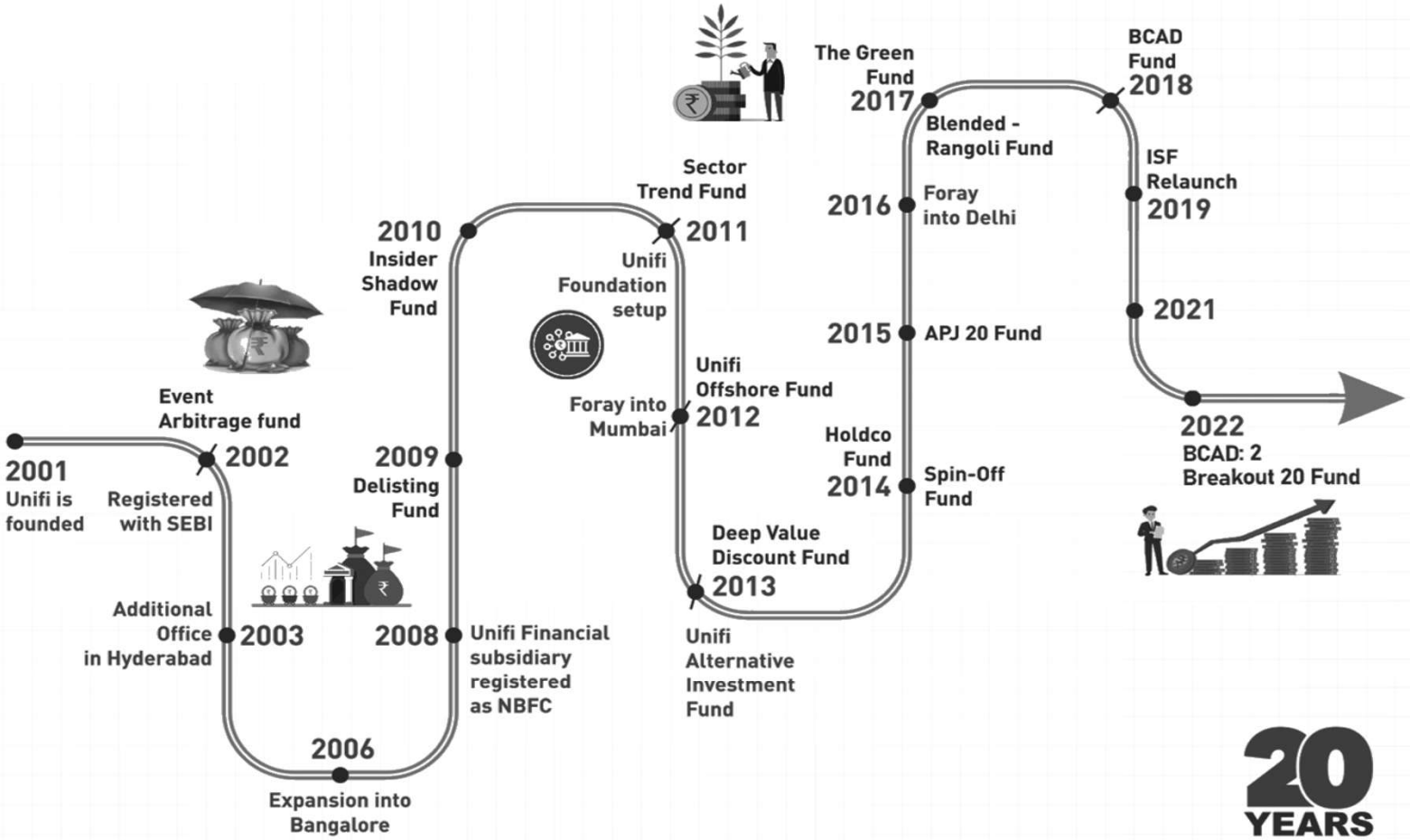


UNIFI HYF 10 YEARS

Unifi High Yield Fund

Unifi: Historical Timeline

Unifi was established in 2001 as a competitive and performance-oriented asset manager, using innovative investment strategies to achieve superior risk-adjusted returns



Preface

Investor Predicament

Conventional Equity

- High / above average return potential
- Accompanied by extreme volatility

Conventional Debt

- Low / below average volatility
- Hardly any real returns post tax and inflation

Cyclicality of asset values combined with misconstructed risk-return expectations push investors to either

- Settle for sub-par returns (or)
- Bear volatility beyond one's temperament leading to capital loss

Unifi HYF Proposition

High Yield Fund

- Consistent net post tax returns over the rate of core inflation
- Minimal / below average volatility

Risk adjusted arbitrage and fixed income opportunities arising from

- Corporate events
- Macro-economic cycles
- Emerging NBFC & Mid Market credit

Fund Structure

Investment Objective

Unifi High Yield Fund (HYF) is a discretionary fund focusing on fixed income and event arbitrage investment opportunities with an endeavor to consistently generate net post tax returns over the rate of core inflation. The objective is to deliver superior compounded annual returns than conventional fixed income instruments with uncompromising emphasis on capital preservation.

Total AUM	INR 776 Crores
Management Fee	1.10% per annum fixed (for distribution model)
Performance fee	20% performance over hurdle rate (Monthly Chargeable)
Tenure	Open ended; Monthly subscription and redemption
Exit Load	Exit load of 2% if capital is redeemed within 6 months.
Minimum Investment	INR 1 Crore
Independent Custodian & Accountant	HDFC Bank
Hurdle Rate	Non-cumulative pre-tax return of 10% per annum
Reporting	Monthly NAV & Quarterly Review
Valuation	S&P CRISIL

Strategy & Approach

Why is the fund targeting to beat Core Inflation?

