

## Creating RICH portfolios from SMALL gems



*Intrinsic* Deep Value Fund

*Intrinsic* Floater Fund

**20** CELEBRATING  
YEARS of  
RESEARCH  
EXCELLENCE

**Trust Line**  
Delivering Value

# About Us







**Arunagiri N**

Founder CEO & Chief Investment Officer

Arun has over two decades of experience in capital markets in various capacities. He set up TrustLine in year 2004 after his illustrious career spanning over 15 years in Wipro, one of the country's leading Information Technology companies, where he held various senior management positions across diverse functions. He brings with him an enviable track record in Equity and Financial Research. Arun has built a huge expertise in small and mid cap space. He is a thought leader in Value Investing and has built a leadership position for TrustLine in the Value Investing space with his enviable track record of creating long-term value for his investors.

# What our clients say



**Anil Jain K**

Former Senior Vice President &  
Business Head, Wipro Ltd.



I have been associated with TrustLine from the very beginning. What I like about them is a clear approach and high reliance on the research rather than market sentiments. The transparency of information and decision making is very high and the team is completely dependable.



**Rajesh Rege**

CXO, Technocrat  
Market Enthusiast



What I find reassuring with TrustLine is their unwavering focus on their investment strategy that revolves around identifying high quality stocks from small-cap space ahead of the markets. They have a well evolved process to contain risks in this space, thereby delivering above-average returns over long-term.



**Srinivasan Varadarajan**

Former Deputy Managing  
Director, Axis Bank



The enduring focus of TrustLine, 'Managing for Value', provides the ideal platform for creating wealth for the long term. This investment philosophy is the one which makes most sense in this highly volatile market environment.



# Who are we



We are one of the top discretionary portfolio managers in India. **Trust & Lineage.** The two pillars on which was founded a company that dreamt to perform and dared to outperform the competition.

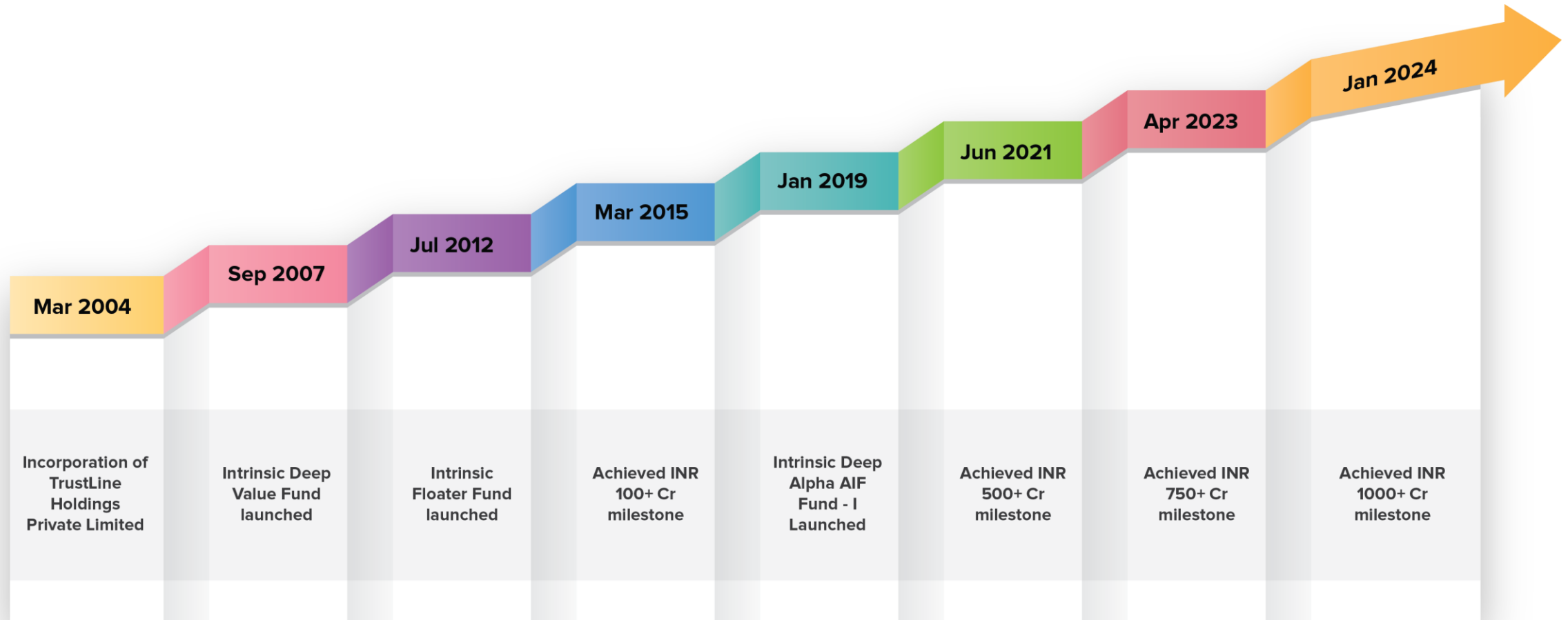
We are TrustLine - a leading Chennai-based Equity Research and Asset Management firm. With financial research as a core competence, we track and study over 800+ companies as part of our investment research.

