

# Crescendo Capital Advisors

## INFORMATION DOCUMENT

### **About Us**

Crescendo Capital Advisors (“Crescendo”) is a private limited company incorporated in Mumbai, India on February 18<sup>th</sup>, 2008 by Pradeep Vaswani and Ajit Singh Dua.

Our objective is to provide stock-based investment advisory services to our clients comprising high net worth individuals, corporations and institutional investors with a view to generate above-average returns for such clients over a period of time. Crescendo also intends to invest its own surplus funds in the Indian stock market to build a model portfolio of stocks that will act as a measure of the company’s performance over a period of time.

Our advice will be focused on identifying companies that trade significantly below our estimate of their intrinsic value and are run by competent and shareholder-friendly management. We believe that such a strategy will provide significant returns to our clients over a long period of time.

### **People**

Pradeep Vaswani is a computer engineer with a MBA and Masters in International Business qualification from the University of South Carolina, USA. He has worked at IBM, USA for over 9 years managing technology projects. He has been investing in the Indian and US stock markets for the last 7 years.

Ajit Singh Dua is an instrumentation engineer with a MBA (Finance) qualification from the Jamnalal Bajaj Institute of Management Studies, Mumbai. He has worked with Securities & Exchange Board of India (SEBI), UTI Securities and Aavishkaar India Micro Venture Capital Fund. He has over 10 years of experience in the Indian capital markets.

## Governing Principles

- We will provide advice for investing your money as if it were our own.
- We will concentrate your investments in our best ideas.
- We will advise holding cash or cash equivalents and not invest in equities until we find opportunities that offer safety of principal and adequate return.
- We will provide advice only towards investing for the long term (3-5 years). Accordingly, we will prefer to work with clients who are convinced that equities, as an asset class, generate superior returns over a longer time horizon.
- We will choose your equity investments based on their discounts from our appraisal of their corporate intrinsic values, their financial strengths, their management, their competitive positions, and our assessment of their future earnings potential.
- We will communicate with you as candidly as possible on a bi-annual basis.

## Fee Structure

Crescendo's fee structure is designed around the client's portfolio performance. If we don't make money for you, we don't make money either. Our interests are completely aligned.

There is no fee if the annual return of your portfolio is less than 10%.  
If annual returns are over 10%, then fee is 20% of profits over 10%.

E.g.:

If portfolio performance is 10% for any given year, the fee will be 0% (20% of 10-10) and the net client return after fee will be 10%.

If portfolio performance is 20% for any given year, the fee will be 2% (20% of 20-10) and the net client return after fee will be 18%

If portfolio performance is 30% for any given year, the fee will be 4% (20% of 30-10) and the net client return after fee will be 26%. And so on ...

As you can see, it is in our interest to make as much money for you as we can!

## FAQs

- Q) Why should I consider Crescendo Capital Advisors versus a mutual fund?
- A) Crescendo Capital Advisors is a value based portfolio advisory service. We believe that you will find our advice to contain less risk and generate potentially higher returns than the average mutual fund. This is applicable over a longer time horizon (over 3 years). Also, our fee is aligned around our performance. There is no fixed fee, and performance fee starts only if the client makes over 10% annual returns. We also do not levy any front end or back end loads like most mutual funds.
- Q) What is your track record in generating returns on investments?
- A) Crescendo Capital Advisors was incorporated in early 2008 and so doesn't have a track record for itself. But, the people who have founded Crescendo have personal track records of significant out-performance over the BSE Sensex. Hence, we feel confident in starting an advisory service with a performance fee as against fixed fee.
- Q) What is the minimum amount to invest?
- A) The minimum amount required is 10 lac rupees. There is an exception in that one can start with 5 lac rupees in the first year but is required to raise the amount to 10 lac rupees within 1 year of account opening. If the invested capital in the account is not 10 lac rupees within 1 year of account opening, Crescendo may choose to terminate the agreement with the client.
- Q) Where is my money going to be invested?
- A) We will be recommending only Indian stocks. If we are unable to find attractive stocks, we will recommend putting the portfolio in cash or cash equivalents. In some circumstances, we may choose to put the entire portfolio in cash or cash equivalents if we are unable to find stocks to invest in. We will not be recommending investments in any kind of speculative or leveraged instruments like derivatives, futures & options, margin trading, commodity trading etc.
- Q) Will I have any control over my account?
- A) This being a 3-in-1 on-line account, you will have complete control on your **bank** account and **demat** account and access to your **trading** account.
- Q) Will the portfolio be diversified?
- A) Yes, we will not invest more than 15% of the portfolio in any single stock and not more than 30% of the portfolio in any one industry segment. We will

invest in more than 6 but less than 20 stocks at most times. In certain cases when we cannot find stocks that we think are undervalued, we will hold cash or cash equivalents in the portfolio.