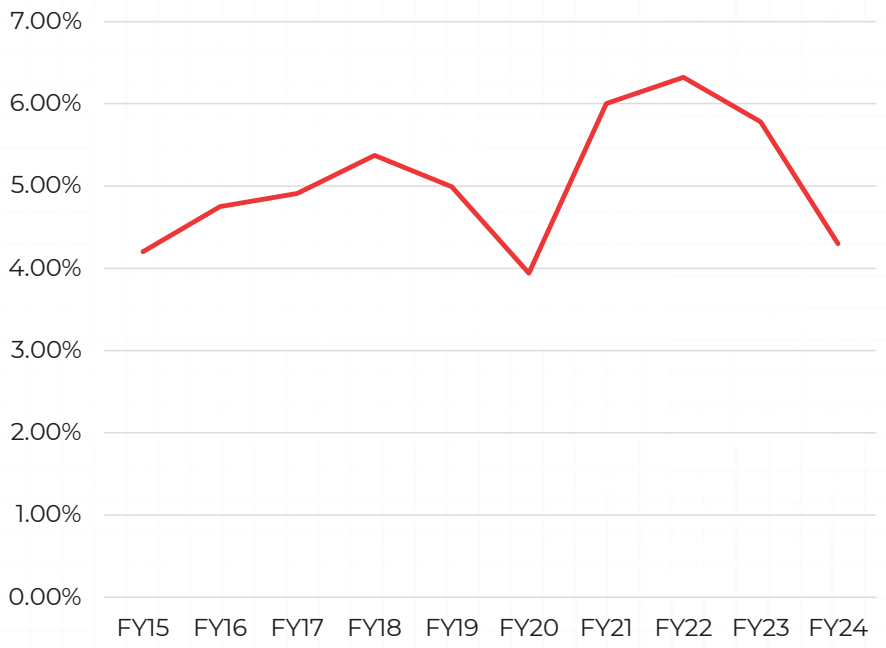
RBI measures core inflation as consumer price inflation (CPI) excluding Food & Fuel. The price changes due to supply shocks in food and fuel category are transitory & typically reverse themselves.

Hence, monetary policy does not have to respond to such changes. Core inflation removes the volatile low-ticket size consumption components and helps in identifying the relevant inflation rate that an investor's portfolio needs to generate (at least) to preserve the time value of their money.

The key components of core inflation are Transport and communication, Education, Health, Household goods and services, Personal care and effects, Recreation and amusement.

CPI data Source - The National Statistical Office (NSO) & Ministry of Statistics and Programme Implementation (MoSPI)

Core Inflation over the last 10 years



Financial Year	Core CPI
FY15	4.20%
FY16	4.75%
FY17	4.91%
FY18	5.37%
FY19	4.99%
FY20	3.94%
FY21	6.00%
FY22	6.32%
FY23	5.78%
FY24	4.30%

Strategy & Approach

Our core investment strategy is to diligently find high yield debt opportunities in Alternative NBFCs and mid market corporates with good fundamentals and proven track record across business and economic cycles.

Meticulous evaluation would be done by our in-house team with external ratings used only as a starting point.

Typically, majority of the portfolio would be invested in such fixed income investments with a weighted average tenor of 3 years or below.

The balance part would be opportunistically invested in hybrid INVITs / REITs, corporate event arbitrage and mean reversion directional calls emerging from the listed equities segment to enhance the overall returns.

Segment	Indicative Allocation	UNIFI's Experience
Alternative NBFC & corporate debt	30% to 100%	12+ years; 12% CAGR
Event Arbitrage (open offers, IPOs. buybacks)	0% to 50%	18+ years; 15% CAGR
Hybrid Invits and Reits	0% to 25%	3+ years; 10% CAGR
Liquid MFs and AAA, AA, A+ bonds / Cash	0% to 25%	12+ years; 6% CAGR
Directional calls	0% to 10%	18+ years; 16% CAGR

Event Arbitrage – Approach and Strategy

The core investment approach is to exploit corporate event arbitrage opportunities in the listed capital markets that inherently have limited correlation to economic cycles and market volatility.

Unifi, since its inception, has been specializing in identification and quick execution of low risk-moderate gain opportunities in the capital markets thrown up by market events, behavior and regulation.

These corporate event arbitrage opportunities inherently have limited correlation to economic cycles & market volatility. As these opportunities are sporadic, it works better as a yield-enhancer in a broad fund like this instead of a separate fund.

Type of opportunity	Recent / Notable deals
Mandatory open offer or Voluntary open offer	• Unichem, Suven Pharma, ACC & Ambuja, Butterfly, Escorts, JB Chemicals, Indostar, Vedanta, WABCO, India Cements
Selective participation in IPO's	• Unicommerce, Bajaj Housing, Waaree Energies, MobiKwik, Premier Energies, DAM Capital, Inventurus Knowledge Solutions, P N Gadgil, Emcure Pharma, Unimech Aerospace etc.
Buybacks through tender offer route	• Just dial, Hindustan Unilever
Corporate actions resulting in value unlocking	• Majesco Limited, IDFC Limited
Delisting	• Clariant Lifesciences, Polaris consulting

Generally, we participate in those opportunities where –

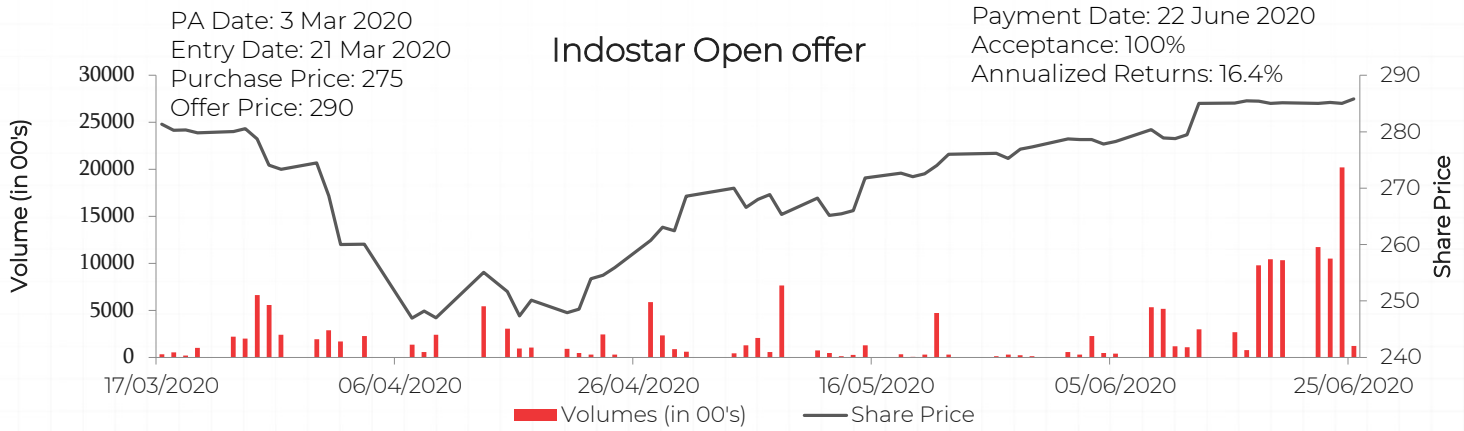
- ❖ there is sufficient liquidity in the scrip,
- ❖ the management is reasonably sound,
- ❖ the process of share acquisition is completely transparent,
- ❖ where the balance of risk-reward after considering the possibility of non- acceptance of shares offered (in case of public tenders) and the capital loss/risk on the shares not accepted is reasonably estimated to be in our favour.

