

# True Beacon

## TRUE BEACON INVESTMENT ADVISORS LLP

### Portfolio Management Services – Disclosure Document

1. This disclosure document (“**Disclosure Document**”) has been filed with the Securities and Exchange Board of India along with the certificate in the specified format in terms of Regulation 22 of the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020.
2. The purpose of the Disclosure 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 True Beacon Investment Advisors LLP as a Portfolio Manager.
3. The necessary information about the Portfolio Manager required by an investor before investing is disclosed in the Disclosure Document. Investors should carefully read the entire Disclosure Document before making a decision to avail portfolio management services from True Beacon Investment Advisors LLP and should retain the Disclosure Document for future reference.
4. Details of the Portfolio Manager are as follows:

Name of the Portfolio Manager : True Beacon Investment Advisors LLP  
SEBI Registration Number : INP000007353  
Registered Office Address : The Marquis, 3<sup>rd</sup> Floor, No. 19, Vittal Mallya Road,  
Bengaluru, Karnataka 560001 India  
Telephone number : +91 9663903202  
E-mail address : [wealth.compliance@truebeacon.com](mailto:wealth.compliance@truebeacon.com)  
Website : [www.truebeacon.com](http://www.truebeacon.com)

5. Details of the Principal Officer designated by the Portfolio Manager are as follows:

Name of the Principal Officer : Mr. Saurabh Dhole  
Address : The Marquis, 3<sup>rd</sup> Floor, No. 19, Vittal Mallya Road,  
Bengaluru, Karnataka 560001 India  
Telephone number : +91 9663903202  
E – mail address : [saurabh@truebeacon.com](mailto:saurabh@truebeacon.com)

This Disclosure Document is dated 25 April 2024.

# True Beacon

## TABLE OF CONTENTS

1. DISCLAIMER .....	3
2. DEFINITIONS AND INTERPRETATION .....	3
3. INTERPRETATION .....	6
4. DESCRIPTION.....	6
5. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTION .....	10
6. SERVICES OFFERED .....	11
7. RISK FACTORS .....	16
8. CLIENT REPRESENTATION .....	22
9. DETAILS OF CONFLICT OF INTEREST .....	23
10. THE FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER .....	23
11. PORTFOLIO MANAGEMENT PERFORMANCE OF THE PORTFOLIO MANAGER.....	23
12. AUDIT OBSERVATIONS OF THE PRECEDING THREE YEARS .....	24
13. NATURE OF EXPENSES .....	25
14. TAXATION .....	27
15. ACCOUNTING POLICIES.....	40
16. INVESTORS SERVICES.....	43
17. DETAILS OF INVESTMENTS IN THE SECURITIES OF RELATED PARTIES .....	45
18. DETAILS OF THE DIVERSIFICATION POLICY OF THE PORTFOLIO MANAGER.....	46
19. FEE STRUCTURE.....	46
FORM C .....	48
ANNEXURE 1.....	49
ANNEXURE 2.....	58
ANNEXURE 3.....	59

# True Beacon

## 1. DISCLAIMER

The particulars of this Disclosure Document have been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 (“**PMS Regulations**”) and filed with the Securities and Exchange Board of India (“**SEBI**”). This Disclosure Document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Disclosure Document. The portfolio managers’ decision (taken in good faith) in deployment of the Clients’ account is absolute and final and cannot be called in question or be open to review at time during the currency of the agreement or any time thereafter except on the ground of malafide, fraud, conflict of interest or gross negligence. The distribution of this document may be restricted or prohibited in certain jurisdictions and accordingly, persons who come into possession of this document are required to inform themselves about and to observe any such restrictions.

## 2. DEFINITIONS AND INTERPRETATION

2.1 “**associate**” shall have the meaning ascribed to the term under the PMS Regulations.

2.2 “**Applicable Laws**” means the laws of the Republic of India and includes rules and regulations issued pursuant to and under such laws, including the PMS Regulations.

2.3 “**Accreditation Agency**” means a subsidiary of a recognized stock exchange or a subsidiary of a depository or any other entity as may be specified by the SEBI from time to time.

2.4 “**Accredited Investor**” means any person who has been granted a certificate by the accreditation agency who:

- (a) in case of an individual, Hindu undivided family, family trust or sole proprietorship has:
  - (i) annual income of at least INR 2 crores; or
  - (ii) net worth of at least INR 7.5 crores, out of which not less than INR 3.75 crores is in the form of financial assets; or
  - (iii) annual income of at least INR 1 crore and minimum net worth of INR 5 crores out of which not less than INR 2.5 crores is in the form of financial assets.
- (b) in case of a body corporate, has net worth of at least INR 50 crores;
- (c) in case of a trust other than family trust, has net worth of at least INR 50 crores;
- (d) in case of a partnership firm set up under the Indian Partnership Act, 1932, each partner independently meets the eligibility criteria for accreditation:

Provided that the central government and the state governments of India, developmental agencies set up under the aegis of the central government or the state governments of India, funds set up by the central government or the state governments of India, qualified institutional buyers as defined under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, Category I foreign portfolio investors, sovereign wealth funds and multilateral agencies and any other entity as may be specified by the SEBI from time to time, shall deemed to be an accredited investor and may not be required to obtain a certificate of accreditation.

2.5 “**Advisory Services**” means the investment advisory in terms of the PMS Regulations and shall include the responsibility of advising on the portfolio strategy, investment and divestment of individual Securities in the Clients’ Portfolio, for an agreed fee structure and for a period hereinafter described, entirely at the Client’s risk, to all eligible categories of investors.

# True Beacon

- 2.6 **“Agreement” or “Portfolio Management Services Agreement” or “PMS Agreement”** means the portfolio management agreement executed between the Portfolio Manager and its Clients in accordance with the PMS Regulations.
- 2.7 **“Client” or “Investor”** means any person who enters into an Agreement for availing the Portfolio Management Services offered by the Portfolio Manager.
- 2.8 **“Compliance Officer”** means the officer, not being the Principal Officer appointed in terms of Regulation 7(2)(d) of the PMS Regulations or employee of the Portfolio Manager appointed in terms of Regulation 7(2)(e) of the PMS Regulations, who shall be responsible for monitoring the compliance of the Portfolio Manager with the SEBI Act, 1992 rules and regulations, notifications, guidelines, instructions etc., issued by SEBI or the central government of India and for redressal of Clients’ grievances.
- 2.9 **“Discretionary Portfolio Management Services” or “Discretionary Services”** means portfolio management services rendered to the Client by the Portfolio Manager on the terms and conditions contained in the Agreement, where the Portfolio Manager exercises any degree of discretion in the investment or management of the Portfolio or the Funds of the Client, as the case may be.
- 2.10 **“Disclosure Document” or “Document”** means this document prepared in accordance with the PMS Regulations disclosing *inter-alia* following: (i) performance of the Portfolio Manager; (ii) portfolio risks; (iii) the quantum and manner of payment of fees payable by a Client; (iv) disclosures in relation to related party transactions as well as details of conflict of interest related to services offered by Related Parties or group companies or associates of group companies, etc.
- 2.11 **“Funds”** means the monies managed by the Portfolio Manager on behalf of the Client pursuant to the PMS Agreement and includes the investment amount mentioned in the account opening form, any monies placed by the Client with the Portfolio Manager from time to time for the purposes of being managed pursuant to the PMS Agreement, the proceeds of the sale or other realization of the Portfolio and interest, dividends and other monies arising from the Portfolio investments, so long as the same is managed by the Portfolio Manager.
- 2.12 **“GIFT”** means Gujarat International Finance-Tech City.
- 2.13 **“INR”** means Indian Rupees.
- 2.14 **“Large Value Accredited Investor”** means an accredited investor who has entered into an agreement with the portfolio manager for a minimum investment amount of INR 10 crores.
- 2.15 **“Non-Discretionary Portfolio Management Services” or “Non-Discretionary Services”** means portfolio management services rendered to the Client by the Portfolio Manager on the terms and conditions contained in the Agreement, where the Portfolio Manager acts on the instructions received from the Client with regard to investment or management of Portfolio or Funds of the Client and will exercise no discretion as to the investment or management of the Portfolio.

# True Beacon

- 2.16 “Parties” shall refer to the Portfolio Manager and the Client collectively, and “Party” shall refer to the Portfolio Manager and the Client severally.
- 2.17 “PMS Regulations” means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020, as amended, modified, restated, and/or re-enacted from time to time. The term ‘PMS Regulations’ shall also deem to include all guidelines, directions, regulations, rules and notifications issued by the government or any statutory or regulatory authority or SEBI for the operation and management of portfolio managers, or any legislation in regard thereto, if applicable to the Portfolio Manager
- 2.18 “Portfolio Manager” means True Beacon Investment Advisors LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act, 2008.
- 2.19 “Portfolio” means the total holdings of Securities and Funds managed by the Portfolio Manager on behalf of the Client pursuant to the PMS Agreement and includes any Securities and Funds mentioned in the account opening form, any further Securities and Funds placed by the Client with the Portfolio Manager for the purposes of being managed pursuant to such Agreement, Securities or other realisations of the Portfolio acquired by the Portfolio Manager through investment of Funds and bonus and rights shares on account of any corporate actions in respect of Securities forming part of the Portfolio, so long as the same are managed by the Portfolio Manager pursuant to the PMS Agreement.
- 2.20 “Principal Officer” means an employee of the Portfolio Manager who has been designated as such by the Portfolio Manager and is responsible for (i) the decisions made by the Portfolio Manager in terms of the management or administration of Portfolio of Securities and Funds of the Client; and (ii) operations of the Portfolio Manager.
- 2.21 “Related Parties” in relation to the Portfolio Manager shall mean:
- (a) a director, partner or his relative;
  - (b) a key managerial personnel or his relative;
  - (c) a firm, in which a director, partner, manager or his relative is a partner;
  - (d) a private company in which a director, partner or manager or his relative is a member or director;
  - (e) a public company in which a director, partner or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
  - (f) anybody corporate whose board of directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director, partner or manager;
  - (g) any person on whose advice, directions or instructions a director, partner or manager is accustomed to act: *Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;*
  - (h) any body corporate which is:
    - (A) a holding, subsidiary or an associate company of the portfolio manager; or
    - (B) a subsidiary of a holding company to which the portfolio manager is also a subsidiary;
    - (C) an investing company or the venturer of the Portfolio Manager;

# True Beacon

Explanation.—For the purpose of this clause, —investing company or the venturer of a Portfolio Manager means a body corporate whose investment in the portfolio manager would result in the Portfolio Manager becoming an associate of the body corporate

- (i) a related party as defined under the applicable accounting standards;
- (j) such other person as may be specified by SEBI:

Provided that, (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or (b) any person or any entity, holding equity shares: (i) of twenty per cent or more; or (ii) of ten per cent or more, with effect from April 1, 2023; in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.

**2.22** “SEBI” means the Securities and Exchange Board of India established under sub-section (1) of Section 3 of the Securities and Exchange Board of India Act, 1992, as amended from time to time.

**2.23** “Securities” means security as defined in Section 2(h) of the Securities Contract (Regulation) Act, 1956, provided that securities shall not include any securities which the Portfolio Manager is prohibited from investing in or advising on under the PMS Regulations or any other law for the time being in force.

## **3. INTERPRETATION**

**3.1** Words and expressions used in this disclosure document and not expressly defined shall be interpreted according to their general meaning and usage.

**3.2** The definitions are not exhaustive and have been included only for the purpose of clarity and shall, in addition, be interpreted according to their general meaning and usage and shall not carry meaning assigned to them in PMS Regulations governing portfolio management services.

**3.3** All references to the masculine shall include the feminine and all references, to the singular shall include the plural and vice-versa.

## **4. DESCRIPTION**

### **4.1 History, present business and background of the Portfolio Manager**

4.1.1 True Beacon Investment Advisors LLP (“**True Beacon LLP**”) is a limited liability partnership setup under the Limited Liability Partnership Act, 2008 on October 22, 2018, bearing LLP Identification Number AAN-4560 and having its registered office at The Marquis, 3<sup>rd</sup> Floor, No. 19, Vittal Mallya Road Bengaluru – 560 001.

4.1.2 The objective of True Beacon LLP is to render financial and investment consultancy and procedural services as Portfolio Managers to prudently manage funds in various avenues like equity, debt, mutual fund units, government securities and such other financial instruments and securities in accordance with the PMS Regulations.

# True Beacon

4.1.3 Presently, True Beacon LLP acts as an investment manager to True Beacon AIF (“Fund”), a Category III alternative investment fund (open ended) registered under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, bearing registration number IN/AIF3/19-20/0701. The Fund has, most recently, launched its second scheme, True Beacon Scheme 2, which has a combination of listed equity and sovereign-backed debt as a lucrative alternative to traditional investment avenues. Further, a Restricted Scheme (Non-Retail) by True Beacon Investment Advisors LLP was launched under True Beacon Global AIF, established as a trust with effect from 19 May 2023.

## 4.2 Promoters of the Portfolio Manager, Partners and their background

i. Mr. Richard Pattle and Mr. Saransh Maheshwari are the Designated Partners and Mr. Nithin Kamath, Mr. Nikhil Kamath and Mr. Abhijeet Pai are partners of True Beacon LLP.

ii. Additionally, True Beacon LLP has appointed Mr. Nageshwar M N as an additional employee of the PMS team.

