

PORTFOLIO MANAGEMENT SERVICES

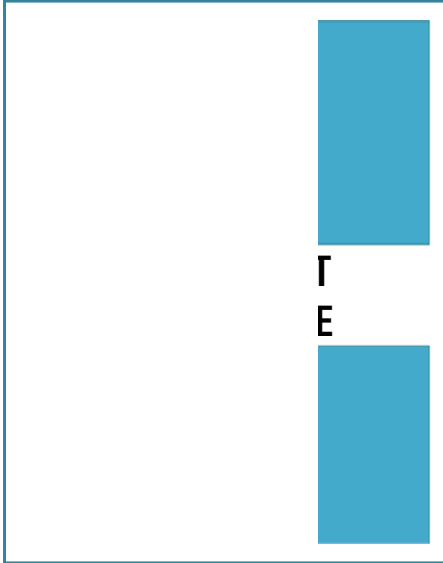
Disclosure Document

(As required under Regulation 14 of SEBI (Portfolio Managers) Regulations, 1993)

- The Disclosure Document (hereinafter referred to as 'the Document') has been filed with the Securities & Exchange Board of India ('SEBI') along with the certificate in the prescribed format in terms of Regulation 14 of the SEBI (Portfolio Managers) Regulations, 1993.
- The purpose of the Document is to provide essential information about the Portfolio Management Services ('PMS') in a manner to assist and enable the investors in making informed decision for engaging a Portfolio Manager.
- The Document gives the necessary information about the Portfolio Manager required by an investor before investing, and hence, the investor may be advised to retain the document for future reference.
- The investor should carefully read the Disclosure Document prior to making a decision to avail of Portfolio Management Services. .
- Details of the Principal Officer :

Name : Mr. S. R. Ramaraj
Address : Canara Robeco Asset Management Company Ltd
4th Floor, Construction House
5, Walchand Hirachand Marg
Ballard Estate, Mumbai – 400001
CIN - U65990MH1993PLC071003
Phone : 022 – 6658 5000
E-mail : s.r.ramaraj@canararobeco.com
- The Disclosure Document is dated 8th February, 2017

**Portfolio Management Services
Canara Robeco Asset Management Company Ltd
SEBI Registration No.INP00003740**



The Disclosure Document and its contents are for information only and do not constitute a distribution, endorsement, investment advice, offer to buy or sell or the solicitation of an offer to buy or sell any Product(s)/ Portfolio or any other securities or financial products/ investment products mentioned in the Disclosure Document or an attempt to influence the opinion or behavior of the Clients. Any use of the information/ any investments and investment related decisions of the Clients are at their sole discretion & risk and the Portfolio Manager shall not be responsible/liable for the same in any manner whatsoever, to any person/entity. The investments may not be suited to all categories of Clients. As with any investment in any securities, the value of the portfolio under any Product(s)/

Portfolio can go up or down depending on the factors and forces affecting the capital market.

Clients must make their own investment decisions based on their own specific investment objectives, their financial position and using such independent professional advisors for seeking independent legal, investment and tax advice as they believe necessary, before acting on any information in the Disclosure Document or any such other documents or before making any investments in such Product(s)/ Portfolio. Any use of the information contained in the Disclosure Document, any investments in the Product(s)/ Portfolio and any investment related decisions pertaining to such Product(s)/ Portfolio of the Clients are at their sole discretion & risk. There may be changes in the legal, tax and the regulatory regimes (including without limitation; political changes, government regulations, social instability, stock market fluctuations, diplomatic disputes, or other similar developments), which could adversely affect the Client's investments in the Product(s)/ Portfolio. Investments in the Product(s)/ Portfolio stand a risk of loss of capital and the Clients should be aware that they may lose all or any part of their investments in such Product(s)/ Portfolio.

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1. Disclaimer

This Disclosure Document has been prepared in accordance with the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993 as amended till date and filed with Securities and Exchange Board of India ("SEBI"). This document has neither been approved nor disapproved by SEBI nor has SEBI certified the accuracy or adequacy of the contents of the document.

2. Definitions

In this Disclosure Document, unless the context otherwise requires:

1. **"Agreement"** or **"Portfolio Management Services Agreement"** or **"PMS Agreement"** means the agreement executed between the Portfolio Manager and its Clients in terms of Regulation 14 and Schedule IV of Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993.
2. **"Client"** or **"Investor"** means any person who enters into an agreement for availing the Portfolio Management Services offered by the Portfolio Manager.
3. **"Discretionary Portfolio Manager"** means a portfolio manager who exercises or may, under a contract relating to portfolio management, exercise any degree of discretion as to the investment or management of the portfolio of securities or the funds of the client, as the case may be.
4. **"Equity Related Instruments"** includes convertible bonds and debentures, convertible preference shares, equity warrants, equity derivatives, FCCBs, equity mutual funds and any other like instrument.
5. **"Financial year"** means the year starting from 1st April and ending on 31st March of the following year.
6. **"Fund Manager"** means the individual(s) appointed by the Portfolio Manager from time to time who manages, advises or directs or undertakes on behalf of the client (whether as a Discretionary Portfolio Manager or otherwise) the management or administration of a portfolio of securities or the funds of the client, as the case may be.
7. **"Funds"** means the monies managed by the Portfolio Manager on behalf of a Client pursuant to the PMS Agreement and includes the monies mentioned in the account opening form, any further monies placed by the Client with the Portfolio Manager for being managed pursuant to the PMS Agreement, the proceeds of sale or other realization of the portfolio and interest, dividend or other monies arising from the assets, so long as the same is managed by the portfolio manager.
8. **"Initial Corpus"** means the value of the funds and / or the market value of securities brought in by the Client at the time of subscribing to Portfolio Management Services.
9. **"Non-Discretionary Portfolio Management Services"** means a portfolio management services where a Portfolio Manager acts on the instructions received from the Client with regard to investment of funds of the Client under a contract relating to portfolio management and will exercise no discretion as to the investment or management of the portfolio of securities or the funds of the client, as the case may be.

10. **"Portfolio"** means Securities and/or funds managed by the Portfolio Manager on behalf of the Client pursuant to the Portfolio Management Services Agreement and includes any Securities and/or funds mentioned in the account opening form, any further Securities and/or funds placed by the Client with the Portfolio Manager for being managed pursuant to the Portfolio Management Services Agreement, Securities or other realization of the portfolio acquired by the Portfolio Manager through investment of funds and bonus, dividends or other receipts and rights in respect of Securities forming part of the portfolio, so long as the same is managed by the Portfolio Manager under the Portfolio Management Services Agreement.
11. **"Portfolio Manager"** means Canara Robeco Asset Management Company Limited, a Company incorporated under the Companies Act, 1956 and registered with Securities and Exchange Board of India as a Portfolio Manager vide Registration Certificate No. PM/INP00003740 dated 06th September 2013, under the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993.
12. **"Principal Officer"** means an Officer of the Portfolio Manager who is responsible for the activities of portfolio management and has been designated as principal officer by the Portfolio Manager.
13. **"Regulations"** or **"SEBI Regulations"** means the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, as amended from time to time.
14. **"Rules"** means the Securities and Exchange Board of India (Portfolio Managers) Rules, 1993, as amended from time to time.
15. **"SEBI"** or **"Board"** means Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992.
16. **"Securities"** means security as defined in Section 2(h) of the Securities Contract (Regulation) Act, 1956, provided that securities shall not include any securities which the Portfolio Manager is prohibited from investing in or advising on under the Rules, Regulations or any other law for the time being in force.
17. **"Securities Lending"** means lending of the securities as per the Securities Lending Scheme, 1997 specified by SEBI, as amended from time to time.
18. **"Valuation Day"** means the day on which the portfolio is valued by the Portfolio Manager.

The terms and expressions not herein defined shall, where the interpretation and meaning have been assigned to them in terms of the SEBI Act, 1992 or the relevant regulations framed thereunder, Depositories Act, 1996, the Companies Act, 1956 and the General Clauses Act, 1897, have that interpretation and meaning.

3. Description

(i) History, Present Business and Background of the Portfolio Manager

Canara Robeco Asset Management Company Limited ("CRAMC") is a company incorporated on 2nd March, 1993 under the Companies Act, 1956 and having its Registered Office at 4th Floor,

Construction House, 5, Walchand Hirachand Marg, Ballard Estate, Mumbai 400 001 (CIN - U65990MH1993PLC071003).

CRAMC was originally incorporated as Canbank Investment Management Services Ltd. under the Companies Act, 1956 on 2nd March, 1993 to manage the assets of Canbank Mutual Fund. Pursuant to the joint venture entered between Canara Bank and Robeco Groep N. V. on 26.09.2007, Robeco India Holding B. V. (100% subsidiary of Robeco Groep N.V) acquired 49% stake in CRAMC, while Canara Bank retained the remaining 51%. Consequently, the AMC was renamed as Canara Robeco Asset Management Company Ltd.

In 2013, ORIX Corporation, Japan acquired 90.01% shares of Robeco from Rabobank. Subsequently during October 2016, Orix Corporation acquired the balance 9.99% shareholding from Rabobank, thereby becoming the 100% shareholder of Robeco Groep N.V.

CRAMC holds Certificate of Registration No.PM/INP00003740 dated 5th July, 2016 issued under SEBI (Portfolio Managers) Regulations, 1993 to act as a Portfolio Manager and the certificate of registration is valid till 27th June, 2019. In addition to acting as a Portfolio Manager, CRAMC is also acting as Asset Management Company to Canara Robeco Mutual Fund under an Investment Management Agreement dated 16th June, 1993. Canara Robeco Mutual Fund is registered with SEBI as a Mutual Fund under SEBI (Mutual Funds) Regulations, 1996 vide Registration No.MF-004/93/4 dated 19th October, 1993.

