



## STATEMENT OF ADDITIONAL INFORMATION (SAI)



Power Your Investment Quotient

This Statement of Additional Information (SAI) contains details of Edelweiss Mutual Fund, its constitution, and certain tax, legal and general information. It is incorporated by reference (is legally a part of the Scheme Information Document).

### INVESTORS SHOULD NOTE THAT:

- a. This Statement sets forth the information about Edelweiss Mutual Fund that a prospective investor ought to know before investing. This Statement should be read along with the Scheme Information Document of the Scheme in which the investor proposes to invest, in its entirety before making application and should be retained for future reference.
- b. The particulars of this Statement have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended till date and filed with SEBI.
- c. This Statement will be updated & revised within 3 months from end of financial year and filed with SEBI and uploaded on the website ([www.amfiindia.com](http://www.amfiindia.com) & [www.edelweissmf.com](http://www.edelweissmf.com)).
- d. This Statement will remain effective till a 'material change' occurs and such changes shall be filed with the Securities and Exchange Board of India within 7 days and will be updated on Edelweiss Mutual Fund and AMFI's website on an ongoing basis. The effective date for such changes shall be mentioned in the updated SAI.
- e. No person has been authorised to give any information or to make any representations not confirmed in this Statement, and any information or representations not contained herein must not be relied upon as having been authorised by the Mutual Fund or the investment manager.

This SAI is dated December 5, 2008.

#### MUTUAL FUND:

##### Edelweiss Mutual Fund

Registered Office: 14th Floor Express Towers,  
Nariman Point, Mumbai - 400021  
Corporate Office: 10th Floor  
Chandermukhi, Nariman Point,  
Mumbai - 400021  
[www.edelweissmf.com](http://www.edelweissmf.com)

#### TRUSTEE:

##### Edelweiss Trusteeship Company Limited.

Registered Office: 14th Floor Express Towers,  
Nariman Point, Mumbai - 400021  
Corporate Office: 10th Floor  
Chandermukhi, Nariman Point,  
Mumbai - 400021

#### SPONSOR:

##### Edelweiss Capital Limited.

14th Floor Express Towers,  
Nariman Point,  
Mumbai - 400021  
[www.edelcap.com](http://www.edelcap.com)

#### INVESTMENT MANAGER:

##### Edelweiss Asset Management Limited.

Registered Office: 14th Floor Express Towers,  
Nariman Point, Mumbai - 400021  
Corporate Office: 10th Floor  
Chandermukhi, Nariman Point,  
Mumbai - 400021

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## GENERAL DEFINITIONS

**A. The following definitions/terms apply throughout this Statement unless the context requires otherwise:**

|   |   |
|---|---|
| "Asset Management Company" or "AMC" or "Investment Manager" | Edelweiss Asset Management Limited, a company incorporated under the provisions of Companies Act, 1956 and approved by the SEBI to act as the Asset Management Company for the scheme(s) of Edelweiss Mutual Fund.  |
| "Associate"   | As defined in SEBI (Mutual Fund) Regulations, 1996, "associate" includes a person,-<br>(i) who directly or indirectly, by himself, or in combination with relatives, exercises control over the asset management company or the trustee, as the case may be, or<br>(ii) in respect of whom the asset management company or the trustee, directly or indirectly, by itself, or in combination with other persons exercises a control, or<br>(iii) Whose director, officer or employee is a director, officer or employee of the asset management company.  |
| "CDSC"  | Contingent Deferred Sales Charge permitted under the Regulations to be borne by the Unit Holder upon exiting (whether by way of redemption or Inter-scheme switching) based on the amount of investment (if applicable) and/or period of holding of Units.  |
| Credit Risk   | Risk of default in payment of principal or interest or both.  |
| "Cut off Time/ Business Hours"                              | In respect of subscriptions and redemptions received by the Scheme, it means the outer limit of timings within a particular day/ Business day which are relevant for determination of the NAV/ related prices that is to be applied for a transaction.  |
| "Custodian"   | Custodian means a person who has been granted a certificate of registration to carry on the business of custodian of securities under the Securities and Exchange Board of India (Custodian of Securities) Regulations, 1996, as amended from time to time.<br><br>For Edelweiss Mutual Fund - Citibank N.A., Mumbai, is currently acting as the Custodian to the Scheme, or any other custodian who may be appointed by the Trustee. Citibank N.A. has been granted a certificate of registration to carry on the business of custodian of securities under the SEBI (Custodian of Securities) Regulations 1996. |
| "Credit Rating Agency"                                      | A body corporate which is engaged in, or proposes to be engaged in, the business of rating of securities offered by way of public or rights issue under the SEBI (Credit Rating Agencies) Regulations, 1999.  |
| "Calendar Year "  | A Calendar Year shall be full English Calendar Year viz. 12 months commencing from 1st January and ending on 31st December.   |
| "Depository"  | Depository as defined in the Depositories Act, 1996 (22 of 1996), as amended from time to time.   |
| "Derivative/ Derivatives"                                   | Includes (i) a security derived from a debt instrument, share, loan whether secured or unsecured, risk instrument or contract for differences or any other form of security; (ii) a contract which derives its value from the prices, or index of prices of underlying securities.  |
| Dividend  | Income distributed by the Mutual Fund on the units.   |
| Debt Instruments  | Government securities, corporate debentures, bonds, promissory notes, money market instruments, pass-through obligations, asset backed securities/secured debt and other possible similar securities.   |
| Direct Application  | Direct Application means application for purchase of Units received from investors / Unit holders, which is lodged directly at the ISCs / Designated Collection Centre's or made through the AMC Website, and which does not bear stamp or code of any distributor, sub-distributor, agent or broker or which is not routed through any such intermediary & /or an application which is marked as direct.   |
| "Equity related instruments"                                | Equity related instruments would include convertible bonds, convertible debentures, convertible preference shares, warrants carrying the right to obtain equity shares, equity derivatives and any other similar instrument.  |
| "Entry Load" or "Sales Load"                                | Load on purchase / Switch in of Units based on the amount of investment (if applicable) &/ or a plan or option.   |
| "Exit Load" or "Repurchase Load" or "Redemption Load"       | Load on Repurchase / Redemption / Switch out of Units based on the amount of investment (if applicable) &/or period of holding of units.  |
| "Electronic Fund Transfer/ EFT"                             | Electronic Fund Transfer includes all the means of electronic transfers like Direct Credit / Debit, Electronic Clearing System (ECS), RTGS, NEFT, Wire Transfer or such like modes which may be introduced by relevant authorities from time to time.   |

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| AMC website / Mutual Fund Website/ website                          | www.edelweissmf.com   |
| "Floating Rate Instruments"   | Floating rate instruments are debt / money market instruments that have a variable coupon, equal to a reference rate e.g. MIBOR (Mumbai Interbank Offered Rate) or any other rate, plus a spread. The spread is a rate that remains constant. The frequency of coupon payments as well as reset may differ among such various instruments. At the beginning of each coupon period, the coupon is calculated by taking the fixing of the reference rate for that day and adding the spread.                              |
| "Fixed Income Securities"   | Debt Securities created and issued by, inter alia, Central Government, State Government, Local Authorities, Municipal Corporations, PSUs, Public Companies, Private Companies, Bodies Corporate, SPVs(incorporated or otherwise) and any other entities, which yield at fixed rate by way of interest, premium, discount or a combination of any of them.   |
| "FII"   | Foreign Institutional Investor (FII), registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended from time to time.  |
| Foreign Securities  | ADRs /GDRs /Equity /Debt of overseas companies/ ETF units listed on recognized stock exchanges overseas and or such other securities as are permitted by SEBI and as may be specified from time to time by SEBI and/or RBI.   |
| Financial Year  | A Financial Year shall be a full year viz. 12 months commencing from 1st April and ending on 31st March.  |
| "Gilt or Government Securities"                                     | Under the Government Securities Act, 2006, "Government security" means a security created and issued by the Government for the purpose of raising a public loan or for any other purpose as may be notified by the Government in the Official Gazette and having one of the forms mentioned in section 3 of the said Act, as amended or re-enacted from time to time.   |
| "Group"   | As defined in sub-clause (ef) of clause 2 of MRTTP Act, 1969.   |
| "Investment Management Agreement"                                   | The Agreement dated January 30, 2008 entered into between Edelweiss Trusteeship Company Limited and Edelweiss Asset Management Limited, as amended from time to time.   |
| "Investor Service Centres/ Official Points of Acceptance(OPA)/ ISC" | All applications for purchase/redemption of units should be submitted by investors at the Official Point of Acceptance of transactions at the office of the registrar and/or the AMC as may be notified from time to time. For details please refer to the application form and/or website of the Mutual Fund at www. edelweissmf.com.  |
| "Investor"  | Any resident (person resident in India under the Foreign Exchange Management Act) or non-resident person (a person who is not a resident of India) whether an individual or not (legal entity), who is eligible to subscribe for Units under the laws of his/her/its/their state/ country of incorporation, establishment, citizenship, residence or domicile and who has made an application for subscribing for Units under the scheme. Under normal circumstances, a Unit holder shall be deemed to be the investor. |
| "Load"  | A charge that may be levied as a fixed amount &/or as a percentage of NAV or in any other manner at the time of entry into the Scheme/Plans or at the time of exiting from the Scheme/ Plans.   |
| "Money Market Instruments"  | Money Market Instruments as defined in Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended from time to time. Generally, Money market instruments includes commercial papers, commercial bills, treasury bills, Government securities having an unexpired maturity up to one year, call or notice money, CBLO, certificates of deposit, usance bills, and any other like instruments as specified by the Reserve Bank of India from time to time;  |
| "Mutual Fund" or "The Fund"   | Edelweiss Mutual Fund, a trust set up under the provisions of the Indian Trusts Act, 1882 and registered as a Mutual Fund with SEBI bearing SEBI Registration No. MF/057/08/02 dated April 30, 2008.  |
| "Non-Resident Indian"   | Non-Resident Indian means a person resident outside India who is a citizen of India or is a person of Indian origin.  |
| "New Fund Offer"/ "NFO"   | Offer of the Units of the Scheme during the New Fund Offer period.  |
| "New Fund Offer Period"   | The dates on or the period during which the initial subscription to Units of the Scheme can be made as decided by Trustee, subject to the earlier closure or extension, if any, such offer period not being open for more than 30 days or 45 days as the case may be.   |
| "NAV"   | Net Asset Value of the Units of the Scheme calculated in the manner provided in the Scheme Information Document and in conformity with the SEBI Regulations as prescribed from time to time.  |

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| "No-Load Scheme"                         | A Scheme where there is no initial Entry or Exit Load.  |
| "Ongoing Offer"                          | Offer of Units under the Scheme when it becomes open ended after the closure of the New Fund Offer Period.  |
| "Ongoing Offer Period"                   | The period during which the Ongoing Offer for subscription to the Units of the Scheme is made & not suspended & which is mentioned in SID.  |
| "Person of Indian Origin" (PIO)          | A person (not being a citizen of Pakistan or Bangladesh or Sri Lanka) shall be deemed to be of Indian origin, if<br>i) He (She), at any time, held an Indian Passport;<br>ii) He (She) or either of his (her) parents or any of his (her) grandparents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955);<br>iii) The person is the spouse of an Indian citizen or of a person of Indian origin (not being a citizen of Pakistan or Bangladesh or Sri Lanka).   |
| "Portfolio"                              | The portfolio of the Scheme(s) of Edelweiss Mutual Fund would include all Permissible Investments and cash.   |
| "Permissible Investments or Investments" | Collective or group investments made on account of the Unit holders in accordance with the SEBI Regulations.  |
| Quantitative Analysis/ Quant Model       | Quant is an investment strategy, a business or financial analysis technique that seeks to understand behavior by selecting securities that are researched and back tested to meet investor's objectives with higher transparency determined by rules-based quantitative analysis. In such techniques there is a computer-based model to determine whether an investment is attractive or not. The final decision to buy or sell is made by the model. However, there is a middle ground where the fund manager will use human judgment in addition to a quantitative model. |
| "RBI"                                    | Reserve Bank of India, established under the Reserve Bank of India Act, 1934.   |
| "Rating"                                 | Rating means an opinion regarding securities, expressed in the form of standard symbols or in any other standardized manner, assigned by a Credit Rating Agency and used by the issuer of such securities, to comply with any requirement of the SEBI (Credit Rating Agencies) Regulations, 1999.   |
| "Registrar and Transfer Agent" (RTA)     | Registrar and Transfer Agent (RTA) mean a person who has been granted a certificate of registration under the Securities and Exchange Board of India (Registrars to an Issue & Share Transfer Agents) Regulations, 1993.<br>Karvy Computershare Pvt. Ltd. is currently acting as Registrar and Transfer Agent to the Scheme. AMC reserves the right to appoint any other entity as RTA from time to time.   |
| "Repurchase / Redemption"                | Repurchase / Redemption of Units of the Scheme as permitted in accordance with the provisions of this SAI & SID.  |
| "Repo/Reverse Repo"                      | Sale/Purchase of Securities as may be allowed by RBI from time to time with simultaneous agreement to repurchase/resell them at a later date.   |
| "The Scheme"                             | Any Scheme offered by Edelweiss Mutual Fund, details of which are mentioned in SID.   |
| "Sponsor/ Settlor"                       | Edelweiss Capital Ltd. a company incorporated and registered under the Companies Act, 1956 includes its successors and assigns.   |
| "Service provider"                       | "Service provider" means an entity offering or providing service of any description which is made available to the AMC on account of the Mutual Fund and includes the provision of facilities in connection with banking, finance, Custody, Fund Accountant, R&T, Mail / Courier, Electronic Transmission, Records, Storage/ Retrievals, Insurance, Communication, Processing, etc., individually &/or in any combination there of or such other services as are required for the smooth functioning of the Mutual Fund.  |
| Special Situations                       | Special situations are out of the ordinary situations that companies find themselves in, from time to time. Such situations present an investment opportunity to the Fund Manager who can judge the implications of that opportunity that can unlock value for investors.   |
| "Sale / Subscription"                    | Sale or allotment of Units to the Unit holder upon subscription by the investor / applicant under the Scheme.   |
| "SEBI Regulations" or "Regulations"      | Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended from time to time, including its Circulars, Notification & Guidelines.  |
| "Switch or Lateral Shift"                | Redemption of a unit in any scheme of the Mutual Fund against purchase of a unit in another scheme (including the plans therein) of the Mutual Fund, subject to completion of lock-in   |

|                                      |   |
|--------------------------------------|---|
|                                      | period, if any, of the units of the scheme(s) from where the units are being switched and applicable load structure.  |
| "Systematic Investment Plan / SIP"   | A facility enabling Investor to invest fixed amount at regular interval. Investor can take advantage of the benefits of Rupee Cost Averaging, at the same time investing a fixed amount at regular interval.  |
| "Systematic Transfer Plan/STP"       | A facility enabling Unit Holders to transfer fixed amount at regular intervals from existing holding scheme/plan/option to any other scheme/plan/option of the Fund.  |
| "Systematic Withdrawal Plan / SWP"   | A facility enabling Unit Holders to withdraw fixed amount at regular intervals from existing Scheme / Plan / Option.  |
| "Securities"                         | As defined in Securities Contract (Regulation) Act, 1956 & includes notes, bonds, debentures, debenture stock, warrants, etc., futures, options, derivatives, etc. or other transferable securities of a like nature in or of any incorporated company or other body corporate, Gilts / Government Securities, Mutual Fund units, Money Market Instruments like Call Deposit, Commercial Paper, Treasury Bills, etc. and such other instruments as may be declared by GOI and / or SEBI and / or RBI and / or any other regulatory authority to be securities and rights or interest in securities. |
| "SID"                                | Scheme Information Document, which provides details of the Scheme launched by Edelweiss Mutual Fund.  |
| "Stock Lending"                      | Lending of securities to another person or entity for a fixed period of time, at a negotiated compensation in order to enhance returns of the portfolio as may be permitted by SEBI from time to time.  |
| "Trustee or Trustee Company or ETCL" | Edelweiss Trusteeship Company Ltd. a company incorporated under the provisions of the Companies Act, 1956, which is approved by SEBI to act as Trustee to the Scheme(s) of Edelweiss Mutual Fund.   |
| "Trust Deed"                         | The Trust Deed dated January 30, 2008 (read with all amendments and supplemental trust deeds thereto) made by and between the Edelweiss Capital Limited and Edelweiss Trusteeship Company Limited ("Trustee"), thereby establishing a trust, called Edelweiss Mutual Fund as amended from time to time.   |
| "Tax Act"                            | Income Tax Act, 1961, Wealth Tax Act 1957 and Gift Act, 1958, or such other legislation in force from time to time including any amendment thereto or any replacement or re-enactment thereof/rules, regulations any clarification and guidelines issued from time to time by the GOI.  |
| "Total Assets"                       | Total Assets of the Scheme at any time shall be the total value of the Scheme's assets, taking into consideration the accruals.   |
| "Transaction Slip"                   | A form prescribed by the Fund for use by Unit Holders to request additional Purchase or Redemption of Units in the Scheme, switch of Units, change in bank account details and / or to for any other service / facilities offered by the AMC and mentioned in Transaction Slip.   |
| "Trust Property"                     | Includes Permissible Investments and cash or any part thereof which may be converted or varied from time to time.   |
| "Unit"                               | "Unit" means the interest of the unit holders in a scheme, which consists of each unit representing one undivided share in the assets of a scheme.  |
| "Unit holder"                        | "Unit holder" means a person holding unit in a scheme of a Mutual Fund.   |
| "When, as and if issued" "Security"  | 'When, as and if issued' (commonly known as 'when-issued' (WI)) security refers to a security that has been authorized for issuance but not yet actually issued. 'WI' trading takes place between the time a new issue is announced and the time it is actually issued. All 'when issued' transactions are on an 'if' basis, to be settled if and when the actual security is issued.   |

**Some of the common terms used in Derivatives are discussed as under:**

|      |   |
|------|---|
| Put  | An option contract giving the owner the right, but not the obligation, to sell a specified amount of an underlying asset at a set price within a specified time. The buyer of a put option estimates that the underlying asset will drop below the exercise price before the expiration date.           |
| Call | An option contract that gives an investor the right (but not the obligation) to buy a specified amount of an underlying asset at a set price within a specified time. The buyer of a call option estimates that the underlying asset will increase above the exercise price before the expiration date. |
| Long | To buy  |

|              |  |
|--------------|--|
| Short        | To sell  |
| In the money | An option with intrinsic value and one which would therefore be profitable for the holder to exercise, meaning a call option whose strike price is below the current price of the underlying instrument in the cash market, or a put whose strike price is above the underlying market.  |
| At the money | An option with a strike price equal to the current market price of the underlying cash or futures contract   |
| Out of money | An option with no intrinsic value and one which would not be profitable for the holder to exercise, meaning a call option whose strike price is above the current price of the underlying instrument in the cash market, or a put whose strike price is below the underlying market  |
| Option       | A financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security or other financial asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (Exercise date). |
| Future       | A contractual agreement to buy or sell a particular financial instrument at a pre-determined price in the future. Futures contracts detail the quality and quantity of the underlying asset; they are standardized to facilitate trading on an exchange.   |
| Arbitrage    | Attempting to profit by exploiting price differences of identical or similar financial instruments, on different markets or in different forms.  |

**Abbreviations:**

|      |   |                   |   |
|------|---|-------------------|---|
| AMFI | Association of Mutual Funds in India                            | PAN               | Permanent Account Number  |
| EMF  | Edelweiss Mutual Fund   | RTGS              | Real Time Gross Settlement  |
| SPVs | Special Purpose Vehicles approved by the appropriate authority. | SEBI or the Board | The Securities and Exchange Board of India established under the SEBI Act, 1992 |
| IMA  | Investment Management Agreement                                 | SEBI Act          | The Securities and Exchange Board of India Act, 1992                            |
| NFO  | New Fund Offer  | SIP               | Systematic Investment Plan  |
| NRI  | Non Resident Investor   | STP               | Systematic Transfer Plan  |
| NEFT | National Electronic Fund Transfer                               | SWP               | Systematic Withdrawal Plan  |
| GOI  | Government of India   | I.T. Act          | The Income Tax Act, 1961 as amended from time to time.                          |

**Interpretation:**

For all purposes of this Statement, except as otherwise expressly provided or unless the context otherwise requires:

- (a) Words denoting any gender shall include all genders.
- (b) Words used in singular would include plural form and vice-versa.
- (c) A reference to a thing includes a part of that thing.
- (d) Any reference to any statute or statutory provision shall be construed as including a reference to any statutory modifications or re-enactment from time to time.
- (e) Clause & headings are for ease of reference only and shall not affect the construction or interpretation of this Document.
- (f) All references to "US\$" refer to United States Dollars and "Rs." refer to Indian Rupees. A "Crore" means "ten million" and a "Lakh" means a "hundred thousand".
- (g) Words and expressions used herein but not defined shall have the meaning specified in the Companies Act, 1956, Securities Contract (Regulations) Act, 1956, SEBI Act, 1992, SEBI (Mutual Funds) Regulations, 1996, Depositories Act, 1996, Reserve Bank of India Act, 1932, Public Debts Act, 1944, Information Security Act, 2000 and the Rules, Income Tax Act 1961, Contract Act 1872, Prevention of Money Laundering Act, 2002, Foreign Exchange Management Act & Regulations and the Rules, Regulations and Guidelines issued thereunder from time to time.

## SECTION I INFORMATION ABOUT SPONSOR, AMC & TRUSTEE COMPANIES

### A. CONSTITUTION OF EDELWEISS MUTUAL FUND (THE TRUST):

Edelweiss Mutual Fund (the "Mutual Fund") has been constituted as a trust vide Trust Deed dated January 30, 2008 in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882), executed between Edelweiss Capital Limited (ECL), as the Sponsor and Edelweiss Trusteeship Company Limited (ETCL) as the Trustee. The Trust Deed has been registered under the Indian Registration Act 1908. The Mutual Fund was registered with SEBI bearing registration no. MF/057/08/02 dated April 30, 2008.

At Edelweiss Mutual Fund, our objective is to provide high quality Investment Management services to a wide spectrum of investors. We wish to assess investors acceptable risk parameters and endeavour to achieve their financial goals. We believe that adhering to a disciplined investment process will steadily grow our investor's assets. Our vision as a Mutual Fund is to be innovative and universally renowned asset manager providing excellent investment solutions, exemplary services and setting the highest ethical standards. We firmly believe that by placing the best interests of our customer first, we will also serve the best interests of our employees, stakeholders and our community.

### B. SPONSOR

Edelweiss Mutual Fund is sponsored by Edelweiss Capital Limited (ECL). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor (ECL) has entrusted a sum of Rs.1, 00,000 to the Trustee as the initial contribution towards the corpus of the Edelweiss Mutual Fund.

#### 1. Background & Activity:

Edelweiss Capital Limited (ECL) is one of India's largest growing diversified financial services companies. Being a public Limited Company, incorporated under the Companies Act, 1956, ECL offers a full range of services and transactions expertise,

#### 2. Details of Trustee Directors:

| Name                              | Age/Qualification   | Brief Experience  |
|-----------------------------------|---|---|
| <b>Mr. Anurag Madan,*</b>         | Age:59 yrs<br>Qualification: B.A., CAIIB, CFP   | Mr. Anurag Madan has around 35 years of experience in financial services industries including banking and asset management, out of which 23 years were with State Bank of India, India's largest commercial bank, in various assignments in India and abroad, ranging from International Finance to Merchant Banking to Commercial Banking and SBI Mutual Fund. He also served as COO of Sun F&C Asset Management Company Limited for 5 years and prior to that as Director (Marketing & Operations) for 4 years. At present, Mr. Madan is the Group Chief Operating Officer at Edelweiss Capital Limited. He is also a director on the Board of various other companies.   |
| <b>Mr. Kundapur Vasudev Hegde</b> | Age:62<br>Qualification:M.Com, Fellow of Indian Institute of Bankers, Association of Institute of Bankers(London) | Mr. Kundapur Vasudev Hegde's career in Canara Bank has spanned over a period of 4 decades, encompassing commercial & investment banking in all functional areas from branch and circle office to the head office. Of this, over 6 years was in Canbank Mutual Fund and the AMC of the fund as E.D/C.E.O, M.D and Nominee Director, 2 years as the first MD of the banks' primary dealer company (Gilt Securities Trading Corp. Ltd.), culminating with the post of General Manager- Treasury & International Operations for 5 years. During this period, he was primarily responsible for raising debt and equity capital for the bank, which included the bank's maiden public issue. Mr. Hegde had also taken up a full time assignment as Advisor (International Banking) for one year with IDBI Bank Ltd. between Oct 2005 and Sep 2006. He is also a director on the Board of various companies. |
| <b>Mr. S. Santhanakrishnan,</b>   | Age: 57 yrs.<br>Qualification: B.Sc, BL, FCA  | Mr. S. Santhanakrishnan is the Managing Partner of PKF Sridhar & Santhanam, Chartered Accountants, an all India firm having Head office at Chennai, since 1977. He is also a member of Central Council of Institute of Chartered Accountants of India (ICAI), New Delhi. He is the Chairman of Corporate Governance Committee and member of Accounting Standards Board and Information Technology Committee of the Institute of Chartered Accountants of India. He is also a director on the Boards of various companies.   |

including Portfolio Management Services, Merchant Banking & Investment Advisory Services & Underwriting of Issues etc.

Edelweiss Capital Ltd. commenced its business in 1996 & since then the group has grown from a boutique investment bank into a diversified Indian financial services company organised under agency and capital business lines and operate through the Company and its subsidiaries. Edelweiss's agency business lines include investment banking, institutional equities, private client broking, asset management, investment advisory services, wealth management, insurance broking; & its capital business lines includes wholesale financing services and internal treasury operations. Edelweiss Group has built strong corporate, institutional & investor relationships backed by a research-driven approach & a proven ability to capitalize on emerging market trends. Edelweiss believes in a unique model of employee ownership and leveraging a strong partnership culture.

### 2. Financial Summary:

(Amount Rs. in Million)

| Particulars      | F.Y 2007-08 | F.Y 2006-07 | F.Y. 2005-06 |
|------------------|-------------|-------------|--------------|
| Total Income     | 1,876.67    | 752.61      | 311.42       |
| Profit after tax | 287.75      | 270.63      | 83.42        |
| Net Worth        | 13,673.28   | 4,498.71    | 1,297.94     |

### C. THE TRUSTEE

#### 1. Trustee Company:

Edelweiss Trusteeship Company Limited (the "Trustee Company"), through its Board of Directors, shall discharge its obligations as trustee of the Edelweiss Mutual Fund. The Trustee ensures that the transactions entered into by Edelweiss Asset Management Limited are in accordance with the SEBI Regulations reviews the activities carried on by the AMC.

| Name                          | Age/Qualification                           | Brief Experience   |
|-------------------------------|---|--|
| <b>Mr. Sunil Phatarphekar</b> | Age: 44 yrs.<br>Qualification: B. Com, LL.B | With over 11 years of work experience as a practicing advocate, Mr. Sunil Phatarphekar is presently the sole proprietor of SNP Legal. He was a partner in Shah Desai Dojjode & Phatarphekar, Advocates and Mahimtura & Co. Advocates. He started his career with Crawford Bayley & Company, Advocates and Solicitors. He is also a director on the Board of various companies. |

\* The Director is associated with sponsors of Edelweiss Mutual Fund.

### 3. Trustee Meetings

Edelweiss Trusteeship Company Ltd. was incorporated on 3rd September, 2007 as Private Limited Company and was converted into Public Limited Company on 18th January, 2008. During the year 2007-2008, five meetings of the Board of Directors of the Trustee were held.

### 4. Supervisory Role of Trustee

The supervisory role of the Trustee is discharged by the Board of Directors of the Trustee by internal and external reporting system;

**Internal Reporting:** The Compliance Officer reports on a regular basis to the Trustee on the compliance of mandatory regulatory requirements.

#### External Reporting:

- In terms of Regulation 18 of the SEBI Regulations, the Trustee will ensure that before the launch of any scheme, the AMC has prepared a compliance manual and designed internal control mechanism including internal audit systems.
- In compliance of the SEBI Regulations, the Trustee has constituted an audit committee which shall be chaired by an independent Trustee and they have also appointed an independent internal auditor for conducting internal audit of the books and records of the Fund. The internal auditor shall submit the report directly to the Trustee under this external reporting system.
- The Trustees discharges its supervisory role by having a number of checks and balances besides having continuous feedback from the AMC on important matters and a review of the Mutual Fund's operations at the periodical meetings of the Board of Directors of the Trustee Company, which are required to be held at least once in two calendar months as per the Regulations. The performance reports of all the Scheme(s) will be placed before the Board of the Trustee Company at such meetings. The reports on statutory compliance and investor servicing will also be regularly placed at such meetings by AMC. Any exception to the bi-monthly compliance test report in respect of the Fund, which is required to be filed with SEBI by the AMC, will also be placed before the Board of the Trustee Company.

### 4. Rights and obligations of the Trustee

In accordance with SEBI (Mutual Funds) Regulations, 1996 and the Trust Deed constituting the Mutual Fund, the Trustee is required to fulfill several duties and obligations, including the following:

- The Trustee and AMC shall, with the prior approval of the Board, enter into an Investment Management Agreement.
- The Trustee shall ensure that there is no conflict of interest between the manner of deployment of its net worth by the AMC and the interest of the unit holders.
- The Trustee shall have a right to obtain from the AMC such information as is considered necessary by the Trustee.
- The Trustee shall ensure before the launch of any scheme that the AMC, has,—

- Systems in place for its back office, dealing room and accounting;
- appointed all key personnel including fund manager(s) for the scheme(s) and submitted their bio-data which shall contain the educational qualifications, past experience in the securities market with the Trustee, within 15 days of their appointment;
- appointed auditors to audit its accounts;
- appointed a compliance officer who shall be responsible for monitoring the compliance of the Act, rules and regulations, notifications, guidelines, instructions, etc., issued by the Board or the Central Government and for redressal of investors grievances;
- appointed registrars and laid down parameters for their supervision;
- Prepared a compliance manual and designed internal control mechanisms including internal audit systems;
- specified norms for empanelment of brokers and marketing agents.  
The compliance officer appointed under clause (d) of sub-regulation (4) shall immediately and independently report to the Board any non-compliance observed by him.
- The Trustee shall ensure that the AMC has been diligent in empanelling the brokers, in monitoring securities transactions with brokers and avoiding undue concentration of business with any broker.
- The Trustee shall ensure that the AMC has not given any undue or unfair advantage to any associates or dealt with any of the associates of the AMC in any manner detrimental to the interest of the unit holders.
- The Trustee shall ensure that the transactions entered into by the AMC are in accordance with SEBI Regulations and the scheme.
- The Trustee shall ensure that AMC has been managing the Mutual Fund Scheme(s) independently of other activities and have taken adequate steps to ensure that the interest of investors of one scheme are not being compromised with those of any other scheme or of other activities of AMC.
- The Trustee shall ensure that all the activities of the AMC are in accordance with the provisions of SEBI Regulations.
- Where the Trustee have reason to believe that the conduct of business of the Mutual Fund is not in accordance with SEBI Regulations and the scheme, they shall forthwith take such remedial steps as they deem necessary and shall immediately inform SEBI of the violation and the action taken by them.
- Each Trustee shall file the details of his transactions in securities (above Rs.1 Lac per transaction) with the Mutual Fund on a quarterly basis.
- The Trustee shall be accountable for, and shall be the custodian of, the Scheme(s) and the property of the

respective scheme and shall hold the same in trust for the benefit of the unit holders in accordance with the SEBI Regulations and the provisions of trust deed.