We believe that specialization produces attractive business economics and builds durable competitive edge. Over the years we, at TrustLine, have gained rich domain expertise by focusing and specializing in small and midcap investing. This sets us apart and gives us an unique competitive advantage in the Fund Management space.

## Fact File

<b>Full Name:</b>	TrustLine Holdings Pvt. Ltd.
<b>Founded:</b>	2004
<b>Headquarters:</b>	Chennai, Tamil Nadu, India
<b>SEBI Registration No. / Year</b>	
<b>PMS:</b>	INP000002254 / 2007
<b>AIF:</b>	IN/AIF3/18-19/0580 / 2018
<b>Existing Product(s):</b>	
<b>PMS:</b>	<i>Intrinsic</i> Value Fund <i>Intrinsic</i> Floater Fund
<b>AIF:</b>	<i>Intrinsic</i> Deep Alpha Fund - I <i>Intrinsic</i> Deep Alpha Fund - II
<b>AUM:</b>	INR 1100 Cr +
<b>Number of Clients:</b>	600+ with 95% retention rate
<b>Core Belief:</b>	We win, when you win.

# TrustLine's Journey



# Our Investment Philosophy

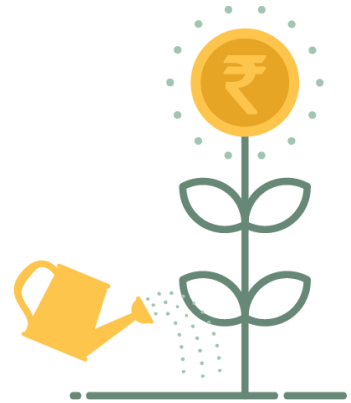


- Meticulous practitioner of Value Investing.
- Bottom up approach to stock picking from under researched universe.
- Focus on Intrinsic value (Free cash flow, Return on Equity) of the underlying business.
- Paramount importance given to Margin-of-Safety (downside risks) which ensures huge upside in returns.
- Buying “growth” at a discount.



## Growth Investing

- Chasing momentum stories (Flavor of the season).
- Short-term out-performance at the cost of Long-term under performance.



## Value Investing

- Value investing is the discipline of buying securities at a significant discount to underlying value and holding them until the full potential value is unlocked. The degree of bargain is the key to the process.
- We come from the school of Value Investment Philosophy and our investing model is inspired from Buffett’s principles.
- Investments driven by Intrinsic value and Margin-of-Safety.
- It is a low-risk and long-term high-return model.

## VALUE INVESTMENT DEMYSTIFIED

**RULE 1**  
Not to lose  
MONEY

**RULE 2**  
Not to forget  
RULE 1



“Return-of-Capital”  
than  
“Return-on-Capital”



Business Analyst  
Approach  
(not Market Analyst)



Low-Risk and  
High-Return  
Strategy



“Much of returns come from the buying price, not from the earning growth.”

