

Letter to all the Unitholders of Edelweiss Income Plus Arbitrage Active Fund of Funds (“Scheme”)

Date: February 06, 2026

Dear Unit Holders,

Unit holders are requested to note that the following Scheme will be undergoing certain changes in the key features as detailed in the table below. The changes indicated as “Fundamental Attribute Change” in the below table will be considered as change in the fundamental attributes in line with Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996 (“MF Regulations”). Accordingly, these proposed changes shall be carried out by implementing the process for change in the fundamental attributes of the Scheme.

1. **Name of the Scheme:** Edelweiss Income Plus Arbitrage Active Fund of Funds

2. **Rationale for the change:** In line with the Standardized Framework for Fund of Fund (FoF) Schemes, it is proposed to broaden the scope of underlying funds in the Scheme by including passive funds in addition to the existing active debt-oriented funds and active arbitrage funds. This enhancement is expected to provide greater flexibility in portfolio construction and improve overall fund efficiency.

3. **The comparison between the existing features and the proposed features are as follows:**

Particulars	Existing Scheme Features	Proposed Scheme Features (Changes are highlighted in Bold)
1. Name of the Scheme	Edelweiss Income Plus Arbitrage Active Fund of Funds	Edelweiss Income Plus Arbitrage Omni Fund of Funds
2. Type of scheme*	An open-ended fund of funds scheme investing in units of actively managed debt oriented mutual fund schemes and actively managed arbitrage mutual fund schemes	An open-ended fund of funds investing in units of actively and passively managed debt oriented mutual fund schemes and actively managed arbitrage mutual fund schemes
3. Investment Objective*	The scheme shall seek to generate long-term capital appreciation by investing in units of actively managed debt oriented mutual fund schemes and actively managed arbitrage mutual fund schemes. There is no assurance that the investment objective of the Scheme will be achieved.	The scheme shall seek to generate long-term capital appreciation by investing in units of actively and passively managed debt oriented mutual fund schemes and actively managed arbitrage mutual fund schemes. There is no assurance that the investment objective of the Scheme will be achieved.
4. Asset Allocation Pattern*	Under normal circumstances the asset allocation pattern will be:	Under normal circumstances the asset allocation pattern will be:



Edelweiss Asset Management Limited

Corporate Identity Number: U67100MH2007PLC173779

Registered Office: Edelweiss House, Off. C.S.T Road, Kalina, Mumbai - 400098.

Corporate Office: Edelweiss House, Off. C.S.T Road, Kalina, Mumbai - 400098. Maharashtra.

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Particulars	Existing Scheme Features			Proposed Scheme Features (Changes are highlighted in Bold)		
	Investments	Indicative Allocation (% of total assets)		Investments	Indicative Allocation (% of total assets)	
Minimum		Maximum	Minimum		Maximum	
	Units of Mutual Fund schemes out of which:	95%	100%	Units of Mutual Fund schemes out of which:	95%	100%
	a) Units of actively managed Debt oriented schemes *	35%	65%	a) Units of actively & passively managed Debt oriented schemes *	35%	65%
	b) Units of actively managed Arbitrage schemes*	35%	65%	b) Units of actively managed Arbitrage schemes*	35%	65%
	Money Market Instruments#	0%	5%	Money Market Instruments#	0%	5%
	<p>#Money Market instruments include commercial papers, commercial bills, treasury bills, Tri-party repo, Government securities having an unexpired maturity up to one year, call or notice money, certificate of deposit, usance bills, and any other like instruments as specified by the Reserve Bank of India from time to time.</p> <p>* Units of actively managed Debt oriented schemes of Edelweiss Mutual Fund or other Mutual Funds having similar objectives, strategy, asset allocation and other attributes. Units of actively managed Arbitrage schemes i.e Edelweiss Arbitrage Fund or any other Arbitrage Fund as found suitable by the Fund Manager.</p> <p>The Cumulative Gross Exposure across units of mutual fund schemes/ETFs, Money Market Instruments and such other securities/assets as may be permitted by SEBI should not exceed 100% of the net assets of the scheme.</p> <p>In accordance with Clause 12.24 of SEBI Master Circular dated June 27, 2024, the cumulative gross exposure through units of Arbitrage Funds, Debt Funds, and money markets instruments will not exceed 100% of the net assets of the scheme.</p> <p>However, cash or cash equivalents with residual maturity of less than 91 days shall be treated as not creating any exposure. SEBI, vide letter dated November 3, 2021, has clarified that Cash Equivalent shall consist of the following securities having residual maturity of less than 91 days:</p> <ul style="list-style-type: none"> • Government Securities, • T-Bills and 			<p>#Money Market instruments include commercial papers, commercial bills, treasury bills, Tri-party repo, Government securities having an unexpired maturity up to one year, call or notice money, certificate of deposit, usance bills, and any other like instruments as specified by the Reserve Bank of India from time to time.</p> <p>* Units of actively & passively managed Debt oriented schemes of Edelweiss Mutual Fund or other Mutual Funds having similar objectives, strategy, asset allocation and other attributes. Units of actively managed Arbitrage schemes i.e Edelweiss Arbitrage Fund or any other Arbitrage Fund as found suitable by the Fund Manager.</p> <p>The Cumulative Gross Exposure across units of mutual fund schemes/ETFs, Money Market Instruments and such other securities/assets as may be permitted by SEBI should not exceed 100% of the net assets of the scheme.</p> <p>In accordance with Clause 12.24 of SEBI Master Circular dated June 27, 2024, the cumulative gross exposure through units of Arbitrage Funds, Debt Funds, and money markets instruments will not exceed 100% of the net assets of the scheme.</p> <p>However, cash or cash equivalents with residual maturity of less than 91 days shall be treated as not creating any exposure. SEBI, vide letter dated November 3, 2021, has clarified that Cash Equivalent shall consist of the following securities having residual maturity of less than 91 days:</p> <ul style="list-style-type: none"> • Government Securities, • T-Bills and 		



