

**SCHEME INFORMATION DOCUMENT**

SECTION I

**CAPITALMIND ARBITRAGE FUND**

(An open-ended scheme investing in arbitrage opportunities)

<b>This product is suitable for investors who are seeking*</b>	<b>Risk-o meter of the Scheme#</b>	<b>Risk-o-meter of Benchmark Tier I: Nifty 50 Arbitrage TRI (As per AMFI Tier I Benchmark)</b>
<p>Income over short to medium term.</p> <p>Investment in arbitrage opportunities in the cash &amp; derivatives segment of the equity market.</p>	 <p>The risk of the scheme is Low Risk</p>	 <p>The risk of the Benchmark is Low Risk</p>

*\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.*

#The product labelling assigned during the NFO is based on internal assessment of the Scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made.

**Offer for Units of Rs. 10/- each during the New Fund Offer and Continuous offer for Units at NAV based prices**

**New Fund Offer Opens on : 23<sup>rd</sup> February 2026**

**New Fund Offer Closes on : 09<sup>th</sup> March 2026**

**Scheme re-opens on : 20<sup>th</sup> March 2026**

Name of Mutual Fund	Name of Asset Management Company	Name of Trustee Company
<b>Capitalmind Mutual Fund</b>	<b>Capitalmind Asset Management Private Limited</b> CIN: U66301KA2024PTC194639	<b>Capitalmind Trustee Private Limited</b> CIN: U66190KA2024PTC194038
Address	1 <sup>st</sup> Floor, 2323, Prakash Arcade, 17th Cross Rd, 1st Sector, HSR Layout, Bengaluru, Karnataka 560102	
Email	amc.cs@capitalmindmf.com	
Website:	<a href="https://capitalmindmf.com">https://capitalmindmf.com</a>	
Telephone No.:	+91 80-22442025	

The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, [herein after referred to as SEBI (MF) Regulations], as amended till date, and circulars issued thereunder filed with Securities and Exchange Board of India (SEBI), along with a Due Diligence Certificate from the AMC. The Units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.

The Scheme Information Document sets forth concisely the information about the Scheme that a prospective investor ought to know before investing. Before investing, investors should also ascertain about any further changes to this Scheme Information Document after the date of this Document from the Mutual Fund/Investor Service Centers/Website/Distributors or Brokers.

**The investors are advised to refer to the Statement of Additional Information (SAI) for details of Capitalmind Mutual Fund, Standard Risk Factors, Special Considerations Tax and Legal issues and general information on <https://capitalmindmf.com>**

**SAI is incorporated by reference (is legally a part of the Scheme Information Document). For a free copy of the current SAI, please contact your nearest Investor Service Center or log on to our website. The Scheme Information Document (Section I and II) should be read in conjunction with the SAI and not in isolation.**

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

This Scheme Information Document is dated **06<sup>th</sup> February 2026**

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## Abbreviations

<b>Abbreviations</b>	<b>Particulars</b>
AMC	Asset Management Company
AMFI	Association of Mutual Funds in India
AML	Anti Money Laundering
KFinTech	KFin Technologies Limited
CDSC	Contingent Deferred Sales Charge
CDSL	Central Depository Services (India) Limited
ESG	Environmental, Social and Governance
FPI	Foreign Portfolio Investors
IMA	Investment Management Agreement
ISIN	International Securities Identification Number
ISIP	Internet based Systematic Investment Plan
KFin	KFin Technologies Limited
MNC	Multi-National Companies / Corporations
MFD	Mutual Fund Distributor
NAV	Net Asset Value
NFO	New Fund Offer
NRI	Non-Resident Indian
OPAT	Official Point of Acceptance of Transactions
RBI	Reserve Bank of India
SEBI or the Board	Securities and Exchange Board of India
SAI	Statement of Additional Information
SID	Scheme Information Document
SIP	Systematic Investment Plan
SWP	Systematic Withdrawal Plan
STP	Systematic Transfer Plan
The Fund or The Mutual Fund	Capitalmind Mutual Fund

The Regulations / SEBI Regulations / MF Regulations / SEBI (MF) Regulations	Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended from time to time.
The Scheme	Capitalmind Arbitrage Fund, including Plans & Options launched thereunder
The Trustee / Trustees / Board of Trustees	Capitalmind Trustee Private Limited / Board of Directors of Capitalmind Trustee Private Limited
TREPS	Tri-party Repos
TRI	Total Return variant of Index
URN	Unique Registration Number
IDCW	Income Distribution Cum Capital Withdrawal Option / Distribution of Income / Income Distribution
IDCW Payout	Payout of Income Distribution cum capital withdrawal option
IDCW Reinvestment	Reinvestment of Income Distribution cum capital withdrawal Option
IDCW Transfer	Transfer of Income Distribution cum capital withdrawal plan

## INTERPRETATION

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

- The terms defined in this SID include the plural as well as the singular.
- Pronouns having a masculine or feminine gender shall be deemed to include the other.
- All references to “US\$” refer to United States Dollars and “Rs. /INR/ ₹” refer to Indian Rupees. A “Crore” means “ten million” and a “Lakh” means a “hundred thousand”.
- Words not defined here have the same meaning as defined in “the Regulations”.
- All references to timings relate to Indian Standard Time (IST).

The Definitions and Interpretations are available on the website of the AMC:  
<https://cm.fund/Definitions&Interpretations>

**PART I. HIGHLIGHTS/SUMMARY OF THE SCHEME**

<b>S No</b>	<b>Title</b>	<b>Description</b>
<b>I</b>	<b>Name of the Scheme</b>	Capitalmind Arbitrage Fund
<b>II</b>	<b>Category of the Scheme</b>	Hybrid Scheme – Arbitrage Fund
<b>III</b>	<b>Scheme Type</b>	An open-ended scheme investing in arbitrage opportunities.
<b>IV</b>	<b>Scheme Code</b>	CMND/O/H/ARB/26/01/0004
<b>V</b>	<b>Investment Objective</b>	<p>The investment objective of the scheme is to generate Income over short to medium term by predominantly investing in arbitrage opportunities in the cash &amp; derivatives segment of the equity market</p> <p>The Scheme does not guarantee or assure any returns. There is no assurance that the investment objective of the Scheme will be achieved.</p>
<b>VI</b>	<b>Liquidity / Listing Details</b>	<p>The scheme is an open-ended scheme. It will open for sale and repurchase/redemption of units within 05 (five) Business Days from the date of allotment. Being an open-ended scheme, the scheme is open for repurchase/redemption on all business days. Redemption proceeds shall be transferred within 03 (three) business days from the date of redemption request, subject to exceptional situations and additional timelines for redemption payments provided by AMFI vide its letter no. AMFI/ 35P/ MEM-COR/ 74 / 2022-23 dated January 16, 2023.</p> <p>A penal interest of 15% p.a. or such other rate as may be prescribed by SEBI from time to time, will be paid in case the payment of redemption proceeds is not made within the stipulated timelines.</p> <p>The Scheme will not be listed on any of the stock exchanges. The AMC, may at its discretion, can undertake listing on any of the stock exchanges, later.</p>
<b>VII</b>	<b>Benchmark (Total Return Index)</b>	<p><b>Tier I Benchmark - Nifty 50 Arbitrage TRI</b></p> <p>The performance of the scheme will be benchmarked to the performance of the Nifty 50 Arbitrage TRI. The composition of the benchmark is in line with the intended asset allocation of the fund. Hence, the benchmark Index is an appropriate benchmark for the scheme.</p> <p>Tier II Benchmark – Not Applicable</p>

		<p>The Trustee reserves the right to change the benchmark for the evaluation of the performance of the Scheme from time to time, keeping in mind the investment objective of the Scheme and the appropriateness of the benchmark, subject to the regulations and other prevalent guidelines.</p> <p>The above benchmark is in accordance with clause 1.9 of SEBI Master Circular for Mutual Funds on ‘Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes’ and the list published by AMFI in this regard on Tier 1 benchmark for debt schemes.</p>
VIII	NAV Disclosure	<p>The AMC will calculate and disclose the first NAV upto four decimal places of the scheme within a period of 05 (five) business days from the date of allotment. Subsequently, the AMC will calculate and disclose the NAVs upto four decimal places on all business days.</p> <p>The AMC shall update the NAVs on the website of AMC (<a href="https://capitalmindmf.com">https://capitalmindmf.com</a>) and on website of the AMFI (<a href="https://www.amfiindia.com">https://www.amfiindia.com</a>) before 11.00 p.m. on every business day. NAV shall be available on all centers for acceptance of transactions. NAV shall also be made available at all Investor Service Centres.</p> <p>In case NAV of Corporate Debt Market Development Fund (‘CDMDF’) units is not available by 9:30 p.m. of same business day, requirement for NAV declaration timing on the website of the AMC and AMFI for the Scheme holding units of CDMDF shall be 10 a.m. on next business day instead of 11 p.m. on same business day.</p> <p>For further details refer Section II. - ‘III. Other Details’ - ‘C. Transparency/NAV’.</p>
IX	Applicable Timelines	<p><b>Timeline for transfer of redemption proceeds:</b> Redemption proceeds shall be dispatched within 03 (three) business days from the date of redemption request. In case of delay beyond 03 (three) business days, the AMC is liable to pay interest to the investors at the rate of 15% per annum. No interest will be applicable in case of delay was due to any regulatory directions for obtaining details of identity or any other information from the investors.</p> <p>In case of exceptional circumstances, the redemption payout will be made within the applicable timeline as per SEBI / AMFI guidelines. For further details, please refer to SAI.</p>

		<p><b>Timeline for Dispatch of IDCW</b></p> <p>IDCW payments shall be dispatched/transferred to the investors within 7 (seven) Business days from the IDCW record date.</p>
<p><b>X</b></p>	<p><b>Plans and Options</b></p>	<p>The Scheme offers two plans – Direct and Regular.</p> <ol style="list-style-type: none"> <li>1. Capitalmind Arbitrage Fund – Direct Plan</li> <li>2. Capitalmind Arbitrage Fund – Regular Plan</li> </ol> <p>Each of the plan offers the following options:</p> <ol style="list-style-type: none"> <li>1) Growth option.</li> <li>2) Income Distribution cum Capital Withdrawal (IDCW) Option</li> </ol> <p><b>Growth Option:</b> The income attributable to units under this Option will continue to remain invested and will be reflected in their Net Asset Value. IDCW will not be declared under this Option.</p> <p><b>IDCW Option:</b> This Option provides for distributions subject to availability of distributable surplus, computed in accordance with SEBI (MF) Regulations. Investors should note that distributions can be made of Equalization Reserves (representing accumulated realized gains), which is part of sale price paid by them.</p> <p>IDCW Option offers following Sub-Options / facilities</p> <ol style="list-style-type: none"> <li>a. Pay-out of Income Distribution cum capital withdrawal (IDCW) option / facility</li> <li>b. Reinvestment of Income Distribution cum capital withdrawal (IDCW) option /facility</li> </ol> <p>The Scheme will have a common portfolio across various Plans/Options/Sub options.</p> <p>The default plan is “Direct Plan”, in case the broker code is not stated on the application. Application with broker code will be processed under Regular Plan only.</p> <p><b>Default Option/ Facility:</b> The investor must clearly specify his/her choice of Option/Facility in the application form, in the absence of which, the Default Option/Facility would be applicable and the application will be processed accordingly:</p> <p><b>Default Option:</b> Growth Option (if the investor has not indicated choice between ‘Growth’ or ‘IDCW’ Options).</p>

		<p>Payout Option / facility in case Payout of IDCW Option / facility or Reinvestment of IDCW Option / facility is not indicated.</p> <p>For more details, refer to Section II, Part II, G. Other Scheme Disclosures in this document.</p> <p>For detailed disclosure on default plans and options, please refer to SAI.</p>
<b>XI</b>	<b>Load Structure</b>	<p><b>Entry Load :</b> Nil</p> <p><b>Exit Load:</b></p> <ol style="list-style-type: none"> <li>1 Exit Load: 0.25% if redeemed/switched out on or before completion of 15 Days from the date of allotment of units.</li> <li>2 No Exit Load is payable if Units are redeemed / switched-out after 15 Days from the date of allotment.</li> </ol> <p>Note 1: For the purpose of levying exit load, if subscription (application &amp; funds) is received within cut-off time on a day, Day 1 shall be considered to be the same day, else the day after the date of allotment of units shall be considered as Day 1.</p> <p>The exit loads set forth above are subject to change at the discretion of the Trustees, subject to compliance with SEBI (MF) Regulations and such changes shall be implemented prospectively. For any change in load structure, the AMC will issue an addendum and display it on its website/ Investor Service Centres (ISCs).</p> <p>The AMC shall not charge entry and/or exit load on bonus units and units allotted on reinvestment of dividend.</p> <p>Any Exit Load charged (net off GST, if any) shall be credited back to the Scheme</p> <p>Any imposition or enhancement in the load shall be applicable on prospective investments only.</p> <p>The investor is requested to check the prevailing load structure of the Scheme prior to investing.</p>
<b>XII</b>	<b>Minimum Application Amount / switch in</b>	<p><b>During NFO:</b></p> <p>Minimum application amount (lumpsum): Rs. 5,000/- and in multiples of Re. 1/- thereafter.</p>

		<p>Minimum Amount for switch-in to the Scheme: Rs. 1,000/- and in multiples of Re. 1/- thereafter.</p> <p>Minimum Amount for Systematic Investment Plan (SIP): Rs. 1,000/- and in multiples of Re. 1/- thereafter.</p> <p><b>On Continuous basis:</b> Minimum Amount for Fresh Purchase (lumpsum): Rs. 5,000/- and in multiples of Re. 1/- thereafter</p> <p>Minimum Amount for switch-in to the Scheme: Rs. 1,000/- and in multiples of Re. 1/- thereafter.</p> <p>Minimum Amount for Systematic Investment Plan (SIP): Rs. 1,000/- and in multiples of Re. 1/- thereafter.</p> <p>The Scheme does not require maintenance of minimum balance in the units of the scheme.</p> <p>Note: The minimum application amount will not be applicable for investment made in the Scheme in line with SEBI circulars on Alignment of interest of Designated Employees of AMC.</p>
<b>XIII</b>	<b>Minimum Additional Purchase Amount</b>	<p>Rs. 1,000/- and in multiples of Re. 1/- thereafter.</p> <p>Note: The minimum additional purchase amount will not be applicable for investment made in schemes in line with SEBI circulars on Alignment of interest of Designated Employees of AMC.</p>
<b>XIV</b>	<b>Minimum Redemption / switch out amount</b>	<p>Rs. 100 or account balance, whichever is lower.</p> <p>In case the balance in the account of the unitholder does not cover the amount of redemption request, then the Mutual Fund is authorized to redeem all the units in the folio and send the redemption proceeds to the unitholder.</p>
<b>XV</b>	<b>New Fund Offer (NFO) Period</b>	<p>NFO opens on: 23<sup>rd</sup> February 2026 NFO closes on: 09<sup>th</sup> March 2026</p> <p>As permitted by SEBI, NFO shall remain open for subscription for a minimum period of 03 (three) business days but not more than 15 (fifteen) calendar days. Any extension or change to the NFO dates will be subject to the requirement of NFO period not exceeding 15 calendar days. Any changes in dates of NFO will be published through notice on website of the Mutual Fund i.e. <a href="https://capitalmindmf.com">https://capitalmindmf.com</a> and display of such notice</p>

		<p>on the notice board at each of the official point for acceptance of transactions for the Mutual Fund.</p> <p>Electronic Payments including RTGS, NEFT and cheques/transfer instructions will be accepted till 09<sup>th</sup> March 2026 day</p>
<b>XVI.</b>	<b>New Fund Offer Price</b>	Rs. 10/- per unit
<b>XVII</b>	<b>Segregated Portfolio / side pocketing disclosure</b>	<p>The scheme has the option to create a segregated portfolio. The AMC / Trustee shall decide on creation of segregated portfolio of the Scheme in case of a credit event/actual default at issuer level.</p> <p>Kindly refer to SAI for more details</p>
<b>XVIII</b>	<b>Swing Pricing Disclosure</b>	<p>Not Applicable</p> <p>Kindly refer to SAI for more details</p>
<b>XIX</b>	<b>Stock Lending / Short Selling</b>	<p><b>Stock Lending by the Scheme</b></p> <p>The Scheme may engage in stock lending of securities in accordance with the framework specified by SEBI. The Scheme shall adhere to the following limits should it engage in Stock Lending:</p> <ol style="list-style-type: none"> <li>1. Not more than 20% of the net assets of the Scheme can generally be deployed in Stock Lending.</li> <li>2. Not more than 5% of the net assets of the Scheme can generally be deployed in Stock Lending to any single approved intermediary i.e the limit of 5% will be at broker level.</li> </ol> <p><b>Short Selling by the Scheme</b></p> <p>The Scheme may engage in short selling of securities in accordance with the framework relating to Short Selling and securities lending and borrowing specified by SEBI.</p> <p>Kindly refer to SAI for more details</p>
<b>XX</b>	<b>How to Apply and Other Details</b>	<p>Investors can obtain application form / Key Information Memorandum (KIM) from Capitalmind Asset Management Private Limited's Corporate Office and RTA's (KFinTech) branch office(s). Investors can also download the application form/KIM from the website of the Mutual Fund i.e. <a href="https://capitalmindmf.com">https://capitalmindmf.com</a></p> <p>All cheques should be crossed "Account Payee Only" and drawn in favour of the Scheme name (Capitalmind Liquid Fund) in which investment is intended to be made.</p> <p>Investors can also subscribe and redeem Units from the official website of AMC i.e. <a href="https://capitalmindmf.com">https://capitalmindmf.com</a></p>

		<p>An investor can also subscribe to the New Fund Offer (NFO) through ASBA facility. ASBAs can be accepted only by Self Certified Syndicate Banks(SCSB)whose names appear in the list of SCSBs as displayed by SEBI on its website <a href="http://www.sebi.gov.in">www.sebi.gov.in</a></p> <p>The list of the Investor Service Centre’s (ISCs)/Official Points of Acceptance (OPAs) of the Mutual Fund will be provided on the website of the AMC (<a href="https://cm.fund/OPAT">https://cm.fund/OPAT</a>).</p> <p>Please refer to the SAI and Application form for the instruction</p>
<b>XXI</b>	<b>Where applications can for subscription / redemption/switches be submitted</b>	For details, please refer section XX “How to Apply”
<b>XXI</b>	<b>Investor Services</b>	<p>Investor grievances will normally be received directly by the Registrar and Transfer Agent or at the Investor Service Centres or at the office the AMC. Investors can also visit the website <a href="https://capitalmindmf.com">https://capitalmindmf.com</a> for details.</p> <p><b>Name and Address of Registrar:</b>  <b>KFIN Technologies Limited</b>  Selenium Building, Tower-B, Plot No. 31 &amp; 32,  Financial District, Nanakramguda, Serilingampally,  Hyderabad, R. R. District, Telangana India - 500032  Website: <a href="http://www.kfintech.com">http://www.kfintech.com</a></p> <p><b>Contact details for general service requests and complaint resolution:</b>  Mr. Nihit Kshatriya,  Capitalmind Asset Management Limited  #2323, 1<sup>st</sup> Floor, “Prakash Arcade”, 17<sup>th</sup> Cross, 27<sup>th</sup> Main,  HSR Layout Sector 1, Bengaluru, Karnataka- 560102</p> <p>You may call on Toll-Free: 1-800-570-5001 (Monday to Friday - 9 a.m to 6 p.m) or write to us on email id: <a href="mailto:support@capitalmindmf.com">support@capitalmindmf.com</a></p> <p>Investors may lodge their complaints through SEBI’s complaints redressal system, SCORES 2.0, at <a href="https://scores.sebi.gov.in">https://scores.sebi.gov.in</a>.</p>

		Alternatively, grievances can be raised via the Online Dispute Resolution (ODR) portal at <a href="https://smartodr.in/login">https://smartodr.in/login</a> , or through any other mechanism as may be notified by SEBI from time to time.
XXII	<b>Specific attribute of the scheme</b>	None. This is an open-ended scheme.
XXIII	<b>Special product / facility available during the NFO and on ongoing basis</b>	<p><b><u>During NFO:</u></b></p> <p><b><u>Systematic Investment Plan (SIP)</u></b> Investors can undertake investing on a specified periodic basis and aim to take advantage from rupee cost averaging through SIP in the scheme.</p> <p><b><u>During Ongoing Offer / basis:</u></b></p> <p><b>1) <u>Systematic Investment Plan (SIP):</u></b> This facility enables the investors to save and invest at regular intervals over a longer period of time. It is convenient way to start investing, regular investment not only helps to reduce average unit acquisition cost (this concept is called ‘Rupee Cost Averaging.’) but also helps to inculcate discipline when it comes to investing. This facility gives the investor an opportunity to invest regularly thereby averaging the acquisition cost of units. Investors may register for SIP using a prescribed enrolment form or register through online modes. Following are the frequencies and minimum amount of SIP</p> <ul style="list-style-type: none"> <li>• Daily, Weekly, Fortnightly, Monthly and Quarterly.</li> <li>• Minimum Amount in each frequency is INR 1,000</li> <li>• Minimum number of instalments for each frequency is 6 (Six) <ul style="list-style-type: none"> <li>i. Provided further that units in demat format are not possible in case of daily frequency</li> <li>ii. In case of daily frequency, SIP transaction will happen only on business day. For e.g. if investor places daily SIP order on a non-working day, the first transaction will take place on the next working day only.</li> </ul> </li> </ul> <p>a. <b><u>SIP through Direct Debit / NACH:</u></b> Investors may also enroll for SIP facility through NACH (Debit Clearing) of the RBI or for SIP Direct Debit Facility available with specified Banks / Branches. In order to enroll for SIP NACH or Direct Debit Facility, an Investor must fill up the corresponding SIP NACH/ Direct Debit facility. <b>Note:</b> Direct Debit facility will be offered at the discretion of the AMC and through</p>

		<p>select banks with whom AMC may have an arrangement, from time to time</p> <p>b. <b>SIP Top-up Facility:</b> SIP Top-up Facility is a facility which provides flexibility to the investors to increase the amount of the SIP instalment by a fixed amount or by a fixed percentage at pre-defined intervals during the tenure of the SIP. The Fixed Top Up amount shall be for minimum INR 1,000/- and in multiples of INR 1/- thereafter. Variable Top Up would be available in at 5%, 10% and 15% and such other denominations (over and above 5%, 10% and 15%) as opted by the investor in multiples of 5%.</p> <p>c. <b>SIP Pause Facility:</b> SIP Pause Facility is a facility under which the investor has an option to temporarily pause their registered SIP by submitting the prescribed form at any of the Official Points of Acceptance (OPATs) of the AMC. This Facility is available for SIPs with Monthly and Quarterly frequencies. The maximum number of instalments that can be paused using this facility are 3 (three) consecutive instalments for SIPs registered with Monthly frequency and 1 (one) for SIPs registered with Quarterly frequency. Thereafter, automatically the balance SIP instalments (as originally registered) will resume.</p> <p>d. <b>SIP Cancellation:</b> The AMC will endeavour to have the cancellation of registered SIP mandate within 02 (two) Business days from the date of receipt of the cancellation request from the investor. The existing instructions / mandate would continue till the date that when it is confirmed the SIP has been cancelled.</p> <p>2) <b>Systematic Transfer Plan (STP):</b> Systematic Transfer Plan (STP) is an option wherein investors of the source scheme can opt to transfer a fixed amount at periodic intervals to the designated target scheme. The amount transferred under STP from source scheme to target scheme shall be done by redeeming Units of source scheme at Applicable NAV, subject to exit load, if any; and subscribing to the Units of target scheme at applicable NAV as on specified date. Investors may register for STP using a prescribed form. Minimum amount for STP – INR 1,000 and in</p>
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multiples of INR 1 thereafter. Minimum no. of instalments are 6 (six).

Particulars	Frequency	Default
Daily Option	All Business Day-	
Weekly Option	Any day from Monday to Friday	Tuesday
Monthly & Quarterly Option	Any Date of every month	10 <sup>th</sup> of the month

**3) Systematic Withdrawal Plan (SWP):** Investors under the scheme can enrol for the Systematic Withdrawal Plan (SWP) facility. The SWP allows the investors to withdraw a specified sum of money at pre-determined intervals from the investments undertaken in the scheme. SWP is suitable for investors seeking a regular inflow of funds for their needs. It is also suited to retirees or individuals who wish to invest lump-sum and withdraw from the investment over a period of time. At the time of registration for SWP, an investor can choose any amount as specified per minimum amount of instalment for withdrawal under the respective frequencies. An investor may avail this facility by submitting application form for SWP.

**Frequencies:** Monthly, Quarterly, Half-Yearly and Yearly  
**Transaction Dates:** Any date of every month (between 1<sup>st</sup> and 28<sup>th</sup>)  
**Minimum Number of Instalments:** 2 Instalments for all frequencies  
**Minimum Amount of Instalment:** INR 1,000 and in multiples of INR 1/- thereafter

**4) Inter-Scheme Switching Facility:** The Mutual Fund provides the investors the flexibility to switch their investments (subject to provisions as regards minimum application amount referred above) from any other scheme(s)/plans managed by Capitalmind Mutual Fund, as per the features of the respective scheme to this Scheme. This facility will be useful to unitholders who wish to alter the allocation of their investment among scheme(s) / plan(s) of the Mutual Fund to meet their changed investment needs.

		<p>The switch will be affected by way of a redemption of Units from the source scheme(s) / plan(s) as per the applicable NAV and cut off and investment of the proceeds will be made in the target Scheme(s)/Plan(s).</p> <p>No exit load shall be levied in case of switch of investment from Regular Plan to Direct Plan and vice versa. Such Switch may entail tax consequences. Investors/Unit Holder(s) should consult their professional tax advisor before initiating such requests.</p> <p><b>5) <u>Intra -Scheme Switching option:</u></b> Unit holders under the Scheme have the option to Switch their Unit holdings from one option to another option (i.e. <u>Growth to IDCW and vice-a-versa</u>). The Switches would be done at the <u>Applicable NAV based prices and the difference between the NAVs of the two options will be reflected in the number of Units allotted.</u></p> <p>For further details with respect to the above-mentioned products / facilities, kindly refer to SAI.</p>
XXIV	Weblink	<p><b>TER:</b> The Total Expense Ratio shall be made available to the investors on the website of the AMC at <a href="https://cm.fund/TER">https://cm.fund/TER</a></p> <p><b>Scheme Factsheet:</b> The scheme factsheet shall be made available to the investors on the website of the AMC at <a href="https://cm.fund/Factsheet">https://cm.fund/Factsheet</a></p>
XXV	Requirement of minimum investors in the scheme	<p>The Scheme shall have a minimum of 20 investors and no single investor shall account for more than 25% of the corpus of the Scheme. However, if such limit is breached during the NFO of the Scheme, the Fund will endeavour to ensure that within a period of three months or the end of the succeeding calendar quarter from the close of the NFO of the Scheme, whichever is earlier, the Scheme complies with these two conditions. In case the Scheme does not have a minimum of 20 investors in the stipulated period, the relevant provisions of the SEBI (MF) Regulations 1996 would become applicable automatically without any reference from SEBI and accordingly the Scheme shall be wound up and the Units would be redeemed at applicable NAV.</p> <p>The two conditions mentioned above shall also be complied within each subsequent calendar quarter thereafter, on an average basis, as specified by SEBI. If</p>

		<p>there is a breach of the 25% limit by any investor over the quarter, a rebalancing period of one month would be allowed and thereafter the investor who is in breach of the rule shall be given 15 days' notice to redeem his exposure over the 25 % limit. Failure on the part of the said investor to redeem his exposure over the 25 % limit within the aforesaid 15 days would lead to automatic redemption by the Mutual Fund on the applicable NAV on the 15th day of the notice period. The Fund shall adhere to the requirements prescribed by SEBI from time to time in this regard.</p>
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## **DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY**

It is confirmed that:

- i. The Scheme Information Document submitted to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time.
- ii. All legal requirements connected with the launching of the Scheme as also the guidelines, instructions, etc., issued by the Government and any other competent authority on this behalf, have been duly complied with.
- iii. The disclosures made in the Scheme Information Document are true, fair and adequate to enable the investors to make a well-informed decision regarding investment in the Scheme.
- iv. The intermediaries named in the Scheme Information Document and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.
- v. The contents of the Scheme Information Document including figures, data, yields etc. have been checked and are factually correct.
- vi. AMC has complied with the compliance checklist applicable for Scheme Information Documents and there are no deviations from the Regulations.
- vii. Notwithstanding anything contained in this Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.
- viii. The Trustee has ensured that the Capitalmind Arbitrage Fund approved by them is a new product offered by Capitalmind Mutual Fund and not a minor modification of any existing scheme/fund/product.

**Sd/-**

**Date: 06<sup>th</sup> February 2026**

**Name: Naganandan R M**

**Place: Bangalore**

**Designation: Head of Compliance**

## PART II. INFORMATION ABOUT THE SCHEME

### A. HOW WILL THE SCHEME ALLOCATE ITS ASSETS?

The below table includes asset allocation giving the broad classification of assets and indicative exposure level in percentage terms. The Asset Allocation Pattern of the Scheme under normal circumstances would be as under:

Instruments	Indicative Allocations (% of Total assets)	
	Minimum	Maximum
Equity & Equity related instruments <sup>1</sup> including derivatives (index futures, stock futures, index options and stock options, etc)	65	100
Other arbitrage opportunities <sup>2</sup>	0	35
Debt (including securitised debt) <sup>3</sup> , units of fixed income mutual fund schemes, Money Market instruments including the margin money deployed in derivative transactions. **	0	35
Units issued by InvITs <sup>4</sup>	0	10

<sup>1</sup>Equity and equity related instruments include convertible debentures, convertible preference shares, warrants carrying the right to obtain equity shares, equity derivatives, REITs and such other instrument as may be specified by SEBI from time to time.