- **Seth Klarman**

In the short run, the market is a voting machine but in the long run it is a weighing machine

- **Benjamin Graham**

“Understanding both the power of compounding and the difficulty of getting it is the heart and soul of understanding a lot of things”

- **Charlie Munger**

In BULL markets Investors become blind to RISK & In BEAR markets Investors become blind to OPPORTUNITIES

- **Anonymous**





## Corporate Video



## Why Small Caps?



## Videos

## Value Investing in Challenging Times!



## Webinar : Will EM crisis will hit India?



## Recent Interviews & Articles

**In small cap investing, if you avoid Landmines, what you are left with are Goldmines...**

THE ECONOMIC TIMES | 3rd, July 2023

**Stock-level steep correction: An opportunity for contrarian bets?**

THE ECONOMIC TIMES | 29th, Nov 2024

**Is China the only factor for the sharp market correction?**

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**The liquidity game on Dalal Street: The rise of phoenixes?**

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**Why does RBI's position on rate cuts remain difficult despite...**

THE ECONOMIC TIMES | 1st, Sep 2024

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## *Intrinsic Deep Value* Fund

Creating RICH portfolios from SMALL gems



Mandate of this fund is to create long term wealth by delivering significant outperformance over benchmark index over a 3 to 5 year horizon through a well managed portfolio of listed stocks hand picked on a deep value investment model in the Small and Midcap space.

## FUND FEATURES



### Size Advantage

(Small and Midcap focus)

Allows us the luxury to target highly promising companies with a market capitalisation even below INR 500 crores.



### Ahead in the Value Curve

Investment in companies which are in their infancy thus having the potential to deliver exceptional returns when they scale up.



### Hidden Gems

Companies which are very unlikely to be in the radar of competition due to the small size.



### High Growth Industries

Stock picks are likely to be more concentrated in high growth sectors like speciality chemicals, niche engineering, industrial brands, auto ancillaries, education, software products, healthcare and other promising such sectors.



### Returns Maximisation

Allocation model to maximize returns across market cycles.



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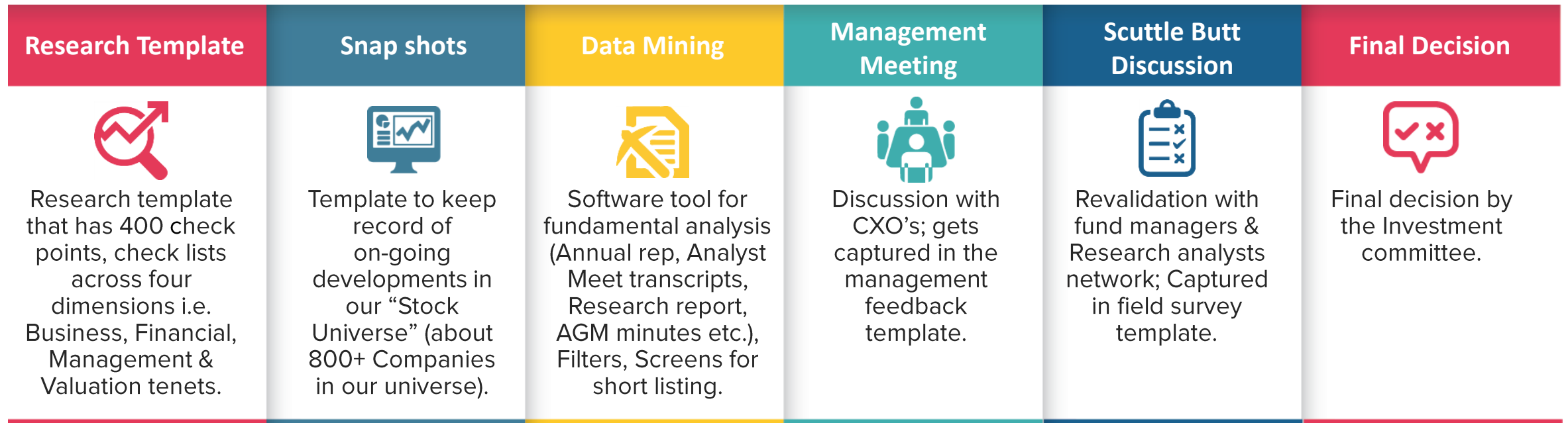
# The **TrustLine** Advantage



## Research

Bottom up & Stock specific, Under researched & Under discovered space, Business analyst vs Market analyst approach, Focus on ROE, Free cash flow, Margin of Safety, Intrinsic value driven (vs Balance sheet value).

