. That leads to buying opportunities for discerning investors with the patience to wait for the industry to right itself.

While evaluating potential equity investments, we will focus on the following:

1. **Avoid Value Traps:** Invariably, a sector falls out of favor and retreats to bargain basement levels as investors abandon ship. These situations present an opportunity to purchase stocks when they are at deep discount. We avoid falling into potential value traps by asking some key questions: Is the industry going the way of the dinosaur? Is the underlying product/service still in demand or have consumer tastes altered permanently?
2. **Focus on Relevant Players in the Sector:** We spot the investment opportunity within the sector by analyzing the individual companies on the key questions like: Do they remain fundamentally sound? Can they remain competitive? Will they continue to generate solid earnings? Do their franchises remain entrenched?

- **Portfolio Allocation**



Allocation will be primarily towards Indian stocks. In the period that attractive opportunities are not available or the risk reward is seen as unfavorable by the Portfolio Manager the portfolio could be in cash or cash equivalent securities explained above.

Asset Allocation

Percentage of Portfolio Value	Minimum	Maximum	Risk Level
Equity	65%	100%	High
Cash and/or Liquid funds	35%*	0%	Low

**Implies preferably used when opportunities for equity investments are not attractive*

- **Benchmark selection**
Since the portfolio is primarily investing in Indian stocks the S&P BSE 500 Total Return Index has been chosen as an appropriate benchmark to compare performance.
- **Investment horizon**
The recommended minimum investment horizon for the FCI LLP Opportunities strategy is three years for the portfolio to deliver on its intended strategy.
- **Risks associated with the investment approach**
Please refer to Clause No. 6 of the Disclosure Document for a comprehensive list of risk factors.

FCI LLP NON-DISCRETIONARY PMS

- **Investment Objective**
The Investment Objective of this "Investment Strategy" is to create significant value over long term by investing in a portfolio of listed Indian equities and debt market as per the instructions of the client. Since the investment discretion rests with the client, FCI LLP's role is limited to providing suggestions or ideas which may or may not be used in its other offerings.
- **Portfolio Composition / Security Type**
The portfolio shall be primarily invested in listed Indian equity shares, bonds and mutual funds. Cash may be deployed in instruments such as Liquid funds or Overnight funds of Indian mutual funds or in listed debt securities to optimize on risk reward.
- **Basis of Selection of Securities**
Suggestions or ideas: FCI LLP will share investment suggestions or ideas with the clients. The clients will have the final say in deciding among the ideas shared or their own preferred investments. FCI LLP will have no discretion in deciding the constituents and/or their weightage in the portfolio and hence each client portfolio under this offering might be unique.
- **Portfolio Allocation**
Allocation will be primarily driven by the preference of the investor. In the period that attractive opportunities are not available or the risk reward is seen as unfavorable by the Portfolio Manager the portfolio could be in cash or cash equivalent securities explained above.

Asset Allocation

Percentage of Portfolio Value	Minimum	Maximum	Risk Level
Equity	0%	100%	High
Growth Assets*	0%	100%	High
Income Assets**	0%	100%	Moderate
Cash and/or Liquid funds	0%*	35%	Low

** Growth assets include equity mutual funds, gold fund/ETF/sovereign gold bonds*

*** Income assets include debt mutual funds and listed and unlisted fixed income securities*

- **Benchmark selection**
Since the portfolio is primarily investing in Indian stocks the S&P BSE 500 Total Return Index has been chosen as an appropriate benchmark to compare performance.
- **Investment horizon**
The recommended minimum investment horizon for the FCI LLP Non-Discretionary PMS strategy is three years for the portfolio to deliver on its intended strategy.
- **Risks associated with the investment approach**
Please refer to Clause No. 6 of the Disclosure Document for a comprehensive list of risk factors.