SEBI, vide Circular dated November 28, 2025, has clarified that, pursuant to amendments to the SEBI (Mutual Funds) Regulations, 1996, units of Real Estate Investment Trusts (REITs) shall be treated as equity related instruments with effect from January 1, 2026, for the purpose of investments by Mutual Funds and Specialized Investment Funds (SIFs). The circular also provides for grandfathering of existing REIT investments held by debt schemes as on December 31, 2025. The Scheme's classification of REITs under equity related instruments is in line with the said regulatory clarification

<sup>2</sup>Other arbitrage opportunities include, inter alia:

- Bond-futures arbitrage
- Index arbitrage
- Futures-futures arbitrage
- Arbitrage opportunities arising out of corporate actions such as merger arbitrage, buyback arbitrage, demerger arbitrage, share swap arbitrage and other similar corporate action-related arbitrage strategies

<sup>3</sup>Debt securities include, but are not limited to, debt securities of the Government of India, State and Local Governments, Government Agencies, Statutory Bodies, Public Sector Undertakings, Public Sector Banks or Private Sector Banks or any other Banks, Financial Institutions, Development Financial Institutions, and Corporate Entities, collateralized debt securities or any other instruments as may be prevailing and permissible under the Regulations from time to time).

- The Scheme may enter into repos/reverse repos as may be permitted by RBI. A part of the net assets may be invested in the Tri-party repo on Government Securities or treasury bills or repo or in an alternative investment as may be provided by RBI, subject to prior approval from SEBI, if any.
- The scheme may invest in unrated and unlisted debt instruments as per the SEBI guidelines as per paragraph 12.1.5 of SEBI's Master Circular for Mutual Funds.

<sup>4</sup> SEBI has re-classified REITs as equity and retained "hybrid" classification for InvITs, for the purpose of investments by Mutual Funds. The re-classification was done considering the characteristics of REITs i.e., being more inclined towards equity, relatively more liquid, and to ensure alignment with global practices

- 1) The Scheme shall at all times endeavor to take advantage of the arbitrage opportunities available due to difference in pricing emerging between cash market and the derivatives market. However, as the Scheme wants to avail of the benefit granted under the Income-tax Act to equity-oriented funds as defined under Section 115T, the Scheme shall, in the absence of adequate income earning arbitrage opportunities, invest only in equity shares of domestic companies.
- 2) Debt and Money Market Instruments includes Commercial papers, Commercial bills, Treasury bills, TREPS, Government securities having an unexpired maturity up to one year, call or notice money, certificate of deposit, Bills Rediscounting, usance bills, bonds, NCD's and any other like instruments as specified by the Reserve Bank of India (RBI)/ Securities and Exchange Board of India (SEBI) from time to time.

\*\* Debt securities / instruments are deemed to include securitized debt and investment in securitized debt will not exceed 50% of the debt portion of the scheme in accordance with clause 1 of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996.

- 3) The exposure to derivative shown in the asset allocation table is exposure taken against the underlying equity investments i.e. in case the scheme shall have a long position in a security and a corresponding short position in the same security, then the exposure for the purpose of asset allocation will be counted only for the long position. The intent is to avoid double counting of exposure and not to take additional asset allocation with the use of derivative. If suitable arbitrage opportunities are not available in the opinion of the Investment manager, the Scheme may hedge the equity portfolio by using derivatives or may invest in short term debt / money market instruments.
- 4) The notional value of exposure in equity derivatives would be reckoned for equity securities exposure. The notional value of exposure in debt derivatives would be reckoned for debt and money market securities exposure.
- 5) The Scheme may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI from time to time.
- 6) The maximum derivative position will not exceed 100% of the net assets of the Scheme. The cumulative gross exposure through equity, debt, derivative positions, other permitted

securities/assets and such other securities/assets as may be permitted by SEBI from time to time, subject to regulatory approvals, if any, shall not exceed 100% of the net assets of the scheme.

- 7) The cumulative gross exposure through equity and equity related instruments, Debt & Money Market instruments including the margin money deployed in derivative transactions, G Sec, Bonds, Cash and Cash Equivalents, derivatives etc., other permitted securities/assets and such other securities/assets as may be permitted by the Board from time to time will not exceed 100% of the net assets of the scheme, subject to approval if any.
- 8) The Scheme shall not invest in unlisted debt instruments including commercial papers (CPs), other than (a) government securities, (b) other money market instruments and (c) derivative products such as Interest Rate Swaps (IRS), Interest Rate Futures (IRF), etc. which are used by mutual funds for hedging. However, the Scheme may invest in unlisted Non-Convertible Debentures (NCDs) not exceeding 10% of the debt portfolio of the scheme subject to the condition that such unlisted NCDs have a simple structure (i.e. with fixed and uniform coupon, fixed maturity period, without any options, fully paid up upfront, without any credit enhancements or structured obligations) and are rated and secured with coupon payment frequency on monthly basis.
- 9) Pursuant to para 12.25.3 of SEBI Master Circular for Mutual Funds, cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure. Cash Equivalent shall consist of the following securities having residual maturity of less than 91 days: a) Government Securities; b) T-Bills; and c) Repo on Government securities
- 10) The Scheme may undertake (i) repo/reverse repo transactions in Corporate Debt Securities; (ii) Credit Default Swaps, and such other transactions in accordance with guidelines issued by SEBI from time to time. In addition to the instruments stated above, the Scheme may enter into repos/reverse repos as may be permitted by RBI. From time to time, the Scheme may hold cash. A part of the net assets may be invested in the Tri-party Repos on Government securities or treasury bills (TREPS) or repo or in an alternative investment as may be provided by RBI to meet the liquidity requirements, subject to approval, if any.
- 11) The AMC may from time to time, pending investment in terms of investment objective of the Scheme and/or for a short term period on defensive consideration invest upto 100% of the funds available in short term money market instruments including cash and cash equivalents, the primary motive being to protect the Net Asset Value of the Scheme and protect Unit holders interest so also to earn reasonable returns on liquid funds maintained for redemption/ repurchase of units.
- 12) Subject to the Regulations, the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of the Fund Manager, the intention being at

all times to seek to protect the interests of the Unit holders. Such changes in the investment pattern will be for short term and defensive considerations.

Defensive circumstances are when the arbitrage opportunities in the market are negligible or that the returns are lower returns than returns available from alternative permitted investment opportunities. Under such conditions, the Scheme may temporarily increase allocation to debt and money market instruments, while endeavouring to revert to the normal asset allocation at the earliest opportunity, keeping paramount the interest of the unit holders.

**Indicative Table (Actual instrument / percentages may vary subject to applicable SEBI circulars)**

#	Type of Instrument	Percentage of Exposure	Circular References
1	Securities Lending	Aggregate - 20% of net assets of the Scheme.  Single intermediary - 5% of the net assets of the Scheme.	Clause 12.11 of SEBI Master Circular for Mutual Funds
2	Debt Derivatives (Hedging purposes)	Upto 100% of the debt portfolio of the Scheme	Clause 12.25 of SEBI Master Circular on Mutual Funds
3	Debt Derivatives (Non-hedging purposes)	Upto 50% of the debt portfolio of the Scheme	Clause 12.25 of SEBI Master Circular on Mutual Funds
4	Equity Derivatives (Hedging purposes)	Upto 100% of the equity portfolio of the Scheme	Clause 12.25 of SEBI Master Circular on Mutual Funds
5	Equity Derivatives (non-hedging purposes)	Upto 50% of the equity portfolio of the Scheme	Clause 12.25 of SEBI Master Circular on Mutual Funds
6	Securitized Debt	Not exceeding 50% of the debt portion of the scheme	Clause 12.15 of SEBI Master Circular on Mutual Funds
7	Mutual Funds Units	The Scheme may invest in units of schemes of Capitalmind Mutual Fund and/or any other mutual fund subject to the overall limit of upto 5% of the net asset value of the Mutual Fund. (at AMC level)	Clause 4 of Seventh Schedule of SEBI (Mutual Funds) Regulations, 1996
8	Debt Instruments having Structured Obligation (SO rating) and / or Credit Enhancements (CE rating)	a) Up to 10% of its NAV of the debt portfolio of the scheme in perpetual debt instruments and b) Up to 5% of its NAV of the debt portfolio of the scheme at single issuer level.	Clause 12.3 of SEBI Master Circular on Mutual Funds

		The above exposure will be subject to the overall limit for debt instruments issued by a single issuer and other prudential limits with respect to the debt instruments	
9	Debt Instruments with special features i.e. Additional Tier I (AT1) / Perpetual Bonds and Tier 2 Bonds	<p>a) Up to 10% of its NAV of the debt portfolio of the scheme in perpetual debt instruments and</p> <p>b) Up to 5% of its NAV of the debt portfolio of the scheme at single issuer level.</p> <p>The above exposure will be subject to the overall limit for debt instruments issued by a single issuer and other prudential limits with respect to the debt instruments</p>	Clause 12.2 of SEBI Master Circular on Mutual Funds
10	Short term deposits of all the Scheduled Commercial Banks (pending deployment)	Upto 15% of net assets of the Scheme (Upto 20% of net assets of the Scheme with Trustee Approval)	Clause 12.16 as per SEBI Master Circular on Mutual Funds
11	Triparty Repo (TREPS) on Government securities or treasury bills.	Upto 35% of net assets of the Scheme	As per Asset Allocation table
12	Unrated debt and money market instruments	Upto 5% of the net assets of the Scheme (with approval of AMC and Trustee)	Clause 12.1.5 of SEBI Master circular on Mutual Funds
13	Securitized debt	Not exceeding 50% of the debt portion of the scheme	Clause 12.15 of SEBI Master Circular for Mutual Funds
14	Unlisted Non-Convertible Debentures	Not exceeding 10% of the debt portfolio of the scheme subject to the condition that such unlisted NCDs have a simple structure and are rated and secured with coupon payment frequency on monthly basis.	Clause 12.1 of SEBI Master Circular for Mutual Funds
15	Infrastructure Investment Trusts (InvITs)	Upto 10% of the net assets of the Scheme and not more than 5% of the net assets of the Scheme if issued by a single issuer	Clause 12.21 of SEBI Master Circular on Mutual Funds
16	Short Selling	The Scheme may engage in short selling of securities in accordance with the framework relating to short	SEBI Circular SEBI/IMD/CIR

		selling and securities lending and borrowing specified by SEBI from time to time.	No.6/127947/08 dated June 6, 2008
17	Credit Default Swaps	Up to 10% of AUM of the Scheme and shall be within the overall limit of derivatives	Clause 12.28 of Master Circular
18	Repo transactions in Corporate Debt Securities	Up to 10% of the AUM of the Scheme	Clause 12.18 of Master Circular

The Scheme will not invest/engage into the following instruments:

- 1) Overseas securities (including ADR and GDR)
- 2) Foreign Securitized Debt

**Deployment of funds collected during NFO period:** As per SEBI Circular SEBI/HO/IMD/IMD-PoD-1/P/CIR/2025/23 dated 27 February 2025, The AMC shall deploy the funds garnered in an NFO within 30 Business Days from the date of allotment of Units.

In an exceptional case, if the AMC is not able to deploy the funds in 30 Business Days, reasons in writing, including details of efforts taken to deploy the funds, shall be placed before the Investment Committee of the AMC. Basis root cause analysis, the Investment Committee may extend the timeline by 30 Business Days, while also making recommendations on how to ensure deployment within 30 Business Days going forward and monitoring the same.

The Trustee shall also monitor the deployment of funds collected in NFO and take steps, as may be required, to ensure that the funds are deployed within a reasonable timeframe.

In case the funds are not deployed as per the asset allocation mentioned in the SID as per the aforesaid mandated plus extended timelines, AMC shall:

- i. not be permitted to receive fresh flows in the same scheme till the time the funds are deployed as per the asset allocation mentioned in the SID.
- ii. not be permitted to levy exit load, if any, on the investors exiting such scheme(s) after 60 Business Days of not complying with the asset allocation of the scheme.
- iii. inform all investors of the NFO, about the option of an exit from the concerned scheme without exit load, via email, SMS or other similar mode of communication.
- iv. report deviation, if any, to Trustees at each of the above stages.

To effectively manage the fund flows in NFO, the fund manager may extend or shorten the NFO period, based on his/her view of the market dynamics, availability of assets and his ability to deploy funds collected in NFO. However, the same shall be subject to compliance with Clause 1.10.1 and 1.10.1A of the Master Circular for Mutual Funds.

**Investment in Tri-party Repo before the closure of NFO:** The Mutual Fund/AMC shall make investment out of the NFO proceeds in various securities only on or after the closure of the NFO period. The Mutual Fund/ AMC can however deploy the NFO proceeds in Tri-Party Repo before the closure of NFO period. However, AMCs shall not charge any investment management and advisory fees on funds deployed in Tri-party Repo during the NFO period. The appreciation received from investment in Tri-Party Repo shall be passed on to investors.

In case the minimum subscription amount is not garnered by the scheme 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.

**Change in Investment Pattern / Short Term Defensive Considerations:** Subject to the Regulations, the asset allocation pattern indicated above for the Scheme may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of the Investment Manager, the intention being at all times to seek to protect the interests of the Unitholders and meet the objective of the Scheme. Such changes in the investment pattern will be for short term and defensive consideration.

Provided further and subject to the above, any change in the asset allocation affecting the fundamental attribute(s) of the Scheme shall be effected in accordance with the provisions of SEBI (Mutual Funds) Regulations, 1996 pertaining to change in fundamental attributes of the Scheme, as detailed in this SID.

Pending deployment of the funds in securities in terms of investment objective of the Scheme, the AMC may park the funds of the Scheme in short term deposits of the Scheduled Commercial Banks, subject to the guidelines mentioned by SEBI from time to time.

**Portfolio rebalancing of deviation due to short term defensive consideration:** As per Clause 1.14.1.2, Clause 2.9, Clause 3.5.3.11 and Clause 3.6.7 of the Master Circular, as may be amended from time to time, if the Fund Manager(s) of the Mutual Fund believes that market or economic conditions are not favourable to unit holders of the Mutual Fund, he / she may change the investment pattern of the Scheme for short term and defensive considerations.. In such conditions, investments may be made in assets such as cash, cash equivalents or other short-term instruments such as money market instruments, purely as a temporary defensive strategy. The Fund Manager will rebalance the portfolio within 30 calendar days from the date of deviation. In case the portfolio is not re-balanced within 30 days, justification for the same shall be recorded in writing and will be placed before the Investment Committee of the AMC. The Investment Committee will then decide on further course of action, subject to requirements specified by SEBI in this regard.

**Portfolio rebalancing in case of passive breach:** As per Para 2.9 of the Master Circular, as may be amended from time to time, in the event of deviation from mandated asset allocation as specified in the Indicative Table above, due to passive breaches (occurrence of instances not arising out of omission and commission of the AMC), the Fund Manager shall rebalance the portfolio of the Scheme within 30 Business Days. In case the portfolio of the Scheme is not rebalanced within the period of 30 Business Days, justification in writing, including details of efforts taken to rebalance the portfolio shall be placed before the Investment Committee of the AMC. The Investment Committee, if it so desires, can extend the timeline for rebalancing up to sixty (60) Business Days from the date of completion of mandated rebalancing period. Further, in case the portfolio is not rebalanced within the afore mentioned mandated plus extended timelines, the AMC shall

- not be permitted to launch any new scheme till the time the portfolio is rebalanced.
- not levy exit load, if any, on the exiting investors.

The AMC shall report the deviation to the Trustee at each stage.

Further, in case the AUM of deviated portfolio is more than 10% of the AUM of main portfolio of the Scheme,

- The AMC shall immediately communicate the same to the investors of the Scheme after the expiry of the mandated rebalancing period (i.e. 30 Business Days) through SMS and email/ letter including details of portfolio not rebalanced.
- The AMC shall also immediately communicate to the investors through SMS and email/letter when the portfolio is rebalanced.
- The AMC shall disclose scheme wise deviation of the portfolio (beyond aforesaid 10% limit) from the mandated asset allocation beyond 30 Business Days, on the AMC 's website i.e. <https://cm.fund/AMCInvestmentDisclosure>
- The AMC shall also disclose any deviation from the mandated asset allocation to investors along with periodic portfolio disclosures as specified by SEBI from the date of lapse of mandated plus extended rebalancing timelines.

The above norms shall be applicable to main portfolio and not to segregated portfolio(s). However, at all times the portfolio will adhere to the overall investment objectives of the Scheme.

## **B. WHERE WILL THE SCHEME INVEST?**

The corpus of the Scheme, subject to the enabling provisions of asset allocation pattern, will be invested in securities/ instruments which will include but not limited to:

### **Equity and equity related Instruments**

- a) Equity Instruments
- b) Equity related instruments including convertible bonds and debentures and warrants carrying the right to obtain equity shares
- c) Equity Derivatives
- d) Stock futures/index futures and other such permitted derivative instruments including options

### **Debt & Money Market Instruments**

- a) Non-convertible debentures
- b) Non-Convertible Preference Shares (NCPS)\*
- c) Floating rate debt instruments
- d) Securitised Asset
- e) Pass Through Certificate
- f) Securities created and issued by the Central and State Governments as may be permitted by RBI
- g) Debt Instruments with special features i.e. Additional Tier I (AT1) / Perpetual Bonds and Tier 2 Bonds
- h) Debt Instruments having Structured Obligation (SO rating) and / or Credit Enhancements (CE rating)
- i) Debt Derivative Instrument like Interest Rate Swaps, Forward Rate Agreement and such other derivative instruments as may be permitted under the Regulations
- j) Certificate of Deposits
- k) Commercial Paper
- l) Treasury Bills
- m) Non-Convertible Debentures of original or initial maturity upto one year issued by corporate (including NBFCs) by way of private placement in accordance with the provisions of master circular of RBI vide reference no. RBI/MRD/2016-17/32 dated July 7, 2016
- n) Tri-party Repo
- o) Reverse Repo in securities other than corporate debt securities
- p) Cash Management Bills
- q) Bills Rediscounting
- r) Units of Debt Schemes of Mutual Fund
- s) Pending deployment of funds, the Scheme may park funds in Short Term Deposits of Scheduled commercial banks
- t) Obligations/ Term Deposits of banks (both public and private sector) and development financial institutions to the extent permissible under SEBI Regulations
- u) Any other securities as permitted by SEBI/RBI from time to time

\*As per clause 12.10 of SEBI Master Circular on Mutual Funds dated June 27, 2024, Non-Convertible Preference Shares (NCPS) shall be treated as Debt instruments.

- a) Securities issued by Government of India. Repos/reverse repos in Government Securities as may be permitted by RBI (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills).
- b) Securities guaranteed by the Central and State Governments (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills).
- c) Debt obligations of domestic Government agencies and statutory bodies, which may or may not carry a Central/State Government guarantee.
- d) Repo / Reverse Repo transactions in corporate debt securities.
- e) Corporate debt and securities (of both public and private sector undertakings) including Bonds, Debentures, Notes, Strips etc.
- f) Money Market Instruments including but not limited to commercial papers, commercial bills, treasury bills, Government securities having an unexpired maturity upto one year, call or notice money, certificate of deposit, usance bill and any other like instruments as specified by the Reserve Bank of India/SEBI from time to time subject to regulatory approvals, if any.
- g) Certificate of Deposits (CDs).
- h) Commercial Paper (CPs).
- i) Units of Mutual Fund Schemes.
- j) Securitised Debt Obligations.
- k) The non-convertible part of convertible securities
- l) Any other domestic fixed income securities.
- m) Pass through, Pay through or other Participation Certificates, representing interest in a pool asset including receivables.
- n) Debt Derivative instruments like Interest Rate Swaps, Forward Rate Agreements and such other derivative instruments permitted by SEBI/RBI.
- o) Foreign securities as permitted by RBI and SEBI.
- p) Units of Corporate Debt Market Development Fund
- q) Credit Default Swaps
- r) Cash & Cash Equivalents
- s) Any other like instruments as may be permitted by RBI/SEBI/ such other Regulatory Authority from time to time.

The securities mentioned above could be listed or to be listed, secured or unsecured, rated or un-rated and of varying maturity, as enabled under SEBI Regulations/ circulars/ RBI. The securities may be acquired through Initial Public Offerings (IPOs), secondary market operations, follow-on public offers, OFS, Qualified Institutional Buyers Route, private placement, rights offers or negotiated deals.

The inter Scheme transfer of investments shall be in accordance with the provisions contained in Clause 12.30 of the Master Circular, pertaining to Inter-Scheme transfer of investments.

### C. WHAT ARE THE INVESTMENT STRATEGIES?

The Scheme follows an active investment strategy. The Fund Manager would identify arbitrage opportunities and execute the deals simultaneously in both the markets.

The scheme aims to generate returns by strategically investing in arbitrage opportunities between spot and future prices of exchange traded equities and the arbitrage opportunities available within the derivative segment. If, in the opinion of the Fund Manager, suitable arbitrage opportunities are unavailable, the scheme may predominantly invest in short-term debt and money market securities. If, in the opinion of the Fund Manager, suitable arbitrage opportunities are unavailable, the scheme may predominantly invest in short-term debt and money market securities.

In terms of the SEBI guidelines, the Scheme shall not short sell in the cash market at all times. The debt component of the Scheme would be invested in debt securities and money market instruments. The duration of the debt portfolio would primarily be managed with a view to generate income with minimum interest rate risk.

Some of the arbitrage strategies that may be adopted by the fund manager from time to time include:

**Cash-Future Arbitrage:** Arbitrage captures the spread, between the price of a stock in the spot market and in the futures market on a market neutral basis. If the price of a stock in the futures market is higher than in the spot market, after adjusting for taxes and other costs the Scheme may buy the stock in the spot market and sell the same stock in equal quantity in the futures market simultaneously. This enables to the fund to earn the cost of carry between the stock and the futures of the stock.

If the futures are quoting at a discount to the price in the cash market before the expiry the trade may be reversed by buying the futures and selling the shares in the cash market which, will enhance the profit potential to the extent of discount between future as compared to cash market.

Normally the price between cash and future segment tend to converge on the expiry day. The cash and future trade would be reversed on the expiry day to book the locked arbitrage profit.

**Rolling over of the futures transaction:** Rolling over of the futures transaction means:

- Unwinding the short position in the futures and simultaneously selling futures of a subsequent month; and
- Holding onto the spot position.

There could also be instances of unwinding both the spot and the future position before the expiry of the current month future if it proves advantageous or to meet redemption.

If suitable arbitrage opportunities are not available in the opinion of the Fund Manager, the Scheme may invest in short term debt and money market securities. The Fund Manager will evaluate the difference between the price of a stock in the futures market and in the spot market. If the price of a stock in the futures market is higher than in the spot market, after adjusting for costs and taxes the scheme shall buy the stock in the spot market and sell the same stock in equal quantity in the futures market, simultaneously. The Scheme would also look to avail of opportunities between one futures contract and another. The margin money

requirement for the purposes of derivative exposure will be held in the form of Term Deposits, cash or cash equivalents.

**Dividend Arbitrage:** Usually during the period prior to dividend declaration, the stock futures/options market can provide a profitable opportunity. Generally, the stock price declines by the dividend amount when the stock goes ex-dividend.

**Buy-back arbitrage:** When the company announces the buy-back of its own shares, there could be opportunities due to the price differential in buy-back price and traded price.

**Nifty Spot - Nifty Futures:** The pricing of Nifty Futures is derived from the Nifty. When the two go out of sync, there arises opportunities. The cost of carry binds the futures price to the price of the underlying asset.

For instance, the price of the Nifty futures at any given point in time should typically be more than the level of Nifty at that point of time. Cash and carry trades at times provide higher return than the prevailing interest rates. There is an opportunity to exploit by buying the index futures and selling the portfolio comprising of index stocks. The cash received upon the sale is reinvested at the risk-free rate of return till the expiration of the futures contract. The arbitrage profits come in at the expiration of the futures contract when the position is unwound by buying back the index stocks, or until expiry if the rates converge. The same strategy can be replicated with stock futures also

**Buy Option:** The options component would be actively managed in an attempt to take advantage of the volatility in the markets to enhance returns. The risk of investing in options is that the views of the portfolio manager may not materialize, and the entire option premium paid could be lost. The scheme would also look at investment in the equities market including subscribing to IPOs. The provision for trading in derivatives is an enabling provision and it is not binding on the Scheme to undertake trading on a day-to-day basis. There are various possible combinations of strategies which may be adopted in a specific situation. The Fund Manager may apply such other arbitrage strategies as may be available/permissible under regulations from time to time.

**Index Arbitrage:** The Nifty 50 derives its value from fifty constituent stocks; the constituent stocks (in their respective weights) can be used to create a synthetic index matching the Nifty Index. Also, theoretically, the fair value of a future is equal to the spot price plus the cost of carry. Theoretically, therefore, the pricing of Nifty Index futures should be equal to the pricing of the synthetic index created by futures on the underlying stocks. Due to market imperfections, the index futures may not exactly correspond to the synthetic index futures. The Nifty Index futures normally trades at a discount to the synthetic Index due to large volumes of stock hedging being done using the Nifty Index futures giving rise to arbitrage opportunities. One instance in which an index arbitrage opportunity exists is when Index future is trading at a discount to the index (spot) and the futures of the constituent stocks are trading at a cumulative premium. The fund manager shall endeavour to capture such arbitrage opportunities by taking long positions in the Nifty Index futures and short positions in the synthetic index (constituent stock futures). Based on the opportunity, the reverse position can also be initiated.

**Portfolio protection hedging:** The Scheme may use exchange-traded derivatives to hedge the equity portfolio. The fund manager shall either use index futures and options or stock futures and options to hedge the stocks in the portfolio. The fund would endeavour to generate

alpha by superior stock selection and removing market risks by selling appropriate index or taking tactical view of market direction.

### Illustrations of hedging using options

- **Call Option (Buy):** The fund buys a call option at the strike price of say Rs.1,000 and pays a premium of say Rs. 50, the fund would earn profits if the market price of the stock at the time of expiry of the option is more than Rs. 1,050 being the total of the strike price and the premium thereon. If on the date of expiry of the option the stock price is below Rs 1000, the fund will not exercise the option while it loses the premium of Rs. 50.
- **Put Option (Buy):** The fund buys a Put Option at Rs 1,000 by paying a premium of say Rs 50. If the stock price goes down to Rs. 900, the fund would protect its downside and would only have to bear the premium of Rs 50 instead of a loss of Rs 100 whereas if the stock price moves up to say Rs. 1,100 the fund may let the Option expire and forego the premium thereby capturing Rs. 100 upside after bearing the premium of Rs. 50. The Scheme may use both index and stock futures and options to hedge the stocks in the portfolio

**Covered Call Strategy:** The fund manager may use the covered call strategy by writing call options against an equivalent long position in the underlying security thereby locking in the returns instead of keeping the position open. This strategy allows fund managers to earn premium income in addition to returns locked in from the long underlying. The objective of the strategy is to earn the option premium. This strategy allows the Fund Manager to reduce downside risk (to extent of premium received), thereby resulting in better risk adjusted returns for the Scheme. Covered calls although has inherent risk of loss of upside, i.e. if the share price rises above strike price and it is called away, the option seller forgoes any share price appreciation above the option strike price

### Illustrations of covered call strategy

Current price of stock A: Rs. 500 per share

1 contract = 100 shares

Total no of contracts: 10

Strike price: Rs. 550/- per share

Premium: Rs. 7 per share

The following can be the scenarios reflecting risks and benefits at the end of the option expiry:

**Case 1** Stock falls below current price of Rs. 500 per share: The option expires worthless. Hence the loss from the stock position gets reduced to the extent of the premium income.

**Case 2:** Stock goes up above current price but remains below Rs. 550 per share (strike price): The option expires worthless. Hence the income from the gains in the stock price gets further boosted to the extent of the premium income.

**Case 3** Stock goes above Rs. 550 per share: Option position goes out of the money for the writer but the losses from the option position are matched by the gains from the underlying stock position above Rs. 550 per share. Hence the return from the position is equal to the return from stock up to the strike price of Rs. 550 per share and the premium income from the option.

## Futures

Futures contracts (index and single-stock) are standardised, exchange-traded derivatives that replicate OTC forwards. Both NSE and BSE list three serial expiries at any point—near-month, mid-month and far-month.

Expiry day (monthly contracts): • NSE – last Thursday for contracts maturing on or before 31 Aug 2025; last Tuesday thereafter • BSE – last Tuesday at present; switches to last Thursday for contracts maturing on or after 1 Sep 2025. If the scheduled day is a trading holiday, settlement is on the preceding trading day.

### Illustration with Index Futures

In case the Nifty spot is trading at say, Rs. 21,700, and the fund manager has a view that it will depreciate going forward; the Scheme can initiate a sell transaction of Nifty futures at Rs. 21,736 without holding a portfolio of equity stocks or any other underlying long equity position. Once the price falls to Rs. 21,500 after say, 20 days, the Scheme can initiate a square-up transaction by buying the said futures and book a profit of Rs. 236.

Correspondingly, if the fund manager has a positive view he can initiate a long position in the index / stock futures without an underlying cash/ cash equivalent subject to the extant regulations.

There are futures based on stock indices as mentioned above as also futures based on individual stocks. The profitability of index /stock future as compared to an individual security will inter-alia depend upon:

- The carrying cost,
- The interest available on surplus funds, and
- The transaction cost.