Event Arbitrage – Attributes

Event Arbitrage opportunities (Open Offers, Buybacks, IPOs etc)	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15
Total no. of opportunities during the year	407	77	64	42	32	42	92	78	95	60
No. of offers participated	72	14	22	20	9	7	20	17	10	9
Average offer size (in crs)	100	1,782	2,400	1,329	1,182	2,178	1,212	773	407	287
Largest Offer invested (in crs)	3,043	19,879	7,700	5,948	10,355	17,000	14,512	6,000	1,621	11,449
Smallest Offer invested (in crs)	11	390	500	318	448	212	152	130	474	251

Note: *In FY24, we have invested in 40 SME IPOs and 32 mainboard IPOs. Investment in SME IPOs is solely for listing gains and has been carried out through a framework approved by Investment Committee. On average, we have invested in 1 out of 5 SME IPOs.*

In a typical open offer, the price movement during the period between public announcement and the offer closure is largely insulated from market volatility and delivers a debt like absolute return.



Segment Overview – Directional calls / Hybrids

Select Directional calls

Opportunistic position on a highly selective basis in listed equities, leveraging our access to the in-depth research repository from our equity strategies

To Take advantage of severe market price volatility caused by regulatory actions, political changes, force majeure events or extreme macro-economic conditions, which would invariably return to normalcy in due course. (mean-reversion).

To exit the open positions in an organized manner post completion of respective event arbitrage transactions

INVITS & REITS

- Over the last 5 years, Unifi has been tracking and investing in the rapidly evolving domestic Infrastructure Investment Trusts (INVITs) and Real Estate Investment Trusts (REITs) segments.
- These special purpose vehicles downstream income from several high-quality infrastructure and real estate assets across India. There is a dual opportunity of spread trade as well as higher carry yield in these hybrid instruments as compared to conventional debt deals..

Debt Investments – Approach and Strategy

Investment Strategy - The focus is to diligently find high yield debt opportunities in Alternative NBFCs & Mid Market Corporates with good fundamentals and proven track record across economic cycles. Typically, all such debt investments are undertaken post detailed evaluation by our in-house research team with credit ratings used as one of the many parameters. The core portfolio comprising of debt securities rated AA- to BBB- is built with a Hold to Maturity (HTM) mindset. Select unrated structured deals, tactical duration calls and wholesale-retail arbitrage deals resulting in capital gains would also be opportunistically pursued.

Alternative NBFCs (Core Portfolio)

Focus on debt investments in robust and well managed Alternative NBFCs that are retail and MSME oriented. With these companies rapidly democratizing the penetration of credit across all socio-economic and geographical segments in India, they have garnered support from both the investors and regulators.

Mid Market Corporates

Cater to the growing credit requirements in the Mid Markets Corporates space that banks are unable to fulfill due to end-use restrictions. Opportunities across segments except real estate and distressed debt would be considered for evaluation.

Wholesale to Retail & Aggregator of Retail lots

Bulk Buying from Bank Treasuries / Primary Issuances at finer rates and selling in smaller lots with a mark-up to HNIs / Private Provident Fund Treasuries. Likewise, provide the much-needed liquidity channel for retail bond holders at market yields plus spread.

Tactical Calls

Consider macro-economy driven opportunities like softening of Yield Curve (duration play) due to fall in Interest Rates and conducive Rating Upgrades cycle resulting in capital gains.

Segment Overview – Alternative NBFCs

Alternative NBFCs - Introduction

Over the last 15 years, new breed of NBFCs have emerged that adopt alternative ways of sourcing, credit under-writing, monitoring and collection methodologies to offer financing to those households and enterprises traditionally excluded or under-served by banks and large NBFCs. They are also the first alternative and cheapest source of funds from the organized sector for these borrower segments who were earlier depended on local high-cost money-lenders. By delivering the last mile credit, these institutions are ensuring unorganized to organized transition and democratization of credit access in India covering the entire gamut as follows –

Segment / Particulars	Micro Finance	MSME Finance	Used CV Finance	Affordable Housing	Consumer Finance
Loan Size	Rs.5,000 to Rs.1,00,000	Rs.5,000 to Rs. 5 crores	Rs.25,000 to Rs.15 lakhs	Rs.1,00,000 to Rs.20 lakhs	Rs.5,000 to Rs.5 lakhs
Tenor	12 months to 24 months	3 months to 7 years	2 years to 5 years	5 years to 20 years	1 month to 3 years
ROI	18% to 30% p.a.	14% to 36% p.a.	16% to 32% p.a.	10% to 18% p.a.	18% to 40% p.a.

Segment Overview – Alternative NBFCs

Key differentiators

- Tech led credit underwriting, documentation and life-cycle management.
- Doorstep solutions & quick turnaround time.
- Scalable model & capability to work with informal income records.
- Vertical specialisation, Social media analytics etc.

Opportunity Size

- There are about 9300+ licensed NBFCs in India and only 260+ are rated. About 200 of them can be classified as Alternative NBFCs.
- In the last two decades, these NBFCs have collectively raised Rs.60,000+ crs private equity from marquee institutional investors and Rs.200,000+ crs debt capital from domestic and global financial institutions.
- About 10 of them have become small finance banks or universal banks either directly or through mergers indicating the trust and importance that RBI has placed on these companies.