- (13) The Trustee shall take steps to ensure that the transactions of the Mutual Fund are in accordance with the provisions of the trust deed.
- (14) The Trustee shall be responsible for the calculation of any income due to be paid to the Mutual Fund and also of any income received in the Mutual Fund for the holders of the units of any scheme is in accordance with the SEBI Regulations and the trust deed.
- (15) The Trustee shall obtain the consent of the unit holders of the Scheme:
  - (a) Whenever so required by the SEBI in the interest of the unit holders; or
  - (b) Whenever so required on the requisition made by three-fourths of the unit holders of any scheme; or
  - (c) When the majority of the Trustee decide to wind up or prematurely redeem the units.
- (16) The Trustee shall ensure that no change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change, which would modify the scheme and affects the interest of unit holders shall be carried out unless:
  - (i) a written communication about the proposed change is sent to each unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the Mutual Fund is situated; and
  - (ii) The unit holders are given an option to exit at the prevailing Net Asset Value without any exit load.
- (17) The Trustee shall call for the details of transactions in securities by the key personnel of the AMC in his own name or on behalf of AMC and shall report to SEBI, as and when required.
- (18) The Trustee shall quarterly review all transactions carried out between the Mutual Fund, the AMC and its associates.
- (19) The Trustee shall quarterly review the net worth of the AMC and in case of any shortfall; ensure that AMC makes up for the shortfall as per SEBI Regulations.
- (20) The Trustee shall periodically review all service contracts such as custody arrangements, transfer agency of the securities and satisfy itself that such contracts are executed in the interest of the unit holders.
- (21) The Trustee shall periodically review the investor complaints received and the redressal of the same by the AMC.
- (22) The Trustee shall abide by the Code of Conduct as specified in the Fifth Schedule of the SEBI Regulations.
- (23) The Trustee shall furnish to SEBI on a half-yearly basis,—
  - (a) A report on the activities of the Mutual Fund;
  - (b) A Certificate stating that the Trustees have satisfied themselves that there have been no instances of self-dealing or front running by any of the Trustees, directors and key personnel of AMC;
  - (c) A Certificate to the effect that the AMC has been managing the Scheme(s) independently of any other activities and in case any activities of the nature referred

to in sub-regulation (2) of regulation 24 of SEBI Regulations, have been undertaken by AMC and has taken adequate steps to ensure that the interests of the unit holders are protected.

- (24) The independent Trustees shall give their comments on the report received from the AMC regarding the investments by the Mutual Fund in the securities of group companies of the sponsor.
- (25) The Trustee shall exercise due diligence as under:

**A. General Due Diligence:**

- (i) The Trustee shall be discerning in the appointment of the directors on the Board of the AMC.
- (ii) The Trustee shall review the desirability or continuance of the AMC if substantial irregularities are observed in any of the Scheme(s) and shall not allow the AMC to float new Scheme(s).
- (iii) The Trustee shall ensure that the trust property is properly protected, held and administered by proper persons and by a proper number of such persons.
- (iv) The Trustee shall ensure that all service providers are holding appropriate registrations from SEBI or concerned regulatory authorities.
- (v) The Trustee shall arrange for test checks of service contracts.
- (vi) The Trustee shall immediately report to SEBI of any special developments in the Mutual Fund.

**B. Specific due diligence:**

The Trustee shall:

- (i) Obtain internal audit reports at regular intervals from independent auditors appointed by the Trustee,
- (ii) Obtain compliance certificates at regular intervals from the AMC,
- (iii) Hold meeting of Trustees once in two calendar months & atleast 6 such meetings shall be held in every year.
- (iv) Consider the reports of the independent auditor and the compliance reports of the AMC at the meetings of the Trustees for appropriate action,
- (v) Maintain records of the decisions of the Trustee at their meetings and of the minutes of the meetings,
- (vi) Prescribe and adhere to a code of ethics by the Trustee, the AMC and its personnel,
- (vii) Communicate in writing to the AMC of the deficiencies and check on the rectification of deficiencies.

(26) Notwithstanding anything contained in sub-regulations (1) to (25), the Trustee shall not be held liable for acts done in good faith, if they have exercised adequate due diligence honestly.

(26) The independent directors of the Trustee or the AMC shall pay specific attention to the following, as may be applicable, namely:—

- (i) The Investment Management Agreement and the compensation paid under the agreement,



- (ii) Service contracts with affiliates—whether the AMC has charged higher fees than outside contractors for the same services,
- (iii) Selections of the AMC's independent directors,
- (iv) Securities transactions involving affiliates to the extent such transactions are permitted,
- (v) Selecting and nominating individuals to fill independent directors' vacancies,
- (vi) Code of ethics must be designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions,
- (vii) The reasonableness of fees paid to sponsors, the AMC and any others for services provided,
- (viii) Principal underwriting contracts and their renewals,
- (ix) Any service contract with the associates of the AMC.

**5. Substantive provisions of the trust deed, which may be of material interest to the unit holders:**

The Trust Deed dated January 30, 2008, contains, among others, the following clauses that may be of material interest to the unit holders:

**\* Trustee Meetings**

The Board of Directors constituting not less than 4 directors (or as such other minimum number of directors prescribed by SEBI under the SEBI Regulations) shall administer this body corporate. At least two-thirds of such directors (or as such other number prescribed by SEBI under the SEBI Regulations) shall be independent persons and shall not be associated with the Sponsor in any manner.

Subject to the provisions of SEBI Regulations, the Trustee Company shall ensure that:

- The Board of Directors of the Trustee Company shall meet as often it may decide and in any event not less, than six times in a year, and not less than once in two calendar months or such other periodical meetings as may be prescribed by SEBI.
- The quorum for a meeting of the Board of Directors and the Committee of Directors shall be one-third (or such other number as may be prescribed by SEBI) of the total number of members (any fraction contained in that one third being rounded off as one), or two members, whichever is higher. However, each meeting shall have at least one independent director (or such other number as may be prescribed by SEBI).
- The Board of Directors may constitute committee/committees from among its members and may delegate to the said committee such powers and functions as it may deem fit. Any such committee/s shall in exercise of any powers so delegated conform to any regulations that may be imposed on it by the Board of Directors of the Trustee Company &/or SEBI.

**\* Under the Trust Deed, duties and obligations also include the following:**

1. To market Units under any Scheme by disclosing to the public, the investment objective, method and periodicity of valuation of investments and any other details required by SEBI under SEBI Regulations.
2. To enter into agreements and contract with companies, firms and persons, containing such terms as may be deemed fit by the Trustee.

3. To procure and cause the companies, firms and persons with whom the Scheme is investing to execute, sign and deliver such deeds, declarations, undertakings, guarantees, indemnities and such other assurances as may be necessary in connection with the investment of the Mutual Fund, including the right to accept deposit of title deeds for creation of charge / mortgage whenever necessary and also to investigate the title to the properties offered as security.
4. To vary, alter or modify the terms and conditions, subject to which investments have been made from out of the Scheme.
5. To issue notices on conversion of one form of Securities into another form of Securities in the companies and / or firms with whom the Scheme has invested as per the terms and conditions of any agreement executed by such companies and / or firms with the Mutual Fund.
6. To accept pre-payment of Securities on such terms and conditions as the Trustee may deem fit and shall also give effective discharge of the monies so received.
7. To exercise all the powers, rights and privileges under the agreements / contracts entered into between the companies/ firms with whom the Fund has invested and the Trustee and to carry out the duties and responsibilities cast upon under the agreements / contracts entered into by the Trustees.
8. To exercise all the rights, powers and privileges of holders of Securities whether such Securities have been obtained in the name of the Trustee Company/ or one or more Trustee, Custodians, or the Scheme(s).
9. To commence and prosecute any action or other proceedings in any court of law or through arbitration or in any other manner for recovery of Securities or sums of money, right, title or interest, property, claim, matter or thing whatsoever, now or hereafter to become due or payable or in anywise belonging to the Trust by any means or on any account whatsoever in respect of and pertaining to the Securities obtained by the investment of the Funds.
10. To appear in and defend or compromise any action or other proceedings now or hereafter to be instituted, commenced or prosecuted against the Trustee on behalf of the Trust in any court of law and / or through arbitration and to refuse and resist payment of any sum or sums of money or compliance with or fulfillment of any claim or demand or otherwise as the Trustee shall think fit.
11. To pay or satisfy or to compromise or compound upon such terms which the Trustee may deem expedient any debts, or damages owing to or claimed by or from or for which the Trustee may be or may be alleged to be liable in respect of the transactions done with the Mutual Fund.
12. To take proceedings in bankruptcy and winding up of firm / companies in which the Mutual Fund has invested and other processes against the estates of such firm / companies and or the promoters of firm / companies for any monies due in respect of Securities issued by such firms / companies and to take all steps and do all things requisite for recovery or making good any such amounts due in respect of the Securities.
13. The Board of Directors shall furnish to the Trustee Company particulars of the interest which he may have in any other company, or institution or financial intermediary or any corporate by virtue of his position as director, partner or with which he may be associated in any other capacity.



14. The Trustee may in the execution and exercise of all or any of the trusts, powers, authorities and discretions vested in them act by responsible officer or officers for the time being of the Trustee and the Trustee may also whenever they think it expedient delegate by power of attorney or otherwise to any such officer all or any of the trusts, powers, authorities and discretions vested in them and any such delegation may be made upon such terms and conditions and remuneration and subject to such regulations (including power to sub delegate). Notwithstanding such delegation, the Trustee shall at all times be responsible for the acts and omissions of the delegates / appointees as if such acts or omissions are its own.
15. To register or file or cause to be registered or filed in any Office of the Registrar / Sub-Registrar of Assurances or any court or with or by any body, corporation, company or person all deeds, notices, memorials, contracts, instruments or documents which it may be necessary or expedient to register or file.
16. In order to carry out any one or more of above functions, the Trustee may execute one or more general or specific powers of Attorney in favour of its trustee, consultants, lawyers or such other persons in such form and containing such stipulations as may be deemed fit by the Trustee.
17. To obtain the Securities in the name of the Trust and/or one or more Trustee, Custodians or Scheme(s).
18. To appoint such number of officers or other employees as the Trustee may consider necessary or desirable for the purpose of the Trust on such terms and conditions as the Trustee may deem fit and to terminate any such appointment.
19. Trustee shall as regards all trust, powers, authorities and discretions hereby vested in them have absolute and uncontrolled discretion as to the exercise thereof and in the absence of fraud shall be in no way responsible for any loss, costs, charges, expenses or inconvenience that may result from the exercise or non-exercise thereof and in particular they shall not be bound to act at the request or discretion of the Unit holders under any provisions of these presents unless so expressly required to act under SEBI Regulations.

## 6. Amendments to the Trust Deed

Settlor, with the consent of the Trustee may alter / amend / modify / substitute / add to or delete all or any of the clauses of this Trust Deed but without affecting the objects of the Trust. The consent of the Trustee aforesaid shall require a resolution passed at a meeting of the Board of Directors passed with not less than two third of the members of the Board of Directors present and voting in favour of such amendment. Such amendment as aforesaid shall be carried out by execution of a Supplementary Deed of Trust by Settlor and the then Trustee/s. No amendment to the Trust Deed other than that statutorily

required under the SEBI Regulations shall be carried out without the prior approval of SEBI and the Unitholders, if necessary as per the SEBI Regulations. Provided however that in case the Trustee Company converts into a Board of Trustee, prior approval of the Unitholders shall not be required, though prior permission of SEBI would be required.

## 7. Trusteeship Fees:

- a. In consideration of the services to be rendered by the Trustee, subject to SEBI Regulations and the Articles, the Trust shall pay to the Trustee a Trusteeship fee as may be agreed between the parties from time to time in accordance with the provisions of the SEBI Regulations.
- b. Subject to the Regulation and the Articles, the Trustee will be reimbursed out of pocket expenses such as traveling, boarding and lodging, stationery, etc. incurred for the meetings of its Board of Directors / its Committees in addition to the sitting fees and commission.
- c. The Trustee Fee shall be paid for by / distributed equitably or otherwise across all the Scheme(s) of Edelweiss Mutual Fund as may be decided by either the Trustee or otherwise. It can be different for each Scheme.

## 8. Auditor of the Trusteeship Company:

S. R. Batliboi & Co.  
 Chartered Accountants  
 6<sup>th</sup> Floor, Express Tower,  
 Nariman Point, Mumbai 400 021.

## D. THE ASSET MANAGEMENT COMPANY

### 1. Identification of the Asset Management Company for the Mutual Fund:

Edelweiss Asset Management Limited was incorporated as a Private Limited Company under the Companies Act, 1956 on August 23, 2007 and was converted into Public Limited Company 18th January, 2008. The company is having its Registered Office at 14th Floor Express Towers, Nariman Point, Mumbai – 400021. Edelweiss Asset Management Limited has been appointed as the Asset Management Company of Edelweiss Mutual Fund by the Trustee Company vide Investment Management Agreement (IMA) dated January 30, 2008, and executed between Trustee Company and Asset Management Company Ltd.

### Shareholders of the AMC:

Edelweiss Asset Management Limited is a wholly owned subsidiary of Edelweiss Capital Limited, the sponsor. The substantial part of the paid-up capital of Edelweiss Asset Management Limited is held by Edelweiss Capital Limited & through its Nominees.

## 2. Details of the AMC Directors:

| Name              | Age/Qualification   | Brief Experience  |
|-------------------|---|---|
| Mr. Rashesh Shah* | Age:44 yrs<br>Qualification: B. Sc., PGDBM, IIM (Ahmedabad) | Mr. Rashesh Shah has considerable experience in the Indian Capital Markets largely in analyzing and advising companies, researching and investing in stocks. Under his stewardship, in just over a 12 years period, Edelweiss has seamlessly grown into a full service financial services company. Before joining Edelweiss, Mr. Shah was formerly Head of Research with Prime Securities Limited and prior to that, worked for ICICI Limited, a premier Indian financial institution. He is also a director on the Board of various other companies. |

| Name                       | Age/Qualification   | Brief Experience  |
|----------------------------|---|---|
| <b>Mr. Rujan Panjwani*</b> | Age:44 yrs<br>Qualification: B.E.                                     | Mr. Rujan Panjwani is the President in Edelweiss Capital Ltd. Mr. Panjwani has considerable experience in investing in the Indian capital markets. He is also a director on the Board of various other companies. Before joining Edelweiss Capital Limited, he founded and set up a stock broking operation by the name of The Stock and Bond Trading Company. Mr. Panjwani has been instrumental in setting up the derivative and arbitrage business as well as for the growth and development of the proprietary and asset management units at Edelweiss over a 7 year stint.   |
| <b>Mr. U. R. Bhat</b>      | Age:56 yrs<br>Qualification: M.Sc., CAIIB, FCIB (London)              | Mr. U.R.Bhat is one of India's well known investment advisors having managed institutional money for more than a decade. He is presently Managing Director of Dalton Capital Advisors (India) Pvt. Ltd. Prior to this, he was Chief Investment Officer of Jardine Fleming in India - that subsequently became part of JP Morgan - for 7 years advising the India dedicated funds of the Flemings Group which amounted to more than US\$ 1 billion. In the early nineties, he established a successful start up asset management business for Indian Bank, a leading public sector Bank in India. He is also serving as a Director in various other Companies. |
| <b>Mr. Kanu Doshi</b>      | Age:70 yrs<br>Qualification: B.Com., B.A., FCA (Chartered Accountant) | Mr. Kanu Doshi is a fellow member of the Institute of Chartered Accountant and is in practice since 1964 .With more than decades of enriched experience advising corporates on taxation and related subjects he also serves as a Director in various other companies.   |

\* The Director is associated with sponsors of Edelweiss Mutual Fund.

#### 4. Substantive provisions of the Investment Management Agreement- (Schedule I- of the trust deed), which may be of material interest to the unit holders:

\* **Powers of the Investment Manager:** Unless otherwise specified, the Trustee Company hereby grants to the AMC, without limitation, all powers and privileges given to the Trustee Company under the Deed of Trust. However, AMC shall exercise these powers subject to the superintendence, control and the direction of the Trustee Company to the extent required by the Regulations. The Trust hereby authorizes AMC to do all such acts or things on behalf of the Trust as may be incidental or consequential to the discharge of its responsibilities under this Agreement.

\* **Under the IMA, the duties & obligation of the AMC also include the following:**

1. Hold all assets of the Mutual Fund and the Scheme(s) of the Mutual Fund separate from its own assets, free and clear of all liens, claims and encumbrances of any party except as provided in this Agreement & the Trust Deed & SEBI Regulations and shall also segregate the assets under its management Scheme-wise in the books of accounts.
2. Shall appoint bankers for all Scheme(s).
3. Invest in or disinvest Securities of each Scheme in the best interest of the Unit holders and endeavour to maximise return for the Unit holders of the Scheme.
4. Shall make all reasonable endeavours to maximize income, depending on the nature of the Scheme and subject at all times to limitations, as prescribed in the Agreement.
5. Have the accounts of each Scheme audited in terms of the Scheme and SEBI Regulations.
6. Shall publish by public advertisement in newspapers and if so thought fit, in any other manner, the un-audited half-yearly accounts and audited annual accounts or such other periodical accounts as may be prescribed under the SEBI Regulations, of the various Scheme(s) as required under the Regulations.

7. Shall acquire, create and update databases on companies, financial instruments, markets, economic indices and other subjects to the satisfaction of the Trust in order to take investment, deployment and disinvestment decisions in a scientific manner and make them available without any charges to the Trust -and make these available, with or without charge, wholly or partly to other entities.

8. No custodian in which the sponsor or its associates hold 50% or more of the voting rights of the share capital of the custodian or where 50% or more of the directors of the custodian represent the interest of the sponsor or its associates shall act as a custodian for the Mutual Fund constituted by the same sponsor or any of its associate or subsidiary company.

9. Make proper financial arrangement to meet Mutual Fund's obligations of payment for the Units repurchased by the Mutual Fund.

10. Shall be responsible for the acts and commissions or omissions by its employees or the persons whose services have been procured by the AMC.

In addition to the above, the AMC agrees and undertakes to perform all obligations laid down under the SEBI Regulations on an asset manager of a Mutual Fund.

#### 5. The AMC's Compensation

In terms of the Investment Management Agreement and SEBI Regulations, the AMC is entitled to a Management and Advisory Fee at the rate of 1.25% of the average daily net assets for net assets upto Rs.100 crore and at the rate of 1.00% for the net assets in excess of Rs.100 crore. For Scheme(s) launched on a No- Load basis, the AMC is entitled to collect an additional management fee of upto 1% of the average net assets outstanding in each financial year and the total management fee shall not exceed the limit stated under the SEBI Regulations.

The Investment Management Fee shall be payable to the AMC from each Scheme and will be according to the SEBI Regulations. The Management Fee may be increased as may be mutually agreed between the Trustee and the AMC within the overall limits defined by SEBI Regulation. However, any

decrease in management fee may be decided by the AMC at its own discretion.

The AMC shall bear the salaries of its director, officers and employees, the rent and utilities for its facilities, and other advisory and operating expenses and taxes thereon and any other expenses to be borne by the AMC.

### 6. Auditor for the AMC

BSR & Associates, Chartered Accountants,

KPMG House, Kamala Mills Compound, 448, Senapati Bapat Marg Lower Parel, Mumbai- 400 013.

### 3. Key Personnel of the AMC:

| Name  | Designation  | Total No. of yrs of Experience  | Assignments Held   |
|---|--|---|--|
| <b>Mr. Jimmy A. Patel</b><br>Qualification:<br>FCA and Law Graduate                             | Chief Executive Officer<br>Age: 40                   | Over 14 years of rich & valued experience in Mutual Fund Industry with an overall 19 years in financial sector arena. | Mr. Jimmy A. Patel has worked as CEO and COO for JM Financial Asset Management Pvt. Ltd. His earlier experience includes assignments with First Source Solutions Ltd., Principal Pnb Asset Management Co. Pvt. Ltd., Sun F&C Asset Mgt (I) Pvt. Ltd and Tata Asset Management Ltd. He has also participated in various working groups constituted by AMFI.   |
| <b>Mr. Kaushal H. Registrar</b><br>Qualification:<br>B.Com; Certificate from CAP - M Consulting | Head, Sales- Institution<br>Age: 50                  | Total Experience: Over 28 years   | Prior to joining Edelweiss, Kaushal was associated with Multi Commodity Exchange of India Ltd. (MCX) as Head - Institutional Marketing. Prior to that, he was associated with JM Financial Asset Management Pvt. Ltd. as National Head - Institutional Sales. He has also been associated as a senior member of the marketing team with TAIB Bank (a SEBI registered Foreign Institutional Investor). His earlier assignments include DSP Merrill Lynch Limited where he was instrumental in managing some of the large corporate relationships.           |
| <b>Mr. Bharat Ghia</b><br>Qualification:<br>B. Com  | Head, Sales- Banking & Alternate Channels<br>Age: 39 | Total Experience of around 13 years   | Prior to joining Edelweiss, he had worked with ICICI Prudential Asset Management Company Ltd. in various capacities starting from developing Mumbai retail sales to handling Gujarat and MP and developing the rest of west zone. His last assignment was handling the Alternate Banking Channel. Bharat was also part of the core team of 35 employees that started the AMC in the year 1998. Prior to ICICI Prudential AMC, he was with Karvy Securities handling Mumbai Retail Sales.   |
| <b>Mr. Santanu Ray</b><br>Qualification:<br>B.A.; M.B.A.  | Head, Sales- National Distributors and IFA<br>Age:39 | Total Experience: Over 17 years   | Santanu begun his career with Kotak Securities before moving to Cholamandalam Cazenove Asset Management Ltd. Prior to joining Edelweiss, he had worked with SBI Funds Management Pvt. Ltd., UTI Bank Ltd., and Birla Sun Life Distribution Company Pvt. Ltd. At Edelweiss, Santanu is responsible for national distributors and IFA relationships.   |
| <b>Ms. Meera Shetty</b><br>Qualification:<br>B. Com   | Head, Investor & Distributor Services<br>Age:39      | Total Experience: Around 14 years   | Having started her career with Unit Trust of India Investor Services Ltd. as AVP - Investor Services, Meera was responsible for the Lotus Court branch at Churchgate, one of the largest branches of UTI in terms of business volumes and PAN card servicing. From there, she moved to Principal PNB Asset Management Co. Pvt. Ltd. as head of the transaction services team. Prior to joining Edelweiss, she was with Tata Asset Management Ltd.  |
| <b>Mr. Yatin Dolia</b><br>Qualifications: B.Com; ACA  | Head, Risk & Quality<br>Age:34                       | Total Experience: Around 9 years  | Prior to joining Edelweiss, he has been associated with companies like ICICI Prudential Asset Management Co. Ltd., IDBI Bank Ltd. and Citigroup Global Services Ltd. In his previous assignments with ICICI Prudential AMC Ltd. and Citigroup Global Services, Yatin had been involved in independent appraisal and internal controls, review of business operations and systems with the objective of identifying process improvement areas with risks associated, due diligence reviews and structuring / development of multiple modes for collections. |

| Name   | Designation                   | Total No. of yrs of Experience  | Assignments Held  |
|--|-------------------------------|---|---|
| <b>Mr. Rajendra Thakkar</b><br>Qualification: B.Com; ACA             | Head Operations<br>Age:33     | Total Experience: Over 10 years   | With over 10 years of experience in Audit, Accounting and Client Servicing his assignments include positions with Globeop Financial Services (I) Pvt. Ltd., Prudential ICICI Asset Management Company Ltd., Standard Chartered Asset Management Co. Pvt. Ltd. and N.M. Rajji & Co, Chartered Accountants.   |
| <b>Ms. Padmaja Maliye</b><br>Qualification: B.Com; ACA               | Compliance Officer<br>Age: 32 | Total Experience:<br>Over 9 years   | She has over 9 years of experience in various fields including Compliance, Risk Management, Audit, Accounting and Management Services. Prior to joining Edelweiss, she was associated with ABN AMRO Asset Management (India) Pvt. Ltd. as AVP-Compliance, Legal & Risk Management and Haribhakti & Co., Chartered Accountants as Principal in their Management Services Division. |
| <b>Ms. Punam Sharma</b><br>Qualification:<br>M.Com; ACS; LL.B (Gen.) | Company Secretary<br>Age: 26  | With a total experience of over 2 years in Compliance & Secretarial field | Prior to joining Edelweiss, she was working with Kotak Mahindra Asset Management Company Ltd. At Edelweiss, Punam is responsible for the regulatory, legal & Compliance aspects of the business.  |

All the above mentioned Key Personnel's are based in the Corporate Office.

#### 7. Fund Manager:

| Name  | Designation                              | Total No. of yrs of Experience   | Assignments Held   |
|---|--|----------------------------------|--|
| <b>Mr. Bhupesh Kalyani</b><br>Qualifications:<br>CA; ICWA; CISA | Fund Manager-<br>Fixed Income<br>Age: 33 | Total Experience: Around 8 years | Prior to joining Edelweiss, he was with LIC Mutual Fund Asset Management Company Ltd. in the Fixed Income division as Assistant Manager Finance. He was also the Fund Manager for the Systematic Asset Allocation Fund (SAAF). He has also been previously associated with Kopran Pharmaceuticals Ltd., where he was in Treasury Management. |
| <b>Tarbir Shahpuri</b><br>Qualification:<br>B.Com, LLB          | Fund Manager-<br>Equity<br>Age: 26       | Total Experience: Around 5 years | Prior to joining Edelweiss Asset Management Ltd. he was with Edelweiss Capital Ltd. as a Manager where he was part of the Principle Strategies Group. He was also the lead of a trading group that ran a multi-strategy book.  |
| <b>Mr. Gaurav Khandelwal</b><br>Qualification: B.Com            | Fund Manager-<br>Derivative<br>Age: 26   | Total Experience: Around 5 years | He has around 5 years experience in financial services. He was with Edelweiss Securities Limited in the Principal Strategies Group managing an options and arbitrage trading desk. Prior to that, he was co- managing one of the "special situation" trading desks.  |

#### 8. Research Team:

Our Research Team constitutes of around five to six analysts headed by Ms. Madhumita Ghosh having over 15 years of experience in capital markets. The Research process can be classified in to 3 major research verticals fundamental, technical and derivatives. The main focus would be on Fundamental Research for Equity valuations of companies and Debt Ratings of instruments. Technical Research and Derivative Strategies would compliment the Fundamental Study.

Fundamental research would follow Top-Down approach where Equity research would comprise of the following sub-processes:

- Macroeconomic Analysis
- In depth Sectoral analysis(structural and cyclical)
- Microanalysis of company's financials, business model etc
- Investment positives/negatives to determine the growth potential

- Financial projections
- Valuation and recommendation of value ,growth and momentum stocks

Debt Research comprises:

- Macro economic Analysis with focus on interest rate
- Sectoral Analysis
- Microanalysis of issuer/instruments on the basis financial and non financial parameters
- Issuer/issue rating by credit analyst

Technical Research would revolve around

- Trend analysis and patterns leading to charts
- Other indicators like stochastic, moving averages, RSI and others

Derivative Research would involve formulation of strategies optimizing returns

## 9. Duties & Obligations of the AMC

In accordance with SEBI (Mutual Funds) Regulations, 1996 the Investment Manager has several duties & obligations as mentioned below:

- (1) The AMC shall take all reasonable steps and exercise due diligence to ensure that the investment of funds pertaining to any scheme is not contrary to the provisions of SEBI Regulations and the trust deed.
  - (2) The AMC shall exercise due diligence and care in all its investment decisions as would be exercised by other persons engaged in the same business.
  - (3) The AMC shall be responsible for the acts of commission or omission by its employees or the persons whose services have been procured by the AMC.
  - (4) The AMC shall submit to the Trustee quarterly reports on its activities and the compliance with SEBI Regulations.
  - (5) The Trustee, at the request of the AMC, may terminate the assignment of the AMC at any time, provided that such termination shall become effective only after the Trustees have accepted the termination of assignment and communicated their decision in writing to the AMC.
  - (6) Notwithstanding anything contained in any contract or agreement or termination, the AMC or its directors or other officers shall not be absolved of liability to the Mutual Fund for their acts of commission or omission, while holding such position or office.
  - (7) The Chief Executive Officer of the AMC shall ensure that the Mutual Fund complies with all the provisions of SEBI Regulations and the guidelines or circulars issued in relation thereto from time to time and that the investments made by the fund managers are in the interest of the unit holders and shall also be responsible for the overall risk management function of the Mutual Fund.
  - (8) The fund managers shall ensure that the funds of the Scheme(s) are invested to achieve the objectives of the scheme and in the interest of the unit holders.
  - (9) The AMC shall not through any broker associated with the sponsor, purchase or sell securities, which is average of 5 per cent or more of the aggregate purchases and sale of securities made by the Mutual Fund in all its Scheme(s). Provided that for the purpose of this sub-regulation, the aggregate purchase and sale of securities shall exclude sale and distribution of units issued by the Mutual Fund. Provided further that the aforesaid limit of 5 per cent shall apply for a block of any three months.
  - (10) The AMC shall not purchase or sell securities through any broker (other than the associated broker referred above) which is average of 5 per cent or more of the aggregate purchases and sale of securities made by the Mutual Fund in all its Scheme(s), unless the AMC has recorded in writing the justification for exceeding the limit of 5 per cent and reports of all such investments are sent to the Trustee on a quarterly basis. Provided that the aforesaid limit shall apply for a block of three months.
  - (11) The AMC shall not utilise the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities. Provided that the AMC may utilise such services if disclosure to that effect is made to the unit holders and the brokerage or commission paid is also disclosed in the half-yearly annual accounts of the Mutual Fund.
- Provided further that the Mutual Fund shall disclose at the time of declaring half-yearly and yearly results:
- (i) Any underwriting obligations undertaken by the Scheme(s) of the Mutual Funds with respect to issue of securities associate companies,
  - (ii) Devolvement, if any,
  - (iii) Subscription by the Scheme(s) in the issues lead managed by associate companies,
  - (iv) Subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager.
- (12) The AMC shall file with the Trustee the details of transactions in securities by the key personnel of the AMC in their own name or on behalf of the AMC and shall also report to SEBI, as and when required by SEBI.
  - (13) In case the AMC enters into any securities transactions with any of its associates, a report to that effect shall be sent to the Trustee at its next meeting.
  - (14) In case any company has invested more than 5 per cent of the net asset value of a scheme, the investment made by that scheme or by any other scheme of the same Mutual Fund in that company or its subsidiaries shall be brought to the notice of the Trustee by the AMC and be disclosed in the half-yearly and annual accounts of the respective scheme with justification for such investment, provided the latter investment has been made within one year of the date of the former investment calculated on either side.
  - (15) The AMC shall file with the Trustee and SEBI—
    - (a) Detailed bio-data of all its directors along with their interest in other companies within fifteen days of their appointment;
    - (b) Any change in the interests of directors every six months; and
    - (c) A quarterly report to the Trustee giving details and adequate justification about the purchase and sale of the securities of the group companies of the sponsor or the AMC, as the case may be, by the Mutual Fund during the said quarter.
  - (16) Each director of the AMC shall file the details of his transactions of dealing in securities with the Trustee on a quarterly basis in accordance with guidelines issued by SEBI Regulations.
  - (17) The AMC shall not appoint any person as key personnel who has been found guilty of any economic offence or involved in violation of securities laws.
  - (18) The AMC shall appoint Registrars and Share Transfer Agents who are registered with SEBI. Provided if the work relating to the transfer of units is processed in-house, the charges at competitive market rates may be debited to the scheme and for rates higher than the competitive market rates, prior approval of the Trustee shall be obtained and reasons for charging higher rates shall be disclosed in the annual accounts.
  - (19) The AMC shall abide by the Code of Conduct as specified in the Fifth Schedule of the SEBI Regulations.