### (a) Designated Partners and Partners:

Name of the Designated Partners and Partners	Qualification	Brief Experience
Mr. Richard Pattle	<ul style="list-style-type: none"> <li>BA (Hons) Business Studies (2:1) Bournemouth University 1992.</li> <li>MSc Defence and Strategic Studies (Distinction) - University of Madras 2007.</li> </ul>	<ul style="list-style-type: none"> <li>Master of the Household of TRH The Prince of Wales and The Duchess of Cornwall UK from 2008 to 2014.</li> <li>Vice Chairman, Standard Chartered Private Bank, UK from 2014 to 2018.</li> <li>CEO, KEF Holdings, UAE from 2018 to 2019.</li> <li>Senior Advisor, Standard Chartered Private Bank and Founder, Bright Star Global Management Consultancy, UAE from 2019 till date.</li> </ul>
Mr. Saransh Maheshwari	<ul style="list-style-type: none"> <li>Chartered Accountant</li> <li>CFA Level 2</li> <li>BCom (Hons)</li> </ul>	<ul style="list-style-type: none"> <li>Advisory services in the field of Transfer Pricing, Tax Restructuring, Direct and Indirect Tax applicability.</li> <li>Worked in Fund Accounting in asset management division for an alternative investment fund managing solar assets in North America of multi-billion-dollar size.</li> <li>Preparation of financial statements including consolidation with accounting nuances like hypothecated liquidated book value, solar renewable energy credits and interest rate swaps etc.</li> </ul>

# True Beacon

Name of the Designated Partners and Partners	Qualification	Brief Experience
Mr. Nithin Kamath	Higher Secondary	<ul style="list-style-type: none"> <li>• Work experience of 15 years and above as a trader.</li> <li>• Day Trader from April 2000 to April 2006.</li> <li>• Sub Broker of Reliance Money from May 2006 to April 2010.</li> <li>• Managing Partner of Zerodha from Feb 2010 to March 2019</li> <li>• Director in Zerodha Broking Limited from March 2019 to Till Date</li> <li>• Director of Zerodha. Commodities Private Limited from 2010 till date</li> <li>•</li> </ul>
Mr. Nikhil Kamath	Senior Secondary	<ul style="list-style-type: none"> <li>• Work experience of 10 years and above as a trader</li> <li>• Independent Trader from 2004 to 2006</li> <li>• Sub Broker of Way2wealth from 2009-2010</li> <li>• Partner at Kamath Associates from 2007 to 2010</li> <li>• Co-founder of Zerodha from 2010 to March 2019</li> <li>• Director in Zerodha Broking Limited from March 2019 to Till Date</li> <li>• Co-founder at True Beacon from August 2019 to Present</li> </ul>
Mr. Abhijeet Pai	Mechanical Engineer with PGD	<ul style="list-style-type: none"> <li>• Co-founder and Partner of Gruhas Proptech LLP where he leads and manages the Investment team as well as the sourcing and evaluation of investment opportunities</li> <li>• Promoter of Puzzolana Group where he acts as an advisor on Business Development and Strategic Planning</li> <li>• President of Puzzolana Machinery Fabricators where he heads Business Development and Strategic Planning for Puzzolana Group with an aim to be a leader in all product families that the group has ventured into</li> </ul>



# True Beacon

(b) Mr. Nageshwar M N – Additional Employee

Name	Qualification	Brief Experience
Nageshwar M N	BCom	<p>Worked as an associate in the Securities Lending and Borrowing – Corporate Actions Team (SLABCA). Migrated the SLABCA business from Paris to India/Lisbon. Main responsibilities included managing SLB positions and processing corporate actions across EMEA markets.</p> <p>At present (True Beacon), working as a part of the Portfolio Management Services division of the firm. A few main responsibilities included Equity trading/dealing, trade operations and research. .</p>

#### 4.3 Top 10 group companies / firms of the Portfolio Manager on turnover basis\*

	Name of the entity	Turnover* (INR in Cr.)
1.	Zerodha Broking Limited	6,875.06
2.	NK Square	1,842.83
3.	Kamath Associates	1,454.23
4.	NkSquared Investment Pvt Ltd	528.72
5.	Zerodha Technologies Private Limited	320.72
6.	Zerodha Commodities Private Limited	106.31
7.	ETS Securities Private Limited	56.45

# True Beacon

	Name of the entity	Turnover* (INR in Cr.)
8.	Zerodha Capital Private Limited	5.40
9.	Riskilla Software Technologies Private Limited	30.07
10.	Vanlavino Cafe LLP	9.97

*\*The above list is based on the turnover of the group companies/firm of True Beacon Investment Advisors LLP as per the audited accounts for financial year ended 31/03/2023.*

#### 4.4 Details of services being offered by the Portfolio Manager

The Portfolio Manager offers portfolio management services under discretionary, non-discretionary and advisory categories.

#### 4.5 Direct on-boarding of clients by Portfolio Managers

4.5.1 Clients shall have the option to be on-boarded directly to avail the services of the Portfolio Manager, without intermediation of persons engaged in distribution services.

4.5.2 At the time of onboarding of Clients no upfront fees shall be charged by the Portfolio Manager either directly or indirectly. The fees and expenses charged by the Portfolio Manager shall be specified under the Client Agreement.

#### 5. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTION OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR INITIATED BY ANY REGULATORY AUTHORITY.

5.1 All cases of penalties imposed by SEBI or the directions issued by SEBI under the Securities and Exchange Board of India Act, 1992, rules or regulations made thereunder – **NIL**.

5.2 The nature of the penalty/direction – **Not applicable**.

5.3 Penalties imposed for any economic offence and/or for violation of any securities laws – **NIL**.

5.4 Any pending material litigation/legal proceedings against the portfolio manager/key personnel with separate disclosure regarding pending criminal cases, if any – **NIL**.

5.5 Any deficiency in the systems and operations of the Portfolio Manager observed by SEBI or any regulatory agency – **NIL**.

# True Beacon

5.6 Any enquiry/adjudication proceedings initiated by SEBI 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 Securities and Exchange Board of India Act, 1992, or rules and regulations made thereunder –

5.6.1 For Portfolio Manager, its directors, Principal Officers or employees: **NIL**.

5.6.2 For any person directly or indirectly connected with the Portfolio Manager or its directors, Principal Officer or employee: **NIL**.

## 6. SERVICES OFFERED

6.1 True Beacon LLP offers Discretionary Portfolio Management Services, Non-Discretionary Portfolio Management Services and Advisory Services.

### 6.1.1 Discretionary Portfolio Management Services

Under these services, the choice as well as the timings of the investment decisions rest solely with the Portfolio Manager and the Portfolio Manager can exercise any degree of discretion in the investments or management of Portfolio of the Client in accordance with the Portfolio Management Services Agreement (“**PMS Agreement**”). Under Discretionary Portfolio Management Services, the Portfolio Manager may invest Clients’ Funds in listed securities, securities which are traded on a recognized stock exchange, money market instruments (including, but not limited to, commercial paper, trade bill, treasury bills, certificate of deposit and usance bills), units of mutual funds and other securities as specified by SEBI from time to time, on behalf of Clients, in accordance with applicable laws.

The Securities invested / disinvested by the Portfolio Manager for Clients may differ from client to client. Separate client-wise account shall be maintained by the Portfolio Manager with a scheduled commercial bank. The Portfolio Manager’s decision (taken in good faith) 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, mala fide, conflict of interest or gross negligence. This right of the Portfolio Manager shall be exercised strictly in accordance with applicable laws.

While discharging the Discretionary Portfolio Management Services, the Portfolio Manager shall ensure that the liability of the client will not exceed its investment with the Portfolio Manager. The Portfolio Manager shall individually and independently manage the funds of each client in accordance with the needs of the Client, in a manner which does not partake character of a mutual fund. In case of the Client falling under the category of Large Value Accredited Investor, the Portfolio Manager may invest up to 100% of the assets under management in unlisted Securities. Further, periodical statement / report (not exceeding a period of 3 months) in respect of Client’s Portfolio shall be sent to the respective Clients.

Further, the PMS Regulations provide that the Portfolio Manager shall ensure investment of its Clients’ Funds on the basis of the credit rating of Securities as may be specified by SEBI. Accordingly, with respect to investments in debt and hybrid securities, the Portfolio Manager shall not make any investment in “below investment grade” Securities.

# True Beacon

## 6.1.2 Non-Discretionary Portfolio Management Services

Under the Non-Discretionary Portfolio Management Services, the Portfolio of the Client will be managed as per the PMS Agreement, and the express instructions issued by the Client from time to time. The Portfolio Manager shall execute orders as per the mandate received from Client and the Client will have complete discretion to decide on the investment (quantity and price or amount). The Portfolio Manager shall *inter alia* manage transaction execution, accounting, providing research, investment advice, recording or corporate benefits, valuation and reporting aspects on behalf of the Client entirely at the Client's risk. Separate bank account with a scheduled commercial bank and segregated data for each Client shall be maintained by the Portfolio Manager.

The Portfolio Manager shall invest or manage the Portfolio of the Client at the instruction of the Client, but always subject to the PMS Regulations. The Portfolio Manager will provide the Client with investment recommendations that it considers fit and in accordance with the terms of the PMS Agreement and investment specifications agreed with the Client from time to time. Only after receiving the approval of the Client shall the Portfolio Manager invest in any one or a combination of the financial instruments mentioned in this Disclosure Document. Further, the Portfolio Manager offering Non-Discretionary Services to the clients may invest up to 25% of the assets under management of such clients in unlisted securities, in addition to securities permitted for Discretionary Portfolio Management in lines with PMS Regulations. In case of Client falling under the category of Large Value Accredited Investors, the Portfolio Manager may advise to invest up to 100% of the assets under management in unlisted Securities. The Portfolio Manager shall not make any investment in "below investment grade" listed Securities. However, the Portfolio Manager may invest up to 10% of the assets under management of such clients in unlisted unrated securities of issuers other than associates/Related Parties of the Portfolio Manager. The said investment in unlisted unrated debt and hybrid Securities shall be within the maximum specified limit of 25% of the assets under management of such clients for investment in unlisted securities in line with the PMS Regulations.

The Client shall accept that the restrictions it may impose on investments may compel the Portfolio Manager to make recommendations or manage Portfolio in a manner which may reduce the likelihood of achieving the investment objectives. The Portfolio Manager shall invest or disinvest or hold the securities in accordance with the Client's instructions and confirmation. Further, the Portfolio Manager shall also provide periodic report to the Clients in accordance with the rules, regulations, guidelines made under the PMS Regulations and any other any other laws / rules / regulation / guidelines etc.

## 6.1.3 Advisory Services

Under these services, the Portfolio Manager advises the Client on investments in general or any specific advice required by the Client and agreed upon in the PMS Agreement. The Portfolio Manager shall render the best possible advice (to the best of its abilities) to the Client having regard to the Client's needs and the environment, and his own professional skills. The same can be binding or non - binding in nature or in such terms as mentioned in the PMS Agreement. Separate bank account with a scheduled commercial bank and segregated data for each Client shall be maintained by the Portfolio Manager.

# True Beacon

For such services, the Portfolio Manager shall charge the Client a fee mentioned in the PMS Agreement. The advice may be either general or specific in nature and may pertain to a particular Portfolio. The Portfolio Manager shall also ensure that the investors are provided with true and adequate information without making any misleading or exaggerated claims and are made aware of attended risks before any investment decision is taken by them. In accordance with the terms of PMS Regulations, the Portfolio Manager offering Advisory Services to the clients may provide advice for investment up to 25% of the assets under management of such clients in unlisted securities, in addition to securities permitted for Discretionary Portfolio Management. In case of client(s) falling under the category of Large Value Accredited Investors, the Portfolio Manager may advice to invest up to 100% of the assets under management in unlisted Securities.

The Portfolio Manager shall be solely acting as an advisor in respect of Portfolio of the Client and shall not be responsible for the investment / divestment of securities and / or administrative activities of the Client's Portfolio.

## 6.2 Investment objective

The Funds of the Clients shall be invested in such capital and money market instruments, including securities as defined under the Securities Contract (Regulation) Act, 1956, and shall include any securities, derivatives and other instruments which are tradable on any of stock exchanges as well as such units of Unit Trust of India and / or other mutual funds (whether listed or unlisted), government securities, debt instruments, negotiable instruments, unlisted securities, certificates of deposit, participation certificates, commercial paper, securitized debt instruments, investments in company deposits, bank deposits, treasury bills and such other eligible modes of investment and/or forms of deployment in accordance with the PMS Regulations.

The Portfolio Manager may, however, enter into futures contracts, options in securities, options on indices and other similar types of investment, which may result in the Client having to provide initial margin payments and which would be deemed. The Portfolio Manager shall observe a high standard of integrity and fair dealing in all transactions involving the Client's Account. The investment in the securities mentioned in the above point will be in accordance with the objectives as given in the agreement and also any of the product/plan categories accepted by the Client.

The purpose of doing the above would be one or more of the following or a combination thereof:

- 6.2.1 To provide investment flexibility to the client across various market segments;
- 6.2.2 To generate a good return on investments;
- 6.2.3 To generate short term and/ or long term capital appreciation.

The Portfolio Manager offers various investment strategies based Portfolios to allow for standardized customization in sync with investor profile and also customized Portfolio as per

# True Beacon

suitability and specific requirements of the Client. The general objective is to formulate and device the investment philosophy to achieve long term growth of capital.

The objective of the derivative exposure: The objective to use derivatives is purely to protect the Portfolio in case of a severe market correction. We seek to use derivatives purely to protect the Client's Portfolio in case of sharp drawdowns of the aggregate market. The derivatives will only be used for hedging and/or Portfolio rebalancing.

The Portfolio Manager aims to create direct - equity / direct allocation focussed Portfolios to reduce overall expense load on portfolios, creating the most capitally efficient Portfolios possible in line with every Client's risk profile and returns objectives.

## 6.3 Investment Approach

We are currently using the following investment approaches:

### 1. Equity Factor Quant (EFQ)

The primary aim of this approach is to deliver excess risk-adjusted and absolute returns over the medium to long-term by investing in equity and equity-linked securities. EFQ focuses on building a multi factor equity portfolio by using a combination of factors such as Value, Momentum and Low Volatility and is backed by academic research both globally and in India.

**Strategy:** Equity

**Portfolio Composition:** The portfolio would primarily consist of listed equity securities. At any given point in time client portfolios can be expected to hold 25-40 stocks belonging to the universe of BSE500 (as amended from time to time). The exposure per stock is capped at 10%.

**Salient Features:** EFQ focuses on minimizing human biases by applying fundamental data signals systematically to its stock universe (i.e. BSE500).

**Investment Horizon:** Medium to Long-term

**Portfolio Benchmark:** S&P BSE 500 (TRI)

Since the investment approach considers stocks beyond NIFTY50 list of stocks (as amended from time to time), the manager believes it is an appropriate benchmark.

**Risk Factors:** Please refer to Section 7 (Risk Factors)

### 2. Bespoke Equity

**Investment Objective and Strategy:** The approach aims to meet investor objectives on various parameters including, but not limited to, returns, risks, liquidity etc. These objectives are expected to be achieved by investing in a diversified portfolio of equity and equity-related

# True Beacon

securities and mutual funds. The investment objectives are tailored to individual investors and hence holdings may vary from investor to investor.