6. RISK FACTORS

The Portfolio Manager is not responsible for the loss if any, incurred or suffered by the Client. The following are



the inherent risks associated in the management of Portfolio:

General Risk Factors applicable to all portfolios:

- (i) The securities investments are subject to market risk and there is no assurance or guarantee that the objectives of the portfolio concepts/products will be achieved. Clients/ Investors are not being offered any guaranteed or assured return on the portfolio.
- (ii) The portfolio managers do not have any previous experience/ track record. It's an entity incorporated on 8th May 2019.
- (iii) All transactions of purchase and sale of securities by the Portfolio Manager or its employees, who are directly involved in investment operations, if found having conflict of interest with transactions in any of the Investor's portfolio will be disclosed to the Client.
- (iv) **Risk arising due to policy changes**
 - (i) The performance may be affected by changes in government policies, general levels of interest rates and risks associated with trading volumes, liquidity and settlement systems in equity and debt markets. While Securities that are listed on the Stock Exchanges carry lower liquidity risk, the ability to sell these investments is limited by the overall trading volume on the Stock Exchanges.
 - (ii) The past performance does not in any manner indicate the future performance of the portfolio concepts.
- (v) **Risk arising from the investment objective, investment strategy and asset allocation.**

The PMS is run with an objective to achieve reasonable returns consistently.
Given this background the investor investing in the PMS faces the following risks:

- (i) **Political, economic and / or related risks**
The Assets value of the portfolio and the liquidity of the Securities may be affected by changes in government policy, taxation, interest rates, social and religious instability and political, economic or other developments in or affecting India.
- (ii) **Industry risk**
The value of shares of companies in a particular industry may be affected due to factors affecting the industry like changes in government policy on duties, FDI or a foreign country, which is a big market for the industry, may impose restrictions on import etc.
- (iii) **The Indian Securities Market**
The Indian stock markets in the past experienced substantial price volatility and no assurance can be given that such volatility will not occur in future. Actual market trend may be in variance with anticipated trends hence, the decisions of the Portfolio Manager may not be always profitable.

- (a) **Debt Security:** Investments in debt instruments and other fixed income securities are subject to default risk, liquidity risk and interest rate risk. Interest rate risk results from changes in demand and supply for money and other macroeconomic factors and creates price changes in the value of the debt instruments. **Re-investment Risk:** This risk refers to the interest rate levels at which cash flows received from the Securities under a particular portfolio are reinvested. The additional income from reinvestment is the "interest on interest" component. The risk is that the rate at which interim cash flows can be reinvested may be lower than that originally assumed.
- (b) **Gold Exchange Traded Fund:** currency risks, counter party risk, liquidity risk and loss of physical gold.

(vi) **Liquidity Risk**
Some stocks that the investor might be invested in might not be highly liquid. Though it will be the PMS service providers endeavor to restrict investments in less liquid stocks to a lower limit, there is an exposure of liquidity risk to the investor.

(vii) **Risk arising out of non-diversification**
The Portfolios may be concentrated in a limited number of scrips owing to the investment objectives of respective portfolio concepts or the market conditions prevalent at various points in time. This may pose the 'non diversification risk' to the portfolio performance.

7. CLIENT REPRESENTATION

(i) **The details of the Client Representation as on 31st March 2023 are as under:**

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Category of clients	No. of clients	Funds Managed Rs Cr.	Discretionary / Non Discretionary (if available)
Associates / group companies of the Portfolio Manager (last 3 years)	2	5.89	Discretionary
Others (last 3 years)	24	32.33	Discretionary
Total	26	38.23	

(ii) The details of the Client Representation as on 30th September 2022 are as under:

Category of clients	No. of clients	Funds Managed Rs Cr.	Discretionary / Non Discretionary (if available)
Associates / group companies of the Portfolio Manager (last 3 years)	2	5.69	Discretionary
Others (last 3 years)	22	27.49	Discretionary
Total	24	33.18	

Note: The Company was registered as Portfolio Manager on January 2021.

(iii) Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India:

Names of related parties where there were transactions during the year

Sr. No.	Name of related party	Nature of relationship
1.	Fractal Capital Services Pvt Ltd	Group Company

Details of related party transactions

Nature of transactions	FY2022-23	FY 2021-22	FY 2020-21
Purchase of Computers	Nil	Nil	Rs 68,440/-
Transfer of full rights, titles and interests with regards to trademark, domain name, etc as per the transfer deed.	Nil	Nil	Rs 35,40,000/-
Business Support Services	400,000	200,000	Nil

8. FINANCIAL PERFORMANCE

THE FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER (BASED ON AUDITED FINANCIAL STATEMENTS (in terms of procedure specified by the Board for assessing the performance)

(Amount in Rs.)