**SECTION II CONDENSED FINANCIAL INFORMATION**

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

Historical Per Unit Statistics

| Sr No | Scheme Name  |    | ELPF                     | ELPF                    | ELF                     | ELF                     | ELF                     | EMIF-S1                 | EMIF-S1                 | EQIF-S1                 | EQIF-S1                 |          |
|-------|--|----|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|----------|
|       |  |    | 08-09                    | 08-09                   | 08-09                   | 08-09                   | 08-09                   | 08-09                   | 08-09                   | 08-09                   | 08-09                   | 08-09    |
|       |  |    | IP                       | RP                      | IP                      | RP                      | S-IP                    | IP                      | RP                      | IP                      | RP                      |          |
| 1     | NAV at the beginning of the year (i.e. 01/04/2008) | G  | NA                       | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      |          |
|       |  | DD | NA                       | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      |          |
|       |  | WD | NA                       | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      |          |
|       |  | MD | NA                       | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      |          |
|       |  | FD | NA                       | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      |          |
|       |  | D  | NA                       | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      |          |
| 2     | Dividends* (gross)                                 | DD | 0.504280                 | 0.504008                | -                       | -                       | -                       | -                       | -                       | -                       | -                       |          |
|       |  | WD | 0.180902                 | 0.492262                | -                       | -                       | -                       | -                       | -                       | -                       | -                       |          |
|       |  | MD | -                        | 0.347638                | -                       | -                       | -                       | -                       | -                       | -                       | -                       |          |
|       |  | FD | -                        | 0.491792                | -                       | -                       | -                       | -                       | -                       | -                       | -                       |          |
|       |  | D  | -                        | -                       | -                       | -                       | -                       | 0.193164                | 0.370330                | -                       | -                       |          |
| 3     | NAV at the end of the year ** (i.e. 30/11/2008)    | G  | 10.2617^                 | 10.2616^                | -                       | 10.2504                 | 10.2501                 | 10.0052^                | 10.1914^                | 0.2142^                 | 10.2142^                |          |
|       |  | DD | 10.0061^                 | 10.0061^                | 10.0000                 | 10.0000                 | -                       | -                       | -                       | -                       | -                       |          |
|       |  | WD | -                        | 10.0122^                | -                       | 10.0119                 | -                       | -                       | -                       | -                       | -                       |          |
|       |  | MD | -                        | 10.0860^                | -                       | 10.0030                 | -                       | -                       | -                       | -                       | -                       |          |
|       |  | FD | -                        | 10.0122^                | -                       | -                       | -                       | -                       | -                       | -                       | -                       |          |
|       |  | D  | -                        | -                       | -                       | -                       | -                       | -                       | -                       | 10.0052^                | 10.2142^                | 10.2143^ |
| 4     | Compounded Return                                  |    | NA                       | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      | NA                      |          |
| 5     | Absolute Return                                    |    | 2.62%                    | 2.62%                   | NA                      | 2.50%                   | 2.50%                   | 0.05%                   | 1.91%                   | 2.14%                   | 2.14%                   |          |
| 6     | Benchmark Returns                                  |    | 2.19%                    | 2.19%                   | 2.19%                   | 2.19%                   | 2.19%                   | NA                      | 1.79%                   | 1.79%                   | 1.79%                   |          |
| 7     | Name of Benchmark adopted                          |    | Crisil Liquid Fund Index | Crisil Liquid Fund Fund | Crisil Liquid Fund Fund | Crisil Liquid Fund Fund | Crisil Liquid Fund Fund | Crisil Liquid Fund Fund | Crisil Liquid Fund Fund | Crisil Liquid Fund Fund | Crisil Liquid Fund Fund |          |
| 8     | Net Assets end of Period (Rs. In Crs)              |    | 19.01                    | 12.84                   | 2.00                    | 4.97                    | 103.16                  | 1.00                    | 3.05                    | 12.59                   | 4.07                    |          |
| 9     | Ratio of Recurring Expenses to Net Assets          |    | 0.20%                    | 0.40%                   | 0.16%                   | 0.30%                   | 0.40%                   | 0.37%                   | 0.44%                   | 0.03%                   | 0.03%                   |          |
| 10    | Date of Allotment                                  |    | 9th Sep 2008             | 9th Sep 2008            | 9th Sep 2008            | 9th Sep 2008            | 9th Sep 2008            | 26th Sep 2008           | 26th Sep 2008           | 26th Sep 2008           | 26th Sep 2008           |          |

\*Excluding dividend details of Liquid Scheme.

\*\* Only for growth option. ^ Computed NAV as on 30/11/2008

### SECTION III INVESTORS SECTION

#### **A. HOW TO APPLY?**

Application forms/ transaction slips for fresh/ additional purchase/sale of Units of the Scheme will be available / accepted at the specified Bank Collection centres / Investor Service Centres , the branch Office of the AMC during the NFO Period of selected Scheme(s) (both Direct application & Application routed through Broker) & at the office of the Investor Service Centres (ISCs) during Business Hours on all Business Days on an ongoing basis(both Direct application & Application routed through Broker). The applications forms can also be obtained from the Distributors of the AMC. All cheques and bank drafts must be drawn in favor of "Name of the Scheme & PAN No.\_\_\_\_\_" or "Edelweiss Mutual Fund & PAN No.\_\_\_\_\_" (PAN No.\_\_\_\_ means PAN No. of the Investors/ unit holders)for example "Edelweiss Liquid Fund & PAN No. BAQTH29071" and crossed "Account Payee Only". A separate cheque or bank draft must accompany each application /each Scheme. Multiple cheques with single application are not permitted.

In order to protect investors from frauds, it is advised to mention PAN No. (as stated aforesaid on the face of the Cheque) & the Application Form number / folio number and name of the first investor should be written overleaf the cheque / draft, before they are handed over to any courier / messenger / distributor / ISC. In addition, all applicants for Purchase of Units must provide complete bank details viz bank name, bank account number, branch address, and account type in the Application Form.

The addresses of the Investor Service Centres of the Asset Management Company/ Registrar can be obtained from our website i.e. [www.edelweissmf.com](http://www.edelweissmf.com) and from Key Information Memorandum (KIM) with Application Form. Investors in cities other than where the Investor Service Centres are located may send their application forms to any of the nearest ISC center, accompanied by Demand Drafts payable locally at such locations.

Kindly retain the acknowledgement slip initialled/stamped by the collecting agency i.e. Collecting Bankers, ISC, etc. the AMC / Trustee retain the sole and absolute discretion to reject any application.

#### **B. WHO CAN INVEST?**

The following persons are eligible and may apply for subscription to the Units of any of the Scheme(s) of Edelweiss Mutual Fund (subject, wherever relevant, to purchase of units of Mutual Funds being permitted and duly authorised under their respective constitutions, charter documents, corporate / other authorisations and relevant statutory provisions etc):

1. Resident adult Indian individuals either singly or jointly; (not exceeding three),
2. Karta of Hindu Undivided Family (HUF in the name of Karta); Partnership Firms in the name of any one of the partner(constituted under the Indian partnership law),
3. Minors (Resident or NRI) through parent / legal guardian;
4. Schemes of Mutual Funds registered with SEBI, including schemes of Edelweiss Mutual Fund, subject to the conditions and limits prescribed by SEBI Regulations;
5. Companies, Bodies Corporate, Public Sector Undertakings (PSU) , Association of Persons (AOP)or bodies of individuals (BOI) and societies registered under the Societies Registration Act, 1860 (so long as the purchase of units is permitted under the respective constitutions)
6. Banks, including Scheduled Bank, Regional Rural Bank, Co-Operative Bank etc. & Financial Institutions;

7. Special Purpose Vehicles (SPV) approved by appropriate authority
8. Religious and Charitable Trusts, Wakfs or endowments of private trusts and Private trusts (subject to receipt of necessary approvals as required & who are authorised to invest in Mutual Fund schemes under their trust deeds).
9. Non-Resident Indians (NRIs) / Persons of Indian origin residing abroad / (PIO) on repatriation or non Re-patriation basis;
10. Foreign Institutional Investors (FIIs) registered with SEBI on fully repatriation basis;
11. Provident / Pension / Gratuity and such other Funds to the extend they are permitted to invest.
12. Army, Air Force, Navy and other para-military units and bodies created by such institutions;
13. Scientific and Industrial Research Organisations;
14. Multilateral Funding Agencies / Bodies Corporate incorporated outside India with the permission of Government of India / Reserve Bank of India;
15. Trustee, the AMC, their Shareholders or Sponsor, their associates, affiliates , group companies may subscribe to Units under the Scheme;
16. Any other category of individuals / institutions / body corporate etc., so long as wherever applicable they are in conformity with SEBI Regulations/other applicable Regulations/the constituent documents of the applicants..

#### **Notes:**

1. Returned 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, if any, are liable to be debited to the investor.
2. Any request for withdrawal of application made during the New Fund Offer Period will be treated as redemption request and shall be processed at the redemption price on the first day after the scheme opens for sale and redemption on an ongoing basis.
3. It is expressly understood that at the time of investment, the investor/unit holder has the express authority to invest in units of the Scheme and the AMC / Trustee / Mutual Fund will not be responsible if such investment is ultravires the relevant constitution. Subject to the Regulations, the Trustee may reject any application received in case the application is found invalid/ incomplete or for any other reason in the Trustee's sole discretion.
4. Any scheme(s) of the Edelweiss Mutual Fund or of any other Mutual Fund managed by any other AMC, including a Fund of Fund (subject to the conditions and limits prescribed in Regulations and/or by the Trustee, the AMC or Sponsor including concession or waiver of load) may subscribe to the units under the Scheme. The AMC / Trustee / Fund / Sponsor / Co-sponsor may subject to the limits prescribed by SEBI subscribe to units of this Scheme. The AMC will not be entitled to charge any fees on investments made by the AMC.
5. The Trustee may accept an application from an unincorporated body of persons/trusts. If a person who

is a resident Indian at the time of subscription becomes a resident outside India subsequently, he/she shall have the option to either be paid repurchase value of Units, or continue into the Scheme if he/she so desires and is otherwise eligible. However, the AMC shall not be liable to pay interest or any compensation, arising on account of taxation law or otherwise, on redemption, dividend or otherwise, to such a person during the period it takes for the Fund to record change in residential status, bank mandates, and change in address due to change in tax status on account of change in residential status. Notwithstanding the aforesaid, the Trustee reserve the right to close the unit holder account and to pay the repurchase value of Units, subsequent to his becoming a person resident outside India, should the reasons of cost, interest of other unit holders and any other circumstances make it necessary for the Fund to do so. Unit holders in whose case there has been a change of status from Resident to Non Resident will not have a right to claim growth in capital and/or income distribution, if such payment / distribution is ultra vires the relevant Rules & Regulations.

#### Who cannot invest?

1. Any individual who is a foreign national or any other entity that is not an Indian resident under the Foreign Exchange Management Act, 1999, except where registered with SEBI as a FII or FII sub account or otherwise explicitly permitted under the FEMA Act / by RBI / by any other applicable authorities.
2. Presently OCBs are not permitted to invest in mutual funds pursuant to RBI A.P. (DIR Series) Circular No. 14 dated September 16, 2003.
3. Such other category as may be noted by AMC from time to time.

The Fund reserves the right to include / exclude new / existing categories of investors to invest in the scheme from time to time. In case the application is found invalid / incomplete or for any other reason Trustee feels that the application is incomplete, the Trustee at its sole discretion may reject the application, subject to SEBI Regulations and other than prevailing statutory regulations, if any.

#### C. MODE OF PAYMENT

##### \* In case of Resident Investors:

Payment can be made by any of the following modes:

1. Electronic transfer of funds (ETF) over the internet or by way of direct credit / RTGS / NEFT to designated Scheme collection account\*.
2. The payment can also be made through MICR cheques or Demand Drafts / Banker's cheque/pay order. The payment instrument should be payable at a bank's branch, which is situated at and is a member of the Banker's Clearing House / Zone in the city where the application is submitted to a Designated Collection Centre.
3. An investor may invest through a distributor with whom the AMC has made an arrangement. The payment can be made through NEFT / RTGS or in any manner acceptable to the AMC, and is evidenced by receipt of credit in the bank account of the Fund.
4. In case of an applicant, who is resident of a city, whose banking clearing circle is different from that of any ISC or Designated Collection Centre of the AMC, the AMC shall bear the bank charges, incurred by the investor in obtaining the demand draft; except for Liquid schemes (as per

demand draft charges prescribed by State Bank of India). In that case, the investor can obtain a draft for investment amount net of draft charges. The AMC shall not refund any demand draft charges in cash.

\*As per the prevailing RBI guidelines, all payments/ transfer of funds amounting to ten lakh & above have to be effected by RTGS.

##### \* In case of NRI & FII's:

With respect to FEMA Notification, the RBI has granted general permission to NRIs and FIIs to purchase, on a repatriation basis, units of domestic mutual funds subject to conditions mentioned therein. Further, the general permission has also been granted to NRIs and FIIs to sell the Units to the mutual funds for repurchase or for the payment of maturity proceeds provided that the Units have been purchased in accordance with the conditions set out in the aforesaid notification. For the purpose of this Para, the term "mutual funds" has same meaning as in Clause (23 D) of Section 10 of the Income-Tax Act 1961.

##### (a) Repatriable basis

In the case of NRIs/PIOs investing on repatriable basis, payment may be made either by inward remittance through normal banking channels or out of funds held in a Non - Resident (External) Rupee Account (NRE) / Foreign Currency (Non-Resident) Account (FCNR).

In case Indian Rupee drafts are purchased abroad or from FCNR/ NRE accounts, an account debit certificate from the bank issuing the draft confirming the debit shall also be enclosed. NRIs shall also be required to furnish such other documents as may be necessary and as desired by the Fund in connection with the investment in the Scheme. AMC may at its discretion accept subscription accompanied with foreign currency instrument, NAV applicable in such case would be of the date when the funds get credited into the AMC's account.

FIIs may pay their subscriptions either by inward remittance through normal banking channels or out of funds held in a Non-Resident Rupee Account maintained with the designated branch of an authorised dealer. In case Indian rupee drafts are purchased by the FII from abroad or from Foreign Currency Accounts or Non-resident Rupee Accounts, an account debit certificate from the bank issuing the draft confirming the debit shall also be enclosed. Payments shall be made by cheques/demand drafts crossed "Account Payee Only".

##### (b) Non-repatriable basis

In the case of NRIs investing on non-repatriable basis, payment may be made either by inward remittance through normal banking channels or out of funds held in an NRE / FCNR / Non-Resident Ordinary Rupee Account (NRO).

FII's are not allowed to make payment on Non-repatriable basis.

##### Note:

1. The AMC will prefer to receive payment through Auto Debit or Electronic Fund Transfer route.
2. Applications accompanied with cash, money orders, outstation cheques / outstation drafts, post dated cheques and postal orders are liable to be rejected. However, if the AMC accepts valid applications with outstation cheques/ demand drafts not payable at par at a place where the application is received, closing NAV of the day on which outstation cheques / demand drafts is credited to the Fund shall be applicable.



3. DD charges shall not be reimbursed for investments made from locations where the AMC has got ISC's.
4. The applications accompanied vide the following modes will be considered as invalid and such payments are liable to be rejected.

Outstation cheques, Cash, money orders or postal orders, Post dated cheques, Multiple Cheques with a single application and payments received from any person other than the applicant investor, except that from guardians/ parents in respect of their minor children/authorised persons / persons of whom they have lawful custody. In such cases, the AMC reserves the right to call for such other informations /documents that it deems fit to fulfill its KYC/other obligations.

**Applications accompanied by cheques / drafts not fulfilling the above criteria are liable to be rejected. Also returned cheques will not be re-presented for collection and the accompanying application will be rejected.**

#### **D. LIST OF DOCUMENTS REQUIRED TO BE SUBMITTED ALONG WITH THE APPLICATION FORMS:**

##### Companies / Body Corporate:

1. Certified copy of the Board Resolution authorising investments/ disinvestments in Mutual Funds Schemes, certified by the Company Secretary/authorised signatory.
2. List containing names and signatures of the signatories, authorised as per the above Board Resolution, duly attested by the Notary/Company Secretary on the Company's letterhead.
3. Copy of the Memorandum and Articles of Association of the Company, duly attested by the Company Secretary or any other authorised signatory
4. Other relevant documents governing the statute (in case of Body Corporate not covered under the Companies Act, 1956)
5. Documents required to be submitted under normal circumstances like PAN (compulsory irrespective of the amount invested) & KYC Acknowledgment (if investment amount is Rs. 50,000/- and above).

##### Partnership Firms:

1. Copy of the Partnership Deed, duly attested by any of the partners. Signature of the partners attested by Notary.
2. Partnership deed signed by the partners should authorise such investments/disinvestments in the Mutual Fund scheme and corresponding operational procedures.
3. Documents required to be submitted under normal circumstances like PAN (compulsory irrespective of the amount invested) & KYC Acknowledgment (if investment amount is Rs. 50,000/- and above).

##### Individual/ HUF/AOP/BOI/SPV:

1. Documents required to be submitted under normal circumstances like PAN (compulsory irrespective of the amount invested) & KYC Acknowledgment (if investment amount is Rs. 50,000/- and above).
2. Copy of the Constituent Documents or formation Documents (Legal Entity Documents) duly attested by the Authorised Signatories.

##### Trusts:

1. Copy of the Trust Deed attested by the Trustee/ Secretary.
2. Copy of the Resolution passed by the Trustee authorising investments/disinvestments in Mutual Fund Schemes, duly certified by the Trustee/ Secretary or by the office bearer of the society.
3. List of the Trustee and signatures, authorised as per the above resolution, duly attested by the notary / Secretary of the Trust on the Trust's letterhead.
4. Documents required to be submitted under normal circumstances like PAN (compulsory irrespective of the amount invested) & KYC Acknowledgment (if investment amount is Rs. 50,000/- and above).

##### Co-operative Societies:

1. Copy of the Registration Certificate attested by the Secretary/ office bearer of the society.
2. Copy of the Resolution authorising investments/ disinvestments in the Mutual Fund Schemes, duly attested by the Secretary/ office bearer of the society.
3. List of authorised signatories with designation & their specimen signatures, attested by the Notary.
4. Documents required to be submitted under normal circumstances like PAN (compulsory irrespective of the amount invested) & KYC Acknowledgment (if investment amount is Rs. 50,000/- and above).

##### Applications made under Power of Attorney:

1. An applicant applying through power of attorney holder must lodge a copy of the Power of attorney (POA) duly attested by a notary public or copy of the POA alongwith Original POA (which will be returned after verification) at any of the ISC's.
2. The Power of Attorney Document must contain the signatures of both the applicant and the constituted Attorney.
3. Documents required to be submitted under normal circumstances like PAN (compulsory irrespective of the amount invested) & KYC Acknowledgment (if investment amount is Rs. 50,000/- and above) of both the Investor & the POA holder.

##### Non Resident Investors:

Documents required to be submitted by NRIs along with the Application Form:

1. In case Indian rupee drafts are purchased abroad or from FCNR / NRE A/c., an account debit certificate from the Bank issuing the draft confirming the debit shall also be enclosed along with the Application Form.
2. For subscriptions amounts remitted out of debit to the FCNR / NRE A/c., the Application form must be accompanied with an Account Debit Certificate confirming the account type and account number, issued by the Investor's banker(s).
3. Documents required to be submitted under normal circumstances like PAN (compulsory irrespective of the amount invested) & KYC Acknowledgment (if investment amount is Rs. 50,000/- and above).



**Note:**

1. All copies of documents should be self –attested by the respective authorized signatories specified therein or the same should be attested by Notary Public under official seal and stamp.
2. PAN Card copy is mandatory for all the above investors. The Pan Card copy should be self-attested by the unit holder or copy of Pan Card to be submitted along with original PAN card (which will be returned after verification) at any of the ISC's.
3. AMC reserves the right to call for such other informations/ documents that it deems fit to fulfill its KYC /other obligations.
4. If any of the above documents are in a Regional/Foreign Language, then the same have to be translated into English for submission as required by the AMC.

**E OTHER MANDATORY DISCLOSURES:**

Apart from the above mentioned Documents, all the entities applying under Edelweiss Mutual Fund are required to comply with the below mentioned mandatory disclosures as mentioned below:

- \* **Bank Details:** In order to protect the interest of investors from fraudulent encashment of cheques, the current SEBI Regulations have made it mandatory for investors to mention in their application for purchase of Units, the bank name and account number where the payments are to be credited. Hence, all applications for Purchase of Units must provide the investor's a bank name, bank account number, branch address, and account type in the Application Form. Applications without these details will be treated as incomplete and rejected. The AMC will not be responsible for any loss arising out of fraudulent encashment of cheques and / or any delay. The Investor is required to provide a blank cancelled cheque or its photocopy for the purpose of enabling verification of his bank mandate particulars where the Investor pays application money through cheque and also where cheque is drawn on a bank account which is different than bank mandate specified in the Application Form or through demand draft.
- \* **Permanent Account Number (PAN):** As per SEBI Circular, it is compulsory for all investors (including NRIs & Guardian in case of minor) to quote their Permanent Account Number (PAN) and submit certified copy of the PAN card issued by the Income Tax Department, irrespective of the amount of investment, while making an application for Purchase of Units. In case of joint applicants, certified copy of PAN card of all holders should be submitted. Power of Attorney holder is also required to provide the PAN proof alongwith PAN copy where investment is on behalf of Power of Attorney holder.

Additional Documents will be required in case an application is received from Sikkim, as Sikkim is exempt from the mandatory requirement of PAN for their investments in mutual fund. However, the AMC will accept the application verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence.

Applications without the aforesaid details are liable to be rejected without any reference to the investors.

- \* **Know Your Customer Requirements:**

The need to "Know Your Customer" is vital for the prevention of money laundering. In terms of the Prevention of Money Laundering Act, 2002, the Rules issued there under and the guidelines/circulars issued by SEBI regarding the Anti Money Laundering (AML Laws), all intermediaries, including Mutual

Funds, have to formulate and implement a client identification programme, verify and maintain the record of identity and address(es) of investors. Documents required to be submitted to support Identity and Address are as follows:

- i. Proof of Identity - Original PAN Card + Self-attested photocopies (Originals will be returned over-the-counter after verification) and other constituent documents specified in the Section on Documents to be submitted along with Application Form as specified elsewhere in this document.
- ii. Proof of Address - Original Documents (like Latest Telephone Bill or Latest Electricity Bill or Passport copy or Latest Bank Passbook/Bank Account Statement or Latest Demat Account statement or Voter ID or Driving License or Ration Card or Rent Agreement, etc.) + Self-attested photocopies (Originals will be returned over-the-counter after verification) or, true Copies attested by a Notary Public / Gazetted Officer / Manager of a Scheduled Commercial Bank or Multinational Foreign Banks (Name, Designation and Seal should be affixed on the copy). Unattested photocopies of an original document or of notarised copies are not acceptable.

If the above documents including attestation / certifications are in regional language or foreign language then the same has to be translated into English for submission. In order to make the data capture and document submission easy and convenient for the investors, Mutual Fund Industry has collectively entrusted the responsibility of collection of documents relating to identity and address of the investor(s) to an independent agency (presently CDSL Ventures Limited) which will act as central record keeping agency ('Central Agency'). As a token of having accepted the documents for identity and address of the investor(s) and for efficient retrieval of records, the Central Agency will give an acknowledgement letter to each investor who submits an application and the prescribed documents to the Central Agency. Investors should note that it is mandatory for all applications for subscription of value of Rs.50,000/- and above to quote the Compliance Status of each applicant (guardian in case of minor, including NRI's) in the application for subscription and attach proof of KYC Compliance viz. KYC acknowledgement letter (or the erstwhile Mutual Fund Identification Number\* (MIN) Allotment Letter). Applicants intending to apply for units through a Power of Attorney (PoA) must ensure that the issuer of the PoA and the holder of the PoA must mention their KYC Compliance Status and attach proof of KYC Compliance at the time of investment above the threshold. The AMC will validate the copy of KYC Acknowledgement received from the Investor with the records of the CVL before allotting units. Applications for subscriptions of value of Rs.50, 000/- and above in aggregate without a valid KYC Acknowledgement can be rejected. Provided further, where it is not possible to verify the KYC compliance status of the investor at the time of allotment of units, the Trustee / the AMC shall verify the KYC compliance status of the investor within a reasonable time after the allotment of units. In the event of non compliance of KYC requirements/CVL rejecting the KYC Compliance application of the investors, the Trustee / the AMC reserves the right to freeze the folio of the investor(s) and if necessary and deemed fit affect mandatory redemption of unit holdings of the investors at the applicable NAV, subject to payment of exit load, if any/reject subsequent investments for such investors.

Further, on issuing KYC Acknowledgement, the CVL may cancel the request for KYC Compliance submitted by the investor within prescribed time period in case of any deficiency in the document/information. Intimation of such cancellation of KYC



Compliance will be sent by the CVL to the investor directly and no separate communication will be sent to the investor by the AMC if the KYC Form and documents submitted are found to be in order. Please visit the AMC Website and/ or www.amfiindia.com for any other related information.

With a view to ensure compliance with Regulations, the AMC has the right to scrutinize/verify the application/applicant and the source of the applicant's funds and also reserves the right to redeem at the applicable NAV subject to applicable Load, if any/freeze the allotment/reject subsequent transactions/ reverse / cancel transactions, in its sole discretion, the investment or redeem the investment proceeds in favor of the source account from which the monies had been invested, reporting the transaction / account to anti-money laundering authorities and/or taking such other action, that may be necessary under AML Regulations.

The Fund, Trustee, the AMC or Registrar shall not be liable for any failure to perform its obligations or for any delay taken to complete verification of KYC compliance status of any investor.

The above provisions relating to prevention of money laundering and 'Know Your Client' may change from time to time as required by Regulations.

**\*Investors having Mutual Fund Identification number (MIN):** Investors who submitted their PAN as proof of identity and were issued with a MIN can attach copy of MIN acknowledgement letter with their application form, and they need not undergo KYC again.

AMC reserves the right to insist the investor to undergo KYC formalities again, as may be specified from time to time by the AMC in case CVL does not maintain the MIN /KYC database and underlying KYC documents of such investors in future.

**Change of any particulars mentioned in KYC Form:** Investors are requested to note that for any change in future in any particulars furnished in KYC Form, Investors should notify such changes in writing to the Point of Service, and not to the Registrar/the AMC.

**NOTE:**

- In case of joint-applicants, KYC should be completed by all joint applicants.
- In case of applications under Power of attorney, KYC has to be completed by both the issuer and the holder of the power of attorney.
- In case of NRIs / PIOs, they are required to complete KYC.
- In case of minor, the KYC should be completed by the Parent / Guardian signing on behalf of the Minor. However,

in the event of such minor person becoming major, the KYC has to be completed on becoming major.

- In case of transmission, KYC has to be completed by the person claiming under such transmission.
- In case of nomination, KYC has to be completed by the Nominee before invoking the nomination.
- In case of lien / pledge etc, KYC has to be completed by the lien / pledge-holder.

**F. ADDITIONAL FACILITIES:**

**1. Inter Scheme Switching:**

Unit holders under certain Scheme(s) are given the option to switch part or all of their Unit holdings in the respective Plans to other Scheme(s) established by the Mutual Fund. The Mutual Fund also, provides the investors the flexibility to switch their investments from any other scheme(s) offered by the Mutual Fund to a new scheme during the New Fund Offer period or on an ongoing basis. For details on Scheme(s) which offer such facility, please refer to SID.

This Option will be useful to Unit holders who wish to alter the allocation of their investment (subject to completion of lock-in period, if any, of the units of the scheme(s) from where the units are being switched) in order to meet their changed investment needs. Accordingly, to be effective, the Switch must comply with the Redemption rules of the Scheme and the issue rules of the other scheme (such as the minimum number of Units that may be redeemed or issued, Exit / Entry Load etc). The price at which the Units will be switched out of the respective Scheme will be based on the Redemption Price, and the proceeds will be invested in the other scheme at the prevailing sale price for units in that scheme.

**Intra – Scheme Switching option: (Between Growth Option and Dividend Option or between dividend**

**Options)**

Investors can switch between different options under the Scheme (For details on which Schemes offer such facility please refer SID.). No Exit Load will be charged in respect of such Intra-Scheme Switching. Switches will take place at the applicable NAV based prices and the difference between the NAVs of the two plans will be reflected in the number of units allotted.

