

## STATEMENT OF ADDITIONAL INFORMATION (SAI)

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

This SAI is dated **21<sup>st</sup> June, 2013**

### *Interpretation:*

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

- All references to the masculine shall include the feminine and all references, to the singular shall include the plural and vice-versa.
- All references to "dollars" or "\$" refer to United States Dollars and "Rs" refer to Indian Rupees. A "crore" means "ten million" and a "lakh" means a "hundred thousand".
- All references to timings relate to Indian Standard Time (IST).
- References to a day are to a calendar day including non Business Day.

Please note that words and expressions used in the SAI will have the same meaning as have been assigned from time to time in the SID.

## **I. INFORMATION ABOUT SPONSOR, TRUSTEE COMPANY AND ASSET MANAGEMENT COMPANY (AMC)**

### **A. Constitution of the Mutual Fund**

Peerless Mutual Fund (the "Mutual Fund" OR "PMF") has been constituted as a trust on 4<sup>th</sup> August, 2009 in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) with The Peerless General Finance and Investment Company Limited (PGFI), as the Sponsor and Peerless Trust Management Company Limited as the Trustee to the Mutual Fund. The Deed of Trust has been registered under the Indian Registration Act, 1908. The Mutual Fund was registered with SEBI on 4<sup>th</sup> December, 2009 under Registration Code **MF/062/09/03**.

**The Registered Office of the Mutual Fund is:** 3<sup>rd</sup> Floor, Peerless Mansion, 1, Chowringhee Square, Kolkata –700 069.

### **B. Sponsor**

Peerless Mutual Fund is sponsored by The Peerless General Finance & Investment Company Limited ("PGFI"). The Sponsor is the Settler of the Mutual Fund Trust. The Sponsor has entrusted a sum of Rs. 1,00,000/- (Rs. One Lakh only) to Peerless Trust Management Company Ltd (the Trustee Company) as the initial contribution towards the corpus of the Mutual Fund.

### **Financial Performance of the Sponsor (Past 3 years) (Rs. In lakhs)**

<b>Particulars</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>
Networth		139,153.22	131,995.87
Total Income		33,142.77	43,108.97
Profit After Tax		10,889.38	13,017.73
Assets under Management (if applicable)		N.A.	N.A.

## **ABOUT THE PEERLESS GROUP**

The Peerless Group is a 80 year old group based in Kolkata. The Flagship Company, The Peerless General Finance & Investment Company Ltd., (PGFI) was set up in 1932. PGFI has stopped its erstwhile RNBC business and is now focussing on Financial Products Distribution (FPD) business. Apart from this, PGFI is also looking into future prospects in other probable avenues of business activities.

PGFI provides financial planning assistance to its investors by advising them on the most suitable scheme or suggesting an appropriate portfolio of schemes. PGFI also offers innovative schemes for cross-selling its financial products. Peerless by way of reciprocation of its customers benefits such as discounts on purchases from a number of establishments across the country. In fiscal 2006-07 to enlarge scope of its activities in the ever expanding financial market besides, perusing the existing line of business PGFI decided to set-up Financial Product Distribution of life and General Insurance Products and ended up with modest premium collections of Rs.25 crore in 2006-07, which have gone upto Rs. 1,200 crore (cumulative) during 2010-11. PGFI is now fully geared to embark on distribution of financial products other than insurance products as well.

The Peerless General Finance & Investment Co. Ltd., is having the following subsidiary companies:-

- Peerless Securities Limited
- Peerless Hospitex Hospital & Research Centre Limited
- Peerless Hotels Limited
- Peerless Developers Limited

Apart from the above subsidiary companies PGFI is having the following two Associate Companies:-

- Peerless Financial Services Ltd.
- Bengal Peerless Housing Development Co. Ltd.

The following are the locations where PGFI has its branches -

<b>Regional Office</b>	<b>Branches</b>	<b>States Covered</b>
Kolkata	42	West Bengal, Bihar, Orissa and Jharkhand
Guwahati	20	Parts of West Bengal and all NE States
New Delhi	29	Delhi, Jammu & Kashmir, Punjab, Haryana and Rajasthan, Uttar Pradesh, Uttarakhand, Chandigarh
Bangalore	8	Karnataka
Hyderabad	11	Andhra Pradesh
Chennai	15	Tamil Nadu, Kerala and Andaman & Nicobar
Mumbai	19	Maharashtra, Goa, Gujarat, Madhya Pradesh & Chattisgarh
<b>TOTAL</b>	<b>144</b>	

## **C. The Trustee**

Peerless Trust Management Company Ltd (the "Trustee" or "PTMCL"), through its Board of Directors, shall discharge its obligations as Trustee of the Peerless Mutual Fund. The Trustee

ensures that the transactions entered into by the AMC are in accordance with the SEBI (Mutual Funds) Regulations, 1996 and will also review the activities carried on by the AMC.

**I. Details of Trustee Directors:**

<b>Name</b>	<b>Age/Qualification</b>	<b>Brief Experience</b>
Mr. S.B. Ganguly Chairman	72 years, Graduate of Chemical Engineering, Fellow of Plastics & Rubber (London), Fellow of Institute of Chemical Engineers, Fellow of the Institute of Chemicals	More than 48 years of Corporate Experience. Former Chairman of Exide Industries Limited.
Mr. S.K. Roy #	68 years, B.Com	Managing Director of The Peerless General Finance & Investment Co. Ltd with more than 15 yrs experience in the Management of the Company.
Mr. Keki Elavia	68 years, Chartered Accountant	Former Partner of Kalyaniwalla & Mistry, Chartered Accountants.
Mr. Sunil Mitra	63 years	Mr. Sunil Mitra retired from the office of Revenue & Finance Secretary, Government of India after a successful 36 year career in the Indian Administrative Service (IAS). During his tenure in the Ministry of Finance, he led the Revenue teams in the formulation of the 2010 and 2011 Union Budgets and spearheaded several significant policy initiatives in public finance including a new disinvestment policy and taxation reforms.

# Associate Director

**II. Rights, obligations, responsibilities and duties of the Trustee under the deed of Trust and the Regulations.**

Pursuant to the Deed of Trust dated, 04<sup>th</sup> August 2009, constituting the Mutual Fund, and in terms of the SEBI (MF) Regulations, the rights, obligations, responsibilities and duties of the Trustee are as under:

1. To enter into Investment Management Agreement with the prior approval of SEBI.
2. To ensure that the Investment Management Agreement contains clauses as are mentioned in the Fourth Schedule of the Regulations and such other clauses as are necessary for the purpose of entrusting investment management of the Mutual Fund.

3. The Trustee shall have a right to obtain from the AMC such information as is considered necessary by the Trustee.
4. The Trustee shall ensure before the launch of any scheme that the AMC, has:
  - (a) Systems in place for its back office, dealing room and accounting;
  - (b) Appointed all key personnel including fund manager(s) for the scheme(s) and submitted their bio-data which shall contain the educational qualifications, past experience in the securities market with the Trustee, within 15 days of their appointment.
  - (c) Appointed auditors to audit its accounts
  - (d) Appointed a compliance officer who shall be responsible for monitoring the compliance of the SEBI Act, 1992, rules and Regulations, notifications, guidelines, instructions, etc., issued by the Board or the Central Government and for redressal of investors grievances
  - (e) Appointed registrars and laid down parameters for their supervision
  - (f) Prepared a compliance manual and designed internal control mechanisms including internal audit systems;
  - (g) Specified norms for empanelment of brokers and marketing agents
  - (h) Obtained, wherever required under the Regulations, prior in principle approval from the recognised stock exchange(s) where units are proposed to be listed.
5. The Trustee shall ensure that
  - (a) the AMC has been diligent in empanelling the brokers, in monitoring securities transactions with brokers and avoiding undue concentration of business with any broker.
  - (b) the AMC has not given any undue or unfair advantage to any associates or dealt with any of the associates of the AMC in any manner detrimental to interest of the unit holders.
  - (c) The transactions entered into by the AMC are in accordance with the Regulations and the scheme.
  - (d) AMC has been managing the Mutual Fund schemes independently of other activities and have taken adequate steps to ensure that the interest of investors of one scheme are not being compromised with those of any other scheme or of other activities of the AMC.
  - (e) The activities of the AMC are in accordance with the provisions of the Regulations.
  - (f) The transactions of the Mutual Fund are in accordance with the provisions of the Deed of Trust.
  - (g) There is no conflict of interest between the manner of deployment of its net worth by the AMC and the interest of the unit- holders.
  - (h) The investment of the Trust Fund and unit Capital of each scheme is made only in the permitted securities and within limits prescribed by the Deed of Trust, the Regulations, and the SID of the scheme concerned.
  - (i) The income due to be paid to the schemes is collected and properly accounted for and shall claim any repayment of tax and holding any income received in trust for the holders in accordance with the Deed of Trust and the Regulations.
  - (j) No change in the fundamental attributes of any scheme or the trust or fees and expenses payable or any other change which would modify the scheme and affects the interest of unit holders, shall be carried out unless,