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	<p>• Repo on Government Securities. A part of the total assets may be invested in the Tri-Party Repos on Government Securities or Treasury Bills (TREPS) to meet the liquidity requirements subject to regulatory approval, if any.</p> <p>Exposure to various instruments will be as per the indicative table given below (Below percentages shall be subject to applicable SEBI circulars):</p> <table border="1"> <thead> <tr> <th>Sr. No.</th> <th>Type of Instrument</th> <th>Percentage of exposure</th> <th>Circular references*</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Securities Lending & Borrowing</td> <td>The Scheme shall not invest in Securities Lending & Borrowing</td> <td>Clause 12.11 of the SEBI Master Circular dated June 27, 2024, for Mutual Funds</td> </tr> <tr> <td>2.</td> <td>Derivatives for hedging & non-hedging purposes</td> <td>The Scheme shall not invest in derivative instruments</td> <td>Clause 7.5, 12.25, 12.25.8 of the SEBI Master Circular dated June 27, 2024, for Mutual Funds</td> </tr> <tr> <td>3.</td> <td>Overseas Securities</td> <td>The Scheme shall not invest in Overseas Securities.</td> <td>Clause 12.19 of the SEBI Master Circular dated June 27, 2024 for Mutual Fund</td> </tr> <tr> <td>4.</td> <td>Repo / reverse repo in corporate debt securities.</td> <td>The Scheme shall not invest in the said security</td> <td>Clause 12.18.1.1 of the SEBI Master Circular dated June 27, 2024 for Mutual Funds</td> </tr> <tr> <td>5.</td> <td>Investment in Tri-party Repo before the closure of NFO.</td> <td>Yes, in accordance with SEBI Guidelines.</td> <td>Clause 1.10.3 of the SEBI Master Circular dated June 27, 2024 - The scheme may</td> </tr> </tbody> </table>	Sr. No.	Type of Instrument	Percentage of exposure	Circular references*	1.	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Particulars	Existing Scheme Features			Proposed Scheme Features (Changes are highlighted in Bold)			
			deploy the NFO proceeds in Tri-party Repo on G-sec or T-bills before the closure of NFO period. The appreciation received from investment in Tri-party Repo shall be passed on to investors. In case if the scheme is not able to garner the minimum subscription amount during the NFO period the interest earned upon investment of NFO proceeds in Tri-party Repo shall be returned to investors, in proportion of their investments, along-with the refund of the subscription amount. The AMC shall not charge any investment management and advisory fees on funds				deploy the NFO proceeds in Tri-party Repo on G-sec or T-bills before the closure of NFO period. The appreciation received from investment in Tri-party Repo shall be passed on to investors. In case if the scheme is not able to garner the minimum subscription amount during the NFO period the interest earned upon investment of NFO proceeds in Tri-party Repo shall be returned to investors, in proportion of their investments, along-with the refund of the subscription amount. The AMC shall not charge any investment management and advisory fees on funds