The below mentioned table is for illustration purpose only. In case of allotment of units in Liquid Schemes, applicable NAV will be based on the basis of clear funds received in the respective Liquid Scheme. Investors are requested to refer to the SID of the respective scheme for details.

| Asset type Class |               | Cut off        | Business Day for switch      | Applicable NAV of                         |    |
|------------------|---------------|----------------|------------------------------|---|----|
| From             | To            |                |                              | Out                                       | In |
| Liquid           | Liquid        | Up to 3.00PM   | Followed by business day     | Day of receipt of request                 |    |
|                  |               |                | Followed by non business day | Day prior to the next common business day |    |
| Liquid           | Debt          | Up to 3.00PM   | Followed by business day     | Day of receipt of request                 |    |
|                  |               |                | Followed by non business day | Next Common business day                  |    |
| Liquid           | Interval Fund | Up to 3.00PM * | Followed by business day     | Specified Transaction day                 |    |
|                  |               |                | Followed by non business day | NA  | NA |
| Liquid           | Equity        | Up to 3.00PM   | Followed by business day     | Day of receipt of request                 |    |
|                  |               |                | Followed by non business day | Next Common business day                  |    |



| Asset type Class |               | Cut off       | Business Day for switch      | Applicable NAV of   |    |
|------------------|---------------|---------------|------------------------------|---|----|
| From             | To            |               |                              | Out   | In |
| Debt             | Liquid        | Up to 3.00PM  | Followed by business day     | Day of receipt of request   |    |
|                  |               |               | Followed by non business day | Day of receipt of request Day prior to the next common business day                             |    |
| Debt             | Debt          | Up to 3.00PM  | Followed by business day     | Day of receipt of request   |    |
|                  |               |               | Followed by non business day |   |    |
| Debt             | Interval Fund | Up to 3.00PM* | Followed by business day     | Specified Transaction day   |    |
|                  |               |               | Followed by non business day | NA  | NA |
| Debt             | Equity        | Up to 3.00PM  | Followed by business day     | Day of receipt of request   |    |
|                  |               |               | Followed by non business day |   |    |
| Interval Fund    | Liquid        | Up to 3.00PM  | Followed by business day     | Day of receipt of request   |    |
|                  |               |               | Followed by non business day | Day of receipt of request Day prior to the next common business day                             |    |
| Interval Fund    | Debt          | Up to 3.00PM  | Followed by business day     | Day of receipt of request   |    |
|                  |               |               | Followed by non business day |   |    |
| Interval Fund    | Interval Fund | Up to 3.00PM* | Followed by business day     | Specified Transaction day   |    |
|                  |               |               | Followed by non business day | NA  | NA |
| Interval Fund    | Equity        | Up to 3.00PM  | Followed by business day     | Day of receipt of request   |    |
|                  |               |               | Followed by non business day |   |    |
| Equity           | Liquid        | Up to 3.00PM  | Followed by business day     | Day of receipt of request Day prior to the day on which the funds are available for utilization |    |
|                  |               |               | Followed by non business day |   |    |
| Equity           | Debt          | Up to 3.00PM  | Followed by business day     | Day of receipt of request   |    |
|                  |               |               | Followed by non business day |   |    |
| Equity           | Interval Fund | Up to 3.00PM* | Followed by business day     | Specified Transaction day   |    |
|                  |               |               | Followed by non business day | NA  | NA |
| Equity           | Equity        | Up to 3.00PM  | Followed by business day     | Day of receipt of request   |    |
|                  |               |               | Followed by non business day |   |    |

## 2. Consolidation of Folio & Master Folio Facility

As an investor friendly measure, unless otherwise requested by the Unit holder, one Folio Number will be assigned for one unit holder having holdings in different Scheme(s) of the Mutual Fund. In such a case, one consolidated Account Statement will be provided. The number of Units allotted/redeemed will be reflected in his or her account and a statement to this effect will be issued to the Unit holder. The AMC reserves the right to assign the existing Folio Number against multiple applications and / or subsequent purchases under a new application form by an existing holder, with identical mode of holding and address.

Under Master Folio Facility, the Investor can request for a combined Account Statement of all the Folios, which are specified by him i.e. of all the folio's belonging to different personnel or entities combined with the individual folios as the case may be provided the AMC receives a written confirmation from all the folio holders allowing the AMC to send the Account Details at the Master Folio.

## 3. Joint Holders

In the event the account has more than one registered holder, the first-named Unit holder shall receive the account statements,

all notices and correspondence with respect to the account, as well as the proceeds of any Redemption requests or dividends or other distributions. In addition, such holder shall have the voting rights, as permitted, associated with such Units as per the applicable guidelines.

The Unit holder must specify the 'mode of holding' in the application form as 'Jointly' or 'Anyone or Survivor'. In the case of holding specified as 'Jointly', Redemptions would have to be signed by all joint holders in sequence of their holdings. However, in cases of holding specified as 'Anyone or Survivor', any one of the Unit holders will have the power / authority to make Redemption requests, without it being necessary for all the Unit holders to sign. However, in all cases, the proceeds of the Redemption will be paid to the first named Unit holder. Further, if the investor/ unit holder fails to mention the "mode of holding" the default option will be "Anyone or Survivor".

In the case of death/ insolvency of any joint holder named in the Register of Unit holders, the survivor(s) shall be the only person(s) recognised by EMF as having any title to or interest in the units. In all such cases, the proceeds of the Redemption will be paid to the first-named of such remaining Unit holders.

#### 4. Unit Certificate

Normally no Unit certificates will be issued. However, if the applicant so desires, the AMC shall issue a non-transferable Unit certificate to the applicant within 30 days of the receipt of request for the certificate at its discretion. Unit certificate if issued must be duly discharged by the Unit holder(s) and surrendered along with the request for Redemption/ Switch or any other transaction of Units covered therein. The incidental cost of stamp duty paid for issuing the unit certificate may be recovered from the unit holder or may be charged to the scheme as per annual recurring expenses.

Further, Account Statement issued in lieu of the Unit Certificate shall be non-transferable. The Trustee may issue a Unit Certificate in lieu of the Account Statement in respect of the units held, to such unit holders who request for the same, after receipt of a specific request from the unit holder, at the cost and expense of the unit holder or otherwise, as may be decided from time to time.

#### 5. Units with Depository

Units of the Scheme may, if decided by the AMC, be held with a Depository. Under such circumstances, Units will be held in accordance with the provisions of Depositories Act, 1996 and the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 as may be amended from time to time.

##### (a) Dematerialisation of existing physical units

Necessary request for dematerialization of units can be submitted by the existing unit holders to their respective Depository Participant along with the account statement issued by the Fund. The same number of Units held in the physical mode shall be continued in the demat mode. Requests for dematerialisation shall be processed within the thirty days or such other days as may be stipulated under SEBI Regulations from the date of receipt of such a request, provided it is complete and valid in all respects. Issuance of units in dematerialisation mode may attract stamp duty, cost of which may be recovered from unit holders or may be charged to the scheme as per annual recurring expenses.

##### (b) Rematerialisation of demat units

Unit Holders have the option to rematerialise their existing demat Units by giving rematerialisation request to the respective Depository Participant (DP). On receiving the confirmation of demat Units balance, an account statement for the physical Units shall be issued where the same number of Units held in the demat mode shall be continued in the physical mode. The rematerialisation of demat Units shall be processed within thirty days or such other days as may be stipulated under SEBI Regulations from the date of receipt of such a request, provided it is complete and valid in all respects.

#### 6. First In First Out (FIFO) Basis

Should a unit holder, who holds Units allotted during the New Fund Offer or on an ongoing basis, opts for partial redemption of his unit holdings, the units shall be redeemed on a first in-first out basis, i.e. the Units allotted first shall be redeemed first.

#### 7. Issue of Bonus Units

In the interest of the Unit holders and smooth functioning of the Fund, at an appropriate time, the Asset Management Company may decide to issue Bonus Units to all existing Unit holders. The Bonus Units may be declared in all the Options or in any

one Option of the Scheme. For such declaration the Fund will announce a Record Date / Book Closure and all Unit holders whose names appear in the Register of Unit holders as on the Record Date shall be eligible to be issued such Bonus Units. These Units will be pari-passu with the original Units. Bonus Units so issued will be credited to the Unit holders' account in the respective Options. Pursuant to allotment of Bonus Units, the per Unit NAV of the respective Options would fall in proportion to the Bonus Units allotted and as a result, the total value of Units held by the Unit holder would remain the same. The issue of such Units will increase the number of Units held by the Unit holder in the Options of the Scheme and so also the total number of Units outstanding in the Options of the Scheme. Account statements will be sent to all Unit holders after the allotment of bonus units.

#### 8. Applications via electronic mode

Subject to the investor fulfilling certain terms and conditions stipulated by the AMC as under, the AMC, EMF or any other agent or representative of the AMC, Mutual Fund, the Registrar may accept transactions through any electronic mode ("web transaction, fax, M-commerce, kiosk & such other modes as prescribed from time to time") as permitted by SEBI or other regulatory authorities. Unit Holders can obtain financial & non financial information about their transactions e.g. Sale, purchase, dividend declarations etc. through "SMS Alerts". This facility is offered to all unit holders who registered themselves for the facility in the Application Form, mentioning their mobile number on the Application Form. The AMC may enter into such arrangements/agreements as it may deem fit to give effect to the above.

The Fund may introduce a facility for distributors to transact on the web on behalf of their clients, provided the client has authorised the distributors to do so by executing a Power of Attorney in favour of the distributor for this purpose and subject to valid service level agreements entered into by the distributor with the AMC. It shall be the responsibility of the distributor, to ensure that the Power of Attorney is valid and subsisting, to carry out the transaction. Investors should note that:

1. The acceptance of the web/electronic transactions will be solely at the risk of the investor/ unit holder of the web/ electronic transactions and the Mutual Fund shall not in any way be liable or responsible for any loss, damage caused to the investor/ unit holder directly or indirectly, as a result of the investor/ unit holder sending or purporting to send such transactions.
2. The Mutual Fund will also not be liable in the case where the transaction sent or purported to be sent is not processed on account of the fact that it was not received by the Mutual Fund.
3. The investor/ unit holder's request to the Mutual Fund to act on any web/electronic transmission is for the investor/ unit holder's convenience and the Mutual Fund is not obliged or bound to act on the same.
4. The investor/ unit holder acknowledges that web/ electronic/kiosk transactions is not a secure means of giving instructions/transactions requests and that the investor/ unit holder is aware of the risks involved including those arising out of such transmission.
5. The investor/ unit holder authorizes the Mutual Fund to accept and act on any web/ electronic transmission which the Mutual Fund believes in good faith to be given by the investor/ unit holder and the Mutual Fund shall be entitled to treat any such web/ electronic transaction as if the

same was given to the Mutual Fund under the investor/ unit holder's original signature.

6. The investor/ unit holder agrees that security procedures adopted by the Mutual Fund may include signature verification, telephone call backs which may be recorded by tape recording device and the investor/ unit holder consents to such recording and agrees to co-operate with the Mutual Fund to enable confirmation of such web/ electronic/kiosk based transaction requests.
7. The investor/ unit holder accepts that the web/ electronic transactions shall not be considered until time stamped as a valid transaction request in the Scheme in line with SEBI regulations.
8. It is deemed that the unit holder is aware of all security risks including possible third party interception of SMS Alert / E- Mail & contents of the SMS Alerts / documents becoming known to the third parties.
9. Should the unit holder experience any difficulty in accessing the electronically delivered documents /SMS Alerts, the unit holder shall promptly advise the Mutual Fund to enable the Mutual Fund to make the delivery through alternate means. In case of non receipt of any such intimation of difficulty within 24 hours from receiving the email/SMS alert, it will be regarded as receipt of email / SMS alert by the unit holders.
10. In consideration of the Mutual Fund from time to time accepting and at its sole discretion acting on any web/ electronic/kiosk transaction request received / purporting to be received from the investor/ unit holder, the investor/ unit holder agrees to indemnify and keep indemnified the AMC, Directors, employees, agents, representatives of the AMC, Mutual Fund and Trustee from and against all actions, claims, demands, liabilities, obligations, losses, damages, costs and expenses of whatever nature (whether actual or contingent) directly or indirectly suffered or incurred, sustained by or threatened against the indemnified parties whatsoever arising from or in connection with or any way relating to the indemnified parties in good faith accepting and acting on web/ electronic/kiosk transaction requests including relying upon such web/ electronic transaction requests purporting to come from the investor/ unit holder even though it may not come from the investor/ unit holder. **The AMC reserves the right to discontinue the facility at any point of time.**

#### 9. Gift Facility

The unit holders have the option to gift the units (by way of transfer of units to the donee), to the extent provided in the Regulations and can write to the AMC requesting for the Gift Form. The Fund may, subject to compliance with such requirement as it deems necessary, stipulate certain conditions and arrange to transfer the Units, on account of a gift made by the unit holder out of his Unit balance as per the provisions of applicable law.

Gift in favour of Non-Residents will also be subject to permission, general or specific, under Foreign Exchange Management Act. All payments and settlements made to such donee and a receipt thereof shall be a valid discharge by the Fund. The Fund would not be liable for the loss resulting from a fraudulent transfer by way of gift to a donee, based on the unit holder's instructions that it reasonably believed as genuine. However, unit holders may note that such a transfer by way of gift may attract stamp duty. The donee of the units will be subject to all KYC and other procedures, as would have been applicable had the donee

invested himself/herself/itself/ in his/her/its own individual capacity.

#### 10. Account Freezing

As an additional facility to the unit holder every unit holder shall have an option to freeze his account with the participant so as to render it inoperable for a limited period of time. The participant shall freeze the account of a unit holder maintained with it on written instructions received in that regard from the unit holder concerned. A folio so frozen shall be activated on instructions in writing from the unit holder, where it has been frozen at the instance of a unit holder, and on receipt of any order or issuance of instructions vacating, revoking or setting aside the order of freezing by the court, tribunal or authority or when the account is freed by the AMC at the discretion of AMC.

Provided further that on the folio being frozen in any of the events, the unit holder shall not effect any redemption or any such other transaction unless the instructions or order for freezing the account has been withdrawn, revoked, vacated, set aside or modified as aforesaid. However, the unit holders shall receive all the benefits attached to the folio and the same also shall be automatically frozen in the relevant folio.

#### 11. Split or Consolidation in the Face Value of Units

The units under the scheme are presently being issued at the face value of Rs.10. Subject to SEBI Regulations in this regard; the AMC may split the face value of the units to below Rs. 10 in multiple of an appropriate integer, the intent being to protect the interest of the unit holders. The units after split in the face value would be issued to all Unit holders whose names appear in the register of members as on the record date fixed for the purpose. Account/transaction statements will be sent to all unit holders after the split procedure is completed. The NAV of the Scheme will be adjusted to the extent of the split in the face value of units after the record date fixed for the purpose. The same procedure will be followed in case of Consolidation of units

#### 12. Lien

In case existing and new investors redeem units soon after making purchases, the redemption request will not be processed until sufficient time has elapsed to provide reasonable assurance that cheques or drafts for units purchased have been cleared. In case the cheque / draft is dishonored by the bank, the transaction shall be reversed and the units allotted earlier shall be cancelled, and a fresh Account Statement / Confirmation slip shall be despatched to the Unit holder. In such case, a lien will be created on units allotted on the day of transaction and such units shall not be available for redemption until the payment proceeds are realised by the Fund.

For non-individuals and NRIs, the Fund may mark a lien on units in case documents which need to be submitted are not given in addition to the application form and before the submission of the redemption request.

However, the AMC reserves the right to change operational guidelines for lien on units from time to time.

#### 13. Pledge

The Units under any of the Scheme(s) of Edelweiss Mutual Fund may be offered by the unit holder as security by way of a pledge in favour of scheduled banks, financial institutions or any other body, (including ECL Finance Ltd., Edelweiss Group Company), specifically approved by the Mutual Fund. Upon a specific authorisation request made by a Unit holder and upon completing necessary formalities by the unit holder, the Fund will instruct the Registrar to mark a lien on the Units standing to

the credit of the unit holder in consideration of the unit holder availing of any special service offered by such bank / financial Institution etc.

However, the disbursement of such loans will be at the entire discretion of the concerned bank/financial institution/ any other body and the Mutual Fund assumes no responsibility thereof. If by enforcing the pledge /charge /Invoking the Lien, the scheduled bank/financial institution any other approved body seeks to transfer the units and have them registered in its name or claim redemption proceeds thereof, then AMC shall comply with the request, if a written request is received from the pledgee along with the necessary documentary evidence as may be required by the AMC. No Pledge or charge shall be recognised by the AMC, unless it is registered with the Registrar and the acknowledgement has been received. However, the AMC reserves the right to change operational guidelines for pledge on units, from time to time. Further, AMC may block the units or the corporate benefits provided by the Mutual Fund on account of order received from Revenue or Regulatory Authorities directing the Pledging of units. Unit holders may note that any kind of pledge may attract stamp duty.

#### 14. Dividend Sweep Facility:

Under this facility, the unit holders may invest their dividend in any other open ended scheme of the Fund at the applicable NAV based prices, subject to the minimum investment and eligibility requirements of the scheme in which the dividend is being invested, which may be waived at the discretion of the AMC. Such facility will be available only to unit holders who have opted for Monthly, Quarterly, Half Yearly and annual Dividend options i.e. Such facility will not be available for Daily, Weekly, Fortnightly options. Variations, if any, will be specified in SID.

### G. SPECIAL FACILITIES

The Fund reserves the right to amend or terminate or introduce special facilities in any of the Scheme(s) of Edelweiss Mutual Fund. Such facilities for the time being include Systematic Investment Plan, Systematic Withdrawal Plan, Systematic Transfer Plan, Trigger Facility, Switch Facility and any such facility/plan that may be introduced in the future. Applicants are requested to indicate the plan/option/sub option i.e. Dividend or Growth, Payout or Reinvestment etc. clearly in the Application Form.

#### 1. Systematic Investment Plan (SIP):

Investors are given an additional facility of Systematic Investment Plan (SIP) in the Scheme(s) of Edelweiss Mutual Fund. Thus, by investing a fixed amount at regular interval, Unit holders can take advantage of the benefits of Rupee Cost Averaging; Such facility will be treated as Subscription along with the applicable NAV/load, if any. Investor can enroll themselves for SIP by submitting the enrolment form alongwith the relevant documents like debit instructions, the first cheque to start SIP and a cancelled cheque or a copy of cheque in case of Electronic Clearing System (ECS) as the case may be, at any of our ISCs. Investors should note that AMC may take initial transaction processing time upto 30 days. Investor will have the right to discontinue the SIP at any time, if they so desire.

#### 2. Systematic Withdrawal Plan (SWP):

This facility enables the Unit holders to withdraw fix sum from their unit accounts at periodic intervals through a one-time request. The amount withdrawn under SWP will be considered as redemption with applicable NAV/Load, if any. To qualify for SWP, the units should not be marked

under Lien or units should not be locked in nor pledged. SWP will be terminated automatically in case of a Zero balance in the respective Scheme-Folio on the run-date or expiry of the enrolment period whichever is earlier.

#### 3. Systematic Transfer Plan (STP)

This facility enable the unit holder to transfer fixed sum periodically from the source scheme to the target scheme by redeeming Units of Source scheme at Applicable NAV, subject to exit load, if any; and reinvesting the same amount in target Scheme at applicable NAV, subject to entry load if any (The minimum amount criteria in the target scheme should however be fulfilled unless specified otherwise). Further, investors should note that:

- \* STP will be automatically terminated if all Units are liquidated or withdrawn from the Source scheme or pledged or upon receipt of intimation of death of the Unit holder. Further, STP would not be applicable in case of insufficient balance under the Source Scheme.
- \* Units marked under lien or pledged in the "Source Scheme" shall not be eligible for STP.
- \* A Unit holder who has opted for STP under a specific scheme can also switch his units to any other eligible scheme provided, he has sufficient balance in his account on the date of such a request.
- \* The Unit holder can make additional subscriptions in accordance to the terms and conditions of the Scheme Information Document. Such additional subscription will not alter the functioning of the STP request submitted by the unit holder.
- \* STP will be terminated automatically in case of a Zero balance in the respective Scheme-Folio on the run-date or expiry of the enrolment period whichever is earlier.
- \* Investors who avail of STP facility can at any time opt out of the same or can purchase, redeem or switch units.

#### Cut-Off Period for STP & SWP:

For enrollment into STP/SWP, the request should be received at any official point of acceptance at least 7 business days prior to the commencement of the first STP/SWP execution date. Similarly for discontinuing the SWP/STP, the written request should be submitted at any official point of acceptance at least 7 business days prior to the next STP/SWP execution date. Further, any change in the amount /frequency or period of STP/SWP should be communicated in writing to the Registrar's Office at least 7 business days prior to the next STP/SWP execution date.

#### Account Statement:

As per SEBI regulations, Mutual Funds may, email the Account Statement to the unit holders under SIP/STP/SWP once every quarter ending March, June, September and December within 10 business days after the end of the respective quarter. However, the first account statement under SIP/STP/SWP shall be issued within 10 business days of the initial investment. Further soft copy of the account statement shall be issued to the unit holder under SIP/ STP/ SWP & sent to their e-mail address on a monthly basis, as mandated. In case of specific request from the unit holders, EMF will endeavour to provide the account statement to investors within 3 business days from the receipt of such request.

Further details on Frequency, minimum investment amount

& minimum number of installments, load structure etc. under SIP, SWP or STP will be specified in SID.

Transactions in STP or SWP may result in Capital Gains or Capital Losses, please refer to chapter on Tax Benefits.

- \* Gain switch to other schemes of Edelweiss Mutual Fund or
- \* Gain redeemed and original investment switched to other schemes of Edelweiss Mutual Fund or
- \* Original investment redeemed and gain switched to other schemes of Edelweiss Mutual Fund

### C. TRIGGER

Trigger acts as a financial planning tool for information & initiating action. The unit holder can specify a specific event/action, which may be related to time or value or a specific event/action in advance and when this event/action takes place the trigger will get activated. This helps the unit holders to minimize the loss and/or timely booking of profits. Thus, this facility enables the unit holder to keep track of his investments without having to put in time and effort to track portfolio movements on a regular basis. Triggers can broadly be classified as:

1. **Time-based triggers** - Time-based triggers are actioned on the day and/or date opted by the investor. For example, if Investor opted for particular day or date trigger & if he wishes to gift some units to his mother on her birthday, a trigger could be set based on the date as requested by the Unit holder.
2. **Event-based triggers** – Investor can also set triggers based on the occurrence of a particular external event that affects the value of investment. For example,
  - \* Investment value- Change in the value of investment held by unit holder by certain percentage/ value (rise/fall) then trigger can be activated. Percentage change in value of units will be calculated on the amount invested by the unit holders.
  - \* Capital Appreciation/Depreciation - If investment value appreciates/depreciates by certain percentage /value (rise/ fall) trigger will be activated.
  - \* Change in NAV-Change in the NAV by certain percentage (rise/ falls) on Invested NAV then trigger will be activated.
  - \* BSE Sensex/ NSE Nifty- If BSE Sensex/NSE Nifty changes by certain percentage/points (rise/falls) trigger will be activated. Only end of day closing points of BSE/NSE will be considered for activating the trigger. Percentage rise/falls will be calculated by taking the base index as on the investment date.

#### Trigger Facilities:

- \* Alert based Trigger – This facility will “ALERT” (Mail/SMS) the investor after meeting the specifications provided by him/her.
- \* Actioned based Trigger- In this facility, system will process the transaction (redemption/switch etc) if the Trigger hits the specifications/types provided by him/her and account statement/warrant will be dispatched to investor after processing.

#### **Unit holder can opt for the following:**

- \* Full Redemption or
- \* Partial redemption of Units/Amount or
- \* Redemption of original Investment or
- \* Redemption of gains(to the extent of capital appreciation ) only or
- \* Full amount switch to other schemes of Edelweiss Mutual Fund or
- \* Partial amount /Units switch to other schemes of Edelweiss Mutual Fund or
- \* Original Investment switch to other schemes of Edelweiss Mutual Fund or

For e.g. an investor has invested at Rs 11/- and opted for full redemption, if NAV appreciates at least by 10%, trigger will be activated on the business day when NAV moves to 12.10 (i.e. 10% more than Rs 11/-) or more.

Trigger(s) linked to BSE Sensex or NSE NIFTY will always compare the value of BSE Sensex or NSE NIFTY on close of business day. In case BSE or NSE is open on a non-business day, its value will not be considered even if it reaches or crosses a trigger value and on any subsequent business day if the value of BSE or NSE is reached, the same would be considered for trigger purposes. For e.g. a unit holder has opted for full redemption if NSE NIFTY reaches or crosses 1200 mark. If NSE is open on 1st January 2002 but it is not a business day for the Fund, trigger will not be activated (i.e. redemption will not take place) even though closing value of NIFTY as on 1st January.

#### **Activation of Trigger:**

Unit holders shall note that NAV of a scheme is determined on close of the business day taking into consideration closing prices of the securities on the primary stock exchange. Intra day prices are not considered for valuing the scheme's portfolio. Value of the unit holder's unit balance at the end of a relevant business day based on that day's NAV (& not at related prices, along with the applicable load if any) and closing value of a relevant index of a stock exchange would be used as a base for activating the triggers. However all redemptions/switches/ reinvestments etc. linked to triggers will always be at the applicable NAV based prices of the day on which the event occurs.

Please also note that the trigger is an additional facility provided to the unit holders to save time on completing the redemption/ switch formalities on happening of a particular predetermined event. Trigger is not an assurance on part of the AMC /Fund to the investor that investor will receive a particular amount of money/appreciation and/or percentage on redemption or will get a particular amount of capital appreciation or will minimize the loss to investor to a particular amount or percentage. Trigger is an event on happening of which the Fund will automatically redeem and/or switch the units on behalf of the investors/will alert the investor as the case may be, on the date of happening of the event. In actual parlance a trigger will activate a transaction/alert when the event selected for has reached a value greater or less than the specified particular value (trigger point). On a particular business day on the happening of the event/ trigger, the transaction would be deemed to be time stamped (as per the Regulation) as at the end of that applicable business day.

Trigger facility will be activated at transaction level only and once the unit holders requirement is fulfilled the trigger will be de-activated. Also trigger will be de-activated on receipt of redemption / Fulfillment /cancellation request from the unit holder.

### D. WAIVER OF ENTRY LOAD FOR DIRECT APPLICATIONS :

As per SEBI Regulations no entry load will be levied on 'Direct Applications' for first time purchase, subsequent purchase, SIP, STP and switch-in transactions in any of the Scheme. Direct applications, for this purpose, shall mean applications which are not routed through a distributor/agent/broker, and received at the ISCs/collection



centres/official points of acceptance of the AMC or the Registrar. In the case of subsequent purchase/ switch-in/ STP into the Scheme, investors have to effect the transaction under the same folio directly, i.e. without any distributor/agent/broker code, in order to avail of this waiver of entry load. EMF has laid down the following procedure for submission of 'Direct' applications:

- Investors need to ensure that the word 'DIRECT' is mentioned in the indicated space for distributor /Agent / Broker information' in the applications for purchases/ additional purchases/switches in case where such applications are not routed through any distributor/agent/broker. Further, investors should ensure to select the 'Direct' option (in cases where such applications are not routed through any distributor/agent/broker) for online transactions on Edelweiss MF Website [www.edelweissmf.com](http://www.edelweissmf.com). This procedure would ensure that the units are allotted without any entry load, if any, for load based Scheme(s) launched by the Mutual fund.
- In case where unit holder uses a pre-printed transaction slip/application form where the details of the distributor are already printed, alterations, if any, in the indicated

space for distributor/ Agent / Broker Information should be counter signed by unit holder depending upon the mode of holding. If the alterations on the pre-printed transaction slip/application form are not counter signed by the unit holder the application will be processed as if no "Direct Application" and as if no alterations have been made.

- Transactions slips/application forms where the indicated space for distributor /Agent information is left blank, then the same will be processed as 'Direct' applications. Thus units are allotted without any entry load, even in case of load based Scheme(s) launched by the Mutual fund.
- In case the unit holder subsequently requests EMF to insert distributor/ agent/ Broker code, EMF will make the necessary insertions as per the request received from the unit holder. The Distributor in such case will only be entitled for prospective trial commission /brokerage. In case of SIP/STP transaction, the installments subsequent to the receipt of request for insertion would be processed with entry load, if any. Thus the distributor in such cases will be entitled for prospective upfront and trail brokerage/ commission.

## SECTION IV UNIT HOLDERS RIGHTS & INFORMATION

### A RIGHTS OF UNIT HOLDERS OF THE SCHEME(S)

1. Unit holders of the Scheme have a proportionate right in the beneficial ownership of the assets and in the dividend/ bonus declared, if any, by the Fund under the Plan in which they have invested.
2. When the Mutual Fund declares a dividend under the Scheme, the dividend warrants shall be despatched within 30 days of the declaration of the dividend.
3. As per SEBI Regulations, the Mutual Fund shall despatch Redemption proceeds within 10 Business days of receiving the Redemption request.
4. The Trustee is bound to make such disclosures to the Unit holders as are essential in order to keep them informed about any information known to the Trustee which may have a material adverse bearing on their investments.
5. The appointment of the AMC for the Mutual Fund can be terminated by majority of the Directors of the Trustee or by 75% of the Unit holders of the Scheme.
6. 75% of the Unit holders of a Scheme can pass a resolution to wind-up a Scheme.
7. The Trustee shall obtain the consent of the Unit holders:
  - \* Whenever required to do so by SEBI, in the interest of the Unit holders.
  - \* Whenever required to do so on the requisition made by three-fourths of the Unit holders of the Scheme.
  - \* When the Trustee decides to wind up the Scheme or prematurely redeem the Units.
  - \* The Trustee shall ensure that no change in the fundamental attributes of any Scheme or the trust or fees and expenses payable or any other change which would modify the Scheme and affects the interest of Unit holders, shall be carried out unless :
    - (i) a written communication about the proposed change is sent to each Unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
    - (ii) The Unit holders are given an option to exit at the prevailing Net Asset Value without any Exit Load.
8. In specified circumstances where the approval of unit holders is sought on any matter, the same shall be obtained by way of a postal ballot or such other means as may be approved by SEBI.
9. The process of allotment of units and mailing of account statement will be completed within 30 days from the date of closure of the new fund offer period or within SEBI prescribed limits.
10. The Trustee is obliged to convene a meeting on a requisition of 75% of the Unit holders of a Scheme.

### B. PERIODIC DISCLOSURE:

1. **Annual Report:** To circulate an abridged scheme-wise annual report which shall be mailed to all unit holders not later than four months from the date of closure of the relevant accounting year and the full annual report shall be available

for inspection at the head office of the fund and a copy shall be made available to the unit holders on request on payment of nominal fees if any.

2. **Half-Yearly Unaudited Financial Results & Portfolio Disclosure:** Before expiry of one month from the close of each half year that is on March 31 and September 30, the Fund shall publish its un-audited / audited financial results in one national English daily newspaper and in a newspaper in the language of the region where the Head Office of the fund is situated as per the format prescribed by SEBI. These shall also be displayed on the web site of the Edelweiss Mutual Fund ([www.edelweisssf.com](http://www.edelweisssf.com)) and that of AMFI ([www.amfiindia.com](http://www.amfiindia.com)). Full portfolio in the format prescribed by SEBI shall also be disclosed either by publishing it in the newspapers or by sending to the unit holders within one month from the end of each half-year and it shall also be displayed on the web site of Mutual Fund.