Q) When can I invest?

A) You can invest at any time of the year.

Q) Is there any lock-in period after signing up as your client?

A) No, there is no lock-in period. You can close the account anytime you wish. Fee will then be calculated on a pro-rated basis.

Q) How often will you communicate with the client?

A) We will be open to answer only non-portfolio related questions at any time during the year. We will only discuss your portfolio at the end of a calendar year during our yearly performance review.

Q) What if I don't like some of the stocks in my portfolio?

A) All portfolio advisory decisions will be made by Crescendo. If you are not satisfied with the investment decisions, then you can choose to terminate the agreement at any time.

Q) What if you underperform the market (i.e. the Sensex)?

A) Crescendo has set its own benchmark at 10% annual returns and not the Sensex or any other stock index. This is because we expect our target portfolios to be significantly different in composition compared to the Sensex. So, there will be no impact should the portfolio lag or lead the Sensex. Our focus is on absolute return and not relative return.

Q) How often can I add to my account?

A) Beyond the initial invested capital, you can add funds to your account in increments of 2 lac rupees or more at any time of the year.

Q) What if I want to terminate the agreement?

A) You can terminate the agreement at any time. The period of performance will end on the day you inform us in writing. Any performance fee associated with the account will be due in 15 days after the notification date.

Q) When do I have to pay the fee?

A) All performance fees are due by January 30<sup>th</sup> for the period of performance from January 1<sup>st</sup> to December 31<sup>st</sup> of previous year.

- Q) How will my portfolio performance be measured?
- A) The portfolio will be measured for performance once every calendar year. So, the period of performance will be January to December. If you have signed on as a client in the middle of the year, the period of performance will be pro-rated and fee will be calculated on a pro-rated basis.
- Q) Can I deduct this performance fee for tax purposes?
- A) In most cases, you can deduct this performance fee as an expense. But, it is best to consult your chartered accountant or tax advisor since individual circumstances may vary.
- Q) How do I get started?
- A) Open a dedicated 3-in-1 account with an on-line trading service provider (please get in touch with us for details on preferred service provider). This includes a Banking, Demat and Brokerage account. After the account is open, contact us via email at [contact@crescendo.co.in](mailto:contact@crescendo.co.in) for executing a Client Agreement (Terms of Engagement).

### **Waiting List**

If you would like to be added to our Waiting List, please drop us an email with your following details. This would enable you to receive updates from us on the performance of Crescendo's model portfolio and related write-ups.

Name –  
Email Address –  
Address –  
City –  
State –  
Country –  
Contact number –

### **Contact Us**

By Email at [contact@crescendo.co.in](mailto:contact@crescendo.co.in)

# Crescendo Capital Advisors Private Limited

Date:

**Mr./ Ms./ M/s. XYZ**

*[Address]*

Dear

Subject: Terms of Engagement for Investment Advisory Services

This is with reference to our discussions for Investment Advisory Services. We hope you have read our Information Document with interest.

The terms of the engagement for our services are as laid out below. If you are in agreement with the same, kindly append your signatures at the end of the document and send the original signed document to us. Kindly also retain a photo-copy of the signed document with you for your records.

Warm regards.

Sincerely,

For Crescendo Capital Advisors Pvt. Ltd.

**Ajit Singh Dua**

*Director*

[On Rs. 100 stamp paper]

### TERMS OF ENGAGEMENT

The following Terms of Engagement are entered into at Mumbai on \_\_\_\_\_

by and between

**Crescendo Capital Advisors Pvt. Ltd.**, a company within the meaning of the Companies Act, 1956 (1 of 1956) and having its registered office at A-706, Cottage Land, Sector 19A, Nerul, Navi Mumbai - 400706 (hereinafter referred to as “**Advisor**”)

and

Mr./ Ms./ M/s. **XYZ**, an individual/ a company with residence/ registered office at \_\_\_\_\_  
\_\_\_\_\_ (hereinafter referred to as “**Investor**”).

Both hereinafter referred to as “**Parties**”

The Parties hereby acknowledge and agree to the terms as appearing below:

## **1.0 Scope of Work**

- 1.1 The scope of work of the Advisor shall be to recommend purchase and/ or sale of shares, securities, convertible bonds/ debentures or other equity linked instruments, liquid or income funds (hereinafter referred to as “securities”). The Advisor shall advise on the number of securities and price range at which securities should be bought and/ or sold. The Advisor shall also advise on the timing of each investment and dis-investment decision.
- 1.2 The Investor may purchase or sell securities based on these recommendations. If the Investor decides to act on the advice provided by the Advisor, then the Investor shall directly execute all transactions through his stock broker and shall be responsible for handling all payments and receipts of securities and funds. If desired by the Investor, the Advisor shall help in placing buy/ sell orders with the Investor’s stockbroker on his behalf. The Advisor will not be involved in the handling of any securities or funds in any matter whatsoever.
- 1.3 The Investor shall provide details to the Advisor, of the date of such transactions, quantity of securities purchased and/ or sold and purchase or sale prices of all transactions entered into by the Investor on the advice of the Advisor. The Investor shall provide these details within 5 days of such transactions. The Investor shall provide the Advisor with any other information related to the portfolio or his own financial circumstances that would be necessary for assessing portfolio strategy, evaluation of portfolio returns and computation of compensation.
- 1.4 The Advisor shall provide half yearly reports of performance and an Annual Portfolio Strategy Review. The Advisor shall prepare portfolio statements on a quarterly basis giving details of holdings, dividends received, profit/ loss from completed transactions from the beginning of the evaluation period to the date of the portfolio statement.
- 1.5 It is hereby clarified that this arrangement shall be for investment advice only and not for Portfolio Management.

## 2.0 Compensation

The compensation payable to the Advisor by the Investor for the investment advisory services rendered shall be computed using the following methodology:

### 2.1 Methodology for Computation of Compensation.

1. **Evaluation period**, in the normal course, will be for a period of twelve months. The first Evaluation period shall commence on the day of signing of the terms of this engagement and shall end on the succeeding December 31<sup>st</sup>. Subsequent Evaluation periods shall be for a period of 12 months starting from January 1<sup>st</sup> and ending on December 31<sup>st</sup> of every year. In the event of pre-mature termination of this agreement by the Investor or the Advisor, the Evaluation period shall end on the date of issue of notice of termination.
2. **Evaluation date**: The last working day of the Evaluation period shall be the Evaluation date.
3. **Cost of acquisition** of securities and realization on sale of securities *shall be net of brokerage paid*. Cost of acquisition for purpose of computation of Portfolio profit is the Cost of acquisition of the holdings held as at Evaluation date.
4. **Market value** as of Evaluation date shall be based on closing prices in National Stock Exchange (NSE) or in absence of quotation in NSE, closing prices on Bombay Stock Exchange (BSE) on the last working day prior to Evaluation date. If the shares are not traded on the last working day, the last quotation in either of NSE and BSE during the Evaluation period shall be deemed to be the Market value as of Evaluation date.
5. **Realized profit/ (loss)** is the difference between the sale price and Cost of acquisition of holdings sold during the Evaluation period.
6. **Dividends** shall be deemed to be received on those securities held by the Investor as on the Record Date for the dividend. For the purpose of this computation, interest received from convertible instruments and debentures shall be deemed to be dividends.
7. **Fixed fee and Performance fee** shall be calculated on the basis of the weighted average funds invested. **Weighted average funds (WAF)** is the total of amount of funds invested in each security multiplied by the fraction of year invested in that security, during the period under measurement. .

$$\text{WAF} = \sum(\text{Investment in Security} \times \text{Time invested in Years})$$

8. **The Fixed fee component** payable per annum will be Nil.

9. **Benchmark cost** is the product of Benchmark rate of return and Weighted average funds. The **Benchmark rate of return** is 10% (ten percent only). There is no Performance fee payable for the Evaluation period if the rate of return is less than 10%.

$$\text{Benchmark cost} = \text{Benchmark rate \%} \times \text{Weighted average funds}$$

10. **Portfolio profit** is defined as follows:

$$\text{Portfolio profit} = \text{Market value} - \text{Cost of acquisition} \\ + \text{Dividends received} + \text{Realized profit/ (loss)}$$

11. **Surplus profit** is the difference between the Portfolio profit and Benchmark cost. *In the event that the Portfolio profit is less than Benchmark cost, then the Surplus profit will be deemed to be nil and no Performance fee will be payable for the Evaluation period.*

$$\text{Surplus profit} = (\text{Portfolio profit} - \text{Benchmark cost}) \text{ or Nil, whichever is more}$$

12. **Performance fee** for the Evaluation period shall be calculated on the basis of 20% (twenty per cent) only of Surplus profit

$$\text{Performance fee} = 20\% \times \text{Surplus profit}$$

13. **The Performance fee component** shall be payable on an annual basis. All invoices for Performance fee shall be payable within 15 days of presentation of the invoice by the Advisor.
14. Market value as of last working day of an Evaluation period shall be deemed to be the **Cost of acquisition for the next Evaluation period**. In the event that the Portfolio profit is less than the Benchmark cost as on Evaluation date, then the higher of the Cost of acquisition for the period under evaluation or the Market value as on Evaluation date shall be deemed to be the Cost of acquisition for the next period.
15. The **Portfolio statements** shall form the basis for the computation of the compensation payable to the Advisor. In the event of any discrepancy between the holdings of the Investor and the Portfolio statement, the Investor shall communicate the same to the Advisor within 15 days of receipt of the Portfolio statement.