Presently, CRAMC is managing all the schemes of Canara Robeco Mutual Fund.

Further, CRAMC is also acting as the Sub-Investment Manager to Canbank (Offshore) Mutual Fund.

SEBI has issued No objection to CRAMC vide its letter dated June 29, 2011 for carrying offshore advisory services as a separate business activity. Currently, under offshore advisory business activity, CRAMC acts as Sub-advisor to Robeco Hong Kong Ltd and for its clients

(ii) Promoters of the Portfolio Manager, Directors And their Background

Promoters/Sponsors

Canara Robeco Asset Management Limited is a joint venture between Canara Bank and Robeco Groep N.V., Netherlands.

Canara Bank: Canara Bank, having its Head Office at 112 J C Road, Bangalore 560 002 is a leading Public Sector Bank in India. Canara Bank was established in July 1906 in Karnataka, and was nationalised in 1969. Canara Bank has a presence of over 5847 branches across the country, 7 overseas branches, 1 representative office at Sharjah and 1 joint venture in Moscow with State Bank of India and serves over 5.55 million clients through its network.

Robeco India Holding B.V. (100% subsidiary of Robeco Asia Holding B.V. being 100% subsidiary of Robeco Groep N.V.): Robeco Groep N.V., having its Corporate Office at Weena 850, 3014 DA Rotterdam, The Netherlands was established in 1929 and is a leading asset management company providing asset management products and solutions to institutional and private clients worldwide. The company has a strong presence in the US, Europe and Asia and a developing presence in key emerging markets such as India and Latin America.

In 2013, ORIX Corporation, Japan acquired 90.01% shares of Robeco from Rabobank. Subsequently during October 2016, Orix Corporation acquired the balance 9.99% shareholding from Rabobank, thereby becoming the 100% shareholder of Robeco Groep N.V. Robeco is the center of asset-management expertise for ORIX Corporation in Europe. .

Robeco Groep made a net profit of Euro 237 Million in the calendar year 2016.

The share holding pattern of Canara Robeco Asset Management Company Ltd as on date is as under:

Canara Bank – 51%

Robeco India Holding B. V. – 49%

Directors of Portfolio Manager

Name	Age/Qualification	Brief Experience
Mr. Rakesh Sharma (Associate Director)	57/ B.Com, M.A. (Economics), CAIIB	Mr. Rakesh Sharma is presently the Managing Director & CEO in Canara Bank. He has over 34 years of rich and multi-dimensional banking experience with expertise in wholesale Banking, Asset Liability Management, Loan Syndication, Trade Finance etc. Before Joining Canara Bank, Mr. Sharma was associated as Managing Director & CEO with Lakshmi Vilas Bank Limited and as Chief General Manager with State Bank of India.
Mr. Masaaki Kawano	56/ Graduated from Department of Law, Kwansei Gakuin University, Hyogo, Japan	Mr. Kawano is presently the Executive Officer at Orix Corporation inter-alia responsible for Business Development, Group Compliance, Legal and External Relations Department, Corporate Communications and Robeco Group. He also is a member of the Supervisory Board of Robeco Institutional Asset Management B. V. He has an extensive experience of 30 years in various functional areas such as Leasing, Marketing, Finance & Treasury, Project and Business Development, Alternative Investments, Legal and Compliance. During his career, he has held various senior level positions as the Deputy Managing Director & C.F.O., ORIX Leasing Malaysia Berhad, Kuala Lumpur, Managing Director- Project and Business Development Dept, Tokyo, Deputy Managing Director - ORIX Aviation Systems Limited, Dublin, Director - Lombard ORIX Leasing Limited, London etc.
Mr. B Mahesh Kumar Singh(Associate Director)	57/M.Sc{Agri}, CAIIB, Gold medal in Agricultural Economics	Mr. B Mahesh Kumar Singh is presently the General Manager with Canara Bank. He has a rich and multi-dimensional banking experience with exposure in General Banking,

		Retail/Corporate Banking and International operations in various capacities; Presently working in Head Office in the capacity of General Manager heading Marketing and Retail Resources wing with functional responsibilities encompassing Retail Resources, Publicity, Marketing and Associate Party Products.
Mr. Shital Kumar Jain (Independent Director)	76/ MBA, Indiana University, U.S. A. Dean's List	Mr. Jain is a Director on the Board of R. S. Software India Ltd. & PNB Housing Finance Ltd. Mr. Jain has 31 years of experience in Citi Bank wherein he had worked in six countries of Asia and North America.
Mr. S. Venkatachalam (Independent Director)	71/ B.Com, CA	Mr. S. Venkatachalam was associated with A F Ferguson & Co., Chartered Accountants as a Senior Consultant before joining Citigroup as Assistant Manager in Citibank NA India in 1974. During his 30 year career with Citigroup & Citibank NA India, he has worked in various capacities before retiring as Sr. Vice President in 2005. As Sr. Vice President, he, has served as the Head of Compliance, Tax, Regulatory & Legal issues responsible for all regulatory & compliance matters of Citigroup & Citibank NA India. Post retirement, he acted as an advisor to Fullerton India Credit Corporation Ltd., Mumbai. He is a Director on the Boards of Oracle Financial Services Software Ltd, Equifax Credit Information Services Pvt. Ltd & Sam Foundation of Eco Friendly Environment Chennai Pvt. Ltd.
Mr. . V. Kannan	61/ B.Sc (Hons), P.G. Diploma in Business Administration, CAIIB	Mr. V Kannan has an extensive experience of 40 years as a Banker in the Public Sector category from his association with Bank of India, Bank of Maharashtra, Oriental Bank of Commerce and Vijaya Bank. During his association with Bank of Maharashtra he has headed various verticals such as Integrated treasury and international Division, Commercial and Corporate credit, Priority Sector lending and Credit Monitoring and rehabilitation. As Executive Director of Oriental bank of Commerce he was supervising the lending, investment and accounts (balance sheet) activities. In the capacity of the Chairman and Managing Director of Vijaya Bank he was responsible for overall development and control of the Bank.

(iii) Group companies/firms of the Portfolio Manager in India on turnover basis

1. Canara Bank
2. Canara Bank Securities Ltd.
3. Canbank Computer Services Ltd.
4. Canfin Homes Ltd.
5. Canbank Factors Ltd.
6. Canbank Venture Capital Fund Ltd.
7. Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited
8. ORIX Auto Infrastructure Services Limited
9. Kerala Gramin Bank
10. ORIX Corporation

(The above Group companies in India are based on turnover; however, they are not listed as per turnover.) The entities listed between point no. 8 and 10 are the entities wherein, Orix Corporation, Japan holds more than 10% share holding. Orix Corporation, Japan is an ultimate holding company of Robeco Groep B. V (100% subsidiary of Robeco Groep N.V)

(iv) Details of services being offered by the Portfolio Manager:**Advisory services:**

The Portfolio Manager will provide advisory services, which shall be in the nature of investment advisory, which includes the responsibility of advising on the portfolio strategy and investment / divestment of individual securities in the Client's Portfolio in terms of the Agreement and within overall risk profile. In such case, the Portfolio Manager does not make any investment on behalf of the Client.

The Portfolio Manager shall be solely acting as an advisor in respect of Portfolio of the Client and shall not be responsible for the investment / divestment of securities and / or administrative activities of the Client's Portfolio.

Discretionary Services

Under these services, the Portfolio Manager will exercise sole and absolute discretion as to investment and/ or management of the portfolio of securities or the funds of the clients in terms of the PMS Agreement executed with each Client. The securities invested / disinvested by the Portfolio Manager for Client in the same Portfolio may differ from Client to Client. The decision of Portfolio Manager (with due care and in good faith) in deployment of the Clients' Portfolio is absolute and final and cannot be called in question or be open to review at any time during the currency of the agreement or any time thereafter except on the ground of fraud, conflict of interest or gross negligence.

Non Discretionary Services

Under these services, the Portfolio Manager executes transactions in securities as per the discretion and instructions of the Client and in terms of the PMS Agreement. The Portfolio Manager's role is

limited to providing research, investment advice and trade execution facility to the Client. The Portfolio Manager shall execute orders as per the mandate received from Client.

4. Penalties, Pending Litigations or Proceedings etc.

- A. *All cases of penalties imposed by SEBI or the directions issued by SEBI under the SEBI Act, 1992 or Rules or Regulations made there under:*

By an Order dated 13th January, 2000, SEBI ordered adjudication for violation of Regulation 29(2) and 29(4) of SEBI (Mutual Funds) Regulations, 1996, pertaining to nondisclosure of certain information in the Abridged Offer Document of Canpep-93 Scheme. By order dated 10th November, 2000, the Adjudicating Officer levied a penalty of Rs.3 lacs which was upheld in appeal by the Securities Appellate Tribunal. In compliance thereof, CRAMC paid the penalty of Rs.3 lacs on 3rd May, 2001.

Save and except the above, neither SEBI nor any other Regulatory body has awarded any penalty under SEBI Act or Regulations and there is no enquiry or adjudication proceeding/s, that are in progress against the Sponsor/promoter or any company associated with the Sponsor in any capacity including the Board of Trustees of Canara Robeco Mutual Fund or CRAMC, any of the Directors or key personnel of CRAMC under the SEBI Act or any other Regulations. In addition, no penalties have been awarded for any economic offences and violation of securities laws.

- B. *The nature of penalty / direction:*

As described above.

- C. *Penalties imposed for any economic offence and/or for violation of any securities laws:*

There are no penalties imposed on the Portfolio Manager for any economic offence and / or for violation of any securities laws.