**Strategy:** Equity

**Portfolio Composition:** This approach is highly customisable with strong consideration of investor's requirements.

**Salient Features:** This approach is highly customisable with strong consideration of investor's requirements.

**Investment Horizon:** Medium to Long Term

**Portfolio Benchmark:** S&P BSE 500 (TRI)

Since the investment approach considers stocks beyond NIFTY50 list of stocks (as amended from time to time), the manager believes it is an appropriate benchmark.

**Risk Factors:** Please refer to Section 7 (Risk Factors)

### 3. Bespoke Debt

**Investment Objective and Strategy:** The approach aims to meet investor objectives on various parameters including, but not limited to, returns, risks, liquidity etc. These objectives are expected to be achieved by investing in a portfolio of debt, debt-linked products, commodities (ETFs, SGBs, Mutual Funds). The investment objectives are tailored to individual investors and hence details will vary from client to client.

**Strategy:** Debt

**Portfolio Composition:** This approach is highly customisable with strong consideration of investor's requirements.

**Salient Features:** This approach is highly customisable with strong consideration of investor's requirements.

**Investment Horizon:** Medium to Long Term

**Portfolio Benchmark:** NIFTY Medium to Long Duration Debt Index

**Risk Factors:** Please refer to Section 7 (Risk Factors)

### 4. Bespoke Cash

**Investment Objective and Strategy:** The approach aims to fulfil two purposes: (a) Either to hold certain reserves for short term or unplanned market opportunities or (b) To retain liquid reserves for an eventual deployment towards a broader wealth plan. Idea is to maximize cash yield, using overnight or similar duration funds which are considered under Cash and Cash Equivalent assets by the Indian bourses.

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**Strategy:** Debt

**Portfolio Composition:** This approach is highly customisable with strong consideration of investor's requirements.

**Salient Features:** This approach is highly customisable with strong consideration of investor's requirements.

**Investment Horizon:** Short-Term

**Portfolio Benchmark:** NIFTY Medium to Long Duration Debt Index

**Risk Factors:** Please refer to Section 7 (Risk Factors)

## 5. Flexi-Cap Fundamental Opportunities

**Investment Objective and Strategy:** This approach aims to meet investor objectives on various parameters including, but not limited to, returns, risks, liquidity by investing in a diversified portfolio of listed securities. Selection of securities made for this approach is with a medium to long-term time horizon and across market capitalisations/sectors.

**Strategy:** Equity

**Portfolio Composition:** The manager aims to hold a portfolio of equity and equity-linked securities.

**Salient Features:** The portfolio will follow a bottom-up stock selection process and invest in companies across market capitalisations/sectors. Since the approach is bottom-up, the allocations are likely to be sector-agnostic.

**Investment Horizon:** Medium to Long-Term

**Portfolio Benchmark:** S&P BSE 500 (TRI)

Since the investment approach does not have any market capitalisation restrictions on individual securities, the manager believes it is an appropriate benchmark.

**Risk Factors:** Please refer to Section 7 (Risk Factors)

## 7. RISK FACTORS

### 7.1 Investment Related

7.1.1 Achievement of objective: Securities investment is subject to market risks and there is no assurance or guarantee that the objective of investments of the Client will be achieved.



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- 7.1.2 Risk arising from investment objective, investment strategy and asset allocation: The value of the Portfolio can go up or down depending on the factors and forces affecting the capital market, the underlying asset through which the Securities derive their value, the investee company, and general economic risk and the Portfolio Manager is not responsible or liable for losses resulting from the operations of the Portfolios.
- 7.1.3 Risks arising out of non-diversification: The risk arises when the Portfolio is not sufficiently diversified by investing in a wide variety of instruments. Further, in certain cases, the Portfolio Manager may only be able to source investment opportunities in certain geographies, which may lead to concentration and thereby increase non-diversification risk.
- 7.1.4 Track record of Portfolio Manager: The Portfolio Manager has limited track record in Portfolio Management Services. However, it has an established track record as an investment manager to alternative investment funds of more than 2 (two) years.
- 7.1.5 Risks associated with investment in Related Parties/ associates/ group Companies of the Portfolio Manager: The Portfolio Manager will, before investing in the securities of its Related Parties/ associate / group companies, evaluate such investments, the criteria for the evaluation being the same as is applied to other similar investments to be made under the Client's Portfolio and obtain the requisite consent as required under Applicable Law. The investments in Related Parties / associate / group companies at time of investments may be up to 30% of Client's Portfolio. The investments in securities of the Related Parties/ associate / group companies would be within the overall framework of the PMS Regulations and in terms of the Agreement executed with the Client. Additionally, the Portfolio Manager may utilize services of subsidiaries / associates / joint ventures of its group companies relating to and incidental to Portfolio Management Services. Such utilization will be purely on commercial, arms-length basis and at a mutually agreed terms and conditions to the extent and limits permitted under the PMS Regulations.
- 7.1.6 The liquidity of the Portfolio investments is inherently restricted by trading volumes in the Securities in which the investment is made and in certain cases, such as unlisted Securities, a market for such securities may not exist.
- 7.1.7 The valuation of the Portfolio investments may be affected generally by factors affecting securities markets, such as price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in policies of the Government, taxation laws or any other appropriate authority policies and other political and economic developments which may have an adverse bearing on individual securities, a specific sector or all sectors including equity and debt markets. There will be prior intimation or prior indication given to the Clients when the composition / asset allocation pattern changes.
- 7.1.8 Investment in derivatives, in accordance with the PMS Regulations, exposes the Client to a high degree of risk. There is a risk that losses maybe sustained by the relevant Portfolio as a result of the failure of another Party to comply with the terms of the derivative contract. Other risks that may arise in derivatives include credit risk, market liquidity, risk of improper/incorrect valuation, basis risk, settlement risk etc.

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- 7.1.9 The investment objective of the Portfolio could result into concentration on a specific asset/asset class/sector/issuer etc., which could expose the Portfolio to undesired diversification.
- 7.1.10 Different segments of the financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. The inability of the Portfolio to make intended securities purchases due to settlement problems could cause the Portfolio to miss certain investment opportunities. By the same rationale, the inability to sell securities held in the portfolio due to the absence of a well-developed and liquid secondary market for debt securities would result, at time, in potential losses to the Portfolio, in case of a subsequent decline in the value of securities held in the Portfolio.
- 7.1.11 The Portfolio Manager may, considering the overall level of risk of the portfolio, invest in lower rated/unrated securities offering higher yields and/or higher capital appreciation potential. This may increase the risk of the portfolio. Such investments shall be subject to the scope of investments as laid down in the PMS Agreement.
- 7.1.12 The Portfolio Manager has no previous experience or track record in providing portfolio management services, except managing True Beacon AIF Scheme I, the first scheme of the Fund. However, the Portfolio Manager will track historical returns and volatility for every single investment to gauge the risk associated with any particular asset. Hedges or short positions are to be put in place for volatility and downside protection in cases where risks are deemed too high with respect to investor risk profile. All historical returns and volatility shall be clearly presented to the Client.

## 7.2 General Risk Factors

### 7.2.1 Equity and Equity Related Risks

Equity instruments carry both company specific and market risks and hence no assurance of returns can be made for these investments. While the Portfolio Manager shall take all reasonable steps to invest the Funds in a prudent manner in such instruments, such decisions shall not always prove to be profitable or correct. Consequently, the Client shall assume any loss arising from such decisions. The investment made by the Portfolio Manager are subject to risks arising from the investment objective, investment approach and strategy and asset allocation.

### 7.2.2 Macro-Economic risks

Overall economic slowdown, unanticipated corporate performance, environmental or political problems, changes to monetary or fiscal policies, changes in government policies and regulations with regard to industry and exports may have direct or indirect impact on the investments, and consequently the growth of the Portfolio.

### 7.2.3 Liquidity Risk

Liquidity of investments in equity and equity related Securities are often restricted by factors such as trading volumes, settlement periods and transfer procedures. If a

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particular Security does not have a market at the time of sale, then the scheme may have to bear an impact depending on its exposure to that particular Security. While Securities that are listed on a stock exchange generally carry a lower liquidity risk, the ability to sell these investments is limited by overall trading volume on the stock exchange. Money market securities, while fairly liquid, lack a well developed secondary market, which may restrict the selling ability of such securities thereby resulting in a loss to the Portfolio until such securities are finally sold. Additionally, in the event the Client has invested in unlisted Securities, there is no guarantee that the Portfolio Manager will be able to find a purchaser for such securities or benchmark the price for purchase for such securities (as there won't be a market for the same).

## 7.2.4 Credit Risk

Debt securities are subject to the risk of the issuer's inability to meet the principal and interest payments on the obligations and may also be subject to the price volatility due to such factors as interest sensitivity, market perception, or the credit worthiness of the issuer and general market risk.

## 7.2.5 Interest Rate Risk

This risk is associated with movements in interest rates, which depends on various factors such as government borrowing, inflation, economic performance etc. The value of investments will appreciate/depreciate if the interest rates fall/rise. Fixed income investments are subject to the risk of interest rate fluctuations, which may accordingly increase or decrease the rate of return thereon.

## 7.2.6 Force Majeure Risk

In certain cases, the value of securities may be impacted by external factors such as acts of State, eminent domain, acts of God, or sovereign action, acts of nature, acts of war, epidemic, pandemic, civil disturbance, which may affect the liquidity of securities, value of underlying asset.

## 7.2.7 Capital Risk

The Client stands the risk of total loss of value of an asset which forms part of the Portfolio or its recovery only through an expensive legal process due to factors which by way of illustration include default or non-performance of a third party, company's refusal to register a Security due to legal stay or otherwise, disputes raised by third parties.

## 7.2.8 Derivative Risks

The derivatives will entail a counter party risk to the extent of amount that can become due from the party. The cost of hedge can be higher than adverse impact of market movements. An exposure to derivatives in excess of hedging requirements can lead to losses. An exposure to derivatives can also limit the profits from a genuine investment transaction. Efficiency of a derivatives market depends on the

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development of a liquid and efficient market for underlying securities and also on the suitable and acceptable benchmarks.

## 7.2.9 Reinvestment Risk

This risk arises from the uncertainty in the rate at which cash flows from an investment may be reinvested. This is because the bond will pay coupons, which will have to be reinvested. The rate at which the coupons will be reinvested will depend upon prevailing market rates at the time the coupons are received.

## 7.2.10 Mutual Fund Risk

This risk arises from investing in units of mutual funds. Risk factors inherent to equities and debt securities are also applicable to investments in mutual fund units. In addition, events like change in fund manager of the scheme, take over and mergers of mutual funds, foreclosure of schemes or plans, change in government policies could affect performance of the investment in mutual fund units.

## 7.2.11 Market Risk

Market values, liquidity and risk: return profile of investments (investment characteristics) in equities are likely to fluctuate depending on performance of the industry, national and international economies, regulations and changes therein - domestically and internationally, events that are of significant impact such as war, terrorism, sanctions and trade embargoes, natural calamities, acts of God, epidemic, pandemic etc. Market values, liquidity and yields of fixed and variable income instruments are likely to fluctuate depending on the prevailing interest rates in the market, liquidity preferences, impact cost changes, re-ratings of the issuer or the instruments, competing instruments, etc.

## 7.2.12 Stock Specific Risk

Performance of the issuer companies will have significant influence on market prices of its securities. This will further depend on, in addition to external factors, its own ability to perform, management, changes therein, frauds by and on the management etc. These are known as internal risks.

## 7.2.13 Transaction and Settlement Risk

The Portfolio faces additional risks such as timing risks, short delivery or delayed delivery from markets, reduced liquidity, etc.

## 7.2.14 Portfolio Manager Competency Risk

The Portfolio faces risks based on management and operational efficiencies and controls of the Portfolio Manager i.e., the risk is based on ability of the Portfolio Manager in identifying opportunities or misjudging trends and late investments and/or early liquidations, either at a loss or at reduced profits, or misjudging opportunities completely.

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## 7.2.15 Allied Service Provider Risk

The Portfolio faces risks due to other service providers that the Portfolio Manager may engage to render the services such as banking, broking, clearing and settlement, custodian services, courier services, auditing services etc.

## 7.2.16 Portfolio Allied Operations Risk

The Client also faces risks from usage of technology for recording transactions and accounts, communication of information to and fro, data computing and storage, leakages of data / information from various points including at the Portfolio Manager's operations etc.

## 7.2.17 Regulatory Risk

Changes made by the government in any of the policy parameters, including in respect of taxation, etc., that affect working of companies have positive / negative impact on market prices of those stocks and to that extent, in the value of the Portfolio. Such changes may also apply to the manner in which Portfolio is being operated and on taxability of profits made on divestment, tax treatment for dividends, etc.

## 7.2.18 Income Tax Risk

The tax aspects of an investment in shares and securities in India are complicated and each investor should have them reviewed by professional advisors familiar with such investor's personal tax situation and with the tax laws and regulations applicable to the investor. The tax consequences for any investment will depend on circumstances specific to each investor and the additional peculiarities associated with respect to the investments. Further, there is a risk that the income tax authorities may recharacterize the income/returns provided to you, which may lead to higher incidence of direct and indirect tax. In certain circumstances where the securities purchased by the Client may derive their value from income generated from the underlying asset, the income tax authorities may have claims pending the underlying asset, which may impact your income/returns from such asset.

## 7.2.19 Vacancy Risk

In certain circumstances, the Securities purchased by the Client may derive their value from income generated from the underlying asset. In such cases, the value and return on the securities may be impacted in case the underlying asset is not able to generate income, which may be due to various factors. Further, the Portfolio Manager may offer investment opportunities to other clients, which may compete with the investment made by you.

## 7.2.20 Title Risk

As a Portfolio Manager, we may appoint advisors and service providers to undertake due diligence of underlying asset, however, there is an inherent risk associated with

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any due diligence exercises as it relies on the vendor to provide all information, accurately and truthfully.

## 7.2.21 Litigation Risk

The value and marketability of the Securities or the underlying asset may be impacted due to commencement of litigation in relation to the Client, the issuer of Security or the underlying asset through which the Securities derive their value.

## 7.2.22 Key Person Risk

Key persons of the Portfolio Manager may be involved in various capacities (such as directors or shareholders) with the issuer of Securities purchased the Client and there may be a potential non-alignment or conflict of interest in such cases. Some of the transactions between the Portfolio Manager and the issuer of Securities purchased by the Client will be treated as related party transactions. All transactions of purchase and sale of securities by portfolio manager and its employees who are directly involved in investment operations shall be disclosed if found having conflict of interest with the transactions in any of the Client's Portfolio. Further, a disclosure of conflict of interest related to services offered by group companies of the Portfolio Manager, if any, shall also be made.