#### \* Communication

Normally, the Account Statement, Annual Reports or other information etc. will be sent to unit holders by e-mail. Investors can choose to receive physical communication from us in lieu of email, when a unit holder specifically requests for a physical copy. The AMC / Mutual Fund / Registrars & Transfer agents are not responsible for the email not reaching the investor and for all consequences thereof. The investor shall from time to time intimate the Fund / its transfer agents about any changes in the email address. However, the unit holder always has the right to request a physical copy of any shareholder communication and the AMC will arrange for the same to be sent to the unit holder.

#### \* Information Dissemination

The NAVs of the scheme will be calculated and announced by the AMC on a daily basis & will be sent to press for publication in newspaper in case of Open ended Scheme(s) & in case of close ended Scheme(s) it will be published on weekly basis i.e. details of which are mentioned in SID, information regarding NAV can be obtained by the Unit holders / Investors by calling or visiting the nearest ISC. NAVs will also be displayed on the Website of Edelweiss Mutual Fund.

The AMC shall update the NAVs on the website of Association of Mutual Funds in India - AMFI ([www.amfiindia.com](http://www.amfiindia.com)) by 9.00 p.m. on the day of declaration of the NAV & in case of Fund of Fund Scheme(s) by 10.00 p.m. In case of any delay, the reasons for such delay would be explained to AMFI and SEBI by the next day. If the NAVs are not available before commencement of business hours on the following day due to any reason, Mutual Fund shall issue a press release providing reasons and explaining when the Mutual Fund would be able to publish the NAVs. The Sale and Redemption price of Units will also be published in newspaper in accordance with SEBI Regulations as stated aforesaid & investors can also check for the same from ISC & the AMC's website.

#### \* Register of Unit holders:

Register of Unit holders shall be maintained at the office of the AMC and / or at the office of the Registrars and at such other places as the Trustee may decide and the register shall contain particulars as follows:

- a) The names and addresses of Unit holders



- b) The number of units held by each such holder
- c) Any other details as the AMC deems necessary.

**\* Voting Rights**

Subject to the provisions of the SEBI Regulations, as amended from time to time, the consent of the Unit holders shall be obtained, entirely at the option of the Trustee either at a meeting of the Unit holders or through postal ballot. Only one Unit holder in respect of each folio or account representing a holding shall vote and he shall have one vote in respect of each resolution to be passed.

**\* Term(s) Binding on Unit holders**

In accordance with and subject to the Regulations, the Mutual Fund / Trustee may from time to time add to or otherwise vary or amend or alter all or any of the features, terms and conditions of the Fund, and if necessary, after obtaining the prior approval from SEBI and the unit holders. All such variations or amendments or alterations shall be binding on Unit holders and persons claiming through or under them.

**\* Amount set-off**

The AMC reserves the right to debit / set-off dividend amounts, redemption amounts or any other amounts payable under and in accordance with the Scheme(s) against redemption proceeds which have been paid by the Fund/AMC in lieu of units created without realization of the subscription amounts and/or against any excess payments made to such investor pursuant to 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. In case of redemption amounts/ excess payments made by cheques and/or by way of direct credit or by any payment instrument/mechanism, set-off, as aforesaid, by the AMC/Fund, would be effected whether or not the cheques have been encashed or whether or not the direct credit has been made in the investors account or whether or not the payment instrument/mechanism has been encashed/debited by the Unit holder / Investor.

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, 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 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.

THE FOREGOING WILL BE WITHOUT PREJUDICE TO ALL RIGHTS AND REMEDIES AVAILABLE TO THE AMC/FUND UNDER THE NEGOTIABLE INSTRUMENTS ACT, 1881 OR OTHERWISE AT LAW.

**Closure of unit holder's account**

The AMC, at its sole discretion, may close a unit holder's account after giving notice of 45 days, if at the time of any part repurchase and/or Systematic Withdrawal/Switch Plan, the value of units (represented by the units in the unit holder's account if such repurchase were to take place, valued at the applicable NAV related price), falls below the minimum investment/balance required for each scheme (or such other amount as the AMC may decide from time to time) or where the units are held by a Unit holder in breach of any Regulation. The AMC also has the right to, at its sole discretion, to redeem appropriate number of units so as to recover the differential/ additional entry load or refuse to credit appropriate number of units to the account of the unit holder for the differential/additional entry load, in the event of entry load being waived and/or the investor falls under the category where the entry load is to be waived or otherwise and the investor then does not invest the requisite amount or the investor does not submit the requisite proof.

**C. POLICY ON UNCLAIMED REDEMPTION & DIVIDEND AMOUNTS**

As per SEBI guidelines, the unclaimed redemption & Dividend amounts shall be deployed in liquid Scheme(s) only or such other instruments, as permitted under Regulations. The investors who claim such amounts during the period of three years from the due date shall be paid at the prevailing Net Asset Value. After a period of three years, this amount will be transferred to a pool account and the investors can claim the amount at NAV prevailing at the end of the third year. The income earned on such funds shall be used for the purpose of investor education. The Fund will make continuous efforts to remind the investors through letters to take their unclaimed amounts. Further, the investment management fee charged by the AMC for managing unclaimed amounts shall not exceed 50 basis points. The unclaimed dividend/ redemption amounts will be moved to a separate folio under the Master folio in any of the Liquid Scheme(s) managed by Edelweiss Mutual Fund.

**D. PURCHASE PRICE**

The Purchase Price will be calculated on the basis of the entry load, if any. The Purchase Price will be sent to press for publication in the newspaper on a periodic basis. A Sales Load upto a maximum of 7% within what is presently stipulated by SEBI may be charged to all new investments in the Scheme. The Purchase Price per Unit will be calculated using the following formula:

Purchase Price = Applicable NAV\* (1 + Entry Load, if any)

**Example for calculation of Purchase Price:**

If the Applicable NAV is Rs. 10.00; Sales / Entry Load is 1 percent, then the Purchase Price will be calculated as follows:

$$= \text{Rs. } 10.00 * (1 + 0.01)$$

$$= \text{Rs. } 10.00 * (1.01)$$

$$= \text{Rs. } 10.10$$

**E. ALLOTMENT & REFUND:**

All Applicants whose cheques towards purchase of Units have been realised will receive a full and firm allotment of Units, provided



that the applications are complete in all respects and are found to be in order (subject to single investor not holding more than 25% of the corpus with a minimum of 20 investors in a scheme). The Trustee retains the sole and absolute discretion to reject any application. The process of allotment of Units and mailing of account statements reflecting the allotments will be completed within six weeks from the date of closure of the New Fund Offer Period.

Refund of subscription money to applicants in the case of minimum subscription amount not being raised or applications rejected for any other reason whatsoever, will be made within 30 days from the date of closure of the New Fund Offer Period & all refund orders will be sent by registered post or in such other manner as permitted under Regulations. Investors should note that no interest will be payable on any subscription money so refunded within 6 weeks. If the Mutual Fund refunds the amount after 6 weeks, interest at the rate of 15% p.a. will be paid to the applicant and borne by the AMC for the period from the day following the date of expiry of 6 weeks until the actual date of the refund. Refund orders will be marked "A/c. Payee only" and drawn in the name of the applicant in the case of a sole applicant and in the name of the first applicant in all other cases. In both cases, the bank name and bank account number, as specified in the application, will be mentioned in the refund order. The bank and/or collection charges, if any, will be borne by the applicant.

#### F. ACCOUNT STATEMENT / DESPATCH OF CERTIFICATE:

As per SEBI Regulations, an account statement reflecting the number of Units allotted shall be dispatched to the Sole/ First Unit holder by ordinary post /courier/speed post not later than 30 days from the closure of the New Fund Offer period.

Post the New fund Offer period, the AMC will dispatch the account statement reflecting the new or additional units as well as redemption/ switch of units to the unit holder's email id as mandated in the application form within 30 days from the date of receipt of request from the unit holder or from the date of any transaction.

In case of Annual Accounts Statement the Mutual Funds shall provide the Account Statement to the Unitholders who have not transacted during the last six months prior to the date of generation of account statements. The Account Statement shall reflect the latest closing balance and value of the Units prior to the date of generation of the account statement. The account statements in such cases may be generated and issued along with the Portfolio Statement or Annual Report of the Scheme. Alternately, soft copy of the account statements shall be mailed to the investors' e-mail address, instead of physical statement, if so mandated.

Further Investors should note that, they may request for a physical account statement by writing or calling the ISC's.

#### G. ADDITIONAL INFORMATION

##### \* Dormant Account:

The AMC may in the interest of unit holders freeze an account as Dormant Account. Dormant Account means an account / Folio not transacted or activated for a limited period of time i.e. 365 days or such other days as may be specified by the AMC in SID. If no transaction takes place for the said period then the Account will be frozen either temporarily or permanently by the AMC & further transaction will take place only after additional safeguards & checks that may be stipulated from time to time have been taken by the AMC.

##### \* Signature Verification/Indemnity

Certain transactions may require that the unit holder's signature be verified by a bank manager, or a notary public or a magistrate

or an affidavit accompanied with identity proof or any other documents acceptable to the Fund for the following:

- Redemption of a particular amount as may be specified by the AMC from time to time by an individual/joint holder account.
- To change ownership of a folio/account in case of transmission.
- To add telephone transaction services or other privileges that would be added from time to time.
- To change bank account information designated under an existing plan
- To have redemption cheque mailed to an address other than the addresses on the folio/account or to the address on the folio/account if it has been changed within the preceding month
- To issue duplicate unit certificate.
- To change or introduce nomination/appointment of beneficiary and/or percentage allocation of investment, if the ownership of the folio/account has been changed within the preceding month.

The above is an indication of transactions that may require signature verification that the AMC may insist upon. AMC, may at its discretion, require signature verification for transactions other than the above specified transactions.

##### \* Book-closure period:

Book closure refers to the closing of register of the names of unit holders in the records of the Fund. The AMC reserves a right to declare book-closure period of five days or for any other period, for unit holders under Dividend Option, prior to the record date. The declaration of the book-closure period is to facilitate the AMC in expeditious processing and dispatch of dividend warrants. Such Book-closure period declared by the AMC will be a non-business day but during the book-closure period investors may make purchases into the Scheme. The purchase price for subscription of Units will be calculated at the Applicable NAV as at the close of the first Business Day following the book-closure period. The book closure period applies to new investors in the Scheme as well as to Unit holders making additional purchases of Units into an existing folio. The AMC reserves the right to change the duration of the book-closure period and prescribe new book-closure period from time to time.

##### \* Dividend Committee

ETCL has constituted the Dividend Committee of the members of Board of Directors of the Company. The purpose of the Dividend Committee of the Board of Directors shall be to discharge the Board's responsibilities relating to declaration of Dividend of the Scheme(s) of Edelweiss Mutual Fund in accordance with SEBI Regulations.

#### H. SPECIAL CONSIDERATION

Investors should note that there are a few risks which are common across all the Scheme(s). Such risk factors are mentioned in details as under:

##### a). Standard Risk Factors:

- \* Mutual Funds and securities investments are subject to market risks and there can be no assurance or guarantee that the objectives of the Scheme of the Mutual Fund will be achieved.
- \* As with any investment in securities, the NAV of the Units issued under the Scheme may go up or down depending on the various factors and forces affecting Capital markets and Money Markets.
- \* Past performance of the Sponsor / Investment Manager /



Mutual Fund does not indicate the future performance of the Scheme and may not necessarily provide a basis of comparison with other investments.

- \* The Sponsors are not responsible or liable for any loss resulting from the operation of the Scheme(s) beyond the initial contribution of Rs.1, 00,000 towards setting up Edelweiss Mutual Fund.
- \* In the event of receipt of a very large number of redemption requests or very large value redemption requests or of a restructuring of the Scheme portfolio, there may be delays in the redemption of Units. Please refer to the paragraph, 'Right to limit redemption'.
- \* The AMC has been newly established & has no previous track record of managing such Schemes

**b). Risk Factors Associated with Fixed Income and Money Market Instruments:**

The performance of the Scheme may be affected by changes in Government policies, general levels of interest rates and risks associated with trading volumes, liquidity and settlement systems. If the Scheme is investing in debt and money market instruments it may have the following risk:

- \* **Trading volume risk:** When a security is purchased for trading purpose there is a risk associated with it, while selling the instrument. It may sometimes be possible that the daily trading volumes of the security comes down, making it difficult to liquidate positions.
- \* **Price / Interest Rate Risk:** Price of a fixed income security and interest rates are inversely related i.e., the price of a fixed income instrument falls when interest rates move up and vice-versa. The effect is more prominent when the duration of the instrument is higher. Hence, the NAV movement of the Scheme consisting of predominantly fixed income securities is likely to have inverse correlation with the movement in interest rates. In case of a floating rate instrument, this risk is lower as a result of periodic reset of the coupon.
- \* **Spread risk:** Though the sovereign yield curve might remain constant, investments in corporate bonds are exposed to the risk of spread widening between corporate bonds and gilts. Typically, if this spread widens, the prices of the corporate bonds tend to fall and so would the NAV of the Scheme. Similar risk prevails for the investments in the floating rate bonds, where the benchmark might remain unchanged, but the spread over the benchmark might vary. In such an event, if the spread widens, the price and the NAV could fall.
- \* **Credit risk or Default risk:** In simple terms this risk means that the issuer of a debenture/ bond or a money market instrument may default on interest payment or even in paying back the principal amount on maturity. Even where no default occurs, the price of a security may go down because the credit rating of an issuer goes down. It must, however, be noted that where the Scheme has invested in Government securities, there is no credit risk to that extent. It is reflected in the credit rating of the issuer. Hence, if the credit rating of the issuer is downgraded, the price of the security will suffer a loss and the NAV will fall. Credit risk factors pertaining to lower rated securities also apply to lower rated zero coupons and deferred interest bonds. Lower rated zero coupons and deferred interest bonds carry an additional risk in that, unlike bonds that pay interest through the period of maturity, the Scheme by investing in these bonds will realize no cash till the cash payment date and if

the issuer defaults, the Scheme may obtain no return on its investment.

- \* **Liquidity & Settlement Risk:** Investors may note that AMC/Fund Manager's investment decisions may not always be profitable. The Scheme will invest in debt securities and money market instruments. Trading volumes, settlement periods and transfer procedures may restrict the liquidity of these investments. Different segments of the financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. The inability of the Scheme to make intended securities purchases due to settlement problems could cause the Scheme to miss certain investment opportunities. By the same rationale, the inability to sell securities held in the Scheme's portfolio due to the absence of a well developed and liquid secondary market would, at times, result in potential losses to the Scheme, in case of a subsequent decline in the value of securities held in the Scheme's portfolio. Further as all secondary corporate debt deals i.e. Debentures / Bonds / CP's / CD's / PTC's etc, are settled on delivery versus payment basis since there is no Clearing House, there is a counter party settlement risk associated with it.

- \* **Reinvestment risk:** Investments in fixed income securities may carry reinvestment risk as interest rates prevailing on the interest or maturity due dates may differ from the original coupon of the bond. Consequently, the proceeds may get invested at a lower rate.

Different types of securities in which the Scheme would invest as given in Scheme Information Document carry different levels and types of risk. Accordingly, the Scheme's risk may increase or decrease depending upon its investment pattern e.g. a corporate bond carries a higher amount of risk than Government securities. Further, even among corporate bonds, bonds which are AA rated are comparatively more risky than bonds which are AAA rated.

- \* **Performance Risk:** Scheme's performance can decrease or increase, depending on a variety of factors, which may affect the values and income generated by a Scheme's portfolio of securities. The returns of a Scheme's investments are based on the current yields of the securities, which may be affected generally by factors affecting capital markets such as price and volume, volatility in the stock markets, interest rates, currency exchange rates, foreign investment, changes in government and Reserve Bank of India policy, taxation, political, economic or other developments and closure of the stock exchanges. Investors should understand that the investment pattern indicated for the Scheme, in line with prevailing market conditions, is only a hypothetical example as all investments involve risk and there can be no assurance that the Scheme's investment objective will be attained nor will the Scheme be in a position to maintain the model percentage of investment pattern/ composition particularly under exceptional circumstances so that the interest of the unit holders are protected.

- \* **Risk Associated with Securitized Debt:** Scheme may invest in domestic securitized debt such as asset backed securities (ABS) or mortgage backed securities (MBS). ABS means securitized debts wherein the underlying assets are receivables arising from personal loans, automobile loans, etc. MBS means securitized debts wherein the underlying assets are receivables arising from loans backed by mortgage of properties which can be residential or commercial in nature. ABS / MBS instruments reflect the undivided interest in the underlying assets and do not represent the obligation of the issuer of ABS / MBS or the



originator of the underlying receivables. The ABS / MBS holders have a limited recourse to the extent of credit enhancement provided. ABS / MBS holders will suffer credit losses in the event of the delinquencies and credit losses in the underlying pool may exceed the credit enhancement provided. As compared to the normal corporate or sovereign debt, ABS / MBS are normally exposed to a higher level of reinvestment risk.

At present in Indian market, following types of loans are securitised:

- Auto Loans (cars / commercial vehicles /two wheelers)
- Residential Mortgages or Housing Loans
- Consumer Durable Loans
- Personal Loans
- Corporate Loans

If a court/regulatory authority concludes that the sales from the originator to the securitisation trust was not a “true sale”, the Scheme may, in the event, that it has invested in instruments issued by such trust, experience losses or delays in the payments due and the NAV of the Units may be affected thereby. Care is generally taken while structuring the transactions, so as to minimise the risk of the sale to the trust not being construed as a “true sale”.

- \* **Prepayment Risk:** Bonds can be issued with a put option, call option or both put & call option. For example a bond with a three years having a put/call option at the end of 1<sup>st</sup> and 2<sup>nd</sup> year. If the issuer pays back at the end of 2<sup>nd</sup> year, i.e. exercises the call option, the reinvestment for the third year has to be made at the prevailing interest rates for one year. Thus, there can be a loss of in case the reinvestment rate is less than the original investment rate. Prepayment risk in case of securitized debt is mentioned separately.
  - \* **Market risk:** Lower rated or unrated securities are more likely to react to developments affecting the market and the credit risk than the higher rated securities which react primarily to movements in the general level of interest rates. Lower rated or unrated securities also tend to be more sensitive to economic conditions than higher rated securities.
  - \* **‘When, as and if issued’ “Security”** In the event of cancellation of the auction for whatever reason, all ‘WI’ trades will be deemed null and void ab initio on grounds of force majeure. Further, if cash or cash equivalents are not held to satisfy delivery of securities purchased on a when-issued basis, the investment portfolio may become unsuitably leveraged. However, it would be for a very short time span and the scheme would be in a position to maintain cash/cash equivalents at all times to the extent of the net WI long positions.
  - \* Different types of securities in which the scheme would invest as given in the Scheme Information Document carry different levels and types of risk. Accordingly the scheme’s risk may increase or decrease depending upon its investment pattern. E.g. corporate bonds carry a higher amount of risk than Government securities. Further even among corporate bonds, bonds which are rated AAA are comparatively less risky than bonds which are AA rated.
- Investments in the Scheme made in foreign currency by a Unit Holder are subject to the risk of fluctuation in the value of Indian Rupee.

### c) Risk Factors Associated with Derivatives

There are risk factors and issues concerning the use of derivatives that investors should understand. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself.

Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio. Risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.

Derivatives can be highly leveraged instruments. Even a small price movement in the Derivative can have a large change in the value of the investment. Derivatives can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies. The risk associated with the use of derivatives is different from the risks associated with investing directly in securities and other traditional investments.

Trading in derivatives has the following risks:

- a. An exposure to derivatives in excess of the hedging requirements can lead to losses.
- b. An exposure to derivatives can also limit the profits from a genuine investment transaction.
- c. Efficiency of a derivative market depends on the development of a liquid and efficient market for the underlying securities.
- d. Derivatives carry the risk of adverse changes in the market price.
- e. Illiquidity Risk i.e. risk that a derivative trade cannot be executed or reversed quickly enough at a fair price, due to lack of liquidity in the market.

#### Risk associated with equity derivative

The Fund may use derivatives instruments like Equity Futures & options, or other derivative instruments as permitted under the Regulations and guidelines. Usage of derivatives will expose the Scheme to risks inherent to such derivatives.

Such risks include the risk of mispricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.

In case of the derivative strategies, it may not be possible to square off the cash position against the corresponding derivative position at the exact closing price available in the Value Weighted Average Period.

- \* Liquidity Risk

In case of Arbitrage trades, under abnormal circumstances it will be difficult to complete the square off transaction due



to liquidity being poor in stock futures/spot market. However fund will aim at taking exposure only into liquid stocks where there will be minimal risk to square off the transaction. The fund will ensure this by analyzing historical data of volume and open interest.

\* **Open Position Risk**

In cash future arbitrage if the fund is not able to have a net market-neutral position due to any operational reasons, the scheme at times is exposed to movement in the prices of the underlying. The Scheme will endeavour to cover or square off the positions as soon as possible.

\* **Opportunities Risk**

For the Cash Future Arbitrage Strategy, where the cost of carry reduces drastically (in a depressed market conditions), there will be less opportunity for fund manager to generate returns that can exceed money market returns. In absence of profitable arbitrage opportunities available in the market, the scheme may predominantly invest in cash (equity), short term debt and money market securities

**Risks attached with the use of debt derivatives:**

Debt derivatives instruments include interest rate swaps, forward rate agreements or other derivative instruments, as permitted under the Regulations and guidelines. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is a possibility that loss may be sustained by the portfolio as a result of the failure of another party (usually referred as the "counter party") to comply with the terms of the derivatives contract. Other risk in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.

Derivatives like interest rate swaps require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that the derivative adds to the portfolio and the ability to forecast failure of another party (usually referred to as the "counter party") to comply with the terms of the derivatives contract. Other risks in using derivatives include the risk of mis-pricing or improper valuation of derivatives, the credit risk where the danger is that of a counter party failing to honour its commitment, liquidity risk where the danger is that the derivative trade cannot be executed or an existing derivative position may not be reversed, and price risk where the market prices may move in an adverse fashion.

Further, it may be mentioned here that the guidelines issued by Reserve Bank of India from time to time for forward rate agreements and interest rate swaps and other derivative products would be adhered to.

**Note:**

"Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies".

"The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in securities and other traditional investments".

**d) Risk Factors Associated with Overseas Investment**

Subject to necessary approvals and within the investment objectives of the Scheme, the Scheme may invest in overseas markets which carry risks related to fluctuations in the foreign exchange rates, the nature of the securities market of the country, repatriation of capital due to exchange controls and political circumstances. It is the AMC's belief that investment in foreign securities offer new investment and portfolio diversification opportunities into multi-market and multi-currency products. However, such investments also entail additional risks. Such investment opportunities may be pursued by AMC provided they are considered appropriate in terms of the overall investment objectives of the Scheme. Since the Scheme may invest only partially in foreign securities, there may not be readily available and widely accepted benchmarks to measure performance of the Scheme. To manage risks associated with foreign currency and interest rate exposure, the Scheme may use derivatives for efficient portfolio management including hedging and in accordance with conditions as may be stipulated under the Regulations or by SEBI/RBI from time to time.

Similar to domestic debt securities, investment in overseas debt instruments is subject to Market Risk, Credit Risk, Interest Rate risk and liquidity risk. Overseas investments will be made subject to any/all approvals and within the specified SEBI/RBI Limits and/or conditions thereof as may be stipulated under the Regulations or by SEBI/RBI and provided such investments do not result in expenses to the Scheme in excess of the ceiling on expenses prescribed by and consistent with costs and expenses attendant to international investing. The Scheme may, where necessary, appoint other specialized agencies and service providers associated with such investments such as advisors, custodian/sub-custodians, brokers, etc., of adequate expertise, in order to enable the AMC to manage and administer such investments. The appointment of such intermediaries shall be in accordance with the applicable requirements of SEBI and within the permissible ceilings of expenses. The fees and expenses would illustratively include, besides the investment management fees, custody fees and costs, fees of appointed advisors and sub-managers, transaction costs and overseas regulatory costs.

To the extent that the assets of the Scheme will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in the value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment.

To manage risks associated with foreign currency and interest rate exposure the Fund may use derivatives for efficient portfolio management including hedging and in accordance with conditions as may be stipulated by the Regulations/RBI. Depending on the fund manager's view and the investment strategy undertaken, the scheme may decide to cover the currency risk fully or partly or may even let it remain uncovered.

Currency Risk is a form of risk that arises from the change in price of one currency against another. The exchange risk associated with a foreign denominated instrument is a key element in foreign investment. This risk flows from differential monetary policy and growth in real productivity, which results in differential inflation rates. The risk arises because currencies may move in relation to each other.

**e). Risks associated with Stock Lending & Short Selling**

The risks in lending portfolio securities, as with other extensions of credit, consist of the failure of another party, in this case the approved intermediary, to comply with the terms of agreement entered into between the lender of securities i.e. the Scheme and the approved intermediary. Such failure to comply can result in the possible loss of rights in the collateral put up by the borrower of the securities, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of any corporate benefits accruing to the lender from the securities deposited with the approved intermediary.

**Risks associated with short selling:** Scheme may enter into short selling transactions, subject to SEBI and RBI regulations in the matter. This will be done if the fund management team is of the view that there exists an opportunity to make trading gains. Calls for short selling will be taken after considering the liquidity and volatility of the security as well as the interest rate view of the fund management team. There can be a loss in such a transaction if the price of the security goes up instead of falling down.

**f) Risk associated with Equity & Equity related securities**

Listed below are the common risks which an investor will have to face irrespective of the Scheme in which he invests.

**\* Liquidity Risk**

Securities, which are not quoted on the stock exchanges, are inherently illiquid in nature and carry a larger amount of liquidity risk, in comparison to securities that are listed on the exchanges or offer other exit options to the investor, including a put option. Within the Regulatory limits, the AMC may choose to invest in unlisted securities that offer attractive yields. This may however increase the risk of the portfolio.

The liquidity and valuation of the Scheme's investments due to its holdings of unlisted securities may be affected if they have to be sold prior to the target date of disinvestment.

While securities that are listed on the stock exchange carry lower liquidity risk, the ability to sell these investments is limited by the overall trading volume on the stock exchanges.

The liquidity of the Scheme's investments is inherently restricted by trading volumes in the securities in which it invests.

**\* Risks related to Capital Markets**

Investors may note that the AMC/Fund Manger's investment decisions may not be always profitable. Trading volumes, settlement periods and transfer procedures may restrict the liquidity of these investments. Different segments of the Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances. The inability of the Scheme to make intended securities purchases due to settlement problems could cause the Scheme to miss certain investment opportunities. By the same rationale, the inability to sell securities held in the Scheme's portfolio due to the absence

of a well developed and liquid secondary market for debt securities would result, at times, in potential losses to the Scheme, in case of a subsequent decline in the value of securities held in the Scheme's portfolio.

**\* Macro Factors Risk**

The value of the Scheme's 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. Consequently, the NAV of the Units of the Scheme may fluctuate and can go up or down.

**\* Price Risk**

The scheme is also vulnerable to movements in the prices of securities invested by the scheme which again could have a material bearing on the overall returns from the scheme. These stocks, at times, may be relatively less liquid as compared to growth stocks.

**\* Execution Risk**

The prices which are seen on the screen need not be the same at which execution will take place. Also in case the fund is not able to have a net market-neutral position due to any operational reason such as short delivery in the cash market etc., the fund will endeavour to rebalance the portfolio to a net market-neutral position at the earliest.

**\* Redemption Risk**

As the liquidity of the investments made by the Scheme could, at times, be restricted by trading volumes and settlement periods, the time taken by the Mutual Fund for redemption of Units may be significant in the event of an inordinately large number of redemption requests or a restructuring of the Scheme.

**\* Substantial Holding Risk**

The scheme is exposed to substantial holding risk wherein few investors may hold substantial position in the scheme. The scheme shall endeavour to meet with both the conditions of minimum number of investor and holding as a percentage of the corpus.

**\* NAV below par**

The Scheme will endeavor to preserve capital at all times. But under certain circumstances like fees and expenses being charged to the Scheme, mark to market losses on the positions held, etc. might result in the NAV dipping below its face value.

**g) Risks related to Investment in Securities using Quantitative Analysis/ Quant Model**

Some of the Risk attached with Quantitative Analysis are:

**Market Risk:** Like any equity fund investments are subject to market risk.

**Modeling Error:** Quant models are subject to price and volume inputs. It is possible that some of these inputs are entered incorrectly. The quant model selected by a fund manager may not perform as tested; such a scenario is entirely possible and would result in a loss.

**Deviation from theoretical model:** A Quant model is theoretical

in nature, however at times the market may act unexpectedly resulting in a loss, the quant model cannot account for any such market behavior. The quant model may initiate a sell signal; however the stock may not have adequate liquidity at that moment forcing the fund manager to further drive down the stock price.

#### **h) Risks related to Special situations**

Special situation trades are subject to all risks any equity; however in certain cases the risks can be specific as some are mentioned below

- The promoter may choose not to accept the discovered prices
- Regulatory hurdles may delay any specific corporate action

#### **Additional risk factors**

The success of the cash futures arbitrage strategy under the scheme will depend on the ability of the fund manager to identify opportunities due to various price differentials in the cash and derivative market. No assurance can be given that Fund Manager will be able to locate investment opportunities or to correctly exploit price discrepancies in the capital markets. The frequency of trades may result into high portfolio turnover and consequently will lead to high transaction cost.

As the AMC will utilize the service of various Service Providers in India & Abroad, there are a few risks that the Investors need to be aware of before investing. Such risk includes the business getting impacted on account of closure or unforeseen disaster of the service provider business or misuse of information/database available with the service provider affecting the performance of the Scheme(s) or any kind of deficiency from their end leading to financial/regulatory impact on the AMC deliverables on account of systems, processes followed, manpower quality,

non adherence of the service levels deliverables agreed between the AMC and the service provider etc.

The performance of the scheme will be affected in case of unforeseen circumstances like political crisis, natural calamities, and changes in currency exchange rates or interest rates. Fund manager tries to generate returns based on certain past statistical trend. The performance of the scheme may get affected if there is a change in the said trend. There can be no assurance that such historical trends will continue.