- (i) A written communication about the proposed change is sent to each unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the Mutual Fund is situated; and
  - (ii) The unit holders are given an option for a period of 30 days to exit at the prevailing Net Asset Value without any exit load.
- 6. Where the Trustee has reason to believe that the conduct of business of the Mutual Fund is not in accordance with the Regulations and the scheme they shall forthwith take such remedial steps as are necessary by them and shall immediately inform the Board of the violation and the action taken by them.
- 7. Each Board of Director of the Trustee shall file the details of his transactions of dealing in securities with the Mutual Fund on a quarterly basis.
- 8. The Trustee shall be accountable for, and be the custodian of, the funds and property of the respective schemes and shall hold the same in trust for the benefit of the unit holders in accordance with the Regulations and the provisions of Deed of Trust.
- 9. The Trustee shall be responsible for the calculation of any income due to be paid to the Mutual Fund and also of any income received in the Mutual Fund for the holders of the units of any scheme in accordance with the Regulations and the Deed of Trust.
- 10. The Trustee shall obtain the consent of the unit holders
  - (a) Whenever required to do so by the Board in the interest of the unit holders or
  - (b) Whenever required to do so on the requisition made by three-fourths of the unit holders of any scheme or
  - (c) When the majority of the Trustee decide to wind up or prematurely redeem the units.
- 11. The Trustee shall:
  - (a) Periodically review the investor complaints received and the redressal of the same by the AMC.
  - (b) Call for the details of transactions in securities by the key personnel of the AMC in his own name or on behalf of the AMC and shall report to the Board, as and when required.
  - (c) Quarterly review all transactions carried out between the Mutual Fund, AMC and its associates.
  - (d) Quarterly review the networth of the AMC and in case of any shortfall, ensure that the asset management company make up for the shortfall.
  - (e) Periodically review all service contracts such as custody arrangements, transfer agency of the securities and satisfy itself that such contracts are executed in the interest of the unit holders.
  - (f) Abide by the Code of Conduct as specified in the Fifth Schedule.
  - (g) Be bound to make such disclosures to the unit holders as are essential in order to keep them informed about any information, which may have an adverse bearing on their investments.
- 12. The Trustee shall furnish to the Board on a half-yearly basis,
  - (a) A report on the activities of the Mutual Fund

- (b) A certificate stating that the Trustee has satisfied itself that there have been no instances of self-dealing or front running by any of the Director of the Trustee, directors and key personnel of the AMC.
  - (c) A certificate to the effect that the AMC has been managing the schemes independently of any other activities and in case any activities of the nature referred to in sub-regulation (2) of regulation 24 have been undertaken by the asset management company and has taken adequate steps to ensure that the interests of the unit holders are protected.
13. The independent Board of Directors of Trustee referred to in sub-regulation (5) of regulation 16 shall give their comments on the report received from the AMC regarding the investments by the Mutual Fund in the securities of group companies of the sponsor.
14. The Trustee, in carrying out its responsibilities under the Deed of Trust and the Regulations, shall maintain arm's length relationship with other companies, institutions or financial intermediaries or anybody corporate with which it is associated.
15. A Director of the Trustee shall not participate in the meetings of the Trustee or in any decision making process in respect of any investments for the Mutual Fund in which he may be interested.
16. The Trustee in discharge of its duties and in exercise of all discretionary powers, may engage, appoint, employ, retain or authorize the AMC to engage, appoint, employ or retain any solicitors, advocates, bankers, brokers, accountants, professional advisors and consultants as it may deem appropriate.
17. Trustee shall exercise due diligence as under :
- A. General Due Diligence:**
    - (i) The Trustee shall be discerning in the appointment of the directors on the Board of the AMC.
    - (ii) Trustee shall review the desirability or continuance of the AMC if substantial irregularities are observed in any of the schemes and shall not allow the AMC to float new schemes.
    - (iii) The Trustee shall ensure that the trust property is properly protected, held and administered by proper persons and by a proper number of such persons.
    - (iv) The Trustee shall ensure that all service providers are holding appropriate registrations from the Board or concerned regulatory authority.
    - (v) The Trustee shall arrange for test checks of service contracts.
    - (vi) The Trustee shall immediately report to the Board of any special developments in the Mutual Fund.
  - B. Specific due diligence:**
    - (i) Obtain internal audit reports at regular intervals from independent auditors appointed by the Trustee,
    - (ii) Obtain compliance certificates at regular intervals from the AMC,
    - (iii) Hold meeting of Trustee more frequently,

- (iv) Consider the reports of the independent auditor and compliance reports of AMC at the meetings of Trustee for appropriate action,
  - (v) Maintain records of the decisions of the Trustee at its meetings and of the minutes of the meetings,
  - (vi) Prescribe and adhere to a code of ethics by the Trustee, AMC and its personnel,
  - (vii) Communicate in writing to the AMC of the deficiencies and checking on the rectification of deficiencies.
18. The independent directors of the Trustee Company shall pay specific attention to the following:-
- (a) The Investment Management Agreement and the compensation paid under the agreement
  - (b) Service contracts with affiliates (whether the AMC has charged higher fees than outside contractors for the same services)
  - (c) Selection of the AMC's independent directors
  - (d) Securities transactions involving affiliates to the extent such transactions are permitted
  - (e) Selecting and nominating individuals to fill independent director's vacancies,
  - (f) Code of ethics must be designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions
  - (g) The reasonableness of fees paid to sponsors, AMC and any others for services provided
  - (h) Principal underwriting contracts and their renewals
  - (i) Any service contract with the associates of the AMC.

**Notwithstanding anything contained in the SEBI Regulations the Trustee shall not be held liable for the acts done in good faith and if adequate due diligence has been exercised by it.**

Amendments to the Deed of Trust shall not be carried out without the prior approval of SEBI and Unitholders' approval/consent as per the procedure/provisions laid down in the Regulations and the Deed of Trust would be obtained where it affects the interest of the Unitholders.

#### **19. Supervisory Role of the Trustee**

The supervisory role of Trustee will be discharged inter alia by reviewing the information and operations of the Mutual Fund based on the internal audit reports/compliance reports received on a periodical basis. The Compliance Officer has direct reporting line to the Board of Directors of the Trustee. The Board meeting of the Trustee shall be held at least once in every two calendar months and at least six such meetings shall be held in every year or at such frequency as may be prescribed under the Regulations. The Board Meeting of the Trustee has been held 3 times in the current financial year. Further, the quorum for a Board meeting of the Trustee shall not be constituted unless such number of independent directors as may be prescribed by SEBI from time to time, are present at the meeting.

Further the Audit Committee chaired by an independent director of the Trustee is responsible for:

- Review of the periodic financial statements of the Trustee and Mutual Fund including audit observations
- To review the internal audit systems and internal and statutory audit reports
- Recommending appointment of auditors

#### **Trustee – Fees and Expenses**

In accordance with the Deed of Trust constituting the Mutual Fund, the Trustee shall be entitled to receive a fee not exceeding 0.10% per annum of the average daily/weekly net assets of the Fund. In addition to the aforesaid remuneration, the Trustee shall be entitled for reimbursement of all costs, charges and expenses incurred in or about the administration and execution of the Fund. Such reimbursement from and out of the Trust Funds would always be to the extent permitted under the Regulations.

#### **D. Asset Management Company**

*Peerless Funds Management Company Limited (PFMCL) is a public limited company incorporated under the Companies Act, 1956 on 9<sup>th</sup> April, 2009, having its Registered Office at Peerless Mansion, 1, Chowringhee Square, Kolkata - 700 069.*

Peerless Funds Management Company Limited has been appointed as the Investment Manager of the Peerless Mutual Fund by the Trustee vide Investment Management Agreement (IMA) dated, 11<sup>th</sup> August 2009, and executed between the Trustee and the AMC.

#### **I. Details of AMC Directors:**



<b>Name</b>	<b>Age / Qualification</b>	<b>Brief Experience</b>
Mr. A.C. Chakrabortti Chairman#	83 years, B.Com., Fellow Member of Institute of Chartered Accountants of England & Wales, Fellow member of Institute of Chartered Accountants of India	Managing partner of Ernst and young has more than 42 yrs experienced in Accounts and Audit.
Mr. S.K. Mukerji	73 years, B.Com, Fellow of the Indian Institute of Banking and Finance, Fellow of the Institute of Chartered Secretaries and Administrators, London	Has vast experience as Senior Banker of more than 40 years in various capacities in State Bank of India.
Mr. S. Bhattacharyya	53 years, B.Sc.(Statistics), Loyola College, Chennai MBA from Indian Institute of Management, Ahmedabad	Has all-round experience in Fund Management for more than 25 yrs including as a CIO in HDFC Mutual Fund.
Mr. Partho S Datta	65 years, Chartered Accountant; AMP at Harvard Business School	More than 37 years of Experience in Corporate sector as Executive Director for Indal and Muruguppa Group
Mr. Jayanta Roy#	37 years, M.Com.(Calcutta University) MBA(Cardiff University, UK)	More than 5 yrs. Experience in distribution of Financial Products and strategy in PGFI
Mr. Akshay Gupta MD & CEO	39 years, BE (Electronics and Communication), MBA(Marketing & Finance)	CEO-Global Portfolio Advisors Pvt. Ltd Head-Sales and Distribution, Prudential ICICI AMC. Head of Capital Markets - ABN AMRO BANK, HSBC Bank

# Associate Director

## **II. Duties and Responsibilities of the AMC as specified in the Regulations**

1. The AMC shall take all reasonable steps and exercise due diligence to ensure that the investment of funds pertaining to any scheme is not contrary to the provisions of the SEBI Regulations and the Deed of Trust.
2. The AMC shall exercise due diligence and care in all its investment decisions as would be exercised by other persons engaged in the same business.
3. The AMC shall be responsible for the acts of commission or omission by its employees or the persons whose services have been procured by the AMC.
4. The AMC shall submit to the Trustee quarterly reports of each year on its activities and the compliance with the SEBI Regulations.
5. The Trustee at the request of the AMC may terminate the assignment of the AMC at any time, provided that such termination shall become effective only after the Trustee

- have accepted the termination of assignment and communicated their decision in writing to the AMC.
6. Notwithstanding anything contained in any contract or agreement or termination, the AMC or its directors or other officers shall not be absolved of liability to the Mutual Fund for their acts of commission or omission, while holding such position or office.
  7. The Chief Executive Officer (whatever his designation may be) of the AMC shall ensure that the Mutual Fund complies with all the provisions of the SEBI Regulations and the guidelines or circulars issued in relation thereto from time to time and that the investments made by the fund managers are in the interest of the unit holders and shall also be responsible for the overall risk management function of the Mutual Fund.
  8. The fund managers (whatever the designation may be) shall ensure that the funds of the schemes are invested to achieve the objectives of the scheme and in the interest of the unit holders.
  9. (a) The AMC shall not through any broker associated with the sponsor, purchase or sell securities, which is average of 5 per cent or more of the aggregate purchases and sale of securities made by the Mutual Fund in all its schemes. For this purpose, the aggregate purchase and sale of securities shall exclude sale and distribution of units issued by the Mutual Fund. The aforesaid limit of 5 percent shall apply for a block of any three months.  
  