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Particulars	Existing Scheme Features			Proposed Scheme Features (Changes are highlighted in Bold)		
			deployed in Tri-party Repo during the NFO period.			deployed in Tri-party Repo during the NFO period.
6.	Securitized Debt	The Scheme shall not invest in the said security	Clause 12.15 of the SEBI Master Circular dated June 27, 2024 for Mutual Funds	6.	Securitized Debt	The Scheme shall not invest in the said security
7.	REITs and InVITs	The Scheme shall not invest in the said security	Clause 12.21 of the SEBI Master Circular dated June 27, 2024, for Mutual Fund and Clause 13 in the Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996	7.	REITs and InVITs	The Scheme shall not invest in the said security
8.	AT1 and AT2 Bonds	The Scheme shall not invest in the said security	Clause 12.2.2 of the SEBI Master Circular for Mutual Funds	8.	AT1 and AT2 Bonds	The Scheme shall not invest in the said security
9.	Debt derivative exposure is only for hedging purposes.	The Scheme shall not invest in the said security	Clause 7.6 of the SEBI Master Circular dated June 27, 2024, for Mutual Funds	9.	Debt derivative exposure is only for hedging purposes.	The Scheme shall not invest in the said security
10.	Structured Obligations / Credit Enhancements.	The Scheme shall not invest in the said security	Clause 12.3 of the Master Circular for Mutual Funds dated June 27, 2024	10.	Structured Obligations / Credit Enhancements.	The Scheme shall not invest in the said security
11.	Credit default	The Scheme shall	Clause 12.28 of	11.	Credit default	The Scheme shall



Particulars	Existing Scheme Features			Proposed Scheme Features (Changes are highlighted in Bold)		
	swaps (CDS).	not invest in the said security	the SEBI Master Circular for Mutual Funds	swaps (CDS).	not invest in the said security	the SEBI Master Circular for Mutual Funds
12.	Unrated debt instruments	The Scheme shall not invest in the said security	-	12.	Unrated debt instruments	The Scheme shall not invest in the said security
13.	Short Term Deposits	Pending deployment of funds of the Scheme in securities in terms of the investment objective of the Scheme, the AMC may park the funds of the Scheme in short term deposits of scheduled commercial banks, subject to paragraph 12.16 of the Master Circular for Mutual Funds dated June 27, 2024, as amended from time to time.	Paragraph 12.16 of the Master Circular for Mutual Funds dated June 27, 2024.	13.	Short Term Deposits	Pending deployment of funds of the Scheme in securities in terms of the investment objective of the Scheme, the AMC may park the funds of the Scheme in short term deposits of scheduled commercial banks, subject to paragraph 12.16 of the Master Circular for Mutual Funds dated June 27, 2024, as amended from time to time.
14.	Short Selling	The Scheme shall not invest in the said security	Clause 12.11 of the SEBI Master Circular for Mutual Funds	14.	Short Selling	The Scheme shall not invest in the said security
15.	Unlisted Non-convertible debentures (NCDs)	The Scheme shall not invest in the said security	Clause 12.1.1 of SEBI Master Circular dated June 27, 2024	15.	Unlisted Non-convertible debentures (NCDs)	The Scheme shall not invest in the said security
			<p>At all points of time, the scheme will remain invested at least 95% (minimum allocation) in the underlying schemes. However, on account of rebalancing or certain liquidity requirements, the exposure to the underlying mutual fund schemes may fall below 95%. In such cases the same shall be rebalanced as per the provisions stated below. The portfolio would be rebalanced</p>			
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Particulars	Existing Scheme Features	Proposed Scheme Features (Changes are highlighted in Bold)
	<p>periodically to address any deviations from the aforementioned allocations due to market changes.</p> <p>Further, the AMC shall comply with the applicable regulatory guidelines related to reporting and disclosure requirements as specified in the aforesaid circular.</p>	<p>periodically to address any deviations from the aforementioned allocations due to market changes.</p> <p>Further, the AMC shall comply with the applicable regulatory guidelines related to reporting and disclosure requirements as specified in the aforesaid circular.</p>
5. Investment Strategy*	<p>The Scheme shall invest in units of actively Debt schemes and actively managed Arbitrage schemes subject to permissible limits. The Fund Manager aims to create a portfolio keeping in mind the overall interest rate and economic outlook along with the arbitrage opportunities available between the cash market and Future & Options market. The Scheme has the flexibility to manage allocation of its assets between actively managed debt schemes and actively managed Arbitrage schemes after evaluating various parameters like arbitrage spreads between the cash market and Future & Options market, credit risk, interest rate risk, RBI monetary policy outlook, shape of the yield curve, liquidity risk, and others as found suitable by the Fund Manager.</p>	<p>The Scheme shall invest in units of actively & passively managed Debt schemes and actively managed Arbitrage schemes subject to permissible limits. The Fund Manager aims to create a portfolio keeping in mind the overall interest rate and economic outlook along with the arbitrage opportunities available between the cash market and Future & Options market. The Scheme has the flexibility to manage allocation of its assets between actively & passively managed debt schemes and actively managed Arbitrage schemes after evaluating various parameters like arbitrage spreads between the cash market and Future & Options market, credit risk, interest rate risk, RBI monetary policy outlook, shape of the yield curve, liquidity risk, and others as found suitable by the Fund Manager.</p>
6. Any other changes - Product Labelling	<p>This product is suitable for investors who are seeking*:</p> <ol style="list-style-type: none"> 1. Long term capital appreciation 2. Investments in units of actively managed debt oriented mutual fund schemes and actively managed arbitrage mutual fund schemes <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>	<p>This product is suitable for investors who are seeking*:</p> <ol style="list-style-type: none"> 3. Long term capital appreciation 4. Investments in units of actively & passively managed debt oriented mutual fund schemes and actively managed arbitrage mutual fund schemes <p>*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.</p>
7. Any other changes - SECTION Where will the Scheme invest?	<ol style="list-style-type: none"> I. Units of actively managed Debt oriented schemes of Edelweiss Mutual Fund or other Mutual Funds having similar objectives, strategy, asset allocation and other attributes. II. Units of actively managed units of Arbitrage Fund i.e Edelweiss Arbitrage Fund or any other Arbitrage Fund of other AMC's as found suitable by the Fund Manager III. Money market instruments Money Market Instruments (money market instruments include commercial papers, commercial bills, treasury bills, GoI Securities having an 	<ol style="list-style-type: none"> I. Units of actively & passively managed Debt oriented schemes of Edelweiss Mutual Fund or other Mutual Funds having similar objectives, strategy, asset allocation and other attributes. II. Units of actively managed units of Arbitrage Fund i.e Edelweiss Arbitrage Fund or any other Arbitrage Fund of other AMC's as found suitable by the Fund Manager III. Money market instruments Money Market Instruments (money market instruments include commercial papers, commercial bills, treasury bills, GoI Securities having an