## PROCESS





- They are primarily short-to-medium term opportunity driven by event based corporate actions like buy-back, open offer and other special situations including mergers, de-mergers and de-listing.
- Our core belief is that downside risk management ensures huge upside in returns.
- Ability to spot tactical short term “low-risk” investment opportunities when markets are expensive.
- Enables the fund manager to deploy the funds at the right price to deliver out sized returns.



## **Rationality**

Driven by rational facts than by popularity of those.

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## **Objectivity**

Not influenced by herd behaviour.

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## **Self-Awareness**

Focus within circle of competence.

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## **Driven by Process**

Focus on process, not on proceeds.

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## **Temperament**

Driven by neither greed nor by Fear.



## Performance Data (TWRR\* Method)

### COMPARISON WITH BSE 500(TRI) INDEX & TOP SMALL CAP MUTUAL FUNDS(in %)

Portfolio	Calendar Year																		Annualised Returns
	2007 Sep-Dec	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
<b>Intrinsic</b>	23.73	-42.17	109.13	23.95	-23.99	34.30	5.71	90.91	22.38	6.29	45.92	-18.95	-16.66	31.56	67.62	-1.07	46.34	9.65	17.82
<b>BSE 500 (TRI) Returns</b>	44.67	-57.59	92.70	17.89	-26.42	33.41	4.92	38.92	0.45	5.15	37.60	-1.82	8.98	18.41	31.63	4.76	26.55	15.80	12.26
<b>Top 3 (Small Cap) Mutual Fund Returns</b>	49.25	-61.37	114.43	23.67	-28.60	45.65	3.98	100.15	12.57	7.60	47.27	-24.01	-3.45	25.99	58.54	0.64	46.21	22.61	17.18
<b>Outperformance over BSE 500 (TRI) Index</b>	-20.94	15.42	16.43	6.06	2.43	0.89	0.79	51.99	21.93	1.14	8.32	-17.13	-25.64	13.15	35.99	-5.83	19.79	-6.15	5.56
<b>Outperformance over Top 3 Small Cap Mutual funds</b>	-25.52	19.20	-5.30	0.28	4.61	-11.35	1.73	-9.24	9.81	-1.31	-1.35	5.06	-13.21	5.57	9.08	-1.71	0.13	-12.96	0.64

Assumptions: Top 3 Small Cap Mutual funds returns is computed as an average of NAV returns of following MFs : DSP Blackrock Micro Cap (G), Franklin India Small Cap (G), Sundaram Small Cap (G), **KEY POINT: RETURNS ARE POST ALL EXPENSES INCLUDING MANAGEMENT FEE AND PERFORMANCE FEE.**

\* Time Weighted Rate of Return

# TRI - Total Returns Index

Performance data provided above is not verified by SEBI

as on 31<sup>st</sup> Dec 2024

## Our highly successful Intrinsic Deep Value Fund has been a winner right through

### Rolling performance Data (TWRR\* Method)

Fund Performance (as on 31 <sup>st</sup> Dec 2024)	Intrinsic Deep Value Fund Returns %	Nifty 250 Small Cap Index Returns %	BSE 500 Index (TRI)** Returns %
3 Month Returns (Absolute)	-5.68	-3.58	-7.79
6 Month Returns do	0.63	3.75	-0.74
1 Year Returns do	9.66	26.43	15.81
2 Year Returns (Annualized)	26.68	36.84	21.06
3 Year Returns do	16.66	21.74	15.36
5 Year Returns do	28.48	29.59	19.07
Since Inception (Annualized) (September 2007)	17.82 <sup>#</sup>	10.10	12.26

\* Time Weighted Rate of Return .