(b) The AMC shall not purchase or sell securities through any broker [other than a broker referred to in Pt. 9(a) above which is average of 5 per cent or more of the aggregate purchases and sale of securities made by the Mutual Fund in all its schemes, unless the AMC has recorded in writing the justification for exceeding the limit of 5 per cent and reports of all such investments are sent to the Trustee on a quarterly basis. The aforesaid limit shall apply for a block of three months.
  10. The AMC shall not utilise the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities. However, the AMC may utilise such services if disclosure to that effect is made to the unit holders and the brokerage or commission paid is also disclosed in the half-yearly annual accounts of the Mutual Fund. Provided further that the Mutual Fund shall disclose at the time of declaring half yearly and yearly results:
    - (i) any underwriting obligations undertaken by the schemes of the Mutual Funds with respect to issue of securities associate companies,
    - (ii) devolvement, if any,
    - (iii) subscription by the schemes in the issues lead managed by associate companies,
    - (iv) subscription to any issue of equity or debt on private placement basis where the sponsor or its associate companies have acted as arranger or manager.

11. The AMC shall file with the Trustee the details of transactions in securities by the key personnel of the AMC in their own name or on behalf of the AMC and shall also report to the SEBI, as and when required by SEBI.
12. In case the AMC enters into any securities transactions with any of its associates a report to that effect shall be sent to the Trustee at its next meeting.
13. In case any company has invested more than 5 per cent of the net asset value of a scheme, the investment made by that scheme or by any other scheme of the Mutual Fund in that company or its subsidiaries shall be brought to the notice of the Trustee by the AMC and be disclosed in the half-yearly and annual accounts of the respective schemes with justification for such investment provided the latter investment has been made within one year of the date of the former investment calculated on either side.
14. The AMC shall file with the Trustee and the Board—
  - (a) detailed bio-data of all its directors along with their interest in other companies within fifteen days of their appointment
  - (b) any change in the interests of directors every six months
  - (c) a quarterly report to the Trustee giving details and adequate justification about the purchase and sale of the securities of the group companies of the sponsor or the AMC, as the case may be, by the Mutual Fund during the said quarter
15. Each director of the AMC shall file the details of his transactions of dealing in securities with the Trustee on a quarterly basis in accordance with guidelines issued by SEBI.
16. The AMC shall not appoint any person as key personnel who has been found guilty of any economic offence or involved in violation of securities laws.
17. The AMC shall calculate the value of net assets of each Scheme of the Mutual Fund and disclose to investors the basis of calculating the Purchase/Redemption Price per unit and Net Asset Value of the various schemes of the Mutual Fund in the appropriate SID or by such other means as may be specified by the Trustee and SEBI.
18. The AMC shall appoint registrars and share transfer agents who are registered with SEBI, provided if the work relating to the transfer of units is processed in-house, the charges at competitive market rates may be debited to the scheme and for rates higher than the competitive market rates, prior approval of the Trustee shall be obtained and reasons for charging higher rates shall be disclosed in the annual accounts.
19. The AMC shall
  - (1) not act as a trustee of any mutual fund
  - (2) not undertake any other business activities except activities in the nature of portfolio management services, management and advisory services to offshore funds, pension funds, provident funds, venture capital funds, management of insurance funds, financial consultancy and exchange of research on commercial basis if any of such activities are not in conflict with the activities of the Mutual Fund, provided that the AMC may itself or through its subsidiaries undertake such activities if it satisfies the Board that the key personnel of the AMC, the systems, back office, bank and securities accounts are segregated

activity-wise and there exist systems to prohibit access to inside information of various activities. Provided further that AMC shall meet capital adequacy requirements, if any, separately for each such activity and obtain separate approval, if necessary under the relevant regulations.

- (3) not invest in any of its schemes unless full disclosure of its intention to invest has been made in the SID, provided that an AMC shall not be entitled to charge any fees on its investment in that scheme.

20. The AMC shall abide by the Code of Conduct as specified in the Fifth Schedule to the Regulations.

### III. Information on Key Personnel of the Asset Management Company:

Employee	Designation/ Function	Age	Qualification	Total no. of yrs of Exp	Assignment held during last 10 years
Mr. Akshay Gupta	CEO & M .D.	39	BE(Electronics & Communication, MBA(Marketing & Finance)	16 yrs	CEO-Global Portfolio Advisors Pvt. Ltd ICICI Head-Sales and Distribution, Prudential ICICI AMC. Head of Capital Markets - ABN AMRO BANK HSBC Bank
Mr. Ganti N Murthy	Head - Fixed Income	46	B.SC.(H) MBA(Finance)	20 yrs	Senior Fund Manager-Fixed Income, SBI MF-Over 5 years Fund Manager-Fixed Income, DBS Cholamandalam Mutual Fund, Manager, Unit Trust of India.
Mr. Kaushik Dani	Head - Equity	41	B.Com, MBA (Finance)	18 yrs	Equity Fund Manager and PMS Head - K.R. Choksey Shares & Securities Pvt Ltd, Manager- Investments, Birla Sunlife, AMC, Assoc. Vice President – PMS, Sharekhan Senior Research Executive - SG Asia Securities (India) Pvt. Ltd
Mr. Vilas Solanki	Head - Operations &	40	B.Com. PG Diploma-	18 yrs	Vice president, Operations, ING Investment

	Customer Service		NIIT		Management (I) Pvt. Ltd. Manager, Operations, Zurich AMC Executive, Operations, GIC AMC
Mr. Malay Shah	Fund Manager – Peerless Liquid Fund	35	B.Com. MMS	12 yrs	As Dealer in Equity and Fixed Income in Derivium Capital & Sec Ltd.
Mr. S Grace Rabi	Head –Credit Quality, Research & Spl. Projects	49	B.com, MBA (Fin)	25 yrs	Has experience in investment debt in various capacities with PGFI, was last associated with Peerless Securities as President.
Mr S. Swaminathan	Financial Controller & and Company Secretary	43	B. Com (Hons.), ACS, AICWA, MBA (Fin)	19 yrs	As Company Secretary with Visa Power Limited, VISA Steel Limited and previously with IFB Group and INDAL.
Mr. Vishal J Thacker	Head- Risk, Strategy & Products	34	B.Com, CIMA Advanced Diploma in Management Accounting	9 yrs	Has over 9 years of experience primarily in mutual fund industry. Has expertise in various areas of accounts, performance management, business planning & strategy and Business process / project implementation, was last associated with ICICI Prudential Asset Management Co. Ltd.
Ms. Minakshi Sultania	Head- Compliance	29	B.Com, ACS, Certified FRM, Level III Candidate in CFA Program	7 yrs	Principal Officer and Company Secretary at Peerless Trust Management Co. Ltd. Assistant Company Secretary at Magma Fincorp Ltd.
Mr. Rahul Dedhia	Dealer- Fixed Income	28	B.E. (Elec.), MBA (Fin)	5 Yrs	As Dealer in Fixed Income in LKP Securities and Alka Securities.
Mr. Harsh Shah	Dealer - Equity	28	B.E. Telecom	7 yrs	As Dealer at K.R. Choksey Shares & Securities limited, as Institutional Dealer at Techno Shares & Stocks Limited and as Institutional Sales at A.K. Stockmart (A.K. Capital Group).
Mr. Vishal Jain	Senior Research Analyst	32	B. Com, ACA	7 yrs	As Equity research analyst at Stewart & Mackertich

					Wealth Management Ltd. & SKP Securities limited.
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THE INVESTMENT TEAM AND THE OPERATIONS TEAM OPERATES FROM MUMBAI AND ALL OTHER KEY PERSONNEL ARE BASED AT HEAD OFFICE IN KOLKATA.

#### **IV. Shareholding of the AMC**

Peerless Funds Management Co. Ltd. (PFMCL) is a subsidiary of PGFI

Shareholder	Type of holding	% Holding
The Peerless General Finance & Investment Co. Ltd(PGFI)	Equity	99.99
Individually	Equity	0.01

#### **V. Procedure and Recording of Investment Decisions**

All investment decisions, relating to the Schemes, will be undertaken by the AMC in accordance with the Regulations, the investment objectives specified in the SID and the Investment Manual of the AMC. All investment making decisions taken by the AMC in relation to the corpus of the Schemes will be recorded.

A detailed report will be made before taking any decision to invest in a company/issuer for the first time. Individual scrip wise reasons will be recorded by the fund manager at the time of placing individual orders. Performance of the Schemes will be periodically tabled before the boards of the AMC and the Trustee respectively. Performance of the Schemes vis-à-vis their respective benchmark indices will be periodically monitored by the boards of the Trustee and the AMC. Further, the boards of the Trustee and the AMC will also review the performance of the Schemes in the light of performance of the mutual fund industry.

The AMC has appointed an Investment Committee, which is headed by the Chairman of the AMC. The other members are two directors of the AMC, the MD & CEO, the Head - Fixed Income and the Head – Equity. The Committee would lay down the broad investment policy for the Schemes, review the policy and to review the portfolio and performance of the Schemes periodically. However, the day to day investment management decision will solely be of the fund manager of the respective Scheme.

All investment decisions shall be recorded in terms of SEBI Circular No. MFD/CIR/6/73/2000, dated July 27, 2000 as amended from time to time.

The Managing Director and Chief Executive Officer of the AMC shall inter-alia ensure that the investments made by the fund managers are in the interest of the Unit holders. The Fund Manager shall ensure that the funds of the Scheme(s) are invested in line with the investment objective of the Scheme(s) and in the interest of the Unit holders.

#### **E. Service providers**

##### **Custodian**

**HDFC Bank Ltd**

Custody & Depository Services,  
HDFC Bank House  
Senapati Bapat Marg, Lower Parel  
Mumbai - 400013  
SEBI REGISTRATION NO. IN /CUS/001

**Registrar and Transfer agent****Karvy Computershare Pvt. Ltd**

Unit : Peerless Mutual Fund  
Karvy Plaza, No. 8-2-596  
Street No. 1, Banjara Hills  
Hyderabad - 500 034.  
SEBI registration Number: INR000000221.