### Example of a typical future trade and the associated costs:

Particular	Index Future	Actual Purchase of Stocks
Index at the beginning of the month	11,700	11,700
Price of 1 Month Future	11,736	
A. Execution Cost: Carry and other index future costs	36	14.04
B. Brokerage Costs: (0.05% of Index Future and 0.12% for spot stocks)	5.868	
C. Gains on Surplus Funds: (Assumed 6.00% p.a. return on 85% of the money left after paying 15% margin) (6.00%*11700*85%*30days/365)	49.195	0
<b>Total Cost (A+B-C)</b>	<b>-7.33</b>	<b>14.04</b>

## Few strategies that employ stock /index futures and their objectives:

### (a) Arbitrage

1. **Buying spot and selling future:** Where the stock of a company “A” is trading in the spot market at Rs. 100 while it trades at Rs. 102 in the futures market, then the Scheme may buy the stock at spot and sell in the futures market thereby earning Rs. 2. Buying the stock in cash market and selling the futures results into a hedge where the Scheme has locked in a spread and is not affected by the price movement of cash market and futures market. The arbitrage position can be continued till expiry of the future contracts when there is a convergence between the cash market and the futures market. This convergence enables the Scheme to generate the arbitrage return locked in earlier.
2. **Selling spot and buying future:** In case the Scheme holds the stock of a company “A” at say Rs. 100 while in the futures market it trades at a discount to the spot price say at Rs. 98, then the Scheme may sell the stock and buy the future. On the date of expiry of the stock future, the Scheme may reverse the transactions (i.e. buying at spot & selling futures) and earn a risk-free Rs. 2 (2% absolute) on its holdings without any dilution of the view of the fund manager on the underlying stock. Further, the Scheme can still benefit from any movement of the price in the upward direction, i.e. if on the date of expiry of the futures, the stock trades at Rs. 110 which would be the price of the futures too, the Scheme will have a benefit of Rs. 10 whereby the Scheme gets the 10% upside movement together with the 2% benefit on the arbitrage and thus getting a total return of 12%. The corresponding return in case of holding the stock would have been 10%. Note: The same strategy can be replicated with a basket of Nifty-50 stocks (Synthetic NIFTY) and the Nifty future index

- (b) **Buying/ Selling Stock future:** When the Scheme wants to initiate a long position in a stock whose spot price is at say, Rs.100 and futures is at 98, then the Scheme may just buy the futures contract instead of the spot thereby benefiting from a lower cost. In case the Scheme has a bearish view on a stock which is trading in the spot market at Rs.98 and the futures market at say Rs. 100, the Scheme may subject to regulations, initiate a short position in the futures contract. In case the prices align with the view and the price depreciates to say Rs. 90, the Scheme can square up the short position thereby earning a profit of Rs.10 vis a vie a fall in stock price of Rs. 8.

- (c) **Hedging:** The Scheme may use exchange-traded derivatives to hedge the equity portfolio. Both index and stock futures and options may be used to hedge the stocks in the portfolio. (d) **Alpha Strategy:** The Scheme will seek to generate alpha by superior stock selection and removing market risks by selling appropriate index. For example, one can seek to generate positive alpha by buying a bank stock and selling Bank Nifty future

Risk associated with these strategies:

1. Lack of opportunities;
2. Inability of derivatives to correlate perfectly with the underlying security; and
3. Execution risk, whereby ultimate execution takes place at a different rates than those devised by the strategy.

Execution of these strategies depends upon the ability of the fund manager to identify and execute based on such opportunities. These involve significant uncertainties 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.

**Option Contracts (Stock and Index)**

An Option gives the buyer the right, but not the obligation, to buy (call) or sell (put) a stock at an agreed-upon price during a certain period of time or on a specific date. Options are used to manage risk or as an investment to generate income. The price at which underlying security is contracted to be purchased or sold is called the Strike Price. Options that can be exercised on or before the expiration date are called American Options while, Options that can be exercised only on the expiration date are called European Options

Options Risk / Return Pay-off Table

<b>Stock/ Index Options</b>	<b>Buy Call</b>	<b>Sell Call</b>	<b>Buy Put</b>	<b>Sell Put</b>
<b>View on Underlying</b>	Positive	Negative	Negative	Positive
<b>Premium</b>	Pay	Receive	Pay	Receive
<b>Risk Potential</b>	Limited to premium paid	Unlimited	Limited to premium paid	Unlimited
<b>Return Potential</b>	Unlimited	Premium Received	Unlimited	Premium Received

Note: The above table is for the purpose of explaining concept of options contract. As per the current Regulations, the Scheme cannot write option or purchase instrument with embedded write option.

Option contracts are of two types - Call and Put Call Option:

A call option gives the buyer, the right to buy specified quantity of the underlying asset at the set strike price on or before expiration date and the seller (writer) of call option however, has the obligation to sell the underlying asset if the buyer of the call option decides to exercise the option to buy.

A put option gives the buyer the right to sell specified quantity of the underlying asset at the set strike price on or before expiration date and the seller (writer) of put option however, has the obligation to buy the underlying asset if the buyer of the put option decides to exercise his option to sell.

**Portfolio Turnover:** Portfolio Turnover is a term used to measure the volume of trading that occurs in a Scheme's portfolio during a given time period. Trading opportunities may arise due to changes in system liquidity, interest rate policy announced by RBI, shifts in the yield curve, change or anticipation of change in the credit worthiness or credit rating of securities or any other factors, which may lead to increase in the turnover. The fund manager will endeavour to optimize portfolio turnover to maximize gains and minimize risks keeping in mind the cost associated with it. The Scheme is an open-ended scheme. It is expected that there would be a number of subscriptions and redemptions on a daily basis. Consequently, it

is difficult to estimate with any reasonable measure of accuracy, the likely turnover in the portfolio.

**Derivatives:** The Scheme may have prudent exposure to Debt Derivatives like Interest Rate Swaps, Interest Rate Futures, Forward Rate Agreements or other derivative instruments for the purpose of hedging / non-hedging, portfolio rebalancing, to capture opportunities arising out of market imperfection and other purposes as permitted by SEBI from time to time. Such exposure to derivative instruments will be in line with the investment objective and overall strategy of the Scheme. 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.

For detailed derivative strategies, please refer to SAI.

**Risk Control:** Risk is an inherent part of the investment function. Effective Risk management is critical to fund management for achieving financial soundness. Investment by the Scheme would be made as per the investment objective of the Scheme and in accordance with SEBI Regulations. AMC has adequate safeguards to manage risk in the portfolio construction process. Risk control would involve managing risk in order to keep in line with the investment objective of the Scheme. The risk control process would include identifying the risk and taking proper measures for the same. The system has incorporated all the investment restrictions as per the SEBI guidelines and enables identifying and measuring the risk through various risk management tools like various portfolio analytics, risk ratios, average duration and analyses the same and acts in a preventive manner.

#### **D. HOW WILL THE SCHEME BENCHMARK ITS PERFORMANCE?**

The performance of the scheme will be benchmarked to the performance of **NIFTY 50 Arbitrage TRI**

The composition of the benchmark is in line with the intended asset allocation and investment objective of the Scheme. Hence, the benchmark Index is an appropriate benchmark for the Scheme. The above benchmark is in accordance with clause 1.9 of SEBI Master Circular for Mutual Funds on 'Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes' and the list published by AMFI in this regard on Tier 1 benchmark for debt schemes. The Trustee reserves the right to change the benchmark for the evaluation of the performance of the Scheme from time to time, keeping in mind the investment objective of the Scheme and the appropriateness of the benchmark, subject to the compliance with Regulations/circulars issued by SEBI and AMFI in this regard from time to time.

The allocation in the Fund would be minimum 65% in equity and equity related instruments selected on the basis of arbitrage opportunities and maximum 35% in Debt & Money Market instruments including the margin money deployed in derivative transactions. Hence, the above-mentioned benchmark will be able to give a true and accurate comparative analysis.

The Trustee reserves the right to change the benchmark for evaluation of performance of the Scheme from time to time in conformity with investment objective of the Scheme and appropriateness of the benchmark subject to SEBI Regulations and other prevailing guidelines, if any.

Total Return variant of the index (TRI) will be used for performance comparison.

#### E. WHO MANAGES THE SCHEME?

Name of the Fund Manager, Age	Qualification	Brief Experience (Last 10 years)	Other Schemes under his/her management
Mr. Anoop Vijaykumar Age: 46	Qualification: B.E (Mumbai University), MBA (Indian School of Business)	Over 20 years of professional experience. Anoop has been associated with Capitalmind since 2019. He has been the PMS Fund Manager and head of Investment Research at Capitalmind PMS for the last 6 years. Prior to joining Capitalmind, Anoop has worked in senior management positions in MNCs like Microsoft and Honeywell. As a management consultant with Kearney, he has advised large corporations across sectors on corporate growth strategy, operations and margin improvement.	Fund Manager - Capitalmind Flexi Cap Fund
Mr. Prateek Jain, CFA Age: 36	Qualification: CFA - (CFA Institute USA), M Com - (Mumbai University), BMS - (Mumbai University)	Mr. Prateek Jain is an investment professional with extensive experience in fixed-income portfolio management and trading. Prior to joining the AMC, he was Fund Manager and Fixed-Income Dealer at Invesco Asset Management, responsible for liquid and overnight funds, duration and asset allocation strategies, yield-curve positioning, and daily cash-flow management. He has also worked with PNB Asset Management as Fixed-Income Dealer, and earlier gained experience in debt origination, risk management, and operations at Taurus Corporate Advisory Services and Edelweiss Capital.	Fund Manager - Capitalmind Liquid Fund Fund Manager - Capitalmind Flexi Cap Fund

**F. HOW IS THE SCHEME DIFFERENT FROM EXISTING SCHEMES OF THE MUTUAL FUND?**

Below is the table of other funds by the AMC

<b>Name of the Scheme</b>	<b>Category</b>	<b>Investment Objective</b>	<b>Scheme Characteristics</b>
Capitalmind Flexi Cap Fund	Equity – Flexi Cap	An open-ended dynamic equity scheme investing across large cap, mid cap, small cap stocks. The investment objective of the Scheme is to achieve long term capital appreciation by primarily investing in equity & equity related instruments across sectors and market capitalization levels. However, there is no assurance or guarantee that the investment objective of the Scheme would be achieved	Minimum Investment in equity & equity related instruments – 65% of total assets
Capitalmind Liquid Fund	Debt – Liquid Fund	An open-ended liquid scheme. The investment objective of the Scheme is Regular Income over the short-term investment horizon. However, there is no assurance or guarantee that the investment objective of the Scheme would be achieved	Investment in Debt and money market securities with maturity of up to 91 days only

The investors can refer to the detailed comparative table of the existing schemes on the website of the Company at link: <https://capitalmindmf.com>

**G. HOW HAS THE SCHEME PERFORMED?**

This Scheme is a new scheme and does not have any performance track record.

**H. ADDITIONAL SCHEME RELATED DISCLOSURES**

**Scheme’s portfolio holdings (top 10 holdings by issuer and fund allocation towards various sectors to be provided through a functional website link that contains detailed description.)**

Not applicable as it is a new scheme. However appropriate disclosure in this respect will be available at <https://capitalmindmf.com>

**Disclosure of name and exposure to Top 7 issuers, stocks, groups and sectors as a percentage of NAV of the scheme in case of debt and equity ETFs/index funds through a functional website link that contains detailed description**

Not applicable. <https://cm.fund/Top7Issuers>

**Functional website link for Portfolio Disclosure - Fortnightly / Monthly/ Half Yearly**

Portfolio of the Scheme shall be disclosed as on last day of the month/half year within 10 days from the end of month/half year. Portfolio shall be disclosed on AMC website - <https://cm.fund/PortfolioDisclosure> and on AMFI website - <https://www.amfiindia.com>. Portfolio shall be disclosed in a user-friendly and downloadable spreadsheet format.

**Portfolio Turnover Rate particularly for equity-oriented schemes shall also be disclosed.**

Not applicable as it is a new scheme.

**Aggregate investment in the Scheme by:**

S No	Category of Persons	Net Value	
		Units	NAV per Unit
1	Concerned Scheme's Fund		
Not Applicable			

The above disclosures are not applicable since this Scheme is a new scheme and does not contain any details. For any other disclosure w.r.t investments by key personnel and AMC directors including regulatory provisions in this regard kindly refer SAI

**Investments of AMC in the Scheme (Alignment of interest of AMC with Unitholders of the Scheme):** Subject to the SEBI (Mutual Funds) Regulations, 1996, the AMC may invest in the Scheme based on the risk associated with the Scheme. The AMC shall invest in the scheme based on the risk associated with the scheme as specified in para 6.9 of SEBI Master Circular for Mutual Funds read with AMFI Best Practice Guidelines Circular 135/BP/100/2022-23 dated April 26, 2022 and any other circulars issued there under, from time to time.

During the NFO period, AMC's investment shall be made during the allotment of Units and shall be calculated as a percentage of the final allotment value excluding AMC's investment pursuant to the circular issued by SEBI in this regard.

In addition to investments as mandated above, the AMC may invest in the Scheme subject to the SEBI (Mutual Funds) Regulations. Under the SEBI (Mutual Funds) Regulations, the AMC is not permitted to charge any investment management and advisory services fee on its own investment in the Scheme.

The Scheme may invest in other schemes managed by the AMC or in the schemes of any other mutual funds, provided it is in conformity to the investment objective of the Scheme and in terms of the prevailing SEBI (Mutual Funds) Regulations. As per the SEBI (Mutual Funds) Regulations, no investment management fees will be charged for such investments.

The investors can refer to the investments made by the AMC in the scheme on the website of the Company at <https://cm.fund/AMCInvestmentDisclosure>.

**Investment of Designated Employees of AMC in the Scheme (Alignment of interest of Designated Employees of AMC with Unitholders of the Scheme):** As per Para 6.10 of the Master Circular on 'Alignment of interest of Designated Employees of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes', as amended via SEBI/HO/IMD/IMD-PoD-1/P/CIR/2025/36 on 21st March 2025, SEBI has, inter alia mandated that a minimum slab wise percentage of the salary/ perks/ bonus/ non-cash compensation (gross annual CTC) net of income tax and any statutory contributions (i.e. PF and NPS) of the Designated Employees of the AMCs shall be mandatorily invested in Units of Mutual Fund schemes in which they have a role/oversight.

In accordance with the regulatory requirement, the minimum application amount / additional application amount / minimum redemption amount wherever specified in the SID of the Fund will not be applicable for investments made in the Scheme in compliance with the aforesaid circular(s).

For further details on the Alignment of Interest of Designated Employees of AMC with Unitholders of the Scheme, please refer to SAI

**PART III. OTHER DETAILS**

**A. COMPUTATION OF NAV**

The NAV of the Units of the Scheme would be computed by dividing the net assets of the scheme by the number of outstanding Units on the valuation date. The AMC shall value the investments according to the valuation norms (Valuation Policy), as specified in the Eighth Schedule of the SEBI (Mutual Funds) Regulations, 1996 or such guidelines / recommendations as may be specified by SEBI from time to time. The broad valuation norms are detailed in the SAI.

NAV for the Scheme and the repurchase prices of the Units will be calculated and announced at the close of each Business Day. The NAV shall be computed up to four decimals. The NAV of Direct Plan will be different from the NAV of Regular Plan.

The income earned and the profits realized in respect of the Units issued under the Growth Option remain invested and are reflected in the NAV of the units.

**Illustration:** NAV of Units under the Scheme shall be calculated as shown below:

NAV (INR) =

$$\frac{\text{(Market or Fair Value of Scheme's investments + Current Assets including accrued income - Current Liabilities and Provisions including accrued expenses)}}{\text{No. of Units outstanding under the scheme}}$$

Market or Fair Value of Scheme's investments = INR 100,00,00,000  
 Current assets including accrued income = INR 1,00,00,000  
 Current Liabilities and provisions including accrued expenses = INR.2,00,000  
 No. of Units outstanding under the scheme = 100,00,000  
 $NAV = (100,00,00,000 + 1,00,00,000 - 2,00,000) / 100,00,000$   
 Hence NAV of the scheme will be = INR. 100.9800

**Methodology of calculating the sale price:** The price or NAV a unitholder is charged while investing in an open-ended scheme is called sale / subscription price. Pursuant to clause 10.4.1.a of the SEBI Master Circular for Mutual Funds no entry load will be charged by the Scheme to the unitholders.

Therefore, Sale / Subscription price = Applicable NAV

**Methodology of calculating the repurchase price:** Repurchase or redemption price is the price or NAV at which an open-ended scheme purchases or redeems its units from the unitholders. It may include exit load, if applicable. The exit load, if any, shall be charged as a percentage of NAV i.e. applicable load as a percentage of NAV will be deducted from the "Applicable NAV" to calculate the repurchase price.

Therefore, Repurchase / Redemption Price = Applicable NAV \*(1 - Exit Load, if any)

Illustration: Say, Applicable NAV = INR. 12.0000 and the Exit Load is 0.50%, Redemption Price = 12 x (1-0.005) = INR 11.9400

As required under the SEBI (Mutual Funds) Regulations, 1996 the AMC shall ensure that the repurchase price of an open-ended scheme shall not be lower than 97% of the NAV.

NAV will also be displayed on the website of the AMC & on the website of AMFI. In addition, the ISCs would also display the NAV.

For other details such as policies w.r.t computation of NAV, rounding off, procedure in case of delay in disclosure of NAV etc. refer to SAI.

**B. NEW FUND OFFER (NFO) EXPENSES**

These expenses are incurred for the purpose of various activities related to the NFO such as sales and distribution fees paid marketing and advertising, registrar expenses, printing and stationery, communication, statutory expenses, bank charges etc.

As required under the SEBI (Mutual Funds) Regulations, all NFO expenses will be borne only by the AMC and not by the Scheme. Accordingly, the NFO expenses would be incurred from AMC books and not from Scheme’s books.

**C. ANNUAL SCHEME RECURRING EXPENSES**

These are the fees and expenses for operating the Scheme. These expenses include investment management and advisory fee charged by the AMC, Registrar and Transfer Agents’ fee, marketing and selling costs etc. as given in the table below:

Considering the asset allocation pattern of the scheme, AMC has estimated maximum TER of 2.25 % p.a in case of equity-oriented scheme & TER of 2.00 % in case of other than equity-oriented scheme, on the daily average net assets of the scheme, will be charged to the Scheme as expenses, as given below. For actual current expenses being charged, the investor should refer to the website of the Mutual Fund.

Limits specified by SEBI under SEBI (Mutual Funds) Regulations for recurring expenses for equity oriented schemes is as follows:

- a. on the first INR 500 crore of the Scheme's daily net assets - upto 2.25%;
- b. on the next INR 250 crore of the Scheme's daily net assets – upto 2.00%;
- c. on the next INR 1,250 crore of the Scheme’s daily net assets – upto 1.75%;
- d. on the next INR 3,000 crore of the Scheme’s daily net assets – upto 1.60%;
- e. on the next INR 5,000 crore of the Scheme’s daily net assets – upto 1.50%;
- f. on the next INR 40,000 crore of the Scheme’s daily net assets - Total Expense Ratio reduction of 0.05% for every increase of INR 5,000 crores of daily net assets or part thereof;
- g. on balance of the assets – upto 1.05%.

Expense Head	% p.a. of daily Net Asset* (Estimated p.a)
Investment Management & Advisory Fee	Up to 2.25
Audit fees/fees and expenses of trustees <sup>1</sup>	
Custodial Fees	

Registrar & Transfer Agent Fees including cost of providing account statements / redemption cheques/ warrants	
Marketing & Selling Expenses including Agents Commission and statutory Advertisement	
Costs related to investor communications	
Costs of fund transfer from location to location	
Cost towards investor education & awareness <sup>2</sup>	
Brokerage & transaction cost pertaining to distribution of Units <sup>3</sup>	
Goods & Services Tax on expenses other than investment and advisory fees	
Goods & Services Tax on brokerage and transaction cost <sup>4</sup>	
Other Expenses (to be specified as per Reg 52 of SEBI MF Regulations) <sup>5</sup>	
<b>Maximum Total expenses ratio (TER) permissible under Regulation 52 (6) (c)</b>	<b>Upto 2.25</b>
Additional expenses under Regulations 52(6A)(c) <sup>6</sup>	Upto 0.05

In addition to the recurring expenses mentioned above, the Scheme may also incur additional expenses up to 0.05% of daily net assets of the Scheme, as permitted under Regulation 52(6A)(c) of SEBI (Mutual Funds) Regulations, 1996 and SEBI circulars issued from time to time.

#There shall be no internal sub-limits within the expense ratio for expense heads mentioned under Regulation 52 (2) and (4) viz. Investment Management and Advisory Fees and various sub-heads of recurring expenses respectively.

\* Direct Plan under the Scheme shall have a lower expense ratio than Regular Plan, excluding distribution expenses, commission, etc., and no commission shall be paid from Direct Plan. All fees and expenses charged in a Direct Plan (in percentage terms) under various heads including the investment and advisory fee shall not exceed the fees and expenses charged under such heads in a Regular Plan

<sup>1</sup> The Trusteeship fees as per the provisions of clause 14 of the Trust Deed shall be charged subject to a maximum of 0.03% per annum (of the weekly average NAV of the relevant scheme). It has been decided by the Trustee to accrue in diem the remuneration aforesaid and shall continue to be payable until the Trust shall be finally wound up and whether or not the said Trust shall be in course of administration by or under the order or direction of the Court. In addition to the aforesaid fees, the Trustee may be reimbursed for costs, charges and expenses incurred in or for the effective discharge of its obligations and responsibilities towards the Trust. The Trustees may charge expenses as permitted from time to time under the Trust Deed and SEBI (MF) Regulations. The Trustee reserves the right to change the method of allocation of Trusteeship fees for the Scheme, from time to time.

<sup>2</sup>In terms of para 10.1.16 of the SEBI Master Circular for Mutual Funds, the AMC / Mutual Fund shall annually set apart at least 2 basis points (i.e. 0.02%) on daily net assets of the scheme within the maximum limit of Total Expense Ratio as per Regulation 52 of the SEBI (Mutual Funds) Regulations for investor education and awareness initiatives.

As per SEBI Circular dated November 27, 2025, the mutual fund distributors shall be eligible for additional commission for new investments / inflows from new individual investors (new PAN) from B-30 cities, at the mutual fund industry level and new women individual investors (new PAN) from both Top 30 and B-30 cities with effect from February 01, 2026, as follows:

a. Lump Sum Investment - 1% of the amount of the first application subject to a maximum of ₹2,000, provided the investor remains invested for a minimum period of one year.

b. Systematic Investment Plan (SIP)- 1% of the total investment made during the first year, subject to a maximum of ₹2,000.

The aforesaid additional commission shall be paid from the 2 basis points on daily net assets, mandated to be set apart annually by AMCs for investor education, awareness and financial inclusion initiatives, subject to adequate claw back provisions. This additional commission shall be in addition to the existing trail commission paid to the Distributor from the scheme

<sup>3</sup>**Additional Expenses under Regulation 52 (6A):** %Brokerage and transaction costs incurred for the execution of trades and included in the cost of investment, not exceeding 0.12% of the value of trades of cash market transactions and 0.05% of the value of trades of derivative market transactions. It is hereby clarified that the brokerage and transaction costs incurred for the execution of trades may be capitalized to the extent of 0.12% of the value of trades of cash market transactions and 0.05% of the value of trades of derivative market transactions. Any payment towards brokerage and transaction costs (including Goods & Services Tax, if any) incurred for the execution of trades, over and above the said 0.12% for cash market transactions and 0.05% of the value of trades of derivative market transactions may be charged to the scheme within the maximum limit of Total Expense Ratio (TER) as prescribed under Regulation 52 of the SEBI (MF) Regulations.

<sup>4</sup>**GST :** As per clause 10.3 of the Master Circular, GST shall be charged as follows:

- 1) GST on investment management and advisory fees shall be charged to the Scheme in addition to the maximum limit of TER as prescribed in Regulation 52 (6) of the SEBI (MF) Regulations.
- 2) GST on other than investment management and advisory fees, if any, shall be borne by the Scheme within the maximum limit of TER as prescribed in Regulation 52 (6) of the SEBI (MF) Regulations.
- 3) GST on exit load, if any, shall be paid out of the exit load proceeds and exit load net of GST, if any, shall be credited to the Scheme.
- 4) GST on brokerage and transaction cost paid for execution of trade, if any, shall be within the limit prescribed under Regulation 52 of the SEBI (MF) Regulations.

<sup>5</sup>As permitted under Regulation 52 of SEBI (Mutual Funds) Regulations, 1996 and pursuant to SEBI Master Circular for Mutual Funds dated June 27, 2024.

<sup>6</sup>As per Para 10.1.7 of SEBI Master Circular on Mutual Funds, schemes wherein exit load is not levied, the AMC shall not be eligible to charge the additional expenses for such Scheme

**Transparency in TER:** As per clause 10.1.12 of SEBI Master Circular, All scheme related expenses including commission paid to distributors, shall be paid from the scheme only within the regulatory limits and not from the books of the AMC, its associates, sponsor, trustee or any other entity through any route.

- Provided that, such expenses that are not specifically covered in terms of Regulation 52 (4) – very small in value but high in volume - can be paid out of AMC books at actual or not exceeding 2 bps of the Scheme AUM, whichever is lower.
- Such expenses incurred by AMC will be properly recorded and audited in the books of account of AMC at year end.
- The Mutual Fund shall adopt full trail model of commission in the scheme, without payment of any upfront commission or upfronting of any trail commission, directly or indirectly, in cash or kind, through sponsorships, or any other route.
- No pass back, either directly or indirectly, shall be given by the Fund / the AMC / Distributors to the investors.
- Training sessions and programmes conducted for distributors would continue and would not be misused for providing any reward or non-cash incentive to the distributors.

The total expenses charged to the Scheme shall not exceed the limits stated in Regulation 52 of the SEBI (MF) Regulations and as permitted under SEBI Circulars issued from time to time.

The Mutual Fund would update the current expense ratios on the website ([www.capitalmindmf.com](http://www.capitalmindmf.com)) at least 03 (three) Business days prior to the effective date of the change and update the TER on the website.

The total expense ratios of the schemes of the Mutual Fund are available in downloadable spreadsheet format on the AMC website and AMFI website. Any change in the expense ratios will be updated at least 3 (three) Business Days prior to the effective date of the change. For the current total expense ratio details of the Scheme, investors may visit <https://cm.fund/TER> as well as AMFI’s website viz., <https://www.amfiindia.com>

**Illustration in returns between Regular and Direct Plan**

Expense ratio, normally expressed as a percentage of Average Assets under Management, is calculated by dividing the permissible expenses under the SEBI (MF) Regulations by the average net assets. To further illustrate the above in rupees terms, for the Scheme under reference, suppose an Investor invested INR 10,000/- (after deduction of stamp duty and transaction charges, if any) the impact of expenses charged will be as under

<b>Particulars</b>	<b>Regular Plan</b>	<b>Direct Plan</b>
Amount invested at the beginning of the year (INR)	10,000	10,000
Returns before Expenses (INR)	1,500	1,500
Expenses other than Distribution Expenses (INR)	50	50
Distribution Expenses (INR)	100	-
<b>Returns after Expenses at the end of the year (INR)</b>	<b>1,350</b>	<b>1,450</b>

<b>Returns (%)</b>	13.50%	14.50%
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Note(s):

- The purpose of the above illustration is purely to explain the impact of expense ratio charged under the Scheme and should not be construed as providing any kind of investment advice or guarantee of returns on investments.
- It is assumed that the expenses charged are evenly distributed throughout the year.
- The expenses of the Direct Plan under the Scheme will be lower to the extent of the distribution expenses/commission.
- Any tax impact has not been considered in the above example, in view of the individual nature of the tax implications. Each investor is advised to seek appropriate advice.

For the actual current expenses being charged to the scheme, investors should refer to the website of the mutual fund at link: <https://cm.fund/TER> Any change proposed to the current expense ratio will be updated on the website at least 3 (three) Business Days prior to the change.

As per the SEBI (MF) Regulations, the total recurring expenses that can be charged to the Scheme shall be subject to the applicable guidelines. The total recurring expenses of the Scheme will however be limited to the ceilings as prescribed under Regulation 52(6) of the Regulations.

#### **D. LOAD STRUCTURE**

Exit Load is an amount which is paid by the investor to redeem the Units from the Scheme. Load amounts are variable and are subject to change from time to time. For the current applicable structure, please refer to the website of the AMC (<https://capitalmindmf.com>) or may call at (toll free no.1-800-570-5001) or check with your distributor

<b>Type of Load</b>	<b>Load chargeable (as %age of NAV)</b>
Entry	Nil
Exit*	0.25% - If redeemed on or before 15days from the day of allotment. Nil - If redeemed after 15 days from the date of allotment.  If there is change in control of the AMC and/or change in the fundamental attributes of the Scheme and an investor wants to exit from the Scheme - Nil exit load.

\* The load on other types of transaction could be Switch in/out, SIP/SWP/STP (as applicable)

1. In terms of Para 10.4 of SEBI Master Circular, no entry load will be charged on purchase / additional purchase / switch-in of the units of the Mutual Fund by investor. The commission as specified in aforesaid circular, if any, on investment made by the investor

shall be paid by the investor directly to the Distributor, based on his assessment of various factors including the service rendered by the Distributor.

2. Any exit load charged (net of Goods and Services tax, if any) after the commencement of SEBI (Mutual Funds) (Second Amendment) Regulations, 2012, shall be credited back to the Scheme. Any imposition or enhancement of exit load in future shall be applicable on prospective investments only. Goods & Services Tax on exit load, if any, shall be paid out of the exit load proceeds.
3. For the purpose of charging of exit load, units would be considered on First in First out (FIFO) basis.