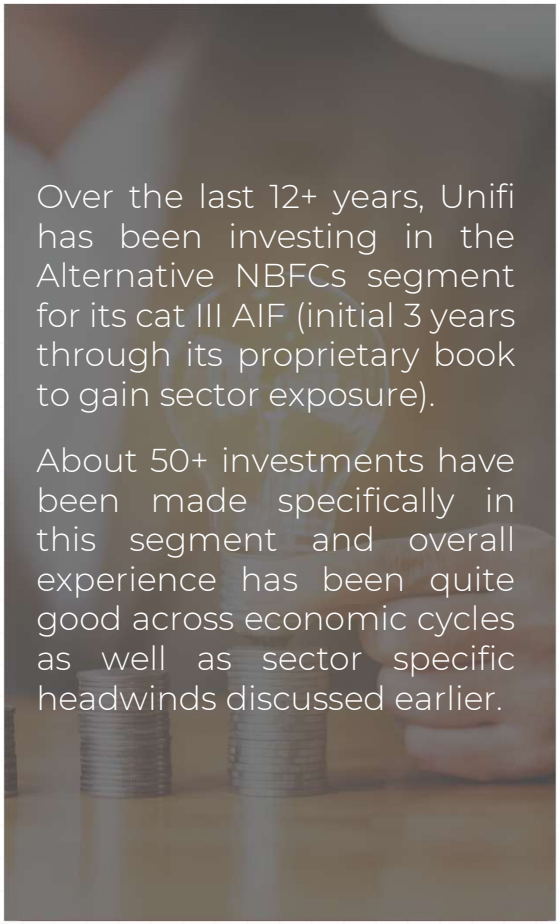
The last decade had several challenges and learnings for the alternative NBFC sector right from -

- 2010-11 A.P. MFI crisis,
- Demonetization,
- GST transition,
- farm loan waivers,
- liquidity crisis post IL&FS default
- Covid impact on their operations and collections.

These extraordinary occurrences have seasoned the sector and enabled them to fine tune their process as regards origination, credit appraisal, collections as well as prudent liabilities and capital adequacy management.

The central bank also duly supported the entire sector with refinance and special liquidity support during both covid waves.

Alternative NBFCs- Due Diligence process



Over the last 12+ years, Unifi has been investing in the Alternative NBFCs segment for its cat III AIF (initial 3 years through its proprietary book to gain sector exposure).

About 50+ investments have been made specifically in this segment and overall experience has been quite good across economic cycles as well as sector specific headwinds discussed earlier.

The following criteria and due diligence process are firmly applied for selection of investment opportunities in this segment, and they have held us in good stead –

- Fundamentally sound and profitable business model.
- Management with proven track record.
- Robust process for credit evaluation, security creation, operations, and collections.
- Presence of seasoned Private Equity investors in the board with 25+% stake.
- Recent round of promoter / private equity infusion strengthening the capital adequacy.
- Short Term Maturity and being in the top quadrant of the Company's Liability repayment profile thereby placing our exposure in a positive Asset Liability bucket.
- Primary due diligence by Unifi team including HO and branch visit and discussion with key promoter and management personnel.
- Rigorous post investment monitoring through access to periodical MIS reports and in-depth assessment to track performance and detect early warning signals.

Alternative NBFCs – Case Study

Case Study – (Two-wheeler Finance) – Berar Finance Limited

In September 2022, we invested in 11.50% 2.5-year NCD (Quarterly amortisation) of Nagpur based Berar Finance Limited. It was incorporated in 1990 as deposit taking NBFC, primarily engaged in financing purchase of two wheelers. It has a network of 100+ branches spread across the states of Maharashtra (about 50% of book), Chhattisgarh, Madhya Pradesh, Gujarat, Karnataka & Telangana.

- The company has been operating successfully for many years and hasn't posted a single loss in their 30+ years of existence
- Company is adequately capitalized and backed by PE Investors – Amicus Capital & Maj Invest – they have recently concluded Rs.100cr equity infusion from Maj Invest
- Strong growth in AUM even in a COVID hit year without any compromise on profitability and asset quality. Asset quality is backed by strong collections team. stringent portfolio monitoring & swift recovery mechanism
- Clearly defined and structured branch operational processes observed during our branch visit
- Besides pre-investment diligence, post investment monitoring is meticulously done including monthly review of ALM (as illustrated below)

Favourable Asset Liability Profile at the time of Investment

Rs. in Crore	<1 Month	1-2 Months	2-3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	>5 Years	Total
Total Assets (a)	90.46	65.71	55.18	147.56	226.29	176.69	225.87	44.64	941.94
Total Liabilities (b)	21.77	31.98	33.23	108.85	216.63	295.88	41.96	290.00	941.94
Mismatch (a-b)	68.69	33.73	21.95	38.71	9.66	(119.18)	183.90	(245.36)	
Cumulative Mismatch	68.69	102.42	124.36	163.07	172.74	53.55	245.36		

Investee Companies – Alternative NBFCs

UNIFI HYF 10 YEARS

Networth between 250 Crs – 1,000 Crs

Namdev Finvest Private Limited
BERAR FINANCE LIMITED Partnership for Prosperity
Keertana
Altum Credo Home Finance
SAVE
IKF Home Finance
efl
Avendus
VASTU FINSERVE
IKF FINANCE
Namra Finance Ltd
NEOGROWTH
GMR
INDOSTAR HOME FINANCE
Capsave
kissht
Bombay Burmah

Networth of 1,000-5,000 Crs

AYE [आय]
Fusion Microfinance
Jana Small Finance Bank
VERITAS FINANCE
svatantra
IIFL samasta
Kogta FINANCIAL FREEDOM TO GROW
InCred
ES EarlySalary
Chaitanya
SPANDANA
INDOSTAR
BELSTAR MICROFINANCE LIMITED
Krazy Bee
oxyzo
AVANSE FINANCIAL SERVICES
sk FINANCE Saath Aapke... Hamesha
TVSCREDIT
VISTAAR FINANCE

