



### AMENDMENTS TO SAI

With reference to SAI updated on the website of Edelweiss Mutual Fund & on SEBI & AMFI's website, containing data as of August 8, 2008, Edelweiss Asset Management Ltd. hereby makes the following amendments to SAI:

1. These amendments may be called Statement of Additional Information (First Amendment), dated October 8, 2008.
2. On page 16, under the head "Key Personnel of the AMC", data of the Fund Manager is merger with the data of other Key Personnel.
3. On page 20, data relating to "Condensed Financial Information" is updated as on September 30, 2008. Refer Annexure 1.
4. On page 21, under the head "Who Can Invest?" under the notes section, point No. 1 is reframed as under:  
Returned/Dishonoured cheques are not liable to be presented again for collection, and the accompanying application forms are liable to be rejected. In case the returned cheques are presented again, the necessary charges, including bank overdraft charges, if any, are liable to be debited to the investor.
5. On page 31, under the head "Periodic Disclosure", point no. 1 relating to Annual Report, there is an insertion after the last line as under:  
Further the same will appear on the website of Edelweiss Mutual Fund.
6. On page 32, para two & three under "Amount Set Off" is replaced as under:

Further to the provisions of Section 138 of the Negotiable Instruments Act, 1881, where a cheque/payment instrument drawn and given to the Fund by a Unit holder/Investor towards subscription amounts under this Scheme or under any other scheme(s) of the Fund is returned by the bank unpaid, for any reason, and Units are created in good faith, on the bona fide assumption that the cheques/payment instrument will be fully honored on presentation, without the realization of the subscription amounts, the AMC/Fund reserves the right to debit/set-off dividend amounts, redemption amounts or any other amounts payable to the Unit holder/Investor under and in accordance with the Scheme or under any other scheme of the Fund managed by the AMC in the same folio or any other folio in the Fund present or future/recover otherwise from the investor, in any other manner that is deemed fit by the AMC, to make good the loss suffered by the AMC/ the Fund due to interest paid on borrowed funds/excess withdrawal of the amount and the resultant difference, if any, in NAV arising out of reversal of units so created due to non-realization of the subscription cheque/payment instrument.

In addition to the above and further to the provisions of Section 138 of the Negotiable Instruments Act, 1881, where a cheque/ payment instrument drawn and given to the Fund by a Unit holder/Investor towards subscription amounts under this Scheme or under any other scheme of the Fund is returned by the bank unpaid, for any reason, and Units are created without the realization of the subscription amounts, the AMC/Fund reserves the right to debit/set-off brokerage amounts, incentive amounts or any other amounts payable under and in accordance with the Scheme or under any other Scheme of the Fund managed by the AMC in the same folio or any other folio in the Fund, present or future/recover otherwise from the investor, in any other manner that is deemed fit by the AMC, to the broker/distributor who has mobilized the subscription of such defaulting Unit holder/Investor, to make good the loss suffered by it due to interest paid on borrowed funds/ excess withdrawal of the amount and the resultant difference, if any, in NAV arising out of reversal of units so Created, due to non-realization of the subscription cheque/ payment instrument.

7. On page 36, insertion under the para on "Securitized Debt" as under(after the second para):

The main risks pertaining to each of the asset classes above are described below:

1. Auto Loans (cars / commercial vehicles /two wheelers):
  - The underlying assets (cars etc) are susceptible to depreciation in value whereas the loans are given at high loan to value ratios. Thus, after a few months, the value of asset becomes lower than the

loan outstanding. The borrowers, therefore, may sometimes tend to default on loans and allow the vehicle to be repossessed.

- These loans are also subject to model risk. i.e. if a particular automobile model does not become popular, loans given for financing that model have a much higher likelihood of turning bad. In such cases, loss on sale of repossession vehicles is higher than usual.
- Commercial vehicle loans are susceptible to the cyclicity in the economy. In a downturn in economy, freight rates drop leading to higher defaults in commercial vehicle loans. Further, the second hand prices of these vehicles also decline in such economic environment.

2. Residential Mortgages or Housing Loans:

Housing loans in India have shown very low default rates historically. However, in recent years, loans have been given at high loan to value ratios and to a much younger borrower classes. The loans have not yet gone through the full economic cycle and have not yet seen a period of declining property prices. Thus the performance of these housing loans is yet to be tested and it need not conform to the historical experience of low default rates.

3. Consumer Durable Loans:

- The underlying security for such loans is easily transferable without the bank's knowledge and hence repossession is difficult.
- The underlying security for such loans is also susceptible to quick depreciation in value. This gives the borrowers a high incentive to default.

4. Personal Loans:

- These are unsecured loans. In case of a default, the bank has no security to fall back on.
- The lender has no control over how the borrower has used the borrowed money.

5. Corporate Loans:

These are loans given to single or multiple corporates. The receivables from a pool of loans to corporates are assigned to a trust that issues Pass through certificates in turn. The credit risk in such PTCs is on the underlying pool of loans to corporates. The credit risk of the underlying loans to the corporates would in turn depend of economic cycles.