#### Note on Load Exemptions:

1. AMC shall not charge any load on issue of bonus units and units allotted on reinvestment of dividend for existing as well as prospective investors.
2. No load will be charged on issue of bonus Units for existing as well as prospective investors.
3. No exit load shall be levied in case of switch of investments from Direct Plan to Regular Plan and vice versa

At the time of changing the load structure, the AMC may consider the following measures to avoid complaints from investors about investment in the schemes without knowing the loads:

1. The addendum detailing the changes will be displayed on the website of the Mutual Fund <https://capitalmindmf.com>
2. The addendum detailing the changes will be attached to Scheme Information Documents and key information memorandum. The addendum will be circulated to all the distributors/brokers so that the same can be attached to all Scheme Information Documents and key information memoranda already in stock.
3. Arrangements will be made to display the addendum in the Scheme Information Document in the form of a notice in all the investor service centres and distributors / brokers office.
4. The introduction of the exit load/ Contingent Deferred Sales Charge (CDSC) along with the details will be stamped in the acknowledgement slip issued to the investors on submission of the application form and may also be disclosed in the statement of accounts issued after the introduction of such load/CDSC.
5. A public notice shall be given in respect of such changes 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.
6. Any other measures which the mutual funds may feel necessary.

The Trustee / AMC reserves the right to change the load structure any time in future if they so deem fit on a prospective basis. The investor is requested to check the prevailing load structure of the scheme before investing. Investors may obtain information on loads on any Business Day by calling the office of the AMC or any of the Investor Service

The AMC/Trustee reserves the right to change / modify the Load structure of the Scheme, subject to maximum limits as prescribed under the Regulations. However, the Redemption /Repurchase Price will not be lower than 97% of the NAV.

## SECTION II

### PART I: INTRODUCTION

#### A. DEFINITIONS / INTERPRETATION

The investors may refer to the website of the Company at link: <https://capitalmindmf.com> for definition of terms used in this Scheme Information Document.

#### B. RISK FACTORS

##### STANDARD RISK FACTORS

- Mutual Fund Schemes are not guaranteed or assured return products. The present Scheme is not a guaranteed or assured return scheme.
- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal.
- As the price / value / interest rates of the securities in which the Scheme invests fluctuates, the value of investment in a mutual fund Scheme may go up or down.
- In addition to the factors that affect the value of individual investments in the Scheme, the NAV of the Scheme may fluctuate with movements in the broader bond markets and may be influenced by factors affecting capital and money markets in general, such as, but not limited to, changes in interest rates, currency exchange rates, changes in Government policies, taxation, political, economic or other developments and increased volatility in the stock and bond markets.
- Past performance does not guarantee future performance of any Mutual Fund Scheme.
- The name of the Scheme does not in any manner indicate its quality or its future prospects and returns
- The Sponsor(s) are not responsible or liable for any loss resulting from the operation of the Scheme beyond the initial contribution of Rs. 1 lakh each made by it towards setting up the Fund.

Please refer SAI for details

##### Scheme Specific Risk Factors:

#### 1) Risks related to Arbitrage Strategy

- The primary objective of the Scheme is to identify investment opportunities and to exploit price discrepancies in various markets. Identification and exploitation of the strategies to be pursued by the fund manager involve uncertainty. 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. Reduction in mis-pricing opportunities between the cash market and future and options market may lead to lower level of activity affecting the returns. As the Scheme proposes to execute arbitrage transactions in various markets simultaneously, this may result in high portfolio turnover and consequently high transaction cost.

- In case of a large redemption, the scheme may need to reverse the spot-futures transaction before the date of futures' settlement. This eventuality may lead to the basis risk.
- While reversing the spot-futures transaction on the Futures & Options settlement day on the Exchange, there could be a risk of volume-weighted-average- price of the market being different from the price at which the actual reversal is processed. This may result in basis risk.
- On the date of expiry, when the arbitrage is to be unwound, it is not necessary for the stock price and its future contract to coincide. There could be a discrepancy in their prices even a minute before the market closes. Thus, there is a possibility that the arbitrage strategy gets unwound at different prices.

## **2) Risks associated with investing in Equity and Equity Related Instruments**

- Investors may note that AMC/Fund Manager's investment decisions may not be always profitable, as actual market movements may be at variance with anticipated trends. 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 due to 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. Similarly, the inability to sell securities held in the Scheme portfolio would result at times, in potential losses to the Scheme, should there be a subsequent decline in the value of securities held in the Scheme portfolio.
- 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.
- The Mutual Fund may not be able to sell securities, which can lead to temporary illiquidity. There are risks inherent in securities lending, including the risk of failure of the other party, in this case the approved intermediary to comply with the terms of the agreement. Such failure can result in a possible loss of rights to be collateral, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of corporate benefits accruing thereon.
- Investors may note that dividend is due only when declared and there is no assurance that a company (even though it may have a track record of payment of dividend in the past) may continue paying dividend in future. As such, the scheme is vulnerable to instances where investments in securities may not earn dividend or where lesser dividend is declared by a company in subsequent years in which investments are made by scheme. As the profitability of companies are likely to vary and have a material bearing on their ability to declare and pay dividend, the performance of the scheme may be adversely affected due to such factors.
- 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.

- 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
- Further, the volatility of medium / small - capitalization stocks may be higher in comparison to liquid large capitalization stocks.
- Fund Manager endeavors 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 would continue.
- In case of abnormal circumstances, it will be difficult to complete the square off transaction due to liquidity being poor in stock futures/spot market. However, the scheme will aim to take exposure only into liquid stocks where there will be minimal risk to square off the transaction.
- Changes in Government policy in general and changes in tax benefits applicable to mutual funds may impact the returns to investors in the Scheme or business prospects of the Company in any particular sector.
- Investments in equity and equity related securities involve a certain degree of risk and Investors should not invest in the equity scheme unless they can afford to take the risk of losing their investment.

### 3) Risks associated with investing in Debt securities & Money market instruments

- **Market Risk:** The NAV of the Scheme, to the extent invested in debt and money market securities, will be affected by changes in the general level of interest rates. 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.
- **Interest-Rate Risk:** Fixed income securities such as government bonds, corporate bonds, money market instruments and derivatives run price-risk or interest-rate risk. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest, credit quality, demand and supply. However, in case of Government securities credit risk remains zero, their prices are influenced by the movement in interest rates in the financial system. In case of floating rate instruments, an additional risk could arise because of changes in spreads of floating rate instruments. With increase in spread of floating rate instruments, the price can fall and with decrease in spread of floating rate instruments, the prices can rise. Moreover, the floating rate instruments having a periodical interest rate reset carry lower interest rate risk compared to a fixed rate debt security. However, in the falling interest rate scenario, the returns on floating rate debt instruments may not be better than those on fixed rate debt instruments level at which the security is being traded.
- **Liquidity Risk:** Money market securities, while fairly liquid, lack a well-developed secondary market, which may restrict the selling ability of the scheme and may lead to the scheme incurring losses till the security is finally sold. The liquidity of a bond may change, depending on market conditions leading to changes in the liquidity premium

attached to the price of the bond. At the time of selling the security, the security can become illiquid, leading to loss in value of the portfolio.

- **Price Risk:** Government securities where a fixed return is offered run price-risk like any other fixed income security. Generally, when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest rates. The new level of interest rate is determined by the rates at which government raises new money and/or the price levels at which the market is already dealing in existing securities. This risk is not unique to Government securities. It exists for all fixed income securities. However, Government securities are unique in the sense that their credit risk generally remains zero. Therefore, their prices are influenced only by movement in interest rates in the financial system
- **Prepayment Risk:** Some fixed-income securities give the issuer the right to call back the securities before their maturity date, particularly in periods of declining interest rates. This prepayment risk may force the Scheme to reinvest the proceeds at lower yields, resulting in reduced interest income.
- **Settlement risk:** 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 extraneous factors that may impact liquidity would result, at times, in potential losses in case of a subsequent decline in the value of securities held in the scheme's portfolio.
- **Regulatory Risk:** Changes in government policy in general and changes in tax benefits applicable to Mutual Funds may impact the returns to investors in the scheme.
- **Reinvestment Risk:** This risk refers to the interest rate levels at which cash flows received from the securities in the Scheme are reinvested. The additional income from reinvestment is the "interest on interest" component. The risk is that the rate at which interim cash flows can be reinvested may be lower than that originally assumed. Consequently, the proceeds may get invested at a lower rate.
- **Credit Risk:** 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/instrument goes down. Different types of securities in which the scheme(s) 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 AAA rated are comparatively less risky than bonds which are AA rated. Investments in Debt Securities are subject to the risk of an issuer's inability to meet interest and principal payments on its obligations and market perception of the creditworthiness of the issuer.
- **Risks associated with investment in unlisted securities:** Subject to applicable regulations, the Scheme can invest in unlisted securities. These securities are subject to greater price fluctuations, less liquidity and greater risk than the listed securities.

Except for any security of an associate or group company, the scheme has the power to invest in securities which are not listed on a stock exchange (“unlisted Securities”) which in general are subject to greater price fluctuations, less liquidity and greater risk than those which are traded in the open market. Unlisted securities may lack a liquid secondary market and there can be no assurance that the Scheme will realize their investments in unlisted securities at a fair value.

- **Basis Risk:** Basis risk arises due to a difference in the price movement of the derivative vis-à-vis that of the security being hedged. During the life of a floating rate security or a swap, the underlying benchmark index may become less active and may not capture the actual movement in interest rates or at times the benchmark may cease to exist. These types of events may result in loss of value in the portfolio.
- **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.
- **Counterparty Risk:** This is the risk of failure of counterparty to a transaction to deliver securities against consideration received or to pay consideration against securities delivered, in full or in part or as per the agreed specification. There could be losses to the Scheme in case of a counterparty default.
- **Duration Risk:** Duration risk refers to the movement in price of the underlying invested money market / debt instruments due to movement/change in interest rates over different durations of maturity of instruments. In a portfolio of debt assets, the duration risk is measured by the average duration of the portfolio. Duration, expressed in years, is used as a measure of the sensitivity of the fixed income instrument to a change in interest rates. Usually, individual duration of fixed income instruments in the portfolio is calculated and the portfolio duration is weighted average of such individual instrument duration. A longer portfolio duration is associated with greater price fluctuations. A rise in interest rates could normally lead to decrease in prices and generally negatively affects portfolios having longer duration vis-a-vis portfolios having shorter duration. A fall in interest rate generally benefits portfolio having longer duration. A longer duration portfolio is also generally associated with greater volatility vis-a-vis a shorter duration portfolio.
- **Sovereign Risk:** Sovereign risk is the likelihood that a government will default on its loan obligation by failing to meet its principal payments or interest. It comes in different forms and may result in losses to investors in addition to negative political consequences. The Central Government of a country is the issuer of the local currency in that country. The Government (Central / State) raises money to meet its capital and revenue expenditure by issuing debt or discounted securities. Since payment of interest and principal amount has a sovereign status implying no default, such securities are known as securities with sovereign credit. For domestic borrowers and lenders, the credit risk on such sovereign credit is minimal, even lower than a security with “AAA” rating and hence commands a yield, which is lower than a yield on “AAA” security.
- **Other risks associated with Debt and Money Market Instruments:**

- Different types of fixed income securities in which the scheme would invest as given in the SID carry different levels and types of risk. Accordingly, the scheme risk may increase or decrease depending upon its investment pattern. e.g. corporate bonds carry a higher level of risk than Government securities. Further even among corporate bonds, bonds, which are AAA rated, are comparatively less risky than bonds, which are AA rated. AA rated corporate bonds are comparatively less risky when compared with A rated corporate bonds.
  - The AMC may, considering the overall level of risk of the portfolio, invest in lower rated securities offering higher yields as well as zero coupon securities that offer attractive yields. This may increase the absolute level of risk of the portfolio.
  - As zero-coupon securities does not provide periodic interest payments to the holder of the security, these securities are more sensitive to changes in interest rates. Therefore, the interest rate risk of zero-coupon securities is higher. The AMC may choose to invest in zero coupon securities that offer attractive yields. This may increase the risk of the portfolio.
  - The scheme at times may receive large number of redemption requests leading to an asset-liability mismatch and therefore requiring the AMC to make a distress sale of the securities leading to realignment of the portfolio and consequently resulting in investment in lower yield instruments.

**4) Risks associated with investing in securitized debt:** The Scheme may invest in domestic securitized debt such as asset backed securities (ABS) or mortgage-backed securities (MBS). Asset Backed Securities (ABS) are securitized debts where the underlying assets are receivables arising from various loans including automobile loans, personal loans, loans against consumer durables, etc. Mortgage-backed securities (MBS) are securitized debts where the underlying assets are receivables arising from loans backed by mortgage of residential / commercial properties. ABS/MBS instruments reflect the undivided interest in the underlying pool of 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. If the delinquencies and credit losses in the underlying pool exceed the credit enhancement provided, ABS/MBS holders will suffer credit losses. ABS/MBS are also normally exposed to a higher level of reinvestment risk as compared to the normal corporate or sovereign debt.

Different types of securitized debts in which the scheme would invest carry different levels and types of risks. Accordingly, the scheme's risk may increase or decrease depending upon its investments in securitized debts. e.g. AAA securitized bonds will have lower credit risk than a AA securitized bond. Credit Risk on securitized bonds may also depend upon the Originator, if the Bonds are issued with Recourse to Originator. A Bond with Recourse will have a lower Credit Risk than a Bond without Recourse. Underlying Assets in Securitized Debt may be the Receivables from Auto Finance, Credit Cards, Home Loans or any such receipts. Credit risk relating to these types of receivables depends upon various factors including macro-economic factors of these industries and economies. To be more specific, factors like nature and adequacy of property mortgaged against these borrowings, loan agreement, mortgage deed in case of Home Loan, adequacy of documentation in case of Auto Finance and Home Loan, capacity of borrower to meet its obligation on borrowings

in case of Credit Cards and intentions of the borrower influence the risks relating to the assets (borrowings) underlying the Securitized Debts. Holders of Securitized Assets may have Low Credit Risk with Diversified Retail Base on Underlying Assets, especially when Securitized Assets are created by High Credit Rated Tranches. Risk profiles of Planned Amortization Class Tranches (PAC), Principal Only Class Tranches (PO) and Interest Only Class Tranches (IO) will also differ, depending upon the interest rate movement and Speed of Pre-payments. A change in market interest rates/prepayments may not change the absolute amount of receivables for the investors, but affects the reinvestment of the periodic cashflows that the investor receives in the securitized paper.

Presently, secondary market for securitized papers is not very liquid. There is no assurance that a deep secondary market will develop for such securities. This could limit the ability of the investor to resell them. Even if a secondary market develops and sales were to take place, these secondary transactions may be at a discount to the initial issue price due to changes in the interest rate structure.

Securitized transactions are normally backed by pool of receivables and credit enhancement as stipulated by the rating agency, which differ from issue to issue. The Credit Enhancement stipulated represents a limited loss cover to the Investors. These Certificates represent an undivided beneficial interest in the underlying receivables and there is no obligation of either the Issuer or the Seller or the originator, or the parent or any affiliate of the Seller, Issuer and Originator. No financial recourse is available to the Certificate Holders against the Investors' Representative. Delinquencies and credit losses may cause depletion of the amount available under the Credit Enhancement and thereby the Investor Payouts may get affected if the amount available in the Credit Enhancement facility is not enough to cover the shortfall. On persistent default of an Obligor to repay his obligation, the Seller may repossess and sell the underlying Asset. However, many factors may affect, delay or prevent the repossession of such Asset or the length of time required to realize the sale proceeds on such sales. In addition, the price at which such Asset may be sold may be lower than the amount due from that Obligor.

**Prepayment Risk:** This arises when the borrower pays off the loan sooner than expected. When interest rates decline, borrowers tend to pay off high interest loans with money borrowed at a lower interest rate, which shortens the average maturity of ABSs. However, there is some prepayment risk even if interest rates rise, such as when an owner pays off a mortgage when the house is sold, or an auto loan is paid off when the car is sold.

**Reinvestment Risk:** Since prepayment risk increases when interest rates decline, this also introduces reinvestment risk, which is the risk that the principal can only be reinvested at a lower rate.

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

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

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

**Auto Loans (cars / commercial vehicles /two wheelers):** The underlying assets (cars etc) are susceptible to depreciation in value whereas the loans are given at high loan to value ratios. Thus, after a few months, the value of asset becomes lower than the loan outstanding. The borrowers, therefore, may sometimes tend to default on loans and allow the vehicle to be repossessed. These loans are also subject to model risk. i.e. if a particular automobile model does not become popular, loans given for financing that model have a much higher likelihood of turning bad. In such cases, loss on sale of repossession vehicles is higher than usual.

Commercial vehicle loans are susceptible to the cyclicity in the economy. In a downturn in economy, freight rates drop leading to higher defaults in commercial vehicle loans. Further, the secondhand prices of these vehicles also decline in such economic environment.

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

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

**Personal Loans:** These are unsecured loans. In case of a default, the bank has no security to fall back on. The lender has no control over how the borrower has used the borrowed money. Further, all the above categories of loans have the following common risks:

- All the above loans are retail, relatively small value loans. There is a possibility that the borrower takes different loans using the same income proof and thus the income is not sufficient to meet the debt service obligations of all these loans.
- In India, there is insufficiency of ready comprehensive and complete database regarding past credit record of borrowers. Thus, loans may be given to borrowers with poor credit record. In retail loans, the risks due to frauds are high.

**Corporate Loans:** These are loans given to single or multiple corporates. The receivables from a pool of loans to corporate are assigned to a trust that issues Pass Through Certificates (PTC) in turn. The credit risk in such PTCs is on the underlying pool of loans to corporates. The credit risk of the underlying loans to the corporates would in turn depend on economic cycles.

The rating agencies define margins, over collateralization and guarantees to bring risk in line with similar AAA rated securities. The factors typically analyzed for any pool are as follows:

- a. Assets securitized and Size of the loan: This indicates the kind of assets financed with the loan and the average ticket size of the loan. A very low-ticket size might mean more costs in originating and servicing of the assets.

- b. Diversification: Diversification across geographical boundaries and ticket sizes might result in lower delinquency.
- c. Loan to Value Ratio: Indicates how much % value of the asset is financed by borrower's own equity. The lower this value the better it is. This suggests that where the borrowers own contribution of the asset cost is high; the chances of default are lower.
- d. Average seasoning of the pool: This indicates whether borrowers have already displayed repayment discipline. The higher the number, the more superior it is. The other main risks pertaining to Securitized debt are as follows:

#### **5) Risks associated with investing in derivatives**

The Scheme may use various derivative products as permitted by the SEBI (MF) Regulations, 1996. Use of derivatives requires an understanding of not only the underlying instrument but also of the derivative itself. Other risks include the risk of mis-pricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.

The Scheme may use derivatives instruments for the purpose of hedging and portfolio balancing, as permitted under the SEBI (MF) Regulations 1996 and guidelines. Usage of derivatives will expose the scheme to certain risks inherent to such derivatives. 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.

Derivatives are highly leveraged instruments. Even a small price movement in the underlying security could have a large impact on their value.

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. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative add to the portfolio and the ability to forecast price of securities being hedged and interest rate movements correctly.

The specific risk factors arising out of a derivative strategy used by the Fund Manager may be as below:

- Lack of opportunity available in the market.
- Valuation Risk: The risk of mispricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.
- Execution Risk: The prices which are seen on the screen need not be the same at which execution will take place. The Scheme may find it difficult or impossible to execute derivative transactions in certain circumstances. For example, when there are insufficient bids or suspension of trading due to price limit or circuit breakers, the Scheme may face a liquidity issue. Investments in index futures face the same risk as

the investments in a portfolio of shares representing an index. The extent of loss is the same as in the underlying stocks. The Scheme bears a risk that it may not be able to correctly forecast future market trends or the value of assets, indices or other financial or economic factors in establishing derivative positions for the Scheme.

- **Basis Risk:** This risk arises when the derivative instrument used to hedge the underlying asset does not match the movement of the underlying asset being hedged. The risk may be interrelated also e.g., interest rate movements can affect equity prices, which could influence specific issuer/industry assets.
- **Stock Exchanges** could increase the initial margin, variation margin or other forms of margin on derivative contracts, impose one sided margins or insist that margins be placed in cash. All of these might force positions to be unwound at a loss and might materially impact returns.
- **Operational / Systemic Risk:** This is the risk arising due to failure of operational processes followed by the exchanges and Over the Counter (OTC) participants for the derivatives trading.
- **Exposure Risk:** An exposure to derivatives in excess of the hedging requirements can lead to losses. An exposure to derivatives can also limit the profits from a plain investment transaction.
- **Implied Volatility:** The estimated volatility of an underlying security's price and derivatives price.
- **Systemic Risk:** The risk inherent in the capital market due to macro-economic factors like Inflation, GDP, Global events.
- **Counterparty Risk:** There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the "**counter party**") to comply with the terms of the derivatives contract. The counter party may default on a transaction before settlement and therefore, the Scheme is compelled to negotiate with another counterparty at the then prevailing (possibly unfavorable) market price. The risk of loss in trading futures contracts can be substantial, because of the low margin deposits required, the extremely high degree of leverage involved in futures pricing and the potential high volatility of the futures markets.
- **Credit Risk:** The Credit Risk is the risk that the counter party will default in its obligations and is generally small as in a derivative transaction there is generally no exchange of the principal amount.

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.

**Risks specific to certain derivative strategies are highlighted below:**

**a) Risk associated with Interest Rate Future (IRF):**

An Interest Rate Futures is an agreement to buy or sell a debt instruments at a specified future date at a price that is fixed today. Interest Rate Futures are Exchange Traded and

are cash settled. Hedging using Interest Rate Futures can be perfect or imperfect. Perfect hedging means hedging the underlying using IRF contract of same underlying.

- i. Market risk: Derivatives carry the risk of adverse changes in the market price.
- ii. Price Risk- The risk of mispricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.
- iii. Liquidity risk – This occurs where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates and indices.
- iv. Model Risk - The risk of mispricing or improper valuation of derivatives.
- v. Basis Risk – This risk arises when the instrument used as a hedge does not match the movement in the instrument/ underlying asset being hedged.

The risks may be inter-related also; for e.g. interest rate movements can affect equity prices, which could influence specific issuer/industry assets. Correlation weakening and consequent risk of regulatory breach: SEBI Regulations mandates minimum correlation criterion of 0.9 (calculated on a 90-day basis) between the portfolio being hedged and the derivative instrument used for hedging. In cases where the correlation falls below 0.9, a rebalancing period of 5 (five) Business Days has been permitted. Inability to satisfy this requirement to restore the correlation level to the stipulated level, within the stipulated period, due to difficulties in rebalancing would lead to a lapse of the exemption in gross exposure computation. The entire derivative exposure would then need to be included in gross exposure, which may result in gross exposure in excess of 100% of net asset value.

#### **b) Risks associated with Covered Call Strategy**

The risk associated with covered calls is the loss of upside, i.e. if the shares are assigned (called away), the option seller forgoes any share price appreciation above the option strike price.

The Scheme may write covered call option only in case it has adequate number of underlying equity shares as per regulatory requirement. This would lead to setting aside a portion of investment in underlying equity shares. If covered call options are sold to the maximum extent allowed by regulatory authority, the scheme may not be able to sell the underlying equity shares immediately if the view changes to sell and exit the stock. The covered call options need to be unwound before the stock positions can be liquidated. This may lead to a loss of opportunity, or can cause exit issues if the strike price at which the call option contracts have been written become illiquid. Hence, the scheme may not be able to sell the underlying equity shares, which can lead to temporary illiquidity of the underlying equity shares and result in loss of opportunity.

The writing of covered call option would lead to loss of opportunity due to appreciation in value of the underlying equity shares. Hence, when the appreciation in equity share price is more than the option premium received the scheme would be at a loss. The total gross exposure related to option premium paid and received must not exceed the regulatory limits of the net assets of the scheme. This may restrict the ability of Scheme to buy any options.

**6) Risks associated with securities lending:** Securities lending is lending of securities through an approved intermediary to a borrower under an agreement for a specified period

with the condition that the borrower will return equivalent securities of the same type or class at the end of the specified period along with the corporate benefits accruing on the securities borrowed.

Engaging in securities lending is subject to risks related to fluctuations in collateral value and settlement/liquidity and counter party risks. 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. The Scheme may not be able to sell such lent securities and this can lead to temporary illiquidity and in turn cannot protect from the falling market price of the said security.

**7) Risk factors associated with investing in Gilt Securities:** Generally, when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in prices is a function of the existing coupon, days to maturity and the increase or decrease in interest rates. Price risk is not unique to government securities but is true for all fixed income securities. The default risk however, in respect of Government securities is zero. Therefore, their prices are influenced only by movement in interest rates in the financial system. On the other hand, in the case of corporate or institutional fixed income securities, such as bonds or debentures, prices are influenced by credit standing of the issuer as well as the general level of interest rates. Even though the Government securities market is more liquid compared to other debt instruments, on occasions, there could be difficulties in transacting in the market due to extreme volatility or unusual constriction in market volumes or on occasions when an unusually large transaction has to be put through.

**8) Risk Factor associated with investing in Tier I and Tier II Bonds:**

Tier I and Tier II Bonds are unsecured and the RBI prescribes certain restrictions in relation to the terms of these Bonds:

Tier I and Tier II bonds are unsecured in nature. The claims of the Bondholders shall (i) be subordinated to the claims of all depositors and general creditors of the Bank; (ii) neither be secured nor covered by any guarantee of the Issuer or its related entity or other arrangement that legally or economically enhances the seniority of the claim vis-a-vis creditors of the Bank; (iii) Unless the terms of any subsequent issuance of bonds/debentures by the Bank specifies that the claims of such subsequent bond holders are senior or subordinate to the Bonds issued under the Disclosure Document or unless the RBI specifies otherwise in its guidelines, the claims of the Bondholders shall be pari passu with claims of holders of such subsequent debentures/bond issuances of the Bank; (iv) rank pari passu without preference amongst themselves and other subordinated debt eligible for inclusion in Tier 1 / Tier 2 Capital as the case may be. The Bonds are not redeemable at the option of the Bondholders or without the prior consent of RBI.

The Bonds (including all claims, demands on the Bonds and interest thereon, whether accrued or contingent) are issued subject to loss absorbency features applicable for non-equity capital instruments issued in terms of Basel III Guidelines including in compliance with the requirements of Annex 5 thereof and are subject to certain loss absorbency features as described in bond prospectus and required of Tier 1 / Tier 2 instruments at the Point of Non Viability as provided for in Annex 16 of the aforesaid Basel III Guidelines as amended from time to time.

The Bonds are essentially non-equity regulatory instruments, forming part of a Bank's capital, governed by Reserve Bank of India (RBI) guidelines. These instruments have certain unique features which, inter-alia, grant the issuer (i.e. banks, in consultation with RBI) a discretion in terms of writing down the principal / interest, to skip interest payments, to make an early recall etc. without commensurate right for investors to legal recourse, even if such actions of the issuer might result in potential loss to investors. Payment of coupon on the Bonds is subject to the terms of Information Memorandum, including Coupon Discretion, Dividend Stopper Clause, Loss Absorption, as contained in the Information Memorandum. The Bonds are subject to loss absorption features as per the guidelines prescribed by RBI.

There may be no active market for the Bonds on the platform of the Stock Exchanges. As a result, the liquidity and market prices of the Bonds may fail to develop and may accordingly be adversely affected:

There is no assurance that a trading market for the Bonds will exist and no assurance as to the liquidity of any trading market. Although an application will be made to list the Bonds on the NSE and/or BSE, there can be no assurance that an active market for the Bonds will develop, and if such a market were to develop, there is no obligation on the issuer to maintain such a market. The liquidity and market prices of the Bonds can be expected to vary with changes in market and economic conditions, financial condition and prospects and other factors that generally influence market price of such instruments. Such fluctuations may significantly affect the liquidity and market price of the Bonds, which may trade at a discount to the price at which one purchases these Bonds.

Issuer is not required to and will not create or maintain a Debenture Redemption Reserve (DRR) for the Bonds issued under this Disclosure Document:

As per the Companies (Share Capital and Debentures) Rules, 2014, as amended, no Debenture Redemption Reserve is required to be created by Banking Companies issuing debentures.

There is no assurance that the Tier I / Tier II bonds will not be downgraded:

The Rating agencies, which rate the Bonds, have a slightly different rating methodology for Tier I and Tier II bonds. In the event of deterioration of the financial health of the Issuer or due to other reasons, the rating of the Bonds may be downgraded whilst the ratings of

other bonds issued by the issuer may remain constant. In such a scenario, for Tier I and Tier II Bond holders may incur losses on their investment.

#### 9) Risk of instrument not being called by the Issuer

**Banks:** The issuing banks have an option to call back the instrument after minimum period as per the regulatory requirement from the date of issuance and specified period thereafter, subject to meeting the RBI guidelines. However, if the bank does not exercise the call on first call date, the Scheme may have to hold the instruments for a period beyond the first call exercise date.

**NBFCs:** The NBFC issuer has an option to call back the instrument after minimum period as per the regulatory requirement from date of issuance and specified period thereafter, subject to meeting the RBI guidelines. However, if the NBFC does not exercise the call option the Scheme may have to hold the instruments for a period beyond the first call exercise date.

**Corporates:** There is no minimum period for call date. However, if the corporate does not exercise the call option, the Scheme may have to hold the instruments for a period beyond the call exercise date.

#### 10) Risks associated with segregated portfolio

**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 (Ten) Business 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. There may be possibility that the security comprising the segregated portfolio may not realize any value.

**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.

#### 11) Risks associated with Repo Transactions in Corporate Debt Securities

**Lending Transactions:** The scheme may be exposed to counter party risk in case of repo lending transactions in the event of the counterparty failing to honour the repurchase

agreement. However, in repo lending transactions, the collateral may be sold, and a loss is realized only if the sale price is less than the repo amount. The risk may be further mitigated through over-collateralization (the value of the collateral being more than the repo amount). Further, the liquidation of underlying securities in case of counterparty default would depend on liquidity of the securities and market conditions at that time. It is endeavored to mitigate the risk by following an appropriate counterparty selection process, which include their credit profile evaluation and over-collateralization to cushion the impact of market risk on sale of underlying security.