- D. *Any pending material litigation/legal proceedings against the portfolio manager /key personnel with separate disclosure regarding pending criminal cases, if any:*

The Following case was filed against the CRAMC:

- Suit No.3485/97 has been filed by Shrenik K. Jhaveri, Stock Broker before Mumbai High Court for a total claim of Rs.60,41,79,981/- together with further interest @ 24% p.a. in respect of certain payments/shares alleged to be due to him from Canbank Mutual Fund on account of the transactions entered by him with the Fund prior to formation of AMC;

The above case has been filed in respect of the claims purported to be due from Canbank Mutual Fund. Therefore, the possibility of CRAMC suffering a decree is remote.

- E. *Any deficiency in the systems and operations of the portfolio manager observed by SEBI or any regulatory agency:*

There has been no deficiency in the systems and operations of the Portfolio Manager observed by SEBI or any regulatory agency.

- F. *Any enquiry/adjudication proceedings initiated by SEBI against the portfolio manager or its directors, principal officer or employee or any person directly or indirectly connected with the portfolio manager or its directors, principal officer or employee, under the SEBI Act, 1992 or Rules or Regulations made there under:*

There is no enquiry/ adjudication proceedings initiated by SEBI against the Portfolio Manager or its directors, principal officer or employee or any person directly or indirectly connected with the Portfolio Manager or its directors, principal officer or employees, under the Act or Rules or Regulations made thereunder.

The above information has been disclosed in good faith as per the information available to the Portfolio Manager.

5. **Services Offered**

- (i) The Portfolio Manager offers the following services under its Portfolio Management Services:

- ✓ Advisory services
- ✓ Discretionary portfolio services
- ✓ Non-discretionary portfolio services

As on date the portfolio manager is not offering any specific portfolios under its discretionary portfolio services. However, the Portfolio Manager under its Discretionary Portfolio Management Services intends to design the portfolios with different investment objectives and policies to cater to the requirements of Clients. The Portfolio Manager shall deploy the Securities and/ or funds of the Client in accordance with the investment objectives stated in the respective Portfolio selected by the Client.

- (ii) The Client's funds may be invested in equity, debt, money market instruments and such other securities which will, inter-alia, include:

- ✓ Equity & Equity Related Instruments:
 1. Equity and Equity related instruments including convertible bonds, convertible debentures, warrants, convertible preference shares, etc.
 2. Equity linked instruments
 3. Equity Derivatives including Futures and Options
- ✓ Debt & Money Market Instruments:
 1. Certificate of Deposits (CDs)
 2. Fixed Deposits with Banks
 3. Commercial Papers (CPs)
 4. Treasury Bills (T-Bills)
 5. Collateralised Borrowing and Lending Obligations (CBLO)
 6. Government Securities
 7. Non Convertible Debentures as well as bonds or securities issued by companies / institutions promoted / owned by the Central or State Governments and statutory bodies
 8. Floating rate debt instruments
 9. Repo (Repurchase Agreement) or Reverse Repo

10. Securitised Debt including Asset Backed Securities (ABS) or Mortgage Backed Securities (MBS)
 11. Pass Through Certificate (PTC)
 12. Bills Rediscounting
 13. Negotiable instruments
 14. Debt derivative instruments including Interest Rate Swaps and Forward Rate Agreement
- ✓ Units of Schemes of mutual funds registered with SEBI including schemes of Canara Robeco Mutual Fund.
- ✓ The portfolio manager may lend the securities through an approved intermediary, for interest.

(iii) Minimum Investment Amount

The Client shall deposit with the Portfolio Manager, an initial corpus consisting of Securities and /or funds of an amount prescribed by Portfolio Manager for a specific Portfolio, subject to minimum amount as specified under SEBI Regulations, as amended from time to time. The Client may on one or more occasion(s) or on a continual basis, make further placement of Securities and / or funds under the service.

(iv) Policy for investment in Associates/ Group Companies of the Portfolio Manager:

Portfolio Manager will, before investing in the securities of its associate / group companies, evaluate such investments, the criteria for the evaluation being the same as is applied to other similar investments to be made under the Client's Portfolio. The investments in associate / group companies at the time of investments may be upto 100% of Client's Portfolio. The investments in securities of the associate / group companies including in Schemes of Canara Robeco Mutual Fund would be within the overall framework of Regulations and in terms of PMS Agreement executed with the Client.

(v) Transactions with Associates/ Group Companies

The Portfolio manager may conduct its business with associate companies/ group companies on commercial terms and on arms length basis and to the extent permissible under the regulations. The Portfolio Manager may also utilise the services of Associate Companies/ Group Companies for activities like Depository Participant (DP/ Security broking / distribution, etc. relating to Portfolio Management Services on commercial terms and on arms length basis and to the extent permissible under the regulations.

6. Risk Factors:

- A. Securities investments are subject to market risk and there is no assurance or guarantee that the objectives of the PMS products/clients will be achieved.
- B. No services have been offered till date, there is no past performance of the portfolio manager.
- C. Investment decisions made by the Portfolio Manager may not always be profitable.

- D. Prospective investors should review / study this Disclosure Document carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial / investment matters and are advised to consult their own professional advisor(s) as to the legal, tax, financial or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (sale or conversion into money) of Portfolio and to the treatment of income (if any), capitalisation, capital gains, any distribution, and other tax consequences relevant to their portfolio, acquisition, holding, capitalisation, disposal (sale, transfer or conversion into money) of portfolio within their jurisdiction of nationality, residence, incorporation, domicile etc. or under the laws of any jurisdiction to which they or any managed funds to be used to purchase/gift portfolio of securities are subject, and also to determine possible legal, tax, financial or other consequences of subscribing / gifting, purchasing or holding portfolio of securities before making an investment.
- E. The tax benefits described in this Disclosure Document 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 Portfolio Manager regarding the law and practice in force in India and the investors 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 Portfolio will endure indefinitely. In view of the individual nature of tax consequences, each investor is advised to consult his/ her own professional tax advisor.
- F. The investments made are subject to external risks such as War, natural calamities, policy changes of Local / International Markets which affects stock markets.
- G. Any policy change / technology change / obsolescence of technology would affect the investments made in a particular industry.
- H. The Portfolio Manager is neither responsible nor liable for any losses resulting from the operations of the Portfolios.
- I. The Portfolio Manager does not offer any guarantee / assured returns.
- J. Risk arising from the investment objective, investment strategy and asset allocation are as follows:
- i. Risk associated with Equity and Equity Related Securities:**
- ✓ Equity and equity related securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made in the portfolio may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the Portfolio Manager to make intended securities purchases, due to settlement problems, could cause the portfolio to miss certain investment opportunities. Similarly, the inability to sell securities held in the portfolio would result at times, in potential losses to the client, should there be a subsequent decline in the value of securities held in the portfolio. Also, the value of the portfolio investments may be affected by interest rates, currency exchange rates, changes in law / policies of the government, taxation laws and political, economic or other developments which may have an adverse bearing on individual Securities, a specific sector or all sectors.

- ✓ Investments in equity and equity related securities involve a degree of risk and the clients should not invest in the equity portfolio unless they can afford to take the risk of losing their investment.
- ✓ Securities which are not quoted on the stock exchanges are inherently illiquid in nature and carry a larger liquidity risk in comparison with securities that are listed on the exchanges or offer other exit options to the investors, including put options. The portfolio manager may choose to invest in unlisted securities that offer attractive yields within the regulatory limit. This may however increase the risk of the portfolio. Additionally, the liquidity and valuation of the portfolio due to its holdings of unlisted securities may be affected if they have to be sold prior to the target date of disinvestment.

ii. **Risk associated with Fixed Income and Money Market Securities:**

Interest - Rate Risk: Fixed income securities such as government bonds, corporate bonds, and money market instruments and derivatives run price-risk or interest-rate risk. Generally, when interest rates rise, prices of existing fixed income securities fall and when interest rates drop, such prices increase. The extent of fall or rise in the prices depends upon the coupon and maturity of the security. It also depends upon the yield level at which the security is being traded.

Re - investment Risk: Investments in fixed income securities carry re-investment risk as interest rates prevailing on the coupon payment or maturity dates may differ from the original coupon of the bond.

Basis Risk: The underlying benchmark of a floating rate security or a swap might become less active or may cease to exist and thus may not be able to capture the exact interest rate movements, leading to loss of value of the portfolio.

Spread Risk: In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. In the life of the security this spread may move adversely leading to loss in value of the portfolio. The yield of the underlying benchmark might not change, but the spread of the security over the underlying benchmark might increase leading to loss in value of the security.

Liquidity Risk: 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.

Credit Risk: This is the risk associated with the issuer of a debenture / bond or a money market instrument defaulting on coupon payments or in paying back the principal amount on maturity. Even when there is no default, the price of a security may change with expected changes in the credit rating of the issuer. It is to be noted here that a Government Security is a sovereign security and is the safest. Corporate bonds carry a higher amount of credit risk than Government securities. Within corporate bonds also there are different levels of safety and a bond rated higher by a particular rating agency is safer than a bond rated lower by the same rating agency.

Liquidity Risk on account of unlisted securities: The liquidity and valuation of the portfolio investments due to their holdings of unlisted securities may be affected if they have to be sold prior to their target date of divestment. The unlisted security can go down in value before the divestment date and selling of these securities before the divestment date can lead to losses in the portfolio.

Settlement Risk: Fixed income securities run the risk of settlement which can adversely affect the ability of the Portfolio Manager to swiftly execute trading strategies which can lead to adverse movements in value of the portfolio.

iii. Risks associated with Investing in Securitised Debt:

The Portfolio Manager may invest in domestic securitized debt such as Asset Backed Securities (ABS) or Mortgage Backed Securities (MBS). ABS are securitized debts where the underlying assets are receivables arising from various loans including automobile loans, personal loans, loans against consumer durables, etc. MBS are securitized debts where the underlying assets are receivables arising from loans backed by mortgage of residential / commercial properties.