Financial Statement -- Balance Sheet	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
Equity & Liabilities	5,32,77,981	5,54,05,763	18,00,000
Partners' Fund	5,27,55,435	5,25,83,000	17,61,768
Non-current liabilities	NIL	NIL	NIL
Current liabilities	5,22,546	28,22,763	38,232
Total Assets	5,32,77,981	5,54,05,763	18,00,000
Non-current Assets	4,88,95,675	5,21,55,800	---
Long Term Loans & Advances	NIL	NIL	---
Current Assets	43,823,06	32,49,964	18,00,000



Statement of P&L			
Total Revenue	50,26,018	24,77,594	0
Total Expenses	42,45,315	24,36,857	57,982
PBDT	7,80,703	40,737	--
Depreciation	7,27,042	468,160	-
Profit Before Tax	53,661	(4,27,423)	(57,982)
Provision for Tax	NIL	NIL	--
Deferred Tax Asset	1,31,425	3,276	--
Profit After Tax	1,85,086	(4,24,147)	(57,982)

9. PORTFOLIO MANAGEMENT PERFORMANCE OF THE PORTFOLIO MANAGER FOR THE LAST THREE YEARS, AND IN CASE OF DISCRETIONARY PORTFOLIO MANAGER DISCLOSURE OF PERFORMANCE INDICATORS CALCULATED USING 'TIME WEIGHTED RATE OF RETURN' METHOD IN TERMS OF REGULATION 22 OF THE SEBI (PORTFOLIO MANAGERS) REGULATIONS, 2020.: NA

Portfolio Performance since inception:

Sr. No.	Date	Wealth Builder	Opportunities	Non-Discretionary PMS	Wealth Optimizer	Wealth Optimizer II
A	As at 31 st March, 2023	12.58 %	11.56 %	-0.89 %	7.23 %	3.65 %

10. DIVERSIFICATION POLICY

Portfolio diversification is a strategy of risk management used in investing, which allows to reduce risks by allocating the funds in multiple asset types. It helps to mitigate the associated risks on the overall investment portfolio.

The Portfolio Manager shall invest in equity and equity related securities. However, from time to time on opportunistic basis, may also choose to invest in money market instruments, units of mutual funds, ETFs or other permissible securities/products in accordance with the Applicable Laws

For investments in securities of Associates/ Related Parties, the Portfolio Manager shall comply with the following:

The Portfolio Manager shall invest up to a maximum of 30% of the Client's AUM in the securities of its associates/related parties. The Portfolio Manager shall ensure compliance with the following limits:

Security	Limit for investment in single associate/related party (as percentage of Client's AUM)	Limit for investment across multiple associates/related parties (as percentage of Client's AUM)
Equity	15%	25%
Debt and hybrid securities	15%	25%
Equity + Debt + Hybrid securities*	30%	

* Hybrid securities includes units of Real Estate Investment Trusts (REITs), units of Infrastructure Investment Trusts (InvITs), convertible debt securities and other securities of like nature.

The aforementioned limits shall be applicable only to direct investments by Portfolio Manager in equity and debt/hybrid securities of its associates/related parties and not to any investments in the Mutual Funds.

The Portfolio Manager shall not make any investment in unrated and below investment grade securities.

Details of investments in the securities of related parties of the Portfolio Manager:

Sr. No.	Investment Approach, if any	Name of the associate/ related party	Investment amount (cost of investment) as on last day of the previous calendar quarter (INR in crores)	Value of investment as on last day of the previous calendar quarter (INR in crores)	percentage of total AUM as on last day of the previous calendar quarter
NIL					



11. AUDIT OBSERVATIONS: There are no Audit observations.
12. NATURE OF EXPENSES

The Portfolio Manager may charge fees and expenses connected with managing the portfolios. The exact nature of these fees and expenses would form part of the Client Agreement in a detailed manner. The fees and expenses could vary depending on the asset class / type of portfolio and not all these fees may apply to all portfolios.