Collateral risk also arises when the market value of the securities is inadequate to meet the repo obligations or there is downward migration in rating of collateral. Further if the rating of collateral goes below the minimum required rating during the term of repo or collateral becomes ineligible for any reason, counterparty will be expected to substitute the collateral. In case of failure to do so, the AMC / Scheme will explore the option for early termination of the trade.

**Borrowing Transactions:** In the event of the scheme being unable to pay back the money to the counterparty as contracted, the counter party may dispose of the assets (as they have sufficient margin). This risk is normally mitigated by better cash flow planning to take care of such repayments. Further, there is also a Credit Risk that the Counterparty may fail to return the security or Interest received on due date. It is endeavored to mitigate the risk by following an appropriate counterparty selection process, which include their credit profile evaluation.

**12) Risks associated with investment in Credit Default Swap:** Mutual Fund schemes can buy Credit Default Swap (CDS) to hedge credit risk of corporate bond holdings in the portfolio.

Below are the risks associated with investment in CDS:

**Counterparty Risk:** This is the risk that the seller of the CDS might default on their obligation. If the counterparty fails to pay in the event of a default by the bond issuer, the mutual fund could face significant losses.

**Market Liquidity Risk:** The CDS market can become illiquid during periods of financial stress. This means that mutual funds might find it difficult to buy or sell CDS contracts at favorable prices when required.

**Regulatory Risk:** SEBI has specific guidelines for mutual fund schemes participating in buying/selling CDS. Any changes in these regulations could impact the Mutual Fund's ability to effectively use CDS for hedging

**Credit Risk of the CDS Seller:** The creditworthiness of the CDS seller is crucial. If the seller's credit rating deteriorates, the protection offered by the CDS might become less reliable.

**13) Risks associated with investing in Tri-party Repo (TREPS) through CCIL:** All transactions of the Mutual Fund in government securities and in Tri- party Repo trades are settled centrally through the infrastructure and settlement systems provided by CCIL; thus reducing the settlement and counterparty risks considerably for transactions in the said segments. The members are required to contribute an amount as communicated by CCIL from time to time to the default fund maintained by CCIL as a part of the default waterfall

(a loss mitigating measure of CCIL in case of default by any member in settling transactions routed through CCIL).

As per the waterfall mechanism, after the defaulter's margins and the defaulter's contribution to the default fund have been appropriated, CCIL's contribution is used to meet the losses. Post utilization of CCIL's contribution if there is a residual loss, it is appropriated from the default fund contributions of the non-defaulting members. Thus the scheme is subject to risk of the initial margin and default fund contribution being invoked in the event of failure of any settlement obligations. In addition, the fund contribution is allowed to be used to meet the residual loss in case of default by the other clearing member (the defaulting member).

CCIL shall maintain two separate Default Funds in respect of its Securities Segment, one with a view to meet losses arising out of any default by its members from outright and repo trades and the other for meeting losses arising out of any default by its members from Triparty Repo trades. The Mutual Fund is exposed to the extent of its contribution to the default fund of CCIL at any given point in time i.e. in the event that the default waterfall is triggered and the contribution of the Mutual Fund is called upon to absorb settlement/default losses of another member by CCIL, the Scheme may lose an amount equivalent to its contribution to the default fund.

Further, it may be noted that CCIL periodically prescribes a list of securities eligible for contributions as collateral by members. Presently, all Central Government securities and Treasury bills are accepted as collateral by CCIL. The risk factors may undergo change in case the CCIL notifies securities other than Government of India securities as eligible for contribution as collateral.

#### **14) Risk Factors associated with Investments in InvITs**

**Market Risk:** InvITs are volatile and prone to price fluctuations on a daily basis owing to market movements. Investors may note that AMC/Fund Manager's investment decisions may not always be profitable, as actual market movements may be at variance with the anticipated trends. The NAV of the scheme is vulnerable to movements in the prices of securities invested by the scheme, due to various market related factors like changes in the general market conditions, factors and forces affecting capital market, level of interest rates, trading volumes, settlement periods and transfer procedures. The scheme will undertake active portfolio management as per the investment objective to reduce the market risk.

**Credit 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. InvITs are likely to have volatile cash flows as the repayment dates would not necessarily be pre-scheduled.

**Liquidity Risk:** This refers to the ease with which InvIT Units can be sold. There is no assurance that an active secondary market will develop or be maintained. Hence there would be time when trading in the Units could be infrequent. The subsequent valuation of illiquid Units may reflect a discount from the market price of comparable securities for which a liquid market exists.

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 liquidating the investments in the scheme may be high in the event of immediate redemption requirement. Investment in such securities may lead to increase in the scheme portfolio risk. 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 Units.

**Reinvestment Risk:** Investments in InvITs may carry reinvestment risk as there could be repatriation of funds by the Trusts in form of buyback of Units or dividend pay-outs, etc. Consequently, the proceeds may get invested in assets providing lower returns. However, the reinvestment risk will be limited as the proceeds are expected to be a small portion of the portfolio value.

**Risk of lower than expected distributions:** The distributions by the InvIT will be based on the net cash flows available for distribution. The amount of cash available for distribution principally depends upon the amount of cash that the INVIT receives as dividends or the interest and principal payments from portfolio assets. The cash flows generated by portfolio assets from operations may fluctuate based on, among other things:

- success and economic viability of tenants and off-takers
- economic cycles and risks inherent in the business which may negatively impact
- valuations, returns and profitability of portfolio assets
- force majeure events related such as earthquakes, floods etc. rendering the portfolio assets inoperable
- debt service requirements and other liabilities of the portfolio assets
- fluctuations in the working capital needs of the portfolio assets
- ability of portfolio assets to borrow funds and access capital markets
- changes in applicable laws and regulations, which may restrict the payment of dividends by portfolio assets
- amount and timing of capital expenditures on portfolio assets
- insurance policies may not provide adequate protection against various risks associated with operations of the InvIT such as fire, natural disasters, accidents
- taxation and other regulatory factors

**15) Performance Risk:** Performance risk refers to the risk of a scheme being unable to generate returns matching / above the returns of the scheme's benchmark. It would also mean the scheme underperforming against its peer set of other mutual fund schemes having similar portfolios, scheme classification, objective, benchmark and asset allocation. These risks could arise due to a variety of market and economic activities, government policies, global economic changes, currency fluctuations, tax policies, political changes, corporate actions and investors' behaviour.

**16) Risks Factors associated with transaction in Units through stock exchange(s):** In respect of transaction in Units of the Scheme through stock exchange platform(s), allotment and redemption of Units on any Business Day will depend upon the order

processing / settlement by the stock exchange(s) and their respective clearing corporations on which the Fund has no control.

**17) Risks associated with investment in Units of mutual fund:** Investment in Mutual Fund Units involves investment risks, including but not limited to risks such as liquidity risk, volatility risk, default risk including the possible loss of principal.

- Liquidity risk – The liquidity of the Scheme’s investments is inherently restricted by trading volumes and settlement periods. In the event of an inordinately large number of redemption requests, or of a restructuring of the Scheme’s investment portfolio, these periods may become significant. In view of the same, the right to limit redemptions will be in accordance with SEBI mandated process.
- Volatility risks: There is the risk of volatility in markets due to external factors like liquidity flows, changes in the business environment, economic policy etc. The Scheme will manage volatility risk through diversification across companies and sectors.
- Default risk - Default risk is risk resulting from uncertainty in counterparty's ability or willingness to meet its contractual obligations. This risk pertains to the risk of default of payment of principal and interest. Government Securities have zero credit risk while other debt instruments are rated according to the issuer's ability to meet the obligations.

Further, Subject to the approval of Board of Directors of the AMC and Trustee Company and immediate intimation to SEBI, a restriction on redemptions may be imposed by Scheme(s) under certain exceptional circumstances, which the AMC / Trustee believe that may lead to a systemic crisis or event that constrict liquidity of most securities or the efficient functioning of markets.

**18) Risk factors associated with investment in unrated securities:** The Scheme may invest in unrated securities as permitted under the SEBI (Mutual Funds) Regulations 1996. Investment in unrated securities involve a risk of default or decline in market value higher than rated instruments due to adverse economic and issuer-specific developments. Such investments display increased price sensitivity to changing interest rates and to a deteriorating economic environment. The market values for unrated investments tends to be more volatile and such securities tend to be less liquid than rated debt securities.

**19) Risk associated with potential change in Tax structure:** This summary of tax implications given in the taxation section is based on the current provisions of the applicable tax laws. This information is provided for general purpose only. The current taxation laws may change due to change in the ‘Income Tax Act 1961’ or any subsequent changes/amendments in Finance Act/Rules/Regulations. Any change may entail a higher outgo to the scheme or to the investors by way of securities transaction taxes, fees, taxes etc. thus adversely impacting the scheme and its returns

**20) Risk associated with Corporate Debt Market Development Fund (CDMDF)**

**Default Risk:** CDMDF invests in corporate debt, which exposes it to the risk of issuer defaults and credit downgrades. In periods of market dislocation, the fund may hold distressed or lower-rated debt, increasing the potential for credit losses.

**Liquidity Risk:** The fund's ability to provide liquidity support during market stress may be constrained.

**Borrowing and Leverage Risk:** CD MDF may borrow from financial institutions to finance its corporate debt purchases. This leverage amplifies potential risks, particularly if market conditions deteriorate further.

**Loss Absorption:** Mutual funds selling to CD MDF bear the risk of first loss, as per the prescribed loss absorption mechanism. This could result in losses for the MF schemes involved, particularly during severe market dislocations

## 21) Risks associated with Short Selling

The Scheme may enter into short selling transactions, subject to SEBI and RBI Regulations. Short positions carry the risk of losing money and these losses may grow unlimited theoretically if the price of the stock increases without any limit. This may result in major loss to the Scheme. At times, the participants may not be able to cover their short positions, if the price increases substantially. If numbers of short sellers try to cover their position simultaneously, it may lead to disorderly trading in the stock and thereby can briskly escalate the price even further making it difficult or impossible to liquidate short position quickly at reasonable prices. In additions, short selling also carries the risk of inability to borrow the security by the participants thereby requiring the participants to purchase the securities sold short to cover the position even at unreasonable prices.

## 22) Risk factors associated with investing in Non-Convertible Preference Shares

**Credit Risk** Credit risk is the risk that an issuer will be unable to meet its obligation of payment of dividend and/ or redemption of principal amount on the due date. Further, for non-cumulative preference shares, issuer also has an option to not pay dividends on preference shares in case of inadequate profits in any year.

**Liquidity Risk** -The preference shares generally have limited secondary market liquidity and thus we may be forced to hold the instrument till maturity.

**Unsecured in nature**-Preference shares are unsecured in nature and rank lower than secured and unsecured debt in hierarchy of payments in case of liquidation. Thus there is significant risk of capital erosion in case the company goes into liquidation

**C. RISK MITIGATION STRATEGIES**

The Fund by utilizing a holistic risk management strategy will endeavor to manage risks associated with investing in debt markets. The risk control process involves identifying & measuring the risk through various risk measurement tools. A dedicated Risk Management Committee at the AMC Board level ensures focused oversight. Further, there is oversight from the Trustees over the AMC to ensure internal controls are met.

The Fund has identified following risks of investing in debt and designed risk management strategies, which are embedded in the investment process to manage such risks

Risk Description & Type of Instrument	Mitigation Measures
<p><b>Market Risk -Equity</b>            The Scheme is vulnerable to movements in the prices of securities invested by the Scheme, which could have a material bearing on the overall returns from the scheme. 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.</p>	<p>Market risk is a risk which is inherent to an equity scheme. The scheme may use derivatives for hedging purpose.</p>
<p><b>Liquidity risk - Equity</b>            The liquidity of the Scheme’s investments is inherently restricted by trading volumes in the securities in which it invests.</p> <p>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</p>	<p>The Mutual Fund seeks to control such risk by investing in such stocks having strong fundamentals, sound financial strength and superior quality of management and highly liquid papers. The Mutual 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.</p> <p>The Mutual Fund will aim at taking exposure only into liquid stocks / derivatives where there will be minimal risk to square off the transaction.</p>
<p><b>Derivatives Risk - Equity</b>            As and when the Scheme trades in the derivatives market there are risk factors and issues concerning the use of derivatives that</p>	<p>The Mutual Fund has provision for using derivative instruments for portfolio balancing and hedging purposes. Investments in derivative instruments will</p>

<p>Investors should understand. Derivative products are specialized instruments that require investment techniques and risk analyses 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 and the ability to forecast price or interest rate movements correctly. There is the possibility that a loss may be sustained by the portfolio as a result of the 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 and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.</p>	<p>be used as per regulatory guidelines. The fund will endeavor to maintain adequate controls to monitor the derivatives transactions entered into.</p>
<p><b>Risks associated with Debt investment</b></p>	
<p><b>Market Risk</b></p> <p>As with all debt securities, changes in interest rates may affect the Scheme’s NAV 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.</p>	<p>In a rising interest rates scenario, the Fund Manager will endeavor to increase investment in money market securities whereas if the interest rates are expected to fall, the allocation to debt securities with longer maturity will be increased thereby mitigating risk to that extent.</p>
<p><b>Liquidity or Marketability Risk</b></p> <p>This refers to the ease with which a security can be sold at or near to its valuation Yield-To-Maturity (YTM). The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is today characteristic of the Indian fixed income market.</p>	<p>The Scheme may invest in government securities, corporate bonds and money market instruments. While the liquidity risk for government securities, money market instruments and short maturity corporate bonds may be low, it may be high in case of medium to long maturity corporate bonds. Liquidity risk is today characteristic of the Indian fixed income market. The Scheme will however, endeavor to minimise liquidity risk by</p>

	investing in securities having a liquid market.
<p><b>Credit Risk</b></p> <p>Credit risk or default risk refers to the risk that an issuer of a fixed income security may default (i.e., will be unable to make timely principal and interest payments on the security). Because of this risk corporate debentures are sold at a higher yield above those offered on Government Securities which are sovereign obligations and free of credit risk. Normally, 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. The greater the credit risk, the greater the yield required for someone to be compensated for the increased risk.</p>	<p>A traditional Strengths Weakness Opportunities and Threats (SWOT) analysis will be used for identifying company specific risks.</p> <p>Management’s past track record will also be studied. In order to assess financial risk, a detailed assessment of the issuer’s financial statements will be undertaken to review its ability to undergo stress on cash flows and asset quality. A detailed evaluation of accounting policies, off balance sheet exposures, notes, auditors’ comments and disclosure standards will also be made to assess the overall financial risk of the potential borrower. In case of securitized debt instruments, the fund will ensure that these instruments are sufficiently backed by assets.</p>
<p><b>Reinvestment Risk</b></p> <p>This risk refers to the interest rate levels at which cash flows received from the securities in the scheme are reinvested. The additional income from reinvestment is the “interest on interest” component. The risk is that the rate at which interim cash flows can be reinvested may be lower than that originally assumed.</p>	<p>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.</p>
<p><b>Derivatives Risk - Debt</b></p> <p>As and when the Scheme trades in the derivatives market, 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 analyses 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 and the ability to</p>	<p>The Mutual Fund has provision for using derivative instruments for portfolio balancing and hedging purposes. Interest Rate Swaps will be done with approved counter parties under pre-approved International Swaps and Derivatives Association (ISDA) agreements. Mark to Market of swaps, netting off of cash flow and default provision clauses will be provided as per international best practice on a reciprocal basis. Interest rate swaps and other derivative instruments will be used as per regulatory guidelines.</p>

<p>forecast price or interest rate movements correctly. There is the possibility that a loss may be sustained by the portfolio as a result of the 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 mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.</p>	
<p><b>Interest Rate Risk:</b> Security price volatility due to movements in interest rate. Since Macaulay Duration of the portfolio will be managed within a specified range, the Scheme will be subject to interest rate risk on an ongoing basis</p>	<p>An active duration management strategy is employed by controlling the portfolio’s duration and continuously evaluating its structure in the context of the prevailing interest rate environment. The scheme will have regular stress tests run on the portfolio that simulate various interest rate risk related scenarios to provide the fund manager insight into how to best handle interest rate risk in adverse scenarios</p>
<p><b>Volatility Risk</b>  Various inherent risks arising as a consequence of investing in derivatives</p>	<p>The Scheme has provision for using derivative instruments for hedging purposes and portfolio balancing. Interest rate swaps will be done with approved counter parties under pre-approved ISDA agreements. Mark-to-Market of swaps, netting off of cash flow and default provision clauses will be provided as per international best practice on a reciprocal basis. Interest rate swaps and other derivative instruments including Credit Default Swap (CDS) will be used as per SEBI/RBI regulatory guideline</p>

**Liquidity Risk Management Framework:** The Scheme adopts the Liquidity Risk Management Framework (LRM) as mandated by AMFI and SEBI, which requires Scheme Portfolio to maintain certain portion of their investments in liquid assets. This portion as required to be kept, is ascertained basis the scheme’s liability profile, i.e. investor profile. This framework seeks to estimate a likely quantum of redemption that the scheme is expected to face over the subsequent 30-day period and requires the scheme to maintain liquid assets to that extent as a minimum requirement. The Framework also enumerates corrective actions to be taken in the event of any shortfall owing to higher redemption than estimated. The Investment Manager also has in place an Asset Liability Mismatch (ALM) Framework which monitors similar aspects.

**Swing Pricing:** Pursuant to clause 4.10 of SEBI Master Circular for Mutual Funds, the AMC has a Swing Pricing policy in place to help in case of severe liquidity stress at an AMC level or a severe dysfunction at market level, the Swing Pricing offers the contingency plan in case of extreme exigencies. Investors are suggested to read the detailed disclosure pertaining to this policy under “Swing Pricing” section in SAI.

In case of severe liquidity stress at an AMC level or a severe dysfunction at market level, the Swing Pricing guidelines get triggered which offers the contingency plan in case all else fails.

**Backstop Facility in Form of Investment in CDMDF:** CDMDF is set up as a scheme of the Trust registered as an Alternative Investment Fund (‘AIF’) in accordance with the SEBI (Alternative Investment Funds) Regulations, 2012 (‘AIF Regulations’). The objective of the CDMDF is to help to develop the corporate debt market by providing backstop facility to instill confidence amongst the market participants in the corporate debt/bond market during times of market dislocation and to enhance the secondary market liquidity. In times of market dislocation, CDMDF shall purchase and hold eligible corporate debt securities from the participating investors (i.e., specified debt-oriented MF schemes) and sell as markets recover. The CDMDF will thus act as a key enabler for facilitating liquidity in the corporate debt market and to respond quickly in times of market dislocation. The trigger and period for which the backstop facility will be open shall be as decided by SEBI. Thus, this backstop facility will help fund managers of the aforementioned Schemes to better generate liquidity during market dislocation to help the schemes fulfill liquidity obligations under stress situation.

In accordance with the requirement of regulation 43A of SEBI (Mutual Funds) Regulations, 1996 read with SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2023/129 dated July 27, 2023, on Investment by Mutual Fund Schemes in units of Corporate Debt Market Development Fund, the aforementioned schemes shall invest 25 bps of its AUM as on December 31, 2022 in the units of the Corporate Debt Market Development Fund (‘CDMDF’). An incremental contribution to CDMDF shall be made every six months to ensure 25 bps of scheme AUM is invested in units of CDMDF. However, if AUM decreases there shall be no return or redemption from CDMDF. Contribution made to CDMDF, including the appreciations on the same, if any, shall be locked-in till winding up of the CDMDF. Investments in CDMDF units shall not be considered as violation while considering maturity restriction as applicable for various purposes (including applicable Investment limits) and the calculations of Potential Risk Class (PRC) Matrix, Risk-o-meter, Stress testing and Duration for various purposes shall be done after excluding investments in units of CDMDF.

While these measures are expected to mitigate the above risks to a large extent, there can be no assurance that these risks would be eliminated. The measures mentioned above is based on current market conditions and may change from time to time based on changes in such conditions, regulatory changes and other relevant factors. Accordingly, our risk mitigation measures, and other information contained herein may change in response to the same.

## PART II: INFORMATION ABOUT THE SCHEME

### A. WHERE WILL THE SCHEME INVEST

Subject to the Regulations, the corpus of the Scheme can be invested in any (but not exclusively) of the following securities:

- 1) Equity and Equity Related Instruments: Equity and equity related securities including Indian Depository Receipts (IDRs), convertible debentures, preference shares, partially paid shares, index derivatives, rights entitlements to equity shares, equity derivatives and warrants carrying the right to obtain equity shares.
- 2) Securities issued by Government of India. Repos/reverse repos in Government Securities as may be permitted by RBI (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills).

**Repo:** As per Section 45U (c) of RBI Act, 1934, “repo” means an instrument for borrowing funds by selling securities with an agreement to repurchase the securities on a mutually agreed future date at an agreed price which includes interest for the funds borrowed.

**Reverse Repo:** As per Section 45U (c) of RBI Act, 1934, “reverse repo” means an instrument for lending funds by purchasing securities with an agreement to resell the securities on a mutually agreed future date at an agreed price which includes interest for the funds lent.

**Triparty Repo (TREPS):** According to Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018, triparty repo means a repo contract where a third entity (apart from the borrower and lender), called a Triparty Agent, acts as an intermediary between the two parties to the repo to facilitate services like collateral selection, payment and settlement, custody, and management during the life of the transaction. TREPS facilitates, borrowing and lending of funds, in Triparty Repo arrangement.

Such securities could be fixed rate, fixed interest rate with put/call option, zero coupon bond, floating rate bonds, capital indexed bonds, fixed interest security with staggered maturity payment etc.

**Treasury Bills (T-Bills)** are issued by the Government of India to meet their short-term borrowing requirements. T-Bills are issued for maturities of 91 days, 182 days and 364 days. T-bills are issued at a discount to their face value and redeemed at par.

- 3) Securities guaranteed by the Central and State Governments (including but not limited to coupon bearing bonds, zero coupon bonds and treasury bills).
- 4) A Government Security (G-Sec) is a tradeable instrument issued by the Central Government or the State Governments of India. It acknowledges the Government’s debt obligation. They are generally long term with maturity of one year or more. In India, the Central Government issues both, treasury bills and bonds or dated securities while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs). G-Secs carry practically no risk of default and, hence, are called risk-free gilt-edged instruments. Repos / Reverse Repos enables collateralized

short-term borrowing and lending through sale/purchase operations in such government securities.

- 5) Debt obligations of domestic Government agencies and statutory bodies, which may or may not carry a Central/State Government guarantee. These are instruments which are issued by various government agencies and bodies. They can be issued at discount, par or premium
- 6) Corporate debt and securities (of both public and private sector undertakings) including Bonds, Debentures, Notes, Strips etc. These are instruments issued by corporate entities for their business requirements. They are generally rated by credit rating agencies, higher the rating lower the risk of default.
- 7) Certificate of Deposits (CD) – CD is a negotiable money market instrument issued by scheduled commercial banks and select all-India Financial Institutions that have been permitted by the RBI to raise short term resources. The maturity period of CDs issued by the Banks is between 7 days to one year, whereas, in case of FIs, maturity is between one year to 3 years from the date of issue. CDs may be issued at a discount to face value.
- 8) Commercial Paper (CP) -CP is an unsecured negotiable money market instrument issued in the form of a promissory note, generally issued by the corporates, primary dealers and all India Financial Institutions as an alternative source of short-term borrowings. They are issued at a discount to the face value as may be determined by the issuer. CP is traded in secondary market and can be freely bought and sold before maturity.
- 9) Repo transactions in Corporate Debt Securities
- 10) Cash Management Bill -Cash Management Bill (CMB) are issued by the Government of India to meet their short-term borrowing requirements. CMB are generally issued for maturities of less than 91 days
- 11) Bills Re-Discounting (BRD) is the rediscounting of trade bills which have already been purchased by / discounted with the bank by the customers. These trade bills arise out of supply of goods / services.
- 12) Cash and cash equivalents
- 13) Money Market Instruments include but not limited to Commercial Paper, Commercial Bills, Certificates of Deposit, Treasury Bills, Bills Rediscounting, Triparty Repo, Repo/ Reverse repo in government securities, Government securities with an unexpired maturity upto 1 year, Call or notice money, Usance Bills, and any other short-term instruments allowed under current Regulations.
- 14) Non-Convertible Debentures and Bonds: Non-convertible debentures as well as bonds are securities issued by companies / institutions promoted / owned by the Central or State Governments and statutory bodies which may or may not carry a Central/State Government guarantee, Public and private sector banks, all India Financial Institutions and Private Sector Companies. These instruments may be secured or unsecured against the assets of

the Company and generally issued to meet the short term and long term fund requirements.

- 15) The non-convertible part of convertible securities – Convertible securities are securities which can be converted from Debt to Equity shares. The non-convertible part cannot be converted into Equity shares and work like a normal debt instrument.
- 16) Commercial Bills: A Commercial Bill is a short-term, negotiable instrument (also known as a bill of exchange) used by firms to finance their working capital, typically arising from sales on credit.
- 17) Bills Re-discounting is an instrument where a financial institution discounts the bills of exchange that it has discounted previously with another financial institution.
- 18) A Usance bill is a financial instrument where payment is not due immediately, but rather at a predetermined future date
- 19) Debt Instruments including but not limited to Non-convertible debentures, Bonds, Secured premium notes, Zero interest bonds, Deep discount bonds, Floating rate bond / notes. These are financial instruments issued by companies (both public and private) to raise long-term funds through public issues. They are generally rated by credit rating agencies.
- 20) Securitised Debt Obligations.
- 21) Units of Mutual Fund(s)- Mutual fund means a fund established in the form of a trust to raise monies through the sale of units to the public or a section of the public under one or more schemes for investing in securities, money market instruments, gold or gold related instruments, silver or silver related instruments, real estate assets and such other assets and instruments as may be specified by the SEBI from time to time.
- 22) Derivative instruments like Interest Rate Swaps, Interest Rate Futures, Forward Rate Agreements and such other derivative instruments permitted by SEBI/RBI from time to time
  - a. Interest Rate Swap: An Interest Rate Swap (IRS) is a financial contract between two parties exchanging or swapping a stream of interest payments for a “notional principal” amount on multiple occasions during a specified period. Such contracts generally involve exchange of a “fixed to floating” or “floating to fixed rate” of interest. Accordingly, on each payment date that occurs during the swap period, cash payments based on fixed/ floating and floating rates are made by the parties to one another.
  - b. Interest Rate Futures: A futures contract is a standardized, legally binding agreement to buy or sell a commodity or a financial instrument in a designated future month at a market determined price (the futures price) by the buyer and seller. The contracts are traded on a futures exchange. An Interest Rate Future is a futures contract with an interest-bearing instrument as the underlying asset. Characteristics of Interest Rate Futures
    - i. Obligation to buy or sell a bond at a future date
    - ii. Standardized contract.
    - iii. Exchange traded

iv. Physical settlement

- c. Forward Rate Agreement: A Forward Rate Agreement (FRA) is a financial contract between two parties to exchange interest payments for a 'notional principal' amount on settlement date, for a specified period from start date to maturity date. Accordingly, on the settlement date, cash payments based on contract (fixed) and the settlement rate, are made by the parties to one another. The settlement rate is the agreed benchmark/ reference rate prevailing on the settlement date.
- 23) Credit default swaps is a financial contract that enables an investor to transfer or hedge their credit risk by exchanging it with another party
- 24) Liquid assets - Liquid assets shall include Cash, Government Securities, T-bills and Repo on Government Securities.
- 25) Securities Lending-Securities Lending and Borrowing is a process through which shares or stocks are lent or borrowed from other investors or financial firms at a specified time and price
- 26) Pass through Certificate (PTC) (Pay through or other Participation Certificates) represents beneficial interest in an underlying pool of cash flows. These cash flows represent dues against single or multiple loans originated by the sellers of these loans. These loans are given by banks or financial institutions to corporates. PTCs may be backed, but not exclusively, by receivables of personal loans, car loans, two wheeler loans and other assets subject to applicable regulations.
- 27) Investment in Short Term Deposits -Pending deployment of funds as per the investment objective of the Scheme, the Funds may be parked in short term deposits of the Scheduled Commercial Banks, subject to guidelines and limits specified by SEBI.
- 28) Any other like instruments as may be permitted by RBI/SEBI/ such other Regulatory Authority from time to time

## Debt and Money Markets in India

### What is a Debt Instrument?

A Debt Instrument is a borrowing obligation which the borrower has to service for mutually agreed period and rate of interest. There are a huge variety of debt or fixed income instruments, as they are usually called. The sheer variety in these instruments mean that they can be classified on the basis of any of these features.

### List of Features (list is indicative)

- Face Value: Stated value of the paper /Principal Amount
- Coupon: Zero, fixed or floating
- Frequency: Semi-annual; annual, sometimes quarterly or Monthly
- Maturity: Bullet, staggered
- Redemption: Face Value; premium or discount
- Options: Call/Put Issue Price: Par (Face Value) or premium or discount.

**List of Debt Market Instruments:** The Indian Debt market comprises of the Money Market and Debt Market. Money market instruments are Commercial Papers (CPs), Certificates of Deposit (CDs), Treasury bills (T-bills), Repos, Inter-bank Call money deposit, Reverse Repo and TREPS etc. Money market instruments have a tenor of less than one year while debt market instruments typically have a tenor of more than one year. Debt market in India comprises mainly of two segments viz., the Government securities market and the corporate securities market.

- Government securities include central, state and quasi govt issues. The main instruments in this market are dated securities (Fixed or Floating) and Treasury bills (Discounted Papers). These securities are generally issued through auctions on the basis of 'uniform price' method or 'Multiple price' method.

Indicative list of Government Debt includes – Central Government Debt, State Government Debt, State Government Loans, Zero Coupon Bonds, Treasury Bills, Dated Government Securities, Coupon Bearing Bonds, Floating Rate Bonds

- Corporate Debt segment on the other hand includes bonds/debentures issued by private corporates, public sector Units (PSUs), public financial institutions (PFIs) and development financial institutions (DFIs). These instruments carry a variety of ratings based on the credit profile evaluated by rating agency and are priced accordingly. These bonds too can be Fixed or Floating.