## 8. CLIENT REPRESENTATION

### 8.1 Details of client account activated

1. Details of the clients managed by True Beacon Investment Advisors LLP is mentioned below:

Category of Clients	Number of Clients	Funds managed* (INR Crores)	Discretionary/ Non-Discretionary (if available)
Associates / group companies (last 3 years)	NA	NA	NA
Others (last 3 years)	142	363.65	All Discretionary
<b>Total</b>	<b>142</b>	<b>363.65</b>	<b>All Discretionary</b>

\*Data as of 31<sup>st</sup> March 2024. The Portfolio Manager began its operations in the year 2022.

8.2 Complete disclosure in respect of transactions with related parties as per the standards specified by the Institute of Chartered Accountants of India.

Please refer to **Annexure 1** of this Disclosure Document for the disclosure in this regard.

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## 9. DETAILS OF CONFLICT OF INTEREST RELATED TO SERVICES OFFERED BY RELATED PARTIES OR GROUP COMPANIES OR ASSOCIATES

The Portfolio Manager and its Related Parties/ group companies/associates are engaged in a broad spectrum of activities in the financial services sector. The Portfolio Manager may utilize such services of its Related Parties or group companies or associates for managing the Portfolios of the Clients. These include availing trading, broking and distribution services provided by Zerodha Broking Limited etc. The Portfolio Manager may avail the services of other Related Parties or group companies as may be deemed necessary, from time to time. In such scenarios, the Portfolio Manager shall act in a fiduciary capacity in relation to the Client's Funds and shall endeavour to mitigate any potential conflict of interest that could arise while dealing with such group companies/associates, in a manner which is not detrimental to the Client. In line with the SEBI circular dated 13 February 2020, charges for all the transactions in the financial year (brokerage, demat, custody charges etc.) through self or associates shall be capped at 20% by value per associate (including self) per service. The Portfolio Manager shall ensure that any charges to self/associate shall not be at rates more than that paid to the non-associates providing the same service. The Sponsor, the partners, other schemes managed by the said entities and the fund and the other entities with which they are associated may be entering into securities market transactions and such transactions will be based on adequate Chinese walls and the transactions of the fund and the transactions of such entities may be contrary to each other.

Please refer to **Annexure 2** of this Disclosure Document for details of the associate / group companies of the Portfolio Manager.

## 10. THE FINANCIAL PERFORMANCE OF THE PORTFOLIO MANAGER BASED ON AUDITED FINANCIAL STATEMENTS AND IN TERMS OF PROCEDURE SPECIFIED BY SEBI FOR ASSESSING THE PERFORMANCE

Please refer to **Annexure 3** of this Disclosure Document for the disclosure in this regard. Please note that the financial performance of the Portfolio Manager, as disclosed under **Annexure 3**, excludes the newly set up portfolio management business from its ambit.

## 11. 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 PMS REGULATIONS

Portfolio Manager operations has begun in the year 2022.

Investment Approach	Particulars	Mar 2024	Feb 2024	Jan 2024	1 Year	Since Inception
Equity Factor Quant (EFQ)	Portfolio Performance of PM (%)	-1.36	3.55	6.95	64.06	33.89

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S&P BSE 500 (TRI)	Benchmark Index	0.86	1.66	1.92	40.16	19.3
Bespoke Equity	Portfolio Performance of PM (%)	-0.63	-0.24	1.38	26.48	19.52
S&P BSE 500 (TRI)	Benchmark Index	0.86	1.66	1.92	40.16	25.31
Bespoke Debt	Portfolio Performance of PM (%)	3.04	-0.01	0.1	10.04	8.5
NIFTY Medium to Long Duration Debt Index	Benchmark Index	0.69	1.13	0.67	8.24	7.36
Bespoke Cash	Portfolio Performance of PM (%)	0	0	0	-100	-100
NIFTY Medium to Long Duration Debt Index	Benchmark Index	0.69	1.13	0.67	8.24	8.5
Flexi Cap Fundamental Opportunities (FFO)	Portfolio Performance of PM (%)	-0.02	-0.65	0.73	-	19.02
S&P BSE 500 (TRI)	Benchmark Index	0.86	1.66	1.92	-	23.84

**12. AUDIT OBSERVATIONS OF THE PRECEDING THREE YEARS – no observations for statutory audit**



## 13. NATURE OF EXPENSES

The following are indicative types of costs and expenses for Clients availing the Portfolio Management Services. The exact basis of charge relating to each of the following services shall be annexed to the Portfolio Management Agreement and/or the agreements in respect of each of the services availed by the Client at the time of execution of such agreements.

(a) Investment management and advisory fees:

1. The Portfolio Manager's standard annual fee for the Discretionary Services, Non-Discretionary Services and Advisory Services shall range between 0.25% to 2% p.a. of the total assets under management of the Client on a quarterly basis. The standard annual fee shall be agreed upon between the Portfolio Manager and the Client while executing the PMS Agreement and added as a schedule to the PMS Agreement. The Portfolio Manager shall at all times comply with SEBI Circular IMD/DF/13/2010 dated 5 October 2010 and SEBI/HO/IMD/DFI/CIR/P/2020/26 dated 13 February 2020 in respect of the matters dealt with by the said circulars with respect to fees and charges.
2. Performance/ profit sharing fee of the Portfolio Manager shall be computed on the basis of highwater mark principle over the life of the investment, as prescribed by the aforesaid circulars. The performance / profit sharing fee shall be agreed between the Portfolio Manager and the Client while executing the PMS Agreement.
3. High Water Mark shall be the highest value that the portfolio/account has reached. Value of the portfolio for computation of high watermark shall be taken to be the value on the date when performance fees are charged. For the purpose of charging performance fee, the frequency shall not be less than quarterly. The Portfolio Manager shall charge performance-based fee only on increase in portfolio value in excess of the previously achieved high water mark.
4. High Water Mark shall be applicable for discretionary and Non-Discretionary Services and not for Advisory Services. In case of interim contributions/ withdrawals by Clients, performance fees may be charged after appropriately adjusting the high-water mark on proportionate basis.

(b) Custodian, Registrar and transfer agent, and brokerage fees:

Over and above the performance fee and the transactions cost as mentioned above, the Portfolio Manager would recover charges levied by the custodian for acquiring, holding, sale & transfer of investments in de-materialised form (like custody charges, transaction charges, depository charges, out of pocket expenses, etc., at actual), audit fees for auditing and reporting of individual Client's account and any other charges that the Portfolio Manager may have to incur while running the portfolio management services. The above fees, transaction cost and other charges shall be directly debited to the Client's account as and when the same becomes due for payment.

These include:

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- i. Custodian/Depository fees: The charges relating to opening and operation of dematerialized accounts, custody and transfer charges for shares, bonds and units, dematerialization and other charges in connection with the operation and management of the depository accounts.
- ii. Registrar and transfer agent fee: Charges payable to registrars and transfer agents in connection with effecting transfer of securities and bonds including stamp charges; cost of affidavits, notary charges, postage stamp and courier charges.
- iii. Brokerage costs: The brokerage charges would be payable at actuals. The investors are hereby informed that Elara Securities (India) Private Limited is a SEBI registered Stockbroker, through which client trades are executed apart from other stockbrokers. The Portfolio Manager may avail securities broking services from other SEBI registered stockbrokers empanelled by the Company from time to time.
- iv. Other transaction costs: Other charges like service charge, stamp duty, transaction costs, turnover tax, exit and entry loads on the purchase and sale of shares, stocks, bonds, debt, deposits, units and other financial instruments.

(c) Transaction Costs:

Transactions Cost: Brokerage and / or Transaction cost on transactions would be levied at the prevailing rates charged by the brokers and /or any such other intermediary (+) applicable goods and services tax (+) stamp duty (+) securities transaction tax (+) turnover tax (+) any other levies thereon, as may be applicable from time to time.

(d) Distribution Fees:

Fees shall be paid to distributors only from the fees received by Portfolio Manager. The Portfolio Manager shall ensure that its distributors abide by the code of conduct prescribed by SEBI Circular SEBI/HO/IMD/DF1/CIR/P/2020/26 dated 13 February 2020 and furnish annual self-certifications of such compliance within 15 days from the end of the financial year.

**Note** - All operating expenses excluding brokerage, over and above the fees charged for portfolio management service, shall not exceed 0.5% per annum of the Client's average daily assets under management.

Also please note that the fees charged by the Portfolio Manager from the client for rendering portfolio management services is without guaranteeing or assuring, either directly or indirectly, any return. The Portfolio Manager shall charge no upfront fee, directly or indirectly, to the clients.

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## 14. TAXATION

- 14.1** The information furnished below outlines briefly the tax regulations which may be relevant to the investors and is based on relevant provisions of the Income-tax Act, 1961 ("IT Act") as proposed to be amended by the Finance Bill 2022.
- 14.2** The summary below provides general information on Indian Income-tax implications but is neither intended to be a complete discussion of all tax implications, nor does it purport to be a complete description of all potential tax costs, tax incidence and risks inherent on the acquisition, ownership and sale of Indian securities.
- 14.3** In addition, the comments herein are not binding on the Indian tax authorities and there can be no assurance that the authorities will not take a position contrary to any of the comments herein. It is emphasized that neither the Portfolio Manager nor any other person involved in the preparation of this document accepts responsibility for any tax effects or liabilities resulting from the purchase, ownership or disposition of the Indian securities. Prospective investors should consult their own tax advisors concerning their individual tax consequences of their particular situations.
- 14.4** We do not make any representation regarding any legal interpretations. Since the information below is based on relevant provisions as of February 2022, any subsequent changes in the said provisions could affect the tax benefits.
- 14.5** General Taxation: The basis of charge of Indian income-tax depends upon the residential status of the taxpayer during a tax year, as well as the nature of the income earned. The Indian tax year runs from April 1 until March 31. A person who is an Indian tax resident is liable to taxation in India on his worldwide income, subject to certain tax exemptions, which are afforded under the provisions of the IT Act. A person who is treated as non-resident for Indian income-tax purposes is generally subject to tax in India only on such person's India sourced income.
- 14.6** Section 90(2) of the IT Act provides that where the Government of India has entered into an agreement with the Government of any country outside India or specified territory outside India (where the taxpayer is a resident) for granting relief of tax or avoidance of double taxation, the taxpayer may opt to be taxed as per provisions of the IT Act or the tax treaty/DTAA, whichever is more beneficial.
- 14.7** This chapter does not discuss the tax implications applicable to the non-resident Investors under a beneficial DTAA [Section 90(2) of the IT Act], which would need to be analysed separately based on the specific facts.
- 14.8** The Indian Government has deposited the ratified Multilateral Instrument ("MLI") to implement tax treaty related measures to prevent Base Erosion and Profit Shifting ("BEPS") on 25 June 2019 with Organisation for Economic Co-operation and Development ("OECD"). India has notified 93 tax treaties in its ratification and accordingly, India's tax treaties with such countries will include MLI provisions with effect from 1 April 2020.
- 14.9** This chapter does not discuss the impact of MLI on the claim of beneficial tax treatment under DTAA by a non-resident Investor. The same would need to be analysed separately based on

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the specific facts, where applicable. Further, the tax rates mentioned herein are exclusive of applicable surcharge and cess, unless specified otherwise.

**14.10** Taxation of individual income component: Tax implications of the following income received by certain categories of clients from investments in securities as per IT Act are discussed as follows:

- (i) **Dividend Income:** With effect from 1 April 2020, dividend distributed by portfolio companies shall be subject to tax in the hands of the shareholders. Similarly, dividend distributed by Mutual Funds (MFs) covered under Section 10(23D) of the IT Act is taxable in the hands of the unitholders at applicable rates and exempt in the hands of Mutual Fund. Further, dividend distributing company / Mutual Fund is required to withhold tax from dividend income as under:
- i. For Resident shareholder: 10% (no surcharge and cess applicable) (TDS withholding under section 194 / 194K);
  - ii. For Non-resident shareholder: 20% (plus surcharge and cess) under section 115A subject to any beneficial rate available under the applicable tax treaty

The new regime also proposes to levy TDS at the rate of 10% on the income paid by a specified company<sup>1</sup>/ MFs to its resident shareholders / resident unitholders if the amount of such income exceeds five thousand rupees in a financial year. However, no tax shall be required to be deducted by the Mutual Fund on income which is in the nature of capital gains.

**Deduction under section 57:** The FA 2020 allowed deduction of interest expense incurred while earning the dividend income. The expense allowance is restricted to 20% of the dividend income without deduction under section 57. The expense allowance is not a standard deduction per se and the shareholder / unitholder would need to establish and demonstrate that interest expense was actually incurred for the purpose of earning the dividend income. Further, it may be noted that interest expenditure is not likely to be allowable in the year when no dividend income is received by the shareholder / unitholder. Hence, in case of Nil dividend income, the expenditure may not be allowable.

**Roll over benefit:** Section 80M of the IT Act provides for benefit of roll-over of deduction for the dividend received by a domestic company from another domestic / overseas company or a business trust (Real Estate Investment Trust / Infrastructure Investment Trust). Accordingly, where a corporate domestic investor is receiving dividend from a domestic / overseas company or a business trust, such investor shall be eligible for deduction of tax paid on dividend income received ('roll-over benefit under Section 80M') on further dividend distributed by them to their shareholders. This is done to avoid cascading effect of taxation on the same dividend income.

- (ii) **Gains from sale of securities – Characterization of income:** Gains arising from the sale of securities in India (shares, derivatives etc.) may be taxed as Capital Gains (CG) or Business

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<sup>1</sup> As referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002.

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Income (BI) under the provisions of the IT Act, depending on the facts and circumstances of the case.

Characterization of income arising from the sale of Indian securities has been the subject of legal debate. The CBDT issued Circular No 4/2007 dated 15 June 2007 outlining certain judicial principles pronounced by various courts on the determination of whether shares are held as stock-in-trade or held as investments. The Circular states that no single principle is determinative and that the specific facts and circumstances of each case are required to be considered in order to make a determination of whether the shares held would be regarded as stock-in-trade or investment.

The nature of income from the disposal of securities will be classified as **CG** or **BI** depending on whether the investments are held as assets, investments with the object of capital appreciation or stock in trade for the purpose of trade / adventure.