6. Promoter Loans: A securitized debt backed by promoter loan is similar to a securitized debt backed by corporate loan. The assignable security in such loans will be the equity shares pledged by the promoter of the company. Basic risk are:

- Liquidity and Price Risk: Secondary market for Pass through Certificates has seen very small volumes. The absence of a deep secondary market could limit the ability of an Investor to trade the Certificates. This leads to liquidity and price risk on the Certificates.
- Redemption of Equity Share Capital Risk: Under some loan agreements the Borrower may not prohibited from or may not require the consent of the Lender for, redeeming, purchasing, buying back, defeasing, retiring, returning or repaying any of its equity share capital during the term of the loan. This would lead to pricing risks and risk related value erosion in the underlying collateral.
- Other Risks: Usually under the Loan Agreement the Borrower is required to, at all times during the term of the facility, maintain an agreed upon Asset Cover of on the outstanding amount of the facility.

However, the value of the Underlying Security may decrease from time to time and may not at all times be sufficient to cover the liability of the Obligor. The Underlying Security would be created within ten days from first drawdown The Trustee may not be able to find a liquid market or ready buyers for the shares of the underlying collateral company and may not be able to sell some or all of the shares incase required to do so to maintain the Asset Cover or to enforce the Underlying Security in an event of default. This leads to liquidity and price risk on enforcement of the security.

The investments can be subject to investment risk, including prepayment risk, interest rate risk, credit risk, possible delays in repayment and loss of income and principal invested.

Further, all the above categories of loans have the following common risks:

1. All the above loans are retail, relatively small value loans. There is a possibility that the borrower takes different loans using the same income proof and thus the income is not sufficient to meet the debt service obligations of all these loans.

2. A single loan PTC is a securitization transaction in which a loan given by an originator (Bank/ NBFC/ FI etc.) to a single entity (obligor) is converted into pass through certificates and sold to investors. The transaction involves the assignment of the loan and the underlying receivables by the originator to a trust, which funds the purchase by issuing PTCs to investors at the discounted value of the receivables. The PTCs are rated by a rating agency, which is based on the financial strength of the obligor alone, as the PTCs have no recourse to the originator. The advantage of a single loan PTC is that the rating represents the credit risk of a single entity (the obligor) and is hence easy to understand and track over the tenure of the PTC. The primary risk is that of all securitized instruments, which are not traded as often in the secondary market and hence carry an illiquidity risk. The structure involves an assignment of the loan by the originator to the trustee who then has no interest in monitoring the credit quality of the originator. The originator that is most often a bank is in the best position to monitor the credit quality of

the originator. The investor then has to rely on an external rating agency to monitor the PTC. Since the AMC relies on the documentation provided by the originator, there is a risk to the extent of the underlying documentation between the seller and underlying borrower.

3. In India, there is no ready database available regarding past credit record of borrowers. Thus, loans may be given to borrowers with poor credit record.

4. In retail loans, the risks due to frauds are high.

8. On page 55, insertion under the para "Transfer & Transmission" inserted a para at the end:

In case of ELSS Schemes, in the event of the death of the investor/ unit holder, the nominee or legal heir, as the case may be, shall be able to withdraw the investment only after the completion of one year from the date of allotment of the units to the investor/ unit holder or anytime thereafter. Further, Units issued under the Scheme can be transferred, assigned or pledged only after three years of its issue.

9. On page 58, insertion of a para, under the head "Transactions With Associate Companies" after the fourth para as under:

Besides, the schemes may invest in Pass Through Certificates with underlying exposure to Sponsors/ Associate Companies of Sponsors/AMC. The underlying exposure may be in terms of a borrower or originator within the permissible limits prescribed in the respective SIDs of the Scheme.

10. The table appearing on page 58, under the head "Transactions with Associate Companies" will get revised. Refer Annexure 2.

11. "Investors' Complaints History" appearing on page 61 is substituted by the following:  
Given below is the status of Investor Complaints since inception of the Schemes (September 9, 2008) till date:

	Complaints Received	Complaints Redressed	Complaints Pending
Edelweiss Liquid Fund	1	1	0
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>0</b>

**Annexure 1**

Condensed Financial Information in respect of the Schemes launched from September 9, 2008 till date.

