

STATEMENT OF ADDITIONAL INFORMATION (SAI)

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

This SAI is dated September 01, 2025.

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I. INFORMATION ABOUT SPONSOR, AMC AND TRUSTEE COMPANY

A. Constitution of the Mutual Fund

Choice Mutual Fund (“Mutual Fund” or “Choice MF”) has been constituted as a trust under the Indian Trusts Act, 1882 (2 of 1882) as per the terms of the deed of trust dated March 20, 2025 with Choice International Limited as Sponsor and Choice Trustees Services Private Limited. As Trustee The Trust Deed has been registered under the Indian Registration Act, 1908. The Mutual Fund was registered with SEBI on August 01, 2025, under Registration Code MF/087/25/13. (Std. obs. 6)

B. Sponsor (Std. obs. 2)

Choice Mutual Fund is Sponsored by Choice International Limited. The Sponsor is the Settlor of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

Choice International Limited (“Choice Group”) is one of India’s leading integrated financial services groups, listed on BSE Limited and the National Stock Exchange of India Limited (NSE). Headquartered in Mumbai, is a listed entity on both BSE Limited and the National Stock Exchange of India Limited (NSE). With a legacy of over three decades, the Sponsor has established itself as one of India’s leading integrated financial services groups, offering stock broking and distribution of financial products, non-banking financial services, government advisory, and management consultancy.

Financial Performance of the Sponsor (past three years) :

Particulars	(Rs. in lakhs)		
	Year 1 (FY 2024-2025)	Year 2 (FY 2023-2024)	Year 3 (FY 2022-2023)
Net Worth	45,928.63	27,168.95	26,176.67
Total Income	2,496.21	1,304.80	1,298.72
Profit after tax	834.01	139.76	228.90
Assets under management (if applicable)	Not Applicable	Not Applicable	Not Applicable

Note: Above numbers are standalone numbers of Choice International Limited (Sponsor)

The Trustee

Choice Trustees Services Private Limited has been appointed as the Trustee to Choice Mutual Fund. The Trustee has been incorporated under the Companies Act, 2013 and is wholly owned by **Choice International Limited**, the Sponsor, along with its nominees.

The Trustee, through its Board of Directors, is responsible for ensuring that the activities of **Choice AMC Private Limited** (“AMC” or “Choice AMC”) are carried out in accordance with the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time. The Trustee reviews the performance of the schemes, compliance with applicable regulations, and the overall governance framework of the Mutual Fund.

The Trustee Company convenes regular meetings of its Board of Directors to discharge its fiduciary responsibilities, oversee the operations of the AMC, and safeguard the interests of unit holders.

Details of Trustee Directors :

Name	Age / Educational Qualification	Brief Experience
Mr. Kamal Poddar – Associate Director	Chartered Accountant (FCA)	Fellow Chartered Accountant with over 20 years of experience in financial services and strategic business leadership. Managing Director of Choice International Ltd., where he transformed the firm into a diversified financial services hub. Expertise in capital markets, equity funding, M&A, and business strategy. Expanded the company across broking, NBFC, consultancy, and investment banking services.

Justice Dr. Satish Chandra – Independent Director	LL.M. (Gold Medalist); LL.D.; Chancellor's Medalist in Law; Diploma in UN Studies	Distinguished jurist and academician with over four decades of experience in law, governance, and international advisory. Former Judge of the Allahabad High Court. Authored 15 books and 35+ research papers. Served as President of the Customs, Excise & Service Tax Appellate Tribunal and Chairman of the 3rd Pay Revision Commission for CPSEs. Held senior roles in the Law Commission of India and ITAT. Internationally served as Constitutional Advisor and High Court Judge in Zanzibar; Visiting Professor in Moscow and The Hague.
Mr. Satya Ranjan Prasad – Independent Director	B.Sc., M.A., MBA (Finance), CAIIB, LL.B.	Regulatory and financial services professional with 40+ years of experience in Indian and international financial systems. Former Member (Technical) and HOD at NCLT (Additional Secretary-level role). Served as Executive Director at PFRDA, additional charge as CEO of NPS Trust. Earlier roles at SEBI including Chief General Manager & Regional Director. Also served with Securities & Commodities Authority (SCA), Abu Dhabi.
Mr. Durgesh Kumar Kabra – Independent Director	Chartered Accountant, Insolvency Professional (IP), B.Com	Chartered Accountant with 30+ years of experience in Company Law, Corporate Structuring, Management Advisory, Audit, and Assurance Services. Practicing professional in corporate advisory and restructuring.

Duties and Responsibilities of the Trustee Company (Std.obs.5)

- 1) The Trustee and the AMC have entered in to an Investment Management Agreement (“**IMA**”) with the prior approval of SEBI enter into an.
- 2) The IMA shall contain such clauses as are mentioned in the Fourth Schedule of the SEBI MF Regulations and such other clauses as are necessary for the purpose of making investments.
- 3) The Trustee shall have a right to obtain from the AMC such information as is considered necessary by the Trustee.
- 4) The Trustee shall approve the policy for empanelment of brokers by the AMC and shall ensure that the AMC has been diligent in empanelling the brokers, in monitoring securities transactions with brokers and avoiding undue concentration of business with any broker.
- 5) The Trustee shall ensure that the AMC has not given any undue or unfair advantage to any associates or dealt with any of the associates of the AMC in any manner detrimental to interest of the unitholders.
- 6) The Trustee shall ensure that the transactions entered into by the AMC are in accordance with the SEBI MF Regulations and the scheme(s).
- 7) The Trustee shall ensure that the AMC has been managing the mutual fund schemes independently

of other activities and has taken adequate steps to ensure that the interests of investors of one scheme are not being compromised with those of any other scheme or of other activities of the AMC.

- 8) The Trustee shall ensure that all the activities of the AMC are in accordance with the provisions of the SEBI MF Regulations.
- 9) Where the Trustee has reason to believe that the conduct of business of the Mutual Fund is not in accordance with the SEBI MF Regulations and the scheme(s), the Trustee shall forthwith take such remedial steps as are necessary and shall immediately inform SEBI of the violation and the action taken by the Trustee.
- 10) Each trustee shall file the details of his/her transactions of dealing in securities with the Mutual Fund within the time and manner as may be specified by SEBI from time to time.
- 11) The Trustee shall be accountable for, and be the custodian of, the funds and property of the respective schemes and shall hold the same in trust for the benefit of the unitholders in accordance with the SEBI MF Regulations and the provisions of trust deed.
- 12) The Trustee shall take steps to ensure that the transactions of the Mutual Fund are in accordance with the provisions of the trust deed.
- 13) The Trustee shall ensure that the income calculated by the AMC under sub-regulation (25) of regulation 25 of the SEBI MF Regulations is in accordance with the SEBI MF Regulations and the trust deed.
- 14) The Trustee shall obtain the consent of the unitholders:
 - a) whenever required to do so by SEBI in the interest of the unitholders; or
 - b) whenever required to do so on the requisition made by three-fourths of the unit- holders of any scheme; or
 - c) when the majority of the Trustee decide to wind up a scheme in terms of clause (a) of sub regulation (2) of regulation 39 or prematurely redeem the units of a close ended scheme.
- 14(A) The Trustee shall ensure that no change in the fundamental attributes of any scheme, the fees and expenses payable or any other change which would modify the scheme and affect the interest of the unit holders is carried out by the AMC, unless it complies with sub-regulation (26) of regulation 25 of the SEBI MF Regulations.
- 15) The Trustee shall call for the details of transactions in securities by the key personnel of the AMC in his/her own name or on behalf of the AMC and shall report to SEBI, as and when required.
- 16) The Trustee shall quarterly review all transactions carried out between the Mutual Fund, AMC and its associates.
- 17) The Trustee shall on a quarterly basis review the net worth of the AMC to ensure compliance with the threshold provided in clause (f) of sub-regulation (1) of regulation 21 on a continuous basis.
- 18) The Trustee shall periodically review the service contracts relating to custody arrangements and satisfy itself that such contracts are executed in the interest of the unitholders.
- 19) The Trustee shall ensure that there is no conflict of interest between the manner of deployment of its net worth by the AMC and the interest of the unit- holders.
- 20) The Trustee shall periodically review the investor complaints received and the redressal of the same by the AMC.

- 21) The Trustee shall abide by the Code of Conduct as specified in PART-A of the Fifth Schedule of the SEBI MF Regulations.
- 22) The Trustee shall furnish to SEBI on a half-yearly basis, :
 - a) a report on the activities of the Mutual Fund;
 - b) a certificate stating that the Trustee has satisfied itself that there have been no instances of self-dealing or front running by any of the trustees, directors and key personnel of the AMC;
 - c) a certificate to the effect that the AMC has been managing the schemes independently of any other activities and in case any activities of the nature referred to in clause (b) of regulation 24 have been undertaken by the AMC and has taken adequate steps to ensure that the interests of the unitholders are protected.
- 23) The independent trustees referred to in sub-regulation (5) of regulation 16 shall give their comments on the report received from the AMC regarding the investments by the Mutual Fund in the securities of group companies of the Sponsor.
- 24) The Trustee shall exercise due diligence as under:

A. General Due Diligence:

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

B. Specific due diligence:

The Trustee shall:

- (i) obtain internal audit reports at regular intervals from independent auditors appointed by the Trustee,
 - (ii) obtain compliance certificates at regular intervals from the AMC,
 - (iii) hold meeting of trustees more frequently,
 - (iv) consider the reports of the independent auditor and compliance reports of the AMC at the meetings of trustees for appropriate action,
 - (v) maintain records of the decisions of the trustees at their meetings and of the minutes of the meetings,
 - (vi) prescribe and adhere to a code of ethics by the trustees, AMC and its personnel,
 - (vii) communicate in writing to the AMC of the deficiencies and checking on the rectification of deficiencies.
- 25) Notwithstanding anything contained in the above clauses from (1) to (24), the Trustee shall not be held liable for acts done in good faith if it has exercised adequate due diligence honestly.
- 26) The independent directors of the Trustee or AMC shall pay specific attention to the following, as may be applicable, namely:

- (i) the Investment Management Agreement and the compensation paid under the agreement,
- (ii) service contracts with associates- whether the AMC has charged higher fees than outside contractors for the same services,
- (iii) selections of the AMC's independent directors,
- (iv) securities transactions involving associates to the extent such transactions are permitted,
- (v) selecting and nominating individuals to fill independent directors vacancies,
- (vi) code of ethics must be designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions,
- (vii) the reasonableness of fees paid to Sponsor, AMC and any others for services provided,
- (viii) principal underwriting contracts and their renewals,
- (ix) any service contract with the associates of the AMC.

27) The Trustee shall ensure that no amendments to the Trust Deed shall be carried out without the prior approval of SEBI and Unit holders' approval would be obtained where it affects the interests of Unit holders. **(Std.obs.6)**

Core responsibilities of the Trustee

1. As per Regulation 18(25) (C) of the SEBI MF Regulations, the Trustee shall exercise due diligence on such matters as may be specified by the SEBI from time to time. In terms of the said Regulation 18 (25) (C), the Trustee shall exercise independent due diligence on certain "core responsibilities", which are specified as under:
 - (a) The Trustee shall ensure the fairness of the fees and expenses charged by the AMC.
 - (b) The Trustee shall review the performance of AMC in its schemes vis-a-vis performance of peers or the appropriate benchmarks.
 - (c) The Trustee shall ensure that the AMC has put in place adequate systems to prevent mis-selling to increase assets under its management and valuation of the AMC.
 - (d) The Trustee shall ensure that operations of the AMC are not unduly influenced by the AMC's Sponsor, its associates and other stakeholders of the AMC.
 - (e) The Trustee shall ensure that undue or unfair advantage is not given by the AMC to any of its associates/group entities.
 - (f) The Trustee shall be responsible to address conflicts of interest, if any, between the shareholders/stakeholders/associates of the AMC and unitholders.
 - (g) The Trustee shall ensure that the AMC has put in place adequate systems to prevent misconduct including market abuse/misuse of information by the employees, AMC and connected entities of the AMC.
2. The Trustee shall take steps to ensure that there are system level checks in place at the AMC's end to prevent fraudulent transactions including front running by employees, form splitting/ mis- selling by distributors etc. The Trustee shall review such checks periodically.
3. The Trustee and its resource person shall independently evaluate the extent of compliance by the AMC vis-à-vis the identified key areas and not merely rely on the AMC's submissions /external assurances.
4. The AMC shall put in place suitable mechanisms/systems to generate system based information/data/reports for evaluation and effective due diligence by the Trustee. The AMC shall

provide alerts based automated reports to the Trustee as may be required by the Trustee.

5. The Trustee shall ensure that suitable mechanisms/systems are put in place by the AMC to generate system based information/data/ reports for evaluation and effective due diligence by the Trustee. The Trustee shall also ensure that the AMC periodically reviews such systems.
6. The AMC shall submit exceptional reports/analytical information to the Trustee, that add value to the process of exercising the Trustee's oversight role. The Trustee shall evaluate the nature and adequacy of the alerts and the manner of dealing with such alerts by the AMC.
7. The Trustee shall require the AMCs to furnish, in a true and fair manner, reports and alerts based on pre-decided parameters including but not limited to the areas specified as core responsibilities at para (1) above, for taking appropriate action.
8. The Trustee shall periodically review the steps taken by the AMC for folios which do not contain all the Know Your Client (KYC) attributes / updated KYC attributes and ensure that the AMC takes remedial steps necessary for updating the KYC attributes especially pertaining to bank details, PAN, mobile phone number.

The Trustee shall also exercise due diligence on such matters as may be specified by SEBI from time to time.

Trustee's Supervisory Role (Std.obs.5)

The supervisory role of the Trustee is discharged by the Board of Directors of the Trustee Company through internal and external reporting systems. The board meetings of the Trustee shall be held at least once in every two calendar months and at least six such meetings shall be held every year or at such frequency as may be prescribed under the SEBI (MF) Regulations.

Internal Reporting: The compliance officer shall report on a regular basis to the Trustee on the compliance of mandatory regulatory requirements.

External Reporting: Pursuant to paragraph no. 6.1.1.1 of the SEBI Master Circular dated June 27, 2024, the Trustee has constituted an Audit Committee being chaired by an independent trustee and appointed an independent internal auditor for conducting internal audit of the books and records of the Mutual Fund. The internal auditors shall submit their report directly to the Trustee under this external reporting system.

Asset Management Company

Choice AMC Private Limited ("AMC" or "Choice AMC") is a private company incorporated under the provisions of the **Companies Act, 1956**, having its registered office at: **Sunil Patodia Tower, Plot No 156-158 J.B. Nagar, Andheri (East), Mumbai 400099**. Choice AMC Private Limited was erstwhile known as Choice Portfolio Management Services Private Limited

The AMC has been appointed as the Asset Management Company to **Choice Mutual Fund** by the Trustee under the terms of the **Investment Management Agreement (IMA)** executed between the Trustee and the AMC in accordance with SEBI (Mutual Funds) Regulations, 1996.

The **entire paid-up share capital** of Choice AMC Private Limited is held by **Choice International Limited** (the Sponsor) along with its nominees. (Std.obs.7)

Details of AMC Directors

Name	Age / Educational Qualification	Brief Experience
Mr. Ajay Kejriwal	47 years / Chartered Accountant (2002), D.I.S.A. – Diploma in Information System Audit (2005)	Chartered Accountant & SEBI Registered Investment Advisor with ~20 years of experience in Capital Markets, Financial Consulting, and Investment Banking. Executive Director – Choice International Ltd. (since 2010), Director – Choice Equity Broking (since 2016). Earlier Partner – R.K. Malpani & Co., Chartered Accountants (2002–2007).
Mr. Arun Poddar	45 years / Chartered Accountant	Worked with government agencies, businesses, and individuals to make financial services accessible across India. Over 15 years' expertise in financial services, government advisory, and management consulting.
Mr. Yogesh Chadha	61 years / Chartered Accountant	35 years in Financial Services (strategic planning, debt raising, audit, compliance). Independent Director – Mirae Asset Investment Managers (India) (2014–2024) & Global Partners Property Fund (UAE) (since 2018). Former COO – DCB Bank, VP – JP Morgan Chase, Executive Director – HSBC Bank. Leadership roles at Newdea Inc (US), Basil Capital (Singapore), Ellington Capital (UAE). Member – Investment Committee, Samarth Skills & Development Pvt. Ltd. (2017–2021).
Mr. Nagendraa Parakh	59 years / Chartered Accountant, Company Secretary, D.I.S.A. (2005)	CA & CS with 36+ years' experience. Served 28+ years at SEBI, rose to Executive Director & Member (FMC). Led initiatives such as T+2 settlement, online KYC, market risk frameworks, and investigations into market violations. Contributed to reforms in foreign investment and institutional trading.
Mr. Krishna Majathia	58 years / Chartered Accountant	Risk management leader with 30+ years in global treasury & financial risk. Former MD & Head of Asia-Pacific Finance CRO – Citibank, managing \$500+ bn assets across 16 countries. Established Market Risk in India, pioneered FX & Rates risk management across Asia.
Mr. Raj Kumar	62 years / Graduate in Science	Former MD (equivalent to Addl. Secretary, GoI) at LIC after 39 years. Led LIC IPO, digital & insurance transformation. Served on boards of Grasim Industries, LIC Housing Finance, LIC Bangladesh, LIC Sri Lanka, High Energy Batteries, IDBI Bank Limited. Former CEO & MD – LIC Mutual Fund Asset Management.

Duties and obligations of the AMC

- 1) The AMC shall take all reasonable steps and exercise due diligence to ensure that the investment of funds pertaining to any scheme is not contrary to the provisions of the SEBI MF Regulations and the trust deed.
 - 2) The AMC shall exercise due diligence and care in all its investment decisions as would be exercised by other persons engaged in the same business.
 - 2A) The AMC shall obtain, wherever required under these regulations, prior in-principle approval from the recognized stock exchange(s) where units are proposed to be listed.
 - 3) The AMC shall be responsible for the acts of commission or omission by its employees or the persons whose services have been procured by the AMC.
 - 4) The AMC shall submit to the Trustee quarterly reports of each year on its activities and the compliance with the SEBI MF Regulations, as amended from time to time.
 - 5) The Trustee at the request of the AMC may terminate the assignment of the AMC at any time: Provided that such termination shall become effective only after the Trustee has accepted the termination of assignment and communicated its decision in writing to the AMC.
 - 6) Notwithstanding anything contained in any contract or agreement or termination, the AMC or its directors or other officers shall not be absolved of liability to the Mutual Fund for their acts of commission or omission, while holding such position or office.
- (6A)(a) The Chief Executive Officer of the AMC shall ensure that the Mutual Fund complies with all the provisions of the SEBI MF Regulations and the guidelines or circulars issued in relation thereto from time to time and that the investments made by the fund managers are in the interest of the unit holders and shall also be responsible for the overall risk management function of the Mutual Fund.
- (b) The Chief Executive Officer shall also ensure that the AMC has adequate systems in place to ensure that the Code of Conduct for Fund Managers and Dealers specified in PART - B of the Fifth Schedule of the SEBI MF Regulations are adhered to in letter and spirit. Any breach of the said Code of Conduct shall be brought to the attention of the Board of Directors of the AMC and Trustee.
- (6B) (a) The Fund Managers shall ensure that the funds of the schemes are invested to achieve the objectives of the scheme and in the interest of the unit holders.
- (b) The Fund Managers shall abide by the Code of Conduct for Fund Managers and Dealers specified in PART - B of the Fifth Schedule of the SEBI MF Regulations and submit a quarterly self-certification to the Trustee that they have complied with the said code of conduct or list exceptions, if any.
- Explanation:-* For the purposes of the sub-regulation 6B(b), the phrase “Fund Managers” shall include Chief Investment Officer (whatever be the designation).
- (6C) (a) The Dealers (whatever be the designation) shall ensure that orders are executed on the best available terms, taking into account the relevant market at the time for transactions of the kind and size concerned to achieve the objectives of the scheme and in the best interest of all the unit holders.
- (b) The Dealers (whatever be the designation) shall abide by the Code of Conduct for Fund Managers and Dealers specified in PART - B of the Fifth Schedule of the SEBI MF Regulations and submit

a quarterly self-certification to the Trustee that they have complied with the said code of conduct or list exceptions, if any.

(6D) The Board of Directors of the AMC shall ensure that all the activities of the AMC are in accordance with the provisions of the SEBI MF Regulations.

- 7) (a) The AMC shall not through any broker associated with the Sponsor, purchase or sell securities, which is average of 5 per cent or more of the aggregate purchases and sale of securities made by the Mutual Fund in all its schemes :
Provided that for the purpose of this, the aggregate purchase and sale of securities shall exclude sale and distribution of units issued by the Mutual Fund :
Provided further that the aforesaid limit of 5 per cent shall apply for a block of any three months.

(b) The AMC shall not purchase or sell securities through any broker [other than a broker referred to in clause (7)(a) above] which is average of 5 per cent or more of the aggregate purchases and sale of securities made by the Mutual Fund in all its schemes, unless the AMC has recorded in writing the justification for exceeding the limit of 5 per cent and reports of all such investments are sent to the Trustee on a quarterly basis :

Provided that the aforesaid limit shall apply for a block of three months.

- 8) The AMC shall not utilise the services of the Sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities: Provided that the AMC may utilise such services if disclosure to that effect is made to the unitholders and the brokerage or commission paid is also disclosed in the half-yearly annual accounts of the Mutual Fund :

Provided further that the Mutual Fund shall disclose at the time of declaring half-yearly and yearly results :

- (i) any underwriting obligations undertaken by the schemes of the Mutual Fund with respect to issue of securities associate companies,
 - (ii) devolvement, if any,
 - (iii) subscription by the schemes in the issues lead managed by associate companies,
 - (iv) subscription to any issue of equity or debt on private placement basis where the Sponsor or its associate companies have acted as arranger or manager.
- 9) The AMC shall file with the Trustee the details of transactions in securities by the key personnel of the AMC in their own name or on behalf of the AMC and shall also report to SEBI, as and when required by SEBI.
- 10) In case the AMC enters into any securities transactions with any of its associates a report to that effect shall be sent to the Trustee at its next meeting.
- 11) In case any company has invested more than 5 per cent of the net asset value of a scheme, the investment made by that scheme or by any other scheme of the Mutual Fund in that company or its subsidiaries shall be brought to the notice of the Trustee by the AMC and be disclosed in the half-yearly and annual accounts of the respective schemes with justification for such investment provided the latter investment has been made within one year of the date of the former investment calculated on either side.
- 12) The AMC shall file with the Trustee and SEBI :
- a) detailed bio-data of all its directors along with their interest in other companies within fifteen days of their appointment;
 - b) any change in the interests of directors every six months; and
 - c) a quarterly report to the Trustee giving details and adequate justification about the purchase and sale of the securities of the group companies of the Sponsor or the AMC, as the case

may be, by the Mutual Fund during the said quarter.

- 13) Each director of the AMC shall file the details of his transactions of dealing in securities with the Trustee on a quarterly basis in accordance with guidelines issued by SEBI.
- 14) The AMC shall not appoint any person as key personnel who has been found guilty of any economic offence or involved in violation of securities laws.
- 15) The AMC shall appoint registrars and share transfer agents who are registered with SEBI : Provided if the work relating to the transfer of units is processed in-house, the charges at competitive market rates may be debited to the scheme and for rates higher than the competitive market rates, prior approval of the Trustee shall be obtained and reasons for charging higher rates shall be disclosed in the annual accounts. **(Std.obs.11)**
- 16) The AMC shall abide by the Code of Conduct as specified in PART-A of the Fifth Schedule of the SEBI MF Regulations.
- 16(A) The AMC shall invest such amounts in such schemes of the Mutual Fund, based on the risks associated with the schemes, as may be specified by SEBI from time to time.
- 17) The AMC shall not invest in any of its schemes, unless full disclosure of its intention to invest has been made in the offer documents. Provided that the AMC shall not be entitled to charge any fee on its investment in that scheme.
- 18) The AMC shall not carry out its operations including trading desk, unit holder servicing and investment operations outside the territory of India.
- 19) The AMC shall compute and carry out valuation of investments made by its scheme(s) in accordance with the investment valuation norms specified in Eighth Schedule, and shall publish the same.
- 20) The AMC and the Sponsor of the Mutual Fund shall be liable to compensate the affected investors and/or the scheme for any unfair treatment to any investor as a result of inappropriate valuation.
- 21) The AMC shall report and disclose all the transactions in debt and money market securities, including inter scheme transfers, as may be specified by SEBI.
- 22) **The Board of Directors of the AMC shall exercise due diligence as follows:**
 - a) The Board of Directors of the AMC shall ensure before the launch of any scheme that the AMC has:
 - (i) systems in place for its back office, dealing room and accounting;
 - (ii) appointed all key personnel including fund manager(s) for the scheme(s) and submitted their bio-data which shall contain the educational qualifications and past experience in the securities market with the Trustee, within fifteen days of their appointment;
 - (iii) appointed auditors to audit its accounts;
 - (iv) appointed a compliance officer who shall be responsible for monitoring the compliance of the SEBI Act, 1992, rules and regulations, notifications, guidelines, instructions, etc., issued by SEBI or the Central Government and for redressal of investors grievances;
 - (v) appointed a registrar to an issue and share transfer agent registered under the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 and laid down

parameters for their supervision;

- (vi) prepared a compliance manual and designed internal control mechanisms including internal audit systems;
- (vii) specified norms for empanelment of brokers and marketing agents;
- (viii) obtained, wherever required under these regulations, prior in principle approval from the recognized stock exchange(s) where units are proposed to be listed.

b) The Board of Directors of the AMC shall ensure that:

- (i) the AMC has been diligent in empanelling the brokers, in monitoring securities transactions with brokers and avoiding undue concentration of business with specific brokers;
 - (ii) the AMC has not given any undue or unfair advantage to any associate or dealt with any of the associate of the AMC in any manner detrimental to interest of the unit holders;
 - (iii) the transactions entered into by the AMC are in accordance with the SEBI MF Regulations and the respective schemes;
 - (iv) the transactions of the Mutual Fund are in accordance with the provisions of the trust deed;
 - (v) the net worth of the AMC is reviewed on a quarterly basis to ensure compliance with the threshold provided in clause (f) of sub-regulation (1) of regulation 21 on a continuous basis;
 - (vi) all service contracts including custody arrangements of the assets and transfer agency of the securities are executed in the interest of the unit holders;
 - (vii) there is no conflict of interest between the manner of deployment of the net worth of the AMC and the interest of the unit holders;
 - (viii) the investor complaints received are periodically reviewed and redressed;
 - (ix) all service providers are holding appropriate registrations with SEBI or with the concerned regulatory authority;
 - (x) any special developments in the Mutual Fund are immediately reported to the Trustee;
 - (xi) there has been exercise of due diligence on the reports submitted by the AMC to the Trustee;
 - (xii) there has been exercise of due diligence on such matters as may be specified by SEBI from time to time.
- 23) The compliance officer appointed under sub-clause (iv) of clause (a) of sub-regulation (22) shall independently and immediately report to SEBI any non-compliance observed by him/her.
- 24) The AMC shall constitute a Unit Holder Protection Committee in the form and manner and with a mandate as may be specified by SEBI.
- 25) The AMC shall be responsible for calculation of any income due to be paid to the Mutual Fund

and also any income received in the Mutual Fund, for the unit holders of any scheme of the Mutual Fund, in accordance with the SEBI MF Regulations and the trust deed.

- 26) The AMC shall ensure that no change in the fundamental attributes of any scheme or the trust, fees and expenses payable or any other change which would modify the scheme and affect the interest of unit holders, shall be carried out unless,
 - (i) a written communication about the proposed change is sent to each unit holder and an advertisement is issued in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the Mutual fund is situated; and
 - (ii) the unit holders are given an option to exit at the prevailing Net Asset Value without any exit load.
- 27) The AMC shall put in place an institutional mechanism, as may be specified by SEBI, for the identification and deterrence of potential market abuse including front-running and fraudulent transactions in securities.
- 28) The Chief Executive Officer or Managing Director or such other person of equivalent or analogous rank and Chief Compliance Officer of the AMC shall be responsible and accountable for implementation of such an institutional mechanism for deterrence of potential market abuse, including front-running and fraudulent transactions in securities.
- 29) The AMC shall establish, implement and maintain a documented whistle blower policy that shall:
 - a) provide for a confidential channel for employees, Directors, Trustee, and other stakeholders to raise concerns about suspected fraudulent, unfair or unethical practices, violations of regulatory or legal requirements or governance vulnerability, and
 - b) establish procedures to ensure adequate protection of the whistle blowers.
- 30) The Board of Directors of the Trustee and the Board of Directors of the AMC shall meet at least once a year to discuss issues, if any, concerning the Mutual Fund and to discuss future course of action, wherever required.

Procedure for taking investment decisions (Std. obs. 4)

The Board of the AMC has constituted an Investment Committee which shall meet regularly to review scheme performance, portfolio holdings, risk reports, etc. Adherence to overall risk parameters shall be monitored to ensure that the investments made by the portfolio managers are in line with the investment objectives of the schemes and are in the interest of the unitholders.

The designated fund managers of the schemes will be responsible for taking buy/ sell and day-to-day investment decisions, which shall be recorded along with appropriate justification. Investment decisions taken by the Fund Manager shall be guided by the framework prescribed in the Investment Policy. Research Reports shall be prepared for undertaking investments in various securities. The Fund Manager shall be responsible for performance of various mutual fund scheme(s).

Chief Executive Officer is not involved in the investment decision making process.

The performances of the schemes of the Mutual Fund with their respective benchmark indices will be reviewed by the Investment Committee as well as by the Boards of the AMC and Trustee in their periodic meetings and corrective action as proposed will be taken in case of unsatisfactory performance. Also, the performance of the schemes shall be compared with the performance of peers and placed in the meetings of the Board of AMC and Trustee.

Pursuant to paragraph no. 1.8.4 of the SEBI Master Circular dated June 27, 2024, the AMC and Trustee may change the benchmark index or select an additional benchmark index after recording adequate justification for carrying out such change. However, change of benchmark index and/or selecting additional benchmark indices would be done in compliance of the relevant guidelines of SEBI, in this regard.

Information on Key Personnel (Std. obs. 3)

Name	Age	Designation	Educational Qualification	Total No. of years of Experience	Nature of past experience including assignments held during the last 10 years
Mr. Ajay Kejriwal	47	Chief Executive Officer	Chartered Accountant (2002), D.I.S.A. – Diploma in Information System Audit (2005)	Over 20 years	Chartered Accountant & SEBI Registered Investment Advisor with ~20 years of experience in Capital Markets, Financial Consulting, and Investment Banking. Executive Director – Choice International Ltd. (since 2010), Director – Choice Equity Broking (since 2016). Earlier Partner – R.K. Malpani & Co., Chartered Accountants (2002–2007).
Mr. Rochan Pattnayak	42	Chief Investment Officer	MBA – Indian School of Business (2017); Mergers & Acquisitions – Wharton Business School (2018); Strategic Finance – Kellogg School of Management, US	Over 15 years	Choice International. Head of Institutional Research – Choice Equity Broking (2020–2024). Earlier roles: Fund Manager – Quant Capital (2019–2020), Sr. Investment Analyst – Edelweiss AMC (2017–2019), Research Analyst – Indus Equity Advisors (2011–2016), Trading Analyst – Wolverine Equities & Markets UK (2008–2010).
Mr. Nandan Deole	45	Chief Operating Officer	Masters in Financial Management – MET Mumbai (2007)	Over 20 years	COO – Choice AMC Private Limited. Former COO – LC Capital India Pvt. Ltd. (2021–2024). Head – Wealth Management & Family Office Ops – Centrum Wealth

					Management (2011–2020). Earlier roles at Yes Bank, Kotak Mahindra Bank, JP Morgan Stanley, and American Express. 20+ years in operations, CRM, and wealth management.
Mr. Mayuresh Sonavane	41	Compliance Officer	B.Com	Over 16 years	Compliance Officer – Choice AMC Private Limited. Compliance Officer – Old Bridge AMC (2023–2025). AVP – Quantum AMC (2020–2023), PGIM India AMC (2018–2020), Quantum AMC (2013–2018), Birla Sun Life AMC (2010–2013). 16+ years in regulatory compliance.
Mr. Vikram Lakhani	32	Chief Risk Officer	MBA – Finance	Over 9 years	CRO – Choice AMC Private Limited. Risk Officer – Samco MF (2024–2025). Operations Specialist – Morgan Stanley Investment Mgmt (2020–2023), Senior Associate – Destar Consulting (2018–2020), Senior Analyst – Goldman Sachs Services (2016–2018).
Ms. Swapnali Jadhav	36	CTO	B.E. – Engineering	Over 12 years	CTO – Choice AMC Private Limited. AVP – Product Development & Management, Choice TechLab (2017–2025). Earlier: Software Engineer – Capgemini (2013–2017).
Mr. Shailendra Chaudhari	38	CISO	BCA	Over 16 years	CISO – Choice AMC Private Limited. Supervisory & Managerial IT – Choice TechLab (2020–2025). Earlier roles: Sr. Executive – Narnolia Financial Advisors (2018–2020), India Advantage Securities (2010–2018), IT Support – System International

					(2009–2010).
Ms. Chhaya Biyani	39	Chief Financial Officer	Chartered Accountant, Company Secretary	Over 16 years	CFO – Choice AMC Private Limited. Choice Consultancy Services (2023–2025). Earlier: Practicing CA – Statutory & Internal Audits (2013–2022), Assistant Manager – Deloitte Haskins & Sells (2009–2012).
Ms. Swati Gaikwad	34	Investor Relations Officer	B.Com	Over 15 years	IRO – Choice AMC Private Limited. Team Leader – Customer Care Desk, Choice Equity Broking (2017–2025). Earlier roles: Sr. Executive – Tradebulls Securities (2016–2017), Executive – Angel Broking (2012–2016), Cashier – Lifestyle (2010–2012).

All the above personnel are based in Mumbai.

III. Service providers

1. Custodian & Fund Accountant

- Orbis Financial Corporation Limited
4A Ocus Technopolis, Sector 54, Golf Club Road, Gurgaon - 122002, Haryana, India and its branch office at Vaibhav Chambers, Unit No. 205 & 206, 2n Floor, Plot No. 1, Bandra-Kurla Complex, Bandra (East), Mumbai – 400051
SEBI Registration No. IN/CUS/020
- SBI SG Global Securities Services Pvt. Ltd.
“B Wing”, Jeevan Seva Annexe, LIC Complex, S V Road, Santacruz (West), Mumbai-400 054 and
SEBI Registration No.) IN/CUS/022

2. Registrar & Transfer Agent

- Computer Age Management Services Limited (CAMS)
New.10 (Old No.178), M.G.R. Salai, Nungambakkam, Chennai – 600 034
SEBI Registration No. : INR000002813

The Board of Directors of the Trustee and the AMC have ensured that the Registrar has adequate capacity to discharge responsibilities with regard to processing of applications and dispatching unit certificates to unitholders within the time limit prescribed in the SEBI MF Regulations and also has sufficient capacity to handle investor complaints.

3. Statutory auditor

M/s Chokshi & Chokshi LLP

15/17, Raghavji B Bldg, Ground Floor, Raghavji
Road, Gowalia Tank, Off Kempes Corner, Mumbai
400036

For statutory audit purposes, the AMC has engaged reputed audit firms with significant experience to ensure compliance with applicable accounting and regulatory standards.

4. Legal counsel

There is no retained legal counsel to the mutual fund or AMC. The AMC uses such services, if need arises.

5. Collecting bankers

ICICI BANK LIMITED

Regd. Office: ICICI Bank Tower, Near Chakli Circle, Old Padra Road, Vadodara, 390007, India.

Corp. Office: ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400051, India.