Indicative list of Non-Government / Corporate debt includes – PSU Bonds, Instruments issued by Banks and Development Financial Institutions, Certificates of Deposit, Promissory Notes, Commercial Paper, Instruments issued by PSUs or Corporate Bodies, PSU Bonds, Fixed Coupon Bonds, Non-Convertible Debentures, Fixed Coupon Bonds/Debentures, Zero Coupon Bonds/Debentures.

- Debt derivatives market comprises mainly of Forward Rate Agreements, Interest rate Futures, Interest rate Swap. Banks and corporates are major players here and of late Mutual Funds have also started hedging their exposures through these products.

- The following table gives approximate yields prevailing during the 30-day period ending May, 2025 on some of the instruments. These yields are indicative and do not indicate yields that may be obtained in future as interest rates keep changing consequent to changes in macro-economic conditions and RBI policy Issuer.

<b>Instrument</b>	<b>Yield level (% per annum)</b>
Interbank Call Money	5.82 - 5.95%
364 Day Treasury Bill	5.60 - 5.89%
A1 + Commercial Paper 90 days	6.43 - 6.83%
G-Sec 5 year	5.87 - 6.12%
G-Sec 10 year	6.24 - 6.40%
G-Sec 15 year	6.38 - 6.52%
1 Year Corporate Bond - AAA rated	6.63 - 6.90%
3 Year Corporate Bond - AAA Rated	6.71 - 6.98%
5 Year Corporate Bond - AAA Rated	6.79 - 6.96%

Source: Bloomberg

These yields are indicative and do not indicate yields that may be obtained in future as interest rates keep changing consequent to changes in macro-economic conditions and RBI policy. The price and yield on various debt instruments fluctuate from time to time depending upon the macro-economic situation, inflation rate, overall liquidity position, foreign exchange scenario etc.

Generally, for instruments issued by a non-Government entity (corporate/PSU bonds), the yield is higher than the yield on a Government Security with corresponding maturity. The difference, known as credit spread, depends on various factors including the credit rating of the entity.

The securities mentioned above could be listed or to be listed, secured or unsecured, and of varying maturity, as enabled under SEBI (MF) Regulations/circulars/ RBI. The securities may be acquired through Initial Public Offerings (IPOs), secondary market operations, private placement, rights offers or negotiated deals.

## **B. WHAT ARE THE INVESTMENT RESTRICTIONS?**

Pursuant to the SEBI (MF) Regulations 1996 and amendments thereto and subject to the investment pattern of the Scheme, following investment restrictions are applicable:

- 1) The Scheme shall not invest more than 10% of debt portfolio in debt instruments comprising money market instruments and non-money market instruments issued by a single issuer which are rated not below investment grade by a credit rating agency authorized to carry out such activity under the SEBI Act, 1992. Such investment limit may be extended to 12% of the debt portfolio of the Scheme with the prior approval of the Board of Directors of Trustees and the Board of Directors of the AMC.

Further, the scheme shall not invest more than:

- a. 10% of the debt portfolio in debt and money market securities rated AAA; or
  - b. 8% of the debt portfolio in debt and money market securities rated AA; or
  - c. 6% of the debt portfolio in debt and money market securities rated A and below, issued by a single issuer.
- The above investment limits may be extended by up to 2% of the NAV of the Scheme with prior approval of the Board of Directors of Trustees and Board of Directors of the AMC, subject to compliance with the overall 12% limit specified in clause 1 of Seventh Schedule of SEBI MF Regulations, 1996.

The long-term rating of issuers shall be considered for the money market instruments. However, if there is no long-term rating available for the same issuer, then based on credit rating mapping of CRAs between short term and long-term ratings, the most conservative long-term rating shall be taken for a given short term rating. Exposure to government money market instruments such as TREPS on G-Sec/ Tbills shall be treated as exposure to government securities.

Provided that such limit shall not be applicable for investments in Government Securities, Treasury Bills and Tri-party Repos on Government securities or treasury bills TREPS.

Provided further that investment within such limit can be made in mortgaged backed securitized debt which are rated not below investment grade by a credit rating agency registered with SEBI

- 2) The Scheme shall not invest in unlisted debt instruments including commercial papers (CPs), other than (a) government securities, (b) other money market instruments and (c) derivative products such as Interest Rate Swaps (IRS), Interest Rate Futures (IRF), etc. which are used by mutual funds for hedging.
  - However, the Scheme may invest in unlisted Non-Convertible Debentures (NCDs) not exceeding 10% of the debt portfolio of the Scheme subject to the condition that such unlisted NCDs have a simple structure (i.e. with fixed and uniform coupon, fixed maturity period, without any options, fully paid up upfront, without any credit enhancements or structured obligations) and are rated and secured with coupon payment frequency on monthly basis.
  - For the above purposes, listed debt instruments shall include listed and to be listed debt instruments.

- 3) Investment in unrated debt and money market instruments, other than government securities, treasury bills, derivative products such as Interest Rate Swaps (IRS), Interest Rate Futures (IRF), etc. by mutual fund schemes shall be subject to the following:
  - Investments shall only be made in such instruments, including bills re-discounting, usance bills, etc., that are generally not rated, and for which separate investment norms or limits are not provided in SEBI (Mutual Fund) Regulations, 1996 and various circulars issued thereunder.
  - Exposure of the Schemes in such instruments shall not exceed 5% of the net assets of the Scheme.
  - All such investments shall be made with the prior approval of the Board of AMC and the Board of Trustee
- 4) The Mutual Fund under all its Schemes shall not own more than 10% of any company's paid-up capital carrying voting rights.
  - Provided, investment in the asset management company or the trustee company of a mutual fund shall be governed by clause (a), of sub-regulation (1), of regulation 7B.
- 5) Transfer of investments from one Scheme to another Scheme in the same Mutual Fund is permitted provided subject to:
  - Such Transfers being 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.

Further the inter Scheme transfer of investments shall be in accordance with the provisions of Para 12.30 of the Master Circular.
- 6) The Scheme may invest in other Schemes under the same AMC or any other Mutual Fund without charging any fees, provided the aggregate inter-Scheme investment made by all the Schemes under the same management or in Schemes under management of any other asset management company shall not exceed 5% of the Net Asset Value of the Fund. No investment management fees shall be charged for investing in other Schemes of the Fund or in the Schemes of any other mutual fund. Provided that this clause shall not apply to any fund of funds scheme
- 7) The Scheme shall buy and sell securities on the basis of deliveries and shall in all cases of purchases, take delivery of relevant securities and in all cases of sale, deliver the securities:
  - Provided that the Scheme may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI.
  - Provided further that the Scheme may enter into derivatives transactions in a recognized stock exchange, subject to the framework specified by SEBI.
  - Provided further that sale of government security already contracted for purchase shall be permitted in accordance with the guidelines issued by the RBI in this regard.

- 8) The Fund shall get the securities purchased transferred in the name of the Fund on account of the concerned Scheme, wherever investments are intended to be of a long-term nature.
- 9) Pending deployment of funds of the Scheme in terms of the investment objective of the Scheme, the Mutual Fund may invest them in short term deposits of scheduled commercial banks, subject to the guidelines issued by SEBI from time to time. currently, the following guidelines/restrictions are applicable for parking of funds in short term deposits:
  - “Short Term” for such parking of funds by mutual funds shall be treated as a period not exceeding 91 days.
  - Such short-term deposits shall be held in the name of the Scheme.
  - The Scheme shall not park more than 15% of the net assets in short term deposit(s) of all the scheduled commercial banks put together. However, such limit may be raised to 20% with prior approval of the trustees. Also, parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the Mutual Fund in short term deposits.
  - The Scheme shall not park more than 10% of the net assets in short term deposit(s), with any one scheduled commercial bank including its subsidiaries.
  - The Scheme shall not park funds in short term deposit (STD) of a bank which has invested in that Scheme. Trustees/AMC shall also ensure that the bank in which a scheme has STD does not invest in the said scheme until the scheme has STD with such bank.

The above conditions are not applicable to term deposits placed as margins for trading in cash and derivative market.

  - Asset Management Company (AMC) shall not be permitted to charge any investment management and advisory fees for parking of funds in short term deposits of scheduled commercial banks.

- 10) The Scheme shall not make any investments in;
  - any unlisted security of an associate or group company of the sponsor; or
  - any security issued by way of private placement by an associate or group company of the Sponsor; or
  - the listed securities of group companies of the Sponsor which is in excess of 25% of its net assets.
- 11) The Scheme shall not invest in a Fund of funds scheme.
- 12) All investments by the Scheme in equity shares and equity related instruments shall only be made provided such securities are listed or to be listed.
- 13) The Scheme shall not invest more than 10% of its NAV in equity shares or equity related instruments of any company. Provided that the limit of 10 per cent shall not be applicable for investments in case of index fund or sector or industry specific scheme.
- 14) No loans for any purpose shall be advanced by the Scheme.

- 15) The Fund shall not borrow except to meet temporary liquidity needs of the Scheme for the purpose of repurchase/ redemption of Units or payment of interest to the unit holders. Such borrowings shall not exceed more than 20% of the net assets of the Scheme and the duration of the borrowing shall not exceed a period of 6 months.
- 16) The Mutual Fund having an aggregate of securities which are worth INR.10 crores or more, as on the latest balance sheet date, shall subject to such instructions as may be issued from time to time by SEBI, settle their transactions entered on or after January 15, 1998, only through dematerialized securities. Further all transactions in government securities shall be in dematerialized form.
- 17) The Mutual Fund/AMC shall make investment out of the NFO proceeds only on or after the closure of the NFO period. The Mutual Fund/ AMC can however deploy the NFO proceeds in Tri-Party Repo before the closure of NFO period. However, AMCs shall not charge any investment management and advisory fees on funds deployed in Tri-party Repo during the NFO period. The appreciation received from investment in Tri-Party Repo shall be passed on to investors.
- 18) Pursuant to Para 12.24 of the Master Circular, the Cumulative Gross Exposure through Equity, Debt, Derivative position, Foreign Securities and Units issued by Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (INVITs) and such other securities/assets as may be permitted by SEBI from time to time (subject to prior approval from SEBI, if any) will not exceed 100% of the net assets of the scheme. However, following shall not be considered while calculating the gross exposure:
  - Exposure to cash or cash equivalents with residual maturity of less than 91 days; and
  - Security-wise hedged position.

SEBI vide letter dated November 3, 2021, has clarified that Cash Equivalent shall consist of Government Securities, T-Bills and Repo on Government Securities.

- 19) The Scheme will comply with provisions Para 12.25 of the Master Circular, related to overall exposure limits applicable for derivative transactions as stated below:
  - i. The cumulative gross exposure through equity, debt, derivative positions, Foreign Securities, REITs & InvITs and across various other asset classes in which the Scheme is permitted to invest should not exceed 100% of net assets of the Scheme.
  - ii. The Scheme shall not write options or purchase instruments with embedded written options except for the covered call strategy.
  - iii. The total exposure related to option premium paid must not exceed 20% of the net assets of the Scheme.
  - iv. Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure.
  - v. Exposure due to hedging positions may not be included in the above-mentioned limits subject to the following:
    - Hedging positions are the derivative positions that reduce possible losses on an existing position in securities and till the existing position remains.
    - Hedging positions cannot be taken for existing derivative positions. Exposure due to such positions shall have to be added and treated under limits mentioned in Point 18.

- Any derivative instrument used to hedge has the same underlying security as the existing position being hedged.
  - The quantity of underlying associated with the derivative position taken for hedging purposes does not exceed the quantity of the existing position against which hedge has been taken.
  - Exposure due to derivative positions taken for hedging purposes in excess of the underlying position against which the hedging position has been taken, shall be treated under the limits mentioned in point 18 (above).
- vi. Mutual Funds may enter into plain vanilla interest rate swaps for hedging purposes. The counterparty in such transactions has to be an entity recognized as a market maker by RBI. Further, the value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme. Exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme. However, if the Mutual Fund is transacting in interest rate swaps through an electronic trading platform offered by the Clearing Corporation of India Ltd. (CCIL) and CCIL is the central counterparty for such transactions guaranteeing settlement, the single counterparty limit of 10% shall not be applicable.
- vii. Definition of Exposure in case of Derivative Positions - Each position taken in derivatives shall have an associated exposure as defined below. Exposure is the maximum possible loss that may occur on a position. However, certain derivative positions may theoretically have unlimited possible loss. Exposure in derivative positions shall be computed as follows:

Position	Exposure
Long Future	Futures Price * Lot Size * Number of Contracts
Short Future	Futures Price * Lot Size * Number of Contracts
Option Bought	Option Premium Paid * Lot Size * Number of Contracts

- viii. Exposure limit for participating in Interest Rate Futures - In addition to the existing provisions of SEBI Master Circular for Mutual Funds, the following are prescribed:
- To reduce interest rate risk in a debt portfolio, mutual fund may hedge the portfolio or part of the portfolio (including one or more securities) on weighted average modified duration basis by using Interest Rate Futures (IRFs). The maximum extent of short position that may be taken in IRFs to hedge interest rate risk of the portfolio or part of the portfolio, is as per the formula given below:
 
$$\frac{(\text{Portfolio Modified Duration} * \text{Market Value of the Portfolio})}{(\text{Futures Modified Duration} * \text{Future Price/ PAR})}$$
  - In case the IRF used for hedging the interest rate risk has different underlying security(s) than the existing position being hedged, it would result in imperfect hedging.

- Imperfect hedging using IRFs may be considered to be exempted from the gross exposure, upto maximum of 20% of the net assets of the scheme, subject to the following:
  - Exposure to IRFs is created only for hedging the interest rate risk based on the weighted average modified duration of the bond portfolio or part of the portfolio.
  - Mutual Funds are permitted to resort to imperfect hedging without it being considered under the gross exposure limits if and only if the correlation between the portfolio or part of the portfolio (excluding the hedged portions, if any) and the IRF is at least 0.9 at the time of initiation of hedge. In case of any subsequent deviation from the correlation criteria, the same may be rebalanced within 5 (five) Business Days and if not rebalanced within the timeline, the derivative positions created for hedging shall be considered under the gross exposure computed in terms of Para 12.24 of SEBI Master Circular for Mutual Funds dated June 27, 2024. The correlation should be calculated for a period of last 90 days.

Explanation: If the fund manager intends to do imperfect hedging upto 15% of the portfolio using IRFs on weighted average modified duration basis, either of the following conditions need to be complied with:

- i. The correlation for past 90 days between the portfolio and the IRF is at least 0.9 or
- ii. The correlation for past 90 days between the part of the portfolio (excluding the hedged portions, if any) i.e. at least 15% of the net asset of the scheme (including one or more securities) and the IRF is at least 0.9.
  - At no point of time, the net modified duration of part of the portfolio being hedged should be negative.
  - The portion of imperfect hedging in excess of 20% of the net assets of the scheme should be considered as creating exposure and shall be included in the computation of gross exposure in terms of Para 12.24 of SEBI Master Circular for Mutual Funds.
  - The basic characteristics of the scheme should not be affected by hedging the portfolio or part of the portfolio (including one or more securities) based on the weighted average modified duration.
  - The interest rate hedging of the portfolio should be in the interest of the investors.

**20) Restriction in Writing of Covered Call Options by the Scheme:**

The Scheme may write Call Options only as part of covered call strategy as under:

In terms of Para 12.25.8 of the Master Circular, mutual fund schemes (except Index Funds and ETFs) have been permitted to write call options only under a covered call strategy for constituent stocks of NIFTY 50 and BSE SENSEX subject to the following:

- a. The total notional value (taking into account strike price as well as premium value) of call options written by a scheme shall not exceed 15% of the total market value of equity shares held in that scheme.

- b. The total number of shares underlying the call options written shall not exceed 30% of the unencumbered shares of a particular company held in the scheme. The unencumbered shares in a scheme shall mean shares that are not part of the Securities Lending and Borrowing Mechanism (SLBM), margin or any other kind of encumbrances.
- c. At all points of time the Mutual Fund scheme shall comply with the provisions at points (a) and (b) above. In case of any passive breach of the requirement at paragraph (a) above, the respective scheme shall have 7 trading days to rebalance the portfolio. During the rebalancing period, no additional call options can be written in the said scheme.
- d. In case a Mutual Fund scheme needs to sell securities on which a call option is written under a covered call strategy, it must ensure compliance with paragraphs (a) and (b) above while selling the securities.
- e. In no case, a scheme shall write a call option without holding the underlying equity shares. A call option can be written only on shares which are not hedged using other derivative contracts.
- f. The premium received shall be within the requirements prescribed in terms of Para 12.25.2 of the Master Circular, i.e. the total gross exposure related to option premium paid and received must not exceed 20% of the net assets of the scheme.
- g. The exposure on account of the call option written under the covered call strategy shall not be considered in cumulative gross exposure of the Scheme for computing 100% of the net asset of the Scheme.
- h. The call option written shall be marked to market daily and the respective gains or losses factored into the daily NAV of the respective scheme(s) until the position is closed or expired.

21) Position limit for derivatives: SEBI has permitted Mutual Funds to participate in derivatives trading subject to observance of guidelines issued by it in this behalf. Accordingly, Mutual Funds may use various derivative products from time to time, as would be available and permitted by SEBI. The Mutual Fund would comply with the provisions of Para 7.5 and 12.25 of the Master Circular and such other amendments issued by SEBI from time to time while trading in derivatives. Presently, the position limits for trading in derivatives by Mutual Fund specified by SEBI are as follows:

The position limits for Mutual Funds and its schemes shall be under:

- i. Position limit for Mutual Funds in index options contracts:
  - o The Mutual Fund position limit in all index options contracts on a particular underlying index shall be INR 500 crore or 15% of the total open interest of the market in index options, whichever is higher, per Stock Exchange.
  - o This limit would be applicable on open positions in all options contracts on a particular underlying index.
- ii. Position Limit for Mutual Funds in index futures contracts:
  - o The Mutual Fund position limit in all index futures contracts on a particular underlying index shall be INR 500 crore or 15% of the total open interest of the market in index futures, whichever is higher, per Stock Exchange.

- This limit would be applicable on open positions in all futures contracts on a particular underlying index.
- iii. Additional position limit for hedging: In addition to the position limits at point (i) and (ii) above, Mutual Funds may take exposure in equity index derivatives subject to the following limits:
  - Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the mutual fund's holding of stocks.
  - Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the mutual fund's holding of cash, government securities, T-bills and similar instruments.
- iv. Position limit for Mutual Funds for stock based derivative contracts:
  - The combined futures and options position limit shall be 20% of the applicable Market Wide Position Limit (MWPL)
  - The MWPL and client level position limits, however, would remain the same as prescribed.
- v. Position limit for each scheme of a Mutual Fund: The scheme-wise position limit requirements shall be:
  - For stock option and stock futures contracts, the gross open position across all derivative contracts on a particular underlying stock of a scheme of a mutual fund shall not exceed the higher of:
    - 1% of the free float market capitalization (in terms of number of shares).  
or
    - 5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts).
  - This position limits shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange.
  - For index-based contracts, Mutual Funds shall disclose the total open interest held by its scheme or all schemes put together in a particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index

22) The Scheme may invest in the Units of InvITs subject to the following:

- i. The Mutual Fund under all its schemes shall not own more than 10% of Units issued by a single issuer of InvIT; and
- ii. The Scheme shall not invest-
  - more than 10% of its NAV in the Units of InvIT; and
  - more than 5% of its NAV in the Units of InvIT issued by a single issuer.

Provided that the limits mentioned in sub-clauses (i) and (ii) above shall not be applicable for investments in case of index fund or sector or industry specific scheme pertaining to InvIT.

- 23) Limits for investment in Instruments having Special Features shall be as follows:
- i. No Mutual Fund under all its schemes shall own more than 10% of such instruments issued by a single issuer
  - ii. A Mutual Fund scheme shall not invest
    - o more than 10% of its NAV of the debt portfolio of the scheme in such instruments; and
    - o more than 5% of its NAV of the debt portfolio of the scheme in such instruments issued by a single issuer.

The above investment limit for a mutual fund scheme shall be within the overall limit for debt instruments issued by a single issuer, as specified at clause 1 of the Seventh Schedule of SEBI (Mutual Fund) Regulations, 1996, and other prudential limits with respect to the debt instruments.

- 24) Conditions for undertaking repo in corporate debt securities:

- i. The scheme shall not lend/borrow more than 10% of its net assets in repo against corporate debt securities.
- ii. The cumulative gross exposure through repo transactions in corporate debt securities along with equity, debt, derivatives and any other permitted assets shall not exceed 100% of the net assets of the scheme.
- iii. The scheme shall borrow through repo transactions only if the tenor of the transaction does not exceed a period of six months.
- iv. The exposure limit/investment restrictions prescribed under the Seventh Schedule of the Regulations and circulars issued there under (wherever applicable) shall be applicable to repo transactions in corporate debt securities.
- v. Counterparty selection & credit rating: The AMC follows an issuer selection and approval process for fixed income investments and the same shall be used for selection of counterparties for repo in corporate debt securities. Repo transactions shall be carried out with only those counterparties who have a credit rating of 'AA and above' (Long term rating) or 'A1+' (Short term rating) provided by any credit rating agency as accredited by SEBI from time to time.
- vi. Tenor of Repo: Tenor of repo shall not exceed 6 months. There shall be no restriction/limitation on the tenor of collateral.
- vii. Applicable Haircut: The AMC would be guided by the parameters for applying haircut as may be specified by RBI and/or SEBI for undertaking repo in corporate debt securities, from time to time.

- 25) The Scheme's total exposure in a group (excluding investments in securities issued by Public Sector Units, Public Financial Institutions and Public Sector Banks) shall not exceed 20% of the net assets of the Scheme. Such investment limit may be extended to 25% of the net assets of the Scheme with the prior approval of the Board of Trustee.

The investments by the Scheme in debt and money market instruments of group companies of both the Sponsors and the AMC shall not exceed 10% of the net assets of the scheme. Such investment limit may be extended to 15% of the net assets of the scheme with the prior approval of the Board of Trustees.

For this purpose, a group means a group as defined under regulation 2 (mm) of the Regulations and shall include an entity, its subsidiaries, fellow subsidiaries, its holding company and its associates.

26) Sector exposure: In accordance with clause 12.9 of SEBI Master Circular for Mutual Funds, the total exposure to a single sector shall not exceed 20% of the net assets of the Scheme. The sectoral classification shall be as per the classification provided by AMFI, as amended from time to time. However, this limit is not applicable for investments in Bank CDs, Tri-Party Repo (TPR), Government Securities, Treasury Bills, AAA rated securities issued by Public Financial Institutions and Public Sector Banks and short-term deposits of scheduled commercial banks.

Provided that, an additional exposure to financial services sector (over and above the limit of 20%) not exceeding 10% of the net assets of the Scheme shall be allowed by way of increase in exposure to Housing Finance Companies (HFCs) only; Further, an additional exposure of 5% of the net assets of the scheme has been allowed for investments in securitized debt instruments based on retail housing loan portfolio and/or affordable housing loan portfolio.

Provided further that the additional exposure to such securities issued by HFCs are rated AA and above and these HFCs are registered with National Housing Bank (NHB) and the total investment/ exposure in HFCs shall not exceed 20% of the net assets of the scheme.

27) Group Exposure: The total exposure of debt schemes of the Fund in a group (excluding investments in securities issued by Public Sector Units, Public Financial Institutions and Public Sector Banks) shall not exceed 20% of the net assets of the Scheme. Such investment limit may be extended to 25% of the net assets of the Scheme with the prior approval of the Board of Trustees. The investments of the scheme in debt and money market instruments of group companies of both the sponsor and the asset management company shall not exceed 10% of the net assets of the scheme. Such investment limit may be extended to 15% of the net assets of the scheme with the prior approval of the Board of Trustees.

For this purpose, a group means a Group as defined under regulation 2 (mm) of SEBI (Mutual Funds) Regulations, 1996 (Regulations) and shall include an entity, its subsidiaries, fellow subsidiaries, its holding company and its associates.

No sponsor of a mutual fund, its associate or group company including the asset management company of the fund, through the schemes of the mutual fund or otherwise, individually or collectively, directly or indirectly, shall have -

- 10% or more of the shareholding or voting rights in the asset management company or the trustee company of any other mutual fund; or
- representation on the board of the asset management company or the trustee company of any other mutual fund.

28) All the investments of the Scheme will be in transferable securities or bank deposits or in money at call or any such facility provided by RBI in lieu of call.

29) Debentures, irrespective of any residual maturity period (above or below one year), shall attract the investment restrictions as applicable to debt instruments under clause 1 and 1 A of the VII Schedule to the regulations.

30) All investments by the Scheme in Commercial Papers (CPs) would be made only in CPs which are listed or to be listed.

- 31) Investment in debt instruments, having credit enhancements backed by equity shares directly or indirectly, shall have a minimum cover of 4 times considering the market value of such shares. Further, the investment in debt instruments having credit enhancements should be sufficiently covered to address the market volatility and reduce the inefficiencies of invoking of the pledge or cover, whenever required, without impacting the interest of the investors. In case of fall in the value of the cover below the specified limit, AMC will initiate necessary steps to ensure protection of the interest of the investors
- 32) The Scheme will comply with any other Regulation applicable to the investments of mutual funds from time to time.
- 33) The AMC/Trustee may alter these investment restrictions from time to time to the extent SEBI regulations/applicable rules change/permit so as to achieve the investment objective of the scheme. Such alterations will be made in conformity with SEBI regulations.
- 34) Apart from the Investment Restrictions prescribed under the Regulations, internal risk parameters for limiting exposure to a particular scrip or sector may be prescribed from time to time to respond to the dynamic market conditions and market opportunities.
- 35) All investment restrictions shall be applicable at the time of making the investment.

### C. FUNDAMENTAL ATTRIBUTES

Following are the Fundamental Attributes of the scheme, in terms of Clause 1.14 of SEBI Master Circular for Mutual Funds:

- (i) **Type of a scheme:** Hybrid Scheme – Arbitrage Fund. An open-ended scheme investing in arbitrage opportunities
- (ii) **Investment Objective:** The investment objective of the scheme is to generate capital appreciation and income by predominantly investing in arbitrage opportunities in the cash and the derivative segments of the equity markets and the arbitrage opportunities available within the derivative segment and by investing the balance in debt and money market instruments. There is no assurance that the investment objective of the scheme will be achieved.
- (iii) **Investment pattern** - The tentative portfolio break-up with minimum and maximum asset allocation is as provided below. The Scheme may, while adhering to the prescribed minimum and maximum asset allocation ranges, retain the option to alter the asset allocation for a short-term period on defensive considerations in response to market conditions. Such deviations shall be temporary and undertaken solely to protect the interests of the investors. The Fund Manager will endeavour to rebalance the portfolio within the stipulated limits at the earliest opportunity.

Instruments	Indicative Allocations (% of Total assets)	
	Minimum	Maximum
Equity & Equity related instruments including derivatives (index futures, stock futures, index options and stock options, etc)	65	100
Other arbitrage opportunities	0	35
Debt (including securitised debt), units of fixed income mutual fund schemes, Money Market instruments including the margin money deployed in derivative transactions. **	0	35
Units issued by InvITs	0	10

Please refer to Section II, Part II – HOW WILL THE SCHEME ALLOCATE ITS ASSETS of this SID for details.

- (iv) **Terms of Issue:**  
**Liquidity provisions such as listing, repurchase, redemption** – Being an open-ended Scheme under which sale and repurchase of units will be made on continuous basis by the Mutual Fund, the units of the Scheme are generally not proposed to be listed on any stock exchange. However, the AMC may at its sole discretion, list the units under the Scheme on one or more stock exchanges at a later date, if deemed

necessary. For details on repurchase, redemption, please refer section 'Other Scheme Specific Disclosures'.

**Aggregate fees and expenses charged to the scheme** – The provisions in respect of fees and expenses are as indicated in this SID. Please refer to section “Part III - Other Scheme Specific Disclosures”.

**Any safety net or guarantee provided** – This scheme is not a guaranteed or an assured return scheme

In accordance with Regulation 18(15A) of the SEBI (MF) Regulations and Clause 1.14.1.4 of SEBI Master Circular for Mutual Funds the Trustees shall ensure that no change in the fundamental attributes of the Scheme(s) and the Plan(s) / Option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme(s) and the Plan(s) / Option(s) thereunder and affect the interests of Unitholders is carried out unless:

- SEBI has reviewed and provided its comments on the proposal.
- A written communication about the proposed change is sent to each unitholder 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
- The Unitholders are given an option for a period of at least 30 (thirty) calendar days to exit at the prevailing Net Asset Value without any exit load.