# Returns are post all expenses including Management Fee and Performance Fee

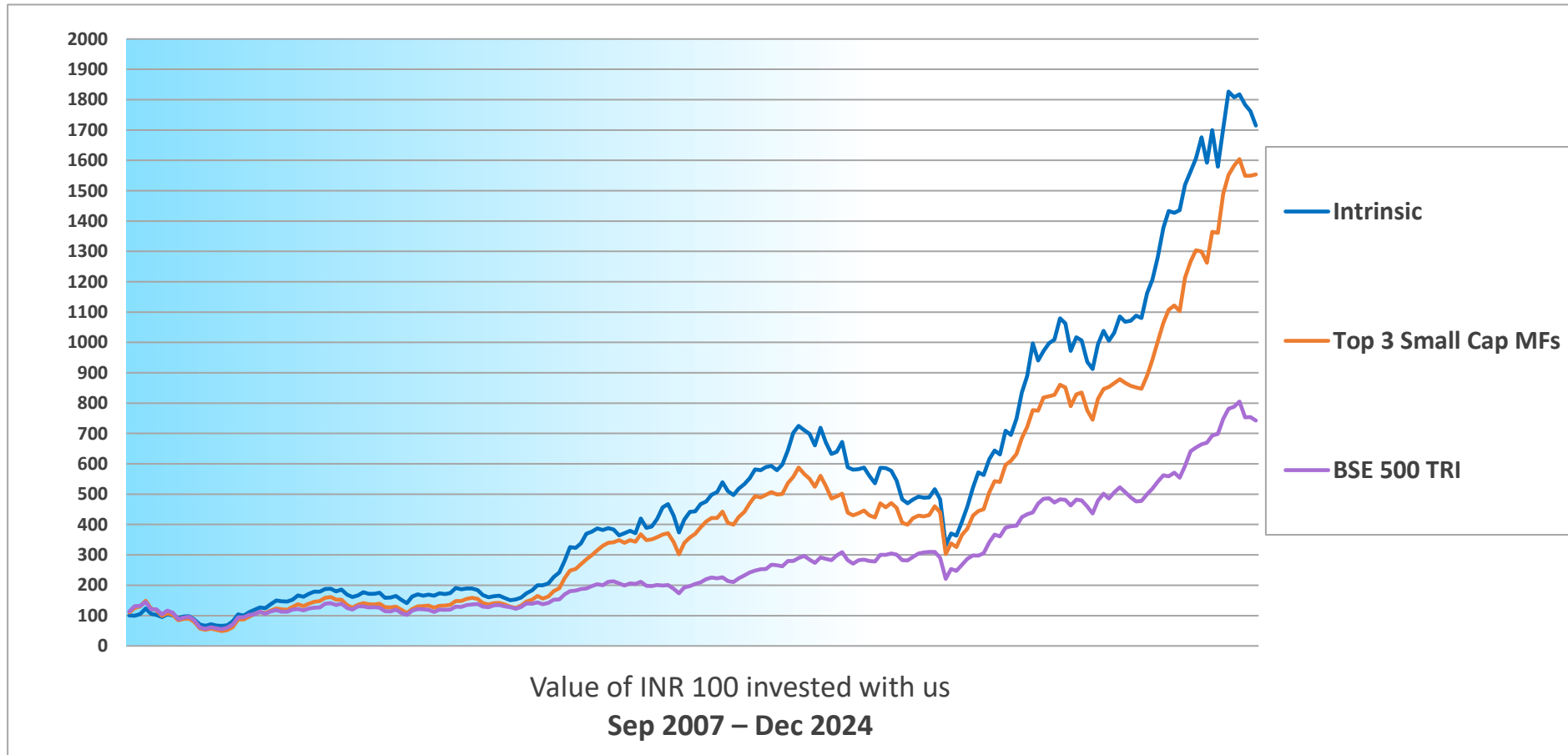
\*\* TRI – Total Returns Index

Performance data provided above is not verified by SEBI.

### Success Stories (PMS / AIF)



# Performance Chart (TWRR Method)



\*\* TRI – Total Returns Index

- Performance data provided above is not verified by SEBI.

# Fund Terms / Details



Minimum Investment	50 Lakhs
Management fee	1%
Profit Sharing fee	20%
Hurdle Rate	12%
Exit Load*	2% Max.

\* If redeemed in part or full before two years of investment.

## Fund Details

- Asset Under Management 1100 Cr. +
- No. of Stocks 25 to 27
- Average Market Cap 500 - 3000 Cr.
- Average PE 12 - 15
- Average P/BV 1.50
- Average Holding Period 24 - 36 months
- Average Churn Ratio 0.10

- **Fund Structure:** SEBI registered Portfolio Management Service.
- **Term:** Open ended fund within Minimum 3 years tenure.
- **SEBI Registration No.:** INP000002254 / 2007