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

**Statutory Auditor of the Mutual Fund****M/s. S R Batliboi & Co**

Chartered Accountants  
6th Floor, Express Towers  
Nariman Point  
Mumbai- 400 021

**Fund Accountant****Deutsche Investor Services Private Limited**

4<sup>th</sup> Floor, Nirlon Knowledge Park  
Western Express Highway, Goregaon (East) , Mumbai - 400 063

**Collecting Bankers**

HDFC Bank Ltd, and or such other banks registered with SEBI may be appointed as the collecting banker(s)/paying banker(s) under the scheme on such terms and conditions as may be decided by the AMC from time to time.

**Principal business address of the Bank**

HDFC Bank Ltd  
(SEBI Registration No: )INB 100000063  
Maneckji Wadia Bldg  
Nanik Motwani Marg, Fort,  
Mumbai – 400 001

**Legal Counsel**

Not Applicable

**F. CONDENSED FINANCIAL INFORMATION (CFI)**

	Peerless Liquid Fund		
Historical per unit statistics	2010-11	2011-12	2012-13
<b>NAV at the beginning of the year (Rs. Per Unit) (as on April 01)</b>			
Retail Growth	10.0425	10.6780	11.5119
Retail Daily Dividend	10.0001	10.0015	10.0015
Retail Weekly Dividend	10.0026	10.0084	10.0105
Retail Monthly Dividend	* 10.0000	10.0156	10.0824
Institutional Growth	* 10.0000	10.6603	11.6456
Institutional Daily Dividend	* 10.0000	10.0015	10.0015
Institutional Weekly Dividend	10.0028	*10.0000	*10.0000
Institutional Monthly Dividend	* 10.0000	*10.0000	*10.0000
Super Institutional Growth	10.0014	10.6922	11.7161
Super Institutional Daily Dividend	10.0001	10.0015	10.0015
Super Institutional Weekly Dividend	* 10.0000	*10.0000	10.0126
Super Institutional Monthly Dividend	* 10.0000	*10.0000	10.0963
<b>Dividend paid per unit during the year (net) (Rs.)</b>			
Retail Daily Dividend -Individual/HUF	0.4783518700	1.2411215300	0.55031143
Retail Daily Dividend -Others	0.4783518700	1.1945941700	0.41716964
Retail Weekly Dividend -Individual/HUF	0.0577643800	0.1793100200	0.21007519
Retail Weekly Dividend -Others	0.1053623500	0.5712529900	0.53293071
Retail Monthly Dividend -Individual/HUF	0.0933403200	0.6082139100	0.55111692
Retail Monthly Dividend -Others	0.1182864600	0.5879553500	0.15555898
Institutional Daily Dividend -Individual/HUF	0.5772226200	0.7573371100	0.60952151
Institutional Daily Dividend -Others	0.5778780600	0.2908381600	0.47207284
Institutional Weekly Dividend -Individual/HUF	-	-	-
Institutional Weekly Dividend -Others	0.0310927400	-	-
Institutional Monthly Dividend -Individual/HUF	-	-	-
Institutional Monthly Dividend -Others	-	-	-
Super Institutional Daily Dividend - Individual/HUF	0.4926213000	0.7271269600	0.71002265



Super Institutional Daily Dividend -Others	0.5171222200	0.7020371200	0.68103223
Super Institutional Weekly Dividend - Individual/HUF	0.2515652200	0.1448772700	0.2318762
Super Institutional Weekly Dividend -Others	0.3564650000	0.6757084300	0.68595386
Super Institutional Monthly Dividend - Individual/HUF	-	0.4166239000	0.71372046
Super Institutional Monthly Dividend -Others	-	-	0.15944133
Direct Daily Dividend - Individual/HUF	-	-	0.12864018
Direct Daily Dividend - Others	-	-	0.15864472
Direct Weekly Dividend - Individual/HUF	-	-	0.10689011
Direct Weekly Dividend - Others	-	-	-
Direct Monthly Dividend - Individual/HUF	-	-	0.12095345
Direct Monthly Dividend - Others	-	-	-
Direct Dividend - Individual/HUF	-	-	-
Direct Dividend - Others	-	-	-
<b>NAV at the end of the year (Rs. Per Unit) (as on March 31)</b>			
Retail Growth	10.678	11.5119	12.3497
Retail Daily Dividend	10.0015	10.0015	10.0044
Retail Weekly Dividend	10.0084	10.0105	10.0075
Retail Monthly Dividend	10.0156	10.0824	10.0617
Institutional Growth	10.6603	11.6456	12.5861
Institutional Daily Dividend	10.0015	10.0015	10.0044
Institutional Weekly Dividend	* 10.0000	*10.0000	*10.0000
Institutional Monthly Dividend	* 10.0000	*10.0000	*10.0000
Super Institutional Growth	10.6922	11.7161	12.8249
Super Institutional Daily Dividend	10.0015	10.0015	10.0043
Super Institutional Weekly Dividend	* 10.0000	10.0126	10.0095
Super Institutional Monthly Dividend	* 10.0000	10.0963	10.0837
Direct Growth #	-	-	12.8270
Direct Daily Dividend #	-	-	10.0043
Direct Weekly Dividend #	-	-	10.0097
Direct Monthly Dividend #	-	-	10.0858
<b>Scheme Returns (%) (CAGR or Absolute Returns ^)</b>			
Retail Growth	6.33%	7.81%	7.28%
Institutional Growth	6.60%	9.24%	8.08%
Super Institutional Growth	6.91%	9.58%	9.46%

<b>Total Net Assets at the end of the year (Rs. Crs)</b>	1266.98	844.36	954.91
<b>Ratio of Recurring Expenses to Net Assets</b>			
Retail Growth	0.89%	2.00%	0.27%
Institutional Growth	0.68%	0.60%	1.05%
Super Institutional Growth	0.32%	0.29%	2.14%
Direct	-	-	0.25%

	<b>Peerless Ultra Short Term Fund</b>		
<b>Historical per unit statistics</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
<b>NAV at the beginning of the year (Rs. Per Unit) (as on April 01)</b>			
Retail Growth	10.047	10.6702	11.6558
Retail Daily Dividend	10.0001	10.0007	10.0141
Retail Weekly Dividend	10.0032	10.0087	10.0194
Retail Monthly Dividend	10.007	10.0162	10.1347
Institutional Growth	10.0513	*10.0000	*10.0000
Institutional Daily Dividend	10.0001	*10.0000	*10.0000
Institutional Weekly Dividend	* 10.0000	*10.0000	*10.0000
Institutional Monthly Dividend	* 10.0000	*10.0000	*10.0000
Super Institutional Growth	* 10.0000	10.6597	11.7764
Super Institutional Daily Dividend	10.0001	10.0008	10.0147
Super Institutional Weekly Dividend	10.0035	*10.0000	10.0196
Super Institutional Monthly Dividend	* 10.0000	10.0162	10.1618
<b>Dividend paid per unit during the year (net) (Rs.)</b>			
Retail Daily Dividend -Individual/HUF	0.5199462100	0.7680813100	0.67029439
Retail Daily Dividend -Others	0.4838667800	0.6675069000	0.57451424
Retail Weekly Dividend -Individual/HUF	0.5157940200	0.7708647700	0.67083558
Retail Weekly Dividend -Others	0.2753678400	0.1326339300	0.16064504
Retail Monthly Dividend -Individual/HUF	0.5020089300	0.7587407700	0.68840627
Retail Monthly Dividend -Others	0.1964438600	0.6601915700	0.16467547
Institutional Daily Dividend -Individual/HUF	0.3324284200	-	-
Institutional Daily Dividend -Others		-	-

	0.2527822300		
Institutional Weekly Dividend -Individual/HUF	-	-	-
Institutional Weekly Dividend -Others	-	-	-
Institutional Monthly Dividend -Individual/HUF	0.3309415000	-	-
Institutional Monthly Dividend -Others	0.0471717700	-	-
Super Institutional Daily Dividend - Individual/HUF	0.4672886000	0.8664541500	0.80687447
Super Institutional Daily Dividend -Others	0.5280080400	0.7521314300	0.69157275
Super Institutional Weekly Dividend - Individual/HUF	0.2057789400	0.5228954900	0.81483234
Super Institutional Weekly Dividend -Others	0.1163791800	0.5005396400	0.69836675
Super Institutional Monthly Dividend - Individual/HUF	0.2643961300	0.7160894200	0.83841324
Super Institutional Monthly Dividend -Others	0.4327353200	0.7392148700	0.71860231
<b>NAV at the end of the year (Rs. Per Unit) (as on March 31)</b>			
Retail Growth	10.6702	11.6558	12.5961
Retail Daily Dividend	10.0007	10.0141	10.032
Retail Weekly Dividend	10.0087	10.0194	10.0424
Retail Monthly Dividend	10.0162	10.1347	10.1184
Institutional Growth	* 10.0000	*10.0000	*10.0000
Institutional Daily Dividend	* 10.0000	*10.0000	*10.0000
Institutional Weekly Dividend	* 10.0000	*10.0000	*10.0000
Institutional Monthly Dividend	* 10.0000	*10.0000	*10.0000
Super Institutional Growth	10.6597	11.7764	12.9415
Super Institutional Daily Dividend	10.0008	10.0147	10.0465
Super Institutional Weekly Dividend	* 10.0000	10.0196	10.0448
Super Institutional Monthly Dividend	10.0162	10.1618	10.1494
Direct Growth #	-	-	12.9501
Direct Daily Dividend #	-	-	10.0665
Direct Weekly Dividend #	-	-	10.1029
Direct Monthly Dividend #	-	-	10.2238
<b>Scheme Returns (%) (CAGR or Absolute Returns ^)</b>			
Retail Growth	6.20%	9.24%	7.71%
Institutional Growth		-	-