16. In the event there is no notification of any discrepancy of the Investor as above, the Portfolio statements shall be deemed to be agreed upon and accepted by both parties.
17. All fees shall be calculated on a pre-tax basis i.e. capital gains tax and dividend taxes, if any, that are payable by the Investor shall not be taken into account for the computation of Fixed and Performance fee.
18. The compensation payable for the advisory services shall be payable on the entire portfolio under counsel.
19. Service tax shall be payable by the Investors on the fee amounts due to the Advisor at the prevailing rate.

### **3.0 Term and Termination**

- 3.1 The term of the engagement shall be for a period of 2 years from the date of signing or until termination by either party whichever is earlier. The term shall be renewable by mutual agreement.
- 3.2 This agreement shall terminate at the option of either party i.e., the Investor or Advisor. Upon termination by either party under any circumstances,
  - a. Investor shall provide within 5 days of date of termination details of all transactions from the last portfolio statement date until date of termination.
  - b. All fees till termination date shall be calculated and paid within fifteen days of termination. The Investor and Advisor shall extend full co-operation to each other in the computing the fees upon termination as well as on any other matters relating to the portfolio. In the event of any disputes in the computation of fees, the portfolio as per the last agreed portfolio statement shall be deemed to be the portfolio as on date of termination and shall form the basis of computation of fees.
- 3.3 Termination by either Party shall, save for the rights and obligations which have already accrued to the parties hereunder prior to the termination, be without liability or continuing obligation to either party except that the provisions relating to Compensation accrued will continue in force and remain operative.

#### **4.0 Confidentiality**

- a. The Investor and the Advisor shall keep the terms of this engagement confidential.
- b. All advice rendered to the Investor are only for the benefit of the Investor and shall be kept confidential.
- c. In the event the Advisor receives a validly issued administrative or judicial process requiring disclosure of Confidential Information, the Advisor shall provide prompt notice to the Investor of such receipt. The Advisor shall thereafter be entitled to disclose any Confidential Information in order to comply with such administrative or judicial process, to the extent required by law.

#### **5.0 Representations**

- a. The Investor represents that s/he is an initiated participant in the Capital markets and is familiar with the working of the Capital markets and understands the risks and returns associated with investment activity in equities and other such securities.
- b. The Investor represents that s/he understands that the services rendered by the Advisor are purely of an advisory nature.
- c. The Investor represents that s/he understands that the fee structure is only for the purpose of eliminating the conflict of interest between the Advisor and the Investor and aligning their goals. The Investor represents that s/he understands that the fee structure does not constitute any promise whatsoever of guaranteed or assured returns and the gains and losses, except to the extent of fee payable to the Advisor, shall accrue entirely to his/ her account.
- d. The Advisor represents that it will not recommend investments in any kind of speculative or leveraged instruments like derivatives, futures & options, margin trading, commodity trading etc.

#### **6.0 Indemnity**

- a. The Advisor shall not be responsible for any losses, damages, costs or other consequences for any reason whatsoever.
- b. The Investor indemnifies the Advisor from any losses that may be incurred in the process of buying and selling shares/securities.

## 7.0 Disputes

- a. In the event of any disputes, the Advisor and Investor shall endeavor to settle the same amicably. In the event of failure of the Parties to settle the dispute amicably within 30 days, this engagement shall terminate and the Investor shall pay the fees outstanding as on termination date. If there are disputes on Portfolio statements, then the last agreed Portfolio statement as on date of termination shall be the basis for computation and payment of compensation to the Advisor.
- b. With the settlement as above, all claims of the Investor and the Advisor shall lapse.

## 8.0 Construction

This document stating the terms of engagement hereto shall constitute the entire agreement and understanding between the Advisor and Investor with respect to the subject hereof and shall super cede all previous discussions and negotiations.

## 9.0 Arbitration and Governing Law

This Terms of Engagement document shall be governed by and construed in accordance with Indian law. The Parties agree that, in the event they are not able to resolve matters, they shall have recourse only to arbitration as a means of dispute resolution to the exclusion of instigating any form of legal proceedings in any Court of Law.

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**Ajit Singh Dua**  
***Director***  
**For Crescendo Capital Advisors Pvt. Ltd.**  
**“Advisor”**

Date: \_\_\_\_\_ Place: \_\_\_\_\_

I have read the foregoing terms and conditions and agree to be bound by them.

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**Mr. XYZ**  
**“Investor”**

Date: \_\_\_\_\_ Place: \_\_\_\_\_