**D. INDEX METHODOLOGY (FOR INDEX FUNDS, ETFs AND FOFs HAVING ONE UNDERLYING DOMESTIC ETF)**

Not Applicable

**E. PRINCIPLES OF INCENTIVE STRUCTURE FOR MARKET MAKERS (FOR ETFs)**

Not Applicable

**F. FLOORS AND CEILING WITHIN A RANGE OF 5% OF THE INTENDED ALLOCATION AGAINST EACH SUB CLASS OF ASSET, AS PER CLAUSE 13.6.2 OF SEBI MASTER CIRCULAR FOR MUTUAL FUNDS (ONLY FOR CLOSE ENDED DEBT SCHEMES)**

Not Applicable

**G. OTHER SCHEME SPECIFIC DISCLOSURES**

<p>Listing and transfer of Units</p>	<p>The Scheme being open-ended; the Units are not proposed to be listed on any stock exchange. However, the AMC, at its discretion, can undertake listing on any of the stock exchange later.</p> <p>The Units of the Scheme in demat form can be transferred in accordance with the provisions of SEBI (Depositories and Participants) Regulations, 2018 as may be amended from time to time and as stated in Clause 14.4.4 of SEBI Master Circular for Mutual Funds. Further, for the procedure of release of lien, the investors shall contact their respective Depository Participant.</p> <p><u>Transfer of Units held in Non-Demat [Statement of Account ('SOA') Mode:</u></p> <p>Additions / deletion of names will not be allowed under any folio of the Scheme except the following categories:</p> <ol style="list-style-type: none"> <li>a. If a person becomes a holder of the Units consequent to operation of law or upon enforcement of a pledge, the Mutual Fund will, subject to production of satisfactory evidence, effect the transfer, if the transferee is otherwise eligible to hold the Units. Similarly, in cases of transfers taking place consequent to death, insolvency etc., the transferee's name will be recorded by the Mutual Fund subject to production of satisfactory evidence.</li> <li>b. surviving joint holder, who wants to add new joint holder (s) in the folio upon demise of one or more joint unitholder (s).</li> <li>c. Nominee of a deceased unitholder, who wants to transfer the units to the legal heirs of the deceased unitholder, post the transmission of units in the name of the nominee;</li> <li>d. a minor unitholder who has turned a major and has changed his/her status from minor to major, wants to add the name of the parent / guardian, sibling, spouse etc. in the folio as joint holder(s).</li> </ol> <p>Redemption of the transferred units shall be subject to cooling period of 10 business days from the date of transfer. This will enable the investor to revert in case the transfer is initiated fraudulently.</p> <p>Please refer SAI for further details.</p>
<p>Dematerialization of Units</p>	<p>The Applicants intending to hold Units in Demat mode would be required to have a beneficiary account with a Depository Participant of the NSDL/CDSL and would be required to mention in the application form DP's Name, DP ID No. and Beneficiary Account No. with the DP at the time of purchasing units during the NFO.</p>

	<p>The Units allotted will be credited to the DP account of the investor as per the details provided in the application form. The statement of holding of the beneficiary account holder for Units held in Demat mode would be sent by the respective DPs periodically. It may be noted that trading and settlement in the Units of the scheme over the stock exchange(s) (where the Units are listed/ will be listed) will be permitted only in electronic form.</p> <p>In case, the investor desires to hold the Units in a Dematerialized /Rematerialized form at a later date, the request for conversion of units held in <u>Account Statement</u> (non- demat) mode into electronic (demat) form or vice- versa should be submitted alongwith a Demat/Remat Request Form to their Depository Participant(s). Investors should ensure that the combination of names in the account statement is the same as that in the demat account.</p> <p>However, the Trustee / AMC reserves the right to change the dematerialization / rematerialization process in accordance with the procedural requirements laid down by the Depositories, viz. NSDL/ CDSL and/or in accordance with the provisions laid under the Depositories Act, 1996. All Units will rank <i>pari passu</i> among Units within the same option in the scheme concerned as to assets, earnings and the receipt of IDCW distributions, if any, as may be declared by the Trustee.</p> <p>For further details, please refer SAI.</p>
Minimum Target Amount	INR 10,00,00,000 (Rupees Ten Crores)
Maximum Amount to be raised (if any)	Not Applicable
Dividend Policy (IDCW)	<p>The Trustee will endeavour to declare the IDCW as per the specified frequencies, subject to availability of distributable surplus calculated in accordance with the SEBI (Mutual Funds) Regulations, 1996 ('SEBI (MF) Regulations'). The actual declaration of pay-out under IDCW and frequency will inter-alia, depend on availability of distributable surplus calculated in accordance with SEBI (MF) Regulations and the decisions of the Trustee shall be final in this regard. There is no assurance or guarantee to the Unit holders as to the rate of pay-out under IDCW nor the payout will be paid regularly.</p> <p>Any IDCW upto Rs. 100/- shall be compulsorily reinvested in the same option under the scheme at prevailing NAV on record date. IDCW will not be available under the Growth option. Growth option is suitable for investors who are seeking capital appreciation and not seeking periodic income through IDCW.</p> <p>When units are sold, and sale price (NAV) is higher than the face value of the unit, a portion of the sale price that represents realized gains is credited to an Equalization Reserve Account which can be</p>

	<p>used to IDCW payout. The amounts can be distributed out of investors' capital (Equalization Reserve), which is part of the sale price that represents realized gains.</p> <ol style="list-style-type: none"> <li>a) The quantum of IDCW and the record date may be fixed by the Trustee . IDCW so decided shall be paid subject to availability of distributable surplus.</li> <li>b) Record date is the date that will be considered for the purpose of determining the eligibility of investors whose name appears on the register of unitholders for receiving dividends. The NAV shall be adjusted to the extent of dividend distribution and statutory levy, if applicable, at the close of business hours on record date.</li> <li>c) The AMC shall issue a notice to the public communicating the decision of IDCW declaration including the record date, within one calendar day of the decision of the Trustee, 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. The record date shall be two working days from the date of publication in at least one English newspaper or in a newspaper published in the language of the region where the Head Office of the mutual fund is situated, whichever is issued earlier.</li> <li>d) Before the issue of such notice, no communication whatsoever indicating the probable date of dividend declaration shall be issued by any Trustees of The Fund, The AMC or its distributors.</li> </ol> <p>The investors should note that the Fund does not assure or guarantee declaration of IDCW under the Income Distribution cum Capital Withdrawal Option. The actual declaration of IDCW, frequency and the rate of IDCW will inter alia, depend on availability of distributable surplus calculated in accordance with SEBI (MF) Regulations and the decisions of the Trustee shall be final in this regard. There is no assurance or guarantee to the unitholders as to the rate of IDCW nor that the IDCW will be paid regularly. Post declaration of IDCW, the NAV of the Units under the Income Distribution cum Capital Withdrawal Option will stand reduced by the amount of IDCW declared and applicable statutory levy. Even though the asset portfolio will be common at the scheme level, the NAVs of the growth option and Income Distribution cum Capital Withdrawal Option in each respective Plan under the Scheme will be distinctly different after declaration of the first IDCW to the extent of distributed income, applicable tax and statutory levy, if any, and expenses relating to the distribution of the IDCW.</p>
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<p>Please note that it is mandatory for the unitholders to provide the bank account details as per SEBI guidelines.</p> <p>The warrants/cheque/demand draft issued under IDCW option shall be dispatched to the Unit Holders within 7 working days. from the record date. In the event of failure to dispatch the warrants/cheque/demand draft within the stipulated 7 working days period, the AMC shall be liable to pay interest @ 15 percent per annum for the delayed period, to the Unit holders.</p> <p>The proceeds under IDCW option will be paid by way of ECS/EFT/NEFT/RTGS/Direct credits/any other electronic manner if sufficient banking details are available with the Mutual Fund for the Unitholder.</p> <p>In case of specific request for payouts by warrants / cheques / demand drafts or unavailability of sufficient details with the Mutual Fund, the payout under IDCW option will be paid by warrant / cheques / demand drafts and payments will be made in favour of the Unit holder (registered holder of the Units or, if there are more than one registered holder, only to the first registered holder) with bank account number furnished to the Mutual Fund.</p> <p>In case of Units under the Income Distribution cum Capital Withdrawal Option held in dematerialized mode, the IDCW pay-out will be credited to the bank account of the investor, as per the bank account details recorded with the DP.</p> <p>Pursuant to Para 14.2 of the SEBI Master Circular, in the event of failure to dispatch –</p> <ul style="list-style-type: none"> <li>a) Redemption or repurchase proceeds within three working days from the date of receipt of such requests and/ or</li> <li>b) Dividend within the stipulated seven working days period.</li> </ul> <p>Interest for the period of delay in transfer of redemption or repurchase or IDCW shall be payable to unitholders at the rate of 15% per annum along with the proceeds of redemption or repurchase or IDCW, as the case may be.</p> <p>However, under exceptional circumstances where the schemes would be unable to transfer the redemption / repurchase / IDCW proceeds to investors within the time as stipulated above, the redemption/ repurchase / IDCW proceeds shall be transferred to unitholders within such time frame, as prescribed by AMFI, in consultation with SEBI.</p> <p>For further details in this regard, please refer the Statement of Additional Information (SAI).</p> <p>However, the AMC shall not be liable to pay any interest or compensation in case of any delay in processing the redemption</p>
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	<p>application beyond 3 Business Days (in case of IDCW beyond 7 working days), in case of any deficiency in the redemption application or if the AMC/RTA is required to obtain from the Investor/Unit holders any additional details for verification of identity or bank details or such additional information under applicable regulations or as may be requested by a Regulatory Agency or any government authority, which may result in delay in processing the application.</p>
<p>Allotment (Detailed procedure)</p>	<p>All Applicants whose investments towards subscription of units in the Scheme have realized would receive a full and firm allotment of Units, provided the applications are complete in all respects and are found to be in order.</p> <p>For applicants applying through 'APPLICATIONS SUPPORTED BY BLOCKED AMOUNT (ASBA)', during NFO, on allotment, the amount will be unblocked in their respective bank accounts and account will be debited only to the extent required to pay for allotment of Units applied in the application form.</p> <p>Units will be allotted up to 3 decimals. Face Value per Unit of all Plans/ Options under the Scheme is INR 10/-</p> <p>Post-NFO, on an ongoing basis, units will be allotted for purchases, switch-ins, and SIP installments at the applicable NAV (subject to applicable cut-off timings and realization of funds).</p> <p>Post-NFO, on an ongoing basis, units will be allotted for purchases, switch-ins, and SIP installments at the applicable NAV (subject to applicable cut-off timings and realization of funds).</p> <p>Applicants under the Scheme will have an option to hold the Units either in physical form (i.e. account statement) or in demat form. For those investors who have provided an e-mail address, the AMC would send the account statement by e-mail instead of physical statement. The investor may request for an account statement by contacting us at any of the service centers and the AMC shall provide the account statement to the investor within 05 (five) Business Days from the receipt of such request.</p> <p>The holding(s) of the beneficiary account holder for units held in demat mode will be shown in the statement issued by respective Depository Participants (DPs) periodically.</p> <p>Investors have the option to hold units in dematerialized (demat) form. Allotment in demat form will be made within 02 (two) business days from the date of receipt of all necessary documents and realization of funds. Investors must provide their DP ID and Client ID along with relevant supporting documents while applying under the demat mode.</p>

	<p>Note: Allotment of Units will be done after deduction of applicable stamp duty and statutory charges, if any. Applicants under the Scheme will have an option to hold the Units either in physical form (i.e. account statement) or in dematerialized form. Accordingly, the AMC shall allot Units either in physical form (i.e. account statement) or in dematerialized form within 05 Business Days from the date of closure of the NFO period.</p>
<p><b>Refund</b></p>	<p>If an investor application is rejected, full amount will be refunded within 05 (five) Business Days of closure of NFO. If refunded later than 05 (five) Business Days @ 15% p.a. (or any other rate of interest as maybe prescribed from time to time) for delay period will be paid and charged to the AMC.</p> <p>The bank and/ or collection charges, if any, will be borne by the applicant. Refunds may be made through electronic modes such as RTGS, NEFT, Direct Credits or through Cheques as applicable.</p>
<p><b>Who can invest?</b> This is an indicative list, and investors shall consult their financial advisor to ascertain whether the scheme is suitable to their risk profile.</p>	<p>The following persons are eligible and may apply for subscription to the Units of the Scheme (subject, wherever relevant, to subscription of Units of Mutual Fund being permitted under the SEBI (Mutual Funds) Regulations, 1996:</p> <ul style="list-style-type: none"> <li>• Resident Indian adult individual either singly or jointly (not exceeding three)</li> <li>• Minor acting through parent/lawful guardian</li> <li>• Companies, Bodies Corporate, Public Sector Undertakings, association of persons or bodies of individuals and societies registered under the Societies Registration Act, 1860 (so long as the subscription of Units is permitted under their respective constitutions)</li> <li>• Religious and Charitable Trusts under the provisions of Section 11(5)(xii) of the Income Tax Act, 1961 read with Rule 17C of Income-tax Rules, 1962</li> <li>• Trustees of private trusts authorised to invest in mutual fund schemes under their trust deeds.</li> <li>• Partnership Firms</li> <li>• Karta of Hindu Undivided Family (HUF)</li> <li>• Banks and Financial Institutions</li> <li>• Non-resident Indians (NRI)/Persons of Indian Origin (PIO) residing abroad on full repatriation basis or on non-repatriation basis.</li> <li>• Army, Air Force, Navy and other para-military funds</li> <li>• Scientific and Industrial Research Organizations</li> <li>• Mutual fund Schemes, as per applicable regulations</li> <li>• Foreign Portfolio Investor subject to the applicable regulations.</li> <li>• International Multilateral Agencies approved by the Government of India</li> </ul>

	<ul style="list-style-type: none"> <li>• Universities and Educational Institutions</li> <li>• Any other category of investor so long as wherever applicable they are in conformity with applicable SEBI Regulations/RBI, etc.</li> <li>• Any other category of investor who may be notified by the Trustee from time to time by display on the website of the AMC.</li> </ul> <p>Every investor, depending on any of the above category under which he/she/ it/they fall are required to provide relevant documents along with the application form as may be prescribed by AMC.</p> <p>All applicants should be KYC compliant with valid PAN (except for Micro investments/ PAN exempt category). For complete details on KYC and PAN requirements refer SAI.</p> <p>Subject to the Regulations, any application for subscription of Units may be accepted or rejected if found incomplete or due to unavailability of underlying securities, etc. For example, the Trustee may reject any application for the Purchase of Units if the application is invalid or incomplete or if, in its opinion, increasing the size of any or all of the Scheme's Unit capital is not in the general interest of the investors, or if the Trustee for any other reason does not believe that it would be in the best interest of the Scheme or its investors to accept such an application.</p> <p>Investors are also required to consult their legal experts on the applicable laws/regulations for their investment in units of mutual funds. The AMC and Trustees will not be responsible for any non-compliance of any such restrictions by the investors.</p>
Who cannot invest	<p>The following persons are not eligible to invest in the scheme and apply for subscription to the Units of the scheme:</p> <ul style="list-style-type: none"> <li>• Persons residing in countries which require licensing or registration of Indian Mutual Fund products before selling the same in its jurisdiction.</li> <li>• Persons residing in any Financial Action Task Force (FATF) declared non-compliant country or territory.</li> <li>• Overseas Corporate Bodies as specified by RBI in its A.P. (DIR Series) Circular No. 14 dated September 16, 2003.</li> <li>• Persons who are restricted and/or banned from accessing securities market by SEBI.</li> <li>• Persons who are/have been specifically restricted from making an investment into mutual funds under the SEBI (Mutual Funds) Regulations, 1996 and/or such other persons</li> </ul>

	<p>who may be disqualified for making such investments under applicable law.</p> <ul style="list-style-type: none"> <li>• A person who falls within the definition of the term “U.S. Person” under ‘Regulation S’ promulgated under the Securities Act of 1933 of the United States, as amended, and corporations or other entities organized under the laws of the U.S. are not eligible to invest in the schemes and apply for subscription to the units of the schemes.</li> <li>• A person who is resident of Canada</li> <li>• Such other individuals/institutions/body corporate etc., as may be decided by the AMC from time to time.</li> </ul> <p>The AMC shall have the right to freeze/lock/restrict the folio(s) of investor(s)/unitholder(s) for further transactions or reject any applications including for subscription, redemption of units or transmission of units pursuant to receipt of instructions/directions/orders issued by any Governmental, judicial, quasi-judicial, regulatory or other similar authority (“<b>Authority</b>”), including orders restricting the investor(s)/unitholder(s) from dealing in securities or for attachment of units held by the investor(s)/unitholder(s) or in case of breach of requirements specified in this SID by such investors/unitholders.</p> <p>Additionally, the AMC shall be entitled to freeze/lock/restrict the folio(s) of investor(s)/unitholder(s) for further transactions or reject any applications including for subscription, redemption of units or transmission of units at its sole and absolute discretion upon the AMC becoming aware of initiation of any investigation / action / litigation relating to the investments or transactions of the unitholder by any authority, upon receipt of any complaints (including fraud or forgery), or upon commencement of any disputes /litigations among unitholders/nominees/legal heir/ other claimants to the units relating to the investments or transactions of the Unitholder, including disputes/litigations where AMC or Mutual Fund or Trustee has been impleaded as a party or is a necessary party. The freeze/lock/rejection/restriction so imposed by the AMC as hereinabove mentioned may continue till receipt of a specific written instruction / direction / order from such Authority or NOC from all concerned Parties or such other documents as may be deemed necessary by the AMC authorizing the removal of such freeze/lock/rejection/restriction and/ or completion of the investigation by AMC as the case may be. It is hereby clarified that the AMC / Mutual Fund /Trustee shall not be liable for any loss or damage suffered by Unitholder, either directly or indirectly, on account of such freeze/lock/rejection/restriction as the case may be.</p>
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<p>How to Apply and other details</p>	<p>Investors can undertake transactions in the Schemes of Capitalmind Mutual Fund either through physical, online / electronic mode or any other mode as may be prescribed from time to time.</p> <p><b><u>Physical Transactions</u></b></p> <p>For subscription / redemption / switches, application form and Key Information Memorandum may be obtained from the Official Points of Acceptance (OPAs) of AMC / RTA or downloaded from the website of AMC (<a href="https://capitalmindmf.com">https://capitalmindmf.com</a>).</p> <p><b><u>Online / Electronic Transactions</u></b></p> <p>Investors can undertake transactions via electronic mode through various online facilities offered by the AMC / other platforms specified by the AMC from time to time.</p> <p>For the details pertaining to list of official points of acceptance of AMC and RTA, investors are requested to visit the website of the Company at link: <a href="https://cm.fund/OfferDocumentDisclosure">https://cm.fund/OfferDocumentDisclosure</a></p> <p>Any transactions received in any non-standard forms are liable to be rejected. Investor using application form/ transaction request for financial/ non- financial transactions not provided by the Mutual Fund declare that they have read and understood the contents of the SID and SAI , KIM, instructions issued by the Mutual Fund from time to time. Any transactions request received with incomplete information are liable to be rejected.</p> <p>To ensure appropriate identification of the investor(s)/ unitholder(s) under the KYC policy and with a view to monitor transactions for the prevention of money laundering, the AMC / the Mutual Fund reserves the right to seek information, record investor’s/unitholder’s telephonic calls and / or obtain and retain documentation for establishing the identity of the investor/ unitholder, their beneficial owner(s), proof of residence, source of funds, etc.</p> <p>The AMC may re-verify identity and obtain any incomplete or additional information for this purpose as the case may be. The investor(s)/unitholder(s) shall provide such documents to the satisfaction of the AMC as may be required from time to time for the verification/identification of the investor(s)/ unitholder(s)/any transaction by the AMC/Mutual Fund. If the investor(s)/unitholder(s) refuses / fails to provide to the AMC, the required documents/ information within the period specified, the AMC, shall have the sole and absolute discretion to freeze the folio(s) of the investor(s)/unitholder(s), reject any application(s) / allotment of units and report the details of such investor/unitholder/transaction to appropriate authority.</p>
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	<p>For details, please refer to the SAI, Application Form and/or website of the Mutual Fund at <a href="https://capitalmindmf.com">https://capitalmindmf.com</a></p> <p><b>KFIN Technologies Limited</b></p> <p>SEBI Registration - INR000000221</p> <p>Address - Selenium Building, Tower-B, Plot No. 31 &amp; 32, Financial District, Nanakramguda, Serilingampally, Hyderabad, R. R. District, Telangana India - 500 032</p> <p>Contact no. - 040-67162222/ 040-79611000</p> <p>Website - <a href="http://www.kfintech.com">www.kfintech.com</a></p> <p>It is mandatory for applicants to mention their bank account numbers in their applications for subscription or redemption of Units of the Scheme. If the investor fails to provide the bank mandate, the request for redemption would be considered as not valid and the scheme retains the right to withhold the redemption until a proper bank mandate is furnished. Any provision with respect to penal interest in such cases will not be applicable.</p>
<p>Where can you submit the filled-up applications.</p>	<p>Investors can submit the duly filled application forms at any Official Points of Acceptance (OPAs) of Capitalmind AMC. The list of OPAs is available on AMC website (<a href="https://capitalmindmf.com">https://capitalmindmf.com</a>).</p> <p><b>AMC and RTA branches:</b> Investors may submit their applications at any branches of Capitalmind AMC. The updated list of AMC branches is available on AMC website <a href="https://capitalmindmf.com">https://capitalmindmf.com</a>.</p> <p>Investors can also submit their applications at the Registrar’s - Kfin Technologies (KFinTech) branches. The updated list of CAMS branches is available on RTA website (<a href="http://www.kfintech.com">www.kfintech.com</a>).</p> <p><b>Capitalmind AMC Website and Mobile App:</b> Investor can also subscribe to the Units of the Scheme through our website (<a href="https://capitalmindmf.com">https://capitalmindmf.com</a>) or our mobile app by downloading from the google play store or apple store.</p> <p><b>KFinTech (RTA) Website and Mobile App:</b> Investor can also subscribe to the Units of the Scheme through the website of KFinTech (<a href="http://www.camsonline.com">www.camsonline.com</a>) or through their mobile app by downloading from the google play store or apple store.</p> <p><b>Stock Exchanges:</b> Investors can also subscribe to the Units of the Scheme on BSE StAR MF Platform, MFSS and NSE NMF II.</p> <p><b>MF Utilities (MFU):</b> Investors may purchase units of the Plan(s) under the Scheme through MFU. All financial and non-financial transactions pertaining to Schemes of Capitalmind Mutual Fund can also be submitted through MFU either electronically or physically through the authorized Points of Service (“POS”) of MFU. The list of</p>

	<p>POS of MFU is published on the website of MFU at <a href="http://www.mfuindia.com">www.mfuindia.com</a> and may be updated from time to time.</p> <p><b>MFCentral:</b> Investor can also submit their applications through MFCentral, a unified platform for mutual fund transactions and services.</p> <p>The servers including email servers (maintained at various locations) of AMC, KFinTech, and the servers of any other acceptance for all online / electronic transactions mentioned above. For the purpose of, determining the applicability of NAV, the time when the request for purchase / sale / switch of units is received in the servers of AMC/ RTA or such other service provider/ transaction platform, shall be considered.</p> <p><b>Channel Partners / Execution Only Platforms (EOP):</b> In addition to the existing Official Point of Acceptance of transactions, the server(s) of CAMS, shall be an OPA for electronic transactions received from the Channel Partners / EOP with whom the AMC has entered or may enter specific arrangements for all financial transactions relating to the units of mutual fund schemes.</p> <p>For more details, please refer to SAI.</p>
<p>The policy regarding reissue of repurchased Units, including the maximum extent, the manner of reissue, the entity (the scheme or the AMC) involved in the same.</p>	<p>Not Applicable.</p>
<p>Restrictions, if any, on the right to freely retain or dispose of Units being offered.</p>	<p>The Units of the Scheme can be transferred in demat form or in such form as may be permitted under the SEBI (Mutual Funds) Regulations 1996, as amended from time to time.</p> <p>Additions/ deletion of names will not be allowed under any folio of the Scheme, except for approved categories.</p> <p>Refer Section of Listing and transfer of Units</p> <p>Investors are requested to visit the Mutual Fund's website for the list of prescribed documents under any of the procedures or call the investors service centers for any clarification on the above.</p> <p><b>Restrictions on Redemptions of Units</b></p> <p>There is no upper limit of redemption. However, this is subject to the following:</p> <ol style="list-style-type: none"> <li>a. The repurchase would be permitted to the extent of credit balance in the Unit holder's account.</li> </ol>

	<p>b. The Asset Management Company (AMC) may, in the general interest of all Unit holders of the Scheme, keep in view the unforeseen circumstances/unsure conditions, limit the total number of Units which may be redeemed on any Business Day.</p> <p>c. Restrictions may be imposed under the following circumstances that lead to a systemic crisis or event that severely constricts market liquidity or the efficient functioning of markets.</p> <ol style="list-style-type: none"> <li>i. Liquidity issues - When markets at large become illiquid, affecting all securities rather than any issuer specific security.</li> <li>ii. Market failures, exchange closures - When markets are affected by unexpected events which impact on the functioning of exchanges or the regular course of transactions. Such unexpected events could also be related to political, economic, military, monetary or other emergencies</li> <li>iii. Operational issues - When exceptional circumstances are caused by force majeure, unpredictable operational problems, and technical failures (e.g., a blackout).</li> </ol> <p>Under the aforesaid circumstances, the AMC / Trustee may restrict redemption for a specified period of time not exceeding 10 Business Days in any 90 days period. Any imposition of restriction on redemption / switch of units would require specific approval of Board of AMCs and Trustees and the same should be informed to SEBI immediately.</p> <p>Unitholders should note that the following provisions shall be applicable when redemption requests are placed during such restricted period.</p> <ol style="list-style-type: none"> <li>i. No redemption requests up to INR 2 lakh shall be subject to such restriction; and</li> <li>ii. Where redemption requests are above INR 2 lakh, AMCs shall redeem the first INR 2 lakh without such restriction and remaining part over and above INR 2 lakh shall be subject to such restriction.</li> </ol> <p>Refer SAI for further details.</p>
<p>Cut off timing for subscriptions/ redemptions/ switches</p> <p>This is the time before which your application</p>	<p>Cut off timing for subscriptions/ redemptions/ switches:</p> <p>In case of Subscription / Purchases / Switch-in for any amount:</p> <ul style="list-style-type: none"> <li>• Where the application is received upto 3:00 PM on a day and funds are available for utilization before the cut-off time without availing any credit facility, whether intra-day or</li> </ul>

<p>(complete in all respects) should reach the official points of acceptance.</p>	<p>otherwise – the closing NAV of the day immediately preceding the day of receipt of application;</p> <ul style="list-style-type: none"> <li>• Where the application is received after 3:00 PM on a day and funds are available for utilization on the same day without availing any credit facility, whether, intra-day or otherwise – the closing NAV of the day immediately preceding the next business day; and</li> <li>• Irrespective of the time of receipt of application at the official point of acceptance of transactions, where the funds for the entire amount are available for utilization before the cut-off time on any subsequent Business Day - the closing NAV of such subsequent Business Day shall be applicable.</li> </ul> <p>In case of investments through SIP, STP methods as may be offered by the AMC, trigger etc. the units would be allotted as per the closing NAV of the Business Day on which the funds are available for utilization irrespective of the instalment date of the SIP, STP etc.</p> <p>Since different payment modes have different settlement cycles including electronic transactions (as per arrangements with Payment Aggregators / Banks / Exchanges etc), it may happen that the investor’s account is debited, but the money is not credited within cut-off time on the same date to the Scheme’s bank account, leading to a gap/delay in unit allotment. Investors are therefore urged to use the most efficient electronic payment modes to avoid delays in realization of funds and consequently in Unit allotment.</p> <p><b>Redemptions including switch-outs:</b></p> <p>In respect of valid applications received upto 3.00 pm on a business day by the Mutual Fund, same day’s closing NAV shall be applicable. In respect of valid applications received after the cut off time by the Mutual Fund, the closing NAV of the next business day shall be applicable.</p> <p>“Switch out” shall be treated as redemption and for “switch in” shall be treated as purchases and the relevant conditions for applicable NAV for subscription and redemption would be considered for switch in and switch out transactions.</p>
<p>Where can the applications for purchase/redemption switches be submitted?</p>	<p>All applications for subscription/redemption of units should be submitted by investors at the official point of acceptance of transactions at the office of the registrar and/or 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 <a href="https://capitalmindmf.com">https://capitalmindmf.com</a></p> <p>For further details, kindly refer section Other Scheme Specific Disclosures - “How to apply” and / or SAI</p>

	<p>It is mandatory for applicants to mention their bank account numbers in their applications for subscription or redemption of Units of the Scheme. If the investor fails to provide the bank mandate, the request for redemption would be considered as not valid and the Scheme retains the right to withhold the redemption until a proper bank mandate is furnished. Any provision with respect to penal interest in such cases will not be applicable.</p>
<p>Minimum amount for purchase/redemption/switches (mention the provisions for ETFs, as may be applicable for direct subscription/redemption with AMC.)</p>	<p><b>Fresh Purchase (lumpsum):</b> INR 5,000/- and in multiples of INR 1/- thereafter</p> <p><b>Systematic Investment Plan (SIP):</b> INR 1,000/- and in multiples of INR 1/- thereafter with a minimum of 6 instalments.</p> <p><b>Minimum amount for switch-in:</b> INR 1,000 and in multiples of INR 1/- thereafter</p> <p><b>Minimum amount for Systematic Transfer Plan (STP):</b> INR 1,000 and in multiples of INR 1/- thereafter</p> <p><b>Minimum amount for Systematic Withdrawal Plan (SWP):</b> INR 1,000 and in multiples of INR 1/- thereafter</p> <p><b>Minimum Redemption/switch out amount:</b> The minimum redemption amount shall be INR 100/-. If the total value of the units held by a unitholder of the Scheme at any point is less than INR 100/-, then the unitholder can redeem the entire amount, even though such amount is less than INR 100/-.</p> <p>Two-Factor Authentication will be applicable for subscription as well as redemption transactions in the units of Mutual Fund</p> <p>Minimum application amount will not be applicable for investments made in the scheme pursuant to SEBI Master Circular for Mutual Funds, as amended on March 21, 2025, on alignment of interest of designated employees of the AMC with the unitholders of mutual fund schemes.</p> <p>For more information, please refer SAI.</p>
<p>Minimum balance to be maintained and consequences of non-maintenance</p>	<p>There is no minimum balance to be maintained in the Scheme and accordingly there are no consequences on the investors for failure to maintain minimum balance in the Scheme.</p>
<p>Accounts Statements</p>	<p>An applicant in a scheme whose application has been accepted shall have the option either to receive the statement of accounts or to hold the units in dematerialized form and the AMC shall issue to such applicant, a statement of accounts specifying the number of units allotted to the applicant or issue units in the dematerialized form as soon as possible but not later than 05 (five) business days</p>