	-		
Super Institutional Growth	6.60%	10.48%	8.65%
<b>Total Net Assets at the end of the year (Rs. Crs)</b>	84.78	234.97	
<b>Ratio of Recurring Expenses to Net Assets</b>			
Retail Growth	0.98%	1.69%	2.18%
Institutional Growth	0.49%	-	-
Super Institutional Growth	0.32%	0.35%	0.62%
Direct	-	-	0.51%

	PEERLESS SHORT TERM FUND		
Historical per unit statistics	2010-11	2011-12	2012-13
<b>NAV at the beginning of the year (Rs. Per Unit) (as on April 01)</b>			
Growth	N.A.	10.7722	11.8773
Monthly Dividend	N.A.	10.6022	10.8726
Quarterly Dividend	N.A.	10.6312	11.7215
<b>Dividend paid per unit during the year (net) (Rs.)</b>			
Monthly Dividend -Individual/HUF	0.0875944700	0.6917693800	0.92916332
Monthly Dividend -Others	0.0815261800	0.5929175000	0.79638673
Quarterly Dividend -Individual/HUF	0.1153244800	-	0.7047295
Quarterly Dividend -Others	-	-	0.60402412
<b>NAV at the end of the year (Rs. Per Unit) (as on March 31 #)</b>			
Growth	10.7722	11.8773	13.064
Monthly Dividend	10.6022	10.8726	10.8512
Quarterly Dividend	10.6312	11.7215	12.0728
Direct Growth #	-	-	13.0795
Direct Monthly Dividend #	-	-	11.011
Direct Quarterly Dividend #	-	-	12.0859
<b>Scheme Returns (%) (CAGR or Absolute</b>			

<b>Returns <sup>Λ</sup></b>			
Growth	7.72% <sup>Λ</sup>	10.26%	9.99%
<b>Total Net Assets at the end of the year (Rs. Crs)</b>	51.06	45.23	122.67
<b>Ratio of Recurring Expenses to Net Assets</b>			
<b>Retail</b>	0.60%	0.33%	0.80%
<b>Direct</b>			0.49%

	<b>PEERLESS INCOME PLUS FUND</b>		
<b>Historical per unit statistics</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
<b>NAV at the beginning of the year (Rs. Per Unit) (as on April 01)</b>			
Growth	N.A.	10.3699	11.0809
Monthly Dividend	N.A.	10.1518	10.3796
Quarterly Dividend	N.A.	10.1480	10.3384
<b>Dividend paid per unit during the year (net) (Rs.)</b>			
Monthly Dividend -Individual/HUF	0.1877030300	0.4663863900	0.79308956
Monthly Dividend -Others	0.1746967400	0.4061798000	0.67975922
Quarterly Dividend -Individual/HUF	0.1924447900	0.4313823700	0.99543043
Quarterly Dividend -Others	0.1791128600	0.3697383500	0.85318418
<b>NAV at the end of the year (Rs. Per Unit) (as on March 31#)</b>			
Growth	10.3699	11.0809	12.0007
Monthly Dividend	10.1518	10.3796	10.3676
Quarterly Dividend	10.148	10.3384	10.4492
Direct Growth			
Direct Monthly Dividend			
Direct Quarterly Dividend			
<b>Scheme Returns (%) (CAGR or Absolute Returns <sup>Λ</sup>)</b>			
Growth	3.70% <sup>Λ</sup>	6.86%	8.30%

<b>Total Net Assets at the end of the year (Rs. Crs)</b>	37.20	58.33	76.17
<b>Ratio of Recurring Expenses to Net Assets</b>			
Retail	2.03%	2.10%	2.49%
Direct	-	-	2.25%

	<b>PEERLESS MF CHILD PLAN</b>	
<b>Historical per unit statistics</b>	<b>2011-12</b>	<b>2012-13</b>
<b>NAV at the beginning of the year (Rs. Per Unit) (as on April 01)</b>		
Growth	N.A.	11.2124
Monthly Dividend	N.A.	11.2132
Quarterly Dividend	N.A.	11.2120
<b>Dividend paid per unit during the year (net) (Rs.)</b>		
Monthly Dividend -Individual/HUF	-	-
Monthly Dividend -Others	-	-
Quarterly Dividend -Individual/HUF	-	-
Quarterly Dividend -Others	-	-
<b>NAV at the end of the year (Rs. Per Unit)</b>		
Growth	11.2124	11.9181
Monthly Dividend	11.2132	11.9181
Quarterly Dividend	11.2120	11.9178
Direct Growth		
Direct Monthly Dividend		
Direct Quarterly Dividend		
<b>Scheme Returns (%) (CAGR or Absolute Returns ^)</b>		
Growth	12.12%	6.29%
<b>Total Net Assets at the end of the year (Rs. Crs)</b>	12.78	14.73
<b>Ratio of Recurring Expenses to Net Assets</b>		

Retail	2.25%	2.32%
Direct	-	2.00%

	PEERLESS EQUITY FUND	
Historical per unit statistics	2011-12	2012-13
<b>NAV at the beginning of the year</b>		
Growth	N.A.	10.2907
Dividend	N.A.	10.2921
<b>Dividend paid per unit during the year (net) (Rs.)</b>		
Monthly Dividend -Individual/HUF	-	-
Monthly Dividend -Others	-	-
Quarterly Dividend -Individual/HUF	-	-
Quarterly Dividend -Others	-	-
<b>NAV at the end of the year (Rs. Per Unit)</b>		
Growth	10.2907	11.1491
Dividend	10.2921	11.1509
Direct Growth #	-	11.1703
Direct Dividend #	-	11.1639
<b>Scheme Returns (%) (CAGR or Absolute Returns ^)</b>		
Growth	2.91%	8.34
<b>Total Net Assets at the end of the year (Rs. Crs)</b>		
	27.00	32.75
<b>Ratio of Recurring Expenses to Net Assets</b>		
Retail	2.50%	2.68%
Direct	-	2.38%

	<b>PEERLESS FLEXIBLE INCOME FUND</b>	
<b>Historical per unit statistics</b>	<b>2011-12</b>	<b>2012-13</b>
<b>NAV at the beginning of the year</b>		
Growth	-	-
Monthly Dividend	-	-
Quarterly Dividend		
<b>Dividend paid per unit during the year (net) (Rs.)</b>		
Monthly Dividend -Individual/HUF	-	0.39641024
Monthly Dividend -Others	-	0.33975981
Quarterly Dividend -Individual/HUF	-	0.35239527
Quarterly Dividend -Others	-	0.3020122
Direct Monthly Dividend - Individual/HUF		0.17954906
Direct Monthly Dividend - Others		0.15100604
<b>NAV at the end of the year (Rs. Per Unit) (as on March 30, 2012 #)</b>		
Growth	-	10.568
Monthly Dividend	-	10.1097
Quarterly Dividend	-	10.1646
Direct Growth #	-	10.5756
Direct Monthly Dividend #	-	9.9299
Direct Quarterly Dividend #	-	10.5716
<b>Scheme Returns (%) (CAGR or Absolute Returns ^)</b>		
Growth	2.91%	
<b>Total Net Assets at the end of the year (Rs. Crs)</b>	27.00	22.89
<b>Ratio of Recurring Expenses to Net Assets</b>		
Retail	2.50%	1.21%
Direct	-	1.76%



	<b>PEERLESS FIXED MATURITY PLAN SERIES</b>
	<b>- I</b>
<b>Historical per unit statistics</b>	<b>2012-13</b>
<b>NAV at the beginning of the year</b>	
Growth	-
Dividend	-
<b>Dividend paid per unit during the year (net) (Rs.)</b>	
Monthly Dividend -Individual/HUF	-
Monthly Dividend -Others	-
Quarterly Dividend -Individual/HUF	-
Quarterly Dividend -Others	-
<b>NAV at the end of the year (Rs. Per Unit)</b>	
Growth	10.0109
Dividend	-
Direct Growth #	10.0110
Direct Dividend #	10.0110
<b>Scheme Returns (%) (CAGR or Absolute Returns ^)</b>	
Growth	
<b>Total Net Assets at the end of the year (Rs. Crs)</b>	80.15
<b>Ratio of Recurring Expenses to Net Assets</b>	
Retail	0.15%
Direct	0.05%

\* - No investors in the respective plans

# - Plans launched during the half year ended March 31, 2013.

Absolute returns have been provided for period less than one year

## II. HOW TO APPLY?

### **This section must be read in conjunction with the Section “Units and Offer” of the SID**

1. The application form/Transaction Slip for the Sale of Units of the respective Schemes/ Plans will be available and accepted at the office of the ISCs / Official Points of acceptance during their business hours on their respective business days.
2. Applications must be completed in Block Letters in English.
3. Applications filled up and duly signed by all joint investors should be submitted along with the cheque/draft/other payment instrument or instruction to a designated ISC /Official Point of acceptance of AMC or the Registrar as specified. Signatures should be in English or in any Indian Language.
4. All cheques and bank drafts must be drawn in favour of "a Specific Scheme" and the name of the respective Plan should also be mentioned and crossed "A/c Payee only". A separate cheque or bank draft must accompany each application/each scheme. Investors must use separate application forms for investing simultaneously in more than one Plan of the Scheme subject to the minimum subscription requirements under each Plan. If the amount mentioned on the application is different from the amount mentioned on the accompanying cheque or bank / demand draft or the amount is not mentioned in the application form, then the amount on the cheque will be treated as the application amount and the application will be processed accordingly. In case the name of the Scheme/Plan mentioned on the application form differs from the name mentioned on the accompanying payment instrument, then the application will be treated as an application for the Scheme/Plan mentioned on the application form.
5. All cheques and bank drafts accompanying the application form should contain the application form number / folio number, scheme name and name of first investor on its reverse.
6. In order to protect the interest of Investors from fraudulent encashment of cheques, the current SEBI Regulations, have made it mandatory for Investors to mention in their Application / Redemption request, their bank name, branch, address, account type and account number. The Registrar/AMC may ask the investor to provide a blank cancelled cheque or its photocopy for the purpose of verifying the bank account number.
7. In terms of SEBI circular number MRD/DoP/Cir- 05/2007 dated April 27, 2007, Permanent Account Number (PAN) shall be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction with effect from July 2, 2007. Accordingly, it is mandatory for investors to provide their PAN along with a self-attested copy of PAN Card. If the investment is being made on behalf of a minor, the PAN of the minor or father or mother or the guardian, who represents the minor, should be provided. Applications received without PAN/PAN card copy will be rejected.