(i) Fees payable to the portfolio manager for discretionary and non-discretionary services:

	Wealth Builder	Wealth Optimizer / Wealth Optimizer II	Opportunities	Non-discretionary PMS
Option I				
Management Fees	2.5% per annum	1.0% per annum	2.5% per annum	2.5% per annum
Option II				
Management Fees	2.0% per annum	-	2.0% per annum	-
Performance Fees	20.0% per annum on all returns in excess of 8.0% per annum, without catch-up, subject to a high watermark	-	20.0% per annum on all returns in excess of 8.0% per annum, without catch-up, subject to a high watermark	-

Note:

- (1) All percentages are levied with respect to average daily NAV over the course of the computation period.
- (2) The Management Fees is charged on a quarterly basis at the end of calendar quarters (31st March, 30th June, 30th September and 31st December). The first computation period will be determined on a pro-rata basis.
- (3) The Performance Fees is charges on an annual basis at the end of financial year (31st March). The first computation period will be subject to minimum 365 days from the account opening date.
- (4) In case of partial redemption or early termination of agreement before the due date of fees, then the fee would be recovered on a pro-rata basis till the date of redemption / agreement termination.
- (5) For the purpose of this Disclosure Document, the Net Asset Value (NAV) for any given day will be calculated by aggregating the following: The total market value of all Securities as on the end of the day, cash/bank balance as at the end of the day, all income (dividend, interest, etc.) accrued on the investments over the course of the day, and reducing from this aggregate the charges, fees, expenses and other costs, all receivables and payables due from / to the client at the end of the day.

(ii) Exit Load – The following exit load shall be applicable on the amount redeemed, in part or in full

	Wealth Builder	Wealth Optimizer / Wealth Optimizer II	Opportunities	Non-discretionary PMS
Exit Load				
In the 1 st Year	3.0% per annum	2.0% per annum	3.0% per annum	1.0% per annum
In the 2 nd Year	2.0% per annum	1.0% per annum	2.0% per annum	NIL
In the 3 rd Year	1.0% per annum	0.5% per annum	1.0% per annum	NIL
After the 3 rd Year	NIL	NIL	NIL	NIL

Note: The exit load mentioned above is over and above the exit load charged by mutual fund schemes that are invested in, if the same is applicable.

For avoidance of doubt, it is clarified that in the event the client terminates the Services (without cause) during the aforesaid period, the exit load as mentioned above shall be applicable on the Assets.

(iii) List of associated charges and costs

- a) **Set-up Costs / Upfront Fees:** We do not charge any fees to Clients at the time of onboarding except for the specific charges associated with the execution of the agreement and documentation related to the account opening. This cost is expected to be between Rs 1,500 – 3,000.
- b) **Portfolio Management Fees:** Portfolio Management and Advisory fees charged may be a fixed management fee or a




combination of fixed management fee and return based variable fees. The client has to choose the applicable fee structure. The performance fee will be charged only on the excess returns generated over and above the applicable hurdle rate.