## DISCLAIMER

- Investments are subject to market risks and hence there can be no assurance or guarantee that the objectives will be achieved. Also, the value of the portfolio being Investments in Securities may go up or down, depending on the various factors and forces affecting the capital market.
- Investors in the fund are not being offered any guaranteed / assured returns.
- Past performance of the Fund or Investment Managers is not an indication of the future performance of the Fund or Investment Managers.
- This material is not an offer to sell or a solicitation to buy any securities or any financial instruments mentioned in the report. TrustLine Holdings (P) Ltd and their officers and employees may or may not have a position with respect to the securities / other financial instruments mentioned herein.
- All opinions and estimations included in this report constitute our judgment as of this date and are subject to change without notice.
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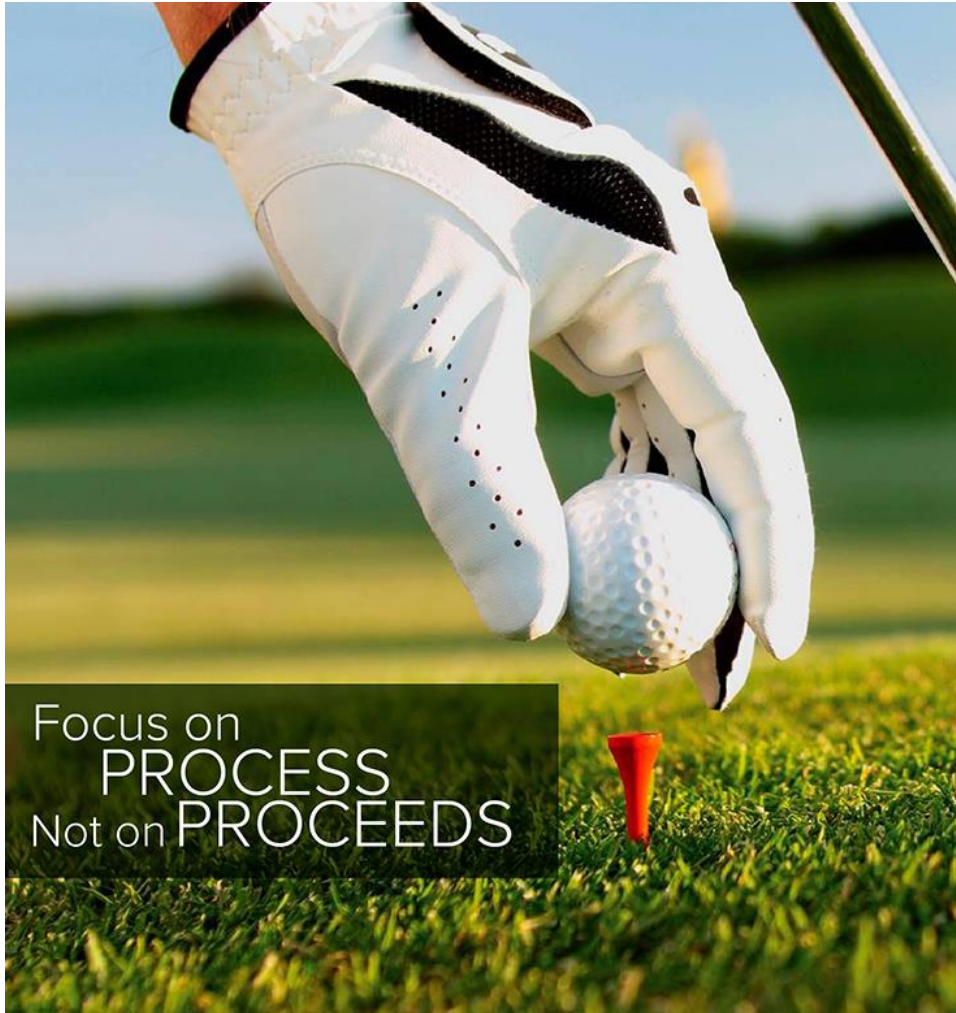


# Why Invest in *Intrinsic* Deep Value Fund ?



- Focus on Margin-of-Safety and down-side protection.
- Growing opportunities in Small and Midcap space.
- Focused portfolio of high-quality stocks from high potential space.
- Bottom-up stock picking leveraging the long-built expertise in research and temperamental skills.
- Return maximisation via Arbitrage kicker and tactical allocation model across market cycle.