Pursuant to SEBI letter dated June 19, 2009 addressed to AMFI, and in compliance with AMFI Guidelines dated July 14, 2009, investment in Micro Schemes such as SIP where aggregate of installments in a rolling 12 months period or in a financial year i.e. April to March does not exceed Rs 50,000 per year per investor (hereinafter referred as "Micro SIP"), will be exempted from the requirement of PAN with effect from August 01, 2009. This exemption will be applicable only to investments by individuals (including Joint Holders who are individuals, Non Resident Indian (NRI) but not Person of Indian Origin (PIOs), Minors and Sole proprietary firms. Hindu Undivided Family and other categories will not be eligible for Micro SIPs.

Investors may please note that Micro SIP will be applicable for all the Schemes of PMF where SIP facility is available subject to submission of necessary Photo Identification Document along with Micro SIP application as a proof of identification in lieu of PAN. The list of acceptable Photo Identification Documents is given in the aforesaid AMFI Guidelines, which is available on our website [www.peerlessmf.co.in](http://www.peerlessmf.co.in).

Further in terms of SEBI Circular MRD/DoP/Cir-20/2008 dated June 30, 2008, it is clarified that PAN may not be insisted in the case of Central Government, State Government, and the officials appointed by the courts example Official liquidator, Court receiver etc. (under the category of Government) for transacting in the securities market. However, the aforementioned clarification will be subject to the mutual fund verifying the veracity of the claim of the specified organizations, by collecting sufficient documentary evidence in support of their claim for such an exemption.

Further, in terms of SEBI Circular MRD/DoP/MF/Cir-08/2008 dated April 03, 2008, it has been, clarified to exempt investors residing in the state of Sikkim from the mandatory requirement of PAN for their investments in mutual funds. However, this would be subject to the Mutual Fund verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence including strict compliance with the applicable 'KYC' norms. The requirements pertaining to PAN & KYC shall be as prescribed by applicable Regulations read with various amendments, circulars, notifications issued from time to time.

8. Pursuant to implementation of Know Your Customer (KYC) norms under Prevention of Money Laundering Act, 2002 (PMLA) through CDSL Ventures Limited (CVL and in accordance with Association of Mutual Funds in India (AMFI) circular 35/MEM-COR/62/10-11 dated October 07, 2010 and communication under reference 35/MEM-COR/81/10-11 dated December 23, 2010 it may be noted that KYC Compliance is mandatory for all Individual Investors with effective January 01, 2011 irrespective of the amount of investment.:

In order to reduce hardship and help investors dealing with SEBI intermediaries, SEBI issued following circulars - MIRSD/SE/Cir-21/2011 dated October 05, 2011, MIRSD/Cir-23/2011 dated December 02, 2011, MIRSD/Cir-26/2011 dated December 23, 2011 and MIRSD/Cir-5/2012 dated April 13, 2012 informing SEBI registered intermediaries as mentioned therein to follow, with effect from January 01, 2012, a uniform KYC compliance procedure for all the investors dealing with

them on or after that date. SEBI also issued KYC Registration Agency ("KRA") Regulations, 2011 and the guidelines in pursuance of the said Regulations and for In-Person Verification ("IPV").

The PMLA Requirements and related guidelines/circulars issued by the SEBI and AMFI states that Know Your Client (KYC) formalities are required to be completed for all Unit Holders, including Guardians and Power of Attorney holders, for any investment (whether new or additional purchase) made in mutual funds. All Mutual Funds are required to verify the identity and maintain records of all their investors through the mandate KYC process. The Investor needs to submit the necessary documents to the POS Location of KRA.

Any subsequent changes in address or other details could be intimated to any of the POS (with relevant documentary evidence) and the same will get updated in all the mutual funds where the investor has invested.

Investors have to provide the relevant documents and information ONLY ONCE for complying with KYC. After that Investors could use same with all SEBI registered intermediaries merely attaching a copy of the KYC acknowledgement slip with the application form / transaction slip when investing for the first time in every folio (Post KYC) in each Mutual Fund house, without the necessity to submit the KYC documents again.

The Application Forms/Change Request Forms for KYC are available at the DISC of AMC and Karvy and at the website of PMF [www. Peerlessmf.co.in](http://www.Peerlessmf.co.in)

9. Applicants must satisfy the minimum Application Amount requirements mentioned in the SID of the respective schemes of the Mutual Fund.
10. **Quoting of Employee Unique Identification Number ("EUID") in the Application Form:** Pursuant to SEBI Circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 and various AMFI Guidelines issued in this regard, investors are requested to disclose the details of EUID along with the AMFI Registration Number ("ARN") of the distributor and the sub-distributor while submitting the applicable transaction request (excluding redemption).

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

- i) Kindly use the new application forms/transaction forms which have spaces for ARN Code, Sub broker code and the EUID.
  - ii) EUID will not be applicable to overseas distributors who comply with the requirements of AMFI guidelines
  - iii) Where the EUID is left blank, the declaration by the investor should state that EUID space has been left blank as the transaction is an "execution only" transaction.
11. Applications not complete in any respect are liable to be rejected.
  12. The AMC / Trustee retains the sole and absolute discretion to reject any application.

**Application incomplete in any respect (other than mentioned above) will be liable to be rejected**

In order to protect investors from frauds, it is advised that the Application Form number / folio number, scheme name and name of the first investor should be written overleaf the cheque / draft, before they are handed over to any courier / messenger / distributor / ISC.

In order to protect investors from fraudulent encashment of cheques, Regulations require that cheques for Redemption of Units specify the name of the Unit Holder and the bank name and account number where payments are to be credited. Hence, all applicants for Purchase of Units must provide a bank name, bank account number, branch address, and account type in the Application Form.

**Payment Mode**

Payment can be made by either

- cheque;
- draft (i.e. demand draft or bank draft); or
- a payment instrument (such as pay order, banker's cheque, etc.)
- a payment mode as may be approved by the AMC from time to time.

***Resident Investors***

Applications accompanied with cash, money orders, post dated cheques [except for Systematic Investment Plan (SIP)], third party cheques, outstation cheques and postal orders are liable to be rejected. Cheques drawn on the bank not participating in the clearing house will not be accepted.

The AMC will reimburse demand draft charges subject to maximum of Rs. 1,000/- per transaction for purchase of units by investors residing at location where the ISC's/Official Points of Acceptance are not located as per the table below:

<b>Amount of Investments</b>	<b>Rate of Charge of Demand Drafts</b>
Upto Rs 10,000	At actuals subject to a maximum of Rs 50
Above Rs 10,000	Rs 0.50 per Rs 1000
Maximum Charges	Rs 1,000

The AMC reserves the right to refuse bearing of demand draft charges, in case of investments made by the same applicant(s) through multiple applications at its own discretion which will be final and binding on the investor. Investors residing at places other than where the ISC's/Official Point of Acceptance are located, are requested to make the payment by way of demand draft(s) after deducting charges as per the rates indicated in the above table. The AMC reserves the right to insist for the proof of demand draft charges. It may be noted that additional charges, if any, incurred by the investor over and above the levels indicated above will not be borne by the AMC. No demand draft charges will be borne by the AMC for purchase of Units by investors residing at such locations where the ISC's/Official Points of Acceptance are located. Reimbursement of demand draft charges will be applicable for all equity schemes and hybrid schemes.

Investors may kindly note that DD charges will not be reimbursed for debt and liquid schemes of the Mutual Fund. Applications accompanied by cheques/drafts not fulfilling the above criteria are liable to be rejected.

**Additional mode of payment through Applications Supported by Blocked Amount (“ASBA”) in Mutual Funds for investing in New Fund offer (NFO)**

In terms of SEBI circular No. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15,2010, an investor can subscribe to the New Fund Offer (NFO) of Mutual Fund launched on or after July 1, 2010, through the ASBA facility by applying for the units offered by the Schemes in the ASBA application form and following the procedure as prescribed therein.

**“Applications Supported by Blocked Amount” or “ASBA” is an application containing an authorization given by the Investor to block the application money in his specified bank account towards the subscription of Units offered during the NFO of the Schemes of Peerless Mutual Fund. If an investor is applying through ASBA facility, the application money towards the subscription of Units shall be debited from his specified bank account only if application of the investor is selected for allotment of Units.**

Investors under ASBA can also subscribe to NFO of the Schemes by making physical or electronic application through Self Certified Syndicate Bank (“SCSB”).

**Benefits of Applying through ASBA facility:**

- a) The Investor need not issue a cheque of a demand draft, as the investor needs to submit the ASBA application form accompanying an authorization to block the account to the extent of application money towards subscription of units in the NFO. The investor can use the balance money, if any, for other purposes.
- b) Release/unblocking of blocked funds after allotment is done instantaneously.
- c) As the application amount remains in the investor’s bank account, the investor continues to earn interest till the allotment is made, when an application is made under ASBA facility.
- d) Refunds of money to the investors do not arise as the application money towards subscription of units is debited only on the allotment of units.

**ASBA Procedure**

- i) An investor intending to subscribe to the units during NFO through ASBA facility shall submit a duly completed ASBA application form to a SCSB with whom such investor’s bank account is maintained.
- ii) The ASBA Application Form towards the subscription of units can be submitted through one of the following modes:
  - submit the form physically with the Designated Branches (DBs) of SCSB (“Physical ASBA”); or
  - submit the form electronically through the internet banking facility offered by the SCSB (“Electronic ASBA”).
- iii) An acknowledgement will be given by the SCSB in the form of the counter foil or specifying the application number for reference. Such acknowledgement does not guarantee, in any manner, that the investors will be allotted the units he has applied for.  
Note: The application would be rejected by the Bank, if the bank account specified in the ASBA application form does not have sufficient credit balance to meet the application money towards the subscription of units in the NFO.

iv) On acceptance of physical or electronic ASBA, the SCSB shall block funds available in the specified bank account to the extent of application money specified in ASBA application Form.

v) Application money towards the subscription of units shall be blocked in the account until (i) allotment of units is made or (ii) the application is rejected.

vi) SCSBs shall unblock the bank accounts for (i) transfer of requisite money to the Mutual Fund / scheme bank account against each valid application on allotment or (ii) in case the application is rejected.

vii) The list of SCSBs and their DBs where ASBA application form can be submitted is available on the websites of BSE ([www.bseindia.com](http://www.bseindia.com)), NSE ([www.nseindia.com](http://www.nseindia.com)) and SEBI ([www.sebi.gov.in](http://www.sebi.gov.in)) and shall also be given in the ASBA application form.