**Historical Per Unit Statistics**

Sr No	Scheme Name		Edelweiss Liquid Plus	Edelweiss Liquid Plus	Edelweiss Liquid	Edelweiss Liquid	Edelweiss Liquid
	Financial Year		08-09	08-09	08-09	08-09	08-09
	Plans		IP	RP	IP	RP	S-IP
1	NAV at the beginning of the year	G	NA	NA	NA	NA	NA
		D	NA	NA	NA	NA	NA
		W	NA	NA	NA	NA	NA
		M	NA	NA	NA	NA	NA
		F	NA	NA	NA	NA	NA
		D	NA	NA	NA	NA	NA
2	Dividends* (gross)	D	0.063360	0.063305	-	-	-
		W	0.047514	0.047454	-	-	-
		M	-	-	-	-	-
		F	-	0.053643	-	-	-
		D	-	-	-	-	-
3	NAV as at Sep 30,2008 **	G	10.0668^	10.0666^	10.0650	10.0657	10.0651
		D	10.0031^	10.0031^	10.0000	10.0000	10.0000
		W	10.0190^	10.0190^	-	10.0205	-
		M	-	10.0666^	-	10.0654	-
		F	-	10.0130^	-	-	-
		D	-	-	-	-	-
4	Compounded Return		NA	NA	NA	NA	NA
5	Absolute Return		0.67%	0.67%	0.65%	0.66%	0.65%
6	Benchmark Returns		0.49%	0.49%	0.49%	0.49%	0.49%
7	Name of Benchmark adopted		Crisil Liquid Fund Index	Crisil Liquid Fund Index	Crisil Liquid Fund Index	Crisil Liquid Fund Index	Crisil Liquid Fund Index
8	Net Assets end of Period (Rs. In Crs)		147.47	18.52	12.41	4.43	26.40
9	Ratio of Recurring Expenses to Net Assets		0.00%	0.00%	0.00%	0.00%	0.00%
10	Date of Allotment		9th Sep 2008	9th Sep 2008	9th Sep 2008	9th Sep 2008	9th Sep 2008

Sr No	Scheme Name		Edelweiss Monthly Interval Fund - SR1	Edelweiss Monthly Interval Fund - SR1	Edelweiss Quarterly Interval Fund - SR1	Edelweiss Quarterly Interval Fund - SR1
	Financial Year		08-09	08-09	08-09	08-09
	Plans		IP	RP	IP	RP
1	NAV at the beginning of the year	G	NA	NA	NA	NA
		D	NA	NA	NA	NA
		W	NA	NA	NA	NA

		D				
		M				
		D	NA	NA	NA	NA
		F				
		D	NA	NA	NA	NA
		D	NA	NA	NA	NA
2	Dividends* (gross)	D	-	-	-	-
		D	-	-	-	-
		W				
		D	-	-	-	-
		M				
		D	-	-	-	-
		F				
		D	-	-	-	-
		D	-	-	-	-
3	NAV as at Sep 30,2008 **	G	-	10.0223^	10.0175^	10.0175^
		D	-	-	-	-
		W				
		D	-	-	-	-
		M				
		D	-	-	-	-
		F				
		D	-	-	-	-
		D	-	10.0222^	10.0175^	10.0175^
4	Compounded Return		NA	NA	NA	NA
5	Absolute Return		NA	0.22%	0.18%	0.18%
6	Benchmark Returns		NA	0.10%	0.10%	0.10%
7	Name of Benchmark adopted		CRISIL LIQUID FUND INDEX	CRISIL LIQUID FUND INDEX	CRISIL LIQUID FUND INDEX	CRISIL LIQUID FUND INDEX
8	Net Assets end of Period (Rs. In Crs)		-	3.36	12.35	4.90
9	Ratio of Recurring Expenses to Net Assets		0.00%	0.00%	0.00%	0.00%
10	Date of Allotment		26th Sep 2008	26th Sep 2008	26th Sep 2008	26th Sep 2008

## Annexure 2

Sr. No.	List of Associate Companies/Firms
1	Edelweiss Capital Limited
2	Edelweiss Securities Limited
3	Icleo.com Limited
4	ITNation Infotech Private Limited
5	Edelweiss Insurance Brokers Limited
6	Ivy Financial Services Private Limited
7	Rediff.com (India) Private Limited
8	International Print-O-Pac Limited
9	Edelweiss Asset Reconstruction Company Limited
10	Edelweiss Capital USA LLC
11	E Cap Partners
12	Island Investment Private Limited
13	Edelweiss Financial Products & Solutions Ltd
14	ECap Equities Limited
15	Lichen Financial Services Private Limited
16	ECAL Advisors Limited
17	ECL Finance Limited
18	Dalton Capital Advisors(India) Pvt. Ltd.
19	Reliance Capital Asset Management Limited
20	Bob Capital Markets Limited
21	Peoples Financial Services Ltd.
22	Matrix Advisors (India) Pvt Ltd.
23	Repro India Limited
24	Subhkam Capital Ventures Limited
25	Karnataka Bank Limited
26	Crossborder Investments Private Limited
27	Edelcap Securities Limited
28	Edelweiss Investment and Advisory Services Limited
29	Edelcap Securities and Transaction Services Private Limited
30	EC Global Limited
31	Edelweiss Trusteeship Company Limited
32	Edelweiss Trustee Services Private Limited
33	Edelweiss Alternative Asset Advisors Limited
34	Edelweiss Housing Finance Limited
35	Edelweiss Capital (Singapore) Pte. Limited
36	EC Commodity Limited
37	Edel Commodities Limited
38	Edelweiss International (Singapore) Pte. Limited
39	Edelweiss Securities (Singapore) Pte. Limited
40	Edelweiss Property Advisors Private Limited
41	Edelweiss Galleon Alternative Asset Adviosrs Pte. Limited
42	EdelGive Foundation
43	Edelweiss Real Estate Advisors Private Limited
44	Blue River Capital Advisors (India) Private Limited
45	OAK Holdings Private Limited
46	Arum Investments Private Limited