The following conditions are to be generally considered for determining the nature of such income:

- i. The motive of the entity is to earn profits through dividends, or from capital appreciations
- ii. The substantial nature of transactions, the manner of maintaining books of accounts, the magnitude of purchases and sales and the ratio between purchases and sales
- iii. Intent of the assessee as is evidenced by the documents / records
- iv. Whether the charter documents authorize any such activity
- v. Volume, frequency, continuity and regularity of transactions of purchase and sale

While the above discussion is predominantly in the context of transactions related to shares, on principles it could equally apply even to derivatives. Therefore, in the context of derivative transactions, given the short duration and nature of the transactions it is likely that the transaction would be considered as giving rise to BI rather than income from CG.

Furthermore, the CBDT has provided further guidance on the matter vide circular No.6/2016 dated 29 February 2016 as follows:

- i. Where the taxpayer opts to treat listed shares and securities as stock in trade, the income arising from transfer of such shares / securities would be treated as its BI.
- ii. If the taxpayer desires to treat income arising from the transfer of listed shares and securities held for more than 12 months as CG, the same shall not be disputed by the tax officer. However, such a stand adopted by the assessee will remain applicable in subsequent assessment years also and cannot be altered.

# True Beacon

- iii. In all other cases the nature of the transaction shall continue to be decided basis the facts of each particular case

The above referred circular applied to listed shares and securities. Therefore in order to bring parity in taxability of income/loss arising from transfer of unlisted shares the CBDT issued circular No.225/12/2016 dated 2 May 2016 determining the tax-treatment of income arising from transfer of unlisted shares for which no formal market exists for trading.

CBDT vide this circular clarifies that income arising from transfer of unlisted shares would be considered under the head CG, irrespective of period of holding with a view to avoid disputes/litigation and to maintain a uniform approach.

However, CBDT carves out three exceptions wherein this clarification shall not apply, namely:

- i. genuineness of transactions in unlisted shares itself is questionable
- ii. transfer of unlisted shares is related to an issue pertaining to lifting of corporate veil and
- iii. transfer of unlisted shares is made along with the control and management of underlying business

Thus, it is important to clearly understand the intent of issue of the aforesaid circulars by CBDT from time-to-time and to interpret in a rational manner where gain arising from the sale of securities should be classified under the head CG or BI.

- (ii) **Capital Gains:** As per Section 45 of the IT Act, any profits or gains arising from the transfer of capital assets are chargeable to income-tax under the head 'capital gains'. Section 48 of the IT Act provides that income chargeable as CG is the difference between the full value of the consideration received or accrued on the transfer and the cost of acquisition of such asset plus expenditure in relation to such transfer (indexed in case the shares, being listed shares are held for more than 12 months and purchased in INR). Unlisted shares if not held for more than 24 months will be a short-term capital asset and therefore not eligible for indexation.

Taxation on sale of Debt mutual funds/ instruments:

The gains derived from the transfer, redemption, or maturity of Market Linked Debentures or Specified mutual funds purchased on or after 01-04-2023 shall be taxed at applicable rate as short-term capital gains under Section 50AA

The sale of securities would be taxed as under in the case of resident investors.

# True Beacon

Type of gain	Period of Holding	Tax rate
Short-term	12 months or less <sup>2</sup> for listed shares and 24 months or less for unlisted shares	<p>15% in case of equity shares or units of an equity-oriented fund listed on any recognised stock exchange in India and the sale is chargeable to STT.</p> <p>Ordinary rate of tax applicable to the respective investors i.e. at the rate up to 30% for corporate investors, 30% for partnership and limited liability partnerships and at the applicable slab rates for individual investors in case of shares that are not listed on any recognised stock exchange in India and in case of listed shares being sold/transferred in a transaction not chargeable to STT.</p>
Long-term	More than 12 months for listed shares and more than 24 months for unlisted shares	<p>10% in case equity shares are listed on any recognised stock exchange in India and the purchase and sale transaction of such equity shares is chargeable to STT<sup>3</sup>. Further, LTCG shall be chargeable only in case where the capital gain exceeds INR 1,00,000 (Indian Rupees One Lakhs only).</p> <p>Lower of 10% (without cost indexation) and 20% (with cost indexation) in case equity shares are listed on any recognised stock exchange but transaction of sale/transfer not chargeable to STT.</p> <p>20% (after considering indexation) for equity shares which are not listed on any recognised stock exchange in India.</p>

Gains on sale of securities would be taxed as under in the case of *non-resident investors*

Type of gain	Period of Holding	Tax rate
Short-term	12 months or less for listed shares and 24 months or less for unlisted shares	<p>15% in case of equity shares or units of an equity-oriented fund listed on any recognized stock exchange in India and the sale is chargeable to STT.</p> <p>Ordinary rate of tax applicable to the respective investors i.e. at the rate of 40% for corporate investors, 30% for partnerships and at the applicable slab rates for other non-corporate investors in case of shares that are not</p>

<sup>2</sup> Period of holding of 12 months considered only in case of shares or securities of an Indian company listed on a recognized stock exchange in India or Units of UTI or Units of an Equity Oriented Mutual Fund or Zero-Coupon Bonds. In respect of unlisted shares, period of holding is considered as 24 months and it is considered as 36 months for other securities.

<sup>3</sup> Subject to certain specified exceptions on payment on STT at the time of purchase.

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Type of gain	Period of Holding	Tax rate
		listed on any recognized stock exchange in India and in case of listed shares being sold/ transferred in a transaction not chargeable to STT.
Long-term	More than 12 months for listed shares and more than 24 months for unlisted shares	<p>10% in case equity shares are listed on any recognized stock exchange in India and the purchase and sale transaction of such equity shares is chargeable to STT. Further, LTCG shall be chargeable only in case where the capital gain exceeds INR 1,00,000 (Indian Rupees One Lakh only).</p> <p>10% (in case equity shares listed on any recognised stock exchange but transaction of sale/ transfer not chargeable to STT (without giving effect to first and second proviso to Section 48)</p> <p>Gains on the sale of shares of unlisted companies are subject to tax 10% (without giving effect to first and second proviso to Section 48)</p>

- (iib) **Business Income:** As discussed above, the gains on sale of derivative contracts in the futures segment should generally be characterized as BI and the same would be taxable at the rate up to 30% or other ordinary applicable rate.

However, where the derivative contracts are entered into by a person, are settled otherwise than by delivery of transfer of the shares, it may be classified as speculative income, which is a special class of BI (this class of BI cannot set off losses from non-speculative income streams and loss can be carried forward only for four years).

However, where the derivative contracts are entered into electronically through a broker / sub broker on a Stock Exchange, where the broker provides a time stamped contract note, with the PAN of the client thereon, then the income will not be considered as speculative income

Where the Portfolio Manager adopts certain strategies (say 'Long Short') which involves simultaneous purchase/sale of securities and derivative products, it might be possible that the tax authorities could construe the same as "trading income" and tax it as Business income (i.e., at higher tax rates).

- (iii) **Interest Income:** Classification of interest income is a matter of dispute with contradicting judicial precedents. Whether interest income would be assessable as business income or income from other sources would depend upon the nexus it has with the assessee's business. Interest income is taxable at the ordinary rate of tax applicable to the respective



# True Beacon

investors i.e., up to the rate of 30% for Indian resident corporate investors, 30% for partnerships and at the applicable slab rates for individual investors.

In case where the listed debt securities (including zero coupon bonds) are transferred, any gains derived from such transfer shall be taxed up to the rate of 30% as short-term capital gains [where the period of holding is 12 months or less] and at the rate of 10% as long-term capital gains [where the period of holding is more than 12 months].

Income-tax provisions applicable to Non-residents in respect of receipt of income from fixed Income products are summarized below:

- (a) In terms of Section 115A of the IT Act, interest on monies borrowed in foreign currency (other than interest referred to in subsequent paragraphs) is taxable at 20% (subject to any tax treaty).
- (b) In terms of Section 115AB of the IT Act, income of an assessee, being an overseas financial organization (Offshore Fund) by way of income received in respect of units purchased in foreign currency or income by way of long term capital gains arising on transfer of units purchased in foreign currency, tax is charged @ 10% subject to tax treaty benefit, if any. The payor is required to withhold the applicable taxes. No deduction shall be allowed against this income u.s 28 to s. 44C or s. 57(i) or 57(iii) or Chapter VI-A. No indexation shall be allowed on LTCG arising on transfer of units.
- (c) In terms of Section 115AC of the IT Act, income of non-resident by way of interest on bonds of an Indian Company issued in accordance with the notified scheme i.e. 'Issue of Foreign Currency Exchangeable Bonds Scheme, 2008'/'Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993/ Depository Receipts Scheme 2014' or on bonds of public sector company sold by the government and purchased by the investor in foreign currency or income by way of dividends on GDR or income by way of long term capital gains arising on transfer of above bonds or GDR's, will be taxed at the rate of 10% (plus applicable surcharge Health and Education cess) subject to tax treaty benefit, if any. The payor is required to withhold the applicable taxes.
- (d) In terms of Section 115AD of the IT Act, income of a Foreign Institutional Investor received in respect of securities (other than units referred in Section 115AB) as defined under the Securities Contracts (Regulations) Act, 1956 is taxed @ 20% (plus applicable surcharge and Health and Education cess) subject to tax treaty benefit, if any. The payor is required to withhold the applicable taxes.
- (e) Similar provision is available for other than FII investors who invest in Long-term Bonds of Indian company in foreign currency, withholding shall be done under Section 194LC of the IT Act at 5% (plus applicable surcharge and Health and Education cess) subject to satisfaction of certain conditions (interest to be calculated at the rate approved by Central Government, having regards to the terms of the bonds and its repayment), subject to tax treaty benefit, if any. The payor shall withhold applicable taxes.

# True Beacon

- (f) Any interest (other than above) on loan received in India currency is taxable at 40% (subject to tax treaty benefit, if any).

## 14.11 Rate of surcharge

The above rates of income-tax in this document shall be increased by the following surcharge on income-tax and education cess on income-tax and surcharge.

As per the Finance Act, 2021 with effect from 1 April 2021	Surcharge on income-tax	Education Cess on income-tax and surcharge
Rate of surcharge on Indian companies with income exceeding INR 10 million but less than INR 100 million	7%	4%
Rate of surcharge on Indian companies with income exceeding INR 100 million	12%	4%
Resident companies opting for taxation under section 115BAA and section 115BAB	10%	4%
Rate of surcharge on Foreign companies with income exceeding INR 10 million but less than INR 100 million	2%	4%
Rate of surcharge on Foreign companies with income exceeding INR 100 million	5%	4%
Rate of surcharge on Partnership firm / LLP with income exceeding INR 10 million	12%	4%
Individuals / HUF / AOP / BOI: where the total income exceeds INR 5 Million / 10 Million / 20 Million / 50 Million (Please refer to the note below)	10% / 15% / 25%	4%

*Note: The enhanced rates of surcharge (essentially the 25% rate of surcharge applicable for income greater than INR 20 million and INR 50 million respectively), shall not apply for dividend income, capital gain arising to FII on transfer of any securities and in case of capital gains arising on an on-market transfer of the following securities (where applicable securities transaction tax has been paid) as referred to in section 111A and 112A of the ITA:*

- Equity shares
- Units of an equity-oriented fund
- Units of a Real Estate Investment Trust (REIT) or Infrastructure Investment Trust (InvIT)

Further, as per the Finance Bill, 2022, it is proposed that surcharge for tax on all form of long-term capital gain shall be capped to 15%. Once effective, this provision would apply to the transactions completed on or after 1 April 2022.

# True Beacon

## 14.12 Tax Collected at Source

With effect from 1 October 2020, where the Seller of goods receives any amount as consideration for sale of goods of the value exceeding INR 5 million, such Seller is required to collect from Buyer a sum equal to 0.1% of the sale consideration, exceeding INR 5 million. This shall not be applicable in case Buyer is liable to deduct taxes at source from the payments made to the Seller and has deducted such amount.

Seller for the purpose of TCS provisions under section 206C(1H) of the ITA has been defined to mean a person whose total sales, turnover or gross receipts exceeds INR 100 million during the financial year immediately preceding the financial year in which sale of goods is carried out.

'Goods' for the purpose of TCS provisions could include shares and securities. There are currently alternative interpretations of the applicability of TCS to transactions in securities including qualifying criteria for a "Seller".

The CBDT, vide Circular No. 17 of 2020 (dated 29 September 2020), has carved out certain transactions wherein the provisions of section 206C(1H) of the ITA shall not apply. This *inter alia* includes transactions in securities and commodities which are traded through various recognized stock exchanges or cleared and settled by the recognized clearing corporation, including recognized stock exchanges or recognized clearing corporation located in International Financial Service Centre.

Accordingly, where transactions in securities and commodities are traded through recognized stock exchanges, the provisions of section 206C(1H) shall not apply.

## 14.13 Tax Deducted at Source (TDS) under section 194Q

With effect from 1 July 2021, a buyer while making payment to resident seller on purchase of goods having value exceeding fifty lakh rupees during the financial year is required to withhold tax at the rate of 0.1% under Section 194Q of the ITA.

'Buyer' for the purpose of section 194Q is defined as a person whose total sales, gross receipts or turnover from the business carried on exceeds INR 100 million during immediately preceding financial year in which the purchase of goods is carried out.

'Goods' for the purpose of section 194Q could include shares and securities. There are currently alternative interpretations of the applicability to transactions in securities including qualifying criteria for a "Buyer".

CBDT has also issued a clarificatory circular no. 13 / 2021 dated 30 June 2021 to address various issues in relation to the applicability of Section 194Q. As per the said circular, no TDS u/s 194Q shall apply in case of transactions in securities and commodities which are traded through recognized stock exchanges or cleared and settled by the recognized clearing corporation including recognized stock exchanges or recognized clearing corporations located in IFSC. This is in line with the CBDT circular issued in the context of Section 206C(1H).

# True Beacon

Accordingly, where transactions in securities and commodities are traded through recognized stock exchanges, the provisions of section 194Q shall not apply in the hands of buyer.

Further, TDS under Section 194Q shall not be applicable where the buyer is a non-resident and the purchase of goods is not effectively connected to its permanent establishment in India (if any).