# Investment Team



Focus on  
**PROCESS**  
Not on **PROCEEDS**



**Arunagiri N**

Founder CEO & Chief Investment Officer



**Deepan Sankara Narayanan**

Vice President – Research



**Vijay Kumar S**

Advisor for Arbitrage Fund Management

# *Intrinsic Floater* Fund





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 200 to 300+ 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.

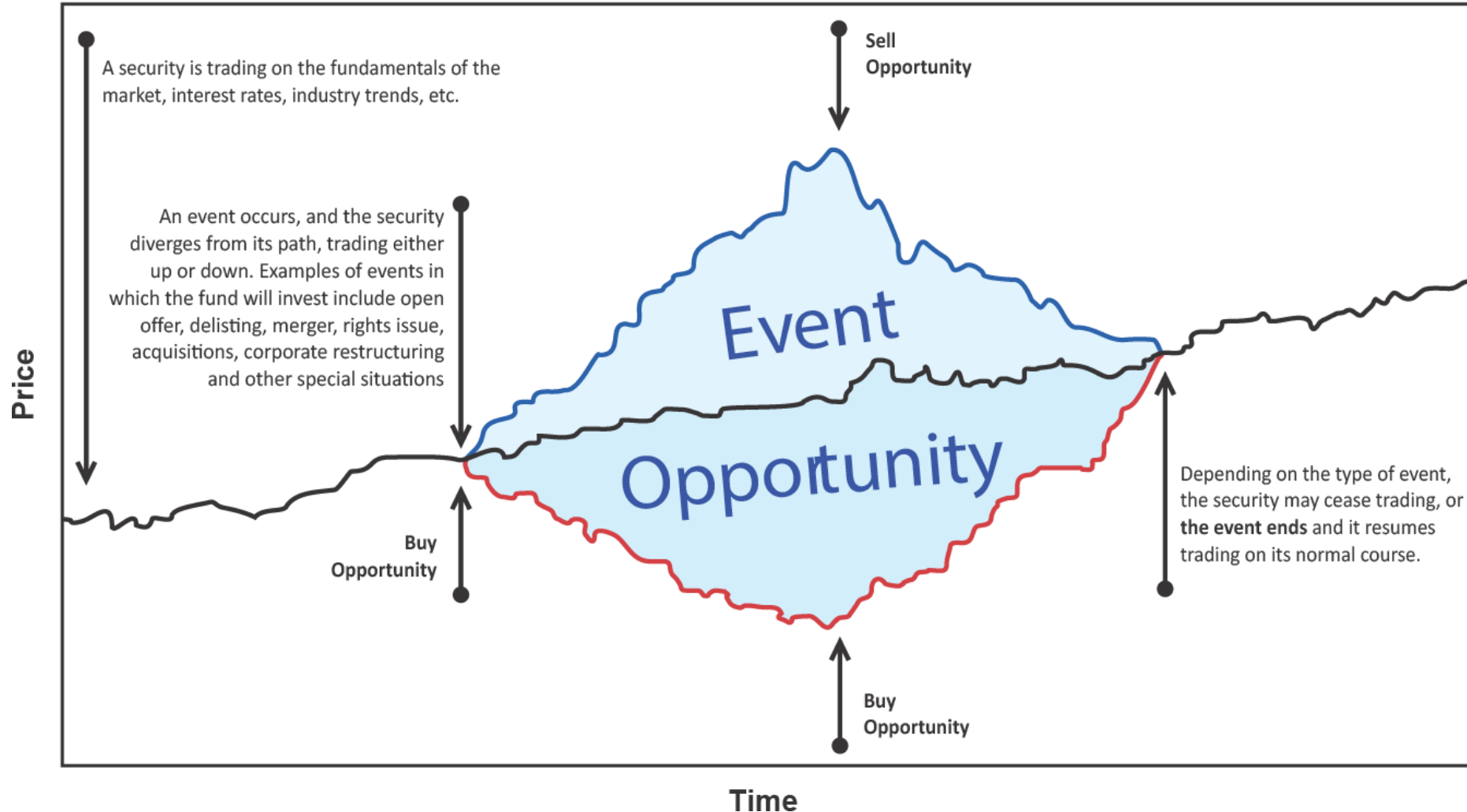
Typically, arbitrage opportunities emerge in above mentioned situation due to the perceived discount in the pre-event market price in relation to the post event market price happens largely due to the following reasons.