- c) **Brokerage Charges:** Brokerage will be charged on actuals and is expected to be around 10-15 BASIS POINTS of the transaction value plus associated duties and levies. These are amounts payable to the broker for opening of an account, execution of transactions on the recognized stock exchange or otherwise for facilitating the transfer of Securities and may interalia include service charges, stamp duty costs, GST, STT etc.
- d) **Custodial Charges:** The Portfolio Manager intends to outsource the custodial services which relate to safekeeping of securities, settlement of trades executed on the stock exchanges, opening and maintenance of depository account, dematerialization of securities, tracking of corporate benefits due to the clients, appointment of proxy on behalf of the clients to vote etc. The custody charges will be billed on actuals and are expected to be in the range of 3 - 25 BASIS POINTS of the daily average NAV and chargeable on a monthly basis.
- e) **Depository Charges:** On actuals, as may be applicable from time to time and charged on a monthly basis.
- f) **Fund Accounting Charges:** This includes charges for maintenance and generation of account statement and regular communication with the clients. The fund accounting charges will be upto 5 BASIS POINTS of the average daily NAV and chargeable on a monthly basis.
- g) **Registrar and Transfer Agent Fee:** This is fee payable to the Registrar and Transfer Agent for giving effect to transfers of Securities and may interalia include stamp duty costs, courier, post and notary charge and is expected to be in the range of 10 BASIS POINTS.
- h) **Bank Charges:** As may be applicable at actuals
- i) **Miscellaneous Expenses:** These will include the expenses incurred in connection with day to day operations like courier expenses, stamp duty, service tax, postal, telegraphic, opening and operation of bank account or any other out of pocket expenses as may be incurred by the Portfolio Manager in the course of discharging his duties to the Client. Provided that, in the event that any out of pocket expenses to be incurred by the Portfolio Manager on behalf of the Client is to exceed 5% of the investment amount of the Client, the Portfolio Manager shall seek prior written consent of the Client before incurring such an expense.
- j) Goods and Service Tax or any other statutory levy, as applicable from time to time.
- k) The Fees, Charges and Costs shall be recovered against the funds available in the bank account of the client opened for the PMS. The invoice for the same shall be emailed / couriered to the client within 15 days of the end of the month. For all fees and expenses billed to clients, invoices and receipts shall be provided on a quarterly consolidated basis.
- l) All expenses and charges, excluding Brokerage Charges, Set-up Costs and Portfolio Management Fees shall not exceed 0.5% per annum of the Client's average daily NAV.
- m) Charges for all transactions in a financial year (Broking, Demat, custody etc.) through self or associates shall in no case exceed at 20% by value per associate (including self) per service.
- n) Clients have an option to be on-boarded directly, without intermediation of persons engaged in distribution services. The same shall be disclosed prominently on the marketing material and the website.
- o) All expenses and charges, excluding Brokerage Charges and Portfolio Management Fees shall not exceed 0.5% per annum of the Client's average daily NAV.

13. TAX IMPLICATIONS (PORTFOLIO MANAGEMENT SERVICES)

Clients will be responsible and liable for taxes under the provisions of the Income Tax Act, 1961 for any income generated out of the investment made in the portfolio management Investment Approach. Portfolio Manager will not deduct tax on the capital gains generated out of the investment to be made in the portfolio management Investment Approach. However, this will be subject to any of the provisions of the Income Tax Act, 1961 or the Finance Bill, as applicable. The portfolio Manager shall provide adequate statements to the clients for accounting purpose.

For non-resident clients, the short-term Capital Gains tax is deducted at source by the bank.

In view of the individual nature of tax benefits, each prospective client/investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their availing Portfolio management services, in terms of the provisions of the Income-tax Act, 1961. Clients are best advised to take independent opinion from their tax advisors / experts for any income earned from such investments. The Portfolio Manager shall not be responsible for assisting in or completing the fulfilment of the Client's tax obligations. The provisions of the Income Tax Act, 1961 shall apply to the Client and the Portfolio Manager in respect of their individual incomes.



14. ACCOUNTING POLICIES

The accounting policies to be followed by the Portfolio Manager should be in line with the generally accepted principal followed in the similar kind of industry segment. In general, following Accounting Policies are to be followed for the purpose of maintaining books of accounts & records of the Client.

a. Basis of Accounting

Financial statement of the Client under Portfolio Management Services shall be prepared and maintained as per the accrual basis of accounting.

b. Income Recognition

- Dividend income shall be recognized on the ex-dividend date.
- Interest income on investments shall be accounted on accrual basis.
- Gains or loss on sale of investments shall be recognized on the trade dates on the basis of first-in-first-out basis.

c. Recognition of fees and other expenses

Investment Management fees/advisory fee and other charges shall be accrued and charged as agreed in the Agreement.

d. Investments

Securities shall be marked to market on a daily basis. Securities brought in by the Client shall be valued at the closing price of the Security at NSE or BSE, as applicable. Mutual Fund units brought in shall be valued at the NAV for the date on which the corpus is fully credited to the account of the Portfolio Manager. Secondary market transactions shall be recognized as investments on the trade dates at cost including brokerage, service tax and stamp fees and other applicable transaction charges. Subscriptions to primary market issues shall be recognized as investments on allotment. Bonus entitlements shall be recognized on ex-bonus dates.