SEBI Registration No. : INBI00000004

F. Condensed Financial Information (CFI)

For all the schemes launched by the MF during the last three fiscal years (excluding redeemed schemes):
Not Applicable as Choice AMC is in process of launching its schemes. (Std. obs. 17)

II. RISK FACTORS

1. Standard Risk Factors

(a) Standard Risk Factors for investments in mutual funds

- 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 schemes invest fluctuates, the value of your investment in the schemes may go up or down.
- Past performance of the Sponsor/AMC/Mutual Fund does not guarantee future performance of the schemes.
- The names of the schemes do not in any manner indicate either the quality of the schemes or their future prospects and returns.
- The Sponsor is not responsible or liable for any loss resulting from the operation of the schemes beyond the initial contribution of Rs. 1,000,00/- (Rupees One Lakhs only) made by it towards setting up the Fund.

- The present scheme is not a guaranteed or assured return scheme.

**(b) Risk factors of not maintaining average AUM of Rs. 20 crores on half yearly rolling basis
(Applicable only for open ended debt oriented schemes)**

The Scheme(s) shall maintain an average AUM of Rs. 20 crore on half yearly rolling basis. In case, the average AUM falls below Rs. 20 crore, the AMC shall scale up the AUM of such Scheme within a period of six months so as to maintain the average AUM of Rs. 20 crore on half yearly rolling basis, failing which the Scheme shall be wound up in accordance with the provisions of Regulation 39 (2) (c) of SEBI (Mutual Funds) Regulations, 1996 as amended from time to time.

(c) Risks associated with different derivative strategies

- 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 the decision of the 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.
- 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 adds to the portfolio and the ability to forecast the price of securities being hedged and interest rate movements correctly. There is a possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the “counterparty”) 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.
- 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.
 - 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.
 - 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.
 - Exchanges could raise the initial margin, variation margin or other forms of margin on derivative contracts, impose one sided margin 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.
 - Liquidity Risk : In case of arbitrage trades, under abnormal circumstances it will be difficult to square off the transaction due to liquidity being poor in the underlying stock, stock futures or options market.
 - Mark to Market Risk : There could be a mark to market loss in derivatives leg of arbitrage and additional margin may need to be provided for the same.
 - Basis Risk : 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. In such extraordinary circumstances, the Fund Manager may have to unwind positions before the expiry at a basis which may be higher than the initiation basis to meet redemptions. Premature unwinding of the position might result in the locked in profits not getting realized.

(d) Other risk factors

(viz. swing pricing, investment in Corporate Debt Market Development Fund and Liquidity Risk Management)

1. Risk factors for swing pricing:

The swing pricing framework ensures that the impact cost of high redemption is passed on the investors exiting the scheme, while incoming investors in such time benefit due to lower NAV.

(e) Risks associated with investing in equities:

- 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 by unforeseen circumstances. The inability of the Scheme to make intended securities purchases due to settlement problems could cause the Scheme to miss certain investment opportunities. 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.
- 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.

(f) Risks associated with investing in fixed income:

- **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.
- **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.
- **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.
- **Credit Risk:** 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 realise their investments in unlisted securities at a fair value.
- Different types of fixed income securities in which the scheme would invest as given in the Scheme Information Document 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 assetliability 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.
- **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.
- **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.

(g) Risks associated with investing in foreign securities:

It is AMC’s belief that the investment in overseas securities / Overseas ETFs offers new investment and portfolio diversification opportunities into multi-market and multi-currency products. However, such investments also entail additional risks. Such investment opportunities may be pursued by the AMC provided they are considered appropriate in terms of the overall investment objective of the scheme. Since the scheme would invest only partially in overseas securities/ Overseas ETFs, there may not be readily available and widely accepted benchmarks to measure performance of the scheme. To manage risks associated with foreign currency and interest rate exposure, the scheme may use derivatives for efficient portfolio management including hedging and in accordance with conditions as may be stipulated by SEBI/RBI from time to time. To the extent that the assets of the Scheme will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by the changes in the value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital also may be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of the other restrictions on investment. Offshore investments will be made subject to any/all approvals, conditions thereof as may be stipulated by SEBI/RBI and provided such investments do not result in expenses to the scheme in excess of the ceiling on expenses prescribed by and consistent with costs and expenses attendant to international investing. The scheme may, where necessary, appoint other intermediaries

of repute as advisors, custodian/sub-custodians etc. for managing and administering such investments. The appointment of such intermediaries shall be in accordance with the applicable requirements of SEBI and within the permissible ceilings of expenses. The fees and expenses would illustratively include, besides the investment management fees, custody fees and costs, fees of appointed advisors and sub-managers, transaction costs, and overseas regulatory costs. Keeping in mind the investment limit in foreign securities currently applicable to Mutual Fund under SEBI Master Circular for Mutual Funds dated June 27, 2024, if overall limit for the Mutual Fund in overseas securities reaches USD 1 billion or the overall limit for Mutual Fund Industry in overseas securities reaches USD 7 billion, then Mutual Fund will not be able to invest in overseas securities / will not be able to do incremental overseas investment, unless such limit is increased or further directions is received from SEBI or RBI in this regard. It may be noted that the cap of USD 1 billion will be monitored and enforced at the Mutual Fund level and not at the individual scheme level. As per SEBI Circular dated November 04, 2024, the scheme may invest in overseas Mutual Funds/Unit Trusts that have exposure to Indian securities, provided that the total exposure to Indian securities by these overseas MF/UTs shall not be more than 25% of their assets.

(h) Risk factors associated with investing in Preference Shares

Credit Risk - Investments in Preference Shares are subject to the risk of an issuer's inability to meet IDCW and redemption by the issuer. Further, for non-cumulative preference shares, issuer also has an option to not pay IDCW on preference shares in case of inadequate profits in any year.

Liquidity Risk - Preference shares lack a well-developed secondary market, which may restrict the selling ability of the Scheme(s) and may lead to the Scheme(s) incurring losses till the security is finally sold. 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.

Market Risk – The schemes will be vulnerable to movements in the prices of securities invested by the schemes which could have a material bearing on the overall returns from the schemes.

(i) Risks associated with investing in securitised 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 Securitised 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 Securitised Debts. e.g. AAA securitised bonds will have low Credit Risk than a AA securitised bond. Credit Risk on Securitised 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 Securitised 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 Securitised Debts. Holders of Securitised Assets may have Low Credit Risk with Diversified Retail Base on Underlying

Assets, especially when Securitised Assets are created by High Credit Rated Tranches. Risk profiles of Planned Amortisation 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 securitised paper.

Presently, secondary market for securitised 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. Securitised 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.

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

- Auto Loans (cars / commercial vehicles /two wheelers)
 - Residential Mortgages or Housing Loans
 - Consumer Durable Loans
 - Personal Loans
 - Corporates Loans 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 cyclical nature in the economy. In a downturn in economy, freight rates drop leading to higher defaults in commercial vehicle loans. Further, the second hand prices of these vehicles also decline in such economic environment.
 - 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:

- 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.

(j) Risks associated with short selling and securities lending:

Purchasing a security entails the risk of the security price going down. Short selling of securities (i.e. sale of securities without owning them) entails the risk of the security price going up thereby decreasing the profitability of the short position. Short selling is subject to risks related to fluctuations in market price, and settlement/liquidity risks. If required by the Regulations, short selling may entail margin money to be deposited with the clearing house and daily mark to market of the prices and margins. This may impact fund pricing and may induce liquidity risks if the fund is not able to provide adequate margins to the clearing house. Failure to meet margin requirements may result in penalties being imposed by the exchanges and clearing house. 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 Mutual Fund 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.

(k) 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 working days of creation of segregated portfolio and 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.

(l) Risks associated with Securities Lending & Borrowing (SLB)

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. The risks in security lending consist of the failure of intermediary / counterparty, to comply with the terms of agreement entered into between the lender of securities i.e. the scheme and the intermediary / counterparty. 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 lent out securities, which can lead to temporary illiquidity & loss of opportunity.

(m) 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 endeavoured 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 endeavoured to mitigate the risk by following an appropriate counterparty selection process, which include their credit profile evaluation.

(n) Risk Factors Associated with Investments in REITs and InvITs Market Risk:

REITs and 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. Liquidity Risk: This refers to the ease with which REIT/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 REITs & 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 REIT or 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 REIT/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 REIT/InvIT such as fire, natural disasters, accidents • taxation and other regulatory factors

(o) 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. a) Market risk: Derivatives carry the risk of adverse changes in the market price. b) Price Risk- The risk of mispricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices. c) Liquidity risk – This occurs where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates and indices. d) Model Risk - The risk of mispricing or improper valuation of derivatives. e) 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 working 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.

(p) 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). 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.

(q) 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.

Risks associated with 'Right to limit redemptions' 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 the Scheme 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. Please refer to the paragraph "Right to Limit Redemptions" for further details including the procedure to be followed while imposing restriction on redemptions.

(r) 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.

(s) Risk Factor associated with investing in special features instrument:

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 and issued under the issuance and listing framework given under Chapter VI of the SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013 ("NCRPS Regulations"). 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 resulting potential loss to investors. Payment of coupon on the Bonds is subject to the terms of Information Memorandum, including Coupon Discretion, IDCW 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.

(t) Risk associated with investing in units of Gold ETFs

The Scheme may invest in Gold ETFs and thus the NAV of the Scheme will react to Gold price movements. Several factors that may affect the price of gold are as follows:

- Global gold supplies and demand, which is influenced by factors such as forward selling by gold producers, purchases made by gold producers to unwind gold hedge positions, central bank purchases and sales, and productions and cost levels in major gold producing countries.
- Investors' expectations with respect to the rate of inflation.
- Currency exchange rates.
- Interest rates.
- Investment and trading activities of hedge funds and commodity funds.
- Global or regional political, economic or financial events and situations.
- Changes in indirect taxes or any other levies. In addition, there is no assurance that gold will maintain its long-term value in terms of purchasing power in the future. In the event that the price of gold declines, the value of investment in units in which the Scheme has invested will, in general, decline proportionately.

To the extent the Scheme's assets are invested in Gold ETFs the risks associated with the underlying Gold ETFs,

will also be applicable. Some of them are explained below:

- **Regulatory Risk:** Any changes in trading regulations by the stock exchange(s) or SEBI may affect the ability of Authorised Participant of Gold ETFs to arbitrage resulting into wider premium/ discount to NAV. Any changes in the regulations relating to import and export of gold or gold jewellery (including customs duty, sales tax and any such other statutory levies) may affect the ability of the underlying Gold ETFs to buy / sell gold against the purchase and redemption requests received.
- Units of Gold ETFs may be acquired from the stock exchanges where the price quoted may be at variance with the underlying NAV, resulting in higher acquisition costs. **Tracking Error Risk:** “Tracking Error” i.e. the annualised standard deviation of the difference in daily returns between physical Gold and the NAV of Gold ETF may arise including but not limited to the following reasons:
 - (i) Expenditure incurred by the Scheme.
 - (ii) Securities trading may halt temporarily due to circuit filters.
 - (iii) Disinvestments to meet redemptions, recurring expenses, etc.
 - (iv) Execution of large buy / sell orders
 - (v) Transaction cost (including taxes and insurance premium) and recurring expenses
 - (vi) Realisation of Unit holders’ funds
 - (vii) Accounting for indirect taxes including tax reclaims
 - (viii) Available funds may not be invested at all times as the Scheme may keep a portion of the funds in cash to meet Redemptions, for corporate actions or otherwise.

SEBI Regulations (if any) may impose restrictions on the investment and/or disinvestment activities of the Scheme. Such restrictions are typically outside the control of the AMC and may cause or exacerbate the Tracking Error Taxation: For the valuation of gold by the underlying scheme, indirect taxes like customs duty, VAT etc. may impact the price of gold. Hence any change in the rates of indirect taxation may affect the valuation of the gold ETF. **Liquidity Risk:** The underlying gold ETF has to sell gold only to bullion bankers/traders who are authorized to buy gold. Though there are adequate number of players (commercial or bullion bankers) to whom the underlying ETFs can sell gold, it may have to resort to distress sale of gold if there is no or low demand for gold to meet its cash needs of redemption or expenses.

Risks associated with handling, storing and safekeeping of physical Gold: There is a risk that part or all of the underlying scheme’s Gold could be lost, damaged or stolen. Access to the underlying scheme's Gold could also be restricted by natural events or human actions. Any of these actions may have adverse impact on the operations of the Scheme and consequently on investment in units.

Market Trading Risks: • Although units of Gold ETFs are listed on recognised stock exchange(s), there can be no assurance that an active secondary market will be developed or be maintained. • Trading in units of Gold ETFs on the Exchange may be halted because of market conditions or for reasons that in view of the Exchange Authorities or SEBI, trading in units of Gold ETFs is not advisable. In addition, trading in units of Gold ETFs is subject to trading halts caused by extraordinary market volatility and pursuant to the Exchange and SEBI ‘circuit filter’ rules. There can be no assurance that the requirements of the Exchange necessary to maintain the listing of units of Gold ETFs will continue to be met or will remain unchanged. • Any changes in trading regulations by the Stock Exchange(s) or SEBI may affect the ability of market maker to arbitrage resulting into wider premium/ discount to NAV. • The units of Gold ETFs may trade above or below their NAV. The NAV of Gold ETFs will fluctuate with changes in the market value of that scheme’s holdings. The trading prices of units of Gold ETFs will fluctuate in accordance with changes in their NAV as well as market supply and demand for the units of Gold ETF. • Gold ETFs may provide for the creation and redemption of units in Creation Unit Size directly with the concerned Mutual Fund and therefore, it is expected that large discounts or premiums to the NAV of the units of Gold ETFs will not sustain due to arbitrage opportunity available.

(u) Risk associated with investments in Silver ETF:

Market Liquidity: Trading in Silver ETF on the Exchange may be halted because of market conditions or for reasons that in the view of the market authorities or SEBI, trading in Silver ETF is not advisable. In addition, trading in Silver ETF is subject to trading halts caused by extraordinary market volatility and pursuant to Stock Exchange(s) and SEBI ‘circuit filter’ rules. There can be no assurance that the requirements of the market necessary to maintain the listing of Silver ETF will continue to be met or will remain unchanged.

The returns from silver may underperform returns from the various general securities markets or different asset classes other than silver. Different types of securities tend to go through cycles of out-performance and underperformance in comparison to the general securities markets. The scheme may invest in units of Silver ETFs that may trade above or below their NAV. The NAV of the underlying Scheme will fluctuate with changes in the market value of the holdings. The trading prices will fluctuate in accordance with changes in their NAV as well as market supply and demand. However, given that units of Silver ETFs can be created and redeemed in Creation Units, it is expected that large discounts or premiums to the NAV will not sustain due to arbitrage opportunity available. The value of Silver ETFs Units could decrease if unanticipated operational or trading problems arise. In case of investment in Silver ETFs, the scheme can subscribe to the units of Silver ETFs according to the value equivalent to unit creation size as applicable. If subscriptions received are not adequate enough to invest in creation unit size, the subscriptions may be deployed in debt and money market instruments which will have a different return profile compared to gold returns profile. In addition to recurring expenses of the Scheme, the Unit holders shall also bear the applicable expenses of Underlying ETF. Further, the tracking error of the underlying ETF may result in returns deviating from the actual returns that could be generated by holding physical assets. However, under normal circumstances, such tracking errors are not expected to exceed 2% per annum. However, this may vary when the markets are very volatile. Investments in ETF, which is a commodity-based ETF, will have all the risks associated with investments in underlying commodity (Silver) as mentioned below.

Several factors that may affect the price of Silver are as follows:

- Global Silver supplies and demand, which is influenced by factors such as forward selling by silver producers, purchases made by Silver producers to unwind Silver hedge positions, government regulations, productions and cost levels in major Silver producing countries.
- Macro-economic indicators - Price volatility in Silver as a commodity will be much higher because of the industrial use of it. Global or regional political, economic or financial events and situations may also impact the price and demand / supply of the commodity.
- Currency exchange rates - The formula for deriving the NAV of the units of the ETFs is based on the imported (landed) value of the silver, which is computed by multiplying international market price by US Dollar value. Hence the value of NAV or silver will depend upon the conversion value and attracts all the risk associated with such conversion.
- Regulatory risk – Restriction on movement/trade of silver that may be imposed by RBI. Trade and restrictions on import/export of silver or silver jewellery, etc may also impact prices and demand/supply.
- Investment and trading activities of hedge funds and commodity funds;
- In addition, investors should be aware that there is no assurance that Silver will maintain its long-term value. In the event that the price of silver declines, the value of investment in units is expected to decline proportionately.

(v) Risk Factors associated with Investments in Exchange Traded Commodity Derivatives (ETCDs):

Commodity risks: The Scheme may invest in commodity markets and may therefore have investment exposure to the commodity markets and one or more sectors of the commodity markets, which may subject the Scheme to greater volatility than investments in traditional securities, such as stocks and bonds. Volatility in the commodity markets may be caused by changes in overall market movements, domestic and foreign political and economic events and policies, war, acts of terrorism, changes in domestic or foreign interest rates and/or investor expectations concerning interest rates, 15 domestic and foreign inflation rates, investment and trading activities of mutual funds, hedge funds and commodities funds, and factors such as drought, floods, weather, livestock disease, embargoes, tariffs and other regulatory developments, or supply and demand disruptions. Because the Scheme's performance is linked to the performance of volatile commodities, investors should be willing to assume the risks of potentially significant fluctuations in the value of the Scheme's shares. The AMC within the regulatory guidelines and room given in Scheme information document, may use derivative on commodities (like Futures and Options). The use of derivatives may affect the performance of the scheme.

- **Systemic risks:** which may be witnessed while trading in Indian Commodities Market are Liquidity risk, Price risk in terms of volatility, Exchange Risk and counterparty risks.
- **Liquidity Risk:** While ETCDs that are listed on an exchange carry lower liquidity risk, the ability to sell these contracts is limited by the overall trading volume on the exchanges. The liquidity of the Schemes' investments is inherently restricted by trading volumes of the ETCD contracts in which it invests. Additionally, change in margin requirements or intervention by

government agencies to reduce overall volatility in the underlying commodity could lead to adverse impact on the liquidity of the ETCD. • Price risk: ETCDs are leveraged instruments hence, a small price movement in the underlying security could have a large impact on their value. Also, the market for ETCDs is nascent in India hence, arbitrages can occur between the price of the physical commodity and the ETCD, due to a variety of reasons such as technical issues and volatile movement in prices. This can result in mispricing and improper valuation of investment decisions as it can be difficult to ascertain the amount of the arbitrage. • Settlement risk: ETCDs can be settled either through the exchange or physically. The inability to sell ETCDs held in the Schemes' portfolio in the exchanges due to the extraneous factors may impact liquidity and would result in losses, at times, in case of adverse price movement. Wherein the underlying commodity is physically delivered in order to settle the derivative contract, such settlement could get impacted due to various issues, such as logistics, Government policy for trading in such commodities. If the Commodities futures position passes its last square off date or the 'Intention' is missed to be provided before the Delivery Intention period, the buyer or the seller will be allocated delivery of the commodity. Thus, there emerges a risk of holding goods in physical form at the warehouses. Though the commodity is inclusive of insurance cost, there is a small deductible in each claim which is not payable by the Insurance company.

(w) Risks Associated with Backstop Facility In Form Of Investment In Corporate Debt Market Development Fund (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 to begin with) 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 Master Circular for Mutual Funds dated June 27, 2024, 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. We would further like to bring to the notice of the investors that 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. 22. Liquidity or Marketability Risk This refers to the ease at which a security can be sold at or near its true value. The primary measure of liquidity risk is the spread between the bid price and the offer price quoted by a dealer. Liquidity risk is characteristic of the Indian fixed income market. Trading volumes, settlement periods and transfer procedures may restrict the liquidity of some of these investments. Different segments of the Indian financial markets have different settlement periods, and such periods may be extended significantly by unforeseen circumstances. The length of time for settlement may affect the Scheme in the event it has to meet an inordinately large number of redemption or of restructuring of the Scheme's investment portfolio.

(e) Requirement of minimum number of investors in the schemes

The scheme(s) shall have a minimum of 20 investors and no single investor shall account for more than 25% of the corpus of the scheme(s). In case the scheme(s) does not have a minimum of 20 investors in the stipulated period, the provisions of Regulation 39(2)(c) of the SEBI (MF) Regulations would become

applicable automatically without any reference from SEBI and accordingly the scheme(s) shall be wound up and the units would be redeemed at applicable NAV. The two conditions mentioned above shall also be complied within each subsequent calendar quarter thereafter, on an average basis, as specified by SEBI. If 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/her/its exposure over the 25% limit. Failure on the part of the said investor to redeem his/her/its exposure over the 25% limit within the aforesaid 15 days would lead to automatic redemption by the Mutual Fund on the applicable Net Asset Value 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.

2. Special Considerations

- Investors are requested to study the terms of Scheme Information Document (SID) and this Statement of Additional Information (SAI) of Choice Mutual Fund carefully before investing in this scheme and to retain the SID and SAI for future reference. Investors are advised to consult their Legal /Tax and other Professional Advisors in regard to tax/legal implications relating to their investments in the Scheme and before making decision to invest in or redeem the Units. The tax information contained in SID of the scheme and SAI of Choice Mutual Fund alone may not be sufficient and should not be used for the development or implementation of an investment strategy or construed as investment advice. Investors alone shall be fully responsible/ liable for any investment decision taken on the basis of this document.

Investors are advised to rely upon only such information and/or representations as contained in SID. Any subscription or redemption made by any person on the basis of statements or representations which are not contained in SID of the scheme or which are inconsistent with the information contained herein shall be solely at the risk of the Investor. The Investor is required to confirm the credentials of the individual/firm he/she is entrusting his/her application form along with payment instructions for any transaction in this Scheme. The Mutual Fund/ Trustee/AMC shall not be responsible for any acts done by the intermediaries representing or purportedly representing such Investor.

Mutual Fund investments are subject to market risks and the Investors should review/study SID of the scheme, the SAI and the addenda thereto issued from time to time carefully in its entirety before investing and should not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation or financial/investment matters. There can be no assurance or guarantee that the Scheme objectives will be achieved and the investment decisions made by the AMC may not always be profitable.

Neither SID of the scheme nor the SAI of Choice Mutual Fund, nor the units of the scheme have been registered in any jurisdiction. The distribution of the SID and SAI of Choice Mutual Fund in certain jurisdictions may be restricted or subject to registration requirements and, accordingly, persons who come into possession of the SID and SAI of Choice Mutual Fund in such jurisdictions are required to inform themselves about, and to observe, any such restrictions. No person receiving a copy of the SID or any accompanying application form in such jurisdiction may treat the SID or such application form as constituting an invitation to them to subscribe for Units, nor should they in any event use any such application form, unless in the relevant jurisdiction such an invitation could lawfully be made to them and such application form could lawfully be used without compliance of any registration or other legal requirements.

Investors may note that AMC/Fund Manager's investment decisions may not be always profitable or prove to be correct. Various factors in securities market not only affect the prices of securities but may also affect the time taken by the Fund for redemption of units, which could be significant in the event of receipt of a very large number of redemption requests or very large value of redemption

requests. In the event of restructuring of the Scheme's portfolio, the time taken by the Scheme for redemption of Units may become significant. The liquidity of the assets may be affected by other factors such as general market conditions, political events, bank holidays and civil strife. In view of this, the Trustee has the right in its sole discretion to limit redemption (including suspension of redemption) under certain circumstances. The liquidity of the Scheme's investments may be restricted by trading volumes, settlement periods and transfer procedures.

Certain Schemes of Choice Mutual Fund may also invest in overseas financial assets as permitted under the applicable regulations and subject to requisite investment limits being available at the time of undertaking investments, and respective SID. To the extent that the assets of the Scheme will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets, distributions and income may be adversely affected by changes in the value of certain foreign currencies relative to the Indian Rupee. The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment.

The tax benefits described in the SID are as available under the present taxation laws and are available subject to conditions. The information given is included for general purpose only and is based on advice received by the AMC regarding the law and practice in force in India and the Unitholders should be aware that the relevant fiscal rules or their interpretation may change. As is the case with any investment, there can be no guarantee that the tax position or the proposed tax position prevailing at the time of an investment in the Scheme will endure indefinitely. In view of the individual nature of tax consequences, each Unitholder is advised to consult his/ her own professional tax advisor.

No person has been authorised to give any information or to make any representations not confirmed in the SID in connection with the SID or the issue of Units, and any information or representations not contained herein must not be relied upon as having been authorised by the Mutual Fund or the Asset Management Company.

The Mutual Fund may disclose details of the investor's account and transactions thereunder to those intermediaries whose stamp appears on the application form. In addition, the Mutual Fund may disclose such details to the bankers / its agents, as may be necessary for the purpose of effecting payments to the investor. Further, the Mutual Fund may disclose details of the investor's account and transactions thereunder to any Regulatory/Statutory entities as per the provisions of law. Neither the Mutual Fund nor the AMC nor any person connected with it accepts any liability arising from the use of this information. The Trustee, AMC, Mutual Fund, their directors or their employees shall not be liable for any of the tax consequences that may arise, in the event that the Schemes are wound up for the reasons and in the manner provided in SAI. The AMC may freeze/lock the folio(s) of unitholder(s) for further transactions or reject any applications for subscription or redemption of units pursuant to receipt of orders/instructions/directions issued by any Governmental, judicial, quasi-judicial or other similar authority, including orders restricting the unitholder(s) from dealing in securities or for attachment of units held by such unitholder(s).

- **Compliance under Foreign Accounts Tax Compliance Act (FATCA)**

FATCA is globally applicable from July 1, 2014. India has executed an Inter-Governmental Agreement (IGA) with the U.S. and the Fund intends to take any measures that may be required to ensure compliance under the terms of the IGA and local implementing regulations. The AMC/Mutual Fund is classified as 'Foreign Financial Institution' under the FATCA provisions. The intention of FATCA is that the details of U.S. investors holding assets outside the U.S. will be reported by financial institutions to the United States Internal Revenue Service (IRS), as a safeguard against U.S. tax evasion. As a result of FATCA, and to discourage non-U.S. financial institutions from staying outside this regime, financial institutions that do not enter and comply with the regime will be subject to a 30% withholding tax with respect to certain U.S. source income. Under the

FATCA regime, this withholding tax applies to payments that constitute interest, dividends, and other types of income from the US sources. In order to comply with its FATCA obligations, the Fund/AMC will be required to obtain certain additional information from its investors so as to ascertain their

U.S. tax status. If the investor is a specified U.S. person, U.S. owned non-U.S. entity, non-participating Foreign Financial Institution (“NPFFI”) or does not provide the requisite documentation, the Fund may need to report information on these investors to the appropriate tax authority, as far as legally permitted. The Fund/AMC will not accept applications which are not accompanied with information / documentation required to establish the U.S. Person status of investors. Investors are therefore requested to ensure that the details provided under the relevant section of the application form are complete and accurate to avoid rejection of the application. If an investor either fails to provide the Fund/AMC with any correct, complete, and accurate information that may be required for the Fund/AMC to comply with FATCA or is a NPFFI, the Fund/AMC may be required to provide information about payment to NPFFI to upstream payor to enable them to make the appropriate FATCA withholding on NPFFIs.

- **Common Reporting Standards**

India has joined the Multilateral Competent Authority Agreement (MCAA) on automatic exchange of financial information in Tax Matters, commonly known as Common Reporting Standards (‘CRS’). All countries which are signatories to the MCAA are obliged to exchange a wide range of financial information after collecting the same from financial institutions in their jurisdiction. In accordance with Income Tax Act read with SEBI Circular nos. CIR/ MIRSD/2/2015 dated August 26, 2015, and CIR/MIRSD/3/2015 dated September 10, 2015, regarding implementation of CRS requirements, it shall be mandatory for all new investors to provide details and declaration pertaining to CRS in the application form, failing which the AMC shall have authority to reject the application.

III. HOW TO APPLY?

Availability of Forms

Investors can obtain the application forms along with the Key Information Memorandum (KIM) and copies of this SAI and respective Scheme Information Documents (SIDs) from the designated Investor Service Centres of the AMC and CAMS, in addition to the Registered Office of the AMC. Application Forms are also available with the approved intermediaries / distributors of the Mutual Fund as well as on the website of the Mutual Fund (viz. <https://choicemf.com/>) or through any other electronic mode introduced from time to time.

Procedure for purchase of Units

Investors can purchase units of the schemes by completing an application form and delivering it at any of the Investor Service Centres / Collection Centres designated by the AMC before closure of the New Fund Offer Period / once the scheme is available for continuous subscription, during business hours at any of the Official Point of Acceptance of Transactions (OPAT) designated by the AMC.

Investors can also perform digital transactions to purchase units of the schemes on the website of the Mutual Fund (<https://choicemf.com/>), or through any other electronic mode introduced from time to time.

The investors should provide the primary account holder’s own e-mail ID and mobile number while providing the contact details, for speed and ease of communication in a convenient and cost-effective manner and to help prevent fraudulent transactions. In case contact details of a family member are provided, investor(s) need to give a declaration to this effect. “Family” for this purpose would mean Spouse, Dependent Children and Dependent Parents only. Further, all contact details (i.e. e-mail address

and mobile number) should be of the same individual. Providing an e-mail address of self and phone number of others and vice versa is not acceptable. If it is identified that the contact details provided in the application form may not be of the investor, or the same appears incorrect / doubtful, then the AMC may choose not to capture/update such e-mail address and mobile number, under intimation to the investor.

As per the SEBI guidelines, in respect of New Fund offers (NFO), investors will also have an option to make an application / payment under the Applications Supported by Blocked Amount (ASBA) facility. This facility is available to all investors eligible to invest in the schemes of the Mutual Fund. The applications under ASBA facility will be subject to the directives issued by SEBI from time to time. Please refer to the paragraph **“Facility of Applications Supported by Blocked Amount (“ASBA”) as an additional mode of payment”** below for further details on this facility.

Any changes/alterations in the application form must be countersigned by the investor(s). The Mutual Fund/AMC will not be bound to take cognisance of any changes/alterations if the same are not so countersigned.

The investors should ensure that the amount invested in the scheme is through legitimate sources only and does not involve and is not designed for the purpose of any contravention or evasion of any act, rules, regulations, notifications or directions of the provisions of the Income Tax Act, Anti Money Laundering Act, Anti-Corruption Act and or any other applicable laws enacted by the Government of India from time to time.

The AMC reserves the right to reject transaction requests which do not have adequate information.

Investors are advised to retain the acknowledgment slip initialed /time-stamped by the collecting entity for future reference.

Two-factor Authentication

In case of subscription and redemption of units, Two-Factor Authentication (for online transactions) and signature method (for offline transactions) shall be used for authentication. One of the factors for such Two-Factor Authentication for non-demat transactions shall be a One-Time Password (OTP) sent to the unit holder at his/her email/ phone number registered with the AMC/RTA. In case of demat transaction, process of Two-Factor authentication as laid down by the Depositories shall be followed. In case of mandates/systematic transactions the requirement of Two-Factor Authentication shall be applicable only at the time of registration of mandate/systematic transactions.

MF Utilities India Private Limited (MFUI) and MF Central

Investors can also transact through MF Utility (MFU), offered by MF Utilities India Private Limited (MFUI). MFU is a shared services initiative of various asset management companies, which acts as a transaction aggregator for transacting in multiple schemes of various mutual funds with a single form and a single payment instrument. MFUI will allot a Common Account Number (CAN), a single reference number for all investments in the mutual fund industry, for transacting in multiple schemes of various mutual funds through MFU and to map existing folios, if any. Investors can create a CAN by submitting the CAN Registration Form (CRF) and necessary documents at the authorised MFUI Points of Service (POS). The AMC and /or its Registrar and Transfer Agent (RTA) will provide necessary details to MFUI as may be needed for providing the required services to investors/distributors through MFU. Investors are requested to visit the website of MFUI i.e. www.mfuonline.com to download the relevant forms.

Subscription with cheque favouring MFUI and all other financial and non-financial transactions pertaining to schemes of Choice Mutual Fund can be done through MFU physically through the

authorized MFUI POS with effect from the respective dates as published on MFUI website or electronically through their website www.mfuonline.com (as and when such a facility is made available by MFUI). The MFUI website www.mfuonline.com and authorised MFUI POS updated on www.mfuindia.com will be considered as Official Points of Acceptance of transactions (“OPA”) of the AMC. The online transaction portal of MFU i.e. www.mfuonline.com and the POS locations of MFUI will be in addition to the existing ISCs designated by the AMC.

For any queries or clarifications related to MFU, please contact the customer care of MFUI on **022- 7179 1111** from 8:00 a.m. to 8:00 p.m., Monday to Saturday OR write to CenCoM (Centralised Connect Module) - www.mfuonline.com/onlineComplaint?reqComplFlag=Q. Further, MFCentral – A digital platform for Mutual Fund investors - <https://mfcentral.com/> shall also be considered as an OPAT for the schemes of Choice Mutual Fund.

Invest online through the website of the Mutual Fund

Investors can register on the website of the Mutual Fund (<https://choicemf.com/>) and transact online in the schemes of the Mutual Fund. For getting transaction access, such Unitholders will be required to execute necessary documentation as may be prescribed by the Mutual Fund / AMC from time to time. The terms and conditions of the Invest Online facility shall be binding on all the Unitholder(s).

The Unitholder shall be solely responsible for confidentiality of his/her login credentials and shall not disclose his/her login credentials to any third party and shall take all possible care to prevent discovery of the login credentials by any person. The online transactions shall be carried out against his/her bank account, the details of which are provided by the Unitholder to, and are accordingly recorded with, the Mutual Fund. All other norms prescribed by the Mutual Fund to access this online facility will have to be adhered to from time to time.

The AMC/Mutual Fund shall not be liable for any misuse of data placed on the internet by third parties "hacking" or having unauthorized access to the server. The AMC/Mutual Fund will not be liable for any failure to act upon electronic instructions or to provide any facility for any cause that is beyond its control.

Transactions through stock exchange mechanism

Pursuant to clause 16.2 of the SEBI Master Circular dated June 27, 2024, units of mutual fund schemes have been permitted for transactions through registered stockbrokers of the recognised stock exchanges and such stockbrokers shall be considered as Official Points of Acceptance of transactions of the Mutual Fund.

Open ended schemes of the Mutual Fund will be admitted on NSE Mutual Fund Service System (MFSS)/BSE STAR MF Platform and exchange traded funds (ETFs) will be listed on the Bombay Stock Exchange/National Stock Exchange as may be stated in their respective scheme related documents.

Investors transacting through such NSE MFSS/ BSE STAR platform and schemes which are listed on the recognised stock exchanges will have to additionally comply with norms/rules as prescribed by the stock exchange(s).

As per paragraph 16.4 of the SEBI Master Circular dated June 27, 2024, Mutual Fund Distributors (MF Distributors) have been permitted to use recognized stock exchange infrastructure to purchase/redeem units directly from Mutual Fund/AMC on behalf of their clients. The following guidelines shall be applicable for transactions executed through MF Distributors through the stock exchange mechanism:

- (i) MF Distributors registered with the Association of Mutual Funds in India (AMFI) and permitted by the relevant recognized stock exchanges shall be eligible to use the recognized stock exchanges'

infrastructure to purchase and redeem mutual fund units (Demat / Non Demat) on behalf of their clients, directly from the Mutual Fund.

- (ii) MF Distributors shall not handle pay out/pay in of funds as well as units on behalf of investors.
- (iii) Pay-in will be directly received by the recognized clearing corporation and payout will be directly made to the investor's bank account. In the same manner, units shall be credited and debited directly from the demat account/folio of investors in case of demat/non-demat transactions respectively.