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	unexpired maturity up to one year, call or notice money, certificates of deposit, re-purchase agreements , Tri-party Repo and any other like instruments as specified by the RBI from time to time). Cash or cash equivalents with residual maturity of less than 91 days will not be treated as creating any exposure, short term deposits and securities/ instruments and any other like instruments as specified by the Reserve Bank of India/SEBI from time to time subject to regulatory approvals, if any	unexpired maturity up to one year, call or notice money, certificates of deposit, re-purchase agreements , Tri-party Repo and any other like instruments as specified by the RBI from time to time). Cash or cash equivalents with residual maturity of less than 91 days will not be treated as creating any exposure, short term deposits and securities/ instruments and any other like instruments as specified by the Reserve Bank of India/SEBI from time to time subject to regulatory approvals, if any
	IV. Short Term deposits	IV. Short Term deposits
8. Any other changes - Risk Factors & Risk Management Strategies.	The same is provided in Annexure I.	The same is provided in Annexure I.

***Considered as Fundamental Attribute Change**

Note: All other features of the Scheme except those mentioned above will remain unchanged.

- The Board of Directors of Edelweiss Asset Management Limited (EAML) and the Board of Directors of Edelweiss Trustee Company Limited (ETCL) have approved the above proposed changes in their meeting held on November 03, 2025, and November 04, 2025 respectively. Further, SEBI, vide its email dated January 22, 2026, has communicated its no-objection for the proposed changes.
- In line with regulatory requirements, for scheme where a change in fundamental attributes is being proposed, we are offering an exit window (“Exit Option”) to the unit holders of 30 days from **Thursday, February 12, 2026 to Friday, March 13, 2026** (both days inclusive) (“Exit Option Period”) . These changes will be effective from **Monday, March 16, 2026** (“Effective Date”). During the Exit Option Period, unit holders not consenting to the change may redeem their investments at applicable Net Asset Value without payment of exit load (currently NIL) subject to provisions of applicable cut-off time as stated in the Scheme Information Document of the relevant scheme. All transaction requests received on or after **Monday, March 16, 2026** (Effective date) will be subject to applicable exit load (if any), as may be applicable to the Scheme mentioned above.
- Redemption / Switch requests, if any, may be lodged at any of the Official Points of Acceptance of Edelweiss Mutual Fund. Unit holders who hold the units of the Transferee scheme in electronic (demat) mode need to submit the redemption request to their Depository Participant/exchange platform.
- The above information is also available on the website of Edelweiss Mutual Fund viz., www.edelweissmf.com