15. INVESTOR SERVICES

(i) Name, address and telephone number of the Compliance officer who shall attend to the investor queries and complaints.

Name	:	Meet Dand
Address	:	AWFIS, 10th Floor, Parinee Cresenzo, B-wing, G- block, Bandra Kurla Complex, Mumbai 400 051
Tel no.	:	+ 91 22 62640870
Email ID	:	compliance@fractalcapital.in

(ii) Grievance redressal and dispute settlement mechanism.

- The aforesaid personnel of the Portfolio Manager shall attend to and address any query or concern of the Client as soon as practicably possible.
- All Clients' complaints are escalated to the Compliance Officer immediately on receipt of complaint.
- The Compliance Department reviews and monitors the status of Clients' complaints and take necessary action for quick resolution of the same.
- If during the review of complaints, it is noticed that the complaint is due to same procedural lapses or due to any other identifiable reasons, then necessary corrective steps shall be taken immediately.
- Complaints shall be generally resolved within 30 days from the date of receipt and any complaint which is pending for more than 30 days is escalated to Principal Officer for discussion and resolution.
- In addition to the procedure stated above, the Client shall have the right to lodge its complaint as per the SCORES mechanism or such other mechanism as mandated by the Board from time to time.
- All disputes arising between the Client and the Portfolio Manager shall be adjudicated in terms of the provisions detailed in the Agreement including the provision relating to arbitration.

16. PERIODIC REPORTING

- (i) Portfolio Manager shall submit periodic reports to SEBI as per Circular IMD/PMS/CIR/ 1/21727/03 dated November 18, 2003 as subsequently modified from time to time.
- (ii) Portfolio Manager shall obtain a certificate from the qualified Chartered Accountant certifying the net-worth as on March 31, every year based on audited account within 6 months from the end of Financial Year.




- (iii) Portfolio Manager shall submit a certificate of compliance with PMS Regulations and circulars issued thereunder, duly signed by the Principal Officer, within 60 days of end of each financial year. Details of non-compliance along with the corrective actions, if any, duly approved by Board of the portfolio manager shall be mentioned.
- (iv) Portfolio Manager shall submit a monthly report regarding their portfolio management activity, on SEBI Intermediaries Portal within seven working days of the end of each month.
- (v) Portfolio Manager shall furnish a report in the prescribed format, to the clients on a quarterly basis.


17. PERFORMANCE REPORTING

When reporting performance of the portfolio, the Portfolio Manager shall:

- (i) Consider all cash holdings and investments in liquid funds, for calculation of performance. Report performance data net of all fees and all expenses (including taxes).
- (ii) Clearly disclose any change in investment approach that may impact the performance of client portfolio, in the marketing material.
- (iii) Ensure that performance reported in all marketing material and website of the Portfolio Manager is the same as that reported to SEBI.
- (iv) Ensure that the aggregate performance of the Portfolio Manager (firm-level performance) reported in any document shall be same as the combined performance of all the portfolios managed by the Portfolio Manager.
- (v) Provide a disclaimer in all marketing material that the performance related information provided therein is not verified by SEBI.
- (vi) The firm-level performance data of Portfolio Manager shall be audited annually. Confirmation of compliance with the performance data requirement shall be reported to SEBI within 60 days of end of each financial year vide a report certified by the Partners of the Portfolio Manager or by person(s) authorized by the Partners of the Portfolio Manager.

18. DISTRIBUTORS

- (i) Portfolio Manager shall use only such distributors (whether known as Channel Partners, Agents, Referral Interfaces or by any other name) who have a valid AMFI Registration Number or have cleared NISM-Series-V-A exam.
- (ii) Portfolio Manager shall pay fees or commission to distributors only on trail-basis. Further, any fees or commission paid shall be only from the fees received by the Portfolio Manager.
- (iii) Portfolio Manager shall ensure that prospective clients are informed about the fees or commission to be earned by the distributors for on-boarding them to specific investment approaches.
- (iv) Portfolio Manager shall ensure that distributors abide by the Code of Conduct and verify the compliance with the same.

	
(SANJEEV GOSWAMI)	(MITEN LATHIA)
Place: Mumbai	Place: Mumbai
Date:	Date: 17-MAY-2023