Participants (clearing members and depository participants) intending to extend the transactions in the eligible schemes of Choice Mutual Fund through stock exchange mechanism shall be required to comply with the requirements specified in paragraph 16.2 of the SEBI Master Circular dated June 27, 2024 for stockbrokers viz. obtain AMFI/NISM certification, compliance with the Code of Conduct prescribed by SEBI for Intermediaries of Mutual Fund, etc. All such participants will be eligible to be considered as Official Points of Acceptance of transactions of the Mutual Fund.

The transactions carried out on the above platform shall be subject to SEBI MF Regulations and circulars / guidelines issued hereunder from time to time.

Payment Details

Purchases in the schemes should be for the minimum amount specified for the respective scheme in its SID. Payments will be accepted only by cheques or bank drafts. All cheques / bank drafts should be drawn in favour of **the respective Scheme Name** and crossed "**A/c Payee only**". All cheques / bank drafts should be drawn on any bank and made payable at the location where the application form is submitted to the designated Investor Service Centre / Collection Centre.

Purchases / subscriptions can also be made through various electronic modes such as Real Time Gross Settlement (RTGS) / National Electronic Fund Transfer (NEFT) / Direct Credit (DC) / National Automated Clearing House (NACH)/ Net banking/ Unified Payment Interface (UPI)/ Immediate Payment Service (IMPS)/ Debit cards or such other modes as may be introduced by RBI from time to time and made available by the AMC.

Applicants from places where there is no Investor Service Centre / Collection Centre can deduct bank charges for issuance of draft (DD charges) from the application amount provided these drafts are payable at the Investor Service Centre / Collection Centre where the application form is submitted. However, the DD charges shall be limited to the bank charges stipulated by the State Bank of India. The AMC will not accept any request for refund of DD charges.

Facility of Applications Supported by Blocked Amount ("ASBA") as an additional mode of payment

As per the SEBI guidelines, in respect of New Fund offers (NFO), investors will have an option to make an application / payment under the Applications Supported by Blocked Amount (ASBA) facility. This facility is available to all investors eligible to invest in the schemes of the Mutual Fund. The applications under ASBA facility will be subject to the directives issued by SEBI from time to time.

ASBA is an application containing an authorization given by the investor to block the application money in his/her specified bank account towards the subscription of units offered during the NFO of the schemes. Thus, for an investor who applies through ASBA facility, the application money blocked towards the subscription of Units shall be debited to the extent of allotment from the bank account only if his/her application is accepted for allotment of Units. On allotment, units will be credited to the investor's demat account as specified in the ASBA application form. For availing this facility, investors are requested to check with the Designated Branches ("DBs") of the Self Certified Syndicate Banks ("SCSBs").

The application forms for applications under the ASBA facility will be available at the designated branches of Self Certified Syndicate Banks (SCSB/ASBA Banks). A list of these banks is available on the SEBI website (www.sebi.gov.in) or BSE website (www.bseindia.com) or NSE website (www.nse-india.com). The application forms for applications under the ASBA facility should be submitted at the designated branches of the ASBA Banks.

The Mutual Fund, AMC and Trustee shall not be responsible for any acts, mistakes, errors, omissions and commissions etc. in relation to the application forms for applications under the ASBA facility accepted by SCSBs. On receipt of applications through SCSBs, the allotment will be carried out with the presumption that the application amount has been blocked in the relevant ASBA account.

Investors should note that ASBA facility shall be made available to investors only for subscribing to the units of scheme during the New Fund Offer period.

Fax indemnity for applications received through fax or electronic mode

The Registrar, AMC, MF or any other agent or representative of any of these entities (collectively referred to as “**Receiving Party**”) may accept certain transactions via facsimile or through any electronic mode (“**fax/electronic transactions**”), subject to the investor fulfilling the terms and conditions as stipulated by the AMC from time to time. Subsequently the investor may from time to time submit applications, supporting documents and instructions with respect to financial transactions by facsimile, or similar method of transmission in the manner specified herein or in such other manner as may be expressly communicated by the AMC from time to time.

Acceptance of fax/electronic transactions will be as per processes / methodologies permitted by SEBI or other regulatory authorities from time to time and will be solely at the risk of the investor using the fax/electronic transaction and the Receiving Party shall not be in any way liable or responsible for any loss, damage, caused to the investor directly or indirectly, as a result of the investor sending such fax, whether or not received by the Receiving Party.

The investor acknowledges that fax / electronic transaction is not a secure means of giving instructions / transaction requests and that the investor is aware of the risk involved including those arising out of such transmission being inaccurate, illegible, having a lack of quality or clarity, garbled, distorted, not timely etc. The investor’s request to the Receiving Party to act on any fax / electronic transaction is for the investor’s convenience and the AMC/Trustee/Mutual Fund shall not be obliged or bound to act on the same. It is agreed by the parties that the AMC need not confirm (whether or in writing or otherwise) any fax submission or verify the identity of the person making or giving or purporting to make or give any fax submission or the signature appearing on the fax submission. The AMC shall be under no duty to prescribe or adopt any procedures for the purpose of such confirmations or verification and any such procedure prescribed or adopted by AMC shall not impose upon the AMC any obligation to adopt or comply with the same in any or every instance.

The investor authorizes the AMC and Mutual Fund to accept and act on any fax / electronic transaction which they believe in good faith to be given by the Investor and the AMC/Mutual Fund shall be entitled to treat any such fax / electronic transaction as if the same was given to the AMC/Mutual Fund under the investor’s original signature. The AMC shall take necessary steps in connection with or in reliance upon any fax submission as the AMC may in good faith consider appropriate regardless of the value involved and notwithstanding any error/errors in transmission or reception or ambiguity or lack of clarity of any nature in terms of such fax submission, the AMC will not be responsible for the above contingencies of nature.

The investor agrees to submit the original application to the Receiving Party within 7 (seven) Business Days from the date of fax submission. In case of non-receipt of original applications within the prescribed timeline, the AMC retains the right to take such action as may be deemed appropriate.

Further, the investor agrees that the security procedures adopted by the Mutual Fund may include signature verification, telephone callbacks or a combination of the same. Callbacks may be recorded by the AMC and the investor consents to such recording and agrees to co-operate with the recipient to enable confirmation of such fax / electronic transaction requests. In case there is a variance between the particulars mentioned in the fax received as against the original application which may be received thereafter, the AMC reserves the right to process the transaction as per the particulars of the fax received and the pecuniary loss if any due to any such variance shall be entirely borne by the investor and the AMC shall under no circumstances be liable for such losses.

It is unconditionally agreed by the investor that the investor is bound and liable for the transactions processed by the AMC on the basis of instructions received on fax submission. The investor will hold the AMC/Mutual Fund harmless for any loss suffered by the investor from processing of any transaction on the basis of fax submission.

The investor further accepts that the fax / electronic transaction shall not be considered until time stamped appropriately as a valid transaction request in the scheme in line with SEBI MF Regulations. It is further mutually agreed that if any other permission is required under the provisions of law for processing such requests / instructions, the investor shall be solely liable and responsible for any failure to comply with such provisions of laws and regulations. The investor will keep the AMC fully absolved and indemnified with respect to any violation of such laws and regulations and consequences thereafter in case of such violation mentioned hereinabove.

It is agreed and confirmed by the investor that the investor shall indemnify the AMC on demand from and against any and all claims, liability, loss, damage, cost and expenses incurred by the AMC arising out of or relating to any unauthorised or fraudulent facsimile transmission to AMC. The investor also agrees and undertakes to execute any other document indemnifying the AMC as may be prescribed by the AMC.

In consideration of the Mutual Fund from time to time accepting and acting on any fax / e-mail transaction request received / believed to be received from the investor, the investor agrees to indemnify and keep indemnified the AMC, the Mutual Fund, Trustee, Sponsor and the group companies of the AMC from and all actions, claims, demands, liabilities, obligations, losses, damages, costs (including without limitation, interest and legal fees) and expenses of whatever name (whether actual or contingent) directly or indirectly suffered or incurred sustained by or threatened against them. The AMC reserves the right to discontinue the above mentioned facility at any point in time.

It is mutually agreed that the facility may be terminated by the AMC upon issuing an advance written intimation in the form of a notice in one national newspaper and one regional language newspaper circulating in Mumbai. Any termination shall not affect anything done and any rights or liability accrued or incurred prior to the termination. The provisions of clauses hereinabove shall survive any termination.

It is further mutually agreed by the parties that MUMBAI would be the exclusive jurisdiction in respect of any of the legal proceedings.

Special products offered by the AMC

The AMC offers certain special products / facilities as per details mentioned below; however, these products and facilities may not be available under all the schemes of the Fund. Investors are advised to refer to the Scheme Information Document (SID) of the respective schemes of the Fund to check whether any of these facilities are available or not.

Systematic Investment Plan (SIP)

An investor can benefit from this facility by investing specified amounts at a pre-defined periodicity. By investing a fixed amount of rupees at regular intervals, one would end up buying more units of the scheme when the price is low and fewer units when the price is high. As a result, over a period, the average cost per unit to the unitholder may tend to be less than the average subscription price per unit, irrespective of whether it is a rising, falling or fluctuating market. Thus, the unitholder automatically tends to gain and average out the fluctuations of the market, without having to monitor prices on a day-to-day basis. This concept is called “Rupee Cost Averaging”.

SIP features:

SIP Frequency	Minimum Amount	Minimum Instalments (Nos.)	SIP Dates / Days
Daily	Rs.250/- and in multiples of Re.1/- thereafter	30	All business days
Weekly	Rs.500/- and in multiples of Re.1/- thereafter	12	Any Day from Monday to Friday
Fortnightly	Rs.500/- and in multiples of Re.1/- thereafter	12	1st & 16th of the month
Monthly	Rs.1,000/- and in multiples of Re.1/- thereafter	12	Any date
Quarterly	Rs.3,000/- and in multiples of Re.1/- thereafter	4	Any date

SIP registration

SIP registration can be done through physical or digital mode. The mandate for SIP installment payments can be done by registering a One Time Mandate (OTM) application. Investors may also choose other modes like NACH/ Direct Debit/Standing Instructions (SI)/UPI mandates as per the arrangements with the banks or payment aggregators.

Investors may register for SIP through One Time Mandate (OTM) for payment towards any future purchase transactions. Investors may choose any mode such as NACH/ECS/DIRECT DEBIT/ Standing Instruction (SI)/UPI mandate as per arrangements with banks or payment aggregators. For online transactions, the AMC may provide various payment modes, as available from time to time for SIP enrolments.

For SIP registrations received through online mode, the registration Turn Around Time (TAT) shall be 5 calendar days (excluding the application date and the SIP start date). The same shall be applicable for SIP being registered in the folio through OTM where the mandate status is ‘Registered’.

The TAT for SIP registration through physical mode where the OTM status is ‘Registered’ shall be 10 calendar days (excluding the application date and the SIP start date).

For SIP being registered through any other mode or if the mandate status in the folio is other than ‘Registered’, the SIP registration TAT shall be 21 calendar days.

Default SIP options:

In case an investor fails to mention the valid SIP details (or the details are not clear) at the time of registering

SIP, the following shall be considered as default selection :

SIP details	Default option
Frequency	Monthly
SIP Date (Monthly, Quarterly)	10th of the month
SIP Day (Weekly)	Monday
SIP Tenor	Perpetual

Points to note:

- 1) In case the SIP date falls on a non-business day then the transaction will be processed on the next business day. In case the SIP date falls on a date which is not available in a particular month then SIP will be processed on the first business day of subsequent month. For example, if an investor selects SIP date as 31st, the instalment for the month of November will be processed on 1st December.
- 2) In the case of physical applications, the cheques should be drawn in favor of the scheme in which SIP investment is being made and should be crossed "Account Payee Only" and must be payable at the center where the applications are submitted to the Investor Service Centre. If the name of the scheme on the application form/transaction slip differs with the name on the cheque, then the application will be processed, and units shall be allotted at applicable NAV of the scheme mentioned in the application / transaction slip.
- 3) In the case of physical application, the investor may submit the application for enrolment of SIP (with cheque or without cheque) on any business day but the 1st instalment date of SIP shall be any date from 1st to 31st of a month with a minimum gap between the submission of application form and the 1st SIP instalment being 21 calendar days where the OTM is not yet registered and 10 calendar days for registered OTM.
- 4) The AMC in consultation with the Trustee reserves the right to withdraw this facility, modify the procedure, frequency, dates, load structure in accordance with the SEBI MF Regulations and any such change will be applicable only to units transacted pursuant to such change on a prospective basis.

Termination of SIP

In case of daily / weekly / fortnightly / monthly SIPs, if there are three consecutive failures of SIP installments and in case of quarterly SIPs, if there are two consecutive failures of SIP installments, the AMC shall terminate the SIP without any written request from the investor. The unitholders are, however, free to terminate the SIP registration at any point of time by way of a written communication at least 10 calendar days prior to the next due date of the SIP.

Facilities offered for investments under SIP route

- a) **Any day SIP** : Investors opting for Monthly / Quarterly SIP frequencies can select any date from 1st to 31st as the SIP date.
- b) **SIP Top Up Facility** : Under this facility, the investor can increase the SIP instalment (excluding Micro SIP) at pre-defined intervals by a fixed amount. This aims to provide the investor with a simplified method of aligning SIP installment amounts with an increase in the investor's earnings over the tenure of SIP. This facility is available for all investors.

Features of SIP Top Up facility :

SIP Frequency	Frequency of SIP Top Up	Minimum SIP Top Up Amount
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Monthly	Half-Yearly & Yearly	Rs.100/- and in multiples of Re.1/- thereafter
Quarterly	Yearly	Rs.100/- and in multiples of Re.1/- thereafter

Points to note :

- 1) Investors can register for SIP Top Up facility either at the time of SIP enrolment or any time during the tenure of the SIP if the SIP is registered through OTM.
- 2) The minimum gap between the request for SIP Top Up facility and next SIP instalment date should be at least 10 calendar days (excluding the request date and the next SIP instalment date).
- 3) If an investor does not mention Top Up start date or the Top Up start date is unclear in the application form, the Top Up will by default start from the subsequent instalment after meeting the minimum registration requirement of 10 calendar days.
- 4) If any Top Up is pending for execution as per the option selected by investor earlier and investor submits the Top Up application again, same shall be liable for rejection.
- 5) The SIP Top up feature is only offered to investors opting for Monthly or Quarterly SIP frequency. Monthly SIP offers Top Up frequency at half yearly and yearly intervals. Quarterly SIP offers Top Up frequency at yearly intervals only. In case Top Up frequency is not indicated, Yearly will be the Default frequency.
- 6) Investors will have an option for choosing the last SIP Top up date or the maximum SIP Top Up amount.
- 7) There should be clear indication about Top Up Count i.e. the number of times the SIP instalment amount should be increased. In case, Top Up amount is mentioned and Top Up count is not indicated, it will be considered as 1 (One) by default. In case, Top Up amount is not mentioned and Top Up count is not indicated, it will be considered as Rs.100/- SIP Top Up for 1 (One) interval (half-yearly or yearly, as the case may be) by default.
- 8) The date for the SIP Top Up facility will correspond to the registered SIP.
- 9) The enrolment period specified in the SIP Top Up form should be less than or equal to the enrolment period mentioned in the SIP. In case of any deviation in period, the tenure of the SIP shall be considered.
- 10) The AMC in consultation with the Trustee reserves the right to withdraw this facility, modify the procedure, frequency, dates, load structure in accordance with the SEBI MF Regulations and any such change will be applicable only to units transacted pursuant to such change on a prospective basis.

Illustration: How to calculate the SIP Top Up amount?

Monthly SIP with Half Yearly SIP Top Up Frequency:

- SIP Period: 02-Jan-2024 to 02-Dec-2025 (2 Years)
- Monthly SIP Instalment Amount: Rs.1,000/-
- Date: 2nd of every month (24 instalments)
- SIP Top Up Amount: Rs.1,000/-
- SIP Top Up Frequency: Half Yearly
- SIP Top Up Count: 2

SIP Instalments shall be as follows:

Instalment Period	From Date	To Date	Monthly SIP Instalment Amount (Rs.)	SIP Top Up Amount (Rs.)	Monthly Instalment after SIP Top Up Amount (Rs.)
1 to 6	2nd Jan 2024	2nd Jun 2024	1,000	NA	1,000
7 to 12	2nd Jul 2024	2nd Dec 2024	1,000	1,000	2,000
13 to 18	2nd Jan 2025	2nd Jun 2025	2,000	1,000	3,000
19 to 24	2nd Jul 2025	2nd Dec 2025	3,000	NA	3,000

NA - Not Applicable

Note: In the above table, Monthly SIP instalment amount increases by SIP Top Up amount Rs.1,000/- at half-yearly intervals. The above investment simulation is purely for illustrative purposes only and shall not be deemed as a guarantee/promise of minimum returns or to depict performance of any mutual fund scheme.

- c) **SIP Pause facility:** Under this facility, investors will have an option to pause their SIP temporarily for a specific number of installments. SIP would restart upon completion of the Pause period specified by the investor.

Details of SIP Pause facility:

SIP Frequency	No. of instalments which can be paused	Eligibility	No. of times can be availed
Monthly	Minimum 1 instalment Maximum 6 instalments	After completing 6 instalments	Maximum 2 times in SIP tenure

Points to note:

- 1) SIP Pause facility shall be available only for SIPs registered under monthly frequency.
 - 2) Investors can opt for a pause facility only post completion of 6 SIP installments.
 - 3) The minimum gap between the pause request and next SIP instalment date should be at least 10 calendar days (excluding the request date and the next SIP instalment date).
 - 4) Pause facility shall get activated from the immediate next eligible instalment from the date of receipt of SIP Pause request.
 - 5) If the pause period coincides with the SIP Top Up facility, the SIP installment amount post completion of the pause period would be inclusive of Top Up amount.
For e.g. SIP instalment amount prior to pause period is Rs.5,000/- and Top Up amount is Rs.1,000/-. If the pause period is completed after the date of Top Up, then the SIP instalment amount post completion of the pause period shall be Rs.6,000/-.
 - 6) The AMC in consultation with the Trustee reserves the right to withdraw this facility, modify the procedure, frequency, dates, load structure in accordance with the SEBI MF Regulations and any such change will be applicable only to units transacted pursuant to such change on a prospective basis.
- d) **Multiple Systematic Investment Plan (Multiple SIPs) Facility :** Multiple SIP Facility enables investors to start Investments under SIP (including Micro SIP) for various eligible schemes (one or multiple) using a single SIP form. This facility is for all investors applying through physical mode.

All features / terms & conditions as applicable for investments through SIP shall also be applicable for availing the Multiple SIP facility subject to the following additional requirements:

- (i) Through this facility an investor can register SIP for a maximum of three schemes. A customized Multiple SIP form has been designed by the AMC for the same. In case the investor wishes to register for more than three schemes, a separate form must be filled up for the same.
- (ii) To avail this facility, the investor is required to fill up the “One time Bank Mandate Form” from which the amount shall be debited.

The enrolment period specified in the SIP enrolment form should be less than or equal to the enrolment period mentioned in the OTM. In case of any deviation between the tenure for Multiple SIP and tenure mentioned in OTM, the transaction shall be processed till the tenure mentioned in “One time bank mandate form”.

Investors who register through the multiple SIP facility along with a cheque as the 1st instalment, should ensure the below:

- (i) Cheque should be drawn for the total amount of first installments of all the opted SIPs.
- (ii) The cheque should be drawn in favour of “Choice Mutual Fund - Common Collection A/c”.
- (iii) The amount mentioned in the single cheque and on the Application / Enrollment Form should be equal to the total amount of first installments of opted SIPs. In case of difference, the entire application is liable to be rejected.
- (iv) Investments will be accepted subject to minimum investment criteria applicable as per the SIDs of the respective schemes. Even if one of the schemes specified for investment does not satisfy the minimum investment criteria, the entire application will be liable to be rejected for all schemes.

Load

Exit Load as applicable in the respective scheme at the time of registration of SIP will be applicable through the tenure of the SIP.

Systematic Transfer Plan (STP)

STP is a facility wherein unitholders of designated open-ended schemes of Choice MF (excluding units in demat form & ETFs) can opt to transfer a fixed amount at regular intervals to another designated open-ended scheme of Choice MF.

The investor has the option to transfer a fixed amount of his choice as per the options available from any of the eligible transferor schemes to any of the transferee schemes.

Summary of STP features :

STP Frequency	Minimum Amount	Minimum Instalments (Nos.)	STP Dates / Days
Daily	Rs.250/- and in multiples of Re.1/- thereafter	30	All Business days
Weekly	Rs.500/- and in multiples of Re.1/- thereafter	12	Any day from Monday to Friday
Fortnightly	Rs.500/- and in multiples of Re.1/- thereafter	12	1st & 16th of the month
Monthly	Rs.1,000/- and in multiples of Re.1/- thereafter	12	Any date

Quarterly	Rs.3,000/- and in multiples of Re.1/- thereafter	4	Any date
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Default STP options:

In case an investor, fails to mention the valid STP details (or the details are not clear) at the time of registering STP, the following shall be considered as default selection :

STP details	Default option
Frequency	Monthly
STP Date (Monthly, Quarterly)	10 th of the month
STP Day (Weekly)	Monday
STP Tenor	Perpetual

Points to note:

- 1) All valid transfer requisitions would be treated as switch-out / redemption for the transferor scheme and switch-in/ subscription transactions for the transferee scheme and would be processed at the applicable NAV of the respective schemes. The difference between the NAVs of the two schemes/plans will be reflected in the number of units allotted.
- 2) This facility is not available for units which are under any lien/pledged or any lock-in period.
- 3) The unitholders may approach/consult their tax consultants in regard to the treatment of the transfer of units from the tax point of view.
- 4) The unitholder must ensure to maintain minimum balance in accordance with the scheme/plan selected as the transferor scheme on the transfer date / execution date under Systematic Transfer Plan. In case of insufficient balance / unclear units on the date of transfer in the folio, STP for that due date will be processed based on the clear balance available in the scheme. However, future STPs will continue to be active. This will help the investor to continue his/her STP facility seamlessly.
- 5) The registered STP will be automatically terminated upon receipt of intimation of death of the unit holder.
- 6) If an investor does not mention STP start date, or the STP start date is unclear/not expressly mentioned on the STP Application form, then by default STP would start from the next subsequent cycle after meeting the minimum registration requirement of 5 calendar days as per the defined frequency by the investor.
- 7) The enrolment form completed in all respects can be submitted at any of the designated Investor Service Centre (ISC) of the AMC at least 7 calendar days before the commencement of first execution date of STP. In case the required time of 7 calendar days are not met then the STP will be processed from the next STP cycle.
- 8) The AMC in consultation with the Trustee reserves the right to withdraw this facility, modify the procedure, frequency, dates, load structure in accordance with the SEBI MF Regulations and any such change will be applicable only to units transacted pursuant to such change on a prospective basis.

Termination of STP

In case of failure to process the STP on account of nil balance in the out scheme, the AMC shall terminate the STP without any written request from the investor.

The unitholders can, however, terminate the STP registration at any point of time by way of a written communication at least 10 calendar days prior to the next due date of STP.

Load

Exit Load as applicable in the respective transferor scheme at the time of registration of STP will be applicable through the tenure of STP.

Systematic Withdrawal Plan (SWP)

Unitholders may utilize the SWP to receive payments by withdrawing a fixed amount of their choice at pre-defined frequency in their registered bank account.

Details :

SWP Frequency	Minimum Amount	Minimum Instalments (Nos.)	SWP Date
Monthly	Rs.1,000/- and in multiples of Re.1/- thereafter	2	Any date
Quarterly	Rs.3,000/- and in multiples of Re.1/- thereafter	2	Any date
Half-Yearly	Rs.6,000/- & in multiples of Re.1/- thereafter	2	Any date
Yearly	Rs.6,000/- & in multiples of Re.1/- thereafter	2	Any date

Default SWP options:

In case an investor, fails to mention the valid SWP details (or the details are not clear) at the time of registering the SWP, the following shall be considered as default selection :

SWP details	Default option
Frequency	Monthly
SWP Date	10 th of the month
SWP Tenor	Perpetual

Points to note:

- 1) The SWP proceeds to the investor's bank account will be credited as per normal service standards. No post-dated cheques will be issued against SWP transactions.
- 2) The unitholder will define the frequency of withdrawals and the amount of withdrawal per SWP registration. SWP forms received without this information will be treated as incomplete and are liable for rejection. The unitholder needs to specify the start date and the end date for SWP. In cases where the start date and the end date has not been specified in the SWP form, the SWP will continue till the balance in the account becomes nil.
- 3) The Mutual Fund / AMC reserves the right to introduce, change, modify or withdraw the features available in this facility from time to time.

Termination of SWP

In case of failure to process the SWP on account of nil balance in the scheme, the AMC shall terminate the SWP registration without any written request from the investor.

The unitholders are, however, free to terminate the SWP registration at any point of time by sending a written communication at least 10 calendar days prior to the next due date of the SWP.

Load

Exit Load as applicable in the scheme at the time of registration of SWP will be applicable through the tenure of SWP.

Mandatory quoting of bank mandate by investors

As per the directives issued by SEBI, it is mandatory for applicants to mention their bank account numbers in their applications and therefore, investors are requested to fill-up the appropriate box in the application form failing which applications are liable to be rejected.

The AMC will not be responsible for any loss arising out of fraudulent encashment of cheques and delay/loss in transit.

Change in Bank Mandate :

- ✓ For investors holding units in demat mode, the procedure for change in bank details would be as determined by the depository participant.
- ✓ For investors holding units in non-demat mode, the Unit holders may change their bank details registered with the Mutual Fund by applying for the same.

In an endeavour to protect the investors from possible fraudulent activities, the AMC may require the investors to submit such documents as may be deemed necessary or appropriate from time to time, for verification and validation of the bank account details furnished by the investors. The AMC reserves the right to deny the request for registration of a bank account for the investor's folio in case the investor fails to submit the necessary document to the satisfaction of the AMC.

Mandatory submission of PAN

In terms of paragraph 14.11 of the SEBI Master Circular dated June 27, 2024, Permanent Account Number (PAN) would be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction, except (a) investors residing in the state of Sikkim; (b) Central Government, State Government, and the officials appointed by the courts e.g. Official liquidator, Court receiver etc. (under the category of Government) and (c) investors participating only in micro-investment. SEBI, in its letter dated July 24, 2012 has conveyed that investments in mutual fund schemes [including investments through Systematic Investment Plan (SIP)] of up to Rs.50,000/- per year per investor shall be exempted from the requirement of PAN.

Accordingly, where the aggregate of lump sum investment (fresh purchase and additional purchase) and SIP instalments by an investor in a financial year i.e., April to March does not exceed Rs.50,000/- (referred to as “**Micro investment**”), it shall be exempt from the requirement of PAN. Such investors are required to provide alternate proof of identity in lieu of PAN for KYC purposes and are allotted PAN-exempt KYC Reference Number (PEKRN).

This exemption will be available only to Micro investment made by individuals being Indian citizens (including NRIs, joint holders, minors acting through guardian and sole proprietary firms). PIOs, HUFs, QFIs and other categories of investors will not be eligible for this exemption.

For the purpose of identifying Micro investment, applications shall be aggregated at the investor level (same sole holder/joint holders in the same sequence) and such aggregation shall be done irrespective of the number of folios / accounts under which the investor is investing and irrespective of source of funds, mode, location and time of application and payment.

Thus, submission of PAN is mandatory for all existing as well as prospective investors (including all joint applicants/holders, guardians in case of minors, POA holders and NRIs but except for the categories mentioned above) for transacting with mutual funds. Investors are required to register their PAN with

the Mutual Fund by providing the PAN card copy. E-PAN issued by CBDT can also be provided by FPI. All transactions without PAN (for all holders, including Guardians and POA holders) are liable to be rejected.

Mandatory submission of KYC documents

It is mandatory for all investors (including joint holders, NRIs, POA holders, guardians in the case of minors, beneficiaries, etc) to furnish such documents and information as may be required to comply with the Know Your Customers (KYC) policies under the Anti-Money Laundering Laws. **Applications without such documents and information may be rejected.**

All financial transactions with the Mutual Fund need to comply with the PAN and KYC requirements as stated above, failing which the applications are liable to be rejected. It is clarified that all categories of investors seeking exemption from PAN still need to complete the KYC requirements stipulated by the AMC/Trustee from time to time, irrespective of the amount of investment. If there is any change in the client due diligence/KYC information provided by the investor, the same is required to be updated within 30 days of such change.

KYC Registration Agencies (KRAs) shall independently validate records of those investors (existing as well as new) whose KYC has been completed using Aadhaar as an Officially Valid Document (OVD). In case of an individual investor, where the Aadhaar number has not been assigned, the investor is required to submit proof of application of enrolment for Aadhaar. If such individual investor is not eligible to be enrolled for Aadhaar, and in case the Permanent Account Number (PAN) is not submitted, the investor shall submit one certified copy of an OVD containing details of his/her identity and address and one recent photograph along with such other details as may be required by the Mutual Fund.

Where the investor is a non-individual, apart from the constitution documents, Aadhaar numbers and PANs as defined in Income-tax Rules, 1962, of managers, officers or employees or persons holding an authority to transact on the investor's behalf, are required to be submitted. Where an Aadhaar number has not been assigned, proof of application towards enrolment for Aadhaar is required to be submitted and in case PAN is not submitted, an OVD is required to be submitted. If a person holding an authority to transact on behalf of such an entity is not eligible to be enrolled for Aadhaar and does not submit the PAN, certified copy of an OVD containing details of identity, address, photograph and such other documents as prescribed are required to be submitted.

Restrictions on acceptance of third party payments for subscription of units

The AMC shall not accept subscriptions with third party payment instruments in the schemes of the Mutual Fund, except in following cases :

- (i) Payment by employer on behalf of its employee for lump sum/one-time subscription or under SIP through payroll deductions or deductions out of expense reimbursement;
- (ii) Custodian on behalf of an FPI or a client;
- (iii) Payment by an asset management company to its empanelled distributor on account of commission/incentive etc. in the form of Units of the schemes managed by such AMC through Systematic Investment Plans or lump sum / one-time subscription, subject to compliance with SEBI Regulations and Guidelines issued by AMFI, from time to time;
- (iv) Payment by a corporate to its agent/distributor/dealer on account of commission or incentive payable for sale of its goods/ services, in form of mutual fund units through SIP or lump sum/ one- time subscription;
- (v) Payment by parent or legal guardian on behalf of the minor.

For this purpose (i) Third Party payment shall mean payment made through instruments issued from an account other than that of the beneficiary investor. It is clarified that in case of payments from a joint bank account, the first holder of the mutual fund folio has to be one of the joint holders of the bank account from which payment is made; and (ii) 'related persons' shall mean such persons as may be

specified by the AMC from time to time.

The investors making an application under the exception cases mentioned above need to submit such declarations and other documents / information as may be prescribed by the AMC from time to time.

The AMC may specify such procedures for registration of one or more bank accounts of the investor for their mutual fund folio/accounts and its verification, as may be deemed appropriate from time to time.

Multiple Bank Accounts

Unitholders shall have the facility to register multiple bank accounts at folio level - upto a maximum of 5 bank accounts in case of individual and HUF investor and 10 bank accounts in case of non-individual investors. Such facility can be availed by submitting duly filled in "Multiple Bank Account Registration form" at the designated Investor Service Centres of the AMC along with copy of any one of the following documents:

- (i) cancelled cheque leaf of the bank account which has to be registered (the account number and name of the first unitholder should be printed on the cheque leaf);
- (ii) Bank Statement / Pass Book with the account number, name of the Unitholder and Address;
- (iii) Bank letter / certificate on its letter head certifying the account holder's name, account number and branch address (such letter/certification should be certified by the Bank Manager with his/her full name, signature, employee code.)

Investors should also present the originals of the above documents submitted along with the subscription application, and such original documents shall be returned across the counter post due verification. It is clarified that in case a request for change in bank account is received along with redemption application, the redemption proceeds shall be credited to the said bank account only if it is a registered bank account in the records of the RTA.

Default scenarios available to the investors under plans/options of the schemes

The investors must clearly indicate the option/facility (Growth or IDCW / Re-investment of IDCW or Payout of IDCW or transfer of IDCW, as may be applicable) in the relevant space provided for in the Application Form. In case the investor does not select any option, the default shall be considered as Growth option for all the plans of the concerned scheme. Within IDCW, if the investor does not select any facility, then default facility shall be Re-investment of IDCW for all schemes.

Treatment of applications under "Direct" / "Regular" Plans:

Scenario	ARN Code 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	Not Mentioned	Direct Plan
6	Direct	Regular Plan	Direct Plan
7	Mentioned	Regular Plan	Regular Plan
8	Mentioned	Not Mentioned	Regular Plan

The AMC shall ensure that before accepting any business from any MFD, the MFD is duly empanelled with the AMC. Transactions received, if any, from / under the ARN of a non-empanelled MFD may be processed under Direct Plan, with prompt intimation to the non-empanelled MFD, and the investor. In

cases of wrong/incomplete ARN codes mentioned on the application form, the application shall be processed under Regular Plan. The AMC shall contact and obtain the correct ARN code within 30 calendar days of the receipt of the application form from the investor/ distributor. In case, the correct code is not received within 30 calendar days, the AMC shall reprocess the transaction under Direct Plan from the date of application without any exit load.

Processing of transactions received in Regular Plan in case of invalid ARN

Pursuant to the AMFI Best Practices Guidelines Circular dated February 2, 2024 related to Guidelines for processing of transactions received under Regular Plan with invalid ARN, invalid ARNs shall include the following situations –

- (i) ARN validity period expired.
- (ii) ARN cancelled / terminated.
- (iii) ARN suspended.
- (iv) ARN Holder deceased
- (v) Nomenclature change, as required pursuant to the SEBI (Investment Advisor) Regulations, not complied by the MFD.
- (vi) MFD is debarred by SEBI.
- (vii) ARN not present in AMFI ARN database.
- (viii) ARN not empanelled with an AMC.

Transactions received in Regular Plan with invalid ARN shall be processed in the Direct Plan of the same scheme (even if reported in Regular Plan), applying the below logic :

Transaction type	Primary ARN			Sub-distributor ARN		EUIN*	Execution Only mentioned	Regular Plan / Direct Plan
	Valid	Invalid	Empanelled	Valid	Invalid	Valid		
Lump sum / registration	Y		Y				Y	Regular
	Y		N	Not Applicable				Direct
	Y		Y	Not Applicable				Regular
	Y		Y	Y		Y		Regular
		Y						Direct
	Y		Y	Y			Y	Regular
	Y		Y		Y			Direct
Trigger	Y			Not Applicable				Regular
		Y		Not Applicable				Direct

Note:

- 1) *If the EUIN is invalid/missing, the transactions shall be processed in the Regular Plan, and the distributor/investor shall be given a 30 day period from the date of the transaction for remediation of the EUIN. In such cases, the investor shall 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 if fresh EUIN is not provided within 30 days. The commission may be paid if the fresh EUIN is provided by the distributor/investor within 30 days.
- 2) For SIP & STP facilities, the ARN validity shall be verified / validated at the time of registration. For instances where the registration details are not available in RTA records the transaction shall be

treated as lumpsum purchase for validations. Distributors must reconcile the active / inactive SIPs with the RTA at regular intervals.

- 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.
- 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).
- 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.
- 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:
 - a) To give opportunity for the intermediary / platform to rectify details before submitting transactions or to report transactions under Direct Plan.
 - b) 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.

- 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 –
 - a) Settlement of units will fail at clearing corporation due to mismatch of ISIN.
 - 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.
 - 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 the transaction is processed under Direct Plan.
- 8) Dividend reinvestment transactions, being a corporate action, will be excluded from the above validation.
- 9) In case an investor submits an application with ARN number which is valid, but the broker/distributor is not empanelled with the AMC, the transaction will be processed under "Direct Plan" or in the manner notified by SEBI / AMFI from time to time.