The Sponsors, entities managed or sponsored by the affiliates or associates of the Sponsors, Funds managed/ advised by the Sponsors/and their associated entities, the Asset Management Company, the Custodian, the Registrar, any Associate, any Distributor, Dealer, any Company, Corporate Bodies, Trusts, any Service Provider, investor (resident or non resident), any scheme / mutual fund managed by the Asset Management Company or by any other Asset Management Company may invest in this Scheme, subject to the limits specified by SEBI. While at all times the Trustee Company and the Asset Management Company will endeavour that excessive holding of Units in the Scheme among a few Unitholders is avoided, however, the funds invested by these aforesaid persons may acquire a substantial portion of the Scheme's outstanding Units and collectively may constitute a majority unitholder in the Scheme. Redemption of Units held by such persons may have an adverse impact on the value of the Units of the Scheme because of the timing of any such redemption. It may also have impact on the liquidity of the Scheme which may lead to an adverse impact on the NAV of the Scheme.

#### **Note:**

**The above discussed risk factors are in addition to the Risk factors mentioned in SID.**

## SECTION V REDEMPTION OF UNITS

### A. HOW TO REDEEM / REPURCHASE?

The Units can be redeemed (sold back to the Fund) at the Redemption Price on any Business day. The Redemption / Switch-out request can be made by way of a written request on a pre-printed form or by using the relevant tear off section of the Transaction Slip enclosed with the Account Statement, which should be submitted at / may be sent by mail to any of the ISCs. Blank Transaction slips can be obtained from any of the ISC.

In case the Units are held in the names of more than one Unit holder, where mode of holding is specified as "Joint", Redemption requests will have to be signed by all the joint holders. However, in cases of holding specified as 'Anyone or Survivor', any of the Unit holders will have the power to make Redemption request, without it being necessary for all the Unit holders to sign. However, in all cases, the Redemption proceeds will be paid only to the first named holder.

Request for Inter Scheme/ Plan Switch can also be made in the same way. The AMC reserves the right to provide the facility of redeeming units of the Scheme through an alternative mechanism including but not limited to on - line transactions on the Internet, provided the investors opt for the same in writing.

### B. REDEMPTION/ REPURCHASE PRICE

The Redemption Price will be calculated in the following way:

Redemption Price = Applicable NAV x (1 - Exit Load)

As per the Regulations, the repurchase price of units of an open ended scheme is not lower than 93 per cent of the Net Asset Value and the sale price is not higher than 107 per cent of the Net Asset Value. It should be noted that, for a closed ended scheme, the repurchase price shall not fall lower than 95 per cent of the Net Asset Value. Provided that the difference between the repurchase price and the sale price of the unit shall not exceed 7 per cent calculated on the sale price. Further, as per the SEBI Circular, no entry load shall be charged by any close-ended scheme.

#### Where to submit the Redemption request?

The unit holder should submit the transaction slip for a redemption / switch or request for closure of his / her account at any of the ISCs.

### C. PAYMENT OF REDEMPTION PROCEEDS

#### Resident Investors:

The Fund proposes to pay redemption proceeds in the following manner:

#### (a) Preferred mode of Payment.

The RBI offers the facility of EFT for facilitating better customer service by direct credit of repurchase amount to a unit holder's bank account through electronic credit which avoids loss of repurchase warrant in transit or fraudulent encashment. AMC will prefer to make payment through RTGS or NEFT /ECS or through any other route as specified by the Asset Management Company from time to time.

#### (b) For Investors having a bank account with a bank with whom the AMC would have an arrangement from time to time.

The Mutual Fund, on a best effort basis, and after scrutinising the names of the banks where unit holders have their accounts, will allow direct credit of redemption amount to the unit holders' bank accounts with which the

Mutual Fund would have an arrangement from time to time for Direct Credit facility. It is clarified that in the event of any non-credit by the bank and/or wrongful credit due to incorrect bank account details provided by the unit holder, the AMC / Registrar will not be liable. In the interest of the investors, it is advised that due care should be taken while providing the bank details to the Fund. The Direct Credit facility is available for specific banks with whom the AMC has a tie up from time to time. Investors need to check with the AMC for an updated list of the Direct Credit Banks. Investors having bank mandates where the AMC has a Direct Credit facility will receive redemption/dividend proceeds by way of Direct Credit only. In such cases the Mutual Fund will under normal circumstances endeavour to credit the first/sole Unit holders account with the Redemption proceeds within three Business Days of the acceptance of Redemption request but not beyond 10 working days as prescribed under SEBI regulations.

#### (C) For other Investors not covered by (a) & (b) above:

Redemption proceeds will be paid by cheques, marked "A/c Payee only" and drawn in the name of the sole holder / first named holder (as determined by the records of the Registrar) The bank name and bank account number, as given by the unit holder, will be mentioned on the Cheque. The cheque will be payable at par at all the cities having ISCs. If the Unit Holder resides in any other city, he will be paid by a demand draft payable at the city of his residence. The Fund will endeavour to despatch the Redemption proceeds within 3 Business Days from the acceptance of the Redemption request, but not beyond 10 working days from the date of Redemption.

#### Non Resident Investors & FII's

\* For NRIs, Redemption proceeds will be remitted depending upon the source of investment as follows:

#### (a) Where the investment was on Repatriation Basis

When Units have been purchased through remittance in foreign exchange from abroad or from proceeds of the Unit Holder's FCNR deposit or from Non Resident (External) account maintained in India, the proceeds can be remitted to the Unit Holder in foreign currency (any exchange rate fluctuation will be borne by the Unit Holder). The proceeds can also be sent to his Indian address for crediting to his NRE / FCNR / Non-Resident (Ordinary) Account, if desired by the Unit Holder.

#### (b) Where the investment was on Non-Repatriation Basis

When Units have been purchased from funds held in the Unit Holder's Non-Resident (Ordinary) Account, the proceeds will be sent to the Unit Holder's Indian address for crediting to the Unit Holder's Non-Resident (Ordinary) account.

\* For FIIs, the designated branch of the authorised dealer may allow remittance of net sale / maturity proceeds (after payment of taxes) or credit the amount to the Foreign Currency account or Non-resident Rupee account of the FII maintained in accordance with the approval granted to it by the RBI.

The Fund will not be liable for any delays or for



any loss on account of any exchange fluctuations while converting the Rupee amount in foreign exchange in the case of transactions with NRIs / FIIs.

Investors having bank mandates where the AMC has a Direct Credit facility will receive redemption/dividend proceeds by way of Direct Credit or through EFT route or through cheques or through such other modes as may be specified by the AMC from time to time, in the best interest of unit holders. The Fund may make other arrangements for effecting payment of Redemption proceeds in future.

**Note:**

- a. Please note that it is mandatory for the investors to provide their complete Bank Account details.
- b. Redemption cheques will be sent to the Unit holder's address (or, if there is more than one holder on record, the address of the first-named holder). All Redemption payments will be made in favour of the registered holder of the Units or, if there is more than one registered holder, to the first registered holder.
- c. In order to protect investors from fraudulent encashment of cheques, the Regulations require that cheques for Redemption of Units specify the name of the Unit Holder and the bank name and account number where payments are to be credited.

**D. DESPATCH OF REDEMPTION PROCEEDS**

As per SEBI Regulations, the Mutual Fund shall despatch the redemption proceeds within the maximum period allowed, which is currently 10 Business days from the date of receipt of the redemption request at the ISC. If the despatch of redemption proceeds is not made within 10 Business days, the Unit holders shall be paid interest @15% p.a. for the delayed period and the interest shall be borne by the AMC.

However, under normal circumstances, the Mutual Fund shall endeavor to despatch/ transfer the redemption proceeds to the unit holder's bank account within 3-4 Business days from the date of receipt of the redemption request at the ISC before the cut off times on a business day.

A Transaction Confirmation Slip / Fresh Account Statement will also be sent to the Unit holders reflecting the new unit balance in his Account. For payments made other than through direct transfers, the redemption proceeds can be despatched through ordinary post or Registered Post or by Courier, unless otherwise required under the Regulations, at the risk of the Unit holder.

**E. EFFECT OF REDEMPTIONS**

- (i) On the Fund

The Unit capital and Reserves of the Scheme will stand reduced by an amount equivalent to the product of the number of Units redeemed and the Applicable NAV as on the date of redemption.

- (ii) On the unit holder's account

The balances in the unit holder's account will stand reduced by the number of Units redeemed.

**F. RIGHT TO LIMIT REDEMPTION**

The AMC may, in consultation with the Trustee, in the larger interest of the Unit holders of the Scheme and keeping in view the unforeseen circumstances /unusual market conditions, limit the total number of Units which may be redeemed on any Business day, to 5% of the total number of Units then issued and outstanding under any Scheme / Plan/option or such other percentage as the AMC may determine.

Unusual market conditions include, but not limited to, extreme volatility of the stock, fixed income and money markets, natural calamities, communication breakdowns, internal system breakdowns, strikes, bandhs, riots or other situations, where it considers that such suspension is necessary.

In addition, the Trustee reserves the right, in its sole discretion, to limit Redemptions with respect to any single account to an amount upto Rs. 10 crore on a single Business Day or such other amount as may be specified in SID, if any. Any Units which by virtue of these limitations are not redeemed on a particular Business Day will be carried forward for Redemption to the next Business Day, in order of receipt. Redemptions so carried forward will be priced on the basis of the Redemption Price of the Business Day on which Redemption is made. Under such circumstances, to the extent multiple Redemption requests are received at the same time on a single Business Day, Redemption will be made on pro-rata basis, based on the size of each Redemption request, the balance amount being carried forward for Redemption to the next Business Day(s).

**G. SUSPENSION OF PURCHASE AND / OR REDEMPTION OF UNITS**

The purchase and / or redemption of Units may be suspended, temporarily or indefinitely, by the AMC, in consultation with the Board of Trustees, when any of the following conditions exist at one/more ISC:

- The stock market stops functioning or trading is restricted
- Periods of extreme volatility in the stock market, fixed income or money market, which, in the opinion of the Investment Manager, are prejudicial or detrimental to the interest of the investors
- Natural calamity
- For any bulk processing like dividend, mergers, etc.
- If banks do not carry-out any of the normal banking activities at one or more ISC.
- SEBI, by order, so directs.

The normal time taken to process redemption and / or purchase requests, as mentioned earlier, may not be applicable during such extraordinary circumstances. The AMC, in consultation with the Trustee, also reserves the right to withdraw sale of Units in the Scheme temporarily or indefinitely, if the AMC views that increasing the Scheme's size further may prove detrimental to the existing unit holders of the Scheme. An order / request to purchase Units is not binding on and may be rejected by the Trustee, the AMC or their respective agents, unless it has been confirmed in writing by the AMC or its agents and / or payment has been received.

**H. POSSIBLE DEFERRAL OF REDEMPTION / REPURCHASE REQUESTS**

Whilst every effort will be made to ensure that all the Scheme(s) of Edelweiss Mutual Fund will have sufficient liquidity to enable the repurchase cheques to be collected/despached within the deadline stated in the foregoing clause, unit holders should note that where the Scheme is obliged to arrange for the disposal of the underlying securities/ borrow, in order to satisfy redemption/repurchase requests. Unit holders may experience some delays in receiving repurchase cheques, reflecting the time involved in settling the underlying sales of securities/ borrowing. However in any case, the Fund will ensure that the collection/despach of repurchase cheques is not delayed beyond ten business days (when Principal is open for business) from the date of receipt of the repurchase request in accordance with the SEBI Regulations.



## SECTION VI INVESTMENT DETAILS AND VALUATION NORMS

### A VALUATION POLICY & COMMITTEE

In accordance with the SEBI Circular, every AMC should formulate Valuation Committee to review investment valuation practices. Accordingly, a Valuation Committee has been constituted. This committee would review the valuation policies on a periodic basis and as and when any change is proposed. Further, the AMC has drafted a Valuation Policy with an objective to specify methodology and the manner in which all the instruments and investments should be valued by the Mutual Fund. Compliance Officer would record the decisions and discussions of the meeting and wherever necessary this valuation manual would be updated accordingly.

### B. VALUATION OF ASSETS

#### Computation of Net Asset Value

The Net Asset Value (NAV) of the Units will be determined as of every Business day and for such other days as may be required for the purpose of transaction of units. The NAV shall be calculated in accordance with the following formula, or such other formula as may be prescribed by SEBI from time to time.

$$\text{NAV} = \frac{\text{Market or Fair Value of the scheme's Investments+ Receivables+ Accrued Income+ Other Assets- Accrued Expenses- Payables- Other Liabilities}}{\text{Number of units Outstanding}}$$

The NAV of the Units of the Scheme(s) will be computed by dividing the net assets of the Scheme(s) by the number of Units outstanding on the valuation date. The Mutual Fund will value its investments according to the valuation norms, as specified in the Schedule VIII of the SEBI Regulations, or such norms as may be prescribed by SEBI from time to time. The broad valuation norms pertaining to the Scheme(s) are detailed below:

#### 1. Traded Securities:

- \* The securities shall be valued at the last quoted closing price on the Stock Exchange.
- \* When the securities are traded on more than one recognised stock exchange, the securities shall be valued at the last quoting price on the stock exchange where the security is principally traded. The AMC will select the appropriate stock exchange, but the reasons for the selection would be recorded in writing. All scrips may be valued at the price quoted on the stock exchange where a majority in value of the investments is principally traded.
- \* Once a stock exchange has been selected for valuation of a particular security, reasons for change of the exchange shall be recorded in writing by the AMC.
- \* When on a particular valuation day, a security has not been traded on the selected stock exchange; the value at which it is traded on another stock exchange may be used.
- \* When a security (other than debt securities) is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day may be used, provided such date is not more than thirty days prior to valuation date.
- \* When a debt security (other than Government Securities) is not traded on any stock exchange on any particular valuation day, the value at which it was traded on the principal stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than fifteen days prior to

valuation date. When a debt security (other than Government Securities) is purchased by way of private placement, the value at which it was bought may be used for a period of fifteen days beginning from the date of purchase.

#### 2. Thinly Traded Securities:

##### (i) Thinly Traded Equity/Equity Related Securities:

- \* When trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than Rs. 5 lacs and the total volume is less than 50,000 shares, it shall be considered as a thinly traded security and valued accordingly.
- \* Where a stock exchange identifies the "thinly traded" securities by applying the above parameters for the preceding calendar month and publishes/provides the required information along with the daily quotations, the same can be used by the mutual funds.
- \* If the share is not listed on the stock exchanges which provide such information, then it will be obligatory on the part of the mutual fund to make its own analysis in line with the above criteria to check whether such securities are thinly traded which would then be valued accordingly. To determine whether a security is thinly traded or not, the volumes traded in all recognised stock exchanges in India may be taken into account.
- \* In case trading in an equity security is suspended upto 30 days, then the last traded price would be considered for valuation of that security. If an equity security is suspended for more than 30 days, then the Asset Management Company/Trustee will decide the valuation norms to be followed and such norms would be documented and recorded.

##### (ii) Thinly Traded Debt Securities:

- \* A debt security (other than Government Securities) shall be considered as a thinly traded security if on the valuation date, there are no individual trades in that security in marketable lots (currently Rs 5 crore) on the principal stock exchange or any other stock exchange.

#### 3. Non Traded Securities:

When a security Number of units Outstanding (other than Government Securities) is not traded on any stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as a 'non traded' security.

#### VALUATION OF NON-TRADED / THINLY TRADED SECURITIES

Non traded/ thinly traded securities shall be valued "in good faith" by the asset management company on the basis of the valuation principles laid down below:

##### 1. Non-traded / thinly traded equity securities:

- (a) Based on the latest available Balance Sheet, net worth shall be calculated as follows:
  - \* Net Worth per share = [share capital + reserves (excluding revaluation reserves) - Misc. expenditure and Debit Balance in P&L A/c] Divided by No. of Paid up Shares.



- (b) Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.
- (c) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10% for ill-liquidity so as to arrive at the fair value per share.
- (d) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
- (e) In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.
- (f) In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs would be compared on the date of valuation.

**2(a) Non Traded /Thinly Traded Debt Securities of upto 182 Days to Maturity:**

As the money market securities are valued on the basis of amortization (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments) a similar process should be adopted for non-traded debt securities with residual maturity of upto 182 days, in the absence of any other standard benchmarks in the market. Debt securities purchased with residual maturity of upto 182 days are to be valued at cost (including accrued interest till the beginning of the day) plus the difference between the redemption value (inclusive of interest) and cost spread uniformly over the remaining maturity period of the instrument. In case of a debt security with maturity greater than 182 days at the time of purchase, the last valuation price plus accrued interest should be used instead of purchase cost. All other non traded Non Government debt instruments shall be valued using the method suggested in (2)(b) hereof.

**2(b) Non Traded/ Thinly Traded Debt Securities of Over 182 Days to Maturity:**

For the purpose of valuation, all Non Traded Debt Securities would be classified into "Investment grade" and "Non Investment grade" securities based on their credit ratings. The non-investment grade securities would further be classified as "Performing" and "Non Performing" assets

All Non Government investment grade debt securities, classified as not traded, shall be valued on yield to maturity basis as described below.

All Non Government non investment grade performing debt securities would be valued at a discount of 25% to the face value

All Non Government non investment grade non performing debt securities would be valued based on the provisioning norms.

The approach in valuation of non-traded debt securities is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the non-traded security.

The Yields for pricing the non-traded debt security would be arrived at using the process as defined below.

**Step A**

A Risk Free Benchmark Yield is built using the government securities (GOI Sec) as the base. GOI Secs are used as the benchmarks as they are traded regularly; free of credit risk; and traded across different maturity spectrums every week.

**Step B**

A Matrix of spreads (based on the credit risk) are built for marking up the benchmark yields. The matrix is built based on traded corporate paper on the wholesale debt segment of an appropriate stock exchange and the primary market issuances. The matrix is restricted only to investment grade corporate paper.

**Step C**

The yields as calculated above are Marked-up/Marked-down for ill-liquidity risk.

**Step D**

The Yields so arrived are used to price the portfolio.

**3. Valuation of Government Securities**

Government securities will be valued at yield to maturity based on the prevailing market rate.

- 4. Valuation of Convertible debentures and bonds:** In respect of convertible debentures and bonds, the non-convertible and convertible components shall be valued separately. The non-convertible component should be valued on the same basis as would be applicable to a debt instrument. The convertible component should be valued on the same basis as would be applicable to an equity instrument. If, after conversion the resultant equity instrument would be traded pari passu with an existing instrument which is traded, the value of the latter instrument can be adopted after an appropriate discount of the non-tradability of the instrument during the period preceding the conversion while valuing such instruments, the fact whether the conversion is optional should also be factored in;

- 5. Valuation of Warrants** In respect of warrants to subscribe for shares attached to instruments, the warrants can be valued at the value of the share which would be obtained on exercise of the warrant as reduced by the amount which would be payable on exercise of the warrant. A discount similar to the discount to be determined in respect of convertible debentures [as referred to in sub-paragraph (d) above] must be deducted to account for the period which must elapse before the warrant can be exercised;

**6. Valuation of Unlisted Equity Shares**

Unlisted equity shares of a company shall be valued "in good faith" on the basis of the valuation principles laid down below:

- (a) Based on the latest available audited balance sheet, net worth shall be calculated as lower of (i) and (ii) below:

- i. Net worth per share = [share capital plus free reserves (excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid up Shares.
- ii. After taking into account the outstanding warrants and options, Net worth per share shall again be calculated and shall be = [share capital plus consideration on exercise of Option/Warrants received/receivable by the Company plus free reserves(excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by {Number of Paid up Shares plus Number of Shares that would be obtained on conversion/exercise of Outstanding Warrants and Options}

The lower of (i) and (ii) above shall be used for calculation of net worth per share and for further calculation in (c) below.

- (b) Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.
- (c) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share.

The above methodology for valuation shall be subject to the following conditions:

- i. All calculations as aforesaid shall be based on audited accounts.
- ii. In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.
- iii. If the net worth of the company is negative, the share would be marked down to zero.
- iv. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
- v. In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued in accordance with the procedure as mentioned above on the date of valuation.

At the discretion of the AMC and with the approval of the Trustee, an unlisted equity share may be valued at a price lower than the value derived using the aforesaid methodology.

## 7. Valuation of "Rights" entitlement

- a) Until they are traded, the value of the "rights" entitlement would be calculated as:

$$V_r = n/m \times (P_{ex} - P_{of}) \text{ where}$$

$V_r$  = Value of rights

$n$  = no. of rights Offered

$m$  = no. of original shares held

$P_{ex}$  = Ex-Rights price

$P_{of}$  = Rights Offer price

- b) Where the rights are not traded pari-passu with the existing shares, suitable adjustments would be made to the value of rights. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights would be valued at the renunciation value.

## 8. Valuation of Money Market Instruments:

Investments in call money, bills purchased under rediscounting scheme and short term deposits with banks shall be valued at cost plus accrual; other money market instruments shall be valued at the yield at which they are currently traded. For this purpose, a non-traded instrument that is instruments not traded for a period of seven days will be valued at cost plus interest accrued till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments.

## 9. Valuation of Derivative Products

The traded derivative shall be valued at market price in conformity with the stipulations of sub clause (i) to (v) of clause 1 of the Eighth Schedule to the SEBI Regulations.

The valuation of untraded derivatives shall be done in accordance with the valuation method for untraded investments prescribed in sub clauses (i) and (ii) of clause 2 of the Eighth Schedule to the SEBI Regulations.

Valuation of Equity/Index Futures or options shall be determined based on the market values of traded contracts with respect to the exchange on which it was originally contracted upon. For positions which are not traded, the daily settlement prices in the respective exchanges will be considered for valuation.

## 10. Valuation of Securities with Put / Call options

The option embedded securities would be valued as follows:

- (i) Securities with call option:

- a. The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option.
- b. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument.

- (ii) Securities with Put option

- a. The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option

- b. In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing to the maturity date is to be taken as the value of the instruments.

- (iii) Securities with both Put and Call option on the same day

The securities with both Put and Call option on the same day would be deemed to mature on the Put/Call day and would be valued accordingly.

#### 11. Valuation of "Repo"

Where instruments have been bought on 'repo' basis, the instrument would be valued at the resale price after deduction of applicable interest upto date of resale. Where an instrument has been sold on a 'repo' basis, adjustment would be made for the difference between the Redemption price (after deduction of applicable interest upto date of Redemption) and the value of the instrument. If the Redemption price exceeds the value, the depreciation will be provided for and if the Redemption price is lower than the value, credit will be taken for the appreciation.

#### 12. Illiquid Securities:

- (a) Aggregate value of "illiquid securities" of scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the scheme
- (b) The fund shall disclose as on March 31 and September 30 the scheme-wise total illiquid securities in value and percentage of the net assets while making disclosures of half yearly portfolios to the unitholders. In the list of investments, an asterisk mark shall also be given against all such investments which are recognised as illiquid securities.
- (c) Illiquid securities shall not be transferred among their schemes.
- (d) In respect of closed ended funds, for the purposes of valuation of illiquid securities, the limits of 15% and 20% applicable to open-ended funds should be increased to 20% and 25% respectively.

#### 13. Valuation in respect of Non Performing Assets

Valuation in respect of Non Performing Assets (Debt Securities) is done in accordance with "SEBI guidelines for identification and provisioning for NPAs" issued by SEBI from time to time and will form a part of this valuation policy.

#### 14. Valuation in case of Foreign Securities:

Normally the parameters will be the same as in case of domestic Securities, except that on the Valuation Day, the Permissible Investments issued outside India and listed on the stock exchanges outside India shall be valued at the closing price on the stock exchange at which it is listed or at the last available traded price. However in case a security is listed on more than one stock exchange, the AMC reserves the right to determine the stock exchange, the price of which would be used for the purpose of valuation of that security.

Due to difference in time zones of different markets, in case the closing prices of securities are not available within a given time frame to enable the AMC to upload the NAVs for a Valuation Day, the AMC may use the last available traded price for the purpose of valuation. The use of the closing price / last available traded price for the purpose of valuation will also be based on the practice followed in a particular market. In case any particular security is not traded

on the Valuation Day, the same shall be valued on a fair value basis by the Valuation Committee of the AMC.

On the Valuation Day, all assets and liabilities denominated in foreign currency will be valued in Indian Rupees at the exchange rate available on Bloomberg / Reuters / RBI or any other standard reference rate at the close of banking hours in India. The Trustees reserve the right to change the source for determining the exchange rate. The exchange gain / loss resulting from the aforesaid conversion shall be recognized as unrealized exchange gain / loss in the books of the Scheme on the day of valuation. Further, the exchange gain / loss resulting from the settlement of assets / liabilities denominated in foreign currency shall be recognized as realized exchange gain / loss in the books of the scheme on the settlement of such assets /liabilities.

The same Valuation process will be used in case of computation of NAV & will affect the NAV of the Scheme.

#### GUIDELINES FOR IDENTIFICATION AND PROVISIONING FOR NON PERFORMING ASSETS (DEBT SECURITIES):

##### (A) Definition of a Non Performing Asset (NPA)

An 'asset' shall be classified as non performing, if the interest and/or principal amount have not been received or remained outstanding for one quarter from the day such income / installment has fallen due.

##### (B) Effective date for classification and provisioning of NPAs:

The definition of NPA may be applied after a quarter past due date of the interest. For e.g. if the due date for interest is 30.06.2000, it will be classified as NPA from 01.10.2000.

##### (C) Treatment of income accrued on the NPA and further accruals

\* After the expiry of the 1st quarter from the date the income has fallen due, there will be no further interest accrual on the asset i.e. if the due date for interest falls on 30.06.2000 and if the interest is not received, accrual will continue till 30.09.2000 after which there will be no further accrual of income. In short, taking the above example, from the beginning of the 2nd quarter there will be no further accrual on income.

\* On classification of the asset as NPA from a quarter past due date of interest, all interest accrued and recognized in the books of accounts of the Fund till the date, should be provided for. For e.g. if interest income falls due on 30.06.2000, accrual will continue till 30.09.2000 even if the income as on 30.06.2000 has not been received. Further, no accrual will be done from 01.10.2000 onwards. Full provision will also be made for interest accrued and outstanding as on 30.06.2000.

##### (D) Provision for NPAs – Debt Securities.

Both secured and unsecured investments once they are recognized as NPAs call for provisioning in the same manner and where these are related to close ended scheme the phasing would be such that to ensure full provisioning prior to the closure of the scheme or the scheduled phasing which ever is earlier.

The value of the asset must be provided in the following manner or earlier at the discretion of the fund. Fund will not have discretion to extend the period of provisioning. The provisioning against the principal



amount or installments should be made at the following rates irrespective of whether the principal is due for repayment or not.

- 10% of the book value of the asset should be provided for after 6 months past due date of interest i.e. 3 months from the date of classification of the asset as NPA.
- 20% of the book value of the asset should be provided for after 9 months past due date of interest i.e. 6 months from the date of classification of the asset as NPA.
- Another 20% of the book value of the assets should be provided for after 12 months past due date of interest i.e. 9 months from the date of classification of the asset as NPA.
- Another 25% of the book value of the assets should be provided for after 15 months past due date of interest i.e. 12 months from the date of classification of the asset as NPA.
- The balance 25% of the book value of the asset should be provided for after 18 months past due date of the interest i.e. 15 months from the date of classification of the assets as NPA.

Book value for the purpose of provisioning for NPAs shall be taken as a value determined as per the prescribed valuation method.

This can be explained by an illustration:

Let us consider that interest income is due on a half yearly basis and the due date falls on 30.06.2006 and the interest is not received till 1st quarter after due date i.e. 30.09.2006. This provisioning will be done in following phased manner:

| % of Provision | Date for Provisioning |
|----------------|-----------------------|
| 10% provision  | 01.01.2007            |
| 20% provision  | 01.04.2007            |
| 20% provision  | 01.07.2007            |
| 25% provision  | 01.10.2007            |
| 25% provision  | 01.01.2008            |

Thus, 1 1/2; years past the due date of income or 1 1/4; year from the date of classification of the 'asset' as an NPA, the 'asset' will be fully provided for. If any installment is fallen due, during the period of interest default, the amount of provision should be installment amount or above provision amount, whichever is higher.

#### (E) Reclassification of assets:

Upon reclassification of assets as 'performing assets':

1. In case a company has fully cleared all the arrears of interest, the interest provisions can be written back in full.
2. The asset will be reclassified as performing on clearance of all interest arrears and if the debt is regularly serviced over the next two quarters.
3. In case the company has fully cleared all the arrears of interest, the interest not credited on accrual basis would be credited at the time of receipt.
4. The provision made for the principal amount can be written back in the following manner :-

100% of the asset provided for in the books will be written back at the end of the 2nd calendar quarter where the provision of principal was made due to the interest defaults only.

50% of the asset provided for in the books will be written back at the end of the 2nd calendar quarter and 25% after every subsequent quarter where both installments and interest were in default earlier.

5. An asset is reclassified, as 'standard asset' only when both overdue interest and overdue installments are paid in full and there is satisfactory performance for a subsequent period of 6 months.

#### (F) Receipt of past dues:

When the fund has received income/principal amount after their classifications as NPAs;

For the next 2 quarters, income should be recognized on cash basis and thereafter on accrual basis. The asset will be continued to be classified as NPA for these two quarters.

During this period of two quarters although the asset is classified as NPA no provision needs to be made for the principal if the same is not due and outstanding

If part payment is received towards principal, the asset continues to be classified as NPA and provisions are continued as per the norms set at (D) above. Any excess provision will be written back.

#### (G) Classification of Deep Discount Bonds as NPAs:

Investments in Deep Discount Bonds can be classified as NPAs, if any two of the following conditions are satisfied:

If the rating of the Bond comes down to grade 'BB' or below or,

If the company is defaulting in their commitments in respect of other assets, if available.

Full Net worth erosion.

Provision should be made as per the norms set at (D) above as soon as the asset is classified as NPA. Full provision can be made if the rating comes down to grade 'D'

#### (H) Reschedulement of an asset:

In case any company defaults either interest or principal amount and the fund has accepted a reschedulement of the schedule of payments, then the following practice may be adhered to:

- (i) In case it is a first reschedulement and only interest is in default, the status of the asset namely, 'NPA' may be continued and existing provisions should not be written back. This practice should be continued for two quarters of regular servicing of the debt. Thereafter, this is classified as 'performing asset' and the interest provided may be written back.
- (ii) If the reschedulement is done due to default in interest and principal amount, the asset should be continued as non performing for a period of 4 quarters, even though the asset is continued to be serviced during these 4 quarters regularly. Thereafter, this can be classified as 'performing asset' and all the interest provided till such date should be written back.
- (iii) If the reschedulement is done for a second/third time or thereafter, the characteristic of NPA should be continued for eight quarters of regular servicing of the

debt. The provision should be written back only after it is reclassified as 'performing asset'.

**(I) Disclosure in the Half Yearly Portfolio Reports:**

The mutual funds shall make scrip wise disclosures of NPAs on half yearly basis along with the half yearly portfolio disclosure.