## **Withholding of tax at higher rate**

As per Section 206AA of the IT Act<sup>4</sup>, where a recipient of income (which is subject to withholding tax) does not furnish its Permanent Account Number (“PAN”), then tax is required to be deducted by the payer at the higher of the following i.e., (i) rates specified in the relevant provisions of the IT Act; (ii) rates in force; or (iii) at 20% (twenty per cent) / 5% (five per cent) in case of withholding of tax under Section 194Q. In case of non-residents not having a PAN, this provision requiring tax deduction at a higher rate shall not apply if they furnish certain prescribed information / documents (including their tax residency certificate).

Accordingly, in case of recipient who do not have a PAN, tax shall be withheld at a minimum rate of 20% (twenty per cent) / 5% (five per cent) for TDS under Section 194Q, except in case of non-resident investors who furnishes certain prescribed information / documents (including their tax residency certificate) are provided by such Investors being non-residents.

Separately, under Section 206AB of the IT Act, where the recipient (other than a non-resident not having a permanent establishment in India) has not filed its income tax return for two financial years preceding the relevant financial year and such recipient has suffered withholding tax or tax has been collected from such recipient of an amount aggregating to INR 50,000 or more in each of the last two financial years, then except in case of certain specified payments, tax shall be withheld at higher of the following rates:

- twice the rate provided under the IT Act; or
- twice the rate or rates in force; or
- the rate of 5%.

Further, where the recipient has neither furnished its PAN (which entails withholding of tax at minimum of 20% or 5%, as the case may be, under Section 206AA) nor filed its tax return for last two financial years, tax shall be withheld at higher of the rates under both the provisions.

Under the Finance Bill 2022, it is proposed to amend the provisions of Section 206AB to provide that higher withholding tax rate shall apply only in case of persons (other than a non-resident not having a permanent establishment in India) who has not filed its income tax return for the immediately preceding financial year for which the time limit under Section 139(1) has expired, and such recipient has suffered withholding tax or tax has been collected from such recipient of an amount aggregating to INR 50,000 or more in the relevant preceding year.

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<sup>4</sup> Not applicable in case of interest on long term bonds referred to under Section 194LC of the IT Act.

# True Beacon

## Deemed income on investment in shares / securities

In terms of Section 56(2)(x) of the IT Act, if shares / securities are received for less than the fair market value of the shares / securities (computed as per prescribed rules), the difference between the price paid and fair value thereof shall be deemed as ordinary income of the recipient.

Separately, if shares other than “quoted shares” are transferred for less than the fair value of the shares (computed as per prescribed rules), the fair value of such unquoted shares shall be deemed to be the sale consideration for the seller, for computing its capital gains for Indian tax purposes. “Quoted share” is defined as “the share quoted on any recognised stock exchange with regularity from time to time, where the quotation of such share is based on current transaction made in the ordinary course of business.”

### 14.14 Bonus Stripping

According to Section 94(8), in case of units purchased within a period of 3 months prior to the record date (for entitlement of bonus units) and sold/transferred/redeemed within 9 months after such date, the loss arising on transfer of original units shall be ignored for the purpose of computing the income chargeable to tax. The loss so ignored shall be deemed as cost of acquisition of such bonus units.

### 14.15 General Anti-Avoidance Rules (GAAR)

The Finance Act, 2012 had introduced General Anti-Avoidance Rules (GAAR) into Act, which, subsequent to the amendments introduced by the Finance Act, 2015, has come into effect from April 1, 2017.

As per the provisions of IT Act, Indian tax authorities have been granted wide powers to tax ‘impermissible avoidance arrangements’ including the power to disregard entities in a structure, reallocate income and expenditure between parties to the arrangement, alter the tax residence of such entities and the legal situs of assets involved, treat debt as equity and vice versa. The GAAR provisions are potentially applicable to any transaction or any part thereof.

The term ‘impermissible avoidance arrangement’ has been defined to mean an arrangement where the main purpose is to obtain a tax benefit, and it:

- (a) Creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length;
- (b) Results, directly or indirectly, in the misuse, or abuse, of the provisions of the IT Act;
- (c) Lacks commercial substance or is deemed to lack commercial substance; or
- (d) Is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes

Further, an arrangement shall be presumed, unless it is proved to the contrary by the taxpayer, to have been entered into, or carried out, for the main purpose of obtaining a tax benefit, if the main purpose of a step in, or a part of, the arrangement is to obtain a tax benefit,

# True Beacon

notwithstanding the fact that the main purpose of the whole arrangement is not to obtain a tax benefit.

In case the GAAR is applied to any transaction pertaining to the Fund, it could have an adverse impact on the taxability of the Fund and/ or its Investors and hence, impact the returns to the Investors.

It is provided that GAAR shall not apply, inter alia, to arrangements where the aggregate tax benefit in a relevant year, to all the parties involved, does not exceed INR 3,00,00,000 (Indian Rupees Thirty million).

## 14.16 Other applicable taxes

(a) Wealth tax has been abolished by the Finance Act, 2015.

(b) **Securities Transaction Tax ("STT")** - As discussed above the concessional rate for short term capital gains and long-term capital gains would be applicable only if the sale / transfer of the equity shares takes place on a recognized stock exchange in India. All transactions entered on a recognised stock exchange in India will be subject to STT levied on the transaction value at the applicable rates.

(c) The rates of STT are as follows: -

Sr No	Nature of taxable securities	STT Rates %	Payable by
1(a)	Purchase of an equity share in a company where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such shares	0.1	Purchaser
1(b)	Purchase of a unit of an equity-oriented fund where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such units	NIL	Purchaser
2(a)	Sale of an equity share in a company where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such shares	0.1	Seller
2(b)	Sale of a unit of an equity-oriented fund where the transaction is entered into in a recognized stock exchange and the contract is settled by actual delivery or transfer of such units	0.001	Seller
3	Sale of an equity share in a company/ unit of an equity-oriented fund where the transaction is entered into in a recognized stock exchange and	0.025	Seller

# True Beacon

Sr No	Nature of taxable securities	STT Rates %	Payable by
	the contract is settled otherwise than by actual delivery or transfer of shares/ units.		
4(a)	Sale of an option in securities (STT will be payable on the option premium)	0.05	Seller
4(b)	Sale of an option in securities where the option is exercised (STT will be payable on the settlement price)	0.125	Purchaser
4(c)	Sale of a future in securities	0.01	Seller
5	Sale of units of an equity-oriented fund to the Mutual Fund	0.001	Seller
6	Sale of unlisted equity shares by any holder of such shares under an offer for sale to the public including in an IPO and where such shares are subsequently listed on a recognized stock exchange	0.2	Seller

(d) The amount of STT paid in respect of the taxable securities transactions entered into in the course of a business during the previous year can be claimed as deduction, if the income arising from such taxable securities transactions is included in the income computed under the head **Profits and gains from business and profession [Section 36(1)(xv)]**.

## 14.17 Stamp Duty and Transfer Tax

- (a) The Finance Act, 2019 has amended the above law to provide that stamp duty shall be levied uniformly throughout the country on transfer of securities in physical as well as dematerialized form.
- (b) Applicable stamp duty under various scenarios are tabulated below:

Particulars	Rate	Leviable on
<b>1. Issue of securities</b>		
Shares	0.005%	Issuer
Debentures	0.005%	Issuer
<b>2. Transfer of securities</b>		

# True Beacon

A. Shares		
On delivery basis	0.015%	Buyer
On non-delivery basis	0.003%	Buyer
In physical form	0.015%	Seller/ Transferor
B. Debentures		
Marketable	0.0001%	Buyer
Non-marketable	0.0001%	Seller/Transferor

(c) A stamp duty will be imposed on purchase of mutual funds – equity and debt funds – from July 1, 2020. As per SEBI, 0.005% stamp duty will be levied on purchase of mutual funds, including lump sum, SIP, STP, and dividend reinvestment. It is, however, not applicable on redemption of units. Meanwhile, a stamp duty of .015% will also be imposed in case of transfer of units between demat accounts.

(d) *There can be no guarantee that the above position regarding taxation of the Client would necessarily be accepted by the income-tax authorities under the IT Act. No representation is made either by the Portfolio Manager or any employee, partner or agent of the Portfolio Manager in regard to the acceptability or otherwise of the above position regarding taxation of the Client by the income tax authorities under the IT Act. Prospective Investors are urged to consult their own tax advisers in this regard*

## 15. ACCOUNTING POLICIES

15.1 The following accounting policy will be applied for the investments of clients:

15.2 Books and Records would be separately maintained in the name of the Client to account for the assets and any additions, income, receipts and disbursements in connection therewith, as provided by the PMS Regulations. Accounting under the respective Portfolios will be done in accordance with Generally Accepted Accounting Principles in India.

15.3 The Portfolio Manager and the Client can adopt any specific norm or methodology for valuation of investments or accounting the same may be mutually agreed between them on a case specific basis.

15.4 The Portfolio Manager shall keep and maintain proper books of accounts, record and documents for each Client so as to explain transactions for each Client and to disclose at any point of the Portfolio holding of each Client.

15.5 The following accounting policies will be applied for the Portfolio investments of Clients:

(a) Basis of Accounting



# True Beacon

The financial statements are prepared on an accrual basis of accounting under the historical cost convention.

(b) Use of estimates

The preparation of financial statements requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and reported revenues and expenses for the year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in outcomes different from the estimates. Difference between actual results and estimates are recognised in the period in which the results are known or materialise.

(c) Capital

Capital represents infusions (net of withdrawals, if any) of Funds/Securities contributed by the Client under the PMS Agreement.

(d) Investments

Accounting for investment transactions: Purchase and sale of investments are recorded on trade date basis, after considering brokerage, if any. Securities Transaction Tax levied on purchase/sale of Securities during the financial year is recognized as an expense in the books of accounts. Investments as at the Balance Sheet date are reflected at Cost. Investments are allocated to the Client based on pre-determined criteria at weighted average price of the day's transaction.

Bonus rights and splits are recorded on the respective ex-dates notified by the Company.

(e) Revenue Recognition

(i) Profit or loss on sale of investments is recognised on the date of transaction and is determined by applying the First in - First out principle.

(ii) Dividend income is accounted for when unconditional right to receive is established.

(iii) Interest on Fixed Deposits is accrued on a time proportionate basis at the underlying interest rates.

a. In respect of all interest-bearing investments, income shall be accrued on a day-today basis as it is earned. Therefore, when such investments are purchased, interest paid for the period from the last interest due date up to the date of purchase should not be treated as a cost of purchase but shall be debited to Interest Receivable Account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale must not be treated as an addition to sale value but shall be credited to Interest Receivable Account. In case where debt securities have matured and remained overdue, interest is accrued only upto the date of maturity of the respective securities or as per agreed terms with the investee companies. Penal interest, interest for the period subsequent to the maturity date of the securities and premium on redemption etc. are recognised on realization basis. For moratorium period, interest is accrued only if confirmed by the investee companies. In case of uncertainty on recovery of overdue interest the same is accrued on receipt basis.

# True Beacon

b. Portfolio Management Fees: Portfolio management fees could include a fixed management fee and a variable performance fee. The amount of fixed and variable fees will be as agreed with the client and defined in the Client Agreement. Issues related to the frequency at which fees are charged and how they are calculated will also be as defined in the Client Agreement with each individual client. The fixed management fee will be as agreed in the Client Agreement terms and conditions and is payable monthly. The performance fees as agreed with the client in the Client Agreement will be based on returns over a hurdle rate as agreed in the Client Agreement, with a high watermark. Performance fees will be charged on performance over the hurdle rate, management fee and any costs of trading. They will be charged quarterly or annually.

(f) Expenses

All expenses are accrued and accounted on following basis:

<b>Audit Fees</b>	<b>Allocated based on pre-determined criteria.</b>
Depository Charges & Transaction Charges	At actuals based on actual invoice received from the Custodians.
Management Fees & Performance based Fees	Accrued in accordance with the Agreement entered with the Client.
Securities Transaction Tax	At actuals on basis of allocation of investment.

(g) Provision for tax

No provision for tax has been made on the income earned during the period since as per the PMS Agreement, all tax liabilities are the Client's sole responsibility. Tax deducted at source on interest income is recorded on confirmation obtained from Bank.

(h) Audit

- (i) The Portfolio accounts of the Portfolio Manager shall be audited annually by an independent chartered accountant to ensure that the Portfolio Manager has followed accounting methods and procedures and that the Portfolio Manager has performed his duties in accordance with the law. A certificate to this effect, if specified, to be submitted to SEBI within 6 months of close of Portfolio Manager's accounting period.
- (ii) The Portfolio accounts of the Portfolio Manager shall be audited annually by an independent chartered accountant and a copy of the certificate issued by the chartered accountant shall be given to the Client.
- (iii) The client may appoint a chartered accountant to audit the books and accounts of the Portfolio Manager relating to his transactions and the Portfolio Manager shall co-operate with such chartered accountant in course of the audit.

The accounting policies and standards as outlined above are subject to changes made from time to time by Portfolio Manager. However, such changes would be in conformity with the PMS Regulations.

## 16. INVESTORS SERVICES

### 16.1 Name, address and telephone number of the Investor Relation Officer / Compliance Officer who shall attend to the Investor queries and complaints.

Name	Mr. Faizan Sait
Designation	Associate Vice President – Wealth
Address	The Marquis, 3 <sup>rd</sup> floor, No. 19, Vittal Mallya Road, Bengaluru, Karnataka 560001 India
Telephone number	+91 9663903202
E – mail address	compliance@truebeacon.com

### 16.2 Grievance redressal and dispute settlement mechanism

- a. The objective of grievance redressal system is to ensure that all clients are treated fairly at all times and that any complaints raised by the clients are dealt with courtesy and in time. The Portfolio Manager shall endeavour to address all complaints regarding services, deficiencies or causes for grievances, for whatsoever reason, in a reasonable and timely manner.
- b. The Portfolio Manager and the Client agree that they shall make all attempts to resolve all differences and disputes, howsoever arising out of or in connection with the Agreement (“**Dispute**”), by mutual discussions with the intention of resolving the same amicably at the earliest. In the event, the Parties are unable to resolve the Dispute amicably, within a period of [21 days] from the date of such Dispute being communicated by the disputing Party to the other Party in writing (“**Dispute Notice**”), such dispute or differences shall be resolved in the manner as set out herein. It is clarified that the mechanism envisaged herein shall not be applicable to Disputes that are specifically excluded from the purview of SEBI circular dated July 31, 2021 bearing number SEBI/HO/OIAE/OIAE\_IAD-1/P/CIR/2023/131 pertaining to the “Online Resolution of Disputes in the Indian Securities Market” (as amended from time to time).
- c. Notwithstanding anything to the contrary contained herein, all claims, differences or disputes between the Client and the Portfolio Manager arising out of or in relation to the portfolio management activities of the Portfolio Manager in the securities market shall be resolved through a dispute resolution mechanism that includes mediation and/or conciliation and/or arbitration, as prescribed under Securities and Exchange Board Of India (Alternative Dispute Resolution Mechanism) (Amendment) Regulations, 2023 read with the PMS Regulations and SEBI circular dated July 31, 2021 bearing number SEBI/HO/OIAE/OIAE\_IAD-1/P/CIR/2023/131 pertaining to the “Online Resolution of Disputes in the Indian Securities Market’ (collective referred to as ‘**ADR Mechanism**’), as amended, modified, supplemented, substituted, replaced and/or re-enacted, from time to time.
- d. Provided further that, if the above point (c) becomes inapplicable or invalid by Applicable Law, the Parties to the Agreement agree as follows:
  - i. The Parties shall make all attempts to resolve all differences howsoever arising out of or in connection with the Agreement by mutual discussion failing which, the Parties shall seek redressal by way of arbitration. The Parties agree that the discussions shall be held

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in the spirit of resolution of the issues that have arisen between them with the intention of resolving the issues amicably at the earliest. If the applicant Party is not satisfied with the outcome of the discussions, within 30 (thirty) calendar days from the receipt of the response, the applicant Party may seek redressal by way of arbitration.