Treatment of business received through suspended distributors

Investors may note the following provisions pertaining to treatment of purchase / switch / Systematic Investment Plan (SIP) / Systematic Transfer Plan (STP) transactions received through distributors whose AMFI Registration Number (ARN) has been suspended temporarily or terminated permanently by the Association of Mutual Funds in India (AMFI) :

- 1) All purchase and switch transactions, including SIP/ STP registered prior to the date of suspension and fresh SIP / STP registrations received under the ARN code of a suspended distributor during the period of suspension, shall be processed under "Direct Plan" and shall be continued under Direct Plan perpetually*. A suitable intimation in this regard shall be sent to the investor informing them of the suspension of the distributor.

*Note: If the AMC receives a written request / instruction from the unit holder/s to shift back to Regular Plan under the ARN of the distributor post the revocation of ARN suspension, the same

shall be honored.

- 2) All purchase and switch transactions including SIP/ STP transactions received through the stock exchange platforms through a distributor whose ARN is suspended shall be rejected.
- 3) In cases where the ARN of a distributor has been permanently terminated, the unitholders have the following options:
 - (a) switch their existing investments under the Regular Plan to Direct Plan (investors may be liable to bear capital gains taxes and exit load, if any, which may arise at the time of switch from Regular Plan to Direct Plan); or
 - (b) continue their existing investments under the Regular Plan under ARN of another distributor of their choice.
- 4) During the period of suspension, no commission shall be accrued or payable to the distributor whose ARN is suspended. Accordingly, during the period of suspension, commission on the business canvassed prior to the date of suspension shall stand forfeited, irrespective of whether the suspended distributor is the main ARN holder or a sub-distributor.

Treatment of business received through distributors where ARN is expired/not renewed

Business procured during the ARN expired period or invalid ARN period will be shifted to the Direct Plan. In other words, the SIP transactions of such MFDs will be processed under the Direct Plan during the expired period.

IV. RIGHTS OF UNITHOLDERS OF THE SCHEMES

1. Unit holders of the scheme have a proportionate right in the beneficial ownership of the assets of the scheme.
2. When the Mutual Fund declares an Income Distribution cum Capital Withdrawal (IDCW)/ dividend under the scheme, the payment of dividend shall be made within 7 working days from the record date, or such other timeline as may be prescribed by SEBI. In the event of failure to transfer IDCW within the stipulated period, the AMC shall be liable to pay interest @ 15% per annum to the Unitholders for the delay in payment as computed from the record date or from such other date or for such period as may be advised by SEBI from time to time. Consolidated Account Statement ('CAS') at mutual fund industry level for each calendar month will be issued on or before the 12th day of succeeding month to all unit holders having financial transactions and who have provided valid Permanent Account Number (PAN). For folios not included in the CAS, the AMC shall issue a monthly account statement to the unit holders, pursuant to any financial transaction done in such folios, which would be sent to the unit holders on or before the 15th day of the succeeding month. In case of a specific request received from a unit holder, the AMC shall provide the account statement to the unit holder within 5 business days from the receipt of such request. Provided if a unit holder so desires the Mutual Fund shall issue a Unit certificate (non-transferable) within 5 business days of the receipt of request for the certificate. **(Std. obs. 9)**

The first-named Unit holder shall receive the account statements, all notices and correspondence with respect to the folio(s), as well as the proceeds of any redemption requests or dividend or other distributions.

3. The Mutual Fund shall dispatch redemption proceeds within 3 working days (except in case of schemes investing at least 80% of total assets in permissible overseas investments where timeline shall be 5 working days) from the date of acceptance of valid redemption or repurchase application. Investors may note that in case of exceptional scenarios as prescribed by AMFI vide its communication no. AMFI/ 35P/ MEM- COR/ 74 / 2022-23 dated January 16, 2023 read with clause

14.2 of SEBI Master Circular dated June 27, 2024, the AMC may follow the additional timelines as prescribed. In case the redemption proceeds are not made within 3 Business Days from the date of redemption or repurchase, interest will be paid @15% per annum or such other rate from the 4th day onwards, as may be prescribed by SEBI from time to time. For details, please refer to the paragraph on “**List of exceptional situations and additional timelines for making redemption payments**” below. **(Std. obs. 9)**

4. The Trustee is bound to make such disclosures to the unit holders as are essential in order to keep the unitholders informed about any information known to the Trustee which may have a material adverse bearing on their investments.
5. The appointment of the AMC for the Mutual Fund can be terminated by majority of the Directors of the Trustee or by 75% of the Unit holders of the scheme. **(Std. obs. 8)**
6. 75% of the Unit holders of a scheme can pass a resolution to wind-up a scheme.
7. The Trustee shall obtain the consent of the unitholders:
 - whenever required to do so by SEBI, in the interest of the Unit holders.
 - whenever required to do so if a requisition is made by three- fourths of the Unit holders of the scheme.
 - when the majority of the Trustee decides to wind up the scheme in terms of clause (a) of sub regulation (2) of regulation 39 of SEBI (Mutual Funds) Regulations, 1996 or prematurely redeem the Units a close ended scheme.
 - The Trustee shall ensure that no change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change which would modify the scheme and affects the interest of Unit holders is carried out by the AMC, unless it complies with regulation 25(26) of the SEBI MF Regulations.
8. In specific circumstances, where the approval of unitholders is sought on any matter, the same shall be obtained by way of a postal ballot or such other means as may be approved by SEBI. **(Std. obs. 12)**

V. INVESTMENT VALUATION NORMS FOR SECURITIES AND OTHER ASSETS

The Fund shall value its investments according to the valuation norms, as specified in Schedule VIII to the SEBI (MF) Regulations, or such norms as may be prescribed by SEBI from time to time. SEBI has vide notification dated February 21, 2012 and circular no. Cir/IMD/DF/6/2012 dated February 28, 2012 introduced the over-arching principle of ‘fair valuation’ of securities wherein valuation should be reflective of the realizable value’. As per the notification, a valuation policy has been framed and the same has been approved by the Board of Directors of the AMC and Trustee Company. The broad valuation norms are detailed below.

Valuation Policy

The Securities and Exchange Board of India (SEBI) has outlined investment valuation norms and accounting policies under SEBI (Mutual Funds) Regulations, 1996 as amended from time to time. The Investment Valuation Norms are defined in the Eighth Schedule of the regulations (regulation 47) and circulars issued by SEBI from time to time.

In accordance with the SEBI Circular MFD/CIR No.010/024/2000 dated January 17, 2000, every AMC should have a valuation committee to review investment valuation practices. Valuation committee of AMC generally consists of Head of Operations, Chief Investment Officer, CEO, Compliance Officer, Chief Risk Officer and by invitation, Fund Managers. This committee reviews the valuation policy on regular basis. Compliance Officer /Chief Risk Officer records the decisions and discussions of the meeting. Any change in the existing valuation policies/methods should be recommended by the Valuation Committee and approved by the Board of AMC and

Trustee Company of Choice AMC Private Limited. These principles require mutual funds to ensure fair treatment to all investors (existing as well as new investors) seeking to purchase or redeem the units of the scheme(s) at all points of time. It further prescribes that the valuation shall be reflective of the realizable value of securities and shall be done in good faith and in a true and fair manner through appropriate valuation policies and procedures approved by the Board of the Asset Management Company (AMC).

The objective of this manual is to specify methodology and the manner in which instruments and investments should be valued by the AMC. The objective is also to elaborate on the SEBI valuation norms.

This Investment Valuation Policy & Procedures is subject to review and change from time to time.

I. Objective & Scope of Policy

The purpose of this policy is to establish standardized valuation methodologies for various asset classes, including equity, debt, money market instruments, and hybrid securities. It provides guidelines to handle exceptional market events, illiquid securities, and fair valuation adjustments. The policy applies to all schemes managed by Choice AMC and ensures compliance with SEBI, AMFI, and other regulatory requirements.

Following types of events could be classified as exceptional events where market information may either not be available or is insufficient for valuation of securities:

- a. Natural disasters or public disturbances may impact the functioning of the capital market.
- b. Absence of trading in a specific security not covered in this valuation policy or similar securities. Significant volatility in the capital and debt markets.
- c. A credit default event by the issuer of any fixed income security will be considered as an exceptional event and the value of the security will be appropriately discounted by the valuation committee in accordance with norms laid down by AMFI.
- d. Deviation from the indicative haircuts and/or the valuation price.
- e. Any other events where realizable value may be substantially different from benchmark-based prices obtained.

Procedure in case of exceptional event

- a. The Valuation Committee shall be responsible for monitoring exceptional events and recommending appropriate valuation methods under the circumstances, with due reporting to the AMC board.
- b. Under such circumstances, the Valuation committee will be vested with powers by the AMC board in deciding the appropriate methodology for valuation of such securities.
- c. In case of deviations from the valuation policy and principles, if any, the detailed rationale for each instance of deviation shall be recorded and impact of such deviation on scheme NAV will be reported to the Board of AMC and Trustees. The rationale for the deviation along with details will be disclosed under a separate head on the website of the AMC and a link in respect of the same will be disclosed along with the monthly and half-yearly portfolio statements.

II. Validity of Policy

This policy is subject to annual review or as required due to regulatory changes, business needs, or market conditions. Any modifications needs to be approved by the Board of Directors of Choice AMC and the Trustee Board.

III. Process for Changing the Policy

Any amendments or changes to this policy, must be approved by the Board of Directors of Choice AMC Private Limited. A review of the policy will be conducted annually, or as required by changes in regulations or business practices. In the event of regulatory changes, the policy will be updated accordingly, and stakeholders will be informed in a timely manner.

IV. Details of Policy

VALUATION METHODOLOGIES:

The valuation of investment shall be based on the guiding principles of fair valuation as prescribed under SEBI Mutual Funds Regulations/circulars. The methodologies for valuing different type of securities are mentioned in Annexure I. As per SEBI (Mutual Fund) (Amendments) Regulation, 2022, Ind AS has become

applicable to the Schemes of Mutual Fund and as per circular dated February 04, 2022, it is also mentioned that SEBI Regulation shall prevail over Ind AS wherever specific guidelines are available.

ANNEXURE I

1. EQUITY AND EQUITY RELATED SECURITIES:

1.1 Listed and Traded Equity and Equity Related Securities:

Traded Securities are to be valued at the last quoted closing price on the primary Stock Exchange. When the securities are traded on more than one recognised stock exchange, the securities shall be valued at the last quoted closing price on the stock exchange where the security is principally traded. Where security is not traded on the primary stock exchange, the last quoted closing price of another Stock Exchange may be used. If a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the primary stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used, provided such date is not more than thirty days prior to the valuation date. For valuation purposes The National Stock Exchange (NSE) has been selected as appropriate stock exchange for equity and equity related securities held by all the schemes. Wherever equity and equity related securities are not listed on The National Stock Exchange (NSE) or are not traded on a certain day at The National Stock Exchange (NSE), the closing price at the Bombay Stock Exchange (BSE) should be considered, followed by any other regional exchange.

In case selected stock exchange for valuation of any or all securities is to be changed, reasons for change have to be recorded in writing by the valuation committee and approved by the Board of AMC.

In case of securities which have been allotted under preferential / private allotment and are not listed or traded on the selected stock exchanges, the scrip is valued at last quoted price on the Stock Exchange where it is traded (provided the last quoted price is not more than thirty days prior to the valuation date.)

Similar methodology is to be used for valuation of preference shares, Equity Warrants and Partly Paid-Up shares. For Index Funds / Exchange Traded Funds, exchange of underlying benchmark Index would be the primary stock exchange. In case trading in an equity security is suspended for trading on the stock exchange, the last traded price would be considered for valuation of that security up to 30 days.

If an equity security remains suspended for trading on the stock exchange for more than 30 days, then it would be considered as unlisted and valued accordingly. If the equity securities are not traded on any stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as 'non-traded' scrip and should be valued as non-traded security as per the norms.

On a valuation day, ETFs and Index Funds are to be valued at the last quoted closing price on the stock exchange of the underlying index.

1.2 Non Traded /Thinly traded Equity/Equity Related Securities:

Thinly traded equity/ equity related security is defined in SEBI (Mutual Fund) Regulations as follows:

When trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than Rs.5 lacs and the total volume is less than 50,000 shares, it shall be considered as thinly traded security and valued accordingly. In order to determine whether a security is thinly traded, the volumes traded in all recognised stock exchanges in India shall be considered.

In line with the guidelines issued by SEBI, non-traded / thinly traded securities should be valued as follows:

1. Net worth per share is computed as follows:

Net worth of the company = [Paid up share capital + Reserves other than Revaluation reserve - Miscellaneous expenditure, debit balance in Profit and Loss account and certain contingent liabilities] Divided by Number of paid-up shares.

Net worth per share = (Net worth of the company / Number of paid-up shares).

2. Computation of capitalised value of earning per share (EPS):

- i. Determination of the Industry Price Earnings Ratio (P/E) to which the company belongs. The Industry P/E Ratio used is provided by NSE/BSE. However, if the P/E ratio data is not available from BSE/NSE, Data from external sources can be used.
- ii. Average capitalization rate (P/E ratio) for the industry based upon either NSE or BSE published data (which shall be followed consistently and changes, if any, noted with proper justification thereof), shall be taken and discounted by 75% (i.e. only 25% of the industry average P/E shall be taken as capitalisation rate (P/E ratio)).
- iii. EPS Value: Earnings per share of the latest audited annual accounts shall be considered for this purpose.
- iv. The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10% for ill-liquidity so as to arrive at the fair value per share.
- v. Negative EPS Value: If in case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earnings.
- vi. Using the aforesaid methodology, compute the capitalized value of EPS at 75% discount, (P/E Ratio*0.25) * EPS Value.

3. Computation of fair value per share to be considered for valuation at 10 % discount for illiquidity.
[(Net worth per share + Capitalized value of EPS) / 2] * 0.90.

The fair value arrived at as per the method prescribed above is compared with the last traded price on the stock exchange and the lower of the two is considered for valuation.

4. In the event, wherein the latest balance sheet i.e. balance sheet prepared within nine months from the close of the accounting year of the company, is not available (unless the accounting year is changed) the shares should be valued as zero.
5. Where an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5% of the total net assets of the scheme, it shall be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs will be compared on the date of valuation .
6. To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs would be compared on the date of valuation.
7. In order to ensure fair valuation, the AMC, after providing suitable justification and due approval from the Investment Committee, may decide to value non-traded/thinly traded equity share at a price lower / above than the value derived using the aforesaid methodology.

8. Non Traded equity shares are equity shares which are not traded on any recognized stock exchange for a period of thirty days prior to the valuation date.
9. In case trading in equity security is suspended up to thirty days, then the last traded price shall be considered for valuation of that security. If equity security is suspended for more than thirty days, then AMC, after recording suitable justification and due approval from the Investment Committee shall decide on the valuation norms.

1.3 VALUATION OF UNLISTED EQUITY:

The procedures for valuing Privately placed / Unlisted equity shares shall be valued “in good faith” as mentioned below:

1. Based on the latest available audited balance sheet, Net Worth shall be calculated as the lower of item (i) and (ii) below:

- i. Net Worth per share = [Share Capital + Free Reserves (excluding revaluation reserves) - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] Divided by number of Paid-up Shares.
 - ii. After taking into account the outstanding warrants and options, net worth per share shall again be calculated and shall be = [Share Capital + consideration on exercise of Option and/or Warrants received/receivable by the Company + Free Reserves (excluding Revaluation Reserves) - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] Divided by Number of Paid up Shares plus Number of Shares that would be obtained on conversion and/or exercise of Outstanding Warrants and Options.
 - iii. The lower of (i) and (ii) above shall be used for calculation of net worth per share and for further calculation in (3) below
2. Average capitalization rate (P/E ratio) for the industry based upon either NSE/BSE data or others in case of unavailability (which shall be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75 per cent. i.e. only 25 per cent of the industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share (EPS) of the latest audited annual accounts will be considered for this purpose.
 3. The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share.
 4. Calculation of fair value per share to be considered for valuation at 15 % discount for illiquidity.

$$[(\text{Net worth per share} + \text{Capitalized value of EPS}) / 2] * 0.85$$

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

- a. All calculations shall be based on audited accounts.
- b. If the latest Balance Sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.
- c. If the Net Worth of the company is negative, the share would be marked down to zero. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
- d.
- e. In case an individual security accounts for more than 5 per cent of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a

security accounts for more than 5 per cent of the total assets of the scheme, it shall be valued in accordance with the procedure as mentioned above on the date of valuation.

- f. At the discretion of the AMC and with the approval of the trustees, unlisted equity scrips may be valued at a price lower than the value derived using the aforesaid methodology.
5. Principle for such valuation:

A) s Such decisions of the Board of the AMC must be documented in the board minutes and the supporting data in respect of each security so valued must be preserved. The methods used to arrive at values “in-good faith” shall be periodically reviewed by the trustees and reported upon by the auditors as “fair and reasonable” in their report on the annual accounts of the fund.

B) For the purpose of valuation of non-traded securities, the following principles should be adopted:

equity instruments shall generally be valued on the basis of capitalization of earnings solely or in combination with the net asset value, using for the purposes of capitalization, the price or earning ratios of comparable traded securities and with an appropriate discount for lower liquidity;

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

This process is documented and reason if any for not considering least of these values or considering the valuation lower than the least, is also recorded in the valuation paper.

Mutual Funds shall not make Investment in unlisted equity shares at a price higher than the price obtained by using the aforesaid methodology. However, this restriction is not applicable for investment made in the Initial Public Offers (IPOs) of the companies or firm allotment in public issues where all the regulatory requirements and formalities pertaining to public issues have been complied with by the companies.

1.4 FOREIGN EQUITY

Valuation of Investment made in Foreign Securities / Equity and Equity Related securities/ADR/GDR:

On the Valuation Day, the securities issued outside India and listed on the stock exchanges outside India shall be valued at the closing price on the stock exchange at which it is listed or at the last available traded price. However, in case a security is listed on more than one stock exchange, the AMC reserves the right to determine the stock exchange, the price of which would be used for the purpose of valuation of that security. The stock exchange once selected would be used consistently till changed by recording the reasons in writing by Board of AMC.

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

In case a security is not traded on valuation day, the last traded price/last available price would be used for valuation till T – 30 days. In case security is not traded for more than 30 days, the same would be valued on a

fair value basis by the Valuation Committee of the AMC.

On the Valuation Day, all assets and liabilities denominated in foreign currency will be valued in Indian Rupees at the exchange rate available at 5.00 p.m. The source for the price will be taken in the following order of preference: (a) RBI, (b) Bloomberg/Reuters, or (c) any other standard reference rate. In case any exchange rate is not available on the valuation day, the last available rate would be used for valuation.

The Trustees reserve the right to change the source for determining the exchange rate. The exchange gain / loss resulting from the aforesaid conversion shall be recognized as unrealized exchange gain / loss in the books of the Scheme on the day of valuation. Further, the exchange gain / loss resulting from the settlement of assets / liabilities denominated in foreign currency shall be recognized as realized exchange gain / loss in the books of the scheme on the settlement of such assets / liabilities.

Process to be followed at Choice AMC Private Limited for valuation of Investment made in Foreign Equity:

1. For valuation purposes, exchanges mentioned in Annexure 1 for different countries, has been selected as appropriate stock exchange for equity and equity related securities held by all the schemes.
2. Due to difference in time zones of different markets, the closing prices of securities available till 5.00 p.m. will be taken for valuation. In case the closing prices of securities are not available within a given time frame as mentioned above, the last available traded price shall be used for the purpose of valuation. The source for the price will be taken in the following order of preference: (a) RBI, (b) Bloomberg/Reuters, or (c) any other standard reference rate. In case where any price of a security is not available on the valuation day, the last closing price would be used for valuation.

In addition to the above the accounting / valuation for currency rates is given below:

1. When certain portion of the fund is allocated for investment overseas, this will be accounted as purchase of foreign currency. The FX rates will be treated as cost of purchase. This will create FX position in portfolio.
2. When purchase / sales of securities are made, Purchase / sale will be recorded like normal purchase/sale transaction in the portfolio currency (in this case INR). The purchase / sale price plus/minus brokerage & other charges in the foreign currency will be converted to INR at the agreed FX rate

On the date of the settlement the difference between FX reference rates on trade date and actual FX rate used for settlement will be treated as gain / loss due to FX fluctuation.

On a Daily basis when the closing prices and the currency rates are received Closing prices and FX rate will be applied to the portfolio and unrealized capital gain and FX gain is calculated separately. The closing time for the currency will be taken as 5.00 p.m. The source for the price will be taken in the following order of preference: (a) RBI, (b) Bloomberg/Reuters, or (c) any other standard reference rate.

Converting the price in Indian Rupees (INR)

Since these prices are in foreign currency these are to be converted in Indian Rupees by applying the closing exchange rate on the date of valuation. This closing price in INR should be used for valuation of ADR/GDR. Alternatively, closing price of the security should be converted to INR at last day's closing exchange rate of that currency (i.e. the closing rate of the date of which prices are considered). The source for the price will be taken in the following order of preference: (a) RBI Reference Rate, (b) Bloomberg/Reuters, or (c) any other standard reference rate.

1.5 STOCK AND INDEX DERIVATIVES:

Equity / Index Options

Market values of traded open option contracts shall be determined with respect to the exchange on which contracted originally, i.e., an option contracted on the National Stock Exchange (NSE) would be valued at the settlement prices provided by the NSE. The price of the same option series on the Bombay Stock Exchange (BSE) cannot be considered for the purpose of valuation, unless the option itself has been contracted on the BSE. If the settlement price is not available, then closing price for the security will be considered for the valuation.

Equity / Index Futures

Market values of traded futures contracts shall be determined with respect to the exchange on which contracted originally, i.e., futures position contracted on the National Stock Exchange (NSE) would be valued at the settlement price provided on the NSE. The price of the same futures contract on the Bombay Stock Exchange (BSE) cannot be considered for the purpose of valuation, unless the futures contract itself has been contracted on the BSE. If the settlement price is not available, then closing price for the security will be considered for the valuation.

1.6 VALUATION OF OTHER INSTRUMENTS:

1.6.1 VALUATION OF RIGHTS ENTITLEMENTS:

When Company announces rights to the existing equity shareholders, under its Listing Agreement with Stock Exchange; it has to declare ex-right date for the purpose of trading on the Stock Exchange. Ex-right date is a date from which the underlying shares, which are traded on the Stock Exchange, will not be entitled to the rights. These rights entitlements can also be renounced in favour of a willing buyer. These renunciations are in some cases traded on the Stock Exchange. In such case these should be valued as traded equity related securities.

1.6.2 VALUATION OF NON-TRADED / UNLISTED / THINLY TRADED RIGHTS ENTITLEMENTS:

(As per Schedule VIII of SEBI (Mutual Fund) Regulations)

In case right Entitlements are not traded for more than 30 days or unlisted or thinly traded, the same shall be valued as below

When Company announces rights to the existing equity shareholders, under its Listing Agreement with Stock Exchange; it has to declare ex-right date for the purpose of trading on the Stock Exchange. Ex-right date is a date from which the underlying shares, which are traded on the Stock Exchange, will not be entitled to the rights. These rights entitlements can also be renounced in favor of a willing buyer. These renunciations are in some cases traded on the Stock Exchange. In such case these should be valued as traded equity related securities as detailed at Section I above.

Till the rights are subscribed, the entitlements as per Regulations shall be valued as under:

Valuations of non-traded/thinly traded/Unlisted rights entitlement, SEBI Regulations have explained this with the help of following formula:

$$V_r = n/m * (P_{ex} - P_{of})$$

Where V_r = Value of Rights

n = Number of rights offered

m = Number of original shares held

Pex = Ex-right price

Pof = Rights offer price

Non-Traded / Thinly traded / Unlisted rights entitlements are valued as under:

- In case original shares on which the right entitlement accrues are not traded on the Stock Exchange, right entitlement should be valued at zero.
- When rights are not treated pari passu with the existing shares such as, restrictions with regard to dividend etc., suitable adjustment should be made by way of a discount to the value of rights at the last dividend announced rate.
- Where right entitlements are not subscribed to but are to be renounced, and where renouncements are being traded, the right entitlements have to be valued at traded renunciation value.
- Where right entitlements are not traded and it is decided not to subscribe the rights, the right entitlements have to be valued at zero.
- In case the Rights Offer Price is greater than the ex-rights price, the value of the rights share is to be taken as zero.

1.6.3 VALUATION OF NON -TRADED WARRANTS:

In respect of warrants to subscribe for shares attached to instruments, the warrants can be valued at the value of the equity share which would be obtained on the exercise of the warrant, as reduced by the amount which would be payable on exercise of the warrant. An appropriate discount for non-tradability of the equity shares shall be duly considered. If the amount payable on exercise of the warrants is higher than the value of the share, the value of the warrants should be taken as zero.

Value of Warrant = [Value of underlying shares - Exercise price].

1.6.4 VALUATION OF SHARES ON DE-MERGER:

On de-merger following possibilities arise which influence valuation, and these are:

- i. Shares of both the companies (De-merged Company and Resulting Company are traded immediately on de-merger: In this case both the companies' shares would be valued at respective traded prices.
- ii. In case there is only one Resulting Company along with the De-merged Company and such Resulting Company is unlisted / non-traded: :

In case where one entity is demerged into two or more entities and one of those entities continues to be listed, the value of unlisted entity will be calculated as the difference between the closing price of the security that continues to be listed on the previous trading day (before demerger) and Adjusted Price derived in exchange special trading session on ex-date (after demerger). The difference in price of two dates will be the valuation price of the unlisted entity/entities proportionately, till they are listed and traded on a stock exchange. The benefit of this method of valuation is that it is not a subject matter and is determined based on the market price.

The valuation of the unlisted company would be reviewed by the valuation committee every 30 days if the security is not listed.

- iii. In case there are more than one Resulting Companies along with the De-merged Company and all or some Resulting Companies are unlisted / non-traded:

The shares of Resulting Companies will be valued by residual price methodology as explained in point (ii) above. The residual value will be allocated into Resulting Companies in the ratio provided as a part of scheme of arrangement or such other ratio as decided by the Valuation Committee. If one of the Resulting Companies is listed / traded, the residual value of unlisted / non-traded Resulting Companies would be further determined by reducing the traded value of listed Resulting Companies from the residual value computed as above.

- iv. In case shares of both the companies (De-merged Company and Resulting Companies) are not traded on de-merger:

The traded value of the De-merged Company on the day before the de-merger will be allocated between De-merged Company and Resulting Companies in the ratio provided as a part of scheme of arrangement or such other ratio as decided by the Valuation Committee. If the equity securities are not traded on any stock exchange for a period of thirty days \, the scrip must be treated as `non-traded' scrip and should be valued as non-traded security as per the norms.

- v. Cost allocation would be done proportionate to the derived value of the resultant scrips or other appropriate basis to be decided on case-to-case basis depending on the terms of demerger.
- vi. The valuation committee may in specific cases decide to use a different method for valuation by assigning reasons therefor.

1.6.5 VALUATION OF PARTLY PAID-UP EQUITY SHARES

Partly paid-up equity shares shall be valued at the value of the price of the underlying equity share as reduced by the balance call money payable.

Traded partly paid-up equity shares, it shall be valued at traded price (like any other equity instrument). If not traded on any stock exchange on a particular valuation day, the value at which it was traded on the earliest previous day may be used provided such date is not more than 30 days prior to valuation date.

Valuation guidelines related to equity shares would be applicable for the valuation of underlying fully paid-up equity shares.

1.6.6 VALUATION OF ILLIQUID SECURITY IN EXCESS OF 15% OF TOTAL ASSETS OF THE SCHEME:

Illiquid security means securities defined as non-traded, thinly traded and unlisted equity shares.

As per the SEBI Regulations aggregate value of Illiquid securities should not exceed 15% of the total assets of the scheme and any illiquid securities held above 15% of the total assets shall be assigned zero value.

In respect of close-ended funds, for the purpose of valuation of illiquid securities, the limits of 15% and 20% applicable to open-ended funds should be increased to 20% and 25% respectively.

1.6.7 VALUATION OF QIP (QUALIFIED INSTITUTIONAL PLACEMENT – EQUITY SHARES)

The equity shares allotted through QIP process should be considered on the same lines as the existing listed equity shares and hence should be valued at the market/traded price of the existing listed equity shares.

1.6.8 VALUATION OF EQUITY SHARES ALLOTTED IN INITIAL PUBLIC OFFERING (IPO) APPLICATION

Prior to allotment, at Bid price. Post allotment, i.e. allotted securities awaiting listing on account of IPO is to be valued at allotment price.

1.6.9 VALUATION OF EQUITY SHARES ALLOTTED IN PRIVATE PLACEMENT OR PRE-IPO OFFERING

Securities allotted in private placement or pre-IPO offering will be valued at its cost of acquisition till listing.

1.6.10 VALUATION OF SECURITIES LENT UNDER SECURITIES LENDING SCHEME

The valuation of securities lent under Securities Lending Scheme shall be valued as per the valuation guideline of the respective security as mentioned in this document. The lending fees received for the securities lent out would be accrued in a proportionate manner till maturity of the contract.

1.6.11 VALUATION OF SECURITIES TENDERED UNDER BUY BACK

The valuation of securities tendered under Buyback will be continued to be valued at the market price till a formal confirmation of acceptance of shares tendered under buyback unless full quantities across schemes are tendered and the company offers to buy-back hundred percent of the shares tendered. In such an event, shares will be valued at the price of buy-back and ignoring the market price. If a company offers to buy-back hundred percent of the shares tendered then shares will be valued at the price of buy-back ignoring the market price.

1.6.12 EQUITY AND EQUITY RELATED SECURITIES UNDER LOCK-IN PERIOD ANCHOR INVESTMENT / PENDING LISTING

Equity shares under lock in for more than 3 months from the date of purchase / allotment, which are traded on the stock exchanges, the AMC may apply appropriate discount to the closing price quoted on the stock exchange as may be decided by the Investment Committee on a case-to-case basis.

2. DEBT AND MONEY MARKET SECURITIES:

2.1 VALUATION OF GOVERNMENT SECURITIES:

Government Securities which include Central Government Securities & State Government Securities, State Development Loans (SDL), Treasury Bills (T-bills) and Cash Management Bills (CMBs) for all the tenors will be valued at the average of the scrip – level prices provided by approved agencies by AMFI (currently CRISIL and ICRA). In case security level prices given by valuation agencies are not available for a new security (which is currently not held by any Mutual Fund), and then such security may be valued at purchase yield on the date of allotment / purchase until the security level prices are provided by the agencies.

It is clarified that irrespective of the residual maturity, all Government Securities (including T-bills) shall be valued on the basis of security level prices obtained from valuation agencies.

In case security level prices given by valuation agencies are not available for a new security (which is currently not held by any Mutual Fund), then such security may be valued at purchase yield on the date of allotment / purchase until the security level prices are provided by the agencies

2.2 MONEY MARKET AND DEBT SECURITIES OTHER THAN GOVERNMENT SECURITIES:

All money market and debt securities including floating rate securities shall be valued at average of security level prices obtained from valuation agencies. In case security level prices given by valuation agencies are not available for a new security (which is currently not held by any Mutual Fund), and then such security may be valued at purchase yield on the date of allotment / purchase until the security level prices are provided by the agencies.

The valuation of bills purchased under rediscounting scheme shall be as per the guidelines mentioned for valuation of money market instruments.

Valuation of Tri-Party Repo (TREPS)

- a. Valuation of TREPS, except overnight TREPS, will be valued at average of security level prices obtained from valuation agencies appointed by AMFI (CRISIL & ICRA).

In case security level prices given by valuation agencies are not available for a new TREPS (which is currently not held by any Mutual Fund), then such TREPS may be valued at purchase yield on the date of purchase.

- b. Overnight TREPS will be valued on cost plus accrual basis.

Valuation of Reverse REPO (Including Corporate Reverse REPO)

- c. Valuation of Reverse REPO transaction, except overnight Reverse REPO, will be valued at average of security level prices obtained from valuation agencies appointed by AMFI (CRISIL & ICRA).

In case security level prices given by valuation agencies are not available for a new Reverse REPO (which is currently not held by any Mutual Fund), then such Reverse REPO may be valued at purchase yield on the date of purchase.

- d. Overnight Reverse REPO will be valued on cost plus accrual basis.

In order to have uniformity in valuation methodology, prices for all OTC derivatives and market linked debentures shall be obtained from valuation agencies. The designated agencies (presently, CRISIL and ICRA) shall provide daily Valuations for the entire spectrum of Debt Securities. (Please refer Annexure 1)

Valuation of Short Term Deposits with Banks (pending deployment)

Investments in short term deposits with banks will be valued at cost plus accrual

Valuation of Bills Rediscounting, Market Linked Debentures and OTC derivatives

The bills purchased under rediscounting scheme shall be valued based on average of security level prices provided by the agencies appointed by AMFI/SEBI. Where any scheme of Mutual Fund has purchased such securities and security level price from the agencies appointed by AMFI/SEBI is not available, such securities shall be valued at purchase yield on the date of allotment / purchase

All market linked debentures shall be valued at prices obtained from the Valuation Agencies

2.2.1 Additional Primary Issuances under same or New ISINs

For new Securities issued (Primary Segment, Phase wise issuance under same / temporary ISINs), Valuation should be done as per the average yield provided by the valuation agencies.

2.2.2 Securities with put / call options

The option embedded securities would be valued as follows:

Securities with call option:

The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option.

In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity date is to be taken as the value of the instrument.

Securities with Put option:

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

In case there are multiple put options, the highest value obtained by valuing to the various put dates and valuing

to the maturity date is to be taken as the value of the instruments.

Securities with both Put and Call option on the same day:

Only securities with put / call options on the same day and having the same put and call option price, shall be deemed to mature on such put / call date and shall be valued accordingly. In all other cases, the cash flow of each put / call option shall be evaluated and the security shall be valued on the following basis:

Identify a 'Put Trigger Date', a date on which 'price to put option' is the highest when compared with price to other put options and maturity price. ii. Identify a 'Call Trigger Date', a date on which 'price to call option' is the lowest when compared with price to other call options and maturity price. iii. In case no Put Trigger Date or Call Trigger Date ('Trigger Date') is available, then valuation would be done to maturity price. In case one Trigger Date is available, then valuation would be done as to the said Trigger Date. In case both Trigger Dates are available, then valuation would be done to the earliest date. If a put option is not exercised by a Mutual Fund when exercising such put option would have been in favour of the scheme, in such cases the justification for not exercising the put option shall be provided to the Board of AMC and Trustees.

2.2.3 UPFRONT FEES ON TRADES

2.2.3.1 Upfront fees on all trades (including primary market trades), by whatever name and manner called, would be considered by the valuation agencies for the purpose of valuation of the security.

2.2.3.2 Details of such upfront fees should be shared by the AMCs on the trade date to the valuation agencies as part of the trade reporting to enable them to arrive at the fair valuation for that date.

2.2.3.3 For the purpose of accounting, such upfront fees should be reduced from the cost of the investment in the scheme that made the investment.

2.2.3.4 In case upfront fees are received across multiple schemes, then such upfront fees should be shared on a pro-rata basis across such schemes.

2.3 VALUATION OF MONEY MARKET AND DEBT SECURITIES RATED BELOW INVESTMENT GRADE AND DEFAULT SECURITIES:

A money market or debt security shall be classified as "below investment grade" if the long term rating of the security issued by a SEBI registered Credit Rating Agency (CRA) is below BBB- or if the short-term rating of the security is below A3.

A money market or debt security shall be classified as "Default" if the interest and / or principal amount has not been received, on the day such amount was due or when such security has been downgraded to "Default" grade by a CRA. Any extension in the maturity of a money market or debt security shall result in the security being treated as "Default", for the purpose of valuation. If the maturity date of a money market or debt security is shortened and then subsequently extended, the security shall be treated as "Default" for the purpose of valuation. In this respect, Mutual Funds shall promptly inform to the valuation agencies and the CRAs, any instance of non-receipt of payment of interest and / or principal amount (part or full) in any security.