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

1. Auto Loans (cars / commercial vehicles / two wheelers)
2. Residential Mortgages or Housing Loans
3. Consumer Durable Loans
4. Personal Loans
5. Corporate Loans

In terms of specific risks attached to securitization, each asset class would have different underlying risks. Residential Mortgages generally have lower default rates than other asset classes, but repossession becomes difficult. On the other hand, repossession and subsequent recovery of commercial vehicles and other auto assets is fairly easier and better compared to mortgages. Asset classes like personal loans, credit card receivables are unsecured and in an economic downturn may witness higher default. A corporate loan receivable, depends upon the nature of the underlying security for the loan or the nature of the receivable and the risks correspondingly fluctuate.

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 Securitised 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.

iv. Risks associated with Investing in Derivatives:

The use of derivative requires an understanding not only of the underlying instrument but of the derivative itself. Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the client. Execution of such strategies depends upon the ability of the Portfolio Manager to identify such opportunities. Identification and execution of the strategies to be pursued by the Portfolio Manager involve uncertainty and decision of Portfolio Manager may not always be profitable. No assurance can be given that the Portfolio Manager will be able to identify or execute such strategies. 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 price of interest rate movements correctly. 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. Other risks include settlement risk, risk of mispricing or improper valuation and the inability of the derivative to correlate perfectly with underlying assets, rates and indices, illiquidity risk whereby the Portfolio Manager may not be able to sell or purchase derivative quickly enough at a fair price.

v. Risks associated with Securities Lending:

As with other modes of extensions of credit, there are risks inherent to 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 entered into between the lender of securities i.e. the Portfolio Manager and the approved intermediary. Such failure can result in the possible loss of rights to 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 Portfolio Manager may not be able to sell such lent securities and this can lead to temporary illiquidity.

vi. Risks associated with investments in Mutual Funds:

The Portfolio Manager may invest in schemes of Mutual Funds. Hence scheme specific risk factors of each such underlying scheme will be applicable to the portfolios.

In case of investments in Mutual Fund units, the Client shall bear the recurring expenses of the Portfolio Management Services in addition to the expenses of the underlying mutual fund schemes. Hence, the Client may receive lower pre-tax returns compared to what he may receive had he invested directly in the underlying mutual fund schemes in the same proportions.

vii. Structured Products / Capital Protection Portfolios:

The Portfolio Manager may invest in securities linked to index(s) and/ or undertaking stocks and this could result in negligible returns or no returns over the entire tenor or part thereof of the Portfolio. Further, at any time during the tenor of the Portfolio, value of the Portfolio may be substantially less than the actual value of the Portfolio at the end of tenor. Further, the Portfolio and the return and/ or maturity proceeds of the Portfolio thereon, are not guaranteed or insured

in any manner by any entity. In case of occurrence of any event caused by a Force Majeure, the Portfolio may be liquidated at a date much before the tenor of the Portfolio at a fair value.

- K. The investment according to investment objective of a Portfolio may result in concentration of investments in a specific security / sector/ issuer, which may expose the Portfolio to risk arising out of non diversification. Further, the portfolio with investment objective to invest in a specific sector / industry would be exposed to risk associated with such sector / industry and its performance will be dependent on performance of such sector / industry.
- L. The arrangement of pooling of funds from various Clients and investing them in Securities could be construed as an 'Association of Persons' (AOP) in India under the provisions of the Income-tax Act, 1961 and taxed accordingly.
- M. After accepting the corpus for management, the Portfolio Manager may not get an opportunity to deploy the same or there may be delay in deployment. In such situation the Clients may suffer opportunity loss.
- N. The Portfolio Manager has not offered Portfolio Management Services in the past. However, the Portfolio Manager has fund management experience as Investment Manager to Canara Robeco Mutual Fund.

7. Client Representation:

The Portfolio Manager is yet to commence PMS activity. Hence, no representation is made under this section.

8. Financial Performance of the Portfolio Manager:

Based on the audited financial statements, the financial performance of the Portfolio Manager, acting in its capacity as the Investment Manager to the Schemes of Canara Robeco Mutual Fund, is as follows:

Particulars	(Rs In Thousands)		
	Financial Year Ended March 31, 2016	Financial Year Ended March 31, 2015	Financial Year Ended March 31, 2014
Total Income	843,469.07	6,96,062.85	6,17,992.98
Profit/(Loss) Before Tax	184,959.73	2,24,504.66	1,09,253.62
Profit/(Loss) After Tax	151,975.61	1,94,184.53	98,053.04
Net Worth	1,265,595.86	11,76,252.38	9,82,067.85
Earning Per Share (Rs.)	3.05	3.90	1.97
Dividend	49,854.36	NIL	NIL
Paid up equity share capital	4,98,543.57	4,98,543.57	4,98,543.57

9. Portfolio Management Performance of the Portfolio Manager:

The Portfolio Manager has been granted Registration Certificate No. PM/INP00003740 on 05th July, 2016. As on date the portfolio manager is not offering any specific portfolios under its discretionary

portfolio services or non-discretionary services to any of its client. So performance of portfolio manager is not capable of being indicated as on date.

10. Nature of Expenses:

The following are the broad types of costs and expenses chargeable to Clients availing the Portfolio Management Services. The exact quantum of the fees / expenses relating to each of the services shall be annexed to the Agreement executed between the Client and the Portfolio Manager. The expenses charged may vary from Client to Client. The expenses incurred shall be directly debited on actual expenses incurred basis to the Client's Portfolio as and when the same becomes due for payment.

a. Portfolio Management Fees:

The fees relate to portfolio management services offered to the Clients. The fees may be in the form of a percentage of the assets under management or linked to portfolio returns achieved or a combination of both.

b. Upfront Fee / Withdrawal Fee:

The Portfolio Manager may also charge upfront (entry) fee at the time of subscription and premature exit fees / withdrawal fees at time of redemption of the portfolio by Client.

c. Other Expenses:

Apart from Portfolio Management Fees, the following are the general costs and expenses to be borne by the Client availing the Portfolio Management Services of the Portfolio Manager on actual basis.

(i) Custodian / Depository fees:

The charges relate to opening and operation of depository accounts, custody and transfer charges for securities, dematerialization and rematerialization and other charges in connection with the operation and management of the depository accounts.

(ii) Registrar and transfer agent fees:

Charges payable to registrars and transfer agents in connection with transfer of securities including stamp charges, cost of affidavits, notary charges, postage stamp and courier charges and other related charges .

Similarly, charges payable to registrars and transfer agents in connection with services such as collection of applications together with payments from clients, redemption of investments, maintenance of client accounts, preparation & mailing statements of accounts and other client reports, responding to enquiries made by clients etc.,

(iii) Brokerage and transaction costs:

The brokerage charges and other charges like service tax, stamp duty, transaction costs including bank charges, turnover tax, securities transaction tax or any other tax levied by statutory authorities on the purchase and sale of securities and entry or exit loads (if any) on units of Mutual Funds.

- (iv) **Securities lending related expenses:**
The charges pertaining to lending of securities and costs associated with transfers of securities connected with the lending operations would be recovered.
- (v) **Certification and professional charges:**
Charges payable for out sourced professional services like accounting, auditing, taxation and legal services etc. for documentation, notarizations, certifications, attestations required by bankers or regulatory authorities including legal fees etc would be recovered.
- (vi) **Services related expenses:**
Charges in connection with day to day operations like courier expenses, stamp duty, service tax, postal, telegraphic any other out of pocket expenses as may be incurred by the portfolio manager would be recovered.
- (vii) **Any other incidental and ancillary charges:**
All incidental and ancillary expenses not covered above but incurred by the Portfolio Manager on behalf of the Client for Portfolio Management and expenses incurred by the Portfolio Manager in terms of the Agreement shall be charged to the Client.

An indicative table of the charges that may be levied by the Portfolio Manager is given hereunder:

FEE STRUCTURE		
S. No	Nature of Fees	Fees %
1.	Upfront Fee	2.00 % of the Initial Corpus
2.	Fixed Management Fee <u>Assets Under Management</u> Rs.10 lacs to < Rs.100 lacs Rs.100 lacs to < Rs.500 lacs Rs.500 lacs & Above	<u>Per Annum</u> 2.00 % 1.50 % 1.00 % The above fee will be charged on the daily average market value of the Portfolio.
3.	Performance Based Management Fee	20% profit sharing on High Watermarking Basis (see below for illustration)
4.	Custodian Fees	<u>Per Annum</u> 0.25% of the daily average market value of the Assets
5.	Depository Charges	As applicable
6.	Exit Load Exit between 0 months – 12 months Exit after 12 months	2.00 % on the amount of withdrawal Nil
7.	Registrar & Transfer Fees	As applicable
8.	Service Tax, Security Transaction Tax & other Statutory levies	As applicable
9.	Brokerage	As applicable
10.	Out of pocket & other incidental expenses	At actuals

The above stated fee and the charges will be debited to the Client's Portfolio on a quarterly basis.

The actual fees charged by the Portfolio Manager for each Client shall be determined separately and the fees may vary from Client to Client. Further, the fees chargeable for new portfolios introduced by the Portfolio Manager from time to time shall be given separately. Service tax and statutory levies would be levied separately as per the prevailing rates from time to time.