The total amount of provisions made against the NPAs shall be disclosed in addition to the total quantum of NPAs and their proportion of the assets of the mutual fund scheme. In the list of investments an asterisk mark shall be given against such investments, which are recognized as NPAs. Where the date of redemption of an investment has lapsed, the amount not redeemed shall be shown as 'Sundry Debtors' and not investment provided that where an investment is redeemable by installments that will be shown as an investment until all installments have become overdue.

**(J) Accrual of Expenses & Income**

All expenses and incomes accrued up to the valuation date shall be considered for computation of NAV. For this purpose, while major expenses like management fees and other periodic expenses would be accrued on a day to day basis, the minor expenses and income need not be so accrued, provided the non accrual does not affect the NAV calculations by more than 1%.

**(K) Changes in securities and in number of Units**

Any changes in securities and in the number of Units will be recorded in the books not later than the first valuation date following the date of transaction. If this is not possible, given the frequency of NAV disclosure, the recording may be delayed up to a period of 7 days following the date of the transaction, provided as a result of such non-recording, the NAV calculation shall not be affected by more than 1%.

In case the NAV of the Scheme differs by more than 1%, due to non - recording of transactions, the investors or Scheme as the case may be, shall be paid the difference in amount as follows :-

- \* If the investors are allotted units at a price higher than NAV or are given a price lower than NAV at the time of sale of their Units, they shall be paid the difference in amount by the Scheme.
- \* If the investors are charged lower NAV at the time of purchase of their Units or are given higher NAV at the time of sale of their Units, the AMC shall pay the difference in amount to the Scheme. The AMC may recover the difference from the investors.

The valuation guidelines as outlined above are as per the prevailing SEBI Regulations and are subject to change from time to time in conformity with changes made by SEBI.

All other guidelines not covered above and as specified in the Mutual Fund Regulations, as well as any additions/modifications thereto as may be specified by SEBI from time to time, shall be adhered to for the purpose of valuation.

**C. ACCOUNTING POLICIES AND STANDARDS**

In accordance with Regulation 50 read with the Ninth Schedule to the SEBI Regulations, the Fund shall follow the accounting policies and standards stated below:

- a. For the purposes of the financial statements, Mutual Funds shall mark all investments to market and carry investments in the balance sheet at market value. However, since the unrealised gain arising out of

appreciation on investments cannot be distributed, provision has to be made for exclusion of this item when arriving at distributable income.

- b. Dividend income earned by a scheme should be recognised, not on the date the dividend is declared, but on the date the share is quoted on an ex-dividend basis. For investments which are not quoted on the stock exchange, dividend income must be recognised on the date of declaration.
- c. In respect of all interest-bearing investments, income must be accrued on a day to day basis as it is earned. Therefore, when such investments are purchased, interest paid for the period from the last interest due date upto the date of purchase must not be treated as a cost of purchase but must be debited to Interest Recoverable Account. Similarly interest received at the time of sale for the period from the last interest due date upto the date of sale must not be treated as an addition to sale value but must be credited to Interest Recoverable Account.
- d. In determining the holding cost of investments and the gains or loss on sale of investments, the "average cost" method must be followed.
- e. Transactions for purchase or sale of investments should be recognised as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction should be recorded in the event of a purchase, as of the date on which the scheme obtains an enforceable obligation to pay the price or, in the event of a sale, when the scheme obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.
- f. Bonus shares to which the scheme becomes entitled should be recognised only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Similarly, rights entitlements should be recognised only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.
- g. Where income receivable on investments has accrued but has not been received for the period specified in the guidelines issued by the Board, provision shall be made by debiting to the revenue account the income so accrued in the manner specified by guidelines issued by the Board.
- h. When in the case of an open-ended scheme units are sold, the difference between the sale price and the face value of the unit, if positive, should be credited to reserves and if negative be debited to reserves, the face value being credited to Capital Account. Similarly, when in respect of such a scheme, units are repurchased the difference between the purchase price and face value of the unit, if positive should be debited to reserves and, if negative, should be credited to reserves, the face value being debited to the capital account.
- i. In the case of an open-ended scheme, when units are



sold and appropriate part of the sale proceeds should be credited to an Equalisation Account and when units are repurchased an appropriate amount should be debited to Equalisation Account. The net balance on this account should be credited or debited to the Revenue Account. The balance on the Equalisation Account debited or credited to the Revenue Account should not decrease or increase the net income of the fund but is only an adjustment to the distributable surplus. It should, therefore, be reflected in the Revenue Account only after the net income of the fund is determined.

- j. In a close-ended scheme which provide to the unit holders the option for an early redemption or repurchase their own units, the par value of the unit has to be 2[debited] to Capital Account and the difference between the purchase price and the par value, if positive, should be 3[credited] to reserves and, if negative, should be [debited] to reserves. A proportionate part of the unamortized initial issue expenses should also be transferred to the reserves so that the balance carried forward on that account is proportional to the number of units remaining outstanding.
- k. The cost of investments acquired or purchased should include brokerage, stamp charges and any charge customarily included in the broker's brought note. In respect of privately placed debt instruments any front-end discount offered should be reduced from the cost of the investment.
- l. Underwriting commission should be recognised as revenue only when there is no devolvement on the scheme. Where there is devolvement on the scheme, the full underwriting commission received and not merely the portion applicable to the devolvement should be reduced from the cost of the investment.

The accounting policies and standards as mentioned above are in accordance with the Ninth Schedule of the SEBI Regulations and are subject to change as per any changes in the SEBI Regulations. All other policies and standards as specified therein, as well as any additions/modifications thereto as may be specified by SEBI from time to time shall be adhered to while preparing the books of accounts and financial statements of the Fund. To provide appropriate details of the Scheme wise deployment of the assets of the Fund, the AMC may adopt certain accounting policies and standards in accordance with the appropriate guidance notes issued by the Institute of Chartered Accountants of India as amended from time to time. The Trustee/AMC may alter these above stated accounting policies and standards from time to time, and also to the extent the guidance notes issued by the Institute of Chartered Accountants of India, and the SEBI (Mutual Funds) Regulations, 1996 change, so as to permit the Scheme to give a true and fair view of its state of affairs

**D. PROCEDURE FOR INVESTMENT DECISIONS:**

All investment decisions, relating to the Scheme, will be undertaken by the Fund Manager in accordance with the Regulations and the investment objectives specified in the respective SID. Fund Manager will be primarily responsible for investment decisions within the broad framework prescribed by the Investment Committees and the Board of Directors.

The AMC would have two Committees for enabling investment decisions viz. Apex Level Investment Committee

(ALIC) and the Investment Committee (IC). ALIC would be formed comprising of the Independent Director as the Chairman and two other directors of the AMC. ALIC will be a sub committee of the Board of Directors whereas IC will be formed by the executives of the AMC. ALIC of the AMC would be responsible for recommending to the Board of Directors uniform investment policies and procedures which, while striving to maximize portfolio performance, will keep the management of the portfolio within the bounds of good industry practice and satisfy the liquidity, risk management and legal requirements of the AMC. While the Board of Directors of the AMC has the ultimate responsibility of supervising the investment activities, it has delegated its powers with respect to approval/review of investment activities to the ALIC and decision making authority with respect to investments to the IC except for the restrictions given in the policy from time to time.

The role of Chief Executive Officer of the AMC in the entire procedure of taking investment decisions, revolves around ensuring that due diligence is exercised while making investment decisions, that processes and procedures are followed, and review is undertaken vis-à-vis norms, policies, mechanisms etc. laid down by the Board of the AMC. Performance of the Scheme will periodically be tabled before the Boards of the AMC and the Trustee respectively. Further, the Boards of the Trustee and the AMC will also review the performance of the Scheme in the light of performance of the mutual fund industry as published from time to time by independent research agencies and financial newspapers and journals.

All investment decisions taken by the AMC in relation to the corpus of the Scheme shall be recorded in the manner prescribed in SEBI Circular.

## SECTION VII TAX BENEFIT

### **Disclaimer:**

It is to be noted that the information given herein is only for general information purposes only, as per the Tax laws currently in force in India. As is the case with any interpretation of any law, there can be no guarantee or any assurances that the tax position or the proposed tax position prevailing at the time of an investment in the Scheme will be accepted by the tax authorities or will continue to be accepted by them indefinitely. Further statements with regard to tax benefits mentioned herein below are mere expressions of opinion and are not representations of the Mutual Fund to induce any investor to acquire units, whether directly from the Mutual Fund or indirectly from any other persons by the secondary market operations. In view of the individual nature of tax benefits, each investor / unit holder is advised to consult with his or her or its own tax consultant with respect to the specific tax implications arising out of their participation in the scheme. As in the case with any investment, there can be no guarantee that the tax position prevailing at the time of investment in the Scheme(s) will endure indefinitely. Based on the law in force and after considering the amendments made in the Income Tax Act, 1961 ("the Act") by the Finance Bill 2008, the applicable tax provisions, benefits/implications that may accrue to a Fund and to different categories of unit holders in respect of their investments in a Fund are outlined briefly hereunder.

Based on the opinion of a Chartered Accountant, following are certain relevant extracts of the Income Tax Act, 1961 alongwith the interpretation and corresponding tax incidence:

### **A. To the Mutual Fund:**

#### **i) Income of Mutual Fund:**

Income of the Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 (15 of 1992) or regulations made there under will be exempt from income tax in accordance with the provisions of section 10(23D) of the Income tax Act "the Act". The Mutual Fund will receive all income without deduction of any tax at source under the provision of Section 196(iv) of the Act.

#### **ii) Tax on Income distributed to Unit Holders**

Under the provision of section 115R of the Act, additional income tax is payable at different rates on income distributed to different class of unit holders.

| Type of fund   | Dividend distribution tax   |
|--|---|
| Equity oriented fund   | Nil   |
| Money Market Mutual fund or liquid fund  | 25% (plus surcharge @10%, education cess @2% and Secondary and higher education cess at the rate of 1%)   |
| Funds other than a money market mutual fund, liquid fund, equity oriented fund | 12.5% (plus surcharge @10%, education cess @2% and Secondary and higher education cess at the rate of 1%) for income distributed to an individual or a Hindu Undivided Family(HUF). An increased rate at 20% on income distributed to any person other than an individual and HUF (plus surcharge @10%, education cess @2% and Secondary and higher education cess at the rate of 1%) |

#### **iii) Securities Transaction Tax**

Securities transaction Tax (STT) is not applicable in case of non Equity Oriented Mutual Fund Scheme(s). As per

section 10(38) of the Act, Equity Oriented Fund means a fund where the investible funds are invested by way of equity share in domestic companies to the extent of more than sixty five percent of the total proceeds of such fund and which has been set up under a scheme of a mutual fund specified under section 10(23D) of the Income Tax Act, 1961.

In case of Units of Equity oriented funds, the mutual fund is liable to recover / pay a Securities Transaction Tax. Same is applicable as under:

| Taxable Securities Transaction Tax  | Rates                          | Payable by |
|---|--------------------------------|------------|
| Purchase of an equity share in a company or a unit of an equity oriented fund where the transaction for purchase is entered on a recognized stock exchange and the contract is settled by actual delivery / transfer of such unit.        | 0.125%                         | Purchaser  |
| Sale of an equity share in a company or a unit of an equity oriented fund where the transaction for sale is entered on a recognized stock exchange and the contract is settled by actual delivery / transfer of such unit.                | 0.125%                         | Seller     |
| Sale of an equity share in a company or a unit of an equity oriented fund where the transaction for sale is entered on a recognized stock exchange and the contract is settled otherwise than by actual delivery / transfer of such unit. | 0.025%                         | Seller     |
| Sale of a unit of an equity oriented fund to the mutual fund  | 0.25%                          | Seller     |
| Sale of derivative being a future where the transaction for such sale is entered into a recognized stock exchange   | 0.017%                         | Seller     |
| Sale of derivative being an option where the transaction for such sale is entered into a recognized stock exchange  | 0.017% of the option premium   | Seller     |
| Sale of derivative being an option where option is exercised and where the transaction for such sale is entered into a recognized stock exchange  | 0.125% of the settlement price | Purchaser  |

The value of a taxable securities transaction will be as follows:

- In the case of a taxable securities transaction relating to "option in securities", the aggregate of the strike price and the option premium of such "option in securities";
- In the case of taxable securities transaction relating to "futures", the price at which such "futures" are traded; and
- In the case of any other taxable securities transaction, the price at which such securities are purchased or sold.

### **B. To Unit Holders:**

- i) Income Received from Mutual Fund:** According to section 10(35) of the Act, any income received in respect



of units of Mutual Fund specified under section 10(23D) is exempt from income tax in the hands of the unit holders. It has, however, been clarified that income arising from transfer / redemption of units of Mutual Fund shall not be exempt.

The characterization of gains / losses arising from transfer / redemption of units as capital gains or business income would depend on the classification of the said units by the unit holder. It would depend on whether the unit holder has classified such units as capital assets or as stock in trade.

## ii) Capital gains tax:

Unit holders / Investors are required to pay tax if they make capital gains from transfer / redemption of the units. Transfer is as defined under Section 2(47) of the Act.

Capital Gains arising on transfer / redemption of units that are held for a period of more than twelve months are classified as long-term capital gains; in any other case, the gains are classified as short-term capital gains.

### In case of Equity Oriented Fund:

Under Section 10(38) Long-term capital gains arising on transfer / redemption are exempt from Income Tax in the hands of units holders, provided such transaction are entered into a recognized stock exchange or such units are sold to the Mutual Fund and are chargeable to Securities Transaction Tax (STT) at applicable rates. If STT is not paid, no exemption would be available.

In case of a company, the long term gains shall be taken into account for computation of book profits under section 115 JB of the Act.

### In case of Funds other than Equity Oriented Funds:

#### a) Long Term Capital Gains Tax:

##### • Resident Individuals , Hindu Undivided Family (HUF) :

Any long term capital gain arising on transfer / redemption of units is subject to treatment indicated under Section 48 and Section 112 of the Act. Long term capital gains in respect of units held for more than 12 months is chargeable to tax @ 20% (plus applicable surcharge and education cess and Secondary and higher education cess) after factoring the benefit of cost inflation index or tax at the rate of 10% (plus applicable surcharge and education cess and Secondary and higher education cess) without indexation. As per Central Board of Direct Taxes ('CBDT') circular No.715 dated 8th August 1995, in case of resident unit holders no tax is required to be deducted from capital gains arising at the time of repurchase or redemption of the units.

In case of an individual or a HUF, being a resident, where the total income as reduced by such long term capital gains is below the maximum amount, which is not chargeable to income tax, then, such long term capital gain shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income tax and the tax on the balance of such long term capital gains shall be computed at the rate of 20% (plus applicable surcharge and education cess and Secondary and higher education cess) after claiming indexation benefit or 10% (plus applicable surcharge and education cess and Secondary and higher education cess) without indexation as the case may be.

##### • Partnership Firms, Indian Companies / Foreign companies:

According to Section 112 of the Act, Long Term Capital gains arising on transfer / redemption of units of funds other than equity-oriented funds are taxable at the rate of 20% (plus applicable surcharge and education cess and Secondary and higher education cess) after claiming indexation benefit.

According to proviso to section 112 of the Act, a unit holder has a option to offer the long term capital gains arising on transfer / redemption of units to tax at the concessional rate of 10% (plus applicable surcharge and education cess and Secondary and higher education cess), without claiming any indexation benefit.

##### • Non Resident Indians(NRI's):

Under section 115E of the Income Tax Act, 1961, income of non resident Indians by way of long term capital gains, in respect of units is chargeable at the rate of 20% (plus applicable surcharge and education cess and Secondary and higher education cess). Alternatively Non-resident Indians may use the option for tax calculation of Long Term Capital Gain as per section 112 of the Act, if applicable.

##### • Foreign Institutional Investors (FII's):

Under Section 115AD Long term capital gains arising on transfer / redemption of Units are taxable at the rate of 10% (plus applicable surcharge and education cess and Secondary and higher education cess), and the FIIs / sub-accounts will not be permitted to claim indexation benefit.

##### • Overseas Financial Organisations:

Under Section 115AB Long term capital gains arising on transfer / redemption of units purchased in foreign currency are taxable at the rate of 10% (plus applicable surcharge and education cess and Secondary and higher education cess). Such gains would be calculated without indexation benefit.

### Exemption from Long term Gains:

i) **Section 54EC of the Act:** Long term capital gain arising to a person from the transfer of a unit (other than long term gains on transfer of a unit of an equity oriented Scheme(s) on which exemption under Section 10(38) is available), shall be exempt to the extent such capital gains are invested within a period of six months of such transfer, in acquiring notified bonds. However if the said bonds are transferred within a period of 3 years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gain in the year in which the bonds are transferred. However investment limits in the above bonds by any person during any financial year cannot exceed Rs Fifty lakhs.

ii) **Section 54F of the Act:** Long term capital gain arising from the transfer of a unit (other than long term gains on transfer of a unit of an equity oriented Scheme(s) on which exemption under Section 10(38) is available) by an Individual or a HUF, shall be exempt if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then proportionate exemption is available.



**b) Short Term Capital Gains Tax:**

**In case of Equity Oriented Fund:** Section 111A provides that short term capital gains arising on redemption of units of 'equity oriented funds' on which STT has been paid are taxable at the rate of 15% (plus applicable surcharge and education cess and Secondary and higher education cess). In case of an individual or a HUF, being a resident, where the total income as reduced by such short term capital gains is below the maximum amount, which is not chargeable to income tax, then, such short term capital gain shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax and the tax on the balance of such short-term capital gains shall be computed at the rate of 15% plus applicable surcharge and cess. If STT is not paid, then the concessional rate of 15% would not be available and tax would be at maximum applicable normal rates to the concerned category of taxpayer.

**In case of Funds other than Equity Oriented Funds:** The Short term capital gains arising on transfer / redemption of Units are taxable at the normal rates applicable to the Unit Holders. Surcharge and education cess would apply separately as applicable. Details are as under:

**Applicable Income Tax Rates:**

| Assessee                               | Applicable rate of Tax                         |
|--|--|
| Resident Individual and HUF's          | Maximum 30% plus applicable surcharge and cess |
| Cooperative Societies                  | Maximum 30% plus applicable cess               |
| Partnership Firms and cess             | 30% plus applicable surcharge                  |
| Indian Companies and cess              | 30% plus applicable surcharge                  |
| Non resident Indians and cess          | 30% plus applicable surcharge                  |
| Foreign Companies and cess             | 40% plus applicable surcharge                  |
| Overseas Financial Organisation / FI's | 30% plus applicable surcharge and cess         |

However, in case of an individual or a HUF, being a resident, where the total income as reduced by such short term capital gains is below the maximum amount, which is not chargeable to income tax, then, such short term capital gain shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income tax and the tax on the balance of such short term capital gains shall be computed at the normal rates applicable to the Unit Holders.

**C. Surcharge:**

-In case of individual, HUF or association of Persons (AOP), where the income exceeds Rs 10,00,000 a surcharge of 10%;

-In case of domestic companies, where the income exceeds Rs 1, 00, 00,000 surcharge of 10%;

-In case of foreign companies where the income exceeds Rs 1, 00, 00,000 surcharge of 2.5% and

-In case of an Artificial Judicial Person a surcharge of 10%.

A 3% education cess (inclusive of 1% of additional cess for Secondary and Higher Education) on total income tax (including

surcharge) is also payable by all categories of taxpayers.

**D. Capital Losses:**

- Losses under the head "Capital Gains" cannot be set off against income under any other head. Further within the head "Capital Gains", losses arising from the transfer of long-term capital assets cannot be adjusted against gains arising from the transfer of a short-term capital asset. However, losses arising from the transfer of short-term capital assets can be adjusted against gains arising from the transfer of either a long-term (other than gains arising under section 10(38) of Act) or a short-term capital asset.
- Unabsorbed long-term capital loss (**other than units of Equity Oriented Fund**) can be carried forward and set off against the long-term capital gains arising in any of the subsequent eight assessment years.
- Unabsorbed short-term capital loss can be carried forward and set off against the income under the head Capital Gains in any of the subsequent eight assessment years.
- **Special Provision - Dividend:** According to section 94(7) of the Act as amended by the Finance (No.2) Act, 2004, if any person buys or acquires units within a period of three months prior to the record date fixed for declaration of dividend or distribution of income and sells or transfers the same within a period of nine months from such record date, then losses arising from such sale to the extent of income received or receivable on such units, which are exempt under the Act, will be ignored for the purpose of computing his income chargeable to tax.
- **Special Provision - Bonus:** According to Section 94(8) of the Act, where additional units have been issued to any person without any payment on the basis of existing units held by such person, then the loss on sale of original units shall be ignored for the purpose of computing income chargeable to tax, if the original units were acquired within three months prior to the record date fixed for receipt of additional units and sold within nine months from such record date. However, the loss so ignored shall be considered as cost of acquisition of such additional units held on the date of sale by such person.

**E) Deduction for securities transaction tax paid for Equity Oriented fund**

The securities transaction tax paid on units of Equity Oriented funds would be available for deduction as business expenditure to tax payers whose income from redemption of units in an equity oriented mutual fund is charged to tax as their business income. The earlier provision of providing tax rebate u/s 88E is now omitted.

**F) Business Income:**

Where the units are regarded as Business asset, then any gain or loss arising out of transfer / redemption would be taxed under the head "Profits and Gains of Business or Profession" under section 28 of the act. The gain / loss is computed after allowing normal business expenses incurred on transfer.

**G) Tax Deduction at Source (TDS):**

No tax shall be deducted at source in respect of any income credit or paid in respect of units of the Fund as per the provision of section 10(35), section 194K and section 196A. Under section 195 of Act, tax shall be deducted at source in respect of capital gains as under:

|   |  |
|---|--|
| a) In case of non-resident other than a company :-                          |  |
| Long term capital gains on units of funds other than equity oriented funds  | 20% (plus applicable surcharge and education cess) |
| Short term capital gains on units of funds other than equity oriented funds | 30% (plus applicable surcharge and education cess) |
| Short term capital gains on units of funds of equity oriented funds         | 15% (plus applicable surcharge and education cess) |
| b) In case of a foreign company :-  |  |
| Long term capital gains on units of funds other than equity oriented funds  | 20% (plus applicable surcharge and education cess) |
| Short term capital gains on units of funds other than equity oriented funds | 40% (plus applicable surcharge and education cess) |
| Short term capital gains on units of funds of equity oriented funds         | 15% (plus applicable surcharge and education cess) |

Under section 196B of the Act tax at 10% (plus applicable surcharge and education cess) shall be deducted at source from Long term capital gain on units other than the units of equity oriented mutual funds earned by overseas Financial Organisation.

Under section 196D of the Act, no deduction shall be made from any income by way of capital gain, in respect of transfer of securities by FII's as referred to in section 115AD of the Act. In case income falls under the head other than above, TDS would be deducted at applicable rates

#### H. Switching from one scheme to another

Switching from one scheme /option to another scheme/option will be effected by way of redemption of units of the relevant scheme/option and reinvestment of the redemption proceeds in the other scheme /option selected by unit holder. Hence switching will attract the same implications on transfer of such units.

#### I. Tax Treaty Benefits

Section 90 of the Act provides that taxation of non-resident investors would be governed by the provisions of the Act, or those of a Double Taxation Avoidance Agreement ('DTAA') that the Government of India has entered into with the Government of any other country of which the non-resident investors are tax resident. The provisions of the DTAA prevail over those of the Act if they are more beneficial to the taxpayer. In order for the unit holder to obtain the benefit of a lower rate available under a DTAA, the unit holder will be required to provide the Mutual Fund with a certificate obtained from his Assessing Officer stating the eligibility for the lower rate.

#### J. Other Benefits:

##### Investments by Charitable and Religious Trusts:

Investment in units of the Mutual Fund will rank as eligible form of investment under section 11 (5) of the Act read with Rule 17C (i) of the Income Tax Rules, 1962 for Public Religious & Charitable Trust.

##### Wealth tax:

Units in the Fund are not treated as 'assets' as defined in section 2(ea) of the Wealth Tax Act, 1957. Hence, they would not be liable to wealth tax.

##### Gift Tax:

The Gift Tax Act, 1958 has abolished the levy of Gift Tax in respect of gifts made on or after 1st October 1998. Thus, gifts of units on or after 1st October, 1998 are exempt from Gift Tax.

The Scheme may be impacted by the rates of taxation on capital gains, interest and other corporate actions on investments, in different countries, in line with the prevailing tax laws in those countries of investment, as also in line with the respective tax treaties in existence with India.

## SECTION VIII LEGAL INFORMATION

### **A. Nomination Facility**

In accordance with SEBI Regulations, the nomination can be made only by individuals applying for / holding units on their own behalf singly or jointly. If the units are held jointly, all joint holders will sign the nomination form. Following persons are eligible for nomination:

1. Resident Indian individual.
2. A minor can be nominated and in that event, the name and address of the guardian of the minor nominee shall be provided by the unit holder.
3. Non-Resident Indians can be nominated subject to the guidelines issued by the RBI from time to time.
4. Nomination can also be in favour of the Central Government, State Government, a local authority, any person designated by virtue of his office.
5. The Nominee shall not be a trust, other than a religious or charitable trust, society, body corporate, partnership firm, Karta of Hindu Undivided Family or a Power of Attorney holder.
6. Non-individuals including society, trust, body corporate, partnership firm, Karta of an HUF, power of attorney holder cannot nominate.

Further, there can be a maximum of three nominees as there can be only a maximum of three investors (joint holders). Also the investor/s should clearly indicate the percentage of allocation/share in favour of each of the nominees against their name and such allocation/share should be in whole numbers without any decimals, making a total of 100 percent. If the percentage is not allocated in the manner as specified herein, the AMC can by way of default option settle the claim equally amongst all the nominees.

Applicants can change the nomination at any time during the periodicity of their holding in the Scheme. Those who wish to do so can duly complete the relevant section in the Application form. If the applicant desires to nominate at a later date or change the nomination, he can request for a nomination form at any of the Investor Service Centres. Payment to the nominee of the sums payable against redemption / dividends shall fully discharge the Fund of all liabilities towards the estate of the unit holder and their successors and legal heirs.

The nominee shall receive the Units only as an agent and trustee for the legal heirs or legatees as the case may be. It is hereby clarified that the nominees under the nomination facility provided herein shall not necessarily acquire any title or beneficial interest in the property by virtue of this nomination and the transmission of units would normally be governed as per succession certificate / probate of the will. By provision of this facility, the AMC is not in any way attempting to grant any rights other than those granted by law to the nominee. A nomination in respect of the Units does not create an interest in the property after the death of the Unit holder. It should be noted that transfer of units by the AMC in favour of a Nominee shall be valid discharge by the Asset Management Company against the legal heir & beneficiary of the unit holder & the AMC will hold no responsibility thereafter.

Units which are pledged and offered as security in favour of any entity/body for any purpose can also have the nomination facility after obtaining "approval"/ "no objection" clearance from such entity/body. Notwithstanding anything contained in any other law for the time being in force or in disposition, whether testamentary or otherwise, in respect of such pledge units of the scheme, where a nomination made in the prescribed manner

purports to confer on any person(s) the right to vest the pledged units of the scheme, on the death of the unit holders (single holder or all the joint holder(s)), the nominee(s) shall become entitled to all the rights in the pledged units of the scheme to the exclusion of all other persons except the entity/body in whose favour the units are pledged by way of lien, unless the nomination is cancelled or varied.

Nomination in respect of the Units stands rescinded upon the Redemption/Repurchase or Transfer of Units by the original unit holder in full. Cancellation of nomination can be made only by those individuals who hold Units on their own behalf singly or jointly and who made the original nomination. On cancellation of the nomination the nomination shall stand rescinded and the Mutual Fund / the AMC shall not be under any obligation to transfer the Units in favour of the nominee. The nomination facility extended under the Scheme is subject to existing laws. The AMC shall, subject to production of such evidence which in their opinion is sufficient, proceed to effect the payment to the Nominee. Transfer of Units / payment to the nominee of the sums shall discharge the Mutual Fund / the AMC of all liability towards the estate of the deceased Unit holder and his/her/ their successors/legal heirs. Further, if the Unit holder fails to specify a nominee then in such case Personal Laws will prevail.

To enable the AMC to transfer the unit holdings in the name of the Nominee upon death of a Unit holder, the AMC shall call for following documents from the Nominee:

- a. Death Certificate
- b. Identity document proving identity of the nominee/signature verification
- c. Indemnity
- d. Proof of guardianship, in case the nominee is a minor and or an unsound person.

The Nominee(s) will also be required to complete 'Know Your Customer' requirements as required under PMLA regulations.

### **B. Prevention of Money Laundering and Know Your Customer (KYC):**

In accordance with requirements under the Prevention of Money Laundering Act, 2002, the Rules issued there under and the guidelines and circulars on anti-Money Laundering, issued by SEBI, (collectively "AML Regulations"), mutual funds are required to formulate and implement Client Identification Programme to verify and maintain the record of identity and address(es) of investors. This is commonly referred to as 'Know Your Client' guidelines (KYC).

As required under the Prevention of Money Laundering Act and the rules issued there under the circulars and guidelines on Anti-Money Laundering, issued by SEBI (collectively known as AML regulations), all intermediaries including Mutual Funds should formulate and implement a proper policy framework as per the guidelines on anti money laundering measures. The intermediaries may, according to their requirements specify additional disclosures to be made by clients for the purpose of identifying, monitoring and reporting incidents of money laundering and suspicious transactions undertaken by clients. Further SEBI vide its circular has also advised all intermediaries to take necessary steps to ensure compliance with the requirement of section 12 of the Act inter-alia maintenance and preservation of records and reporting of information relating to cash and suspicious transactions to Financial Intelligence Unit-India (FIU-IND), New Delhi.

**The investor(s) should ensure that the amount invested**



in the scheme is through legitimate sources only and does not involve and is not designated for the purpose of any contravention or evasion of the provisions of the Income Tax Act, Prevention of Money Laundering Act, Prevention of Corruption Act and / or any other applicable law in force and also any laws enacted by the Government of India from time to time or any rules, regulations, notifications or directions issued thereunder. To ensure appropriate identification of the investor(s) under its KYC policy and with a view to monitor transactions for the prevention of money laundering, Edelweiss Asset Management Limited ("EAML") reserves the right to seek information, record investor's telephonic calls and / or obtain and retain documentation for establishing the identity of the investor, proof of residence, source of funds, etc. It may re-verify identity and obtain any incomplete or additional information for this purpose.

The detailed procedure and requirements for Know Your Customer (KYC) is covered in other mandatory disclosures mentioned elsewhere in this Document.