- ii. The Parties shall be bound to submit all disputes and differences howsoever arising out of or in connection with the Agreement which are not amicably resolved, to a sole arbitrator (as mutually decided by the Parties). If the Parties fail to agree on the appointment of a sole arbitrator within 30 days of the dispute being referred to arbitration, the sole arbitrator shall be appointed in accordance with the Arbitration and Conciliation Act, 1996 as amended from time to time. The arbitration shall be governed by the provisions of the Arbitration and Conciliation Act, 1996 as amended from time to time.
- iii. The arbitrator shall be a person of professional repute who is not directly or indirectly connected with any of the Parties to the Agreement. The venue and seat of arbitration shall be Bengaluru. The language to be used in the arbitration proceedings shall be English.
- iv. Unless the arbitrator determines otherwise, each party to such arbitration shall bear its own expenses, including fees and disbursements of attorneys, accountants, financial experts, and witnesses, and any arbitration fees and expenses of the arbitrator shall be paid equally by the Parties.
- v. The award rendered by the arbitrator shall be final, conclusive and binding on all parties to this letter agreement and shall be subject to enforcement in any court of competent jurisdiction in India.

Nothing in this **Clause 16.2** shall be construed as preventing any Party from seeking conservatory or similar interim relief in any court of competent jurisdiction in India.

## **16.3 Anti-Money Laundering Compliances:**

1. The Government of India has put a policy framework to combat money laundering through the Prevention of Money Laundering Act, 2002. Prevention of Money Laundering Act, 2002 and the rules notified there under came into effect from 1 July 2005. Director, FIU-IND, and Director (Enforcement) have been conferred with exclusive and concurrent powers under relevant sections of the Prevention of Money Laundering Act, 2002 to implement the provisions of the Prevention of Money Laundering Act, 2002. Consequently, SEBI has mandated that all registered intermediaries formulate and implement a comprehensive policy framework on anti-money laundering and adopt 'Know Your Customer' ("KYC") norms.
2. Further, SEBI vide Circular No. SEBI/HO/MIRSD/DOS3/CIR/P/20]8/104 dated 15 October 2019 (which supersedes all the earlier circular) issued a 'Master Circular for Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) /Obligations of Securities Market intermediaries under the Prevention of Money

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Laundering Act, 2002 and Rules frame thereunder' consolidating all the requirements/instructions/obligations of securities market intermediaries.

3. Accordingly, the investors should ensure that the amount invested by them is through legitimate sources only and does not involve and are not designed for the purpose of any contravention or evasion of any act, rules, regulations, notifications or directions of the provisions of Income Tax Act, 1961, Prevention of Money Laundering Act, 2002, Prevention of Corruption Act, 1988 and or any other applicable laws enacted by the Government of India from time to time. The Portfolio Manager is committed to complying with all applicable anti-money laundering laws and regulations in all of its operations. Accordingly, the Portfolio Manager reserves the right to reject or refund or freeze the account of the client if the client does not comply with the internal policies of the Portfolio Manager or any of the Applicable Laws including the KYC requirements.
4. The Portfolio Manager shall not be held liable in any manner for any claims arising whatsoever on account of freezing the account/rejection or refund of the application etc. due to non-compliance with the provisions of any of the aforesaid regulations or Applicable Laws.
5. Investors are requested to note that KYC is mandatory for all investors. SEBI vide circular no. MIRSD/SE/Cir-21/2011 dated 5 October 2011, and CIR/MIRSD/ 11/2012 dated 5 September 2012, has mandated that the uniform KYC form and supporting documents shall be used by all SEBI registered intermediaries in respect of all new clients from January 1, 2012. Further, SEBI vide circular no. MIRSD/Cir-23/2011 dated 2 December 2011, has developed a mechanism for centralization of the KYC records in the securities market to bring about uniformity in securities markets.
6. Accordingly, KYC registration is being centralized through KYC Registration Agencies registered with SEBI. Thus, each Client has to undergo a uniform KYC process only once in the securities market and the details would be shared with other intermediaries by the KYC Registration Agencies. Applications shall be liable to be rejected if the Clients do not comply with the aforesaid KYC requirements.
7. As per the 2015 amendment to PML (Maintenance of Records) Rules, 2005, every reporting entity shall capture the KYC information for sharing with the Central KYC Records Registry in the manner mentioned in the PML (Maintenance of Records) Rules, 2005, as per the KYC template for 'Individuals' finalized by Central Registry of Securitisation Asset Reconstruction and Security Interest. Accordingly, the KYC template finalized by Central Registry of Securitisation Asset Reconstruction and Security Interest shall be used by the registered intermediaries as Part I of account opening form for individuals.

## 17. 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	Value of investment as on last day of the previous	Percentage of total AUM as on last day of the
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			the previous calendar quarter (INR in crores)	calendar quarter (INR in crores)	previous calendar quarter
	NIL	None	NIL	NIL	NIL

## 18. DETAILS OF THE DIVERSIFICATION POLICY OF THE PORTFOLIO MANAGER

Please refer below for an overview of the diversification policy and guidance on the maximum exposure in relation to assets under management of the Portfolio Manager:

The portfolio manager, in the course of portfolio construction and management, faces risks associated with specific securities, groups, industries etc. The manager, therefore, typically constructs a diversified portfolio so that no such concentration compromises on the objective of the investment approach. The manager's research, selection and weighing capabilities are designed to minimize risks emanating from the aforementioned modes of classification.

## 19. FEE STRUCTURE

### 1. Discretionary & Non- Discretionary Portfolio Management Services

- "Financial year" means the period from April 1 to March 31.
- "Anniversary year" means last day of the calendar month from a period of one year from the date of investment.
- "Weighted average daily portfolio value" means the value of the portfolio of each Client determined in accordance with the relevant provisions of the agreement executed with the Client and includes market value of assets inclusive of all securities, both realized and unrealized gains/ losses, and cash balances.

Fee Structure	Flexi Cap Fundamental Opportunities	Equity Factor Quant	BeSpoke Equity	BeSpoke Debt	Basis of computation
Fixed Fee	1.0% p.a	1.0% p.a.	1%p.a	0.5%p.a	Shall be charged on Weighted average daily portfolio value on a quarterly basis in arrears

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Performance Fee	5.0% p.a	5.0% p.a.	-	-	Shall be payable only when Financial Year ending portfolio returns are higher than the Performance Fee Trigger. It is calculated on the absolute gains of the portfolio and is payable annually at the conclusion of each Financial Year.
Performance Fee Trigger	10% p.a	10%p.a.	-	-	Post Expenses, computed on the opening net asset value at the beginning of the relevant financial year

SR. NO.	DESCRIPTION OF EXPENSES	DESCRIPTION (Amount IN INR)	FREQUENCY OF PAYING
1.	Exit Load	Subject to limits given under Note (b.) below	At the time of redemption
2.	Brokerage	Based on actuals	As per actuals on regular basis
3.	Custodian/Depository fees	Based on actuals	As per actuals on regular basis
4.	Registrar and transfer agent fees	Based on actuals	As per actuals on regular basis
5.	Operating expenses such as custody charges, legal charges, audit certification, professional charges, attestation fees, securities lending & borrowing cost, charges in respect of Securities, franking & notary charges, etc.	Based on actuals not exceeding 0.5%	As per actuals on regular basis
6.	Charges such as service charge, stamp duty, transaction costs, turnover tax, exit and entry loads on the purchase and sale of shares, stocks, bonds, debt, deposits, units and other financial instruments (if any)	Based on actuals	

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7.	Transaction costs	At prevailing rates charged by the brokers or any such other intermediary (+) applicable goods and services tax (+) stamp duty (+) securities transaction tax (+) turnover tax (+) any other levies
8.	Distribution costs (if any)	_____

Notes:

- a. The Performance Fee charged to Clients shall be (a) 5% where the Client redeems the whole or part of its Assets on a first in first out (“FIFO”) basis. The first Performance Fee for the Client shall accrue and become due and payable at (a) the end of financial years or (b) the date of redemption, whichever is earlier.
- b. The Exit Load shall be charged at the sole discretion of the Portfolio Manager, at the time of exit based on the duration that the Assets are held with the Portfolio Manager. In the event that the Client redeems the whole or part of its Assets, exit load shall be applicable on a FIFO basis on the total amount which shall be redeemed as follows: (a) 1% of the Assets redeemed if the redemption is carried out within the first year from the date of the investment (b) subsequently, the exit load shall be Nil.
- c. The above will be subject to applicable Goods and Services Tax and other statutory levies which may differ from time to time as per changes in tax laws.
- d. All fees and charges shall be levied on the actual amount of Clients’ assets under management.
- e. In case of interim contributions/ withdrawals by the Client, performance fees will be charged after appropriately adjusting the performance fee trigger and high-water mark on proportionate basis.



# True Beacon

## Designated Partner

RICHARD  
EDWARD  
GEORGE PATTLE

Digitally signed by  
RICHARD EDWARD  
GEORGE PATTLE  
Date: 2024.04.24 15:29:09  
+05'30'

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Name: Mr. Richard Pattle  
Place: Bengaluru  
Date: 24 April 2024

## Designated Partner

SARANSH  
MAHESHWARI

Digitally signed by  
SARANSH MAHESHWARI  
Date: 2024.04.24  
15:28:02 +05'30'

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Name: Mr. Saransh Maheshwari  
Place: Bengaluru  
Date: 24 April 2024

# True Beacon

## FORM C

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

### True Beacon Investment Advisors LLP

Address: The Marquis, 3<sup>rd</sup> Floor, No. 19, Vittal Mallya Road, Bengaluru – 560 001

Telephone number: 9663903202

E-mail: [wealth.compliance@truebeacon.com](mailto:wealth.compliance@truebeacon.com)

We confirm that:

- i) the Disclosure Document forwarded to the Securities and Exchange Board of India is in accordance with the SEBI (Portfolio Managers) Regulations, 2020 and the guidelines and directives issued by the Securities and Exchange Board of India 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 in the Portfolio Manager;
- iii) the Disclosure Document has been duly certified on 6th November 2023 by Mr. Prathik Dhariwal, a Proprietor of M/s. P Dhariwal & Co, Chartered Accountants, having membership no. 245192 and office at 45/2, HB Samaja Road, Basavangudi, Bangalore- 560004, Karnataka India.

Place: Bengaluru



Mr. Saurabh Dhole

Principal Officer

Date: 24 April 2024

**CERTIFICATE**

To  
The Partners,  
True Beacon Investment Advisors LLP (“**Portfolio Manager**”),  
The Marquis, 3<sup>rd</sup> Floor, No. 19,  
Vittal Mallya Road, Bengaluru – 560 001.

**Subject:** Certificate verifying that the disclosures made in the Disclosure Document by the Portfolio Manager are true, fair and adequate.

You have requested us to provide a certificate on the Disclosure document for Portfolio Management services (“the Disclosure Document”) of **True Beacon Investment Advisors LLP** (“the LLP”). We understand that the disclosure document is required to be submitted to the Securities and Exchange Board of India (“the SEBI”).

1. The Portfolio Manager holds registration with the Securities and Exchange Board of India (“**SEBI**”) as a portfolio manager bearing registration no. INP000007353. The Portfolio Manager has requested us to provide a certificate verifying the disclosures made in the disclosure document offering portfolio management services (“**Disclosure Document**”) to prospective clients. We understand that the disclosure document is required to be submitted to the SEBI under the SEBI (Portfolio Managers) Regulations, 2020 (“**PM Regulations**”).
2. We declare that the Disclosure Document, and compliance with the PM Regulations and the SEBI Circular titled ‘Guidelines for Portfolio Managers’ issued by SEBI on 13 February 2020 is the responsibility of the management of the Portfolio Manager. Our responsibility is limited to reporting in accordance with the Guidance note on Audit Reports and Certificates for Special Purposes, as revised from time to time, issued by the Institute of Chartered Accountants of India.
3. The process of certification did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statement taken as a whole. We have not performed an audit, the objective of which would be the expression of an opinion on the financial statement, specified elements, accounts or items thereof, for the purpose of this certificate. Accordingly, we do not express such opinion.
4. In respect of the information given in the Disclosure document, we state that:
  - a. The list of persons classified as Associates or group companies and list of related parties are relied upon as provided by the LLP.



# S R P C & Co LLP

## Chartered Accountants

- b. The Promoters and director's qualification, experience, and ownership details as declared by them and have been accepted without further verification.
  - c. We have relied on the representations given by the management of the LLP about the penalties or litigations against the Portfolio Manager mentioned in the Disclosure document
5. Basis our examination of the books of accounts, records, statements produced before us and to the best of our knowledge and according to the information, explanations and representations given to us by the Portfolio Manager, we certify that the disclosures made in this Disclosure Document are (i) true, fair and adequate to enable the investors to make a well-informed decision regarding entrusting the management of the portfolio / investment to the Portfolio Manager and (ii) in accordance with the disclosure requirements laid down in Regulation 22 read with Schedule V to the PM Regulations. A management certified copy of the disclosure document is enclosed herewith.
6. This certificate is issued solely to comply with Regulation 22 of Securities and Exchange Board of India (Portfolio Managers) Regulations, 2020 (as amended from time to time) and may not be suitable for any other purpose. Accordingly, our certificate should not be quoted or referred to in any other document or made available to any other person or persons other than being part of Disclosure Document without our prior written consent. Also, we neither accept nor assume any duty or liability for any other purpose or to any other party to whom our certificate is shown or into whose hands it may come without our prior written consent.