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8. Unit holders who have pledged / encumbered their units will not have the option to exit unless they submit a letter of release of their pledges / encumbrances prior to submitting their redemption/ Switch request.
9. Investors who have registered for Systematic Investment Plan (SIP) / Systematic Transfer Plan (STP) in the scheme and who do not wish to continue their future investments must apply for cancellation of their SIP / STP registrations.
10. The redemption warrant/cheque will be mailed, or the amount of redemption will be credited to the unit holders bank account (as registered in the records of the Registrar) within 3 (three) working days from the date of receipt of redemption request.
11. **It may be noted that the offer to exit is purely optional and not compulsory. If the unit holder has no objection to the aforesaid change, no action is required to be taken and it would be deemed that such unit holder has consented to the aforesaid change.**
12. Please note that unit holders who do not opt for redemption on or before **Friday, March 13, 2026** (upto 3.00 p.m.) shall be deemed to have consented to the changes specified above and shall continue to hold units in the scheme of Edelweiss Mutual Fund. In case the unit holders disagree with the aforesaid changes, they may redeem all or part of the units in the scheme by exercising the Exit Option, without exit load within the Exit Option Period by submitting a redemption request online or through a physical application form at any official point of acceptance/investor service center of the AMC or to the depository participant (DP) (in case of units held in Demat mode). Unit holders can also submit the normal redemption form for this purpose.
13. The option to redeem the Units without exit load during the Exit Option Period can be exercised in the following manner:
 - a. Unit holders can submit redemption requests online or via duly completed physical application form at any official points of acceptance/investor service center of the AMC or to the DP (in case of units held in Demat mode).
 - b. The redemption/ switch requests shall be processed at applicable NAV as per time stamping provisions contained in the SID of the scheme.
 - c. Unit holders should ensure that any changes in address or pay-out bank details required by them are updated in Edelweiss Mutual Fund records at least 10 (Ten) working days before exercising the Exit Option. Unit holders holding Units in dematerialized form may approach their DP for such changes.
14. The expenses related to the proposed changes and other consequential changes as outlined above will not be charged to the unit holders of the Scheme of Edelweiss Mutual Fund.
15. **Tax Consequences:**

Redemption / switch-out of units from the Scheme may entail capital gain/loss in the hands of the unitholder. For unit holders who redeem their investments during the Exit Option Period, the tax consequences as set forth in the Statement of Additional Information of Edelweiss Mutual Fund and Scheme Information Document of relevant scheme of Edelweiss Mutual Fund would be applicable. In case of NRI investors, TDS shall be deducted from the redemption proceeds in accordance with the prevailing income tax laws. In view of the individual nature of tax consequences, Unitholders are advised to consult their professional tax advisors for tax advice.



Unit holders who require any further information may contact:

Edelweiss Mutual Fund

Edelweiss House, Off. C.S.T Road, Kalina, Mumbai - 400 098

EMHHelp@edelweissmf.com 1-800-425-0090 (Toll free – BSNL/MTNL lines only) or +91-40-23001181 (non MTNL/BSNL lines and mobile phone users)

Yours faithfully,

For **Edelweiss Asset Management Limited**

Sd/-

Radhika Gupta

Managing Director & Chief Executive Officer

**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS,
READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**



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Annexure I

Risk Factor and Risk Mitigation Strategy:

Existing Risk Factors:	Proposed Risk Factors:
<p data-bbox="110 373 391 401">Scheme Specific Risk Factors</p> <p data-bbox="110 583 797 709">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, etc. Some of the Risks are listed below:</p> <p data-bbox="110 762 703 789">1. Risks Associated with investing in Fund of Funds scheme</p> <ul data-bbox="110 800 797 1633" style="list-style-type: none"> As the investors are incurring expenditure at both the Fund of Funds level and the scheme into which the Fund of Funds invests, the returns that they may obtain may be materially impacted or may at times be lower than the returns that investors directly investing in such schemes obtain. The Scheme's performance will depend upon the performance of the underlying schemes and any significant underperformance in even one of the underlying schemes may adversely affect the performance of the Scheme. The liquidity of the scheme's investment may be restricted by trading volumes, transfer process & settlement periods. It may also be affected by the liquidity of the underlying scheme's units. The Portfolio disclosure of the Scheme will be limited to providing the particulars of the underlying schemes where the Scheme has invested and will not include the investments made by the underlying schemes. The Scheme's performance may be impacted by exit loads or other redemption charges that may be charged at the time of redemption from the Underlying Schemes. The scheme specific risk factors of the underlying scheme become applicable where a Fund of Funds invests in any underlying scheme. Investors who intend to invest in Fund of Funds are required to and are deemed to have read and understood the risk factors of the underlying scheme relevant to the Fund of Funds scheme that they 	<p data-bbox="824 373 1105 401">Scheme Specific Risk Factors</p> <p data-bbox="824 432 1528 527">The Scheme will invest in units of Arbitrage and active/ passive Debt-oriented schemes. Hence, scheme specific risk factors and the positioning of the Underlying Schemes will be applicable.</p> <p data-bbox="824 579 1528 705">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, etc. Some of the Risks are listed below:</p> <p data-bbox="824 751 1398 779">1. Risks Associated with investing in Fund of Funds scheme</p> <ul data-bbox="824 789 1495 1633" style="list-style-type: none"> As the investors are incurring expenditure at both the Fund of Funds level and the scheme into which the Fund of Funds invests, the returns that they may obtain may be materially impacted or may at times be lower than the returns that investors directly investing in such schemes obtain. The Scheme's performance will depend upon the performance of the underlying schemes and any significant underperformance in even one of the underlying schemes may adversely affect the performance of the Scheme. The liquidity of the scheme's investment may be restricted by trading volumes, transfer process & settlement periods. It may also be affected by the liquidity of the underlying scheme's units. The Portfolio disclosure of the Scheme will be limited to providing the particulars of the underlying schemes where the Scheme has invested and will not include the investments made by the underlying schemes. The Scheme's performance may be impacted by exit loads or other redemption charges that may be charged at the time of redemption from the Underlying Schemes. The scheme specific risk factors of the underlying scheme become applicable where a Fund of Funds invests in any underlying scheme. Investors who intend to invest in Fund of Funds are required to and are deemed to have read and understood the risk factors of the underlying scheme relevant to