Illustration on Fees & Charges

The computation given below is for illustrative purposes only

Assumption of the Portfolio Manager for illustration:

- A. Size of sample portfolio : Rs.100 lacs
- B. Period : One Year
- C. Hurdle Rate : 10% of the amount invested
- D. Brokerage/ DP Charges/ Custodian/ R&T Charges: Weighted average of such charges (as a percentage of assets under management) levied in the past year/ in case of new portfolio - indicative charges as a percentage of assets under management (e.g. 2%)
- E. Upfront Fee (e.g. 2%)
- F. Management Fee (e.g. 2%)
- G. Performance Fee (e.g. 20% of profits over hurdle rate)
- H. Exit Fee (0% upto 12 months)
- I. Service Tax, Security Transaction Tax & other Statutory levies (e.g. 0.5%)
- J. The frequency of calculating all fees is annual.

Charges on Portfolio performance: Gain of 20%

Nature of Fees	Amount in Rs.	Amount in Rs.
Capital Contribution	100,00,000.00	
Less: Upfront Fees	2,00,000.00	
Assets under management (AUM)	98,00,000.00	
Add: Profits on investment during the year @20% on AUM	19,60,000.00	
Gross value of the portfolio at the end of the year		1,17,60,000.00
Less: Brokerage/ DP Charges/ Custodian/ R&T Charges (e.g.2% of 98,00,000)	1,96,000.00	
Less: Management Fee (e.g.2% of 98,00,000)	1,96,000.00	
Less: Performance Fee (e.g.20% of 9,80,000)	1,96,000.00	
Less: Exit Fees	0.00	
Less: Service Tax, Security Transaction Tax & other Statutory levies (e.g. 0.5% of 98,00,000)	49,000.00	
Total charges during the year		6,37,000.00
Net Value of the portfolio at the end of the year		1,11,23,000.00
% of change over capital contributed		11.23%

Calculation of Performance Fee for the above:

S.No	Nature of Fees	Amount in Rs.
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1.	Profit for the year	19,60,000.00
2.	Less : Minimum profit level (Hurdle Rate@10% on Rs.98,00,000.00)	9,80,000.00
3.	Amount on which Profit Sharing Fees to be calculated (1 - 2)	9,80,000.00
4.	Performance Fee (@20% of C)	1,96,000

Charges on Portfolio performance: Loss of 20%

Nature of Fees	Amount in Rs.	Amount in Rs.
Capital Contribution	100,00,000.00	
Less: Upfront Fees	2,00,000.00	
Assets under management (AUM)	98,00,000.00	
Less : Loss on investment during the year @20% on AUM	19,60,000.00	
Gross value of the portfolio at the end of the year		78,40,000.00
Less: Brokerage/ DP Charges/ Custodian Charges (e.g.2% of 98,00,000)	1,96,000.00	
Less: Management Fee (e.g.2% of 98,00,000)	1,96,000.00	
Less: Performance Fee, if any	0.00	
Less: Exit Fees	0.00	
Less: Service Tax, Security Transaction Tax & other Statutory levies (e.g.0.5% of 98,00,000)	49,000.00	
Total charges during the year		4,41,000.00
Net Value of the portfolio at the end of the year		73,99,000.00
% of change over capital contributed		(24.5%)

Charges on Portfolio performance : No Change

Nature of Fees	Amount in Rs.	Amount in Rs.
Capital Contribution	100,00,000.00	
Less: Upfront Fees	2,00,000.00	
Assets under management (AUM)	98,00,000.00	
Add : Profit/Loss on investment during the year @0% on AUM	0.00	
Gross value of the portfolio at the end of the year		98,00,000.00
Less: Brokerage/ DP Charges/ Custodian Charges (e.g.2% of 98,00,000)	1,96,000.00	
Less: Management Fee (e.g.2% of 98,00,000)	1,96,000.00	
Less: Performance Fee, if any	0.00	
Less: Exit Fees	0.00	
Less: Service Tax, Security Transaction Tax & other Statutory levies (e.g.0.5% of 98,00,000)	49,000.00	
Total charges during the year		4,41,000.00
Net Value of the portfolio at the end of the year		93,59,000.00
% of change over capital contributed		(4.5%)

11. TAXATION:

The following tax implications are broad implications. They may differ taking into account the specific facts of each individual case. Furthermore, the tax rates and provisions are based on the law prevailing as

at the date of this document and also incorporating the amendments made by The Finance (No. 2) Act, 2015.

The clients are accordingly advised to utilise the services of a professional consultant in determining their exact tax implications.

Tax Implications

Income arising from purchase and sale of securities under Portfolio Management Services can give rise to business income or capital gains in the hands of the Client. The issue of characterization of income is relevant as the tax computation and rates differ in either of the two situations.

The said issue is essentially a question of fact and depends on whether the shares are held as business/trading assets or on capital account. Based on judicial decisions, the following factors need to be considered while determining the nature of assets as above:

- Motive for the purchase of securities.
- Frequency of transactions.
- Length of period of holding of the securities.
- Treatment of the securities and profit or loss on their sale in the accounts of the assesee and disclosure in notes thereto.
- Source of funds out of which the securities were acquired – borrowed or own.
- Existence of an objects clause permitting trading in securities - relevant only in the case of corporates.
- Circumstances responsible for the sale of securities.
- Acquisition of the securities – from primary market or secondary market.
- Infrastructure and set – up employed for undertaking the securities transactions by the client.

Any single factor discussed above in isolation cannot be conclusive to determine the exact nature of the shares. All factors and principles need to be construed harmoniously.

Investors may refer to CBDT instruction no. 1827 dated August 31, 1989 read with CBDT Circular no. 4 dated June 15, 2007 for further guidance on the matter.

In the following paragraphs, we have considered the broad implications under the Income Tax Act, 1961 (“IT Act”) arising in the hands of the Clients (resident as well as the non-resident) under both the scenarios, viz:

- Securities in the Portfolio held as business asset; and
- Securities in the Portfolio held on capital account.

Any security held by a Foreign Portfolio Investor (“FPI”), invested in accordance with the regulations under the SEBI Act, 1992, will be classified as a capital asset under section 2(14) of the Income-tax Act.

Securities Transaction Tax (“STT”)

STT is applicable on certain specified transactions (on the stock exchange or redemption of equity oriented units), which are tabulated below:

Sr. No.	Nature of Transaction	Transaction on stock exchange	Rate of STT	'Value' on which STT is payable
1	Delivery based purchase/ sale transaction in equity shares or units of business trust ¹	Yes	Both buyer & seller to pay 0.1%	Price at which shares or units are purchased / sold
2	Delivery based purchase transaction in units of equity oriented fund	Yes	NIL	Not Applicable
3	Delivery based sale transaction in units of equity oriented fund	Yes	Seller to pay 0.001%	Price at which units are sold
4.	Sale of units of an equity oriented fund to the mutual fund	No	Seller to pay 0.001%	Price at which units are sold
5.	Non-delivery based transaction in equity shares / units of 'equity oriented fund'/ units of business trust Error! Bookmark not defined.	Yes	Seller to pay 0.025 %	Price at which shares / units are sold
6.	Derivatives: Futures	Yes	Seller to pay 0.01%	<i>Futures:</i> Price at which futures are traded
7	Derivatives: Options	Yes	Where Option is not exercised - Seller to pay 0.05%	Payable on Option Premium
			Where Option is exercised – Buyer to pay 0.125%	Payable on Settlement Price
8	Sale of unlisted equity shares under an offer for sale to the public included in an initial public offer and subsequently listed on a recognized stock exchange		Seller to pay 0.2%	Price at which shares are sold
9	Sale of unlisted units of a business trust Error! Bookmark not defined. under an initial public offer (with effect from 1 June 2015 – amended by the Finance Act, 2015)		Seller to pay 0.2%	Price at which the units are sold

The above STT is payable, irrespective of whether the securities are characterized as business assets or as capital assets.

A. Treatment of Dividend from Companies and Mutual funds

- i. Any dividend income from a domestic company, on which dividend distribution tax (DDT) has been paid under section 115-O of the IT Act, on distributed profits, is exempt from tax under section 10(34) of the IT Act. However, the domestic company is subject to DDT at the rate of

¹ Business Trust is defined as a trust registered as an Infrastructure Investment Trust or a Real Estate Investment Trust, the units of which are required to be listed on a recognized stock exchange, in accordance with the regulations made under the Securities and Exchange Board of India Act, 1992 and notified by the Central Government in this behalf.

20.358²% (inclusive of surcharge @ 12% and education cess @ 3%) on the dividend declared, distributed or paid by it.

Further, the IT Act, *inter alia*, provides that for the purpose of computing DDT, a company distributing a dividend to its shareholders can reduce, from the amount of dividend being distributed, the amount of dividend received from its subsidiary during the same tax year, provided that where the subsidiary is a domestic company, the subsidiary has paid the DDT on such dividend distribution and that the same amount of dividend shall not be taken into account for reduction more than once.

- ii. Income (other than on transfer of units) from units of a mutual fund specified under section 10(23D) of the IT Act is exempt under section 10(35) of the IT Act. However, under section 115R of the IT Act, the mutual fund (except an equity oriented fund) distributing any income to its unit holders shall be liable to additional income tax as under:
 - a. In case of income distributed to a resident individual or Hindu Undivided Family at the rate of 38.45% (inclusive of surcharge @12% and education cess @ 3%)
 - b. In case income distributed to any other person except mentioned in (a) above, at the rate of 49.44% (inclusive of surcharge @12% and education cess @ 3%)
 - c. In case of an Infrastructure debt fund, income distributed to any non-resident or foreign company @ 6.07% (inclusive of surcharge @12% and education cess @ 3%)

B. Treatment of Interest on fixed income securities

Interest income received by any taxpayer is taxable at the normal tax rates applicable to the investor (refer paragraph E for the tax rates) except with respect to certain interest income arising to non-residents. These exceptions are discussed below.