The treatment of accrued interest and future accrual of interest, in case of money market and debt securities classified as below investment grade or default, is detailed below:

- All money market and debt securities which are rated below investment grade shall be valued at the price provided by valuation agencies as appointed by AMFI.
- Till such time the valuation agencies compute the valuation of money market and debt securities classified as below investment grade, such securities shall be valued on the basis of indicative haircuts provided by these agencies. The indicative haircut that has been applied to the principal should be

applied to any accrued interest. These indicative haircuts shall be applied on the date of credit event i.e. migration of the security to sub-investment grade and shall continue till the valuation agencies compute the valuation price of such securities.

- In case of trades during the interim period between date of credit event and receipt of valuation price from valuation agencies, AMC shall consider such traded price for valuation if it is lower than the price post standard haircut. The said traded price shall be considered for valuation till the valuation price is determined by the valuation agencies.
- In case of trades after the valuation price is computed by the valuation agencies as referred above and where the traded price is lower than such computed price, such traded price shall be considered for the purpose of valuation, and the valuation price may be revised accordingly.
- The trades referred above shall be of a minimum size as determined by valuation agencies.
- In case of securities classified as below investment grade but not default, interest accrual may continue with the same haircut applied to the principal. In case of securities classified as default, no further interest accrual shall be made.

The following shall be the treatment of how any future recovery should be accounted for in terms of principal or interest:

- a) Any recovery shall first be adjusted against the outstanding interest recognized in the NAV and any balance shall be adjusted against the value of principal recognized in the NAV.
- b) Any recovery more than the carried value (i.e. the value recognized in NAV) should then be applied first towards amount of interest written off and then towards amount of principal written off.

AMC may deviate from the indicative haircuts and/or the valuation price for money market and debt securities rated below investment grade provided by the valuation agencies subject to the following:

- i) The detailed rationale for deviation from the price post haircuts or the price provided by the valuation agencies shall be recorded by the AMC.
- ii) The rationale for deviation along-with details such as information about the security (ISIN, issuer name, rating etc.), price at which the security was valued vis-a-vis the price post haircuts or the average of the price provided by the valuation agencies (as applicable) and the impact of such deviation on scheme NAV (in amount and percentage terms) shall be reported to the Board of AMC and Trustees
- iii) The rationale for deviation along-with details as mentioned at para above shall also be disclosed to investors. In this regard, AMC shall immediately disclose instances of deviations under a separate head on their website.

Further, the total number of such instances shall also be disclosed in the monthly and half yearly portfolio statements for the relevant period along-with an exact link to the website wherein the details of all such instances of deviation are available.

Standard haircut for sub-investment grade debt securities provided by valuation agencies and finalized by the AMFI Valuation Committee are as follow:

1. Haircuts for senior, secured securities

Rating/ Sector	Infrastructure, Real Estate, Hotels, Loan against shares and Hospitals	Other Manufacturing and Financial Institutions	Trading, Gems & Jewellery and Others
BB	15%	20%	25%
B	25%	40%	50%
C	35%	55%	70%

D	50%	75%	100%
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2. Haircuts on subordinated and unsecured (or both) securities

Rating/ Sector	Infrastructure, Real Estate, Hotels, Loan against shares and Hospitals	Other Manufacturing and Financial Institutions	Trading, Gems & Jewellery and Others
BB	25%	25%	25%
B	50%	50%	50%
C	70%	70%	70%
D	100%	100%	100%

2.4 VALUATION OF INTEREST RATE SWAP (IRS) & INTEREST RATE FUTURES (IRF):

Irrespective of the residual maturity, valued at average of security level prices obtained from valuation agencies appointed by AMFI.

In case it is not available with the valuation agencies, following methodology shall be adopted:

Interest Rate swaps will be valued separately than the underlying asset or a portfolio of assets. If the tenure of the IRS is less than 6 months then value of IRS contract would be present value of the difference between the fixed and floating interest to be received/paid on maturity of the contract.

If the tenure is more than 6 months, value of IRS contract would be present value of the difference between the fixed and floating interest to be received/paid on maturity of the contract. Floating rate interest till maturity is the interest accrued till the valuation date plus the interest on remaining period at reversal rate.

Reversal rate for the day would be obtained from Bloomberg/Reuters for different maturities. The relevant rate is taken on the basis of maturity of the contract. However, if the maturity date falls between the two years, the reversal rate is arrived by interpolation on valuation date. Detailed methodology would be worked out by CRISIL for valuation of Interest Rate Swap and the same would become part of the Bond Valuer software. Interpolation time period for valuation of securities shall be 15 days on either side of the bucket.

Methodology of IRS valuation is tabulated below: In case of Receive Fixed and Pay Floating:

FIXED Receivable (A)	Notional Contract value * Fixed interest rate * period of contract	XXXXXX
REVERSAL RATE	Interest rate as per Bloomberg/Reuters	XXX
FLOATING Payable (B)	Accumulated interest till date + (Reversal rate* Compounded face value * No. of days remaining/365)	XXXXXX
NO. OF DAYS REMAINING		XXXX
UNRAELISED GAIN/(LOSS) (C)	(A) – (B)	XXXXXX
BALANCE DAYS For NEXT RESET DATE/MATURITY DATE		XXXX

PV ON UNRELIASED G/(L)	(C)/ (1+REVERSAL RATE/365*Balance days to maturity/interest reset date	XXXX
Gain/(Loss) Already Provided		XXXX
Mark to Market Loss		XXXX

Interest Rate Futures - The exchange traded Interest Rate Futures shall be valued based on the last quoted closing price on the stock exchange.

Non-Traded - Non Traded IRF shall be valued based on settlement price / any other equivalent price provided by the stock exchange.

Valuation of Exchange Traded Commodity Derivatives (ETCDs):

Exchange Traded Commodity Derivatives (ETCDs) - Futures and Options:

Valuation will be done at end of day closing /settlement price published on the MCX/NCDEX/NSE/BSE and value the commodity on the exchange on which it got transacted.

There might be variants of commodities based on the lot size which may be launched going ahead by different exchanges such as Gold, Gold Mini etc., for such cases we will be taking the closing/settlement price on which it gets transacted.

In case necessary details to value ETCDs are not available, the prices will be determined based on the available information which shall be approved by Investment Committee.

Exchange Traded Commodity Derivatives (ETCDs) - Physical:

Upon the receipt of physical stocks at the exchange accredited warehouse in the allocated location the commodity shall be valued daily. The pooled physical price of the respective location is published by the respective commodity exchanges.

If on any day the spot/pooled prices as above are not available due to holiday, then the prices of immediately preceding day will be considered for the purpose of valuation of such commodity.

Example: Pooled price of Gold ex-Ahmedabad is published by 14:00 hrs every day at the MCX website which shall be referred for valuation of stocks lying in Ahmedabad

warehouse / designated vaults under MF Schemes. These published prices will be considered for valuation.

3. VALUATION OF UNITS OF MUTUAL FUNDS / ALTERNATE INVESTMENT FUND (AIF) UNITS (INCLUDING UNITS OF ETF):

- (i) Mutual Fund units / AIF units listed and traded on exchange (NSE or BSE) on valuation date would be valued at closing traded price as on the valuation date.
- (ii) Unlisted Mutual Fund units / AIF units or Mutual Fund units / AIF units listed but not traded on valuation date would be valued at the last available NAV as per AMFI website or any other appropriate source.

4. VALUATION OF GOLD IN CASE OF EXCHANGE TRADED FUNDS:

1. Investments in gold held by a gold exchange traded fund scheme shall be valued at the AM *fixing price as per relevant regulatory norms in US dollars per troy ounce for gold having a fineness of 995.0, 999.0, or higher parts per thousand, subject to the following:
 - Adjustment for conversion to metric measures as per standard conversion rates must be made to arrive at an equivalent price for 1 gram, 10 grams, 100 grams, and 1 kilogram of physical gold having a fineness of 0.995, 0.999 or higher parts per thousand;
 - The cost, insurance, freight premium, fixing charges, **premium/discount and other charges, as applicable, shall be added to the above price as determined above;
 - Adjustment for conversion of US dollars into Indian rupees must be made as per the RBI's reference rate and;
 - Statutory taxes and levies, as applicable from time to time, shall be added to arrive at the final landed price of Gold;
2. Fixing: In addition of, if on any day the AM fixing (fixing is as per the LBMA's prices via Bloomberg) or RBI reference exchange rate is not available due to holiday or any other reason, then the immediately previous day's prices shall be applied for the purpose of calculating the value of gold;
3. It is also provided further that where the gold held by a gold exchange traded fund scheme has a greater fineness, the relevant prices of AM fixing as per regulatory shall be taken as the reference price;
4. *Premium/(Discount): The spot price published by Multi Commodity Exchange of India Limited (MCX), or any other source as approved by the Investment Committee, would be considered for determining a suitable premium to arrive at the fair valuation reflecting the domestic prices of Gold. Instances where MCX spot price is lower than the price as determined above, a suitable discount would be applied;
 - *Premium or discount may be applied to the valuation price arrived as per above methodology to ensure it reflects the fair value / spot price of Gold in the domestic relevant market;*
 - *It is also provided further, that in the event on occurrence of a of holiday when MCX spot price is not available, for deriving the closing valuation price of Gold, previous working day premium / (discount) shall be factored for valuation;*
 - *It is also provided that if gold purchased through the gold exchange-traded fund scheme is not in the form of standard bars that meet LBMA's (London Bullion Market's Association) good delivery standards, it shall be assayed and converted to delivery norms and thereafter valued according to the sub-paragraph (1).*
5. If the prices as per above do not represent fair value for the underlying commodity (including gold, silver or any other physical commodity other than gold & silver), the Investment committee will determine the price based on the available information.
6. In case of market outages or disruptions, which could lead to unavailability of spot prices for gold, the gold exchange traded fund can avail prices from sources not excluding: 1) Spot prices for gold from

Indian Bullion & Jewellers Association (IBJA), 2) Weighted average of polled prices from bullion suppliers, and other participants from the value chain of physical market, in order to ensure fair valuation;

5. VALUATION OF SILVER IN CASE OF EXCHANGE TRADED FUNDS:

1. Investments in silver held by a silver exchange traded fund scheme shall be valued at the AM *fixing price as per relevant regulatory norms in US dollars per troy ounce for silver having a fineness of 999.0, or higher parts per thousand, subject to the following:
 - Adjustment for conversion to metric measures as per standard conversion rates must be made to arrive at an equivalent price for 1 gram, 10 grams, 100 grams, and 1 kilogram of physical silver having a fineness of 0.999 or higher parts per thousand;
 - The cost, insurance, freight premium, fixing charges, **premium/discount and other charges, as applicable, shall be added to the above price as determined above;
 - Adjustment for conversion of US dollars into Indian rupees must be made as per the RBI's reference rate and;
 - Statutory taxes and levies, as applicable from time to time, shall be added to arrive at the final landed price of Silver;
2. *Fixing: In addition of, if on any day the AM fixing (fixing is as per the LBMA's prices via Bloomberg) or RBI reference exchange rate is not available due to holiday or any other reason, then the immediately previous day's prices shall be applied for the purpose of calculating the value of silver;
3. It is also provided further that where the silver held by a silver exchange traded fund scheme has a greater fineness, the relevant prices of AM fixing as per regulatory shall be taken as the reference price;
4. **Premium/(Discount): The spot price published by Multi Commodity Exchange of India Limited (MCX), or any other source as approved by the Investment Committee, would be considered for determining a suitable premium to arrive at the fair valuation reflecting the domestic prices of Silver. Instances where MCX spot price is lower than the price as determined above, a suitable discount would be applied;
 - *Premium or discount may be applied to the valuation price arrived as per above methodology to ensure it reflects the fair value / spot price of Silver in the domestic relevant market;*
 - *It is also provided further, that in the event on occurrence of a of holiday when MCX spot price is not available, for deriving the closing valuation price of Silver, previous working day premium / (discount) shall be factored for valuation;*
 - *It is also provided that if silver purchased through the silver exchange-traded fund scheme is not in the form of standard bars that meet LBMA's (London Bullion Market's Association) good delivery standards, it shall be assayed and converted to delivery norms and thereafter valued according to the sub-paragraph (1).*

6. APPLICATION MONEY FOR PRIMARY MARKET ISSUE:

- 6.1 Application money should be valued at cost up to 30 days from the closure of the issue. If the security is not allotted within 30 days from the closure of the issue, application money is to be valued as per the directives of valuation committee. Rationale of valuing such application money should also be recorded.

6.2 Equity securities allotted and proposed to be listed, but not listed, are to be valued at the allotment price if taken through the IPO route till listing. If “to be listed” stock is purchased during Pre-IPO, it will be valued as an unlisted stock till the allotment price is declared after the IPO, post which it’ll be valued at the IPO allotment price till listing. If a stock is not listed after a month of the IPO allotment, it will be treated as unlisted and will be valued accordingly.

7. VALUATION OF PREFERENCE SHARES:

In case the preference shares are traded, they would be valued as per the valuation guidelines applicable to equity shares.

For Thinly Traded / Non-Traded / Unlisted Securities:

In case of convertible preference shares, valuation guidelines relating to convertible debentures can be applied.

The non-convertible preference share will be valued at the present value of all the future expected dividend payments and the maturity value, discounted at the expected return on preference shares. The valuation committee will decide upon variables like expected future dividend, expected rate of return etc. on a case-to-case basis depending on the terms of issue of the preference shares.

Convertible Preference shares would be valued at the value of the equity share which would be obtained on conversion, further appropriate discount for illiquidity should be applied. The illiquidity percentage will be decided by the Valuation Committee on a case-to-case basis. Valuation guidelines related to equity shares would be applicable for the valuation of underlying equity shares

If security level valuation (SLV) price of Preference shares is provided by the valuation agencies, appointed by AMFI, then the same will be used for valuation

The valuation committee may in specific cases decide to use a different method for valuation of preference shares by assigning reasons therefor.

8. GUIDELINES FOR VALUATION OF INTER SCHEME TRADES OF DEBT AND MONEY MARKET SECURITIES

AMCs shall seek prices for IST of any money market or debt security (irrespective of maturity), from the valuation agencies. AMFI, in consultation with valuation agencies has decided a turn-around-time (TAT), within which IST prices shall be provided by the agencies. If prices from the valuation agencies are received within the pre-agreed TAT, an average of the prices so received shall be used for IST pricing. If price from only one valuation agency is received within the agreed TAT, that price may be used for IST pricing. If prices are not received from any of the valuation agencies within the agreed TAT, The AMC may determine the price for the IST in the following manner:

- 8.1 In case of transfer of securities between Schemes, to ensure fair treatment of investors in both schemes, such transfers would be done at the Weighted average price or yield at which it is traded up to the time of transfer of such security; subject to the market trade criteria of minimum 3 trades aggregating to Rs.100 Crores;
- 8.2 If no such Trades, then at previous day’s valuation Price.

9. GUIDELINES FOR VALUATION OF INTER SCHEME TRADES OF EQUITY SECURITIES:

Inter-scheme transfer of equity securities would be effected at the prevailing spot market price of the security at the time the transfer is effected. For this purpose, at the time of effecting the inter-scheme transfer, a record of the prices for the security quoted in the relative stock exchange (i.e. NSE/BSE) or through the Bloomberg Terminal would be obtained, which would indicate the date, time and the currently quoted price. The price given in the quotation of the stock exchange would be the effective price for the inter-scheme transfer.

9. VALUATION OF CONVERTIBLE DEBENTURES:

As per Eighth Schedule of SEBI (Mutual Fund) Regulations method of valuation of convertible debentures is prescribed.

Non-convertible and convertible components are valued separately.

- A. The non-convertible component shall be valued on the same basis as would be applicable to a non-convertible debt instrument.
- B. The convertible component to be valued as follows:

Traded Security:

In case Compulsorily Convertible Debenture (CCD) are qualified as traded then they would be valued as per the valuation guidelines applicable to equity shares i.e. valued on closing traded price similar to equity shares. The value of CCD so derived, shall be treated as dirty price of the CCD and accordingly valuation will be done

Thinly Traded / Non-Traded / Unlisted Securities:

If security level valuation (SLV) price of CCD is provided by the valuation agencies, appointed by AMFI, then the same will be used for valuation.

If not, then following method shall be used:

i) Ascertain

- a. The number of shares to be received after conversion.
 - b. Whether the shares would be pari passu for dividend on conversion.
 - c. The rate of last declared dividend.
 - d. Whether the shares are presently traded or non-traded/thinly traded.
 - e. Market rate of shares on the date of valuation
- ii) In case the shares to be received are, on the date of valuation, are thinly traded / non-traded, these shares to be received on conversion are to be valued as thinly traded / non-traded shares.
- iii) In case the shares to be received on conversion are not non-traded or thinly traded on the date of valuation and would be traded pari passu for dividend on conversion:
- a. Number of shares to be received on conversion, per convertible debenture, multiplied by the present market rate of the share.
 - b. Determine the discount for non-tradability of the shares on the date of valuation.

(This discount should be determined in advance and to be used uniformly for all the convertible securities. Rate of discount should be documented and approved by the Board of AMC)

Value = (a)*market rate [1-(b)] iv) In case the shares to be received on conversion are not non-traded or thinly traded on the date of valuation but would not be traded pari passu for dividend on conversion:

- a. Number of shares to be received on conversion, per convertible debenture, multiplied by the present market rate

- b. Arrive at the market value of the shares on the date of valuation by reducing the amount of last paid dividend.
- c. Determine the discount for non-tradability of the shares on the date of valuation.

(This discount should be determined in advance and to be used uniformly for all the convertible securities. Rate of discount should be documented and approved by the Board of AMC)

$$\text{Value} = (a) * \{b - [1 - (c)]\}$$

v) In case of optionally convertible debentures, two values must be determined assuming both, exercising the option and not exercising the option.

- a. If the option rests with the issuer, the lower of the two values shall be taken as the valuation of the optionally convertible portion, and;
- b. If the option rests with the investor, the higher of the two values shall be taken.

Any security held by a fund has to be valued according to the prevalent valuation guidelines and norms for that category of security irrespective of mode of acquisition of such security. In view of this, debentures received on account corporate action should also be valued as per the valuation methodology prescribed by SEBI.

10. REPO INSTRUMENTS INCLUDING OVERNIGHT TRI-PARTY REPO (TREPS):

Eighth Schedule to SEBI (Mutual Fund) Regulation has spelt out briefly the methodology for valuation of Repo Instruments. Choice AMC Private Limited Value Reverse Repo (Purchase and sale back) in line with this regulation as follows:

10.1 REVERSE REPURCHASE TRANSACTION (REVERSE REPO):

A Reverse Repurchase Transaction is an agreement under which on payment of a purchase price, the fund receives (purchases) securities from a seller who agrees to repurchase them at a specified time at a specified price. A repurchase agreement is similar in effect to a loan by the fund to the seller collateralized by the securities. The Mutual Fund does not record the purchase of securities received but records the repo transactions as if it were a loan. Repo instruments have to be valued at the resale price after deduction of applicable interest rate up to the date of resale. To put it differently, it is at the net consideration paid i.e., loan given plus interest accrued every day. The difference between repurchase and sale prices is accounted as interest income.

10.2 REPURCHASE TRANSACTION (REPO):

A Repurchase Transaction is an agreement, which provides for the Mutual Fund to transfer (sale) security to a buyer for cash. The Fund does not record sale of security, and it agrees to later repay cash plus interest in exchange for return (repurchase) of the same securities. The transaction is thus similar in effect to a borrowing by the Mutual Fund collateralized by the security.

Presently repo can be carried out by specified Mutual Funds only with Reserve Bank of India and not with any other party. While valuing such instruments adjustment must be made for the difference between repurchase price and the value of instrument. Repurchase price has to be arrived at after deducting applicable interest rate up to the date of repurchase. However, it should be noted that if repurchase price exceeds the value, depreciation must be provided for and if repurchase price is lower than the value, credit must be taken for appreciation. In effect for the purpose of valuation the difference between liability towards repayment of borrowing (as increased by interest payable daily and the market price of such security in the portfolio of the Fund is considered as appreciation or depreciation accounted separately). The difference between sale and repurchase prices is accounted as interest expense.

To elaborate further, appreciation/depreciation in the instruments sold on 'repo' basis is as follows:

If the repurchase price, after deduction of applicable interest up to the date of repurchase from the valuation date, exceeds the market value as on the valuation date depreciation must be considered for valuation.

If the repurchase price, after deduction of applicable interest up to the date of repurchase from the valuation date is lower than the market value as on the valuation date appreciation must be considered for valuation.

11. FLOATING RATES SECURITIZED DEBT (FRN PTCS):

- 11.1** Valuation of such instruments is not covered by Crisil Bond Valuer. Such papers have Cap and Floor rates with various compounding options and periodic repayment structure. Generally, issuer also gives cash flow attached to the paper at Cap rate.
- 11.2** Valuation of such papers shall be done by taking cash flow at cap rate as base and shall be valued like a normal PTC. In case any other type of FRN PTC structure, valuation methodology shall be provided by AMC on case to case basis.

12. VALUATION OF SECURITIES NOT COVERED UNDER THE CURRENT VALUATION POLICY:

In case of securities purchased by mutual funds do not fall within the current framework of the valuation of securities then such mutual fund shall report immediately to AMFI regarding the same. Further, at the time of investment AMCs shall ensure that the total exposure in such securities does not exceed 5% of the total AUM of the scheme. AMFI has been advised that the valuation agencies should ensure that the valuation of such securities gets covered in the valuation framework within six weeks from the date of receipt of such intimation from mutual fund. In the interim period, till AMFI makes provisions to cover such securities in the valuation of securities framework, the mutual funds shall value such securities using their proprietary model which has been approved by their independent trustees and the statutory auditors.

13. VALUATION OF EQUITY- LINKED DEBENTURES / NOTES (ELNS)

To continue the current practice of valuing these instruments on the basis of bid offer price provided by issuer and internal documentation of the methodology for the same signed off by respective investment committees/Trustees.

14. MULTIPLE PUT/CALL PAPERS WITH VARIABLE PREMIUMS

The securities having Put and Call Options on the same day but at different prices would not be treated as maturity date of the instrument and would be valued at Put and Call dates. Lower of the best of Put and worst of Call would be taken as the price for valuation Securities with Call Option within 30 days and maturity beyond 30 days would be valued at two of the lower prices viz. Amortization price (based on Call date) and Valuation price (as on maturity date).

Changes in terms of investments:

While making any change to terms of an investment, Mutual Funds shall adhere to the following conditions: Any changes to the terms of investment, which may have an impact on valuation, shall be reported to the valuation agencies immediately.

Any extension in the maturity of a money market or debt security shall result in the security being treated as "Default" for the purpose of valuation.

If the maturity date of a money market or debt security is shortened and then subsequently extended, the security shall be treated as “Default” for the purpose of valuation.

Any put option inserted subsequent to the issuance of the security shall not be considered or the purpose of valuation and original terms of the issue will be considered for valuation.

15. VALUATION OF INFRASTRUCTURE INVESTMENT TRUST (INVITS) & REAL ESTATE INVESTMENT TRUST (REITS)

- 15.1** On a valuation day, traded units of InvIT/ReITs are to be valued at the last quoted closing price on the principal stock exchange on which the InvIT / ReITs are traded
- 15.2** In case ReIT / InvIT are not traded on the principal stock exchange on a particular date, the closing price at which it is traded on any other stock exchange will be considered. If the traded price is not available, then valuation shall be as per the direction of Investment Committee.
- 15.3** When units of InvITs/ReITs is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the principal stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than 30 days prior to valuation date.
- 15.4** Where units of InvIT and ReIT are not traded on any stock exchange for a continuous period of 30 days then the valuation for such units of InvIT and ReIT will be determined based on the price provided by an independent valuation agency(ies) or at latest NAV declared by Investment managers of the trust, as the case may be. The selection of the independent valuation agency(ies) will be approved by the Valuation Committee.
- 15.5** Where the valuation of units of InvIT and ReIT is not available from any independent valuation agency(ies), the valuation will be determined by the Fund Manager on the principles of fair valuation.

16. VALUATION OF INVESTMENT IN CORPORATE DEBT MARKET DEVELOPMENT FUND (CDMDF):

Units of Corporate Debt Market Development Fund would be valued at Net Asset Value (NAV) as on the valuation date. To put it differently, investments in units of CDMDF shall be valued based on the last declared net asset value as disclosed on the website of the CDMDF Fund.

17. VALUATION OF SEGREGATED PORTFOLIO

Valuation of segregated portfolio shall consider the credit event, and the portfolio shall be valued based on the principles of fair valuation (i.e. realizable value of the assets) in terms of relevant provisions of SEBI MF Regulations and circular(s) issued thereunder.

18. DEVIATION FROM VALUATION GUIDELINES:

As per the Principles of Fair Valuation specified in Eighth Schedule of SEBI (Mutual Funds) Regulations, 1996, AMCs are responsible for true and fairness of valuation and correct NAV. Considering the same, in case an AMC decides to deviate from the valuation price given by the valuation agencies, the detailed rationale for each instance of deviation shall be recorded by the AMC. The rationale for deviation along-with details such as information about the security (ISIN, issuer name, rating etc.), price at which the security was valued vis-a-vis the price as per the valuation agencies and the impact of such deviation on scheme NAV (in amount and

percentage terms) shall be reported to the Board of AMC and Trustees.

The rationale for deviation along-with details as shall be disclosed immediately and prominently, under a separate head on the website of AMC. Further, while disclosing the total number of instances of deviation in the monthly and half-yearly portfolio statements, The AMC shall also provide the exact link to their website for accessing the above information.

Annexure 1:

Detailed approach by the valuation agencies:

It is decided that for arriving at security level pricing, a waterfall approach shall be followed for the valuation of money market and debt securities.

The following broad principles should be adopted as part of the aforesaid waterfall approach, for arriving at the security level prices:

All traded securities shall be valued on the basis of traded yields, subject to identification of outlier trades by the valuation agencies.

Volume Weighted Average Yield (VWAY) for trades in the last one hour of trading shall be used as the basis for valuation of Government Securities (including T-bills). Valuation of all other money market and debt securities (including Government securities not traded in last one hour) shall be done on the basis of VWAY of all trades during the day. All trades on stock exchanges and trades reported on trade reporting platforms till end of the trade reporting time (excluding Inter-scheme transfers), should be considered for valuation on that day.

In case of any exceptional events on a day (An indicative list of exceptional events shall form part of the documented waterfall approach), only VWAY of trades post such event may be considered for valuation. Further, all exceptional events along-with valuation carried out on such dates shall be documented with adequate justification.

AMFI GUIDELINES ON VALUATION APPROACH FOR TRADED AND NON-TRADED MONEY MARKET AND DEBT SECURITIES:

SEBI, vide circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 on Valuation of money market and debt securities, has laid down the broad principles for considering traded yields for the purpose of valuation of money market and debt securities. Paragraph 2.1 of the aforesaid circular prescribes that AMFI shall ensure that valuation agencies have a documented waterfall approach for valuation of money market and debt securities. In this regard, the following are the areas identified for issuing standard guidelines.

1. Waterfall mechanism for valuation of money market and debt securities
2. Definition of tenure buckets for similar maturity
3. Process for determination of similar issuer
4. Recognition of trades and outlier criteria
5. Process for construction of spread matrix

PART A: VALUATION OF MONEY MARKET AND DEBT SECURITIES OTHER THAN G-SECS

Waterfall Mechanism for valuation of money market and debt securities:

The following shall be the broad sequence of the waterfall for valuation of money market and debt securities:

- i. Volume Weighted Average Yield (VWAY) of primary reissuances of the same ISIN (whether through book building or fixed price) and secondary trades in the same ISIN
- ii. VWAY of primary issuances through book building of same issuer, similar maturity (Refer Note 1 below)
- iii. VWAY of secondary trades of same issuer, similar maturity
- ii. VWAY of primary issuances through fixed price auction of same issuer, similar maturity
- iii. VWAY of primary issuances through book building of similar issuer, similar maturity (Refer Note 1 below)
- vi. VWAY of secondary trades of similar issuer, similar maturity.
- vii. VWAY of primary issuance through fixed price auction of similar issuer, similar maturity
- viii. Construction of matrix (polling may also be used for matrix construction)
- ix. In case of exceptional circumstances, polling for security level valuation (Refer Note 2 below)

Note 1

Except for primary issuance through book building, polling shall be conducted to identify outlier trades. However, in case of any issuance through book building which is less than INR 100 Cr, polling shall be conducted to identify outlier trades.

Note 2

Some examples of exceptional circumstance would be stale spreads, any event/news in particular sector/issuer, rating changes, high volatility, corporate action or such other event as may be considered by valuation agencies. Here stale spreads are defined as spreads of issuer which were not reviewed/updated through trades/primary/polls in same or similar security/issuers of same/similar maturities in waterfall approach in last 6 months.

Further, the exact details and reasons for the exceptional circumstances which led to polling shall be documented and reported to AMCs. Further, a record of all such instances shall be maintained by AMCs and shall be subject to verification during SEBI inspections.

Note 3

All trades on stock exchanges and trades reported on trade reporting platforms till end of trade reporting time (excluding Inter-scheme transfers) should be considered for valuation on that day.

Note4

It is understood that there are certain exceptional events, occurrence of which during market hours may lead to significant change in the yield of the debt securities. Hence, such exceptional events need to be factored in while calculating the price of the securities. Thus, for the purpose of calculation of VWAY of trades and identification of outliers, on the day of such exceptional events, rather than considering whole day trades, only those trades shall be considered which have occurred post the event (on the same day).

The following events would be considered exceptional events: i. Monetary/ Credit Policy

ii. Union Budget

iv. Government Borrowing/ Auction Days

v. iv. Material Statements on Sovereign Rating v. Issuer or Sector Specific events which have a material impact on yields

vi. vi. Central Government Election Days

vii. vii. Quarter end days

In addition to the above, valuation agencies may determine any other event as an exceptional event. All exceptional events along-with valuation carried out on such dates shall be documented with adequate justification.

DEFINITION OF TENURE BUCKETS FOR SIMILAR MATURITY

When a trade in the same ISIN has not taken place, reference should be taken to trades of either the same issuer or a similar issuer, where the residual tenure matches the tenure of the bond to be priced. However, as it may not be possible to match the exact tenure, it is proposed that tenure buckets are created and trades falling within such similar maturity be used as per table below.

Residual Tenure of Bond to be priced	Criteria for similar maturity
Up to 1 month	Calendar Weekly Bucket
Greater than 1 month to 3 months	Calendar Fortnightly Bucket
Greater than 3 months to 1 year	Calendar Monthly Bucket
Greater than 1 year to 3 years	Calendar Quarterly Bucket
Greater than 3 years	Calendar Half Yearly or Greater Bucket

In addition to the above:

- In case of market events, or to account for specific market nuances, valuation agencies may be permitted to vary the bucket in which the trade is matched or to split buckets to finer time periods as necessary. Such changes shall be auditable. Some examples of market events / nuances include cases where traded yields for securities with residual tenure of less than 90 days and more than 90 days are markedly different even though both may fall within the same maturity bucket, similarly for less than 30 days and more than 30 days or cases where yields for the last week v/s second last week of certain months such as calendar quarter ends can differ.
- In the case of illiquid/ semi liquid bonds, it is proposed that traded spreads be permitted to be used for longer maturity buckets (1 year and above). However, the yield should be adjusted to account for steepness of the yield curve across maturities.
- The changes/ deviations mentioned in clauses above, should be documented, along with the detailed rationale for the same. Process for making any such deviations shall also be recorded. Such records shall be preserved for verification.

PROCESS FOR DETERMINATION OF SIMILAR ISSUER

Valuation agencies shall determine similar issuers using one or a combination of the following criteria. Similar issuer do not always refer to issuers which trade at same yields, but may carry spreads amongst themselves & move in tandem or they are sensitive to specific market factor/s hence warrant review of spreads when such factors are triggered.

- Issuers within same sector/industry and/or
- Issuers within same rating band and/or
- Issuers with same parent/ within same group and/or
- Issuers with debt securities having same guarantors and/or
- Issuers with securities having similar terms like Loan Against Shares (LAS)/ Loan Against Property (LAP)

The above criteria are stated as principles and the final determination on criteria, and whether in combination or isolation shall be determined by the valuation agencies. The criteria used for such determination should be

documented along with the detailed rationale for the same in each instance. Such records shall be preserved for verification. Similar issuers which trade at same level or replicate each other's movements are used in waterfall approach for valuations. However, similar issuer may also be used just to trigger the review of spreads for other securities in the similar issuer category basis the trade/news/action in any security/ies within the similar issuer group.

RECOGNITION OF TRADES AND OUTLIER CRITERIA

Volume criteria for recognition of trades (marketable lot):

Paragraph 1.1.1.1(a) of SEBI vide circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019, on Valuation of money market and debt securities, prescribes that the marketable lots shall be defined by AMFI, in consultation with SEBI. In this regard, marketable lot is defined as under.

The following volume criteria shall be used for recognition of trades by valuation agencies:

Parameter	Minimum Volume Criteria for marketable lot
Primary	INR 25 Cr for both Bonds/NCD/CP/ CD and other money market instruments
Secondary	INR 25 Cr for CP/ CD, T-Bills and other money market instruments
Secondary	INR 5 Cr for Bonds/NCO/ G-secs

Trades not meeting the minimum volume criteria i.e. the marketable lot criteria as stated above shall be ignored.

OUTLIER CRITERIA

It is critical to identify and disregard trades which are aberrations, do not reflect market levels and may potentially lead to mispricing of a security or group of securities. Hence, the following broad principles would be followed by valuation agencies for determining outlier criteria.

- Outlier trades shall be classified on the basis of liquidity buckets (Liquid, Semi-liquid, Illiquid). Price discovery for liquid issuers is generally easier than that of illiquid issuers and hence a tighter pricing band as compared to illiquid issuers would be appropriate.
- The outlier trades shall be determined basis the yield movement of the trade, over and above the yield movement of the matrix. Relative movement ensures that general market movements are accounted for in determining trades that are outliers. Hence, relative movement over and above benchmark movement shall be used to identify outlier trades.
- Potential outlier trades which are identified through objective criteria defined above will be validated through polling from market participants. Potential outlier trades that are not validated through polling shall be ignored for the purpose of valuation.
- The following criteria shall be used by valuation agencies in determining Outlier Trades:

Liquidity Classification	Bps Criteria (Yield movement over Previous Day yield after accounting for yield movement of matrix)		
	Upto 15 days	15-30 days	Greater than 30 days
Liquid	30 bps	20 bps	10 bps
Semi-liquid	45 bps	35 bps	20 bps
Illiquid	70 bps	50 bps	35 bps

The above criteria shall be followed consistently and would be subject to review on a periodic basis by valuation agencies and any change would be carried in consultation with AMFI.

v. In order to ensure uniform process in determination of outlier trades the criteria for liquidity classification shall be as detailed below.

LIQUIDITY CLASSIFICATION CRITERIA - LIQUID, SEMILIQUID AND ILLIQUID DEFINITION

Valuation agencies shall use standard criteria for classifying trades as Liquid, SemiLiquid and illiquid basis the following two criteria

- Trading Volume
- Spread over reference yield

Such criteria shall be reviewed on periodic basis in consultation with AMFI.