For S R P C & Co LLP  
CHARTERED ACCOUNTANTS  
Firm Reg. No. S000118

**PRATHIK**  
**DHARIWAL**

Digitally signed by  
PRATHIK DHARIWAL  
Date: 2024.04.25  
12:54:09 +05'30'

Prathik Dhariwal  
Partner  
M. No. 245192  
UDIN: 24245192BKADDJ2987

Date: 25/04/2024  
Bengaluru



9019284597

LLPIN: ACC-6110

ICAI FRN: S000118



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No 3/a, 2nd Floor, Umang, Mahanta Layout, Behind Shanti Sagar Hotel, Bull Temple  
Road Cross, Bangalore, 560019

Disclosure in respect of transactions with related parties is as stated under:

(a) List of Related parties over which control exist:

Sr. No.	Name	Relationship
1	Nikhil Kamath	Partner and KMP
2	Nithin Kamath	Partner and KMP
3	Abhijeet Pai	Partner and KMP
4	Richard Edward George Pattle	Designated Partner and KMP
5	Saransh Maheshwari	Designated Partner and KMP

(b) List of Enterprises in KMP/ Relative of KMP exercises significant influence:

Sr. No.	Name	Nature of Relationship
1	Straddle Capital Private Limited	Enterprises over which Partner along with its relatives have significant influence
2	Zerodha Capital Private Limited	Enterprises over which Partner along with its relatives have significant influence
3	Austin Global Ventures Private Limited	Enterprises over which Partner along with its relatives have significant influence
4	Zerodha Commodities Private Limited	Enterprises over which Partner along with its relatives have significant influence
5	Zerodha Broking Limited	Enterprises over which Partner along with its relatives have significant influence
6	ETS Securities Private Limited	Enterprises over which Partner along with its relatives have significant influence
7	Kamath Associates	Enterprises over which Partner along with its relatives have significant influence
8	Kamath Associates – Hyderabad	Enterprises over which Partner along with its relatives have significant influence
9	Nksquared	Enterprises over which Partner along with its relatives have significant influence
10	Open Trade Investment Advisors Pvt Ltd	Enterprises over which Partner along with its relatives have significant influence
11	Zerodha Technology Private	Enterprises over which Partner along with its

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	Limited	relatives have significant influence
12	Nksquared Investment Private Limited	Enterprises over which Partner along with its relatives have significant influence
13	Rainmatter Land Development Private Limited	Enterprises over which Partner along with its relatives have significant influence
14	Rainmatter Foundation	Enterprises over which Partner along with its relatives have significant influence
15	NK Square Realty LLP	Enterprises over which Partner along with its relatives have significant influence
16	Rainmatter Capital Private Limited	Enterprises over which Partner along with its relatives have significant influence
17	Zerodha Cares	Enterprises over which Partner is a Trustee
18	Vs	Enterprises over which Partner is a Trustee
19	Foss United Foundation	Enterprises over which Partner is a Shareholder
20	Gruhas PropTech LLP	Enterprises over which Partners along with its relatives have significant influence
21	Rainmatter Climate Investment	Enterprises over which Partner along with its relatives have significant influence
22	Rainmatter FinTech Investment	Enterprises over which Partner along with its relatives have significant influence
23	TRUSTX INTERNET PRIVATE LIMITED	Enterprises over which Partner along with its relatives have significant influence
24	Zerodha Asset Management Pvt Ltd	Enterprises over which Partner along with its relatives have significant influence
25	Zerodha Trustee Pvt Ltd	Enterprises over which Partner along with its relatives have significant influence
26	Zerodha IFSC Private Limited	Enterprises over which Partner along with its relatives have significant influence
27	ZERODHA EMPLOYEE GRATUITY TRUST	Enterprises over which Partner is a Trustee
28	Kamath Technology LLP	Enterprises over which Partner along with its

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		relatives have significant influence
29	NK Enterprises Holding Limited	Enterprises over which Partner along with its relatives have significant influence
30	Zerodha Mutual Fund	Enterprises over which Partner along with its relatives have significant influence
31	Pravan Holdings LLP	Enterprises over which Partner along with its relatives have significant influence
32	Vanlavino Cafe LLP	Enterprises over which Partner along with its relatives have significant influence
33	Green Casa Developers LLP	Enterprises over which Partner along with its relatives have significant influence
34	Teddy Toes LLP	Enterprises over which Partner along with its relatives have significant influence
35	Urban Fields Realty LLP	Enterprises over which Partner along with its relatives have significant influence
36	Gruhas & Lumos Investment Advisors LLP	Enterprises over which Partner along with its relatives have significant influence
37	Infra Bazaar Tech Private Limited	Enterprises over which Partner along with its relatives have significant influence
38	Infra Bazaar Private Limited	Enterprises over which Partner along with its relatives have significant influence
39	Puzzolana Machinery Fabricators (Hyderabad) LLP	Enterprises over which Partner along with its relatives have significant influence
40	Vanitha Rubber Products LLP	Enterprises over which Partner along with its relatives have significant influence
41	Puzzolana Limited	Enterprises over which Partner along with its

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		relatives have significant influence
42	Mahalasa Engineering Works Private Limited	Enterprises over which Partner along with its relatives have significant influence
43	Venkateshwara Machinery Works Private Limited	Enterprises over which Partner along with its relatives have significant influence
44	Puzzolana Estates Private Limited	Enterprises over which Partner along with its relatives have significant influence
45	Lotus Chocolate Company Ltd.	Enterprises over which Partner along with its relatives have significant influence
46	Sree Rajeswari Dairy Products (India) Private Limited	Enterprises over which Partner along with its relatives have significant influence
47	Wear Steels Private Limited	Enterprises over which Partner along with its relatives have significant influence
48	Aryan Precisions Private Limited	Enterprises over which Partner along with its relatives have significant influence
49	V S P Ispat Private Limited	Enterprises over which Partner along with its relatives have significant influence
50	P.M.F. Engineering Private Limited	Enterprises over which Partner along with its relatives have significant influence
51	P.M.F. Infra Equipment Company Private Limited	Enterprises over which Partner along with its relatives have significant influence
52	PMFL Machinery Private Limited	Enterprises over which Partner along with its relatives have significant influence
53	Oceanearth Projects Pvt. Ltd.	Enterprises over which Partner along with its relatives have significant influence



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54	Gruhas Realty Investment Partners Private limited	Enterprises over which Partner along with its relatives have significant influence
55	GRUHAS COLLECTIVE FUND ADVISORY LLP	Enterprises over which Partner along with its relatives have significant influence
56	Riskilla Software Technologies Private Limited	Enterprises over which Partner along with its relatives have significant influence
57	Thick leafy Properties LLP	Enterprises over which Partner along with its relatives have significant influence
58	THICK TREE COVER LLP	Enterprises over which Partner along with its relatives have significant influence
59	Thick Acres LLP	Enterprises over which Partner along with its relatives have significant influence
60	Vrithi Estates	Enterprises over which Partner along with its relatives have significant influence

(c) **Name of the Related Parties with whom transaction were carried out during the year and description of relationship\*:**

Relationship	Name of Related Party
Key Management Personnel	Nikhil Kamath
Key Management Personnel	Nithin Kamath
Key Management Personnel	Richard Edward George Pattle
Key Management Personnel	Abhijeet Pai
Key Management Personnel	Saransh Maheshwari

\*transactions with related parties made in F.Y. 2022-23

(d) Summary of Transaction with Related Parties\*

Transaction	Name of the related Party	Key Management Personnel's	Relative of Key Management Personnel's	Enterprises in KMP/ Relative of KMP exercises significant influence
Capital Contribution	Nikhil Kamath	7,75,00,000		
Capital Contribution	Nithin Kamath	7,75,00,000		
Capital Contribution	Abhijeet Pai	7,56,00,000/-		
Partner Emoluments	KMPs	5,11,78,962		

\*transactions with related parties made in F.Y. 2022-23

## ANNEXURE 2

### True Beacon Investment Advisors LLP ('True Beacon' or 'the Applicant')

#### Particulars of Associate Companies / Group companies

Sr. No.	Name of the Company	Type of Activity handled	Nature of Interest of Applicant Company	Name of the Promoter
1	ETS Securities Private Limited	Registered Broker	Indirect Control on the Company through Promoters	Nikhil Kamath
2	Zerodha Broking Limited	Registered Broker	Indirect Control on the Company through Promoters	Nikhil Kamath
3	Zerodha Capital Private Limited	Non-Banking Financial Company ('NBFC')	Indirect Control on the Company through Promoters	Nikhil Kamath
4	Zerodha Commodities Private Limited	Registered commodities Broker	Indirect Control on the Company through Promoters	Nikhil Kamath
5	Straddle Capital Private Limited	Financial Intermediary	Indirect Control on the Company through Promoters	Nikhil Kamath
7	Rainmatter Capital Private Limited	Financial Intermediary	Indirect Control on the Company through Promoters	Nikhil Kamath
8	NkSquared Investment Private Limited	Financial Intermediary	Indirect Control on the Company through Promoters	Nikhil Kamath

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9	Rainmatter Land Development Private Limited	Real Estate	Indirect Control on the Company through Promoters	Nikhil Kamath
10	Open Trade Investment Advisors Pvt Ltd	Financial Intermediary	Indirect Control on the Company through Promoters	Nikhil Kamath
11	Zerodha Technology Private Limited	Software publishing, consultancy, and supply	Indirect Control on the Company through Promoters	Nikhil Kamath
12	Zerodha (IFSC) Private Limited	Financial Intermediary	Indirect Control on the Company through Promoters	Nikhil Kamath
13	Trustx Internet Private Limited	IT/ITES	Indirect Control on the Company through Promoters	Nikhil Kamath
14	Zerodha Asset Management Private Limited	Financial Intermediary	Indirect Control on the Company through Promoters	Nikhil Kamath
15	Zerodha Trustee Private Limited	Financial Intermediary	Indirect Control on the Company through Promoters	Nikhil Kamath
16	Kamath Technology LLP	IT/ITES	Indirect Control on the Company through Promoters	Nikhil Kamath
17	NK Enterprises Holding Limited	Investment entity	Indirect Control on the Company through Promoters	Nikhil Kamath
18	NKSquare Realty LLP	Real Estate	Indirect Control on the Company through Promoters	Nikhil Kamath

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19	Pravan Holdings LLP	Real Estate	Indirect Control on the Company through Promoters	Abhijeet Pai
20	Vanlavino Cafe LLP	Food & Beverages	Indirect Control on the Company through Promoters	Abhijeet Pai
21	Teddy Toes LLP		Indirect Control on the Company through Promoters	Abhijeet Pai
22	Anthill Esprit Food And Beverages LLP	Food & Beverages	Indirect Control on the Company through Promoters	Abhijeet Pai
23	Gruhas Propotech LLP	Financial Intermediary	Indirect Control on the Company through Promoters	Abhijeet Pai and Nikhil Kamath
24	Urban Fields Realty LLP	Real Estate	Indirect Control on the Company through Promoters	Abhijeet Pai
25	Infra Bazaar Tech Private Limited	Infrastructure Tech	Indirect Control on the Company through Promoters	Abhijeet Pai
26	Infra Bazaar Private Limited	Infrastructure Product Commerce	Indirect Control on the Company through Promoters	Abhijeet Pai
27	Gruhas & Lumos Alternate Investment Advisors Private Limited	Financial Intermediary	Indirect Control on the Company through Promoters	Abhijeet Pai

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28	Gruhas Realty Investment Partners Private limited	Financial Intermediary	Subsidiary	Abhijeet Pai & Nikhil Kamath
29	Gruhas Collective Fund Advisory LLP	Financial Intermediary	Indirect Control on the Company through Promoters Note: Gruhas hold 50% LLP	Abhijeet Pai & Nikhil Kamath
30	Riskilla Software Technologies Private Limited	IT/ITES	Indirect Control on the Company through Promoters	Nikhil & Nithin Kamath
31	PMF INFRA EQUIPMENT COMPANY PRIVATELIMITED	Manufacturing	Indirect Control on the Company through Promoters	Abhijeet Pai
32	Oceanearth Projects Pvt. Ltd.	Hospitality	Indirect Control on the Company through Promoters Note: Gruhas hold 50% of the company	Abhijeet Pai & Nikhil Kamath
33	Thick leafy Properties LLP	Real estate	Indirect Control on the Company through Promoters Note: Gruhas hold 50% of the company	Abhijeet Pai & Nikhil Kamath
34	THICK TREE COVER LLP	Real estate	Indirect Control on the Company through Promoters Note: Gruhas hold 50% of the company	Abhijeet Pai & Nikhil Kamath
35	Thick Acres LLP	Real estate	Indirect Control on the Company through Promoters Note: Gruhas hold 50% of the company	Abhijeet Pai & Nikhil Kamath

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36	Vrithi Estates	Real estate	Indirect Control on the Company through Promoters Note: Gruhas hold 37.03% of the company	Abhijeet Pai & Nikhil Kamath
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### Financial Performance Based on Audited Financial Statements

	For Financial Year ended March 31, 2023 (Amount in INR)	For Financial Year ended March 31, 2022 (Amount in INR)	For Financial Year ended March 31, 2021 (Amount in INR)	For Financial Year ended March 31, 2020 (Amount in INR)	For Financial Year ended March 31, 2019 (Amount in INR)
Revenue For Operations	2,53,81,470	4,16,41,809	9,54,22,923	14,59,101	
Other Income	7,35,688	7,26,322	77,617	13,225	
Expenses	19,56,89,350	14,27,22,071	5,79,69,107	6,82,27,214	49,160
Profit / (Loss) before Tax	(16,95,72,191)	(10,03,53,940)	3,75,31,433	(6,67,54,887)	(49,160)
Provision for Taxation					
Profit / (Loss) after Tax	(16,95,72,191)	(10,03,53,940)	3,75,31,433	(6,67,54,887)	(49,160)
Capital Account	78,64,69,079	55,58,69,079	15,87,50,000	25,16,99,160	1,49,160