### **Grounds for Technical Rejections of ASBA application forms**

ASBA application forms can be rejected, at the discretion of Registrar and Transfer Agent of Peerless Mutual Fund or AMC or SCSBs including but not limited on the following grounds:-

i) Applications by persons not competent to contract under the Indian Contract Act, 1872, including but not limited to minors, insane persons etc.

ii) Mode of ASBA i.e. either physical ASBA or electronic ASBA is not selected or ticked.

iii) ASBA application form without the stamp of the SCSB.

iv) Application by any person outside India if not in compliance with applicable foreign and Indian laws.

v) Bank account details not given/incorrect details given.

vi) Duly certified Power of Attorney, if applicable, not submitted along with the ASBA application form.

vii) No corresponding records available with the Depositories matching the parameters namely (a) Names of the ASBA applicants (including the order of names of joint holders) (b) DP ID (c) Beneficiary account number or any other relevant details pertaining to the Depository account.

### **Mechanism for Redressal of Investor Grievances:**

All grievances relating to the ASBA facility may be addressed to the respective SCSBs, giving complete details such as name & address of the applicant, number of units applied for, counterfoil or the application reference given by the SCSBs, DBs or CBs, amount paid on application and the Designated Branch or the collection centre of the SCSB where the application form was submitted.

If the SCSB has not resolved the grievance, investors should write to M/s. Karvy Computershare Pvt. Ltd. (Karvy), Hyderabad, Registrar and Transfer Agent of Peerless Mutual Fund.

### **Non Resident Indians (NRI)/Persons of Indian Origin (PIO), Foreign Institutional Investors**

#### **Repatriation Basis**

In the case of NRIs including PIOs, payment may be made either by inward remittance through normal banking channels or out of funds held in his Non - Resident (External) Rupee Account (NRE) / Foreign Currency (Non- Resident) Account (FCNR). In case Indian rupee drafts are purchased abroad or from Foreign Currency Accounts or Non-resident Rupee Accounts an account debit certificate from the Bank issuing the draft confirming the debit shall also be enclosed.

FIs shall pay their subscription either by inward remittance through normal banking channels or out of funds held in Foreign Currency Account or Non- Resident Rupee Account maintained by the FI with a designated branch of an authorised dealer in accordance with the relevant exchange management regulations.

### **Non-repatriation Basis**

In the case of NRIs/PIOs, payment may be made either by inward remittance through normal banking channels or out of funds held in his NRE / FCNR / Non-Resident Ordinary Rupee Account (NRO). In case Indian rupee drafts are purchased abroad or from Foreign Currency Accounts or Non-resident Rupee Accounts an account debit certificate from the Bank issuing the draft confirming the debit shall also be enclosed.

Returned cheque(s) are liable not to be presented again for collection, and the accompanying Application Form is liable to be rejected. In case the returned cheque(s) are presented again, the necessary charges may be debited to the Investor.

### **Application under Power of Attorney**

An applicant wanting to transact through a power of attorney must lodge the photocopy of the Power of Attorney (PoA) attested by a Notary Public or the original PoA (which will be returned after verification) within 30 days of submitting the Application Form / Transaction Slip at a Designated ISC's/Official Point of acceptance or along with the application in case of application submitted duly signed by POA holder. Applications are liable to be rejected if the power of attorney is not submitted within the aforesaid period.

### **Application by a non – individual investor**

In case of an application by a company, body corporate, society, mutual fund, trust or any other organisation not being an individual, a duly certified copy of the relevant resolution or document along with the updated Specimen Signature list of Authorised Signatories must be lodged along with the Application Form / Transaction Slip at a Designated ISC's/Official Point of acceptance. Further, the AMC may require that a copy of the incorporation deeds / constitutive documents (e.g. Memorandum and Articles of Association) be also submitted to the ISC's/Official Point of acceptance.

Requests for redemption may not be processed if the necessary documents are not submitted .

### **Mode of Holding**

An application can be made by up to a maximum of three applicants. Applicants must specify the 'mode of holding' in the Application Form.

If an application is made by one Unit Holder only, then the mode of holding will be considered as 'Single'.

If an application is made by more than one investors, they have an option to specify the mode of holding as either 'Jointly' or 'Anyone or Survivor'.



In either of the cases referred above i.e. application made by one investor/more than one investor, the Fund shall not entertain requests for including any other person as a joint holder once the application has been accepted.

If the mode of holding is specified as 'Jointly', all instructions to the Fund would have to be signed by all the Unit Holders, jointly. The Fund will not be empowered to act on the instruction of any one of the Unit Holders in such cases.

If the mode of holding is specified as 'Anyone or Survivor', an instruction signed by any one of the Unit Holders will be acted upon by the Fund. It will not be necessary for all the Unit Holders to sign.

If an application is made by more than one investor and the mode of holding is not specified, the mode of holding would be treated as 'Anyone or Survivor'.

In all cases, all communication to Unit Holders (including account statements, statutory notices and communication, etc.) will be addressed to the first-named Unit Holder. All payments, whether for redemptions, dividends, etc will be made favouring the first-named Unit Holder.

The first named Unit Holder shall have the right to exercise the voting rights associated with such Units as per the applicable guidelines.

Investors should carefully study the paragraphs on "Transfer and Transmission" and "Nomination Facility" before ticking the relevant box pertaining to the mode of holding in the Application Form.

### **Transaction Charges**

Pursuant to SEBI circular vide no. Cir / IMD / DF / 13 / 2011 dated 22 August 2011, a transaction charge per subscription of Rs.10,000/- and above will be charged from the investors and paid to distributors / agents (who have opted to receive the transaction charges) w.e.f. 1 November 2011, as follows:

1. Rs. 100/- per subscription of Rs.10,000/- and above for existing investors in Mutual Funds.
2. Rs.150/- per subscription of Rs.10,000/- and above for a first time investor in Mutual Funds.
3. The transaction charge, if any, shall be deducted by the AMC from the subscription amount and paid to the distributor and the balance shall be invested.
4. There shall be no transaction charge on subscription below Rs.10,000/-.
5. Transaction charges shall be applicable on purchases/ subscriptions relating to new inflows.
6. In case of SIPs, the transaction charge shall be applicable only if the total commitment through SIPs amounts to Rs.10,000/- and above and shall be recovered in a maximum of 4 instalments.
7. There shall be no transaction charges on direct investments.

8. The Account Statement shall state that the net investment as gross subscription less transaction charges, if any and specify the no. of units allotted against the net investment.

The upfront commission on investment made by the investor, if any, shall be paid to the ARN Holder (AMFI registered Distributor) directly by the investor, based on the investor's assessment of various factors including service rendered by the ARN Holder. The distributors shall have also the option to either opt in or opt out of levying transaction charge based on type of the product.

**Additional facilities for subscription/redemption/switch of units:**

**Transactions through Electronic Mode**

The Mutual Fund may allow subscriptions of Units by electronic mode including through the various web sites with which the AMC would have an arrangement from time to time.

Subject to the investor fulfilling certain terms and conditions as stipulated by AMC from time to time, the AMC, Mutual Fund, Registrar or any other agent or representative of the AMC, Mutual Fund, the Registrar may accept transactions through any electronic mode including through fax/web/ phone transactions as permitted by SEBI or other regulatory authorities.

For details investors are advised to refer to the SID of the respective Scheme(s) of the Mutual Fund.

**Online Transactions**

Investors can avail of the online facility which enables them to transact online on [www.peerlessmf.co.in](http://www.peerlessmf.co.in). For details and applicable terms and conditions for such transactions investors are advised to refer to 'SID' of the respective Scheme(s) of the Mutual Fund and the website of the Asset Management Company i.e. [www.peerlessmf.co.in](http://www.peerlessmf.co.in).

**Restriction on acceptance of third party payment for subscription of units under the schemes of Peerless Mutual fund:**

Para-1 Peerless Funds Management Company Limited (AMC) /Peerless Mutual fund shall not accept applications for subscriptions of units accompanied with third party payment. "Third party payment" means payment made through an instrument issued from a bank account other than that of the first named applicant /investor mentioned in the application form.

Para 2-As referred to in para1 above, following are exceptional cases where third party payments will be accepted subject to requisite documentation /declarations.

1. Payment by parents /Grandparents / Related Person on behalf of minor in consideration of natural love and affection or as gift for a value not exceeding Rs. 50,000. However, the donors will have to comply with the requirements stated in para 3.
2. Payment by employer on behalf of employee under systematic investment plan (SIP) facility through pay roll deductions.

3. Custodian on behalf of an FII or a client.

**“Related Person” means any person investing on behalf of the minor in consideration of natural love and affection or as a gift.**

Para 3- Investors submitting their applications through the above mentioned exceptional cases are required to comply with following , without which applications for subscriptions for units will be rejected /not processed /refunded.

- a. Mandatory KYC for all the investors (guardian in case of minor) and the person making the payment i.e. third party. In order for an application to be considered as valid, investors and the person making the payment should attach their valid KYC acknowledgment letter to the application form.
- b. Submission of a separate, complete and valid “third party declaration form” from the investors (guardian in case of minor) and the person making payment i.e. the third party. The said declaration form shall, inter-alia contain the details of the bank account from which the payment is made and the relationship with the investor(s).