TRADING VOLUME (TRADED DAYS) BASED CRITERIA:

Number of unique days an issuer trades in the secondary market or issues a new security in the primary market in a calendar quarter

Liquid	$\geq 50\%$ of trade days
Semi Liquid	$\geq 10\%$ to 50% of trade days
Illiquid	$< 10\%$ of trade days

1. Spread Based Criteria

Spread over the matrix shall be computed and based on thresholds defined, issuers shall be classified as liquid, semi liquid and illiquid. For bonds thresholds are defined as upto 15 bps for liquid; $>15-75$ bps for semi-liquid; > 75 bps for illiquid. (Here, spread is computed as average spread of issuer over AAA Public Sector Undertakings/Financial Institutions/Banks matrix), For CP/ CD - upto 25 bps for liquid; $> 25-50$ bps for semiliquid; > 50 bps for illiquid. (Here, spread is computed as average spread of issuer over A1+/AAA CD Bank matrix).

The thresholds shall be periodically reviewed and updated having regard to the market.

The best classification (liquid being the best) from the above two criteria (trading volume and spread based) shall be considered as the final liquidity classification of the issuer. The above classification shall be carried out separately for money market instruments (CP/ CDs) and bonds.

2. Process for construction of spread matrix

Valuation agencies shall follow the below process in terms of calculating spreads and constructing the matrix

Steps	Detailed Process
Step 1	Segmentation of corporates- The entire corporate sector is first categorised across following four sectors i.e. all the corporates will be catalogued under one of the below mentioned bucket: Public Sector Undertakings/Financial Institutions/Banks; Non-Banking Finance Companies except Housing Finance Companies; Housing Finance Companies; Other Corporates

Step 2	Representative issuers - For the aforesaid 4 sectors, representative issuers (Benchmark Issuers) shall be chosen by the valuation agencies for only higher rating {I.e. "AAA" or AA+}. Benchmark/Representative Issuers will be identified basis high liquidity, availability across tenure in AAA/AA+ category and having lower credit/liquidity premium. Benchmark Issuers can be single or multiple for each sector. It may not be possible to find representative issuers in the lower rated segments, however in case of any change in spread in a particular rating segment, the spreads in lower rated segments should be suitably adjusted to reflect the market conditions. In this respect, in case spreads over benchmark are widening at a better rated segment, then adjustments should be made across lower rated segments, such that compression of spreads is not seen at any step. For instance, if there is widening of spread of AA segment over the AAA benchmark, then there should not be any compression in spreads between AA and A rated segment and so on.
Step 3	Calculation of benchmark curve and calculation of spread - Yield curve to be calculated for representative issuers for each sector for maturities ranging from 1 month till 20 years and above. Waterfall approach as defined in Part A (1) above will be used for construction of yield curve of each sector. In the event of no data related to trades/primary issuances in the securities of the
	representative issuer is available, polling shall be conducted from market participants Yield curve for Representative Issuers will be created on daily basis for all 4 sectors. All other issuers will be pegged to the respective benchmark issuers depending on the sector, parentage and characteristics. Spread over the benchmark curve for each security is computed using latest available trades/primaries/polls for respective maturity bucket over the Benchmark Issuer. Spreads will be carried forward in case no data points in terms of trades/primaries/polls are available for any issuer and respective benchmark movement will be given
Step 4	The principles of VWAY, outlier trades and exceptional events shall be applicable while constructing the benchmark curve on the basis of trades/primary issuances. In case of rating downgrade/credit event/change in liquidity or any other material event in Representative Issuers, new Representative Issuers will be identified. Also, in case there are two credit ratings, the lower rating to be considered. Residual tenure of the securities of representative issuers shall be used for construction of yield curve.

PART B: VALUATION OF G-SECS {T-BILL, CASH MANAGEMENT BILLS, G-SEC AND SOL}

The following is the waterfall mechanism for valuation of Government securities

- VWAY of last one hour, subject to outlier validation
- VWAY for the day (including a two quote, not wider than 5 bps on NDSOM), subject to outlier validation

- Two quote, not wider than 5 bps on NDSOM, subject to outlier validation •
- Carry forward of spreads over the benchmark
- Polling etc.

Note:

1. VWAY shall be computed from trades which meet the marketable lot criteria stated in Part A of these Guidelines.
2. Outlier criteria: Any trade deviating by more than +/- 5 bps post factoring the movement of benchmark security shall be identified as outlier. Such outlier shall be validated through polling for inclusion in valuations. If the trades are not validated, such trades shall be ignored.

AMFI GUIDELINES ON POLLING PROCESS FOR MONEY MARKET AND DEBT SECURITIES

Please refer to Paragraph 2.2.5 of SEBI vide circular no. SEBI/HO/IMD/DF4/CIR/P/2019/102 dated September 24, 2019 on Valuation of money market and debt securities, which prescribes that considering the importance of polling in the valuation process, guidelines shall be issued by AMFI on polling by valuation agencies and on the responsibilities of Mutual Funds in the polling process, as part of the waterfall approach for valuation of money market and debt securities. In this regard, the following Guidelines were approved by the Board of AMFI, in consultation with SEBI.

POLLING GUIDELINES:

1. Valuation agencies shall identify the Mutual Funds who shall participate in the polling process on a particular day, considering factors such as diversification of poll submitters and portfolio holding of the Mutual Funds. Mutual Funds who are identified by the valuation agencies shall necessarily participate in the polling process. However, in case any Mutual Fund does not participate in the polling process, detailed reason for the same shall be recorded at the time and subsequently made available during SEBI inspections. In this respect, since a Mutual Fund may have investments in similar securities, a security not forming part of investment universe may not be considered as an adequate reason for not participating in the polling process.
2. Polling will be carried out on a daily basis by the valuation agencies, in terms of points below.
3. Each valuation agency needs to take polls from at least 5 unique Mutual Funds on a daily basis. Hence, between the two valuation agencies 10 unique Mutual Funds to be polled. They may cover more Mutual Funds, over and above this. For benchmark securities a poll constituting at least 5 responses will be considered as valid. In case of non-benchmark securities, a poll constituting at least 3 responses will be considered as valid. The responses received by each valuation agency will be shared with the other agency also.
4. Median of polls shall be taken for usage in valuation process.
5. The valuation agencies will also need to cover as many non- Mutual Fund participants as possible, over and above the Mutual Funds, to improve on the polling output quality.
6. Endeavour would be made to have adequate representation of both holders and non-holders of the same bond/same issuer for non-benchmark securities in the poll process. Where this is not possible, valuation agencies may seek polls from holders of bonds with a similar structure.
7. In the case of issuers with multiple notch rating upgrades / downgrades over short periods of time, valuation agencies shall:
 - a. Conduct polls with a larger universe of pollers.
 - b. Increase the frequency of polling
8. Suo moto feedback on valuations should be entertained only through formal mails from persons designated by AMC for said purpose, and the same shall be validated through repolling. Any such

feedback shall be duly recorded by the valuation agencies, including the reason for the challenge, results of repolling and subsequent changes in valuation on repolling, if any. Such records shall be preserved by the valuation agencies, for verification.

9. Polling will be done for two sets of securities, Benchmark & Others.
10. Benchmark will be defined for the following categories across tenors.
 - Treasury Bills
 - Central Government Securities
 - State Government Securities
 - AAA PSU / PFI / PSU Banks
 - AAA Private
 - NBFC
 - HFC
 - Any other as required for improving fair valuations.
11. Polling shall be conducted in the following two scenarios:
 - a. Validation of traded levels if they are outlier trades.
 - b. Non-traded Securities (in exceptional circumstances as defined in the waterfall mechanism for valuation of money market and debt securities).
12. Best efforts should be made by poll submitters to provide fair valuation of a security.
13. The polling process will be revalidated by external audit of the valuation agencies with at least an annual frequency
14. AMCs shall have a written policy, approved by the Board of AMC and Trustees, on governance of the polling process. The aforesaid policy shall include measures for mitigation of potential conflicts of interest in the polling process and shall identify Senior Officials, with requisite knowledge and expertise, who shall be responsible for polling. Further, the policy should outline the following aspects:
 - a. The process of participating in a polling exercise.
 - b. Identify the roles and responsibilities of persons participating in the polling.
 - c. Include policies and procedures for arriving at the poll submission
 - d. Cover the role of the Board of AMC and Trustees, and the periodic reporting that needs to be submitted to them.
 - e. All polling should be preferably over email. In case for any reason, the polling is done by way of a telephonic call then such a call should be over recorded lines, followed subsequently by an email.
 - f. AMCs should have adequate business continuity arrangements for polling, with the necessary infrastructure/ skill to ensure that consistent delivery of poll submissions is made without material interruption due to any failure, human or technical.
15. All polling done will have to be documented and preserved in format approved by the Board of AMC, for a period of eight years, along-with details of the basis of polling (such as market transactions, market quotes, expert judgement etc.).
16. AMCs shall ensure that participation in the polling process is not mis-used to inappropriately influence the valuation of securities. The officials of the AMC who are responsible for polling in terms of point no. 14 above, shall also be personally liable for any misuse of the polling process.
17. AMCs shall maintain an audit trail for all polls submitted to valuation agencies.

AMFI GUIDELINES ON UPFRONT FEES ON TRADES

1. Upfront fees on all trades (including primary market trades), by whatever name and manner called, would be considered by the valuation agencies for the purpose of valuation of the security.
2. Details of such upfront fees should be shared by the AMCs on the trade date to the valuation agencies as part of the trade reporting to enable them to arrive at the fair valuation for that date.
3. For the purpose of accounting, such upfront fees should be reduced from the cost of the investment in the scheme that made the investment.
4. In case upfront fees are received across multiple schemes, then such upfront fees should be shared on a pro-rata basis across such schemes.

AMFI GUIDELINES ON INVESTMENT IN PARTLY PAID DEBENTURES

1. Mutual Fund schemes shall make investment in partly paid debentures only when payment of the remaining amount is linked to clear, pre-defined events (i.e. is subject to conditions precedent). For avoidance of doubt any event which is purely time based shall not be considered as a pre-defined event. Such conditions precedent should be clearly outlined in the Agreement for subscription of the debentures/ Offer Document for the issue, as the case may be. Conditions precedent mean the clearly defined obligations/ events that need to be fulfilled before calling upon the investor to make payment for the remaining portion of the subscription. Such obligations/events, to name a few, could include achievement of certain milestones linked with the object for which the debentures were issued or linked to the enhancement of credit rating of the Issuer or linked to other financial or operating parameters of the Issuer or linked to the happening of an event. AMCs shall not resort to the practice of investing in partly paid debentures without any condition precedent.
2. There should not be any linkages across schemes while investing in partly paid debentures. For example: if the agreement for partly paid debentures also envisages investment in any other type of instrument such as a commercial paper, then the AMC should ensure that subscription to the residual part of the issue/ the investment in the other instrument is made by the scheme which made the original investment in partly paid debentures.
3. While investing in partly paid debentures, AMCs shall ensure that interest of one set of unitholders/ schemes is not compromised at the cost of another.
4. All regulatory limits have to be complied with at the time of each such part payment.
5. In order to avoid a situation where a MF scheme is unable to honor future part payments, AMCs should avoid excessive concentration in partly paid debentures.

Any investment in partly paid debentures has to be disclosed in the monthly portfolio disclosures of the scheme. This should include, inter-alia, the amount that has been contracted but not yet paid by the scheme, the dates of such future pay-ins, triggers for future pay-ins as well as any other detail that in the fund house's view may be of material interest to the investors.

COMPUTATION OF NAV

A. Policy on computation of NAV

The NAV of the Units of the schemes will be computed by dividing the net assets of the scheme by the number of Units outstanding on the valuation date. The Fund shall value its investments according to the valuation norms, as specified in Schedule VIII of the SEBI MF Regulations, or such norms as may be prescribed by SEBI from time to time.

All expenses and incomes accrued up to the valuation date shall be considered for computation of NAV.

For this purpose, major expenses like management fees and other periodic expenses would be accrued on a day to day basis. The minor expenses and income will be accrued on a periodic basis, provided the non-daily accrual does not affect the NAV calculations by more than 1%.

Any changes in securities and in the number of units be recorded in the books not later than the first valuation date following the date of transaction. If this is not possible given the frequency of the Net Asset Value disclosure, the recording may be delayed upto a period of seven days following the date of the transaction, provided that as a result of the non-recording, the Net Asset Value calculations shall not be affected by more than 1%.

In case the Net Asset Value of a scheme differs by more than 1%, due to non-recording of the transactions, the investors or scheme/s as the case may be, shall be paid the difference in amount as follows :

- (i) If the investors are allotted units at a price higher than Net Asset Value or are given a price lower than Net Asset Value at the time of sale of their units, they shall be paid the difference in amount by the scheme.
- (ii) If the investors are charged lower Net Asset Value at the time of purchase of their units or are given higher Net Asset Value at the time of sale of their units, the AMC shall pay the difference in amount to the scheme.

The NAV of the scheme shall be calculated up to two/four decimals (depending on the nature of the scheme. Kindly refer to the respective scheme SID for details). However, the AMC reserves the right to declare NAVs up to additional decimal places as it deems appropriate.

NAV of units under the scheme shall be calculated as shown below:

NAV (Rs.) =
$$\frac{\text{Market or Fair Value of scheme's investments} + \text{Current Assets including Accrued Income} - \text{Current Liabilities and Provisions including accrued expenses}}{\text{No. of units outstanding under the scheme}}$$

No. of units outstanding under the scheme

The NAV of the scheme/plans/options (including Direct Plans) will be calculated and disclosed on every Business Day (in case of liquid/overnight category scheme, NAV shall also be calculated and disclosed at the close of a holiday immediately preceding a Business Day). The AMC shall prominently disclose the NAV under a separate head on the AMC's website and on the website of AMFI. NAVs of the schemes shall be made available at all the designated Investor Service Centers of the AMC. The Unit holders may obtain the information on NAV of the required day by calling the office of the AMC or any of the Investor Service Centers or from the website of the AMC at <https://choicemf.com/>. Further, investors may also place a specific request to the Mutual Fund for sending the latest available NAV through SMS.

The valuation of the scheme's assets and calculation of the scheme's NAV shall be subject to audit on an annual basis and such regulations as may be prescribed by SEBI from time to time. The NAV of the Segregated Portfolio, if any, shall be declared on a daily basis.

B. Policy for computation of NAV in foreign securities

The AMC shall follow the Valuation Policy for computation of the NAV of the schemes, if any, investing in foreign securities.

Procedure in case of delay in disclosure of NAV

In case of any delay in disclosing the NAV as per the prescribed timeline, the reasons for such delay would be explained to AMFI in writing. In case the NAVs are not available before the commencement

of business hours on the following day due to any reason, the AMC shall issue a press release giving reasons for the delay and explain when it would be able to publish the NAVs.

VI. TAX & LEGAL & GENERAL INFORMATION

A. Taxation on investing in mutual funds (Std. obs. 14)

The following tax implications are provided for general information purposes only, based on the law prevalent as on the date of this document. These implications will have to be determined by considering the specific facts of each individual case. Further, in the event of amendments to legislation pertaining to taxation from time to time, the nature and/or quantum of such benefits/implications is/are subject to change. Therefore, it is recommended that investors should appropriately consult their tax consultant with respect to the specific tax implications arising out of their participation in the schemes of the mutual fund.

1) Tax Treatment for Mutual Fund

As per section 10(23D) of the Income-tax Act, 1961 ('the Act'), any income of a Mutual Fund registered with under the Securities and Exchange Board of India Act, 1992 ('SEBI Act, 1992') or Regulations made thereunder, is exempt from income-tax. Further, income received by a mutual fund shall not be liable to deduction of tax at source in accordance with the provisions of section 196(iv) of the Act.

2) Tax Treatment for unit holders

(a) Income from units

With effect from April 01, 2020, Finance Act 2020 has abolished the Dividend Distribution Tax ('DDT'), thereby transferring the tax burden on the dividend distributed in the hands of the unitholders. Therefore, income in the nature of dividends distributed by mutual funds is taxable in the hands of unit holders under section 56 of the Act under the heading 'Income from Other Sources' at the applicable rates mentioned in Annexure A below and also subject to withholding at the prescribed rates.

(b) Income on transfer of units

Gains arising on transfer / redemption of units will be chargeable to tax under the Act. The characterization of income from investment in securities as "business income" or "capital gains" should be examined on a case-to-case basis.

Income from Capital Gain In case of Equity-Oriented Mutual Fund

1. Long Term Capital Gain

Capital gains arising on transfer or redemption of units of an Equity-oriented Mutual fund ('EOF') shall be regarded as long-term capital gains if such units are held for a period of more than 12 months, immediately preceding the date of transfer. As per section 112A of the Act as amended by Finance Act 2024 (No.2) long-term capital gains, exceeding Rs 1,25,000 on transfer of units of EOFs shall be taxable at the rate of 12.5% (plus applicable surcharge and cess) provided transfer of such units is subject to Securities Transaction Tax ('STT'), without giving effect to first and second proviso to section 48 i.e. and without taking benefit of foreign currency fluctuation and indexation benefit.

2. Short Term Capital Gain

As per section 111A of the Income-tax Act, 1961 as amended by Finance Act 2024 (No.2)

short-term capital gains on transfer of units shall be taxable @ 20% (plus applicable surcharge and cess) provided transfer of such units is subject to STT.

Income from Capital Gain In case of other than Equity-Oriented Mutual Fund

1. Long Term Capital Gain

Capital gains arising on transfer or redemption of units of a Fund 'other than equity oriented mutual fund' should be regarded as long-term capital gains, if such units are held for a period of more than 24 months. Such gains would be taxable @12.5% (plus applicable surcharge and cess) and without any benefit of indexation and foreign exchange fluctuation.

2. Short Term Capital Gains

Short term capital gains arising from the transfer of units of Fund 'other than equity oriented mutual fund' are taxed at the normal tax rates applicable to each unit holder. In case where the taxable income as reduced by short-term capital gains of a resident individual or HUF is below the taxable limit, the Short-term Capital gain will be reduced to the extent of such shortfall and only the balance short-term capital gain is chargeable to Income-tax.

Income from Capital Gain in case of Specified Mutual Fund

“Specified Mutual Fund” is defined under section 50AA of the Act as:

- (a) a Mutual Fund by whatever name called, which invests more than sixty-five per cent of its total proceeds in debt and money market instruments; or
- (b) a fund which invests sixty five per cent or more of its total proceeds in units of a fund referred to in sub-clause (a).

The above amendment will come into effect on the 1st day of April, 2025.

Currently, Specified Mutual Fund is defined as one whose investments in equity shares of domestic companies is not more than 35 per cent of its total proceeds. Any capital gain from sale of units of “specified mutual fund” acquired on or after 1 April 2023 are to be taxed as short-term capital gains irrespective of the period of holding of such units. Accordingly, short term capital gains arising from the transfer of units of Specified Mutual Fund are taxed at the normal tax rates applicable to each unit holder.

Capital Losses

Losses under the head capital gains cannot be set off against income under any other head. Further, within the head capital gains, losses arising from the transfer of long-term capital assets cannot be adjusted against gains arising from the transfer of a short-term capital asset. However, losses arising from the transfer of short-term capital assets can be adjusted against gains arising from the transfer of either a long term or a short-term capital asset.

Unabsorbed long term capital losses can be carried forward and set off against the long-term capital gains arising in any of the subsequent eight assessment years. Unabsorbed short term capital losses can be carried forward and set off against the income under the head capital gains in any of the subsequent eight assessment years.

Business Income

Where units of the mutual fund are regarded as business assets, any gain arising from the transfer / redemption of units would be taxed under the head “Profits and Gains of Business or Profession”, under Section 28 of the Act. The gain / loss is to be computed under the head, “Profits and Gains of Business or Profession”, after allowing allowable business expenses (inclusive of the expenses incurred on transfer).

Business Income will be chargeable to tax at the following applicable rates mentioned in the section on “Applicable tax rates **for different kinds of assessees**”.

(c) Tax Deduction at Source

1. In case of income from units

Finance Act 2020 has inserted a new section 194K in the Act whereby a person responsible for paying to a resident any income in respect of units of mutual fund specified under section 10(23D) of the Act shall withhold taxes at the rate of 10% at the time of credit or payment, whichever is earlier provided such income exceeds INR 5,000 in a financial year.

Any person responsible for paying to a non-resident, any income, which is chargeable to tax under the Act, is required to withhold income-tax thereon under section 195 of the Act, at the rates in force, at the time of credit or payment, whichever is earlier. In case of non-resident unitholders, Mutual Fund is required to deduct tax at source at lower of 20% (plus applicable surcharge and cess) or at the rate of tax provided in the relevant Double Taxation Avoidance Agreement(‘DTAA’).

In the case of deduction of tax at source (TDS) on payments made to non-residents, the tax rates would be increased by applicable surcharge and cess. However, in the case of TDS on payments made to residents, the tax rates would not be increased by surcharge and cess.

2. In case of Capital Gains

As per the provision to section 194K of the Act, no income tax is required to be deducted at source on income being in the nature of capital gains arising on transfer of units held by resident unit holders.

As per the provisions of Section 196D of the Act, no deduction of tax shall be made from any income, by way of capital gains arising from the transfer of securities referred to in Section 115AD of the Act, payable to a Foreign Portfolio Investor (‘FPI’).

Income tax is required to be deducted at source from the capital gains under section 195 of the Act at the applicable rates in case of non-resident investors.

Under the Act, the following rates have been prescribed for deduction of tax at source from capital gains.

Long-term capital gains (in excess of Rs. 1.25 lakh), on transfer of units subject to STT will be subjected to withholding tax at the rate of 12.5% (plus applicable surcharge and cess).

Short-term capital gains arising from transfer of units subject to STT will be subjected to withholding tax @ 20% or at applicable slab rates (plus applicable surcharge and cess).

Tax treaty benefit for a non-resident

A non-resident, eligible to claim treaty benefits, would be governed by the provisions of the Act to the extent that they are more beneficial. Accordingly, tax should be withheld as per the provisions of the Act or the provisions in the Double Tax Avoidance Agreement (“DTAA”), whichever is more beneficial to the assessee. However, the unit holder will be required to provide appropriate documents to the mutual fund, to be entitled to a beneficial rate under such DTAA.

As per section 90(4) of the Act, a non-resident shall not be entitled to claim treaty benefits,

unless the non-resident obtains a Tax Residency Certificate (“TRC”) of being a resident of his home country. Furthermore, as per section 90(5) of the Act, a non-resident is also required to furnish duly complied e-form 10F along with other supporting documents, as may be called upon by the Income Tax Authorities.

General anti-avoidance rules (‘GAAR’) have been implemented in India with respect to income arising on or after 1 April 2017, and gains from investments made on or after this date are subject to GAAR. Under GAAR provisions, the income tax-authorities have been given the power to re-characterize or disregard any arrangement which qualifies as an ‘impermissible avoidance arrangement’ (IAA). If any arrangement is determined by the income tax- authorities to be an IAA, any benefits from a tax perspective available under the Act may be eliminated. Where GAAR is invoked, the unitholder would not have the option of being governed by the relevant DTAA provisions. However, GAAR provisions are not applicable where the tax benefit arising from an arrangement in the relevant financial year to all parties to the arrangement does not exceed Rs. 3 crores.

Deduction of tax at source for non-filers of income-tax return

Section 206AB of the Act provides for a higher rate for TDS for the non-filers of income-tax return. The TDS rate provided in this section is higher of the following rates:

- i) twice the rate specified in the relevant provision of the Act; or
- ii) twice the rate or rates in force; or
- iii) the rate of five per cent.

However, the said provision does not apply to a non-resident who does not have a permanent establishment in India and a person who is not required to furnish the return of income for the assessment year relevant to the said previous year and is notified by the Central Government in the Official Gazette on this behalf.

Requirement to furnish Permanent Account Number (‘PAN’)

Section 206AA of the Act states that the deductee is required to mandatorily furnish his PAN to the deductor, failing which the deductor shall deduct tax at source at higher of the following rates:

- a. the rate prescribed in the Act;
- b. at the rate in force i.e., the rate mentioned in the Finance Act; or
- c. at the rate of 20%.

However, as per rule 37BC of the Income - tax Rules, 1962, the provisions of section 206AA of the Act shall not apply in respect of payments in the nature of interest, royalty, fees for technical services and payments on transfer of any capital asset, if the deductee furnishes the following details and documents to the deductor:

- a. name, e-mail id, contact number of the deductee;
- b. address in the country or specified territory outside India of which the deductee is a resident;
- c. a certificate of his being resident in any country or specified territory outside India from the Government of that country or specified territory if the law of that country or specified territory provides for issuance of such certificate;
- d. Tax Identification Number of the deductee in the country or specified territory of his residence and in case no such number is available, then a unique number on the basis of which the deductee is identified by the Government of that country or the specified territory of which he claims to be a resident.

Securities Transactions Tax

Securities Transaction Tax (STT) is applicable on redemption of units of equity-oriented mutual funds.

Transactions	Rates	Payable By
Purchase of units of equity-oriented mutual fund	Nil	NA
Sale of units of equity-oriented mutual fund (delivery based)	0.001%	Seller
Sale of units of equity-oriented mutual fund (non-delivery based)	0.025%	Seller
Sale of units of an equity-oriented fund to the Mutual Fund	0.001%	Seller

In case of investor who is engaged in the business, the STT paid during the year in respect of taxable securities transactions entered in the course of business shall be allowed as deduction under Section 36 of the Act, subject to the condition that such income from taxable securities transactions is included under the head, “profits and gains of business or profession”.

However, STT is not deductible for the computation of capital gains, if the gains on sale of securities are considered to be in the nature of capital gains.

(d) Bonus Stripping

Where any person buys or acquires any securities; or units of a mutual fund or the Unit Trust of India or business trust or Alternate Investment Fund within a period of three months prior to the record date (i.e., the date that may be fixed by a company or a Mutual Fund or the Administrator of the specified undertaking or the business trust or Alternate Investment Fund or the specified company, for the purposes of entitlement of the holder of the securities or units to receive additional security or unit, as the case may be, without any consideration) and such person is allotted additional securities or units (without any payment) on the basis of holding of the aforesaid securities or units on the record date, and if such person sells or transfers all or any of the original securities or units within a period of nine months after the record date while continuing to hold all or any of the additional securities or units, then any loss arising to him on account of such purchase and sale of all or any of the securities or units would be ignored for the purpose of computing his income chargeable to tax. Further, the loss so ignored would be deemed to be the cost of acquisition of such additional securities or units as are held by him on the date of sale or transfer of original securities or units.

(e) Dividend Stripping

As per Section 94(7) of the Act, loss arising on sale of units, which are bought within 3 months of the record date and sold within 9 months after the record date, shall be ignored for the purpose of computing income chargeable to tax to the extent of exempt income received or receivable on such units.

(f) Consolidation of schemes

Consolidation of plans within a scheme of a mutual fund. In the case of consolidation of mutual fund plans within a scheme, the investors generally receive units in the consolidated plan in consideration of units held in the consolidating plan.

- As per section 47(xix) of the Act, any transfer of units (held by the investor as a capital asset) on account of a consolidation of a plan with other plans of the same scheme shall not be regarded as a taxable transfer.
- Further as per section 49(2AF) of the Act, the cost of acquisition of units in a consolidated plan shall be deemed to be the cost of acquisition of units in the consolidating plan. Also, as per section 2(42A) of the Act, the period of holding of the units in the consolidated plan shall include the period of holding of the units in the consolidating plan.
- “Consolidating plan” has been defined under section 47(xix) of the Act as the plan within a scheme of a mutual fund which merges under the process of consolidation of the plans

within a scheme of mutual fund in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. “Consolidated plan” has been defined as the plan with which the consolidating plan merges or which is formed as a result of such merger.

(g) Applicable tax rates for different kinds of assesses

Tax rates applicable for assessment year 2025-26 (financial year 2024- 25) are given below:

Type of Investor	Rate
Individuals, HUF, Association of Persons	Applicable Slab Rates
Domestic companies exercising option u/s 115BAA/ Domestic company having turnover/gross receipts not exceeding Rs. 400 crores in financial year 2022-23	22%/25%
Partnership Firms [including Limited Liability Partnerships (“LLPs”)] & Indian Corporates & Domestic Company (other than above)	30%
Foreign Company	35%

Following are applicable slab rates as per New Tax Slab Regime introduced in Budget 2024, which is the default tax regime (applicable from 01 April 2024) for Individual & HUF:

Income Range	Rate of Income Tax
Up to ₹ 3 lakh	Nil
₹ 3 lakh - ₹ 7 lakh	5%
₹ 7 lakh - ₹ 10 lakh	10%
₹ 10 lakh - ₹ 12 lakh	15%
₹ 12 lakh - ₹ 15 lakh	20%
Above ₹ 15 lakh	30%

Following are applicable slab rates as per Old Tax Slab Regime for Individual (other than resident senior and super senior citizens) & HUF:

Income Range	Rate of Income Tax
Up to ₹ 2.5 lakh	Nil
₹ 2.5 lakh - ₹ 5 lakh	5%
₹ 5 lakh - ₹ 10 lakh	20%
Above ₹ 10lakh	30%

The income tax rates specified above and elsewhere in this document are exclusive of the applicable surcharge and health and education cess.

The surcharge rates applicable for Assessment year 2025-26 (financial year 2024- 25) are given below:

Type of Investor	Surcharge applicable as % of Income Tax					
	Total Income is less than Rs. 50 Lakhs	Total Income exceeds Rs. 50 Lakhs but does not exceed Rs. 1 crore	Total Income exceeds Rs. 1 crore but does not exceed Rs. 2 crores	Total Income exceeds Rs. 2 crores but does not exceed Rs. 5 crores	Total Income exceeds Rs. 5 crores but does not exceed Rs. 10 crores	Total Income exceeds Rs. 10 crores
Individuals, HUF, AOP(Resident & Non-resident)*	Nil	10%	15%	25%	37%	37%
Partnership Firms(Domestic & Foreign)	Nil	Nil	12%	12%	12%	12%
Domestic Company	Nil	Nil	7%	7%	7%	12%
Foreign Company	Nil	Nil	2%	2%	2%	5%

@In case total income includes income chargeable under section 11A,112 and 112A of the Income Tax Act, 1961, surcharge will not be more than 15%. *In case taxpayers opt for new tax regime, the rate of surcharge would be capped at 25%.

The surcharge on income chargeable under section 115BAA and 115BAB will be at the rate of 10% irrespective of the amount.

The Finance Act, 2022 has put a cap on the rate of surcharge to 15% in the case of an AOP consisting of only companies as its members. The rate of surcharge in case of such AOP shall be as follows:

- 10% where total income exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore;
- 15% where total income exceeds Rs. 1 crore

Additionally, health and education cess is leviable @4% on the income-tax and surcharge.

Transaction charges and stamp duty

Transaction charges

In terms of the provisions of paragraph 10.5 of the SEBI Master Circular dated June 27, 2024, the Mutual Fund is allowed to deduct transaction charge per subscription of Rs. 10,000 and above, where such subscriptions are received through distributors / agents based on the type of product opted-in to

receive the transaction charges. The distributors shall also have the option to opt in or opt out of levying transactions charges based on the type of product.

Accordingly, transaction charges as follows will be deducted by the Fund, from the subscription received from investors and paid to distributors / agents who have opted to receive the transaction charge :

- (i) First Time investor in the Mutual Fund (across all mutual funds) - Transaction charge of Rs. 150/- per subscription of Rs. 10,000/- and above will be deducted from the subscription amount and paid to the distributor / agent of the first-time investor and the balance shall be invested in the relevant scheme opted by the investor.
- (ii) Existing investor in the Mutual Fund - Transaction charge of Rs. 100/- per subscription of Rs. 10,000/- and above will be deducted by the Mutual Fund from the subscription amount and paid to the distributor / agent of the investor and the balance shall be invested in the relevant scheme opted for by the investor. However, transaction charges in the case of investments through SIP under (i) and (ii) above shall be deducted only if the total commitment (i.e. amount per SIP instalment x no. of instalments) amounts to Rs. 10,000/- or more. The transaction charge shall be deducted in 4 equal installments.
- (iii) Transaction charges shall not be deducted for –
 - a) Purchases / subscriptions / total commitment amount in case of SIP for an amount less than Rs. 10,000/-;
 - b) Transactions other than purchases / subscriptions relating to new inflows such as Switch / STP / SWP etc.;
 - c) Purchases / subscriptions made directly with the Fund without any ARN code i.e., not through any distributor / agent.
 - d) Purchases / subscriptions carried out through the Stock Exchange Platform.
 - e) Where the distributor of the investor has not opted to receive any Transaction Charges.

The statement of account to unit holders will clearly provide details of the net investments as gross subscription amount less transaction charge and the number of units allotted against the net investment. However, the option to charge “transaction charges” is at the discretion of the distributors. Investors may note that distributors can opt-in or opt-out of levying transaction charges based on ‘type of the scheme.’ Accordingly, the transaction charges would be deducted from the subscription amounts, as applicable. The aforesaid transaction charge shall be deducted by the Asset Management Company from the subscription amount and paid to the distributor, as the case may be, and the balance amount shall be invested subject to deduction of Goods and Services Tax.

Identification of investors as "first time" or "existing" will be based on Permanent Account Number (PAN)/PAN Exempt KYC Reference Number (PEKRN) at the First/ Sole Applicant/ Guardian level. Hence, Unitholders are urged to ensure that their PAN/ PEKRN/ KYC is updated with the Fund. Unit holders may approach any of the Official Points of Acceptances of the Fund i.e., Investor Service Centers (ISCs) of the Fund/ offices of our Registrar and Transfer Agent (CAMS) in this regard.

Please refer to the respective SIDs for the transaction charges, if any, that would be charged by the scheme(s).

Stamp duty

Pursuant to the notification no. S.O. 1226(E) and G.S.R. 226(E) dated March 30, 2020 issued by the Department of Revenue, Ministry of Finance, Government of India, read with Part I of Chapter IV of the notification dated February 21, 2019 issued by the Legislative Department, Ministry of Law and Justice, Government of India on the Finance Act, 2019 and paragraph 10.1 of the SEBI Master Circular dated June 27, 2024, a stamp duty @ 0.005% of the transaction value would be levied on applicable mutual fund transactions, with effect from July 01, 2020. Accordingly, pursuant to levy of stamp duty, the number of units allotted on applicable transactions (purchase, switch-in, dividend (IDCW)

reinvestment and systematic transactions viz. SIP / STP-in etc.) to the unitholders would be reduced to that extent. No stamp duty is payable on redemption of units.

B. Legal information

1. Nomination facility (Std. obs. 16)

In terms of Regulation 29A of the SEBI MF Regulations, the Unitholders have an option for providing nomination and such nomination shall be subject to the personal laws applicable to the Unitholders. Pursuant to the provisions of paragraph 17.16 (on Nomination for Mutual Fund unit holders) of the SEBI Master Circular dated June 27, 2024, it is mandatory for individual investors subscribing, as single/sole holder, to mutual fund units to either provide nomination details or opt out of nomination by signing a declaration in the prescribed format. The AMC provides an option to the investor(s)/ Unit holder(s) to nominate (in the manner prescribed under the SEBI MF Regulations) in whom the Units shall vest in the event of the death of the Unitholder(s) subject to the satisfactory completion of certain necessary formalities as may be prescribed by the AMC. Through this facility the AMC is not in any way attempting to grant any or beneficial interest in the property after the death of the Unitholder. The nominee(s) shall receive the Units only as an agent/trustee for the legal heirs or legatees of the deceased Unitholder as the case may be.

Transmission of Units in favour of the nominee(s) shall be a valid discharge by the AMC/Mutual Fund of its liability towards the estate of the deceased Unitholder(s) and his/her/ their successors/legal heirs. It is however clarified that the Mutual Fund/AMC will not be bound to transmit the Units in favour of the nominee if it becomes aware of any dispute in relation to the nominee's entitlement to the Units. In the event the Mutual Fund/AMC/Trustee incurs or suffers any claim, demand, liabilities, including claims and demands in respect of any prospective or retrospective tax liability, proceedings or actions are filed or initiated against any of them in respect of or in connection with the nomination, the Mutual Fund/AMC/Trustee shall be entitled to be indemnified absolutely for any loss, expenses, costs and charges that any of them may suffer or incur.