Networth of 5,000 Crs +

mahindra FINANCE
आरईसी REC

Key Ratings Migration

Name of the Company	Movement	From	To	Year
Altum Credo	Upgrade	BBB	BBB+	FY2025
Aye Finance	Upgrade	A-	A	FY2025
Clix Capital	Upgrade	A	A+	FY2025
Earlysalary Services	Upgrade	BBB+	A-	FY2025
Electronica Finance	Upgrade	A-	A	FY2025
IKF Finance	Upgrade	A	A+	FY2025
IKF Home Finance	Upgrade	A-	A	FY2025
Namdev Finvest	Upgrade	BBB	BBB+	FY2025
TVS Credit Services	Upgrade	AA	AA+	FY2025
Spandana Spoorthy	Upgrade	A	A+	FY2025
Avanse Financial	Upgrade	A+	AA-	FY2024
Belstar Microfinance	Upgrade	AA-	AA	FY2024
Capsave Finance	Upgrade	A	AA+	FY2024
Chaitanya India Fin Credit	Upgrade	A	AA-	FY2024
Credit access Grameen	Upgrade	A+	AA-	FY2024
Esskay Finance	Upgrade	A+	AA-	FY2024
Five Star Business	Upgrade	A+	AA-	FY2024
GMR Goa Airport	Upgrade	BBB+	A	FY2024
Incred Financial	Upgrade	A+	AA-	FY2024
Krazybee Services	Upgrade	BBB+	A-	FY2024
Svatantra Microfin	Upgrade	A+	AA-	FY2024
Vastu Finserv	Upgrade	A+	AA-	FY2024
Oxyzo Financial	Upgrade	BBB	A+	FY2022

Name of the Company	Movement	From	To	Year
Fusion Finance	Downgrade	A+	A	FY2025
Save Microfinance	Downgrade	BBB	BBB-	FY2025
Berar Finance	Downgrade	BBB+	BBB-	FY2024
Satya Microcapital	Downgrade	A-	BBB+	FY2023
Western India Transport Finance	Downgrade	BBB-	D	FY2021
IDBI	Downgrade	AA-	BBB	FY2017

The fund has made debt investments in 70+ companies since inception.

Three of the investee companies have been awarded SFB Licences - (Suryoday, Equitas, Utkarsh)

High Yield Fund Portfolio

Portfolio as of 31st December, 2024

High Yield Fund Portfolio	% of Portfolio	Key Constituents
Listed Equity Arbitrage, Hybrid & Cash	10%	Directional Calls, Overnight, Liquid MFs and Mahindra Susten
Highly Liquid & Well Rated Debt	12%	Svatantra Microfinance (Aditya Birla MFI), Belstar MFI, TVS Credit Services and Avanse Financial
High Yield Debt	79%	Investments in Emerging NBFCs – periodical amortising structure [47% of this portfolio is getting redeemed in the next 12 months]
Total	**100%**	

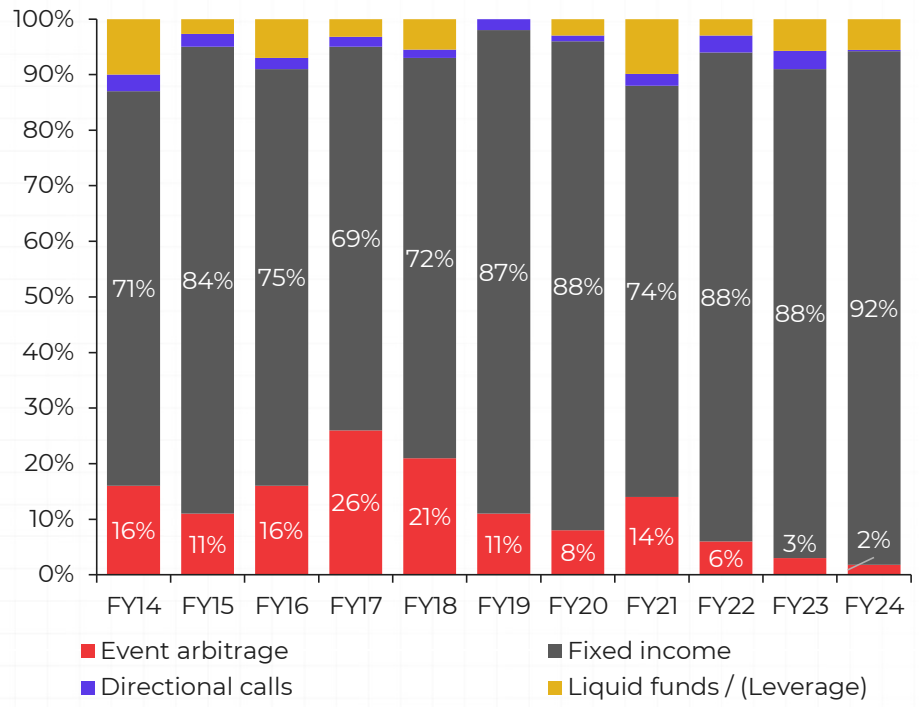
HYF Performance

	UNIFI HYF	Time Period	Returns %
Average Monthly Return	1.05%	3 months	2.49%
CAGR	12.91%	6 months	5.31%
Largest Monthly Gain	3.01%	12 months	10.96%
Largest Monthly Loss	-0.70%	2 Years CAGR	11.03%
% of positive Months	99.29%	3 Years CAGR	10.74%
Standard Deviation (Annualised)	1.62%	5 Years CAGR	12.08%