<p>invest in.</p> <p>2. Risks associated with investing in underlying Schemes (as applicable):</p> <p>i. Risk Factors Associated with Equity & Equity related instruments:</p> <p>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, etc. Settlement periods and transfer procedures may restrict the liquidity of the investments made by the Scheme.</p> <ul style="list-style-type: none"> • Market Risk: Changes in economic conditions, such as recessions or booms, can impact stock prices. Equities can experience significant price fluctuations and volatility in the short term due to market conditions, economic events, or investor sentiment. Broader events like financial crises or natural disasters can also affect equity markets • Company-Specific Risk: Factors related to a company's operations, management decisions, or competitive position can affect stock 	<p>the Fund of Funds scheme that they invest in.</p> <ul style="list-style-type: none"> • Tracking Error Risk: The underlying ETF/index fund may be subject to tracking error, which is the divergence of its performance from that of the Underlying Index. Tracking error may occur because of differences between the securities and other instruments held in the ETF/index fund portfolio and those included in the Underlying Index, pricing differences (including, as applicable, differences between a security’s price at the local market close and the ETF’s/index funds valuation of a security at the time of calculation of the Fund’s NAV), transaction costs incurred by the ETF/index fund, the holding of uninvested cash, differences in timing of the accrual of or the valuation of dividends or interest, the requirements to maintain pass through tax treatment, portfolio transactions carried out to minimize the distribution of capital gains to shareholders, acceptance of custom baskets, changes to the Underlying Index or the costs to the ETF/index fund of complying with various new or existing regulatory requirements. This risk may be heightened during times of increased market volatility or other unusual market conditions. Tracking error also may result because the ETF/index fund incurs fees and expenses, while the Underlying Index does not. <p>2. Risks associated with investing in underlying Schemes (as applicable):</p> <p>i. Risk Factors Associated with Equity & Equity related instruments:</p> <p>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, etc. Settlement periods and transfer procedures may restrict the liquidity of the investments made by the Scheme.</p> <ul style="list-style-type: none"> • Market Risk: Changes in economic conditions, such as recessions or booms, can impact stock prices. Equities can experience significant price fluctuations and volatility in the short term due to market conditions, economic events, or investor sentiment. Broader events like financial crises or natural disasters can also affect equity markets • Company-Specific Risk: Factors related to a company's operations, management decisions, or competitive position can affect stock performance. Companies with high levels of debt or poor financial
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performance. Companies with high levels of debt or poor financial health may face difficulties that can impact their stock value. Unexpected events such as management changes, regulatory fines, or product recalls can impact stock prices.

- **Liquidity Risk:** Stocks with low trading volumes can be harder to buy or sell without affecting the stock price significantly. In times of market stress, liquidity can dry up, making it harder to execute trades at desired prices.
- **Political and Regulatory Risk:** Changes in government policies, regulations, or taxation can impact corporate profits and stock values. Political instability, conflicts, or trade disputes can affect global markets and individual stocks.
- **Currency Risk:** Investments in overseas securities/mutual fund units are subject to currency risk. Returns to investors are the result of a combination of returns from investments and from movements in exchange rates.
- **Behavioural Risk:** Market prices can be influenced by investor behavior, including irrational exuberance or panic selling, which can lead to significant price swings.
- **Concentration/Sector Risk:** When a Mutual Fund Scheme, by mandate, restricts its investments only to a particular sector; there arises a risk called concentration risk. If the sector, for any reason, fails to perform, the portfolio value will plummet, and the Investment Manager will not be able to diversify the investment in any other sector. Investments under this scheme will be in a portfolio of diversified equity or equity related stocks spanning across a few selected sectors. Hence the concentration risks could be high.