Nomination Form shall be required for all folios held in the name of single individual investor or where there is joint holding. Provided that, if any single individual investor does not wish to nominate, such investor shall be required to confirm the same at the time of making an application. Where the Units are held jointly, all the joint holders are required to jointly nominate one or more persons (not exceeding three) in whom the Units shall vest in the event of death of all the Joint holders. In case of joint holdings, nomination shall be optional. Unitholders can, by filing fresh nomination form, make a fresh nomination which will supersede all existing nominations in the folio. In case of joint holders, request for nomination/ cancellation of nomination, (whether the mode of holding is 'joint' or 'either or survivor') shall be signed by all the joint holders.

Non-individual Unitholder(s)/investors including society, trust (other than a religious or charitable trust), body corporate, company, AOP, BOI, bank, FPI, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate. A nomination cannot be made in favour of a trust (save and except a religious or charitable trust), society, body corporate, partnership firm, Karta of Hindu Undivided Family, or a Power of Attorney holder. A nomination may be made in favour of a non-resident Indian/person or Indian origin/overseas citizen of India subject to the compliance by the Unitholder/investor of the applicable laws including the rules and regulations prescribed under the Foreign Exchange Management Act, 1999, as may be applicable and in force from time to time. Minor(s) can be nominated and in such cases, the name, address, and signature of the natural parent/legal guardian representing such minor nominee(s) shall be provided by the Unitholder. Nomination can also be made in favour of the Central Government, State Government, local authority, any person designated by virtue of his office or a religious or charitable trust.

The following terms and conditions have to be complied with by the Unitholder/investor who wishes to nominate a person in whom the Units shall vest in the event of death of the Unitholder(s) :

- a) Nomination shall be mandatory for new folios / accounts opened by individuals especially with sole holding and no new folios / accounts for individuals in single holding should be opened without nomination.
- b) Those investors who do not wish to nominate must sign separately on the application form, confirming their non-intention to nominate. Where nominee details and non-intention to nominate both are mentioned, intention to nominate will be considered as “Default”. Folio in such cases will be updated with Nominee. Nomination shall be optional for jointly held Mutual Fund folios.
- c) Nomination by a Unitholder shall be applicable for all the investments in all schemes held under a particular folio i.e. if nomination is registered at the folio level, then it will be applicable for all investments in all schemes under the said folio.
- d) In case a folio has joint holders, all joint holders should sign the request for nomination/cancellation of nomination, even if the mode of holding is ‘either or survivor’.
- e) Every new nomination for a folio will supersede all the existing nominations.
- f) Nomination is not permissible for a folio held on behalf of a minor Unitholder.
- g) Nominations can be made for a maximum of three nominees. In case of multiple nominations under the same folio, the Unitholder(s) must clearly and unambiguously specify the exact share of each of the nominees as a percentage of the Units held by the Unitholder(s) making a total of 100%. **(Std. obs. 16)**
- h) In absence of such clear and unambiguous indication by the Unitholder regarding the exact share of each of the nominees, it will be assumed that the Unitholder(s) has opted for the Default Option where the Units to be allocated equally among all the nominees and settled accordingly.
- i) In case of multiple nominees, on the death of one or more nominees, the transmission of units shall be made in favour of the remaining nominee(s). Cancellation of nomination registered with the AMC/Mutual Fund can be made only by those Unitholder(s) who hold Units on their own behalf either singly or jointly and who had made the original nomination. On cancellation of an existing nomination, the nomination shall stand rescinded, and the Mutual Fund/AMC shall not be under any obligation to transmit the Units in favour of the nominee(s).
- j) Any transfer/transmission of Units to any other person shall also result in automatic cancellation of the nomination and the Mutual Fund/AMC shall not be under any obligation to transmit the Units in favour of the nominee(s).
- k) Transmission of Units in favour of a nominee, shall be a valid discharge by the Mutual Fund / AMC / Trustee against the legal heirs of the Unit holder(s).
- l) In case of units held in demat mode, the nomination details provided by the Unitholder to the Depository will be applicable to the Units of the scheme. Such nomination including any variation, cancellation or substitution of nominee(s) shall be governed by the rules and byelaws of the Depository.

2. Transfer and transmission of units

The Unit holders are given an option to hold the Units by way of an Account Statement (physical form) or in Dematerialized (demat form). Units held in demat form are transferable (subject to lock-in period, if any and subject to lien, if any marked on the units) in accordance with the provisions of SEBI (Depositories and Participants) Regulations, 2018, as may be amended from time to time. Transfer can be made only in favor of transferees who are capable of holding Units and have a demat account. The delivery instructions for transfer of Units will have to be lodged with the DP in requisite form as may be required from time to time and transfer will be effected in accordance with such rules / regulations as may be in force governing transfer of securities in dematerialized mode. Further, for the procedure of release of lien, the investors shall contact their respective DP.

Units held in paper / physical form are not transferable. However, if an applicant desires to transfer units, the same can be done post conversion of units from paper / physical form to demat form. The AMC, upon submission of documents which will be prescribed from time to time, shall issue units in dematerialized form to a unit holder in a scheme within two working days of the receipt of request from the unitholder. The AMC reserves the right to reject the application for dematerialization of units, post

acceptance of the same, if any of the requisite documents / declarations are unavailable or incomplete.

Since, any addition/deletion of name(s) from a folio is deemed as transfer of Units, additions/deletions of names are not allowed in any folio(s) of any scheme offered by the Mutual Fund. However, a person becoming entitled to hold the Units in consequence of the death, insolvency, or winding up of the sole holder or the survivors of joint holders, upon producing evidence and documentation to the satisfaction of the Fund and upon executing suitable indemnities in favor of the Fund and the AMC, shall be registered as a Unit holder if the transferee is otherwise eligible to hold the Units.

On death of the single or all the Unitholder(s), Units can be transmitted in favour of the registered nominee or the legal heirs, as the case may be, after completion of necessary formalities to the satisfaction of the AMC/Trustee. All restrictions and limitations specified herein including those relating to lock-in period and lien/pledge will also be binding on the legal heirs, successors, pledgees of the Unitholder(s). Where the Units of the scheme are issued in demat form in the demat account of the investor, the nomination as registered with the DP will be applicable to the Units of the Plan(s). A nominee / legal heir approaching the Fund for transmission of Units must have a beneficiary account with a DP of CDSL or NSDL, since the Units shall be in demat mode. It may be noted that the nominee / legal heir is required to provide a copy of his / her PAN card as well as fulfil the Know Your Customer (KYC) requirements which is a pre-requisite for the transmission process.

The list of documents required in order to place a request for transmission of units can be obtained directly from the AMC / RTA of AMC and are also available on the website of the AMC ([viz. https://choicemf.com/](https://choicemf.com/)). The AMC reserves the right to seek additional documents where it may deem necessary.

In case of Equity Linked Saving Schemes ('ELSS'), unitholders should, however, note that in the event of death of the Unit holder, the legal heir, subject to production of requisite documentary evidence, will be able to redeem the investment only after the completion of one year or anytime thereafter, from the date of allotment of Units to the deceased Unit holder. Units issued under ELSS can be transferred, assigned, or pledged after a period of 3 years from the date of allotment.

In the event of transmission of units to a minor, documents submitted including KYC, bank attestation, indemnity, etc. should be of the parent/guardian of the minor. Investor(s) claiming transmission of Units in his / their name(s) are required to submit prescribed documents based on the kind of scenario for transmission. Kindly refer to the Fund's website <https://choicemf.com/> for the transmission form and a ready reckoner matrix of necessary documents under different transmission scenarios. The Fund may also seek additional documents if required.

If an investor submits either a financial or non-financial transaction request along with transmission request, then such transaction requests will be processed after the Units are transferred in the name of the new unit holder and only upon subsequent submission of fresh request from the new unit holder post transmission. Under normal circumstances, the Fund will endeavour to process the transmission request within 10 business days, subject to receipt of complete documentation as applicable. The AMC reserves the right to insist on transmission along with redemption requests by the claimant at any point deemed necessary.

3. KYC requirements

It is mandatory for all investors (including joint holders, NRIs, POA holders and guardians in the case of minors) to furnish such documents and information as may be required to comply with the Know Your Customers (KYC) policies under the AML Laws. Applications without such documents and information may be rejected.

In line with paragraph 14.11 of the SEBI Master Circular dated June 27, 2024, Permanent Account Number (PAN) would be the sole identification number for all participants transacting in the securities

market, irrespective of the amount of transaction, except (a) investors residing in the state of Sikkim; (b) Central Government, State Government, and the officials appointed by the courts e.g. Official liquidator, Court receiver etc. (under the category of Government) and (c) investors participating only in micro-pension. SEBI has vide its letters dated June 19, 2009 and July 24, 2012 conveyed that systematic investment plans (SIP) and lumpsum investments (both put together) per mutual fund up to Rs.50,000/- per year per investor shall be exempted from the requirement of PAN.

Accordingly, investments in the Mutual Fund (including SIP investment where the aggregate of SIP installments in a rolling 12 month period or in a financial year i.e. April to March) of up to Rs 50,000/- per investor per year shall be exempt from the requirement of PAN. However, eligible investors (including joint holders) should comply with the KYC requirement through a registered KRA by submitting photo identification documents as proof of identification and the proof of address [self-attested by the investor / attested by the ARN Holder/AMFI distributor]. These exempted investors will have to quote the “PEKRN (PAN exempt KYC Ref No) in the application form. This exemption of PAN will be applicable only to investments by individuals (including NRIs but not PIOs), joint holders, minors and sole proprietary firms. PIOs, HUFs and other categories of investors will not be eligible for this exemption.

Thus, submission of PAN is mandatory for all other investors existing as well as prospective investors (except the ones mentioned above) (including all joint applicants/holders, guardians in case of minors, POA holders and NRIs but except for the categories mentioned above) for investing with mutual funds. Investors are required to register their PAN with the Mutual Fund by providing the PAN card copy (along with the original for verification which will be returned across the counter). All investments without PAN (for all holders, including Guardians and POA holders) are liable to be rejected. Application Forms without quoting of PEKRN shall be considered incomplete and are liable to be rejected without any reference to the investors. The procedure implemented by the AMC and the decisions taken by the AMC in this regard shall be deemed final.

4. Investments on behalf of minor

In addition to the existing procedures, the following procedures shall apply to the investments made on behalf of minors:-

- 1) The minor shall be the sole Unitholder in a folio. Joint holders will not be registered.
- 2) The minor Unitholder should be represented either by a natural parent (i.e. father or mother) or by a legal guardian i.e., a court appointed guardian.
- 3) Copies of birth certificate/passport evidencing the date of birth of the minor, relationship proof of the natural parent/ Court Order appointing the legal guardian (as the case may be) should be mandatorily provided while placing a request for subscription on behalf of a minor investor. Upon attainment of majority by the minor, the folio/s should be regularised forthwith. The AMC may specify such procedures for regularisation of the folio/s, as may be deemed appropriate from time to time. Post attainment of majority by the minor Unitholder, the Mutual Fund/ AMC will not be obliged to accept any instruction or transaction application made under the signature of the representing guardian of the Folio/s. The folio/s will be frozen for operation by the representing guardian on the day the minor Unitholder attains the age of majority and no transactions will be permitted till the documents for changing the status are received by the AMC / Mutual Fund.
- 4) The AMC/ Mutual Fund will register standing instructions like SIP/ STP/SWP etc. for a folio held by a minor Unitholder (either for existing folio or new folio) from the parent/ legal guardian only till the date when the minor Unitholder attains the age of majority, even though such instructions may be for a period beyond that date.

Change of status from minor to major:

All financial transactions/standing instructions/ systematic and non-systematic transactions, etc. will be suspended i.e. the folio(s) will be frozen for operation by the parent/ legal guardian from the date the

minor Unitholder attains the age of majority as per the records maintained by the AMC. Prior to the minor Unitholder attaining the age of majority, the AMC/ Mutual Fund will send a notice to the minor Unitholder at the registered correspondence address advising such minor Unitholder to submit, on attaining the age of majority, an application form along with prescribed documents to change the status of the folio/s from 'minor' to 'major'. Till the receipt of such intimation/information from the minor turned major Unitholder, the existing contract as signed by the parent/legal guardian of the minor Unitholder will continue.

Change of Guardian

In case of change of natural parent/legal guardian of a minor Unitholder, the new parent/legal guardian must submit the requisite documents viz.

- (a) No Objection Certificate (NoC) or Consent Letter from existing parent or Court Order appointing new legal guardian for the benefit of the minor Unitholder.
- (b) KYC Acknowledgment Letter of new parent/legal guardian.

5. Dematerialisation or Re-materialisation of units

Application for allotment of units in Demat mode :

- i. Investors shall have an option to hold the mutual fund units in demat mode. To apply for/get allotment of units in Demat mode, investors need to select the unit holding option mode as Demat in the application form and specify the DP name, DP ID/Client ID of beneficiary in the application. It is advisable to enclose a copy of the latest Client Master List (CML) received from the DP along with the application form. Units will be directly credited to the investor's demat account after the realization of funds. However, in case of SIP transactions, units will be credited to the investor's demat account on a weekly basis upon realization of funds/credit confirmation. Units held in dematerialized mode are freely transferable except units of ELSS during lock-in period.
- ii. Converting the units held in SoA (Physical) mode to Demat mode: a) Investor needs to submit the Conversion Request Form (CRF), along with the Statement of Account (SOA), which enlists his/her MF holdings. b) Investor submitting the CRF should declare to DP that units held in his/her name are not in demat mode as yet, and no certificates are issued against these units (Note: This self-declaration is a part of CRF). c) Investors should submit a separate CRF for multiple SOAs, representing different scheme names and ISINs held under the same Folio number. d) Investors should submit a separate CRF for each Demat Account held with the DP. e) Investors should submit a separate CRF for locked in and free units held under the same for CRF. f) After due verification, the DP would send the CRF to the respective depository in which the investor is having an account. The depository will send that CRF details to AMC/RTA. Post verification, AMC/RTA will confirm the conversion request raised by the DP and units will be credited in the investor's demat account.
- iii. Converting the units held in Demat mode to Remat mode: a) Investor needs to submit the Conversion Request Form (CRF) for conversion of units from demat mode to remat (SOA/physical) mode. b) He/she needs to attach a demat account statement along with form as a proof of holding units in the demat form. c) After verification, DP will process & register the request in their system. An electronic number gets generated and then DP forwards the request to the AMC/RTA. d) AMC/RTA conduct their own due diligence and on completion of that they report the request and confirm conversion of units into physical mode.

6. Prevention of Money Laundering

The Prevention of Money Laundering Act, 2002, the rules issued thereunder, and the guidelines / circulars pertaining to Anti Money Laundering released by SEBI ("AML Laws"), require intermediaries, including mutual funds, to formulate and implement a proper policy framework as per the guidelines on anti-money laundering measures and also to adopt a "Know Your Customer" (KYC)

policy. The intermediaries may, according to their requirements, specify additional disclosures to be made by clients for the purpose of identifying, monitoring and reporting incidents of money laundering and suspicious transactions undertaken by clients. SEBI has further issued circular no. ISD/CIR/RR/AML/2/06 dated March 20, 2006 advising all intermediaries to take necessary steps to ensure compliance with the requirement of section 12 of the PML Act requiring *inter alia* maintenance and preservation of records and reporting of information relating to cash and suspicious transactions to Financial Intelligence Unit-India (FIU-IND).

It is mandatory to complete the KYC requirements for all unit holders, including for all joint holders and guardians in case of folio of a minor investor. Accordingly, financial transactions (including redemptions, switches and all types of systematic plans) and non-financial requests will not be processed if the unit holders have not performed necessary KYC formalities.

Unit holders are advised to use the applicable KYC Form for completing the KYC requirements and submit the form at Official Points of Acceptance of Transactions of the Mutual Fund. Further, upon updation of PAN details with the KRA (KRA-KYC)/ CERSAI (CKYC), the unit holders are requested to intimate us with their PAN information along with the folio details for updation in our records.

The investor(s), including guardian(s) where investor is a minor, should ensure that the amount invested in the scheme is through legitimate sources only and does not involve and is not designated for the purpose of any contravention or evasion of the provisions of the Income Tax Act, AML Laws, Prevention of Corruption Act and/or any other applicable law in force and also any laws enacted by the Government of India from time to time or any rules, regulations, notifications or directions issued there under.

To ensure appropriate identification of the investor(s) under its KYC policy and with a view to monitor transactions in order to prevent money laundering, the AMC/Trustee/Mutual Fund reserves the right to seek information, record investor's telephonic calls and/or obtain and retain documentation for establishing the identity of the investor, proof of residence, source of funds, etc. It may re-verify identity and obtain any incomplete or additional information for this purpose, through the use of third party databases, personal visits, or any other means as may be required for the AMC/the Mutual Fund/the Trustee to satisfy themselves of the investor(s) identity, address and other personal information.

The investor(s) and their attorney(ies), if any, shall produce reliable, independent source documents such as photographs, certified copies of ration card/passport/driving license/PAN card, Aadhaar etc. and/or such other documents or produce such information as may be required from time to time for verification of the personal details of the investor(s) including *inter alia* identity, residential address(es), occupation and financial information by the AMC/Mutual Fund.

If the investor(s), their attorney(ies) or the person making payment on behalf of the investor(s), refuses/fails to provide the required documents/information within the period specified by the AMC/Mutual Fund, then the AMC shall have absolute discretion to freeze the folio of the investor(s), reject any application(s)/allotment/redemption of units and/or effect mandatory redemption of unit holdings of the investor(s) at the applicable NAV subject to entry/exit loads, if any. The AMC/Mutual Fund/Trustee shall also, after application of appropriate due diligence measures, have absolute discretion to report any transactions to FIU-IND that it believes are suspicious in nature within the purview of the AML Laws and/or on account of deficiencies in the documentation provided by the investor(s) or as may be mandated under AML laws. The AMC/Mutual Fund/Trustee shall have no obligation to advise investors or distributors of such reporting. The KYC documentation requirements shall also be complied with by the holders entering the Register of Unitholders by virtue of operation of law e.g. transmission, etc.

The AMC/Mutual Fund/Trustee, and their Directors, employees, agents and service providers shall not be liable in any manner for any claims arising whatsoever on account of freezing the folios/rejection of any application/allotment/redemption of units or mandatory redemption of units due to non-compliance

with the provisions of the AML Laws and KYC policy and/or where the AMC/Mutual Fund believes that transaction is suspicious in nature within the purview of the AML Laws and/or for reporting the same to FIU-IND.

7. Ultimate Beneficial Owner

Pursuant to the PML Act and rules framed there under an SEBI Master circular dated June 06, 2024 on Anti Money Laundering (AML) and SEBI Master Circular No. SEBI / HO / MIRSD / SECFATF / P / CIR / 2023/16 dated October 12, 2023, investors who are Ultimate Beneficial Owner(s) (“UBO”) are required to be compliant towards KYC norms in order to comply with the prescribed regulatory requirements.

As per the guidelines prescribed by SEBI, UBO means a ‘Natural Person’, or persons who ultimately own, control or influence a client and/or persons on whose behalf a transaction is being conducted and includes a person who exercises ultimate effective control over a legal person or arrangement. Investors are requested to refer to the ‘Declaration for UBO’ for detailed guidelines on identification of UBO.

The provisions relating to UBO are not applicable where the investor or the owner of the controlling interest is a company listed on a stock exchange or is a majority-owned subsidiary of such a company. Identification and verification of Beneficial Owners of Foreign Portfolio Investors shall be done in accordance with SEBI Master Circular for Foreign Portfolio Investors, Designated Depository Participants and Eligible Foreign Investors dated May 30, 2024 as may be amended from time to time. Investors are requested to promptly inform the AMC if the information provided undergoes any change in future.

It is mandatory for all investors (including joint holders, NRIs, POA holders, beneficiaries and guardians in the case of minors) to furnish such documents and information as may be required to comply with the Know Your Customer (KYC) policies under the AML Laws. The AMC/ Trustee reserves the right to reject application forms submitted without disclosing necessary information as prescribed under the aforesaid laws/ rules/ regulations.

8. Pledge of Units

The Units under the schemes (except where locked-in) may be offered as security by way of a pledge / charge / lien in favour of scheduled banks or financial institutions or individuals. Units can be pledged by completing the requisite formalities, as may be prescribed by the AMC from time to time. A standard form for this purpose is available on request from the AMC / any Investor Service Centre. The AMC will note and record such pledged units. Disbursement of such loans will be at the entire discretion of the bank/financial institution concerned and the Mutual Fund assumes no responsibility thereof.

The pledgor will not be able to redeem units that are pledged until the entity to which the units are pledged provides written authorisation to the Mutual Fund that the pledge / lien / charge may be removed. As long as the units are pledged, the pledgee will have complete authority to redeem such units.

For Units held in Electronic (Demat) Mode : For units of the Scheme(s) held in electronic (demat) form, the rules of Depository applicable for pledge will be applicable for pledge/lien of units of the schemes. The pledgor and pledgee must have a beneficial account with the Depository. These accounts can be with the same DP or with different DPs.

9. Unclaimed Redemption / Dividend (IDCW) amount (Std. obs. 13)

The unclaimed redemption and dividend (IDCW) amount may be deployed by the Mutual Fund in call money market, money market instruments or separate plan of overnight scheme/ liquid scheme / money market mutual fund scheme floated specifically for deployment of the unclaimed amounts only.

Provided that such schemes where the unclaimed redemption and dividend amounts are deployed shall be only those Overnight scheme/ Liquid scheme / Money Market Mutual Fund schemes which are placed in A-1 cell (Relatively Low Interest Rate Risk and Relatively Low Credit Risk) of Potential Risk Class matrix.

The investors who claim the unclaimed 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.

The AMC would make a continuous effort to remind the investors through letters to take their unclaimed amounts. The investment management fees charged by the AMC for managing unclaimed amounts will not exceed 50 basis points and the AMC shall not charge any exit load in the plan floated specifically for deployment of the unclaimed amounts. The Fund/AMC shall not be liable to pay any interest or compensation on unclaimed amount.

10. Winding up of the schemes

The AMC, the Mutual Fund and the Trustee reserve the right to make such changes / alterations to the schemes (including the charging of fees and expenses) to the extent permitted by the applicable regulations. In terms of the SEBI MF Regulations, a scheme may be wound up after repaying the amount due to the Unitholders:

- On the happening of any event, which in the opinion of the Trustee, requires the scheme to be wound up.
In case of winding up of the scheme on account of above, the units of the units of the scheme shall be listed on recognized stock exchange, subject to compliance with listing formalities as stipulated by the stock exchange.
However, pursuant to listing, trading on stock exchange mechanism will not be mandatory for investors; rather, if they so desire, they may avail an optional channel to exit provided to them.
Initially, trading in units of such a listed scheme that is under the process of winding up, shall be in dematerialized form. The AMC shall enable transfer of such units which are held in the form of Statement of Account / unit certificates.
Further, the AMC, its Sponsor, employees of AMC and Trustee shall not be permitted to transact (buy or sell) in the units of such schemes that are under the process of being wound up.
- If seventy-five per cent (75%) of the Unitholders of the scheme pass a resolution that the scheme be wound up; or
- If SEBI so directs in the interest of the Unitholders.
- Further, in case of non-fulfilment of clause 6.11 of the SEBI Master Circular dated June 27, 2024 relating to minimum number of investors in scheme(s)/plans of mutual funds, the provisions of Regulation 39(2) (c) of SEBI MF Regulations would become applicable automatically without any reference from SEBI. Accordingly, the scheme shall be wound up by following the guidelines laid down by SEBI. Please refer to the SIDs of respective scheme(s) for more details.

Where the scheme is so wound up, the Trustee shall give notice of the circumstances leading to the winding up of the scheme :

- To SEBI; and
- In two daily newspapers having a circulation all over India and in one vernacular newspaper with circulation in Mumbai.

In case a scheme is to be wound up on the happening of any event (which in the opinion of the Trustee, requires the scheme to be wound up), the Trustee shall obtain consent of the unit holders participating in the voting by simple majority on the basis of one vote per unit and publish the results of voting within forty-five days from the publication of the aforesaid notice.

In case the Trustee fails to obtain the required consent of the unitholders, the scheme shall be re-opened for business activities from the second business day after publication of results of the voting.

On and from the date of the publication of notice of winding up, the Trustee or the AMC, as the case may be, shall:

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

Procedure and manner of Winding up

- The Trustee shall call a meeting of the Unitholders of the scheme to approve by simple majority of the Unitholders present and voting at the meeting, resolution for authorizing the Trustee or any other person to take steps for the winding up of the scheme. Provided that a meeting shall not be necessary if the scheme(s) is/are wound up at the end of the maturity period.
- The Trustee or the person authorized as above, shall dispose of the assets of the scheme concerned in the best interest of the Unitholders of the scheme. The proceeds of sale realized in pursuance of the above, shall be first utilized towards discharge of such liabilities as are due and payable under the scheme, and after meeting the expenses connected with such winding up, the balance shall be paid to the Unitholders in proportion to their respective interest in the assets of the scheme, as on the date the decision for winding up was taken.
- On completion of the winding up, the Trustee shall forward to SEBI and the Unitholders, a report on the winding up, detailing the circumstances leading to the winding up, the steps taken for disposal of the assets of the scheme before winding up, expenses of the scheme for winding up, net assets available for distribution to the Unitholders and a certificate from the auditors of the Fund.
- Notwithstanding anything contained herein above, the provisions of the SEBI MF Regulations in respect of disclosures of half-yearly reports and annual reports shall continue to be applicable, until winding up is completed or the scheme ceases to exist.
- After the receipt of the report referred to above, if SEBI is satisfied that all measures for winding up of the scheme have been complied with, the scheme shall cease to exist.

11. Suspension of redemption / switch-out of units (Std. obs. 10)

Suspension or restriction of repurchase/ redemption facility under any scheme of the Mutual Fund shall be made applicable only after obtaining the approval from the Boards of Directors of the AMC and the Trustee. Additionally, the following requirements shall need to be observed before imposing restriction on redemptions:

- a) Restriction may be imposed when there are circumstances leading to a systemic crisis or event that severely constricts market liquidity or the efficient functioning of markets such as:
 - (i) Liquidity issues - when the market at large becomes illiquid affecting almost all securities rather than any issuer specific security.
 - (ii) Market failures, exchange closures - when markets are affected by unexpected events which impact 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.
 - (iii) Operational issues – when exceptional circumstances are caused by force majeure, unpredictable operational problems, and technical failures (e.g., a blackout). Such cases can only be considered if they are reasonably unpredictable and occur in spite of appropriate diligence of third parties, adequate and effective disaster recovery procedures, and systems.
- b) Restriction on redemption may be imposed for a specified period of time not exceeding 10 working days in any 90 days period.
- c) Any imposition of restriction would require specific approval of Boards of AMC and Trustee and the same shall be informed to SEBI immediately. (Std. obs. 10)
- d) When restriction on redemption is imposed, the following procedure shall be applied:

- (i) No redemption requests up to INR 2 lakh shall be subject to such restriction.
- (ii) Where redemption requests are above INR 2 lakh, the AMC 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.

12. Right to limit redemptions

Any units, which by virtue of these limitations are not redeemed on a particular Business Day, will be carried forward for redemption to the next Business Day, in order of receipt. Redemptions so carried forward will be priced on the basis of the Applicable NAV (subject to the prevailing load) of the Business Day on which redemption is made. Under such circumstances, to the extent multiple redemption requests are received at the same time on a single Business Day, redemptions will be made on pro- rata basis based on the size of each redemption request, the balance amount being carried forward for Redemption to the next Business Day(s).

Suspension or restriction of repurchase/ redemption facility under any scheme of the Mutual Fund shall be made applicable only after obtaining the approval from the Boards of Directors of the AMC and the Trustee. After obtaining the approval from the Boards of Directors of the AMC and Trustee, intimation would be sent to SEBI in advance providing details of circumstances and justification for the proposed action shall also be informed.

List of exceptional situations and additional timelines for making redemption payments :

Sr. No.	Exceptional situation	Additional timelines allowed
1.	Payment of redemption proceeds through physical instruments (cheque / DD) where electronic fund transfer is not possible (due to various reasons such as old / non-core banking account / IFSC non-available records / IMPS failed records for reasons like name mismatch, technical error / investor bank not participating in electronic fund transfers or failure of electronic credit for any reason which are at the bank's end.	Additional 2 working days
2.	Redemption in case of funds where payout schedule of underlying instruments/funds is different e.g., Domestic Fund of Funds, Overseas funds, Overseas FOF scheme, wherein the redemption proceeds can be paid after 1 day of payout schedule.	Additional 1 working day after receiving proceeds from underlying instruments/ schemes for electronic payouts. For physical payouts, i.e., issuance and dispatch of cheque/ DD, additional days as per (1) above would also be allowed, after receiving proceeds from underlying instruments / schemes. For example, in case of Domestic FoFs, where funds are received on T+3 days, timeline applicable would be – a) T+4 days for electronic payment; and b) T+6 days physical payout.
3.	On such days, where it is a bank holiday in some or all the states, but a business day for the stock exchanges.	Additional 1 working day following the bank holiday(s) in the state where The investor has a bank account.

4.	Exceptional circumstances such a sudden declaration of a business day as a holiday (as it happened on the day the famous singer Bharat Ratna Lata Mangeshkar passed away) or as a non-business day due to any unexpected reason / <i>force majeure</i> events.	In all such exceptional situations, the timelines prescribed shall be counted from the date the situation becomes normal.
5.	In all such cases where a request for Change of Bank	In all such cases, the AMC / RTA shall

Sr. No.	Exceptional situation	Additional timelines allowed
	account (COB) has been received just prior to (upto 10 days prior) OR simultaneously with redemption request.	make the redemption payment after the cooling off period of 10 days from the date of receipt of COB mandate. The redemption transaction shall be processed as per the applicable NAV on the basis of time stamp. The credit may either be given in the existing bank account or the new bank account post due diligence within 1 working day after cooling off period.
6.	Need for additional due diligence in instances such as transmission reported in one fund, but not in the current fund, proceedings by Income Tax authorities, folio under lock/bank lien etc.	Additional 3 working days

Further, as per the directives issued by SEBI, it is mandatory for applicants to mention their bank account numbers in their applications for purchase or redemption of Units. If the Unitholder fails to provide the bank mandate, the request for redemption would be considered as not valid and the Fund retains the right to reject/withhold the redemption until a proper bank mandate is furnished by the Unitholder and the provision with respect of penal interest in such cases will not be applicable/ entertained.

C. General information

- Investments made by the Directors and Key Personnel of the AMC**

In accordance with Paragraph on ‘Scheme Related Disclosures’ of SEBI Master Circular for Mutual Funds dated June 27, 2024, the aggregate investment in the respective Scheme(s) by Board of Directors of AMC and key personnel needs to be disclosed. Since the AMC is yet to start the operation, the below disclosure to be read as ‘Not Applicable’

Scheme Name	Aggregate amount invested in the Scheme as on June 30, 2025 (Rs.)		
	Directors of the AMC (A)	Key Personnel of the AMC (excluding Fund Managers) (B)	Fund Managers (C)
Not Applicable			

- **Non-applicability of minimum application amount (lump-sum) and minimum redemption amount, if any**

SEBI has vide paragraph 6.10 of the SEBI Master Circular dated June 29, 2024, inter alia mandated that upto 20% of gross annual CTC net of income tax and any statutory contributions of the Designated Employees of the AMCs shall be invested in units of the scheme(s) of the Fund in which they have a role / oversight. The said guidelines came into effect from the October 1, 2021.

In accordance with the regulatory requirement, the minimum application amount and minimum redemption amount specified in the SID / KIM will not be applicable for investments made in the schemes in compliance with the aforesaid circular(s).

- **Inter-Scheme Transfer of Investments**

Transfers of investments from one scheme to another scheme in the same mutual fund shall be allowed only if -

- a) such transfers are done at the prevailing market price for quoted instruments on spot basis.
Explanation : "spot basis" shall have same meaning as specified by stock exchange for spot transactions.
- b) the securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.

- **Associate Transactions**

Since this is the first scheme to be launched by Choice Mutual Fund, the disclosures under this section is not applicable.

There is no separate investment policy of the company for investing in group companies of the sponsor and thus investments shall be made in accordance with applicable regulations as mentioned below:

Transactions with group companies:

- a) The scheme(s) of the Mutual Fund will not make any investments in the unlisted securities of group companies.
- b) The scheme(s) will not invest in unlisted securities or securities issued by way of private placement by an associate or group company of the Sponsor or the AMC.
- c) The scheme(s) will not invest in the listed securities of the group companies of the Sponsor in excess of 25% of the net assets.

The AMC, on behalf of the Fund, may utilise the services of Sponsor, group companies and any other subsidiary or associate company of the Sponsor established or to be established at a later date, in case such a company (including their employees or relatives) is in a position to provide the requisite services to the AMC. The AMC will conduct its business with the aforesaid companies (including their employees or relatives) on commercial terms and on arms-length basis and at mutually agreed terms and conditions to the extent and limits permitted under the SEBI MF Regulations. Appropriate disclosures, wherever required, shall be made by the AMC.

The AMC may invest in the securities of group companies of the Sponsor while ensuring that the criteria for investment in such securities is the same as applied to other similar investments to be made under the scheme. Investments by the schemes in the securities of the group companies will be subject to the limits under the SEBI MF Regulations.

Details of investments in excess of 25% of scheme's net assets in group companies : Nil

Associate Transactions

- a) Details of underwriting obligations undertaken by the schemes of Choice Mutual Fund with respect to issue of associate companies:

Since this is the first scheme to be launched by Choice Mutual Fund, the disclosures under this section is not applicable.

- b) Details of subscription by the schemes in issues lead managed by the associate companies :

Since this is the first scheme to be launched by Choice Mutual Fund, the disclosures under this section is not applicable.

- c) Details of business with associate brokers :

Transaction with associates for buying and selling of shares / securities (if any) will be done at the fair market price/charges and brokerage amount paid to them gets capitalized and added to the cost of investments within the specified limit prescribed by SEBI under the scheme, which is in line with the transactions with non-associated entities.

Since this is the first scheme to be launched by Choice Mutual Fund, the disclosures under this section is not applicable.

- d) Details of distribution of unit performed by associate companies :

The Mutual Fund may utilize the services of associate companies for distribution of units of the schemes. - Since this is the first scheme to be launched by Choice Mutual Fund, the disclosures under this section is not applicable.

- e) Names of associates of the Sponsor or the Asset Management Company with which the Fund proposes to have dealings, transactions, and those whose services may be used for marketing and distributing the scheme and the commissions that may be paid to them.

Since this is the first scheme to be launched by Choice Mutual Fund, the disclosures under this section is not applicable.

• **Soft Dollar arrangement**

Soft-dollar arrangement refers to an arrangement between the AMC and brokers in which the AMC executes trades through a particular broker and in turn the broker may provide benefits such as free research, hardware, software or even non-research-related services, etc., to the AMC. Investors may note that the AMC does not have any such arrangement with its empanelled brokers.

However, the AMC may receive benefits like research report/material, market data services, invitation to meeting with market experts/leaders, invitation to attend conferences, etc. The AMC is not liable or obliged to use the services of any broker for trade execution in lieu of the benefits provided by the broker. The quality of services provided by the brokers is the sole parameter being used by the investment team for allocation of business among brokers. The research inputs provided by brokers are free of cost and are for the benefit of the investors. The business given to brokers and brokerage rates charged to the schemes are within the limits specified under SEBI MF Regulations.