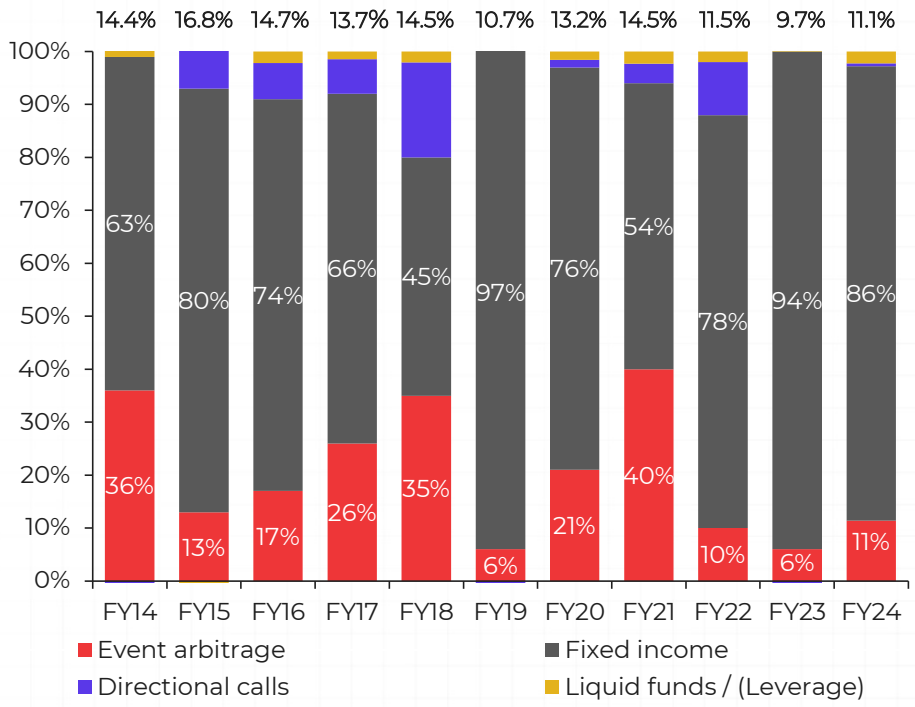
													Annual / FYTD	
Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Pre -tax	Post-tax
FY14	0.92%	1.56%	-0.70%	1.60%	1.02%	0.87%	1.18%	1.07%	2.84%	0.79%	2.20%	0.95%	**14.40%**	**9.50%**
FY15	1.15%	1.43%	1.22%	1.44%	1.13%	1.20%	1.14%	1.36%	1.48%	1.28%	1.38%	1.83%	**16.82%**	**11.10%**
FY16	0.92%	1.14%	0.75%	1.58%	1.26%	0.87%	1.24%	0.82%	1.31%	1.12%	0.59%	2.51%	**14.67%**	**9.68%**
FY17	1.00%	1.14%	0.83%	1.24%	1.10%	1.38%	0.79%	1.28%	0.77%	0.90%	0.80%	1.97%	**13.70%**	**8.83%**
FY18	1.60%	0.32%	1.00%	1.15%	1.42%	2.25%	0.90%	1.40%	0..80%	0.63%	0.81%	1.60%	**14.47%**	**9.33%**
FY19	0.65%	0.31%	0.41%	0.84%	0.92%	0.22%	0.64%	0.71%	1.02%	0.84%	0.85%	3.01%	**10.75%**	**6.89%**
FY20	0.49%	1.15%	0.66%	0.93%	0.89%	0.72%	0.94%	1.35%	1.03%	1.23%	1.22%	1.87%	**13.18%**	**7.55%**
FY21	0.34%	0.55%	0.82%	1.27%	1.36%	1.87%	1.68%	1.95%	1.42%	1.02%	0.89%	0.72%	**14.48%**	**9.29%**
FY22	0.95%	1.22%	1.05%	1.16%	0.82%	0.70%	0.91%	0.90%	0.62%	1.02%	0.91%	0.89%	**11.50%**	**7.38%**
FY23	0.73%	0.72%	0.82%	1.00%	0.84%	0.44%	0.79%	0.81%	0.78%	0.70%	0.53%	1.28%	**9.69%**	**6.21%**
FY24	0.81%	1.01%	0.90%	1.03%	0.86%	0.80%	0.78%	0.95%	0.91%	0.86%	0.89%	0.95%	**11.07%**	**6.82%**
FY25	0.72%	0.94%	0.92%	0.93%	0.92%	0.88%	0.85%	0.77%	0.85%				**7.94%**	**4.89%**

Average Allocation & Return Attribution

Average Allocation

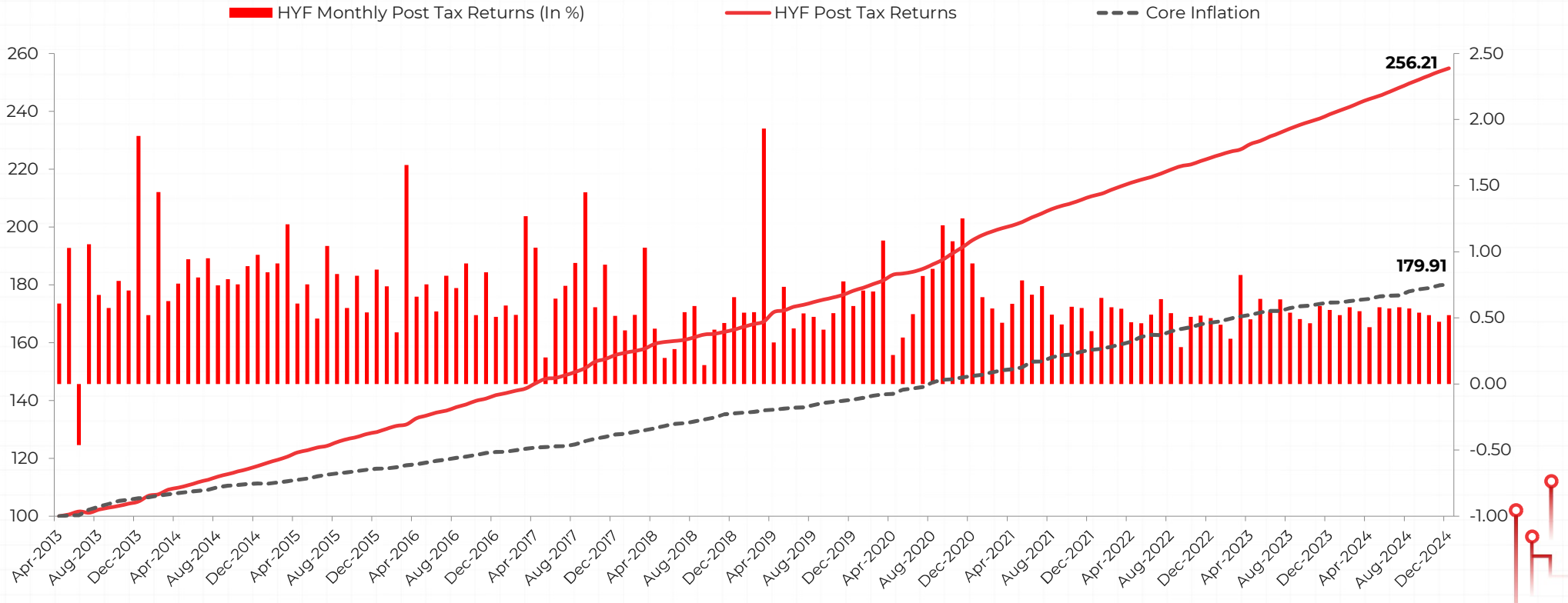


Return Attribution



Performance Comparison with Core CPI

The graph hereunder shows the returns earned by Unifi HYF compared with lines that represent core inflation. [RBI measures core inflation as CPI excluding Food & Fuel]



The value addition of Unifi HYF over Core CPI is about 3.23% on CAGR terms since inception.