ii. **Risk factors associated with investing in Money Market Instruments:**

Risks associated with debt /money market instruments are as under:

- **Interest rate Risk:** Price of a fixed income instrument generally falls when the interest rates move up and vice- versa. The extent of fall

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- **Risk factors associated for investments in underlying Mutual Fund Schemes:**
 1. **Movements in the Net Asset Value (NAV) of these underlying Schemes may impact on the performance. Any change in the investment policies or fundamental attributes of these underlying schemes will affect the performance of the scheme to the extent of investment in such schemes.**
 2. **Redemptions in these Schemes would be subject to applicable exit loads**

ii. **Risk factors associated with investing in Money Market Instruments:**

Risks associated with debt /money market instruments are as under:

- **Interest rate Risk:** Price of a fixed income instrument generally falls when the interest rates move up and vice- versa. The extent of fall or



or rise in the prices depends upon the coupon and maturity of the security. It also depends upon the yield level at which the security is being traded. The NAV of the Scheme is expected to increase from a fall in interest rates while it would be adversely affected by an increase in the level of interest rates.

- **Spread Risk:** In a floating rate security, the coupon is expressed in terms of a spread or mark up over the benchmark rate. In the life of the security this spread may move adversely leading to loss in value of the portfolio. The yield of the underlying benchmark might not change, but the spread of the security over the underlying benchmark might increase leading to loss in value of the security.
- **Credit risk or default Risk:** Credit risk is the risk that the issuer of a debenture/ bond or a money market instrument may default on interest and/or principal payment obligations. Even when there is no default, the price of a security may change with expected changes in the credit rating of the issuer. It is to be noted here that a Government Security is a sovereign security and is the safest. Corporate bonds carry a higher amount of credit risk than Government Securities. Within corporate bonds also there are different levels of safety, and a bond rated higher by a particular rating agency is safer than a bond rated lower by the same rating agency.
- **Liquidity & Settlement Risk:** The liquidity of a fixed income security may change, depending on market conditions leading to changes in the liquidity premium attached to the price of such securities. At the time of selling the security, the security can become illiquid, leading to loss in value of the portfolio. Different segments of the financial markets have different settlement cycle/periods, and such settlement cycle/periods may be impacted by unforeseen circumstances, leading to Settlement Risk. This can adversely affect the ability of the Fund to swiftly execute trading strategies which can lead to adverse movements in NAV.
- **Reinvestment Risk:** Interest rates may vary from time to time. The rate at which intermediate cash flows are reinvested may differ from the original interest rates on the security, which can affect the total earnings from the security.
- **Prepayment Risk:** The Scheme may receive payment of monthly

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- **Risks associated with segregated portfolio of underlying scheme:**
 1. **Liquidity risk – A segregated portfolio is created when a credit event / default occurs at an issuer level in the scheme. This may reduce the liquidity of the security issued by the said issuer, as demand for this security may reduce. This is also further accentuated by the lack of secondary market liquidity for corporate papers in India. As per SEBI norms, the scheme is to be closed for redemption and subscriptions until the segregated portfolio is created, running the risk of investors being unable to redeem their investments. However, it may be noted that, the proposed segregated portfolio is required to be formed within one day from the occurrence of the credit event. Investors may note that no redemption and subscription shall be allowed in the segregated portfolio. However, in order to facilitate exit to unit holders in segregated portfolio, AMC shall list the units of the segregated portfolio on a recognized stock exchange within 10 working days of creation of segregated portfolio and also enable transfer of such units on receipt of transfer requests. For the units listed on the exchange, it is possible that the market price at which the units are traded may be at a discount to the NAV of such Units. There is no assurance that an active secondary market will develop for units of segregated portfolio listed on the stock exchange. This could limit the ability of the investors to resell them.**
 2. **Valuation risk -The valuation of the securities in the segregated portfolio is required to be carried out in line with the applicable SEBI guidelines. However, it may be difficult to ascertain the fair value of the securities due to absence of an active secondary market and difficulty to price in qualitative factors.**

iii. Risks associated with investing in Tri Party Repo through CCIL (TREPS):

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Risk of exposure in the Triparty Repo settlement Segment provided by CCIL emanates mainly on two counts –

- a. Risk of failure by a lender to meet its obligations to make funds available or by a borrower to accept funds by providing adequate security at the settlement of the original trade of lending and borrowing under Triparty Repo transaction.
- b. Risk of default by a borrower in repayment.

iv. Common risk factors affecting the Arbitrage Strategies:

Liquidity Risk: In case of Arbitrage trades, under abnormal circumstances it will be difficult to square off the transaction due to liquidity being poor in the underlying stock, stock futures or options market. However, the fund will aim at taking exposure only into liquid stocks/derivatives 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: 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 any 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, short term debt and money market securities.