	<p>from the date of closure of the initial subscription list or from the date of receipt of the application.</p> <p>Consolidated account statement for each calendar month shall be issued, on or before 15th day of succeeding month, detailing all the transactions and holding at the end of the month including transaction charges paid to the distributor, across all schemes of all mutual funds, to all the investors in whose folios transaction has taken place during that month. The AMC shall identify common investors across fund houses by their permanent account number (PAN) for the purposes of sending CAS.</p> <ul style="list-style-type: none"> <li>• CAS would be sent by email to the email id of the first unitholder as per KYC records.</li> <li>• In case for any reason if any particular folio of an investor is not included in the CAS, the AMC would issue an account statement to the investors on a monthly basis pursuant to any financial transaction in such folio on or before fifteenth day of succeeding month.</li> <li>• In case of a specific request received from the unitholder, the AMC shall provide the account statement to such unitholder within 05 (five) Business Days from the receipt of such request.</li> <li>• In the case of joint holding in a folio, the first named unitholder shall receive the CAS/account statement. The holding pattern must be the same across all folios across all the Schemes of the Mutual Funds for the unitholder(s) to receive CAS.</li> <li>• In case no transactions have taken place in a folio during the period of six months ended September 30 and March 31, CAS detailing holdings across all schemes across all mutual funds shall be emailed at the registered email address of the unitholders on half yearly basis, on or before twenty first day of succeeding month, unless a specific request is made to receive the same in physical form.</li> <li>• Each CAS issued to the investors shall also provide the total purchase value / cost of investment in each scheme.</li> <li>• Half-yearly CAS shall be issued at the end of every six months (i.e. September/ March) on or before 21st day of succeeding month, to all investors providing the prescribed details across all schemes of mutual funds and securities held in dematerialized form across demat accounts, if applicable</li> </ul>
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	<ul style="list-style-type: none"> <li>• Further, CAS issued for the half-year (September/ March) shall also provide:             <ul style="list-style-type: none"> <li>○ The amount of actual commission paid by the AMC / Mutual Fund to distributors (in absolute terms) during the half-year period against the concerned investor's total investments in each Mutual Fund scheme. The term 'commission' here refers to all direct monetary payments and other payments made in the form of gifts / rewards, trips, event sponsorships etc. by AMCs/Mutual Fund to distributors.</li> <li>○ The Scheme's average TER (in percentage terms) along with the breakup between Investment and Advisory fees, commission paid to the distributor and other expenses for the period for each scheme's applicable plan where the concerned investor has actually invested in.</li> </ul> </li> <li>• This CAS on a half year basis shall be issued to all Mutual Fund investors excluding those investors who do not have any holdings in Mutual Fund schemes and where no commission against their investment has been paid to distributors during the concerned half year period.</li> </ul> <p>In case of the Units are held in dematerialized (demat) form, the statement of holding of the beneficiary account holder will be sent by the respective Depository Participant periodically.</p> <ul style="list-style-type: none"> <li>• CAS for investors having Demat account:             <ul style="list-style-type: none"> <li>○ Investors having mutual fund investments and holding securities in demat account shall receive a single CAS from the Depository.</li> <li>○ CAS shall be done on the basis of Permanent Account Number (PAN). In case of multiple holding, it shall be PAN of the first holder and pattern of holding. The CAS shall be generated on a monthly basis.</li> <li>○ If there is any transaction in any of the demat accounts of the investor or in any of his mutual fund folios, depositories shall send the CAS within fifteen days from the month end. In case, there is no transaction in any of the mutual fund folios and demat accounts, CAS with holding details shall be sent to the investor on half yearly basis.</li> <li>○ In case an investor has multiple accounts across two depositories, the depository with whom the account has been opened earlier will be the default depository for the purpose of sending CAS to such investor.</li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li>• The dispatch of CAS by the depositories would constitute compliance with the requirement under Regulation 36(4) of SEBI (Mutual Funds) Regulations.</li> <li>• Half-yearly physical CAS shall be issued at the end of every six months (i.e. April and October) on or before 21<sup>st</sup> day of succeeding month. e-CAS will be issued on or before 18<sup>th</sup> day of succeeding month to all investors providing the prescribed details across all schemes of mutual funds and securities held in dematerialized form across demat accounts, if applicable.</li> </ul> <p>For further details, refer SAI.</p>
Redemption	<p>The redemption or repurchase proceeds shall be dispatched to the unitholders within 03 (three) Business Days from the date of redemption or repurchase.</p> <p>For the list of exceptional circumstances, refer to para 14.1.3 of SEBI Master Circular for Mutual Funds and the section “Restrictions” in this SID.</p>
Bank Mandate	<p><b>Bank Mandate Requirement:</b> It is mandatory for the Investors to mention their bank account details in the applications. Investors are requested to provide the full particulars of their Bank Account i.e., Name, Account Number, 11-digit IFSC, branch address in the specified fields in the application form.</p> <p>For detailed information, please refer SAI.</p> <p>For all fresh subscription transactions made by means of a cheque, if cheque provided along with fresh subscription/new folio creation does not belong to the bank mandate opted in the application form, any one of the following documents needs to be submitted.</p> <ol style="list-style-type: none"> <li>1. Original cancelled cheque having the First Holder Name printed on the cheque.</li> <li>2. Original bank statement reflecting the First Holder Name, bank account number and bank name as specified in the application.</li> <li>3. Photocopy of the bank statement duly attested by the bank manager with designation, employee number and bank seal.</li> <li>4. Photocopy of the bank passbook duly attested by the bank manager with designation, employee number and bank seal.</li> <li>5. Photocopy of the bank statement/passbook/cheque duly attested by the AMC officials after verification of original bank statement/passbook shown by the investor or their representative.</li> <li>6. Confirmation by the bank manager with seal, designation and employee number on the bank’s letter head confirming the name of investor, account type, bank branch, MICR and</li> </ol>

	<p>IFSC code of the bank branch. The letter should not be older than 3 months.</p> <p>In case the application is not accompanied by the aforesaid documents, the AMC reserves the right to reject the application, also the AMC will not be liable in case the redemption/IDCW proceeds are credited to wrong account in absence of above documents.</p> <p>it shall be mandatory for the investors of the Scheme to mention their bank account numbers in their applications/requests for redemption.</p> <p>In case the bank account details are not mentioned or found to be incomplete or invalid in a subscription application, then the AMC may consider the account details as appearing in the investment amount cheque and the same shall be updated under the folio as the payout bank account for the payment of redemption etc. The aforementioned updation of bank account shall however be subject to compliance with the third-party investment guidelines issued by Association of Mutual Funds in India (AMFI) from time to time.</p> <p>The AMC reserves the right to call for any additional documents as may be required, for processing of such transactions with missing/incomplete/invalid bank account details. The AMC also reserves the right to reject such applications.</p>
<p>Delay in payment of redemption / repurchase proceeds/dividend</p>	<p>Redemption shall be processed by the AMC within 03 (three) Business Days of the receipt of redemption request. In case of delay beyond 03 (three) Business Days, the AMC is liable to pay interest to the investors at 15% per annum (currently).</p> <p>Investors may note that in case of exceptional scenarios as prescribed by AMFI (35P/ MEMCOR/ 74 / 2022-23 dated January 16, 2023 read with clause 14.1.3 of SEBI Master Circular for Mutual Funds), the AMC may not be liable to adhere with the timelines prescribed above.</p> <p>Physical dispatch of redemption payments shall be carried out only in exceptional circumstances and the AMC shall be required to maintain records along with reasons for all such physical dispatches.</p> <p>Please refer SAI for more details.</p>
<p>Unclaimed Redemption and Income Distribution cum Capital Withdrawal Amount</p>	<p>The unclaimed Redemption amount and IDCW Amounts may be deployed by the Mutual Fund only in call money market or money market Instruments as well as in a separate plan of liquid scheme/overnight scheme / money market mutual fund scheme floated by mutual funds., specifically for deployment of the unclaimed amounts. Further, schemes where the unclaimed redemption amounts are deployed shall be only those overnight schemes/ liquid schemes/ money market mutual fund schemes</p>

	<p>which are placed in A-1 cell (relatively low-interest rate risk and relatively low credit risk) of Potential Risk Class matrix.</p> <p>The AMC shall not be permitted to charge any exit load in this plan and TER of such plan shall be capped as per the TER of the Direct Plan of the Scheme or at 50 bps, whichever is lower. Further, for the unclaimed redemption amounts deployed by the Mutual Fund in call money market or money market instruments, the investment management and advisory fee charged by the AMC for managing unclaimed amounts shall not exceed 50 basis points.</p> <p>Investors who claim these amounts during a period of three years from the due date shall be paid initial unclaimed amount along with the income earned on its deployment. Investors who claim these amounts after 3 years, shall be paid initial unclaimed amount along with the income earned on its deployment till the end of the third year. After the third year, the income earned on such unclaimed amounts shall be used for the purpose of investor education. AMC shall play a proactive role in tracing the rightful owner of the unclaimed amounts considering the steps suggested by SEBI in this regard. For more details, refer to 'Unclaimed Redemption' Section in SAI.</p>
<p>Disclosure w.r.t investment by minors</p>	<p>Payment for investment by means of Cheque or any other mode shall be accepted from the bank account of the minor, parent or legal guardian of the minor, or from a joint account of the minor with parent or legal guardian only, else the transaction is liable to get rejected. However, irrespective of the source of payment for subscription, all redemption proceeds shall be credited only in the verified bank account of the minor, i.e. the account the minor may hold with the parent/ legal guardian after completing all KYC formalities.</p> <p>It is reiterated that the redemption/ Income Distribution cum Capital Withdrawal (IDCW) proceeds for investments held in the name of Minor shall continue to be transferred to the verified bank account of the minor (i.e. of the minor or joint account of minor with parent/ legal guardian) only. Therefore, investors must ensure to update the folios with minor's bank account details as the 'Pay-out Bank account' by providing necessary documents before tendering redemption requests / for receiving IDCW distributions.</p> <p>For systematic transactions in a minor's folio, AMC would register standing instructions till the date of the minor attaining majority, though the instructions may be for a period beyond that date.</p> <p>Upon the minor attaining the status of major, the minor in whose name the investment was made, shall be required to provide all the KYC details, updated bank account details including cancelled</p>

	<p>original cheque leaf of the new account. No further transactions shall be allowed till the status of the minor is changed to major.</p> <p>For more details, please refer to SAI.</p>
Risk-o-meter	<p>AMC shall disclose risk-o-meter of the scheme and benchmark while disclosing the performance of scheme vis-à-vis benchmark and shall send the details of the scheme portfolio while communicating the monthly and half-yearly statement of scheme portfolio by email. Any change in risk-o-meter shall be communicated by way of addendum and by way of an e-mail or SMS to unitholders of the scheme. Risk-o-meter shall be evaluated on a monthly basis and AMC shall disclose the Risk-o-meter along with portfolio disclosure for the scheme on the AMC website at link: <a href="https://cm.fund/RiskoMeterDisclosure">https://cm.fund/RiskoMeterDisclosure</a> and that of AMFI (<a href="https://www.amfiindia.com">https://www.amfiindia.com</a>) within 10 days from the close of each month. The Mutual Funds shall also disclose the risk level of schemes as on March 31 of every year, along with number of times the risk level has changed over the year, on their website and AMFI website.</p>
Plans and Options	<p>The Scheme offers two plans – Direct and Regular.</p> <ol style="list-style-type: none"> <li>1. Capitalmind Arbitrage Fund – Direct Plan</li> <li>2. Capitalmind Arbitrage Fund – Regular Plan</li> </ol> <p>Each of the plan offers the following options:</p> <ol style="list-style-type: none"> <li>1) Growth option.</li> <li>2) Income Distribution cum Capital Withdrawal (IDCW) Option</li> </ol> <p>Growth Option: The income attributable to units under this Option will continue to remain invested and will be reflected in their Net Asset Value. IDCW will not be declared under this Option.</p> <p>IDCW Option: This Option provides for distributions subject to availability of distributable surplus, computed in accordance with SEBI (MF) Regulations. Investors should note that distributions can be made of Equalization Reserves (representing accumulated realized gains), which is part of sale price paid by them.</p> <p>IDCW Option offers following Sub-Options / facilities</p> <ol style="list-style-type: none"> <li>a. Pay-out of Income Distribution cum capital withdrawal (IDCW) option / facility</li> <li>b. Reinvestment of Income Distribution cum capital withdrawal (IDCW) option /facility</li> </ol> <p>The Scheme will have a common portfolio across various Plans/Options/Sub options.</p>

<p>The default plan is “Direct Plan”, in case the broker code is not stated on the application. Application with broker code will be processed under Regular Plan only.</p> <p>Default scenarios available to the Investors under the Plans of the Scheme:</p>					
Scenario	Broker Code (ARN) mentioned / not mentioned by the investor	Plan mentioned by the Investor	Default Plan to be captured		
1	Not Mentioned	Not Mentioned	Direct Plan		
2	Not Mentioned	Direct Plan	Direct Plan		
3	Not Mentioned	Regular Plan	Direct Plan		
4	Mentioned	Direct Plan	Direct Plan		
5	Direct Plan	Not Mentioned	Direct Plan		
6	Direct Plan	Regular Plan	Direct Plan		
7	Mentioned	Regular Plan	Regular Plan		
8	Mentioned	Not Mentioned	Regular Plan		
<p>In cases of wrong/ incomplete ARN codes mentioned on the application form, the application shall be processed under Direct Plan. The AMC shall endeavour on best effort basis to obtain the correct ARN code within 30 calendar days of the receipt of the application form from the investor. In case the correct code is received within 30 calendar days, the AMC shall reprocess the transaction under Regular Plan from the date of application without any exit load.</p> <p><b>Treatment of Transactions received with invalid ARNs in view of AMFI Best Practices Guidelines Circular No.111 /2023-24 dated Feb 02, 2024:</b></p> <p><b>Guidelines for Processing of transactions received under Regular Plan with invalid ARN.</b></p> <p>Transactions received in Regular Plan with Invalid ARN to be processed in Direct Plan of the same Scheme (even if reported in Regular Plan), applying the below logic:</p>					
Transaction Type	Primary ARN	Sub distributor ARN	EUIN *	Execution only	Regular Plan /

							mentioned	Direct Plan
	Valid	Invalid	Empanelled	Valid	Invalid	Valid	Yes	
Lumpsum / Registration	Y		Y				Y	Regular
	Y		N	Not Applicable				Direct
	Y		Y	N.A	N.A	N.A	N	Regular*
	Y		Y	Y		Y		Regular
		Y						Direct
	Y		Y	Y			Y	Regular
	Y		Y		Y			Direct
Trigger	Y			Not Applicable				Regular
				Not Applicable				Direct
<p>Note:</p> <p>1) *If the EUIN is invalid/missing, the transactions shall be processed in Regular Plan, and the distributor/investor shall be given 30 day period from the date of the transaction for remediation of the EUIN. In such cases, the investor to be advised to either provide a different EUIN linked to the ARN who would be engaged in servicing the investor OR switch to Direct Plan. The commission shall not be paid to the ARN holder if the Switch transaction does not happen, or fresh EUIN is not provided within 30 days. The commission may be paid if the fresh EUIN is provided by client within 30 days.</p> <p>2) For SIP &amp; STP facilities, the ARN validity shall be verified / validated at the time of registration. For instances where the registration details not available in RTA records the transaction shall be treated as lumpsum purchase for validations. Distributors must reconcile the active / inactive SIPs with RTA's at regular intervals.</p> <p>3) SIPs registered under ARN of deceased to continue till end of SIP registration period or investor's request as per AMFI guidelines; No fresh transactions or SIPs to be booked under the ARN of deceased MFD post cancellation of ARN at AMFI.</p>								

	<p>4) Only Sub-distributor's ARN with valid "ARN-" values in the transaction will be considered for validation of Sub- distributor ARN for all types of transactions (lumpsum/SIP/STP).</p> <p>5) If the ARN is invalid as on date of SIP / STP registration, such registration and future transactions thereunder will be processed under Direct plan.</p> <p>6) Transactions other than the physical mode which are found to be not in order basis above matrix, will be rejected at the time of upload / submission for following reasons: To give opportunity for the intermediary / platform to rectify details before submitting transactions or to report transactions under Direct Plan. If these transactions are accepted and processed under Direct Plan, the intermediary placing the transaction will not be receiving reverse feeds and hence will not be able to reconcile. Since the validation cannot be carried out at the time of acceptance or transactions received in physical form, , the same will be done at the time of processing the transaction, and if found to be invalid, the transaction will be processed under Direct Plan.</p> <p>7) Transactions received from the stock exchange platforms in Demat mode with invalid ARN shall be rejected instead of processing in Direct Plan for following reasons</p> <p>a) Settlement of Units will fail at clearing corporation due to mismatch of ISIN.</p> <p>b) If the RTA processes the transaction in the Direct Plan, the AMC will face issues with corporate action wherein the clearing corporation will not be able to reconcile and credit the Units.</p> <p>c) The distributor/broker will not be able to download the reverse feed/mail back report for the transactions reported by the respective distributor in case if we process under Direct Plan.</p> <p>The Scheme will have a common portfolio across various Plans/Options. The NAVs of the Growth Option under both plans will be different and will be declared separately.</p> <p>For detailed disclosure on default plans and options, kindly refer SAI</p>
<p>Scheme Document</p> <p>Summary</p>	<p>The AMC will provide on its website a standalone scheme document for all the Schemes which contains all the details of the Scheme including but not limited to Scheme features, Fund Manager details, investment details, investment objective, expense ratios, portfolio details, etc. Scheme summary document will be uploaded on the websites of AMC (<a href="https://cm.fund/SchemeSummaryDocument">https://cm.fund/SchemeSummaryDocument</a>), AMFI and stock exchanges in 3 data formats i.e. PDF, Spreadsheet and a machine-readable format).</p>

<p>Option to hold Units in Demat form</p>	<p>Investor has an option to subscribe Units of the Scheme in demat form in accordance with the provisions of the Scheme Information Document and in terms of the guidelines as laid by the Depositories (NSDL/CDSL) from time to time. The Application form of the Scheme shall contain an option for the investor to provide its demat account details.</p> <p>In case, the investor desires to hold Units in a Demat/Remat form at a later date, the request for conversion of Units held in non- demat form into Demat form or vice-versa should be submitted along with a Demat/Remat Request Form to the Depository Participants.</p> <p>Units held in demat form would be transferable subject to the provisions of the Scheme Information Document and in accordance with provisions of Depositories Act, 1996 and the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 as may be amended from time to time.</p>
<p>Nomination Facility</p>	<ul style="list-style-type: none"> <li>• As per SEBI Master Circular for Mutual Funds, Investors subscribing to mutual fund Units shall have choice of providing nomination as per the prescribed format or opting out of nomination through a signed declaration. The folios of all existing individual unitholders holding Units solely or joint mode that have not complied with the above requirement were supposed to be frozen for debits with effect from June 30, 2024.</li> <li>• However, pursuant to SEBI Circular No. SEBI/HO/MIRSD/POD-1/P/CIR/2024/81 dated June 10, 2024, non-submission of 'choice of nomination' shall not result in freezing of mutual fund folios.</li> </ul> <p>All new investors/unitholders shall continue to be required to mandatorily provide the 'Choice of Nomination' for Mutual Fund Folios (except for jointly held Mutual Fund Folios).</p> <ul style="list-style-type: none"> <li>• All existing investors/ unitholders are encouraged, in their own interest, to provide 'choice of nomination' for ensuring smooth transmission of securities held by them as well as to prevent accumulation of unclaimed assets in securities market.</li> </ul> <p>For more information, please refer SAI.</p>
<p>Transfer of Units held in Statement of account (Physical/non-demat mode)</p>	<p>There are no restrictions on transfer of Units of the Scheme whether held in Statement of Account (physical / non-demat) mode or dematerialised mode. Units held in dematerialized form can be transferred and transmitted in accordance with the provisions of SEBI (Depositories and Participants) Regulations, as may be amended from time to time and units held in Statement of Account (physical / non-demat) mode can be transferred in accordance with</p>

	<p>the AMFI Best Practices Guidelines Circular No.116/ 2024-25 dated August 14, 2024.</p> <p>Further, additions / deletions of names of Unit holders will not be allowed under any folio of the Scheme. However, the said provisions will not be applicable in case a person (i.e. a transferee) becomes a holder of the Units by operation of law or upon enforcement of pledge then the AMC shall, subject to production of such satisfactory evidence and submission of such documents, proceed to effect the transfer, if the intended transferee is otherwise eligible to hold the Units of the Scheme. Further, addition of names in the folio will be allowed under the following 3 (three) scenarios subject to compliance with AMFI Best Practices Guidelines Circular No.116/ 2024-25 dated August 14, 2024:</p> <ol style="list-style-type: none"> <li>i. Surviving joint unitholder who wants to add new joint holder(s) in the folio upon demise of one or more joint unitholder(s).</li> <li>ii. A nominee of a deceased unitholder, who wants to transfer the units to the legal heirs of the deceased unitholder, post the transmission of units in the name of the nominee.</li> <li>iii. A minor unitholder, who has turned a major and has changed his / her status from minor to major, wants to add joint holder(s) in the folio.</li> </ol> <p>For further details, please refer SAI.</p>
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**PART III: OTHER DETAILS**

**A. IN CASE OF FUND OF FUNDS SCHEME, DETAILS OF BENCHMARK, INVESTMENT OBJECTIVE, INVESTMENT STRATEGY, TER, AUM, YEAR WISE PERFORMANCE, TOP 10 HOLDING/ LINK TO TOP 10 HOLDING OF THE UNDERLYING FUND SHOULD BE PROVIDED**

Not Applicable

**B. PERIODIC DISCLOSURES SUCH AS HALF YEARLY DISCLOSURES, HALF YEARLY RESULTS, ANNUAL REPORT**

**Portfolio Disclosures:** Portfolio shall be disclosed as on last day of the month/half year within 10 days from the end of month/half year. Portfolio shall be disclosed on AMC website at link: <https://cm.fund/PortfolioDisclosure> and on AMFI website <https://www.amfiindia.com>. Portfolio shall be disclosed in a user-friendly and downloadable spreadsheet format. Portfolio shall also be sent by e-mail to all unitholders by the AMC/Mutual Fund. The Mutual Fund shall publish an advertisement disclosing uploading of half year scheme portfolio on its website, in one English daily newspaper and in one Hindi daily newspaper having nationwide circulation. Physical

copy of the scheme portfolio shall be provided to unitholders on receipt of specific request from the unitholder, without charging any cost.

**Half Yearly Disclosure:** The Mutual Fund shall within one month from the close of each half year, that is on March 31 and on September 30, host a soft copy of its unaudited financial results on the AMC website (<https://cm.fund/UnAuditedResults>) and shall publish an advertisement disclosing the hosting of financial results on the AMC website, in at least one English daily newspaper having nationwide circulation and in a newspaper having wide circulation published in the language of the region where the Head Office of the Mutual Fund is situated. The unaudited financial results would be displayed on AMC website <https://cm.fund/UnAuditedResults> & on and AMFI website (<https://www.amfiindia.com>)

**Annual Report:** Scheme wise Annual Report or an abridged summary thereof shall be mailed to all unitholders within four months from the date of closure of the relevant financial year i.e. 31st March each year as under:

- by email to the unitholders whose email address is available with the Mutual Fund.
- in physical form to the unitholders whose email address is not available with the Fund and/or to those Unit holders who have opted / requested for the same.
- An advertisement shall also be published in all India edition of at least two daily newspapers, one each in English and Hindi, disclosing the hosting of the scheme wise annual report on the website of the AMC <https://cm.fund/AnnualReport> and AMFI website (<https://www.amfiindia.com>). The physical copy of the scheme wise annual report or abridged summary shall be made available to the investors at the registered office of the AMC.
- The AMC shall also provide a physical copy of abridged summary of the annual report without charging any cost, on specific request received from the unitholder. A copy of scheme wise annual report shall also be made available to unitholders on payment of nominal fees

**Risk-o-meter:** In accordance with Para 17.4 of SEBI Master Circular:

- The risk-o-meter shall be evaluated on a monthly basis and the risk-o-meter along with portfolio disclosure shall be disclosed on the AMC website (<https://capitalmindmf.com>) as well as AMFI website within 10 (ten) days from the close of each month.
- Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders. The risk-o-meter shall be evaluated on a monthly basis and the risk-o-meter along with portfolio disclosure shall be disclosed on the AMC website as well as AMFI website within 10 days from the close of each month.
- The Product Labelling assigned during the NFO is based on internal assessment of the scheme characteristics or model portfolio and the same may vary post NFO when the actual investments are made.

**Risk Adjusted Return – Information Ratio (IR):** As required under SEBI circular dated January 17, 2025 (SEBI/HO/IMD/IMD-PoD-2/P/CIR/2025/6), the Mutual Fund/AMC

shall disclose the IR of the Scheme portfolio on its website i.e. <https://capitalmindmf.com> along with performance disclosures, on a daily basis.

**Scheme Summary Document (SSD)** : In accordance with SEBI letter dated December 28, 2021 and AMFI emails dated March 16, 2022 and March 25, 2022, Scheme summary document for all schemes of Capitalmind Mutual Fund in the requisite format (pdf, spreadsheet and machine readable format) shall be uploaded on a monthly basis i.e. 15th of every month or within 5 working days from the date of any change or modification in the scheme information on the website of Capitalmind Mutual Fund i.e. <https://capitalmindmf.com> , AMFI i.e. <https://www.amfiindia.com> and Registered Stock Exchanges i.e. National Stock Exchange of India Limited and BSE Limited

### C. TRANSPARENCY / NAV DISCLOSURE

The AMC will calculate and disclose the first NAV upto four decimal places of the Scheme within a period of 05 (five) Business Days from the date of allotment. Subsequently, the AMC will calculate and disclose the NAVs upto four decimal places on all Business Days.

The AMC shall update the NAVs on website of the Association of Mutual Funds in India-AMFI (<https://www.amfiindia.com>) and on the website of AMC (<https://capitalmindmf.com>) before 11.00 p.m. on every Business Day. NAV shall be available on all centres for acceptance of transactions. NAV shall also be made available at all Official Points of Acceptance and Investor Service Centres of the Mutual Fund. Further, unitholders may also place a specific request to the Mutual Fund for sending the latest available NAV Through SMS.

In case NAV of Corporate Debt Market Development Fund ('CDMDF') units is not available by 9:30 p.m. of same business day, requirement for NAV declaration timing on the website of the AMC and AMFI for the Scheme holding units of CDMDF shall be 10 a.m. on next business day instead of 11 p.m. on same business day.

Delay in uploading of NAV beyond the aforesaid respective timing on every business day shall be explained in writing to AMFI. If the NAVs are not available before the commencement of Business Hours on the following day due to any reason, the Mutual Fund shall issue a press release giving reasons and explaining when the Mutual Fund would be able to publish the NAV.

### D. TRANSACTION CHARGES AND STAMP DUTY

**Transaction Charges** : As per SEBI Circular **SEBI/HO/IMD/PoD1/CIR/P/2025/115** dated August 08, 2025, no transaction charges shall be paid to the distributors of Mutual Fund products.

**Stamp Duty** –Unitholders are requested to note that, pursuant to Notification No. S.O. 1226(E) and G.S.R. 226(E) dated March 30, 2020 issued by Department of Revenue, Ministry of Finance, Government of India, read with Part I of Chapter IV of Notification dated February 21, 2019 issued by Legislative Department, Ministry of Law and Justice, Government of India on the Finance Act, 2019, **a stamp duty @0.005% of the**

**transaction value** would be levied on applicable mutual fund transactions, with effect from July 1, 2020. Accordingly, pursuant to levy of stamp duty, the number of Units allotted on purchase/switch in transactions (including Switch in) to the unitholders would be reduced to that extent.

For details regarding transaction charges and stamp duty refer to SAI.

#### **E. ASSOCIATE TRANSACTIONS**

Please refer to the Statement of Additional Information (SAI).

#### **F. TAXATION**

The Mutual Fund is a mutual fund registered with the Securities & Exchange Board of India and hence the entire income of the Mutual Fund will be exempt from the Income tax in accordance with the provisions of section 10(23D) of the Income Tax Act, 1961

Under the terms of the Scheme Information Document, the scheme is classified as “Hybrid Scheme”, “Arbitrage Fund”. In view of the individual nature of tax consequences, each Investor / Unit holder is advised to consult his / her own professional tax advisor.

The information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors with respect to the specific amount of tax and other implications arising out of his or her participation in the Scheme. The information given herein is the snapshot of the tax implications in the hands of the unitholders.

For further details on taxation, please refer to the Section on Taxation on investing in Mutual Funds in Statement of Additional Information (‘SAI’).

#### **G. RIGHTS OF UNITHOLDERS**

Please refer to SAI for details.

#### **H. LIST OF OFFICIAL POINTS OF ACCEPTANCE**

The details pertaining to official points of acceptance of AMC and RTA are available on the website of the Company at: <https://cm.fund/OPAT>

#### **I. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY**

There have been no penalties or pending litigation on the AMC since incorporation. The investors may refer to the details on the website of the Company at link: <https://cm.fund/PendingLitigation>

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

**Notes:**

1. Further, any amendments / replacement / re-enactment of SEBI Regulations subsequent to the date of the Scheme Information Document shall prevail over those specified in this Document.
2. The Scheme under this Scheme Information Document was approved by the Trustees on 21<sup>st</sup> November 2025
3. The Trustees have ensured that the Scheme approved by them is a new product offered by Capitalmind Mutual Fund and is not a minor modification of the existing scheme/fund/product.
4. Notwithstanding anything contained in the Scheme Information Document, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines there under shall be applicable.

By Order  
Board of Directors  
For Capitalmind Asset Management Private Limited

Sd/-

Place: Bengaluru

Deepak Shenoy

Date: 06<sup>th</sup> February 2026

Chief Executive Officer