1. What Is Deep Value Investing?

   Value investing means buying something for less than it is worth now. Paying Rs.100 for a stock of a company that is currently worth Rs.100 and expected to grow in future, say to 200 or above is Growth Investing. On the other hand, value investing simply means buying the stock when it trades below Rs.100. Deep Values arises when the stock trades significantly below, say below Rs.50 when it is worth Rs.100 or more currently.

2. Why DVD now?

   The most painful period in a market cycle is the fag end of bear market when the price value gap grows. It is during these periods wider investor participation drops the most resulting in disproportionate fall in value stocks that typically belong to mid and small companies. The price discovery mechanism in small and mid companies is mostly driven by non Institutional investors and explains the reason why such stocks are more volatile than large caps. Non Institutional Investors (read retail investors) participation is more in performing markets and they tend to invest more capital in momentum, like in 2007 than when market offers deep values like in 2011.

3. Why not traditional value strategies?

   Traditional approaches in Value investing involve identifying companies where the market value is less than cash value, where the real estate assets held by the company is more than the market value or the current value of investments held by the company is not reflected in the share price. Such discounts remain forever till the promoter initiates an action to unlock the value. The time perspective of promoter in considering value unlocking initiatives may be in conflict with minority shareholders and sometimes corporate governance issues arise as well.

4. How DVD is different from traditional deep value strategies?

   DVD will neither intend to build of portfolio of cheapest multiple stocks nor those with largest discounts as apparent from balance sheets. On the other hand, DVD looks for opportunities where market mispricing occurs, some of which are as follows:

   a. Good companies in a sector that is currently depressed either because of negative news flow or lacks of clarity on a turnaround,

   b. Market's over reaction to a short term negative event or a poor quarterly result that result in an abnormal movement,

   c. Corporate restructurings through demergers/spinoffs where information asymmetry related mispricing is often found.

5. Why Institutional platform do not have DVD kind of strategies?

   Many deep value opportunities with event catalysts for value unlocking arise in small and medium companies and hence deployment of larger capital is difficult. Many such companies may not have wider analyst coverage and hence require first hand research where research cost

as a percentage of asset deployed will become higher. Only profit share incentive can justify such higher costs.

Such strategies require buying into companies that do not correlate with broader indices in short to medium term even if they have superior return potential in long term. Handholding investors at times when such stocks have nil or negative movement in a market upswing is important that is difficult to practice in a mass market platform.

6. Why Unifi?

Unifi has built credible investment performance in strategies that require tracking insider activity that typically happen in value situations, open offers/buyback transactions and spinoffs triggered opportunities. Our niche and boutique set up backed with years of experience in handling similar opportunities help us practicing such strategies with ease.

7. How is Unifi incentivised?

Unifi believes in "Alignment of Interest" model with the investors. In DVD, the minimum rate of return an investor must earn before Unifi is eligible for share of profit is 40%. This is not per annum but fixed whether the period of investment is one or a maximum of three years. Unifi is incentivized with 1/3rd share of incremental returns achieved above the hurdle rate of 40%. The fee will be collected only when the capital is returned to the investor along with the profit and not merely on unbooked profits. In addition, Unifi is not eligible for annual management fee.

8. What is DVD structure?

It will be in a PMS platform where the investor assets remain always in investor's name and not pooled. In a pooled vehicle, entry/exit of few large investors may hurt the interest of other investors who remain invested. Entry/Exit of an investor can be controlled in a fund structure whereas in a PMS platform there is no lock-in. Hence in DVD, there is no lock-in, nil entry/exit loads.

- The capital raised from investors will be restricted to Rs.100 Crores.
- The fund will be unwound when the portfolio doubles or at the end of 36 months, whichever is earlier.
- The fund will hold a concentrate portfolio of about 10 stocks across various sectors, likely to be very low turnover and hence potentially higher post tax return.
- There will be no benchmarking to broader indices over the life of the fund; focus is on absolute return potential of 100% in 36 months.

9. Product Brochure:

Value Investing demands extraordinary emotional equanimity from both the fund manager and investor. It is important to understand and accept the manager's investment philosophy before committing capital. Hence investing time to read the detailed product brochure helps the investor whether DVD suits his/her portfolio. In addition, seek a meeting with the product manager to clarify all your queries.