- i. As per section 115AD of the IT Act, interest received by an FII/ FPI³ in respect of coupon bearing securities (except securities referred to in point (ii) below) is chargeable to tax at the rate of 20% plus surcharge as applicable and education cess.
- ii. As per section 115AD of the IT Act, interest payable to a FII/ FPI on or after 1 June 2013 but before 1 July 2017 in respect of investments made in rupee denominated bonds of an Indian company (where the rate on such bond does not exceed 500 basis points over the applicable base rate of the State Bank of India) or in Government securities is chargeable to tax at the rate of 5% plus surcharge as applicable and education cess.
- iii. As per section 115E of the IT Act, interest received by NRI in respect of foreign exchange asset will be chargeable to tax at the rate of 20% plus education cess.

² Base rate of 15% has been considered (i.e. the rate prescribed under section 115-O of the Income-tax Act, 1961, instead of rate inclusive of surcharge and education cess) for the purpose of grossing up. However, one may argue that for the purpose of calculation of DDT, the rate should be grossed up which would be inclusive of surcharge and education cess (i.e. in this case, base rate would be considered as 17.304%).

³ SEBI has introduced the SEBI (Foreign Portfolio Investors) Regulations, 2014 (FPI Regulations) and merged FIIs, sub accounts and QFIs into a single category, referred to as Foreign Portfolio Investors (FPIs), with the objective of rationalizing investments made by FIIs and QFIs. Further, the Central Board of Direct Taxes (CBDT) has issued a notification stating that for the purpose of taxability under Indian tax laws, FPIs registered with SEBI are to be regarded as FIIs and be taxed accordingly.

- iv. As per section 115A of the IT Act, interest received by a non-resident from an infrastructure debt fund and interest received from long-term infrastructure bonds issued after 1 July 2012 but before 1 July 2017 as approved by the Central Government, will be chargeable to tax at the rate of 5% plus surcharge as applicable and education cess.
- v. As per section 115A of the IT Act, interest payable to a Qualified Foreign Investor on or after 1 June 2013 but before 1 July 2017 in respect of investments made in rupee denominated bonds of an Indian company (where the rate on such bond does not exceed 500 basis points over the applicable base rate of the State Bank of India) or in Government securities is chargeable to tax at the rate of 5% plus surcharge as applicable and education cess.

(A) Tax Implications where securities are business assets

II. Profits and Gains of Business or Profession

The following are the various income streams that can arise from securities held in the Portfolio:

- Gains on sale of securities;
- Dividend income on shares / Income-distribution on units; and
- Interest income on debt securities.

If the securities in the Portfolio are regarded as a business/trading asset, then any gain / loss arising from sale of such securities would be taxed under the head "Profits and Gains of Business or Profession" under section 28 of the IT Act. The gain / loss is to be computed under the head "Profits and Gains of Business or Profession" after allowing normal business expenses (inclusive of the expenses incurred on transfer).

In terms of section 14A of the IT Act, the Assessing Officer has been given the power to make disallowances of expenses relating to earning exempt income. However, expenses for earning exempt income will not be allowed to the investors. In March 2008, Central Board of Direct Taxes (CBDT) inserted Rule 8D in the income tax rules laying down the formula for computing the disallowance of expenses incurred in relation to earning of exempt income.

Interest income arising on securities may be categorized as 'Business Income' or 'Income from Other Sources'. Any expenses incurred to earn such interest (such as interest expense) would be available as deduction.

As per the provisions of section 2(42A) of the Act, securities (other than units) listed on a recognized stock exchange or a unit of an equity oriented fund or Zero Coupon Bonds held by the investor as a capital asset, is considered to be a short-term capital asset, if these are held for 12 months or less from the date of acquisition by the unit holder. Accordingly, if such assets are held for a period of more than 12 months, they are treated as a long-term capital assets.

Further, securities other than those listed on recognized stock exchange and mutual fund units (other than equity oriented funds) are classified as short term capital asset where they are held for a period of up to 36 months. Accordingly, if such securities/ units are held for a period of more than 36 months, they are treated as a long-term capital asset.

STT paid on securities held on business account is allowable deduction in computing business income.

The rates at which business income is chargeable to tax are given in para (a) below.

a) Rates applicable to different categories of assesses

Assessee	% of Income Tax
Individuals, HUF	Applicable Slab Rates (See below)
Partnership Firms & Indian Corporates	30%
Foreign Company	40%

The slab rates applicable to individuals are as under:

Slabs	% of Income Tax
Upto Rs. 2.5 lacs	Nil
From Rs. 2.5 lacs to Rs. 5 lacs	10%
From Rs. 5 lacs to Rs. 10 lacs	20%
Above Rs. 10 lacs	30%

Basic exemption limit for resident senior citizens of 60 years but below 80 years of age is Rs. 3 lacs and for resident senior citizens of 80 years of age or more is Rs. 5 lacs.

Further, a tax rebate of up to Rs 5,000 per annum from the amount of income-tax would be available for resident individuals with total income uptoRs 500,000 per annum

b) The income tax rates specified above and elsewhere in this Disclosure Document are exclusive of the applicable surcharge & cess.

The applicable rates for surcharge as amended by the Finance Act, 2015 are given below:

Assessee	% of Income Tax
All persons, other than company, including Individual (including proprietorships), HUF, Firms, LLP's	
if income is up to10 million	NIL
if income exceeds 10 million	12%
Indian Corporates	1.1.1
if income is up to Rs. 10 million	NIL
if income exceeds Rs. 10 million but up to 100 million	7%
if income exceeds Rs. 100 million	12%
Foreign Company	1.1.2
if income is up to Rs. 10 million	NIL
if income exceeds Rs. 10 million but up to 100 million	2%
if income exceeds Rs. 100 million	5%

Additionally, education cess is leviable @ 3% on the income tax and surcharge (if applicable) as computed above.

III. Losses under the head Profits and Gains of Business or Profession

In the case of loss under the head 'Profits and Gains of Business or Profession' (other than speculative loss), it can be set off against the income from any other source under the same head or income under any other head (except certain exceptions) in the same assessment year. If such loss cannot be set off against any other head in the same assessment year, then it will be carried forward and shall be set off against the profits and gains of the business (other than speculative loss), within the period of 8 subsequent assessment years.

In case the loss is in the nature of speculation loss, set-off would be available in the same assessment year only against speculation gain. In terms of Explanation to section 73, in case of a company, other than a company whose gross total income consists mainly of income which is chargeable under the heads "Interest on securities", "Income from house property", "Capital gains and "Income from other sources", or a company the principal business of which is the business of trading in shares or banking or the granting of loans and advances, loss on sale of shares forming part of the business of the company (even if delivery based) is considered as speculation loss. Such loss can be carried forward for set-off against speculative gains within a period of 4 subsequent assessment years. Where the principal business of any company is trading in shares, such business of purchase and sale of shares would not be regarded as a speculation business and accordingly, loss arising from such business will not be treated as speculation loss.

The IT Act has been amended to exclude derivatives transactions traded on a stock exchange from being treated as a speculative transaction. The gain/loss from derivatives transaction would be treated as Income from Business.

(B) Tax Implications where securities are Capital Assets

The following are the various income streams that can arise from Securities forming part of the Portfolio:

- Gains on sale of Securities;
- Dividend income on shares / Income-distribution on units; and
- Interest income on debt Securities.

Dividend on shares (referred to in section 115-O of the Act) and income distributed by Mutual Funds continue to be exempt under the IT Act. In terms of section 14A of the IT Act, the Assessing Officer has the power to disallow any expenses relating to income not includible in total income. However, expenses for earning exempt income will not be allowed to the investors. Rule 8D of the Income Tax Rules prescribe the formula for computing such disallowed amount of expenditure.

Interest income arising on securities would be categorized as 'Income from Other Sources'. Any expenses incurred wholly and exclusively for the earning of such income (such as interest expense) would be available as deduction.

As per the provisions of section 2(42A) of the Act, securities (other than units) listed on a recognized stock exchange or a unit of an equity oriented fund or Zero Coupon Bonds held by the investor as a capital asset, is considered to be a short-term capital asset, if these are held for 12 months or less from the date of acquisition by the unit holder. Accordingly, if such assets are held for a period of more than 12 months, they are treated as long-term capital assets.

Further, securities other than those listed on recognized stock exchange and mutual fund units (other than equity oriented funds) are classified as short term capital asset where they are held for a period of up to 36 months. Accordingly, if such securities/ units are held for a period of more than 36 months, they are treated as a long-term capital asset.

The mode of computation of capital gains would be as follows:

Sale Consideration	xxx
Less: Expenses on Transfer (Note 2)	(xx)
Net Consideration	xxx
Less: Cost of Acquisition (Note 1)	(xxx)
Capital Gains (Note 3)	xxx

Note 1: In case of the computation of long-term capital gains, option of indexation of cost is available on all Securities (other than bonds and debentures). Indexation benefits are generally not available to non-residents from transfer of shares or debentures of an Indian company.

Note 2: This would include only expenses relating to transfer of securities such as brokerage, stamp duty, etc. Normal business expenses would not be allowable. Further, STT is not allowable as a deduction in computing taxable capital gains.

Note 3: In case of non-residents (other than FIPs), capital gains from sale of shares or debentures acquired in foreign currency, will be computed in foreign exchange by converting the sale consideration, cost of acquisition & expenses on transfer into foreign currency at the rates (Average of Telegraphic transfer buying and selling rates prevailing on the date of purchase / sale, as the case may be) and re-converting such gains into Indian currency (at Telegraphic transfer buying rate on date of transfer).

The provisions of the Act, in relation to taxation of long term and short-term capital gains are provided in the following paragraphs.