- **Documents Available for Inspection**

The following documents will be available for inspection at the office of the Mutual Fund at its Registered Office located at Sunil Patodia Tower, Plot No 156-158 J.B. Nagar, Andheri (East), Mumbai 400099, during business hours on any day (excluding Saturdays, Sundays and public holidays) :

- Memorandum and Articles of Association of the AMC;
- Investment Management Agreement;
- Trust Deed and amendments thereto, if any;
- Mutual Fund Registration Certificate;
- Agreement between the Mutual Fund and the Custodian;
- Agreement with Registrar and Share Transfer Agents;
- Consent of Auditors to act in the said capacity;
- Consent of Legal Advisors to act in the said capacity;
- Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments from time to time thereto;
- Indian Trusts Act, 1882.

- **Investor Grievances Redressal Mechanism**

Investor grievances are normally received at the Registered & Corporate Office of the AMC or at the Investor Service Centres or directly by the Registrar. All grievances are generally forwarded to the Registrar for necessary action. The complaints are closely followed up with the Registrar to ensure timely redressal and prompt investor service. The AMC will follow-up with the Investor Service Centres and Registrar on complaints and enquiries received from investors to resolve them promptly.

For this purpose, **Ms. Swati Gaikwad** is the Investor Relations Officer. He can be contacted at the Corporate Office of the AMC. The address and phone numbers are :

Ms. Swati Gaikwad

Investor Relations Officer
Choice AMC Private Limited,
Sunil Patodia Tower, Plot No 156-
158 J.B. Nagar, Andheri (East),
Mumbai 400099.
E-mail : support@choicemf.com
Telephone no: 18002663866

There are no complaints received from the Investors / Unit holders and redressed against any schemes of the Mutual Fund since launch of the schemes till date of this document.

Introduction of Online Resolution of Disputes

Pursuant to SEBI Master Circular no. SEBI/HO/OIAE/OIAE_IAD-3/P/CIR/2023/195 dated December 20, 2023 for Online Dispute Resolution (ODR) in the Indian securities market, a common ODR portal has been introduced. The ODR portal allows investors with additional mechanisms to resolve their complaints/disputes through online conciliation/online arbitration. Investors can register their complaints/disputes against the AMC for resolution on the Online Dispute Resolution ('ODR') portal i.e. <https://smartodr.in/login>.

In this regard, investors are requested to note the following:

- 1) An investor shall first take up his/her/their grievance with the AMC by lodging a complaint directly

with the AMC. If the grievance is not redressed satisfactorily, the investor may, in accordance with the SCORES guidelines, escalate the same through the SCORES portal in accordance with the process laid out therein. After exhausting these options for resolution of the grievance, if the investor is still not satisfied with the outcome, he/she/they can initiate dispute resolution through the ODR Portal.

- 2) Alternatively, the investor can initiate dispute resolution through the ODR portal if the grievance lodged with the AMC was not satisfactorily resolved or at any stage of the subsequent escalations mentioned above in the paragraph 1 (prior to or at the end of such escalation/s). The AMC may also initiate dispute resolution through the ODR portal after having given due notice of at least 15 calendar days to the investor for resolution of the dispute which has not been satisfactorily resolved between them.
- 3) The dispute resolution through the ODR portal can be initiated when the complaint/dispute is not under consideration in terms of the paragraph 1 above or SCORES guidelines as applicable or not pending before any arbitral process, court, tribunal, or consumer forum or are non-arbitrable in terms of Indian law. The dispute resolution through the ODR portal can be initiated when within the applicable law of limitation (reckoned from the date when the issue arose/occurred that has resulted in the complaint/date of the last transaction or the date of disputed transaction, whichever is later).
- 4) The ODR portal has necessary features and facilities to, *inter alia*, enrol the investors and the AMC, to file the complaint/dispute and to upload any documents or papers pertaining thereto. The ODR institution that receives the reference of the complaint/dispute shall appoint a sole independent and neutral conciliator from its panel of conciliators. In case the matter is not resolved within the prescribed timeline, the investor may pursue online arbitration on or after the conclusion of the conciliation process, subject to payment of requisite fees.
- 5) Investors are requested to refer to aforesaid SEBI circular for details on conciliation and arbitration proceedings and associated fees and charges. The said circulars along with the link to ODR portal are also made available on our website <https://choicemf.com/>

Information pertaining to investments by the schemes of the Mutual Fund

- **Derivative strategies**

The schemes may use various derivative strategies from time to time in accordance with the provisions of the respective Scheme Information Documents and for such purposes as may be permitted by the SEBI MF Regulations from time to time, which will include hedging & portfolio balancing. Derivatives instruments may take the form of futures, options or any other instrument, as may be permitted from time to time.

The following information provides a basic idea as to the nature of the derivative instruments proposed to be used by the schemes and the benefits and risks attached therewith.

Equity Derivatives

The schemes may use various equity derivatives from time to time, as would be available and permitted by SEBI, in an attempt to protect the value of the portfolio and enhance unitholder's interest. Accordingly, the schemes may use derivative instruments like futures & options stock indices, future & options on individual securities or such other derivative instruments as may be introduced from time to time as permitted under the SEBI MF Regulations.

The following information provides a basic idea as to the nature of the derivative instruments proposed to be used by the schemes and the benefits and risks attached therewith. Please note that the examples have been given for illustration purposes only.

(i) Stock/Index Futures:

Benefits

- a) Investment in stock / index futures can give exposure to the stock/index without directly buying the individual stocks. Appreciation in the index / stocks can be effectively captured through investment in stock / index futures.
- b) The schemes can sell futures to hedge against market movements effectively without actually selling the stocks they hold.

Illustration

Spot index: 1500

1-month Nifty Future Price on day 1: Rs. 1,700.

The scheme buys 500 lots. Each lot has a nominal value equivalent to 100 units of the underlying index.

Situation 1:

Let us say that on the date of settlement, the future price = Closing spot price = Rs. 2,000

Profits for the scheme = $(2,000 - 1,700) \times 500 \text{ lots} \times 100 = \text{Rs. } 15,000,000$

Situation 2:

Let us say that on the date of settlement, the future price = Closing spot price = Rs. 1,500

Loss for the scheme = $(1,500 - 1,700) \times 500 \text{ lots} \times 100 = (\text{Rs. } 10,000,000)$

Please note that the above example is given for illustration purposes only. Some assumptions have been made for the sake of simplicity.

The net impact for the scheme will be in terms of the difference between the closing price of the index and cost price (ignoring margins and transaction costs for the sake of simplicity). Thus, it is clear from the above example that the profit or loss for the scheme will be the difference of the closing price (which can be higher or lower than the purchase price) and the purchase price.

Basic structure of a stock & index future

The stock index futures are instruments designed to give exposure to the equity markets indices. BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) provide futures in select stocks and indices with maturities of 1, 2 and 3 months. The pricing of a stock/index future is the function of the underlying stock/index and short term interest rates.

ii) Buying Options:

- Call Option :

Benefits

Buying a call option on a stock or index gives the owner the right, but not the obligation, to buy the underlying stock / index at the designated strike price. Here, the downside risks are limited to the premium paid to purchase the option.

Illustration

For example, if the scheme buys a one-month call option on PQR Limited at a strike of Rs. 300, the current market price being say Rs. 325. The scheme will have to pay a premium of say Rs. 50 to buy this call. If the stock price goes below Rs. 300 during the tenure of the call, the scheme avoids the loss it would have incurred had it bought the stock instead of the call option.

The scheme gives up the premium of Rs. 50 that has to be paid in order to protect itself from this probable downside. If the stock goes above Rs. 300, it can exercise its right and own PQR Limited at a cost price of Rs. 300, thereby participating in the upside of the stock.

- Put Option :

Benefits

Buying a put option on a stock originally held by the buyer gives him/her the right, but not the obligation, to sell the underlying stock at the designated strike price. Here the downside risks are limited to the premium paid to purchase the option.

Illustration

For example, if the scheme owns PQR Limited and also buys a three-month put option on PQR Limited at a strike of Rs. 300, the current market price being say Rs. 325. The Scheme will have to pay a premium of say Rs. 50 to buy this put. If the stock price goes below Rs. 300 during the tenure of the put, the scheme can still exercise the put and sell the stock at Rs. 300, avoiding therefore any downside on the stock below Rs. 300. The scheme gives up the fixed premium of Rs. 50 that has to be paid in order to protect itself from this probable downside. If the stock goes above Rs. 300, say to Rs. 350, it will not exercise its option. The scheme will participate in the upside of the stock since it can now sell the stock at the prevailing market price of Rs. 350.

Basic structure of an equity option

An option gives a buyer the right but does not cast the obligation to buy or sell the underlying. An option is a contract between two parties wherein the buyer receives a privilege for which he pays a fee (premium), and the seller accepts an obligation for which he receives a fee. The premium is the price negotiated and set when the option is bought or sold. A person who buys an option is said to be long in the option. A person who sells (or writes) an option is said to be short in the option.

In India, National Stock Exchange (NSE) became the first exchange to launch trading in options on individual securities. Trading in options on individual securities commenced from July 2, 2001. All stock/index option contracts are European style (w.e.f. January 2011) and cash settled as stipulated by SEBI.

Example using hypothetical figures on index options:

Stock Exchange: NSE

Instrument Type: Index Option Underlying: Nifty 50

Purchase date: October 01, 2024

Expiry date: October 31, 2024

Option Type: Put Option

(Purchased) Strike Price: Rs. 15,000

Spot Price: Rs. 15,100

Premium: Rs. 110

Lot Size: 50

No. of contracts purchased: 100

Assume the scheme purchases 1 month Put Options on Nifty on the NSE i.e., put options on 5,000 units (100 contracts of 50 shares each) of Nifty.

As these are European style options, they can be exercised only on the exercise date i.e. If the price of Nifty 50 falls to Rs. 14,800 on expiry day. the net impact will be as follows:

Premium expense = $\text{Rs. } 110 \times 100 \times 50 = \text{Rs. } 5,50,000$

Option exercised at: Rs. 14,800

Profits for the scheme = $(15,000 - 14,800) \times 100 \times 50 = \text{Rs. } 1,000,000$

Net Profit = $\text{Rs. } 1,000,000 - \text{Rs. } 550,000 = \text{Rs. } 450,000$

In the above example, the scheme hedged the market risk on 5000 shares of Nifty Index by purchasing Put Options.

Please note that the above example is given for illustration purposes only. Some assumptions have been made for the sake of simplicity. Certain factors like margins and transaction costs have been ignored. The purchase of put options does not increase the market risk in the scheme as the risk is already in the

scheme's portfolio on account of the underlying asset position. The premium paid for the option is treated as an expense. Additional risks could be on account of illiquidity and potential mispricing of the options.

The schemes may use derivatives instruments for the purpose of hedging or portfolio rebalancing or for any other stock and / or index derivative strategies as allowed under the SEBI MF Regulations.

Derivatives Strategies

If and where derivative strategies are used under the schemes, the Fund Manager may employ a combination of the following strategies:

1. Index Arbitrage

Example: Nifty 50 Index.

As the Nifty 50 Index derives its value from fifty underlying stocks, the underlying stocks can be used to create a synthetic index matching the Nifty Index levels. Also, theoretically, the fair value of a stock/index futures is equal to the spot price plus the cost of carry i.e., the interest rate prevailing for an equivalent credit risk, in this case is the Clearing Corporation of the NSE.

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. However, due to market imperfections, the index futures may not exactly correspond to the synthetic index futures.

The Nifty Index futures normally trade 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. The fund manager shall aim to capture such arbitrage opportunities by taking long positions in the Nifty Index futures and short positions in the synthetic index. The strategy is attractive if this price differential (post all costs) is higher than the investor's cost-of-capital.

Objective of the strategy

The objective of the strategy is to lock in the arbitrage gains.

2. Cash Futures Arbitrage

The scheme would look for market opportunities between the spot and the futures market. The cash futures arbitrage strategy can be employed when the price of the futures exceeds the price of the underlying stock. The scheme will first buy the stocks in the cash market and then sell in the futures market to lock the spread known as arbitrage return.

Buying the stock in the cash market and selling the futures results in a hedge where the schemes have locked in a spread and are not affected by the price movement of the cash market and futures market. The arbitrage position can be continued till expiry of the future contracts. The future contracts are settled based on the last half an hour's weighted average trade of the cash market. Thus, there is a convergence between the cash market and the futures market on expiry. This convergence helps the schemes to generate the arbitrage return locked in earlier. However, the position could even be closed earlier in case the price differential is realized before expiry or better opportunities are available in other stocks. The strategy is attractive if this price differential (post all costs) is higher than the investor's cost-of-capital.

Objective of the strategy

The objective of the strategy is to lock in the arbitrage gains.

4. Other derivative strategies

As allowed under the SEBI guidelines on derivatives, the fund manager may employ various other stock and index derivative strategies by buying or selling stock/index futures and/or options.

Objective of the strategy

The objective of the strategy is to earn low volatility consistent returns.

5. Covered Call Strategy

A call option gives the holder (buyer) the right but not the obligation to buy an asset by a certain date for a certain price. The covered call is a strategy in which a seller sells a call option on a stock he owns.

Benefits

The covered call strategy can be followed by the Fund Manager in order to hedge risk thereby resulting in better risk adjusted returns of the scheme. The strategy offers the following benefits:

- ✓ Hedge against market risk - Since the fund manager sells a call option on a stock already owned by the mutual fund scheme, the downside from fall in the stock price would be lower to the extent of the premium earned from the call option.
- ✓ Generating additional returns in the form of option premium in a range bound market.

Thus, a covered call strategy involves gains for unit holders in case the strategy plays out in the right direction.

Illustration – Covered Call strategy using stock call options:

Suppose a fund manager buys equity stock of ABC Ltd. For Rs. 1,000 and simultaneously sells a call option on the same stock at a strike price of Rs. 1,100. The scheme earns a premium of say, Rs. 50. Here, the fund manager does not think that the stock price will exceed Rs. 1,100.

Scenario 1: Stock price exceeds Rs. 1,100

The call option will get exercised, and the fund manager will sell the stock to settle his obligation on the call at Rs. 1,100 (earning a return of 10% on the stock purchase price). Also, the scheme has earned a premium of Rs. 50.

Net Gain to the scheme : Rs. 1,100 (strike price) – Rs. 1,000 (stock purchase price) + Rs. 50 (premium earned) = Rs. 150

Scenario 2: Stock prices stay below Rs. 1,100

The call option will not get exercised and will expire worthless. The premium earned on call option will generate alpha for the scheme.

Net Gain – Rs. 50 (premium earned).

Valuation of derivative products

- The traded derivatives shall be valued at market price in conformity with the valuation policy of the Mutual Fund.
- The valuation of untraded derivatives shall be done in accordance with the valuation method for untraded investments prescribed in sub clauses (i) and (ii) of clause 2 of the Eighth Schedule to the SEBI MF Regulations as amended from time to time.

For further details on valuation, please refer to the section ‘Valuation’.

• **Swing pricing**

Mandatory swing pricing framework for market dislocation

Swing pricing refers to a process for adjusting a scheme’s Net Asset Value (NAV) to effectively pass on transaction costs stemming from net capital activity (i.e. flows into or out of a scheme) to the investors associated with that activity. This would help to ensure fairness of treatment to all the investors i.e. whether entering, exiting, or remaining invested in mutual fund schemes, particularly during market dislocation.

Mandatory full swing during market dislocation times shall apply as under:

- 1) The swing framework shall apply in case of scenarios related to net outflows from the schemes.
- 2) SEBI will determine 'market dislocation' either based on AMFI's recommendation or suo-moto.
- 3) Once market dislocation is declared, SEBI will notify that swing pricing will be applicable for a specified period.
- 4) Thereafter, mandatory swing pricing will apply for applicable schemes viz. schemes which:
 - a) have 'High' or 'Very High' risk on the risk-o-meter (as of the most recent period at the time of declaration of market dislocation); and
 - b) classify themselves in the cells A-III, B-II, B-III, C-I, C-II, and C-III of Potential Risk Class (PRC) Matrix

Note: As on date of this SAI, Choice Mutual Fund does not have any debt-oriented scheme to which mandatory swing pricing is applicable. Accordingly, additional disclosures such as swing pricing factor matrix, impact to the investors, illustration of swing pricing, etc. have not been provided.

- **Short selling / stock**

lending Securities lending

Subject to the SEBI MF Regulations, and in accordance with paragraph 12.11 of the SEBI Master Circular dated June 27, 2024, as may be amended from time to time, the schemes may engage in stock lending.

Stock lending means the lending of stock to another person or entity for a fixed period of time, at negotiated compensation in order to enhance the returns of the portfolio. The securities lent will be returned by the borrower on the expiry of the stipulated period. The AMC shall adhere to the following limits should it engage in stock lending :

1. Not more than 20% of the net assets of the scheme can be deployed in stock lending.
2. Not more than 5% of the net assets of the scheme can be deployed in stock lending to any single approved intermediary/ counter party.

The Mutual Fund may not be able to sell such lent out securities and this can lead to temporary illiquidity.

Short selling of securities

If permitted by SEBI MF Regulations, the schemes may engage in short selling of securities in accordance with the guidelines issued by SEBI. Short sale of securities means selling of securities without owning them. The AMC will comply with the guidelines issued by SEBI in this behalf, including reporting obligations and the Trustee will carry out the reviews required under said guidelines.

Engaging in short sale of securities is subject to risks related to fluctuations in market price, and settlement/ liquidity risks.

- **Provisions on creation of segregated portfolio**

In order to ensure fair treatment to all investors in case of a credit event and to deal with liquidity risk, SEBI (in terms of paragraph 4.4. of the SEBI Master Circular dated June 27, 2024) has allowed creation of segregated portfolio of debt and money market instruments by mutual fund schemes.

Benefits associated with creation of segregated portfolio

The creation of a segregated portfolio is aimed at ring fencing a bad asset and restricting the cascading effect of illiquidity on the rest of the portfolio. This will ensure fair treatment for all investors in case of

a credit event and allow the AMC to deal with liquidity risk. This offers advantage to the investors in following ways:

- ✓ Protecting interest of the investors – It protects investors from exits of large investors as segregation of bad assets help in stabilizing the NAV and minimize panic redemptions, thereby providing a cushion to the liquid portfolio of the scheme.
- ✓ Fair treatment to the investors – New investors coming to the scheme (Main Portfolio) after the credit event will neither get benefit of subsequent recovery, if any, of the bad assets nor will they have to bear the cost of further reduction in value of bad assets. Furthermore, an existing investor exiting from the liquid portfolio (Main Portfolio) after the credit event shall still be entitled to receive his portion of subsequent recovery of bad assets in the segregated portfolio.

The salient features of creation of segregated portfolio are given as below:

Creation of segregated portfolio

The AMC may create a segregated portfolio of debt and money market instruments in a scheme in case of a credit event and to deal with liquidity risk.

In this regard, the term ‘segregated portfolio’ shall mean a portfolio comprising of debt or money market instrument affected by a credit event, that has been segregated in a scheme and the term ‘main portfolio’ shall mean the scheme portfolio excluding the segregated portfolio. The term ‘total portfolio’ shall mean the scheme portfolio including the securities affected by the credit event.

A segregated portfolio may be created in a scheme in case of a credit event at issuer level i.e., downgrade in credit rating by a SEBI registered Credit Rating Agency (CRA), as under:

- a) Downgrade of a debt or money market instrument to ‘below investment grade’, or
- b) Subsequent downgrades of the said instruments from ‘below investment grade’, or
- c) Similar such downgrades of a loan rating.

In case of difference in rating by multiple CRAs, the most conservative rating shall be considered. Creation of segregated portfolio shall be based on issuer level credit events as detailed above and implemented at the ISIN level.

The AMC may also create a segregated portfolio of unrated debt and money market instruments of an issuer that does not have any outstanding rated debt or money market instruments in case of ‘actual default’ of either the interest or principal amount. In such cases, the AMC will inform AMFI immediately about the actual default by the issuer. Pursuant to dissemination of information by AMFI about actual default, the AMC may segregate the portfolio of debt and money market instruments.

Note: The AMC may create a segregated portfolio, in case of a credit event as above. Investors may note that creation of a segregated portfolio is optional and at the discretion of the AMC.

Process for creation of segregated portfolio

1. The AMC shall decide on creation of a segregated portfolio on the day of credit event. Once it decides to create a segregated portfolio, :
 - a) The AMC shall seek approval of Trustee, prior to creation of the segregated portfolio.
 - b) The AMC shall immediately issue a press release disclosing its intention to segregate such debt and money market instruments and its impact on the investors. It shall also be disclosed that the segregation shall be subject to Trustee approval. Additionally, the said press release shall be prominently disclosed on the website of the AMC.
 - c) The AMC shall ensure that till the time the Trustee approval is received, which in no case shall exceed 1 business day from the day of credit event, the subscription and redemption in the scheme shall be suspended for processing with respect to creation of units and payment on redemptions.
2. Upon receipt of approval from Trustee :

- (i) The segregated portfolio shall be effective from the day of credit event.
 - (ii) The AMC shall issue a press release immediately with all relevant information pertaining to the segregated portfolio. The said information shall also be submitted to SEBI.
 - (iii) An e-mail or SMS should be sent to all unit holders of the concerned scheme.
 - (iv) The NAV of both segregated and main portfolio shall be disclosed from the day of the credit event.
 - (v) All existing investors in the scheme as on the day of the credit event shall be allotted equal number of units in the segregated portfolio as held in the main portfolio.
 - (vi) No redemption and subscription shall be allowed in the segregated portfolio. However, in order to facilitate exit to unit holders in segregated portfolio, the AMC shall enable listing of units of segregated portfolio on the recognized stock exchange within 10 working days of creation of segregated portfolio and also enable transfer of such units on receipt of transfer requests.
3. If the Trustee does not approve the proposal to segregate portfolio, the AMC shall issue a press release immediately informing investors of the same.
4. Notwithstanding the decision to segregate the debt and money market instrument, the valuation shall consider the credit event, and the portfolio shall be valued based on the principles of fair valuation (i.e. realizable value of the assets) in terms of the relevant provisions of SEBI MF Regulations and circular(s) issued thereunder.
5. All subscription and redemption requests for which NAV of the day of credit event or subsequent day is applicable will be processed as per the existing circular on applicability of NAV as under:
 - a) Upon Trustee's approval to create a segregated portfolio :
 - (i) Investors redeeming their units will get redemption proceeds based on the NAV of the Main portfolio and will continue to hold the units of the segregated portfolio.
 - (ii) Investors subscribing to the scheme will be allotted units only in the main portfolio based on its NAV.
 - b) In case Trustee does not approve the proposal of segregated portfolio, subscription and redemption applications will be processed based on the NAV of total portfolio.
6. In order to enable the existing as well as the prospective investors to take informed decision, the following shall be adhered to:
 - a) A statement of holding indicating the units held by the investors in the segregated portfolio along with the NAV of both segregated portfolio and main portfolio as on the day of the credit event shall be communicated to the investors within 5 working days of creation of the segregated portfolio.
 - b) Adequate disclosure of the segregated portfolio shall appear in all scheme related documents, in monthly and half-yearly portfolio disclosures and in the annual report of the Mutual Fund and the scheme.
 - c) The Net Asset Value (NAV) of the segregated portfolio shall be declared on a daily basis.
 - d) The information regarding the number of segregated portfolios created in a scheme shall appear prominently under the name of the scheme at all relevant places such as SID, KIM-cum-Application Form, advertisement, AMC and AMFI websites, etc.
 - e) The scheme performance required to be disclosed at various places shall include the impact of creation of segregated portfolio. The scheme performance should clearly reflect the fall in NAV to the extent of the portfolio segregated due to the credit event and the said fall in NAV along with recovery(ies), if any, shall be disclosed as a footnote to the scheme performance.
 - f) The disclosures at paragraph (d) and (e) above regarding the segregated portfolio shall be carried out for a period of at least 3 years after the investments in segregated portfolio are fully recovered/ written-off.
 - g) The investors of the segregated portfolio shall be duly informed of the recovery proceedings of the investments of the segregated portfolio. Status update may be provided to the investors at the time of recovery and also at the time of writing-off of the segregated securities.
7. In order to ensure timely recovery of investments of the segregated portfolio, the Trustee would continuously monitor the progress and take suitable action as may be required.
8. TER for the segregated portfolio:

- a) The AMC shall not charge investment and advisory fees on the segregated portfolio. However, TER (excluding the investment and advisory fees) can be charged, on a pro-rata basis only upon recovery of the investments in the segregated portfolio.
- b) The TER levied shall not exceed the simple average of such expenses (excluding the investment and advisory fees) charged on a daily basis on the main portfolio (in % terms) during the period for which the segregated portfolio was in existence.
- c) The legal charges related to recovery of the investments of the segregated portfolio may be charged to the segregated portfolio in proportion to the amount of recovery. However, the same shall be within the maximum TER limit applicable to the main portfolio. The legal charges in excess of the TER limits, if any, shall be borne by the AMC.
- d) The costs related to segregated portfolio shall in no case be charged to the main portfolio.
- e) Investors may also note that the process followed by the AMC/Trustee regarding creation of segregated portfolios shall be in accordance with the provisions laid down by SEBI in this regard, from time to time.

VII. DISCLOSURES AND REPORTS BY THE MUTUAL FUND

1. Account Statement/Consolidated Account Statement

For investors holding units in non-demat mode: 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 five working days from the date of receipt of the application.

An allotment confirmation specifying the number of units allotted will be sent to the unit holders by way of email and / or SMS to the registered e-mail address and/or mobile number, within 5 Business Days from the date of application and / or from the date of receipt of the request from the unit holders. In case of any specific request received from the unit holder(s), the AMC / Fund will provide the account statement to the unit holder(s) within 5 Business Days from the receipt of such request.

A statement of holding indicating the units held by the investors in the Segregated Portfolio along with the NAVs of both Segregated Portfolio and Main Portfolio as on the day of the credit event shall be communicated to the investors within 5 working days of creation of the Segregated Portfolio.

Allotment Advice (for investors holding units in dematerialized mode) : Allotment advice will be sent upon allotment of units stating the number of units allotted to each of the unit holder(s) who have opted for allotment in dematerialized mode within 5 working days from the date of the application. The Units allotted will be credited to the DP account of the unit holder as per the details provided in the application form. Units in dematerialized form shall be issued to a unit holder in a scheme within two working days of the receipt of request from the unit holder.

For ongoing purchase transactions, units will be credited to the investor's demat account upon realization of funds. Units will be allotted as per Applicable NAV for subscriptions / purchases as mentioned in the SID. For ongoing transactions, there is no separate communication sent to the customers holding units under demat mode.

Dematerialization / Rematerialization of units, if any, will be in accordance with the provisions of the SEBI (Depositories & Participants) Regulations, 2018 as may be amended from time to time.

All units will rank pari passu among units within the same option / sub-option, i.e., either the Income Distribution cum Capital Withdrawal (IDCW) sub-option or the Growth sub-option, as to assets and, earnings and the receipt of IDCW distributions, if any, as may be declared by the Trustee. Allotment of units and dispatch of Account Statements to NRIs / FPIs will be subject to RBI's general permission dated 30 March 1999 to mutual funds, in terms of Notification no. FERA.195/99-RB or such other

notifications, guidelines issued by RBI from time to time.

Consolidated Account Statement (CAS)

A Consolidated Account Statement (CAS) for each calendar month will be issued on or before the 12th day of the succeeding month to those investors in whose folio(s), transactions* have taken place during the month and who have provided a valid Permanent Account Number (PAN). Further, CAS will be sent via email where any of the folios consolidated has an email id or to the email id of the first unit holder as per KYC records.

In the event that the registered email address of the unit holder is not available with the Fund, the CAS will be sent as a physical statement. CAS shall contain details relating to all transactions* carried out by the unit holder across schemes of all mutual funds during the month, holdings at the end of the month and transaction charges paid to the distributor, if any.

For the purpose of sending CAS, common unit holders across mutual funds shall be identified by their PAN. In the event that the folio has more than one registered unit holder, the first named holder will receive the CAS. The CAS shall not be received by those unit holders whose folio(s) are not updated with PAN details. Unit holders are therefore requested to ensure that each of their folio(s) is updated with their PAN details. In case a specific request is received from the unit holder, the AMC / Fund will provide the account statement to the unit holder within 5 Business Days from the receipt of such request. The CAS issued to investors shall also reflect the total purchase value / cost of investment in each scheme. For folios not included in the Consolidated Account Statement (CAS), the AMC shall henceforth issue an account statement to the unit holders on a monthly basis, pursuant to any financial transaction in such folios on or before the 12th day of the succeeding month.

In the case of joint holding in a folio, the first named unit holder shall receive the CAS/account statement. The holding pattern has to be the same in all folios across mutual funds for CAS. Further, in case there is no transaction in any of the mutual fund folios / demat accounts of the Investor, half-yearly CAS with holding details shall be sent by the Depositories to those Investors that have opted for delivery via electronic mode, on or before the eighteenth (18th) day of April and October and to those Investors that have opted for delivery via physical mode, on or before the twenty-first (21st) day of April and October.

Each CAS issued to the investors shall provide the total purchase value / cost of investment in each scheme. Further, CAS issued for the half-year (September/ March) shall also provide:

- a) The amount of actual commission paid by AMCs/Mutual Funds (MFs) to distributors (in absolute terms) during the half-year period against the concerned investor's total investments in each MF 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/MFs to distributors. Further, a mention may be made in such CAS indicating that the commission disclosed is gross commission and does not exclude costs incurred by distributors such as Goods and Services Tax (wherever applicable, as per existing rates), operating expenses, etc.
- b) The scheme's average Total Expense Ratio (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. Such half-yearly CAS shall be issued to all MF investors, excluding those investors who do not have any holdings in MF schemes and where no commission against their investment has been paid to distributors, during the concerned half year period.

In case 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.

* The word 'transaction' includes purchase, redemption, switch, payout of IDCW, reinvestment of IDCW, SIP, STP, SWP, and bonus transactions.

CAS for investors having Demat account

- 1) Investors having MF investments and holding securities in Demat account shall receive a single Consolidated Account Statement (CAS) from the Depository.
- 2) Consolidation of account statements shall be done on the basis of Permanent Account Number (PAN). In case of multiple holdings, it shall be PAN of the first holder and pattern of holding. The CAS shall be generated on a monthly basis.
- 3) 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 ten days from the month end. In case there is no transaction in any of the mutual fund folios and demat accounts then CAS with holding details shall be sent to the investor on a half yearly basis.
- 4) 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.

The dispatch of CAS by the depositories would constitute compliance by the AMC/ the Mutual Fund with the requirement under Regulation 36(4) of SEBI MF Regulations. However, subject to the provisions of the SEBI MF Regulations, the AMC reserves the right to furnish the account statement in addition to the CAS, if deemed fit in the interest of investor(s).

Receiving Account Statement/correspondence by e-mail

The Mutual Fund encourages investors to provide their e-mail addresses for all correspondence. The Mutual Fund's website may facilitate requests for Account Statement by unit holders. The Mutual Fund will endeavour to send Account Statements and any other correspondence including Annual Reports using e-mail as the mode for communication as may be decided from time to time.

The unit holder will be required to download and if required, print the Account Statement after receiving the e-mail from the Mutual Fund. Should the unit holder experience any difficulty in accessing the electronically delivered Account Statement, the unit holder shall promptly advise the Mutual Fund to enable the Mutual Fund to make the delivery through alternate means. Failure to advise the Mutual Fund of such difficulty within 24 hours after receiving the e-mail will serve as an affirmation regarding the acceptance by the unit holder of the Account Statement. In case an investor who has provided an e-mail address and opted for electronic mode of receipt of account statements and other updates wishes to change over to the physical mode, he would need to provide a written request to any of the ISCs. Please note that such a request will be treated as a non-financial transaction and processed within 3 - 5 business days from the date of submission.

It is deemed that the unit holder is aware of all security risks including possible third-party interception of the Account Statements and content of the Account Statements becoming known to third parties. Under no circumstances, including negligence, shall the Mutual Fund or anyone involved in creating, producing, delivering or managing the Account Statements of the unit holders, be liable for any direct, indirect, incidental, special or consequential damages that may result from the use of or inability to use the service or out of the breach of any warranty. The use and storage of any information including, without limitation, the password, account information, transaction activity, account balances and any other information available on the unit holder's personal computer is at the risk and sole responsibility of the unit holder.

2. Portfolio Disclosures

Portfolio Disclosure: The AMC will disclose the portfolio (along with ISIN and other prescribed details) of the schemes in the prescribed format on its website viz. <https://choicemf.com/> and on the website of Association of Mutual Funds in India (AMFI) viz. www.amfiindia.com as within 10 days from the close of each month / half year respectively in a user-friendly and downloadable spreadsheet format. In case of debt schemes, such disclosure shall be done on a fortnightly basis (i.e., as on 15th and as on the last day of the month), within 5 days from end of fortnight.

In the case of unitholders whose e-mail addresses are registered, the AMC shall send the above via e-mail within the timelines mentioned above. The timelines above will be subject to change as specified by SEBI from time to time.

The AMC will publish an advertisement every half-year in all India edition of at least two daily newspapers, one each in English and Hindi, disclosing the hosting of the half-yearly statement of its' schemes' portfolio on its website and on the website of Association of Mutual Funds in India (AMFI) and the modes such as SMS, telephone, email, or written request (letter), etc. through which a unit holder can submit a request for a physical or electronic copy of the statement of the scheme portfolio. The AMC will provide a physical copy of the statement of its scheme portfolio, without charging any cost, on specific request received from a unit holder.

3. Half Yearly Financial Results

The AMC shall host half yearly unaudited financial results of its schemes in the prescribed format on its website viz. <https://choicemf.com/> and on the website of Association of Mutual Funds in India (AMFI) viz. www.amfiindia.com within one month from the close of each half year i.e. on 31st March and on 30th September and shall publish an advertisement disclosing hosting of such results, 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. Such disclosure will not be required for passive schemes covered under the list of eligible schemes as per SEBI circular no. SEBI/HO/IMD/PoD2/P/CIR/2024/183 dated December 31, 2024 on Mutual Funds Lite (MF Lite) framework for passively managed mutual fund schemes.

4. Annual Report

Annual Report of the schemes of the Mutual Fund : The scheme wise annual report shall be hosted on the website of the AMC and on the website of AMFI within four months from 31st March of each year. The abridged / full scheme wise Annual Report shall contain such details as are required under the regulations / circulars issued by SEBI from time to time.

The AMC shall provide the scheme wise annual report / abridged summary thereof as under:

- (i) By hosting the same on the websites of the AMC <https://choicemf.com/> and AMFI (www.amfiindia.com).
- (ii) The physical copy of the scheme wise annual report / abridged summary thereof shall be made available to the investors at the registered office of the AMC. A link of the scheme's annual report or abridged summary shall be displayed prominently on the website of the Fund.
- (iii) By e-mailing the same to those unit holders whose e-mail addresses are registered with the Fund. Unit holders are therefore requested to update their email address with the Fund to receive annual reports through e-mail.

The AMC shall publish an advertisement every year in all India editions 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 and on the website of AMFI. The AMC shall display prominently on its website, link of the scheme wise annual report and physical copy of the same shall be made available to the unitholders at the registered office of the AMC at all times. Further, the AMC shall provide modes such as SMS, telephone, email, or written request (letter), etc. through which unit holders can submit a request for a physical or electronic copy of the scheme wise annual report or abridged summary thereof. The AMC shall also provide a physical copy of the abridged summary of the Annual Report, without charging any cost, on specific request received from a unit holder.

Annual report of the AMC : The annual report containing accounts of the AMC shall be displayed on the website of the AMC immediately after approval in the Annual General Meeting within a period of four months, from the date of closing of the financial year. Unit holders may, if they so desire, request for the annual report of the AMC, which shall be displayed on the website of the AMC <https://choicemf.com/>

Notwithstanding anything contained in this Statement of Additional Information, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines thereunder shall be applicable. (Std. obs. 18)