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





# Anatomy of an event



# Arbitrage Success Story



## Delisting



## Demerger



## Buyback



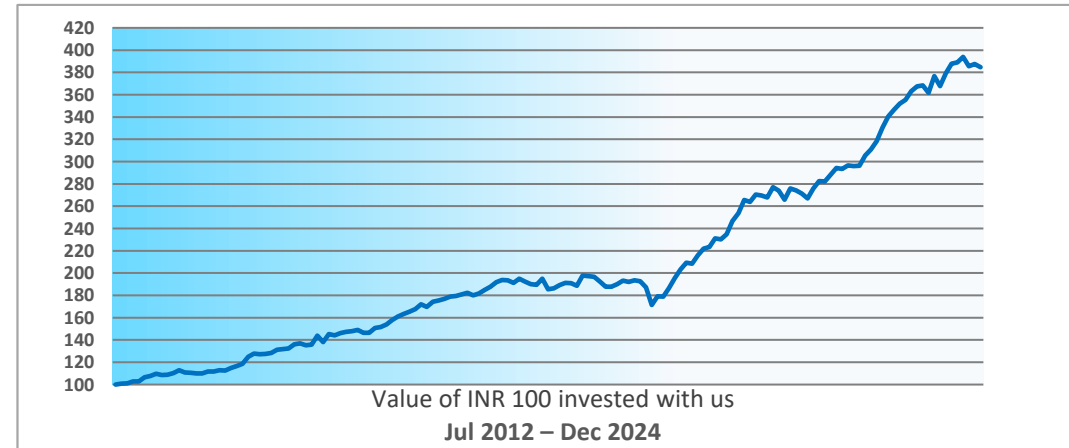
## Open Offer



## Special Situations



## Performance Chart (TWRR Method)



## Rolling Performance Data (TWRR\* Method)

Fund Performance (as on 31 <sup>st</sup> Dec 2024)	Intrinsic Floater Fund	NIFTY 50 Hybrid Composite Debt 50:50 Index
3 Months Returns (Absolute)	-2.34	-3.51
6 Months Returns (do)	1.46	1.59
1 Year Returns (do)	5.94	9.57
2 Year Returns (Annualized)	13.98	11.89
3 Year Returns (do)	11.24	9.38
Since Inception (Annualized) (July 2012)	<b>11.30 #</b>	<b>11.38</b>

\* Time Weighted Rate of Return

# Returns are post all expenses including Management Fee and Performance Fee

Performance data provided above is not verified by SEBI

## Intrinsic Floater v/s Debt funds v/s Equity funds

	Fixed income	<b>Intrinsic Floater</b> (Event driven arbitrage fund)	Diversified Equity fund
<b>Asset Class</b>	Debt	Debt & Equity	Equity
<b>Investment focus</b>	Debt driven	Event Driven	Equity driven
<b>Investment Strategy</b>	Fixed income, bonds, gilts, money market securities, etc	Open offer, delisting, mergers, rights issue, restructuring, special situations & debt instruments	Varies based on equity investment strategy
<b>Return profile sought</b>	Low	Low to Medium	High
<b>Risk Profile</b>	Very low risk	Low risk	High risk
<b>Correlation v/s Sensex</b>	Low	Low	High
<b>Typical Event duration</b>	Varies	3 - 12 months	Varies
<b>Importance of Management &amp; Corp Governance</b>	Low	High	High
<b>Complexity of analysing Opportunity</b>	Low	High	High
<b>Tax Impact</b>	High	High	Low
<b>Recommended Allocation</b>	20%	40%	40%
<b>Suggested holding period</b>	12 months	18-24 months	>36 months

Fee Details	Option 1	Option 2
Minimum Investment	50 Lakhs	50 Lakhs
Management fee	1.5%	0.5%
Profit Sharing fee <sup>#</sup>	-	15%
Hurdle Rate	-	8%
Exit Load*	1%	1%

# Profit sharing % applies to returns in excess of hurdle rate.

\* If redeemed in part or full before one year of investment.

- **Fund Structure:** SEBI registered Portfolio Management Service.
- **Term:** Open ended fund within Minimum 1+ years tenure.
- **SEBI Registration No.:** INP000002254 / 2007

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**Thank You**  
Let's win together



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