Long Term Capital Gains

Long-term capital gains are taxable in the hands of different categories of assesses as under:

(i) Resident Individuals (including proprietorships) / HUF / Partnership firms & Indian companies

Long-term capital gains arising on transfer of equity shares or units of an equity-oriented fund on which STT is paid, are exempt from tax under Section 10 (38) of the Act.

Long term capital gains arising from transfer of equity shares / unit of an equity oriented mutual fund on a stock exchange would be taken into account in computing the book profit and tax payable by a company as per the Minimum Alternate Tax provisions (section 115 JB of the Act).

Under the provisions of Section 112 of the Act, long-term capital gains (other than those exempt as above) are subject to tax @ 20% (plus applicable surcharge and cess as mentioned above), with indexation benefit. The tax payable could alternatively be determined @ 10% (plus applicable surcharge and cess as mentioned above) without indexation. Such an option is available only in case of Long-term capital gains arising on sale of listed securities (other than units) or zero coupon bonds.

(ii) Non-resident Indians

Long-term capital gains arising on transfer of equity shares or units of an equity-oriented fund on which STT is paid, are exempt from tax under Section 10 (38) of the Act.

Non-resident Indians are permitted to be governed by the general provisions of the Act (same as above except for indexation) or the special provisions contained in section 115E of the Act.

Under the special provisions of section 115E of the IT Act for non-resident Indians, income by way of long-term capital gains in respect of specified assets purchased in foreign currency as defined under section 115C (which includes shares, debentures, deposits in an Indian Company and security issued by central govt.) is chargeable at the rate of 10% (plus applicable surcharge and cess as mentioned above)

The benefit of indexation is not available to non-resident Indians, claiming taxability under section 115E of the Act.

Under the general provisions Section 112 of the IT Act, long term capital gains in case of listed securities (other than equity oriented fund) will be chargeable under at a rate of 20% (plus applicable surcharge and cess as mentioned above) with applicable foreign exchange fluctuation benefit or indexation, as the case may be. The tax payable could alternatively be determined at 10% (plus applicable surcharge and education cess as mentioned above) without indexation.

Further, long-term capital gains arising out of the transfer of unlisted securities shall be subject to tax at the rate of 10% (plus applicable surcharge and cess as mentioned above) without giving effect to indexation and foreign exchange fluctuation benefit.

The above mentioned rates would be subject to applicable treaty relief as mentioned below

(iii) Deductions from Long-term Capital Gains

	Section 54 EC	Section 54 F	Section 115 F
Assessee	Any person	Individuals / HUF	Non-Resident Indian
Sale of which security	Any	Any (not being residential house)	Specified Securities
Asset to be purchased -to claim exemption	Specified Bonds of NHAI and REC notified by the Central Government in the official gazette (investment cap of Rs. Fifty lacs during a financial year in which asset is transferred and in the subsequent financial year)	A residential house property	Specified Securities
Time-limit for purchase from the date of sale of MF units	6 months	Purchase: 1 year back / 2 years forward & Construction: 3 years forward	6 months
Amount Exempt	Investment in the new asset or capital gain whichever is lower	Capital Gains proportionate to the investment made from sale proceeds	Capital Gains proportionate to the investment made from sale proceeds
Lock-in Period	3 years	3 years	3 years

Short term Capital Gains

1. Under Section 111A of the IT Act, income from Short term Capital Gains arising from transfer of equity shares in a company or a unit of equity oriented fund (on which STT is paid) are taxable @ 15 % (plus applicable surcharge and cess as mentioned above).
2. The tax rates applicable to different categories of assesses on Short term Capital Gains (other than those referred above) would be the normal rates as mentioned above) except for FPIs who would be taxable on short term capital gains @ 30% plus applicable surcharge and cess as mentioned above) under Section 115AD of the IT Act.
3. Foreign Portfolio Investors

Hitherto, foreign portfolio investors were making investments in India under the provisions of the SEBI Foreign Institutional Investors "FII" Regulations. Vide circular dated 7 June 2012, SEBI – the capital market regulator, sought to widen the stream of foreign portfolio investors by introducing the concept of Qualified Foreign Investors "QFI" to make investments in India. On 7 January 2014, the SEBI issued the SEBI (Foreign Portfolio Investors) Regulations 2014 "FPI Regulations", effective from 1 June 2014. Through these regulations, the SEBI seeks to harmonise FIIs, sub accounts and QFIs into a single investor class with a view to ensure uniform guidelines and provide a single window registration for different categories of foreign investors. The Central Government has since also notified that the tax regime prevailing for erstwhile FII will apply to FPI as well.

FPI has been defined as a person not resident in India and not a Non Resident Indian. FPI should be a resident of a country whose securities market regulator is a signatory to the International Organisation of Securities Commission (IOSCO) Multilateral Memorandum of Understanding or Bilateral Memorandum of Understanding.

Tax on FPIs

Capital gains arising to an FPI will be taxable as under:

- Long-term capital gains arising on transfer of equity shares or units of an equity-oriented fund on which STT is paid, are exempt from tax under Section 10 (38) of the IT Act;
 - Long-term capital gains (other than those exempt as above) arising to an FPI from transfer of securities, shall be taxable at the rate of 10% (plus applicable surcharge and cess as mentioned above). Such capital gains would be computed without giving effect of indexation and foreign currency conversion;
 - Short-term capital gains arising to an FPI on transfer of equity shares or units of an equity oriented fund on which STT is paid, shall be taxable at the rate of 15% (plus applicable surcharge and cess as mentioned above);
 - Short term capital gains on which STT is not paid, arising to a FPI from transfer of securities, shall be taxable at the rate of 30% (plus applicable surcharge and cess as mentioned above);
 - Any income arising to an FPI by way of holding of securities would be taxable at the rate of 20% (plus applicable surcharge and cess as mentioned above).
4. **Capital Loss:** Losses under the head 'Capital Gains' cannot be set off against income under any other head. Further, within the head 'Capital Gains', long-term capital losses cannot be adjusted against short-term capital gains. However, short-term capital losses can be adjusted against any capital gains.

Unabsorbed long-term capital loss can be carried forward and set off against the long-term capital gains arising in subsequent eight assessment years.

Unabsorbed short-term capital loss can be carried forward and set off against the income under the head Capital Gains in subsequent eight assessment years.

Other relevant provisions

5. Tax neutrality on merger of similar schemes of Mutual Fund

The Finance Act, 2015 has amended to provide that the consolidation/ merger of two or more schemes of an equity oriented fund or two or more schemes of a fund other than an equity oriented fund, in accordance with the process of consolidation of mutual fund schemes under the SEBI (Mutual Fund) Regulations, 1996, shall be tax neutral to the investors. Thus, such consolidation/ merger will not result in transfer and will not be liable to capital gains.

It has been amended to provide that the cost of acquisition of the units of the consolidated scheme shall be the cost of units in the consolidating scheme and the period of holding of the units of the consolidated scheme shall include the period for which the units were held in the consolidating schemes.

6. Alternate Minimum Tax (“AMT”)

All unit holders (other than companies) are subject to tax under AMT at the rate of 18.5 percent on the adjusted total income. In a situation where the income-tax computed as per normal provisions of the Act is less than the AMT on “adjusted total income”, the unit holder shall be liable to pay tax as per AMT. “Adjusted total income” for this purpose is the total income before giving effect to the following deductions:

- claim, if any, under section C, - ‘Deduction in respect of certain incomes’ of chapter VI-A (other than section 80P);
- claim, if any, under section 10AA; and
- claim, if any, under section 35AD (in respect of capital expenditure) as reduced by the amount of depreciation allowable in accordance with the provision of section 32 as if no deduction under section 35AD was allowed in respect of the assets on which the deduction under that section is claimed.

AMT will not apply to an Individual, HUF, AOP, BOI or an Artificial Juridical Person if the adjusted total income of such person does not exceed INR 20 lakhs. Further, credit of AMT is allowed to be carried forward to ten subsequent years and set off in the year(s) where regular income tax exceeds the AMT. Further, credit of AMT paid in a given year can be claimed in any subsequent year even if the adjusted total income does not exceed INR 20 lakhs or where no deduction has been claimed under chapter VI-A or section 10AA or section 35AD of the Act.

7. Taxability of non-residents investors

In case of non-resident unit holder who is a resident of a country with which India has signed a Double Taxation Avoidance Agreement (“DTAA” or “tax treaty”) (which is in force) income tax is payable at the rates provided in the Act, as discussed above, or the rates provided in the such tax treaty, if any, whichever is more beneficial to such non-resident unit holder.

For non-residents claiming such tax treaty benefits, the Act mandates the obtaining, from the home country tax authority, a tax residency certificate ('TRC') and form 10F in the prescribed format.

8. Minimum Alternate Tax ("MAT") applicability to FPI's

The Finance Act, 2015 has amended the MAT provisions to exclude from its chargeability, the income arising to foreign companies by way of capital gains from transactions in securities and interest chargeable to tax at the rates specified in chapter XII. Thus, the profit corresponding to such income shall be reduced from the book profit and the expenditures, if any, debited to the profit & loss account corresponding to such income, shall be added back to the book profit while computing MAT.

9. General Anti Avoidance Rules (GAAR)

As per the Finance Act, 2015, the implementation of GAAR has been deferred to apply from the financial year 2017-18. Further, the provisions have also been amended to protect the investments made up to 31 March 2017 from the applicability of GAAR.

GAAR empowers the tax authorities to treat any transaction or arrangement entered into for the primary purpose of tax avoidance as an impermissible avoidance arrangement. The GAAR provisions seek to confer on the tax officer extensive powers, to disregard/ combine/ recharacterise transactions/ persons in situations where there is a tax avoidance motive or where such motive is presumed to exist in law.