Performance Comparison with Core CPI

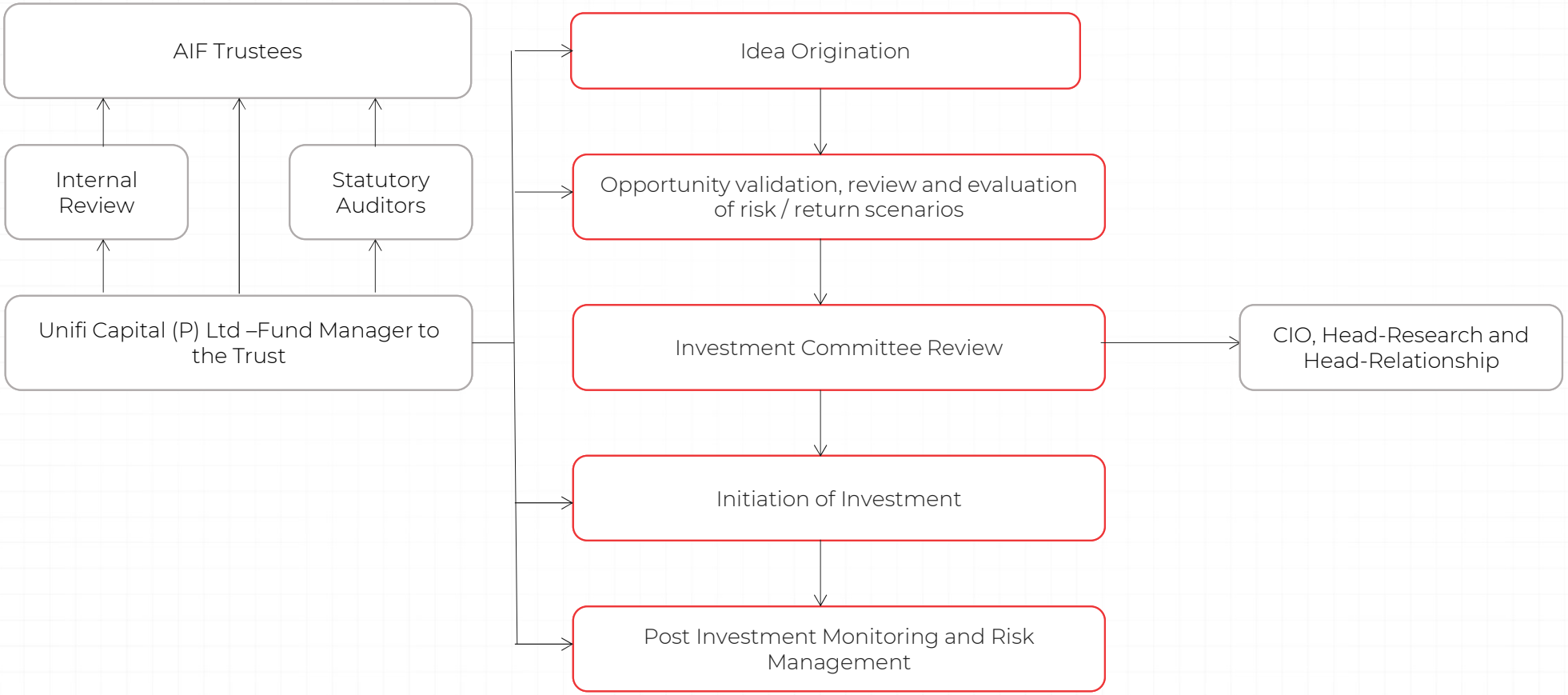
Year	HYF Post tax return	Core CPI	Value Addition
FY14	9.50%	8.03%	1.47%
FY15	11.10%	4.20%	6.90%
FY16	9.68%	4.75%	4.93%
FY17	8.83%	4.91%	3.92%
FY18	9.33%	5.37%	3.96%
FY19	6.89%	4.99%	1.90%
FY20	7.55%	3.94%	3.61%
FY21	9.29%	6.00%	3.29%
FY22	7.38%	6.32%	1.06%
FY23	6.21%	5.78%	0.43%
FY24	6.82%	4.30%	2.52%

Performance Comparison with Debt MFs

Our HYF returns have been significantly better than comparable debt mutual funds – both credit funds and duration driven dynamic bond funds not only in this year but also in all our earlier years as well.

	FYTD 2025	FY 2024	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Unifi HYF – Pre-Tax	7.94%	11.07%	9.69%	11.50%	14.48%	13.18%	10.75%	14.47%	13.70%	14.67%	16.82%	14.40%
Debt MFs - Dynamic Bond Category Average	6.82%	7.78%	3.97%	4.40%	6.72%	8.49%	6.49%	4.69%	12.13%	6.55%	10.54%	5.86%
Dynamic Bond Category Topper	7.14%	9.98%	7.09%	7.76%	8.45%	13.83%	8.83%	7.98%	14.40%	8.07%	15.13%	10.36%
Debt MFs - Credit Funds Category Average	6.49%	8.50%	4.37%	5.66%	6.26%	-0.60%	6.06%	7.70%	10.65%	8.99%	9.28%	8.41%
Credit Funds Category Topper	10.44%	9.10%	5.19%	6.75%	9.46%	9.43%	8.51%	9.43%	11.50%	10.02%	11.87%	11.12%