Execution Risk: The prices which are seen on the screen need not be the same at which execution will take place. Mark to Market Risk: Options arbitrage is a risk-free strategy, however there could be a mark to market loss that would arise, and additional margin may need to be provided for the same.

Basis Risk: In extraordinary circumstances, the Fund Manager may have to unwind positions before the expiry at a basis which may be higher than the initiation basis to meet redemptions. Premature unwinding of the position might result in the locked in profits not getting realized.

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<p>Corporate Action Risk: In the case of arbitrage in corporate actions, the corporate action might get delayed due to regulatory hurdles or other unforeseen circumstances. This might affect the yield expected from the specific trade.</p> <p>Tracking Error Risk: This risk is specific to Index arbitrage. Corporate actions such as demergers might result in the weights of the index stocks to change. This might lead to a tracking error affecting the returns to a certain extent.</p> <p>For further details please refer SAI.</p>	<p>Corporate Action Risk: In the case of arbitrage in corporate actions, the corporate action might get delayed due to regulatory hurdles or other unforeseen circumstances. This might affect the yield expected from the specific trade.</p> <p>Tracking Error Risk: This risk is specific to Index arbitrage. Corporate actions such as demergers might result in the weights of the index stocks to change. This might lead to a tracking error affecting the returns to a certain extent.</p> <p>For further details please refer SAI.</p>								
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Concentration risk Risk arising due to over exposure in few securities	Investing across the spectrum of issuers and keeping flexibility to invest across tenor
Derivatives Risk Various inherent risks arising because of investing in derivatives.	Continuous monitoring of the derivatives positions and strict adherence to the regulations and internal norms
Liquidity risk Risk arising due to inefficient Asset Liability Management, resulting in high impact costs	Control portfolio liquidity at portfolio construction stage. Having optimum mix of cash & cash equivalents along with the money market instruments in the portfolio as defined in asset allocations. The fund will try to maintain a proper asset-liability match to ensure redemption payments are made on time and not affected by illiquidity of the underlying stocks.

Risk associated with money market instruments:

Risk & Description specific to the Scheme	Risk mitigants / Management Strategy
Market Risk Changes in interest rates may affect the Scheme's Net Asset Value as the prices of securities generally increase as interest rates decline and generally decrease as interest rates rise. Prices of long-term securities generally fluctuate more in response to interest rate changes than do short-term securities. Indian debt markets can be volatile leading to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the NAV.	Fund Managers will periodically monitor the portfolio structure with respect to the existing interest rate scenario. Exposure to Debt and Money market instruments will be in the form of TREPs and other liquid assets to the extent permissible.

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Credit Risk The value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default.	Detailed evaluation of issuers will be done. Investments will be done on high credit quality securities. Exposure to Debt and Money market instruments will be in the form of TREPs and other liquid assets.	Credit Risk The value of a fixed income security will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default.	Detailed evaluation of issuers will be done. Investments will be done on high credit quality securities. Exposure to Debt and Money market instruments will be in the form of TREPs and other liquid assets.
Interest rate risk Price volatility due to movement in interest rates	Control the portfolio duration and periodically evaluate the portfolio structure with respect to existing interest rate scenario	Interest rate risk Price volatility due to movement in interest rates	Control the portfolio duration and periodically evaluate the portfolio structure with respect to existing interest rate scenario
Reinvestment Risk The rate at which interim cash flows can be reinvested may be lower than that originally assumed.	Reinvestment risks will be limited to the extent of coupons received on debt instruments, which will be a very small portion of the portfolio value. Exposure to Debt and Money market instruments will be in the form of TREPs and other liquid assets.	Reinvestment Risk The rate at which interim cash flows can be reinvested may be lower than that originally assumed.	Reinvestment risks will be limited to the extent of coupons received on debt instruments, which will be a very small portion of the portfolio value. Exposure to Debt and Money market instruments will be in the form of TREPs and other liquid assets.
Risks associated with Mutual funds			
Performance may be affected by fluctuations in the underlying schemes' NAVs or changes in their investment policies.		The Mutual Fund Schemes are highly regulated by SEBI and they have to ensure compliance with the applicable regulatory	



Redemptions are also subject to applicable exit loads, which can impact overall returns.

requirements thereby mitigating the risk. Further, the Mutual Fund portfolios are generally well diversified and typically endeavor to provide liquidity on a T+1/T+2 basis and aim to mitigate any risks arising out of underlying investments.

While these measures are expected to mitigate the above risks to a large extent, there can be no assurance that these risks would be completely eliminated.

For further details please refer SAI.

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Edelweiss Asset Management Limited

Corporate Identity Number: U67100MH2007PLC173779

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