10. Taxability of Capital Gains

In the context of taxation of capital gains, the definitions of "capital asset" and "transfer" are widened with retro-effect from 1 April 1962 specifically with a view to tax, in the hands of non-residents, gains from direct or indirect transfer of assets in India;

Special Provisions relating to Avoidance of Tax

Dividend Stripping

Under section 94(7) of the Act, loss arising on sale of securities or units, which are bought within three months of the record date and sold within nine months 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 Securities / Units.

Record date means the date as may be fixed by—

- (i) a company for the purposes of entitlement of the holder of the securities to receive dividend; or
- (ii) a Mutual Fund or the Administrator of the specified undertaking or the specified company as referred to in the Explanation to clause (35) of section 10, for the purposes of entitlement of the holder of the units to receive income, or additional unit without any consideration, as the case may be.

Bonus Stripping

Under section 94(8) of the Act, for units purchased within a period of three months prior to the record date of entitlement of bonus and sold within a period of nine months after this date the loss arising on the transfer of the original units (while continuing to hold the additional bonus units) shall be ignored for the purpose of computing the income chargeable to tax.

The amount of loss so ignored shall be deemed to be the cost of purchase / acquisition of the additional units as are held by the Assessee on the date of such sale or transfer.

Default in providing the Permanent Account Number ('PAN')

Section 206AA of the Act inserted by the Finance (No.2) Act, 2009, effective from 1 April, 2010, states that the deductee is required to provide his PAN to the deductor failing which the deductor shall deduct tax at source at the higher of the following rates:

1. The rate prescribed in the Act;
2. The rate in force; or
3. The rate of 20%.

(A) Wealth Tax

Units held under the scheme of the Mutual Fund are not treated as assets within the meaning of section 2(ea) of the Wealth-tax Act, 1957 and are, therefore, not liable to Wealth Tax.

(B) Gift Tax

The Gift -tax Act, 1958 has been repealed since 1 October, 1998. A gift of Mutual Fund units would be subject to income tax in the hands of the donee. Under section 56(2)(vii), receipts of shares and securities, the fair market value of which exceeds fifty thousand rupees, without consideration or without adequate consideration are taxable as income in the hands of individuals / HUFs.

Furthermore the above provision of section 56(2)(vii) shall not apply to any shares and securities received by the donee:

- (a) From any relative; or
- (b) On the occasion of the marriage of the individual; or
- (c) Under a will or by way of inheritance; or
- (d) In contemplation of the death of the payer or donor, as the case may be; or
- (e) From any local authority as defined in the Explanation to clause (20) of section 10 of the Act; or
- (f) From any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (23C) of section 10 of the Act; or
- (g) From any trust or institution registered under section 12AA of the Act.

The definition of 'relative' has been amended vide the Finance Act, 2012, with retrospective effect from October 1, 2009.

The term 'relative' shall mean:

A] In the case of an Individual -

- (i) The spouse of the individual
- (ii) The brother or sister of the individual
- (iii) The brother or sister of the spouse of the individual
- (iv) The brother or sister of either of the parents of the individual
- (v) Any lineal ascendant or descendant of the individual
- (vi) Any lineal ascendant or descendant of the spouse of the individual
- (vii) The spouse of the person referred to in clauses (ii) to (vi), and

B] In the case of a HUF, any member thereof.

Advance tax obligations

It will be the responsibility of the Client to meet the advance tax obligation installments payable on the due dates specified under the Income-tax laws.

(C) Notes:

- i. The tax incidence to investors could vary materially based on the characterization of income (i.e. capital gains versus business profits) accruing to them.
- ii. Tax rates in India may change from time to time. Any changes may adversely affect the taxation of the Investors.
- iii. In view of the particularized nature of tax consequences, each investor is advised to consult its own tax advisor with respect to the specific tax consequences of investing in securities.
- iv. The provisions of the proposed Direct Tax Code Bill, 2013, have not been considered in the above tax overview.
- v. General Anti Avoidance Rules ('GAAR') may be invoked by the Indian income-tax authorities if arrangement(s) are found to be impermissible avoidance arrangements. As per the amendment by the Finance Act, 2013, the GAAR provisions will come into effect from the financial year commencing 1 April, 2015.

12. Accounting Policies

- A. The Portfolio Manager shall maintain a separate Portfolio record in the name of the Client in its book for accounting the assets of the Client and any receipt, income in connection therewith as provided under SEBI (Portfolio Managers) Regulations, 1993.
- B. For every Client Portfolio, the Portfolio Manager shall keep and maintain proper books of accounts, records and documents, for the Client, on mercantile system of accounting, so as to explain its transactions and to disclose at any point of time the financial position of the Client's Portfolio and Financial Statements and in particular give a true and fair view of the state of affairs.
- C. Following Accounting Policies are proposed to be followed for the purpose of maintaining books of accounts & records of the Client.
 1. Investments are stated at cost of acquisition by the Portfolio Manager.
 2. Dividend income earned shall be recognized, not on the date the dividend is declared, but on the date the share is quoted on an ex-dividend basis. For investments, which are not quoted on a stock exchange, dividend income shall be recognized on the date of receipt.
 3. In respect of all interest-bearing investments, income shall be accrued on a day-to-day basis as it is earned. Therefore, when such investments are purchased, interest paid for the period from the last interest due date upto the date of purchase shall not be treated as a cost of purchase but shall be debited to Interest Recoverable Account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale shall not be treated as an addition to sale value but shall be credited to Interest Recoverable Account.
 4. In determining the holding cost of investments and the gains or loss on sale of investments, the First-in-First-out (FIFO) method shall be followed.

5. Transactions for purchase or sale of investments shall be recognized as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year is recorded and reflected in the financial statements for that year.
6. Bonus shares shall be recognized only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis.
7. Rights entitlement shall be recognized only when the original shares on which the rights entitlement accrues are traded on the stock exchange on an ex-rights basis.
8. The cost of investments acquired or purchased shall include brokerage, stamp duty and any charge customarily included in the broker's bought note.
9. In respect of privately placed debt instruments any front-end discount offered shall be reduced from the cost of the investment.
10. All other expenses payable by the Client shall be accrued as and when Liability is incurred.
11. Investments in listed equity and debt instruments will be valued at the closing market prices on the National Stock Exchange (NSE)/Bombay Stock Exchange (BSE)- (Principal Stock Exchange). If the securities are not traded on the NSE/BSE on the valuation day, the closing price of the security on the Bombay Stock Exchange/NSE will be used for valuation of securities as the case may be. In case of the securities are not traded on the valuation date, the last available traded price shall be used for the valuation of securities. Investments in units of Mutual Funds shall be valued at the Net Asset Value of the previous day declared for the relevant Scheme on the date of the report.
12. Open positions in derivative transactions, will be marked to market on the valuation day.
13. Private equity/Pre IPO placements will be valued at cost or at a last deal publicly available price at which company has placed shares to other investors till it is listed.
14. Unrealised gain/losses are the differences, between the current market value/ Net Asset Value and the historical cost of the securities.
15. Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction should be recorded, in the event of a purchase, as of the date on which the portfolio obtains an enforceable obligation to pay the price or, in the event of a sale, when the portfolio obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.
16. Securities brought in or withdrawn by the Client shall be valued at the closing price of the Security at NSE. If closing price on NSE is not available, BSE price would be considered.

The accounting policies and standards as outlined above are subject to changes made from time to time by Portfolio Manager. However such changes would be in conformity with the Regulations.

13. Investor Services

(i) Contact Information

Name, address and telephone number of the Investor Relation Officer who shall attend to the Investor queries and complaints:

Name : Mr. M Papparao
Address : Canara Robeco Asset Management Company Ltd.
Construction House, 4th Floor, 5, Walchand Hirachand Marg,
Ballard Estate, Mumbai 400 001

Telephone : 022 – 6658 5000
Fax : 022 – 6658 5012/13
Email : m.papparao@canararobeco.com

The officer mentioned above will ensure prompt investor services. The Portfolio Manager will ensure that this official is vested with necessary authority, independence and the means to handle investor complaints.

(ii) Grievance Redressal and Dispute Settlement Mechanism

The Portfolio Manager will endeavor to address all complaints regarding service deficiencies or causes for grievance, for whatever reason, in a reasonable manner and time. If the investor remains dissatisfied with the remedies offered or the action of the portfolio manager, the investor and the Portfolio Manager shall abide by the following mechanisms:-

All disputes, differences, claims and questions whatsoever arising between the Client and the Portfolio Manager and/or their respective representatives shall be settled in accordance with the provision of The Arbitration and Conciliation Act, 1996 or any statutory requirement, modification or re-enactment thereof for the time being in force. Such arbitration proceedings shall be held at Mumbai or such other place as the portfolio manager thinks fit.

DECLARATION BY CLIENT

Date:

Canara Robeco Asset Management Company Ltd.
Address: Construction House, 4th Floor,
5, Walchand Hirachand Marg,
Ballard Estate, Mumbai 400 001.
CIN - U65990MH1993PLC071003

Dear Sir,

Sub: Disclosure Document for the Portfolio Management Services of Canara Robeco Asset Management Company Ltd.

With reference to the above I/we confirm the receipt of the Disclosure Document dated _____ for the Portfolio Management Services of Canara Robeco Asset Management Company Ltd.

Thanking You,

Yours Truly,

Signature of Client:

Name & Address of Client:

.....
.....
.....
.....

CONTACT:

Canara Robeco Asset Management Company Ltd. (PMS division)

Construction House, 4th Floor, 5, Walchand Hirachand Marg,

Ballard Estate, Mumbai 400 001

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