Investment Process



Risk Management Framework

Portfolio Parameters Pre-trade

In-depth bottom-up review of all investment opportunities by documented and well seasoned evaluation process

Sensible Exposure Limits:
- Theme Specific
- Company Specific (not more than 10%)

'Marketable Liquidity' Assessment

Rigorous due-diligence on structure and security w.r.t. debt investment opportunities

Maximum Leverage limit including derivative exposures capped at 1.5 times the fund corpus

Ongoing Surveillance Post-trade

Daily Mark-to-Market assessment including detailed review of extreme movements

Real-time monitoring of economic developments, corporate communications to stock exchanges and methodical tracking of economy and company specific developments

Periodical meeting / calls with management of all the investment companies to measure progress, review results and revalidate assumptions

Opportunistic hedging/tactical trading to respond to short-term, counter-theme market moves

Firm Infrastructure

Best-in-class IT infrastructure with back-up

Documented Process Flow

Reputed Trustees, Custodian, Valuer etc

Research Access to premium databases capturing economic, sector and company specific trends

Periodical Internal Review and Statutory Audit

Key tenets

Four key tenets of our investment and risk mitigation framework

- Avoid becoming too large too soon

  We periodically close the fund to new subscriptions so that we have adequate time to “cherry-pick” our investments and maintain a healthy funnel of investible ideas. This strategic calibration allows us to complete proper homework and offers the flexibility to say “no” to investments that we find sub-optimal. Since our commercial interest is aligned to generate higher return on capital, we don't unduly prioritise growing the fund itself.

- Avoid long duration

  We invest in shorter maturity bonds of fundamentally strong corporates at an attractive absolute yield. This protects us from having to forecast interest rates; a challenge that trips-up most professional investors most of the time. Equally important is the fact that short tenor also offers the enormous benefit of not having to predict the prospects of a business far into the future. Since uncertainties rise exponentially with time, we logically prefer to settle for a slightly lower yield than expose our capital to the risk of permanent loss due to potential disruptions over the longer term. We bear in mind that our upside is in any case capped by the bond's contracted yield, unlike the case of an equity investor who accepts long duration in the hope of earning an out-sized upside.

- Avoid placing too much value on credit ratings

  Credit events from the last year validate the fact that securities of highly rated and larger firms are not necessarily safer than those issued by smaller companies. The fund welcomes opportunities from relatively new issuers by leveraging our in-house capability to analyse businesses from a fundamental bottom-up perspective. These emerging firms require smaller sums, and it takes us considerable time and resources for a thorough due-diligence. Precisely for this reason the big institutions are not equipped to operate in this space, allowing us to earn superior yields.

- Embrace Illiquidity

  The bond market is dominated by large mutual funds that are managed by small teams. In the interest of efficiency, they tend to prefer investing in large and well-established firms whose bonds are perfect for quick large-scale deployment and offer liquidity at short notice. On the contrary, the issue with emerging company bonds is that they tend to be less liquid and we as investors should be clear in our mind about holding them till, they mature in 18 to 30 months. In this aspect we are particularly well placed. Despite being an open-ended fund (monthly window), we are uniquely positioned to buy illiquid bonds in exchange for higher yield due to the stability of our diversified corpus from our clients.

Why Unifi High Yield Fund ?

Successful and consistent track record of achieving superior returns

Open-ended fund with no entry load. No exit load post 6 months of investment.

Historical volatility has been less than 2%. Portfolio construction with uncompromising emphasis on capital preservation.

Core high yield debt portfolio with flexibility to participate in event arbitrage opportunities with high returns potential.

Complete bottom-up in-house research of all deals and rigorous monitoring mechanism post investment. No outsourcing of research or undue reliance on credit ratings.

Calibrated raising of fresh capital according to deployment potential. Not looking to scale beyond INR 3000 crores so as to remain nimble and deliver performance across market and economic cycles.

The power of compounding

The power of compounding is the eight wonder of the world – Einstein.

A portfolio with consistent above average compounded returns over years creates more wealth than a one offering high returns at a higher volatility. See the example below –

		Year 1	Year 2	Year 3	Year 4	Year 5
		18%	16%	17%	19%	15%
Portfolio A	100	118	137	160	191	219
		40%	27%	-38%	24%	22%
Portfolio B	100	140	178	110	137	167

Even one bad year in a 5 yr time period could significantly bring down the returns and dilute the power of compounding.

Allocation Overview

Strategies	Range	Average allocation									
		FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15
Event Arbitrage Arbitrage opportunities in listed equities arising from open offers, delisting, corporate actions, IPOs	0 – 50%	2%	3%	6%	14%	8%	11%	21%	26%	16%	11%
Nominal Bonds Conventional AAA & AA bonds of various Indian companies – Typically HTM	0 – 50%	17%	10%	12%	22%	16%	22%	26%	23%	23%	26%
Structured & High yield Debt Structured debt instruments of NBFCs focusing on SME , Vehicle, Consumer, Housing, Micro finance etc & Mid-Market corporate credits	0 – 100%	72%	78%	72%	52%	72%	65%	46%	46%	52%	58%
Directional Calls Equity, G-Secs and AAA debt (duration calls)	0 – 10%	3%	3%	3%	2%	1%	2%	1%	2%	2%	2%
Cash / Liquid For liquidity purposes / temporary parking of funds	0 – 10%	6%	6%	7%	10%	3%	-0.3%	6%	3%	7%	3%

Thank You!

Disclaimer

Securities, investments are subject to market risks and there can be no assurance or guarantee that the objectives will be achieved. As with any investment in securities, the value of the portfolio under management may go up or down, depending on the various factors and forces affecting the capital market. Past performance of the Portfolio Managers is not an indication of the future performance of the Portfolio Managers. Investors in the strategy are not being offered any guaranteed/assured returns. This information has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. This material is not an offer to sell or a solicitation to buy any securities or any financial instruments mentioned in the report. Unifi Capital Pvt Ltd and their officers and employees may or may not have a position with respect to the securities other financial instruments mentioned herein. All opinions and estimations included in this report constitute our judgment as of this date and are subject to change without notice. Performance related information provided herein is not verified by SEBI.