The investor(s) and their attorney, if any, shall produce reliable, independent source documents such as photographs, certified copies of ration card/ passport/ driving license/PAN card, etc. and/or such documents or produce such information as may be required from time to time for verification of the identity, residential address and financial information of the investor(s) by EAML. If the investor(s) or the person making payment on behalf of the investor(s), refuses / fails to provide the required documents/ information within the period specified in the communication(s) sent by EAML to the investor(s), and after applying appropriate due diligence measures, EAML believes that the transaction is suspicious in nature within the purview of the Act and SEBI circulars issued from time to time and/or on account of deficiencies in the documentation, EAML shall have absolute discretion to report suspicious transactions to FIU-IND and / or to freeze the folios of the investor(s), reject any application(s) / allotment of units and effect mandatory redemption of unit holdings of the investor(s) at the applicable NAV subject to payment of exit load, if any, in terms of the said communication sent by the EAML to the investor(s) in this regard.

**Suspicious Transaction Reports:** If after reasonable due diligence, the AMC believes that a transaction is suspicious in nature as regards money laundering, the AMC would be expected to report such suspicious transactions to competent authorities under the PMLA and rules / guidelines issued thereunder by SEBI and RBI. The AMC shall furnish such information in the prescribed format (Suspicious Transaction Reporting) in connection with the suspicious transactions to such authorities and take any other actions as may be required for the purposes of fulfilling its obligations under the Prevention of Money Laundering Act (PMLA) without obtaining the prior approval of the investor / Unit Holder / a person making the payment on behalf of the investor.

**Suspicious transaction includes** a transaction whether or not made in cash which, to a person acting in good faith gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or appears to be made in circumstances of unusual or unjustified complexity; or appears to have no economic rationale or bonafide purpose; or gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism etc..

The basic parameters for identifying transactions as suspicious inter alia includes Investors with multiple accounts, Individual investing via more than five bank accounts, corporate investing in non-liquid funds via more than ten bank accounts, investors who have changed their address more than 3 times within a period of one year etc. Other examples of Suspicious

Transactions can be false identification of documents or Identification documents which could not be verified within reasonable time or doubt over the real beneficiary of the account or if the AMC feels that there is a suspicious background or links with known criminals or authorized signatory with no rationale or if there is unusual or sudden activity in terms of numbers and value of transactions. Investors Accounts or the nature of transaction is such that it gives rise to Suspicion or if the Value of Transaction is such that it creates doubts in the mind of the AMC.

The parameters/examples of suspicious transactions stated aforesaid are indicative and not exhaustive and in this regards EMF/the AMC will follow instructions from competent authorities under the PMLA/ Independent body like AMFI, SEBI, and RBI etc.

The EMF, the AMC, ETCL and their Directors, employees and agents shall not be liable in any manner for any claims arising whatsoever on account of freezing the folios / rejection of any application / allotment of units or mandatory redemption of units due to non-compliance with the provisions of the PMLA, SEBI circular(s) and KYC policy and / or where the AMC believes that transaction is suspicious in nature within the purview of the Act and SEBI circular(s) and reporting the same to FIU-IND.

#### C. Transfer & Transmission:

As the Fund will be issuing and redeeming the Units on an ongoing basis, no transfer facility is being offered. However, if units are gifted or in case of change of joint holding or if a transferee becomes a holder of the Units by operation of law, or upon enforcement of a pledge, then EAML shall, subject to production of such evidence, which in its opinion is sufficient, effect the transfer, if the intended transferee is otherwise eligible to hold the Units, within 30 days from the date of receipt of all relevant documents, as specified under SEBI regulation. A person becoming entitled to hold the Units in consequence of the death, insolvency, or winding up of a sole holder or the last survivor of the joint holders, upon producing evidence to the satisfaction of the Fund, shall be registered as the holder. The said provisions in respect of deletion of names will not be applicable in case of death of a Unit holder (in respect of joint holdings) as this is treated as transmission of Units and not transfer. Appropriate documentation for this process may be obtained from the AMC ISC's.

In case of death of a unit holder, Units shall be transmitted in favour of the second-named/surviving joint holder or nominee, as the case may be, on production of a certified copy of the death certificate or such other document /s to the satisfaction of the Fund. The Nominee may opt to hold units in the scheme in place of the deceased unit holder instead of redeeming the units, provided that the nominee is otherwise eligible to hold the Units under the scheme by applying to the AMC along with all relevant documents.

It is expressly understood that the investor/unit holder is aware of the relevant statutes, tax related provisions etc. pertaining to transfer and he undertakes to abide by the same and shall pay all relevant applicable duties, tax, cess etc.

#### D. Winding Up/ Duration of the Scheme

In terms of the SEBI Regulations, the Scheme may be wound up after repaying the amount due to the Unit holders:

- (a) On the happening of any event which, in the opinion of the Trustee, requires the Scheme to be wound up;
- (b) If Seventy five percent of the Unit holders of the Scheme pass a resolution that the Scheme be wound up; or

- (c) SEBI directs the Scheme to be wound up in the interest of the Unit holders.
- (d) In case of non-fulfillment of condition prescribed in terms of minimum number of investors vide SEBI circular.

In case of non fulfillment of the above condition, the provisions of Regulation 39(2) (c) of SEBI (Mutual Funds) Regulations, 1996 would become applicable automatically without any reference from SEBI.

Accordingly, the scheme(s) shall be wound up by following the guidelines laid down by SEBI. Where a Scheme is to be wound up pursuant to the above SEBI Regulations, the Trustee shall give notice of the circumstances leading to the winding up of the Scheme:

1. To SEBI; and
2. In two daily newspapers having circulation all over India and also in a vernacular newspaper circulating at the place where the head office of the Mutual Fund is situated.

The Mutual Fund shall adhere to the requirements prescribed by SEBI from time to time in this regard.

#### **Effect of Winding Up**

On and from the date of the publication of the notice as stated above, the Trustee or the AMC as the case maybe, shall

- (a) Cease to carry on any business activities in respect of the Scheme so wound up;
- (b) Cease to create or cancel Units in the Scheme;
- (c) Cease to issue or redeem Units in the Scheme.

#### **Procedure & Manner of Winding Up**

In the event of the Scheme being wound up, the AMC shall proceed as follows:

1. The Trustee shall call a meeting of the Unit holders of the Scheme to consider and pass necessary resolutions by simple majority of Unit holders present and voting at the meeting for authorising the AMC or any other person / agency to take the steps for winding up of the Scheme.
  - (a) The Trustee or the person authorised as above, shall dispose the assets of the Scheme concerned in the best interests of the Unit holders of the Scheme.
  - (b) The proceeds of the sale made in pursuance of the above, shall in the first instance be utilised towards discharge of such liabilities as are properly due under the Scheme and after making appropriate provision for meeting the expenses connected with such winding up, the balance shall be paid to the Unit holders in proportion to their respective interests in the assets of the Scheme as on the date when the decision for the winding up was taken.
2. On the completion of the winding up, the Trustee shall forward to SEBI and the Unit holders, a report on the winding up containing particulars such as circumstances leading to the winding up, the steps taken for disposal of assets of the Scheme before winding up, expenses of the Scheme for winding up, net assets available for distribution to the Unit holders and a certificate from the Auditors of the Mutual Fund.
3. Notwithstanding anything contained herein, the application of the provisions of SEBI Regulations in respect of disclosures of half-yearly reports and annual reports shall continue to be applicable until the winding up is completed or the Scheme ceases to exist.
4. After the receipt of report referred to the above under "Procedure and Manner of Winding up" if SEBI is satisfied that all measures for winding up of the Scheme have been complied with, the Scheme shall cease to exist.

## SECTION IX GENERAL INFORMATION

### **A. POWERS TO MAKE RULES**

Subject to the prior approval of SEBI / other applicable regulatory authorities, wherever necessary, the AMC may from time to time prescribe such forms and make such rules for the purpose of giving effect to the provisions of the Scheme, and add to, alter or amend all or any of the forms and rules that may be framed from time to time.

### **B. POWERS TO REMOVE DIFFICULTIES**

If any difficulty arises in giving effect to the provisions of the Scheme, the Trustee may take such steps that are not inconsistent with these provisions, which appear to them to be necessary and expedient, for the purpose of removing difficulties.

### **C. UNDERWRITING BY THE MUTUAL FUND**

Subject to SEBI Regulations, the Scheme may enter into underwriting agreements after the Mutual Fund obtains a certificate of registration in terms of the Securities and Exchange Board of India (Underwriters) Rules and Securities and Exchange Board of India (Underwriters) Regulations, 1993 authorising it to carry on activities as underwriters. The capital adequacy norms for the purpose of underwriting shall be the net assets of the respective Plans and the underwriting obligation of the respective Plans shall not at any time exceed the total net asset value of the respective Plans.

### **D. STOCK LENDING BY THE MUTUAL FUND**

Subject to the SEBI Regulations as applicable from time to time, the Fund may, engage in Stock Lending. Stock Lending means the lending of securities to another person or entity for a fixed period of time at a negotiated compensation in order to enhance returns of the portfolio. The securities lent will be returned by the borrower on the expiry of the stipulated period. The AMC will adhere to strict limits should it engage in Stock Lending. Collateral would always be obtained by the approved intermediary from such borrower. Collateral value would always be more than the value of the security lent. Collateral can be in form of cash, bank guarantee, and government securities, as may be agreed upon with the approved intermediary.

Example:

A fund has AAA debenture or bond which it would wish to hold for a long period of time as a core holding in the portfolio or even till maturity. In that case, the investors would be benefited only to the extent of the coupon rate which it would earn. If the fund is enabled to lend the said security to a borrower who would be wanting to take advantage of the market fluctuations in its price and return the security to the lender at a stipulated time or on demand for a negotiated compensation, the fund unit holders can enhance their returns to the extent of the compensation it will earn for lending the same. But an adequate security or collateral will have to be maintained by the intermediary, which should always be higher than the cost of the security. Thus it is in the interest of the investors that returns can be enhanced by way of stock lending. Thus, to summarize, stock lending would be done by the scheme only in the following circumstances:

- a) If permitted by Trustee and the extent SEBI regulations in that regard, from time to time.
- b) If such activity generates additional returns for the scheme and helps to enhance the scheme returns.

If considering the above and other factors all considered in totality, such activity is in the interest of unit holders in the scheme.

The percentage of exposure the Scheme(s) of Edelweiss Mutual Fund intend to take in Stock Lending, defers from Scheme to Scheme. Investors are requested to refer & read the SID carefully.

### **E. BORROWING OF THE MUTUAL FUND**

To meet the temporary liquidity needs of the Scheme for the purpose of repurchase, redemption, or payment of income / dividend to the unit holders, any Scheme under the Edelweiss Mutual Fund may borrow upto 20% of its net assets for a period of upto six months or as may be permitted by the pertinent rules and regulations. Cost of such Borrowings will form a part of Recurring Expenses charged under the Scheme. Loans may be obtained from any entity / organisation like Banks, Group Companies, Sponsors, Corporates, Trustee Company; Asset Management Company (by way of Inter Corporate Debt) which is not specifically debarred to give loans to Mutual Funds and also loan is available from such entity / organisation at competitive terms. However, if any loan is obtained from any associate, such loan will be obtained only at extremely competitive terms at equal to or lower than market rates. Borrowing by the Mutual Fund on account of the Scheme may tend to increase the impact of investment gains and losses on the NAV of the Scheme.

### **F. INVESTMENT BY the AMC, SPONSOR, OR THEIR AFFILIATES IN THE SCHEME**

The AMC, Sponsor, Trustee and their associates or affiliates or Funds managed by/advised by Sponsors and/or their affiliates may invest in any of the scheme(s) of Edelweiss Mutual Fund during the New Fund Offer Period and on ongoing basis subject to the SEBI Regulations & circulars issued by SEBI and to the extent permitted by its Board of Directors from time to time. As per the existing SEBI Regulations, the AMC will not charge investment management and advisory fee on the investment made by the AMC in the scheme.

### **G. DEPOSITORY**

If the Securities are held in dematerialised form, the rules of the Securities and Exchange Board of India (Depositories Participants) Regulations, 1996 will apply.

### **H. INTER-SCHEME TRANSFERS**

Transfer of investments from one Scheme to another Scheme under the Mutual Fund shall be allowed only if such transfers are done on the closing prices of the Principal Stock Exchange and in conformity with Regulations. In case of securities which are not traded on the Principal Stock Exchange / any other exchange, the inter-Scheme transfers will be affected based on fair valuation to be arrived at by AMC with the approval of the Trustee. As per SEBI Regulation specifically the Seventh Schedule, such transfers will be allowed only if:

- Such transfers are done at the prevailing market price for quoted instruments on spot basis (spot basis shall have the same meaning as specified by a Stock Exchange for spot transactions); and
- The securities so transferred shall be in conformity with the investment objective of the Scheme to which such transfer has been made.

## I TRANSACTIONS WITH ASSOCIATE COMPANIES

The Sponsor, its Subsidiary, any associates of the Sponsor, or any other companies within the Edelweiss group may from time to time act (individually and / or jointly) as manager, registrar, administrator, investment advisor, underwriter, distributor or dealer or agent or Broker or marketing associate, respectively in relation to, or be otherwise involved in, other Scheme(s) / Funds / Activities (in the same or different capacity) (to the extent permitted under various relevant Regulations) for the purpose of normal conducting of the business of the Mutual Fund. The Edelweiss Mutual Fund may share the research reports prepared by the Group Companies on Commercial or non commercial basis or may utilize the depository Services or the Scheme(s) may Subscribe in the Issues Lead managed by the Associate or Group Companies or may enter into Deals arranged by NBFC or it may utilize the facility of Direct Market Access for investing in securities, or utilise the premises of Group companies to act as a Collecting Centers, and Investor Service Centers etc. The Fund may also share Infrastructure like office space, communication network; hardware including Servers, PCs etc. Such sharing will be subject to having segregated areas following the principles of Chinese walls between the activities of the Sponsors and that of the Associate Companies. The Asset Management Company, may, make investments for other permitted business activities or on its own behalf without making the same available to the Scheme / Fund.

The AMC will conduct its business with the Sponsor, Subsidiary, any associates of the Sponsor, or any other companies within the Edelweiss group on commercial terms and on an arms length basis, checking the quality of services rendered and at the then prevailing market prices to the extent permitted under the applicable laws including the Regulations, after an evaluation of the competitiveness of the pricing offered by the associate companies and services to be provided by them. These fees shall be debited to the Scheme(s), subject to SEBI Regulations. Should the Fund enter into any transaction with / through the above mentioned companies, it shall do so as may be permitted by the Regulations and will disclose details of such investments or transactions in the manner required by the Regulations.

The AMC may, utilise the services of its Sponsors, Subsidiary, Associates or other Companies within the Edelweiss group, Employees or their relatives, etc. for the purpose of any securities transactions and distribution and sale of Units / securities, provided that any deal in securities through any broker associated with the Sponsors should not be beyond 5% of the quarterly aggregate purchase and sale of securities by EMF, as per SEBI Regulations and the brokerage or commission paid as per prevailing market practice and/or approved rates is disclosed in the half yearly annual accounts of the Fund.

Further, while dealing with the Sponsor, its Subsidiary, Associate or any other Companies within the Group, the Scheme will adhere to SEBI Regulation (Schedule Seven) under which, no Scheme(s) of Edelweiss Mutual Fund shall make investments in:

- any unlisted security of an associate or group company of the Sponsors; or
- any security issued by way of private placement by an associate or group company of the Sponsors; or
- The listed securities of group companies of the Sponsors which is in excess of 25% of the net assets.

Beside the Scheme 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.

Names of associate of the Asset Management Company (subject to change from time to time) with which the Mutual Fund proposes to have dealings, transactions and those whose services may be used for marketing, distributing, broking, PCM services etc. of the schemes or for any other permitted purpose are as under:

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

| Sr. No. | List of Associate Companies/Firms                         |
|---------|---|
| 37      | Edelweiss International (Singapore) Pte. Limited          |
| 38      | Edelweiss Securities (Singapore) Pte. Limited             |
| 39      | Edelweiss Property Advisors Private Limited               |
| 40      | Edelweiss Galleon Alternative Asset Advisors Pte. Limited |
| 41      | EdelGive Foundation                                       |
| 42      | Edelweiss Real Estate Advisors Private Limited            |
| 43      | Blue River Capital Advisors (India) Private Limited       |

**1. Underwriting obligations with respect to issues of Associate Companies:**

Edelweiss Mutual Fund, has till date not entered into any underwriting contracts in respect of any public issue made by any of the group/associate companies of the Sponsor, under any of its Scheme(s).

**2. Subscription in issues lead managed by the Sponsor or any of its associates:**

No scheme of Edelweiss Mutual Fund has invested in any public issue lead managed by any Group/Associate company of the Sponsor from April 2008- till date.

**J INVESTMENTS IN GROUP / ASSOCIATE COMPANIES**

Investments in securities of group companies are made; it will be done on pure commercial consideration for the benefit of the Fund. No investment will be made in any unlisted security of an associate or Group Company of the Sponsor and in any

security issued by way of private placement by an associate or group company of the Sponsor. Further, investments in listed securities of the group company of the Sponsor will not exceed 25% of the net assets of each scheme of the Fund.

Investment in group companies will be done only in the interest of the Fund and as per the SEBI Regulations. Before making an investment, the AMC will evaluate the same on merits and on arm's length basis and in accordance with the objective of the scheme.

As on date there have been no investments in the Group or Associate Companies.

**K EXPENSES OF THE SCHEMES**

Each Scheme will have expenses as specified in SID & such expenses (including commission to distributors/introducers on application, direct or otherwise) will be within the overall limits prescribed by SEBI or such other Regulations from time to time. The AMC may incur expenses on behalf of the Mutual Fund which can be reimbursed on actual basis to the AMC to the extent such expenses are permissible & are within the SEBI limits.

**L SERVICES PROVIDED BY GROUP / ASSOCIATE COMPANIES**

**Details on Brokerage/ Commission etc. paid to Associate Companies or Distribution of units performed by Associate Companies:**

The Fund has been registered with SEBI on April 30, 2008 and has not had any transactions with the

Sponsor or its associates from the date of registration till the date of this Statement.

## SECTION X SERVICES TO INVESTOR

### A. UNIT HOLDERS GRIEVANCES REDRESSAL MECHANISM

Investors can enquire about NAVs, Unit Holdings, Valuation, Dividends, etc or lodge any service request including change in the name, address, designated bank account number and bank branch, loss of Account Statement / Unit Certificates, etc. to M/s. Karvy Computershare Private Limited - UNIT EMF, Karvy Plaza, 21, Road No. 4, Street No.1, Banjara Hills, Hyderabad 500 034. (Tel No. 040- 23394828) or can also call us at our toll free number 1800 425 0090 (MTNL/BSNL) and non toll free number 04023310090 for others and investors outside India. It should be noted that for folios with transactions of Rs. 50,000 and above/ and any investor who has provided KYC confirmation issued by CVL, all details of the investor in the Edelweiss Mutual Fund records will be replaced by the details given by the investor to the CVL in the KYC Application Form. Any change in details like change of Name / Address / Status / Signature, etc. should be given by such Investor, who has provided KYC Confirmation, directly to CVL in the prescribed manner.

Alternatively, the Unit holder can call at the EAML branch office for any services / information. Some service requests can be processed only upon receipt of a written request with required supporting documents. In order to protect confidentiality of information, the service representatives at our branches/ ISC's may require personal information of the investor for verification of his / her identity.

Unit holders grievances should be addressed to Investor Services Centres (ISC's) at the EAML branch offices, or Karvy Computershare Pvt. Ltd (KCPL) Investor Service Centres. All grievances will then be forwarded to the Registrar, if required, for necessary action. The complaints will be closely monitored /followed up with the Registrar to ensure timely redressal.

EAML will at all times endeavour to handle transactions efficiently and to resolve any investor grievances promptly. A comprehensive complaint management system is in place for managing complaints with features for tracking each complaint through its lifecycle from recording and initiation to investigation, reporting, and closure - following the appropriate process to ensure that nothing slips through the cracks enabling EAML to conduct root cause analysis and trigger corrective and preventive action. There is a built in customised workflow process as well as assignment and escalation process to EAML officials.

Investors can also address their queries/grievances to Ms. Meera Shetty, Head-Investor Services at Edelweiss Mutual Fund, 10th Floor, Chander Mukhi, Nariman Point, Mumbai 400 021. Contact Details:

Tel. No. (022)40979900

Fax no. (022) 40979970.

E-mail id: investor.amc@edelcap.com

#### Use of Intermediaries

The investor is aware that the Fund and/or the AMC need to use intermediaries such as post office, local and

international couriers, banks and other intermediaries for correspondence with the investor and for making payments to the investor by cheques, drafts, warrants, through Electronic Clearing Services (ECS) etc. The investor expressly agrees and authorises the Fund and the AMC (including their agents) to correspond with the investor or make payments through intermediaries including but not limited to post office, local and international couriers and banks. The investor clearly

understands that the Fund and the AMC use such intermediaries for convenience of the investor and such intermediaries are agents of the investor and not the Fund or the AMC. The Fund and/or the AMC or their agents are not responsible in any manner whatsoever for delayed receipt or non-receipt of any correspondence or payment through such intermediaries.

### B. ADDITIONAL INFORMATION

#### 1. Investor Services

It is the endeavour of the Fund to provide consistently high quality service to its investors. This would encompass all interactions by the unit holder / Investor with the Fund. The Fund will strive to upgrade the quality of services through implementation of technology, through ensuring quality consciousness amongst its service personnel and agencies associated with it. The Fund will endeavour to provide a high degree of convenience for the investors' dealings with itself. The Fund will strive to constantly increase this level of convenience.

#### 2. Enquiries and Official Points of Acceptance of Transactions:

Unit holders' enquiries and transactions will be entertained at the offices of the AMC / the office of the Registrar in Hyderabad or any of the other Investor Service Centres, for details refer our website ([www.edelweissmf.com](http://www.edelweissmf.com)). Unit holders can visit these centres for enquiries and transactions during business hours.

#### 3. Books and Records

The books and records of the Mutual Fund will be maintained at the office of the Mutual Fund. The fiscal year of the Mutual Fund ends on 31st March in each year.

#### 4. Timeline for Service:

The AMC will ensure that it completes all the tasks listed below within the specified timeline framed by Regulations wherever required:

| Particulars                     | Time Taken*  |
|---------------------------------|--|
| Refund of subscription Amount   | Within six weeks from the closure of NFO Period    |
| Disclose the first NAV          | Within 30 days from the closure of NFO Period      |
| Despatch of Account Statements  | Within 30 days from the closure of NFO Period      |
| Dispatch Redemption proceeds    | Within 10 business Days                            |
| Transfer Proceeds               | Within 30 days from the date of receipt request    |
| Issue of Unit certificate       | within 30 days of the receipt of request           |
| Requests for dematerialisation  | within 30 days of the receipt of request           |
| Dispatch of Dividend Warrants   | Within 30 days of the declaration of the dividend. |
| Change of Address/ Bank Details | Within 10 Business Days                            |
| Other Services                  | Within 10 Business Days                            |

\*These response times will be effective from the date of receipt of documents, complete in all respects as specified in Regulation, from time to time, at the office of the Registrar and Transfer Agents.

However, the AMC will ensure that it will complete the above mentioned activities before the timelines mentioned above.

The Fund will strive to provide high quality services to its investors by;

1. Extensively using technological tools in rendering unit holder service i.e. The Fund will endeavour to send the Account Statements (on account of financial and/or non-financial transactions) e.g., allotment of units in lieu of distribution of periodic dividend, besides periodic information etc by way of SMS or e-mail, which is speedier. Other financial transactions (subscription of units) may also be conveyed to the unit holders by way of e-mail, wherever requested, subject to such safeguards the Fund may deem necessary.
2. Making available an Investor Relation personnel of the AMC on any business day between normal official hours of the AMC for personal meeting with any unit holder, to attend to any query related to investment needs of a unit holder, resolve any unit holder service related queries through the Registrar and to provide such other services that the unit holder desires.
3. The AMC provides SMS alert facility to its investors providing financial and non-financial information about their transactions eg. Sale, purchase, dividend declarations, changes in facilities, etc. This facility is currently offered free of cost to all investors whose mobile numbers are registered with the Fund / who register themselves for the facility by writing to the Registrar and Transfer Agent, mentioning their folio numbers and mobile numbers.

#### C. INVESTORS' COMPLAINTS HISTORY

Given below is the status of Investor Complaints since inception of the Scheme (September 9, 2008) till date:

| Scheme Name                       | Complaints Received | Complaints Redressed | Complaints Pending |
|-----------------------------------|---------------------|----------------------|--------------------|
| Edelweiss Liquid Fund             | 3                   | 3                    | 0                  |
| Edelweiss Liquid Plus Fund        | 12                  | 12                   | 0                  |
| Edelweiss Quarterly Interval Fund | 10                  | 10                   | 0                  |
| Edelweiss Monthly Interval Fund   | 2                   | 2                    | 0                  |
| <b>Total</b>                      | <b>27</b>           | <b>27</b>            | <b>0</b>           |

#### D. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection by the unit holders between 11.00 a.m. and 1.00 p.m. on any Business day at the corporate office of the Mutual Fund: -

- a. Memorandum and Articles of Association of the AMC and ETCL.
- b. Investment Management Agreement
- c. Trust Deed and subsequent amendments thereto, if any
- d. Mutual Fund Registration Certificate
- e. Agreement between the Mutual Fund and the Custodian (EMF and CITIBANK N.A.)
- f. Agreement with Registrar and Share Transfer Agents (Karvy )
- g. Consent of Auditors to act in the said capacity
- h. Consent of Legal Advisors to act in the said capacity
- i. Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments from time to time thereto.
- j. Indian Trusts Act, 1882.

#### NOTE:

1. Notwithstanding anything contained in this Statement of Additional Information, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines thereunder shall be applicable.
2. Further, any amendments / replacement / re-enactment of SEBI Regulations subsequent to the date of this Statement shall prevail over those specified in this Statement.
3. Any dispute arising out of this issue shall be subject to the exclusive jurisdiction of the Courts in India.

### LIST OF EAML BRANCHES

- |   |  |
|---|--|
| <p><b>1. Baroda Branch</b><br/>Office No.108,<br/>Avanti Chambers, 1<sup>st</sup> Floor,<br/>Behind Express Hotel,<br/>R.C. Dutt Road, Vadodara,<br/>Gujarat</p> <p><b>2. Jaipur</b><br/>Office Number 404,<br/>4th floor, DBC Towers<br/>M. I. Road,<br/>Jaipur – 302001</p> <p><b>3. Pune</b><br/>Unit No.28,<br/>First floor,<br/>Sreenath Plaza,<br/>F.C.Road,<br/>Pune -411004</p> <p><b>4. Ahmedabad</b><br/>Broadway Business Centre<br/>Cabin No. 12, 1<sup>st</sup> Floor,<br/>Shajananad Complex, Opp. Citibank,<br/>Near Panchvati Petrol Pumb<br/>C.G. Road,<br/>Ahmedabad- 380 006</p> <p><b>5. Chandigarh</b><br/>M/s. Selz Communications,<br/>Unit No. 1, Cabin No. 202,<br/>SCO 333-334, Sector 35-B, Chandigarh – 160022</p> <p><b>6. Bangalore</b><br/>PANASIABUSINESS SERVICES,<br/>Executive Centre, 4/1, Millers Road,<br/>High Grounds,<br/>Bangalore - 560 052</p> <p><b>7. Lucknow:</b><br/>Office Number 6, Ground Floor,<br/>Saran chambers I, 5 Park Road,<br/>Lucknow – 226001</p> <p><b>8. Indore:</b><br/>Unit No.212-A City Centre,<br/>570 M G Road,<br/>Indore – 452003</p> | <p><b>9. Chennai</b><br/>No 3/2,<br/>Collage Lane (Near SBI Circle)<br/>Nungambakkam,<br/>Chennai – 600 006.</p> <p><b>10. Mumbai</b><br/>10th Floor Chandermukhi,<br/>Nariman Point,<br/>Mumbai - 400021</p> <p><b>11. Delhi</b><br/>10th Floor, Hindustan Times House<br/>18-20, Kasturbha Gandhi Marg,<br/>New Delhi - 110 001</p> <p><b>12. Kolkata</b><br/>Savitri Tower, 2nd Floor<br/>3A Upper Wood Street,<br/>Kolkatta – 700017</p> <p><b>13. Kanpur</b><br/>Cabin No. 711, Kan Chamber,<br/>14/113, Civil Lines<br/>Kanpur – 208 001.<br/>Uttar Pradesh.</p> <p><b>14. Hyderabad</b><br/>Office No.303, 3<sup>rd</sup> Floor,<br/>Mayank Plaza<br/>Opp. Green Park,<br/>Ameerpet,<br/>Hyderabad- 500 016</p> |
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#### List of KARVY Branches

#### NFO – Collection Banks

INVESTOR SERVICE CENTER / DESIGNATED COLLECTION CENTERS

EDELWEISS INVESTOR SERVICE LOCATIONS

• **Ahmedabad**- 402, Third Eye 1, Near Panchvati Circle, C.G.Road. Ahmedabad - 380006 Tel - 079 - 44218800 • **Bangalore** - Pan Asia Business Services, Executive Centre, 4/1, Millers Road, High Grounds, Bangalore - 560 052 Tel - 080-41718997 • **Chandigarh** - M/s. Selz Communications, Unit No. 1, Cabin No. 202, SCO 333-334, Sector 35-B, Chandigarh – 160022 Tel - 0172-4421880 Tel - 0172-4421880 • **Chennai** - No 3/2, Collage Lane (Near SBI Circle) Nungambakkam, Chennai – 600 006 Tel - 044-42899128 • **Delhi** - 10th Floor, Hindustan Times House, 18-20, Kasturbha Gandhi Marg, New Delhi - 110 001 Tel - 011-44218800 • **Hyderabad** - MB Tower, 2nd Floor, Plot No. 5, MCH No. 8.2.120/86/7, Near L.V. Prasad Eye Hospital, Road No. 2, Banjara Hills, Hyderabad - 500016 • **Indore** - Unit No.212-A City Centre, 570 M G Road, Indore – 452003 Tel - 0731-4421880/3926335 • **Jaipur** - Office Number 404, 4th floor, DBC Towers, M. I. Road, Jaipur – 302001 Tel - 0141-4421880 • **Kanpur** - Cabin No. 711, Kan Chamber, 14/113 Civil Lines, Kanpur - 208001. Tel - 0512-3912777 • **Kolkata** - Savitri Tower, 2nd Floor, 3A Upper Wood Street, Kolkatta – 700017 Tel - 033-44218800 • **Mumbai** - 10th Floor Chandermukhi, Nariman Point, Mumbai - 400 021 Tel - 022-44218800 Fax - 44218870 • **Pune** - Unit No.28, "C" Wing, First floor, Sreenath Plaza, F.C.Road, Pune -411004 Tel - 020-44218800 • **Vadodara** - Office No.108, Avanti Chambers, 1st Floor, Behind Express Hotel, R.C. Dutt Road, Vadodara. Tel - 0265-6643344/6643366

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