### **III. RIGHTS OF UNITHOLDERS OF THE SCHEME**

1. Unit holders of the Scheme have a proportionate right in the beneficial ownership of the assets of the Scheme.
2. When the Mutual Fund declares a dividend under the Scheme, the dividend warrants shall be dispatched within 30 days of the declaration of the dividend. Account Statement reflecting the new or additional subscription as well as Redemption / Switch of Units shall be dispatched to the Unit holder within 10 business days of the Specified Transaction Date or Redemption Date. Provided if a Unit holder so desires the Mutual Fund shall issue a Unit certificate (non- transferable) within 30 days of the receipt of request for the certificate.
3. The Mutual Fund shall dispatch Redemption proceeds within 10 Business Days of receiving the Redemption request.
4. The Trustees are bound to make such disclosures to the Unit holders as are essential in order to keep the unitholders informed about any information known to the Trustee which may have a material adverse bearing on their investments.
5. The appointment of the AMC for the Mutual Fund can be terminated by majority of the Directors of the Trustee Board or by 75% of the Unit holders of the Scheme.
6. 75% of the Unit holders of a Scheme can pass a resolution to wind- up a Scheme.
7. The Trustee shall obtain the consent of the Unit holders:
  - whenever required to do so by SEBI, in the interest of the Unit holders.
  - whenever required to do so if a requisition is made by three- fourths of the Unit holders of the Scheme.
  - when the Trustee decides to wind up the Scheme or prematurely redeem the Units.
8. The Trustee shall ensure that no change in the fundamental attributes of any Scheme or the trust or fees and expenses payable or any other change which would modify the Scheme and affects the interest of Unit holders, shall be carried out unless:
  - (i) a written communication about the proposed change is sent to each Unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and

- (ii) the Unit holders are given an option of 30 days to exit at the prevailing Net Asset Value without any Exit Load.
- 9. In specific circumstances, where the approval of unit holders is sought on any matter, the same shall be obtained by way of a postal ballot or such other means as may be approved by SEBI.
- 10. In terms of SEBI Circular no. MFD/CIR/9/120/2000 dated November 24, 2000, the unclaimed redemption and dividend amounts will be deployed by the mutual fund in the call money market or money market instruments only and the investors who claim these amounts during a period of three years from the due date shall be paid at the prevailing NAV. After a period of three years this amount can be transferred to a pool account and the investor can claim the amount at NAV prevailing at the end of the third year. The income earned on such funds can be used for the purpose of investor education. The AMC will make continuous effort to remind the investors through letters to take their unclaimed amounts. Further, the investment management fee charged by the AMC for managing the unclaimed amounts shall not exceed 50 basis points. For the schemes to be launched in the future, disclosures on the above provisions shall be made in the Scheme Information Documents. Also, the information on the amount unclaimed and the number of such investors for each scheme shall be disclosed in the annual report.
- 11. A register of Unit holder shall be maintained at the office of AMC and/or at the office of the Registrars and at such other places as the Trustees may decide and the register shall contain particulars as follows:
  - a) The names and addresses of the Unit holders
  - b) The number of units held by each such holder
- 12. Subject to the provisions of the Regulations as amended from time to time, the consent of the unit holders shall be obtained, entirely at the option of the Trustees, either at the meeting of the unit holders or through postal ballot. Only one unit holder in respect of each folio or account representing a holding shall vote and he shall have one vote per unit in respect of each resolution to be passed.

#### **IV. INVESTMENT VALUATION NORMS FOR SECURITIES AND OTHER ASSETS**

The Net Asset Value (NAV) would be determined on each valuation day and for such other purpose as may be required for transaction purposes. The NAV of the Units of the Scheme will be computed by dividing the net assets of the Scheme by the number of Units outstanding on the valuation date. The NAV shall be computed based on the following formula or such other formula as may be prescribed by SEBI from time to time.

Net Assets = Market or Fair Value of the Scheme's Investments + Receivables + Accrued Income + Other Assets – Accrued Expenses – Payables – Other Liabilities

The Fund shall value its investments according to the valuation norms, as specified in Schedule VIII of the Regulations, or such norms as may be prescribed by SEBI from time to time. The broad Valuation norms are detailed below:

#### **VALUATION NORMS FOR TRADED SECURITIES**

Traded securities also include Thinly Traded securities and Suspended securities.

**i) Thinly traded Equity/Equity Related Securities:**

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

*When trading in an equity/equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than Rs. 5 lacs and the total volume is less than 50,000 shares, it shall be considered as thinly traded security and valued accordingly. Ref: SEBI Circular No. MFD/CIR/14 /088 / 2001 dated March 28, 2001.*

It is evident that any security to qualify as thinly traded security it should satisfy both the aforesaid conditions.

**Process to be followed for determining whether security is thinly traded**

In order to determine whether a security is thinly traded or not, the volumes traded in Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) for the last month are considered.

Please refer to Section II for valuation of thinly traded equity/equity related securities.

**ii) Thinly traded Debt securities:**

Thinly traded debt security is defined in SEBI (Mutual Fund) Regulations as follows:

*A debt security (other than Government Securities) shall be considered as a thinly traded security if on the valuation date, there are no individual trades in that security in marketable lots (currently Rs 5 Crore) on the principal stock exchange or any other stock exchange. Ref.: SEBI Circular No. MFD/CIR No.14/442/2002 dated February 20, 2002.*

**Process to be followed while determining whether security is thinly traded:**

In order to determine whether a debt security is thinly traded or not, the volumes traded on NSE on the date of valuation should be considered since this is the only stock exchange, which has a Whole Sale Debt Market (WDM) segment. Volumes traded on NSE WDM can be obtained from service provider, Bilav software Pvt. Ltd., or it can be obtained directly from the NSE site.

A thinly traded debt security as defined above would be valued as per the norms set for non-traded debt security. Please refer to **Section II** for valuation of thinly traded debt securities.

## **1. EQUITY AND EQUITY RELATED SECURITIES:**

SEBI Regulations has prescribed following methodology for valuation of Equity and Equity related securities:

Traded Securities are to be valued at the last quoted closing price on the selected Stock Exchange. Where security is not traded on the selected stock exchange, the last quoted closing price of another Stock Exchange may be used. If a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used, provided such date is not more than thirty days prior to valuation date.

(Ref: SEBI (Mutual Fund) Regulations, 1996 Schedule VII and amendments through SEBI Circular No. MFD/CIR No.14/442/2002 dated February 20, 2002.)

### **The steps involved in valuation of traded securities are:**

- (i) Selection of appropriate Stock Exchange by Asset Management Company (AMC) and valuing the security at the closing price on the date of valuation.
- (ii) Valuing security at the closing price of another Stock Exchange, if it is not traded on the valuation date on the Stock Exchange as selected at (i) above.
- (iii) Valuing security at the earliest previous day's quotes of selected stock exchange or any other stock exchange as the case may be (being not more than thirty days prior to valuation date).

Clearly, for reasons of speed and regular flow of data in electronic form, our choice of stock exchange for trading is limited to the two premier exchanges of India - the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). Both these exchanges have electronic trading, greater transparency, quicker and more efficient settlements, which enable better cash management, and are popular with other major institutions.

### **Process to be followed for valuation of traded equity and equity related securities:**

**For valuation purposes, the National Stock Exchange (NSE)** has been selected as appropriate stock exchange for equity and equity related securities held by all the schemes.

Wherever equity and equity related securities are not listed on NSE or are not traded on a certain day at NSE, the closing price at the **Bombay Stock Exchange (BSE)** should be considered.

To summarise, if a security is not traded on NSE on a particular valuation day, the value at which it was traded on BSE, on the earliest previous day is used, provided such day is not more than thirty days prior to the valuation date. Preference shares should be valued in good faith depending upon the type of the preference Share and after considering illiquidity discount if any.

If the equity securities are not traded on any stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as 'non-traded' scrip and should be valued as non-traded security as per the norms given separately by us in **Section II** and also in case of equity securities not listed on any stock exchange, the scrip is to be valued as per the norms given separately in **Section II**.

**i. Selection of stock exchange for valuation:**

Board of AMC for all its equity and equity related securities should select NSE/BSE as appropriate stock exchange for the valuation of securities.

Appropriate stock exchange that would be considered for valuation is also specified in the scheme offer document.

**ii. Change in the selected Stock Exchange:**

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

**2. STOCK AND INDEX DERIVATIVES:**

**2.1 Equity / Index Options Derivatives**

(i) Market values of traded open option contracts shall be determined with respect to the exchange on which contracted originally, i.e., an option contracted on the National Stock Exchange (NSE) would be valued at the closing option price on the NSE. The price of the same option series on the Mumbai Stock Exchange (BSE) cannot be considered for the purpose of valuation, unless the option itself has been contracted on the BSE.

(ii) The Exchanges give daily settlement prices in respect of all derivatives positions. These settlements prices would be adopted for the positions, which are not traded.

## **2.2 Equity / Index Futures Derivatives**

(i) Market values of traded futures contracts shall be determined with respect to the exchange on which contracted originally, i.e., futures position contracted on the National Stock Exchange (NSE) would be valued at the closing option price on the NSE. The price of the same futures contract on the Mumbai Stock Exchange (BSE) cannot be considered for the purpose of valuation, unless the futures contract itself has been contracted on the BSE.

(ii) The Exchanges give daily settlement prices in respect of all derivatives positions. These settlements prices would be adopted for the positions, which are not traded.

## **3. VALUATION OF GOVERNMENT SECURITIES:**

There will be no change in the existing system of valuation of government securities and treasury bills as the prices for Government Securities and Treasury Bills would be released by an agency suggested by AMFI for the sake of uniformity in calculation of NAVs.

### **3.1 VALUATION OF CENTRAL GOVERNMENT SECURITIES & STATE GOVERNMENT SECURITIES:**



**Regulations have prescribed following methodology for valuation of Government Securities:**

For valuation of government securities, the prices for Government Securities released by an agency suggested by AMFI for the sake of uniformity in calculation of NAVs.

**(As per SEBI Circular No. MFD/CIR No.14/442/2002 dated February 20, 2002)**

**4. DEBT SECURITIES OTHER THAN GOVERNMENT SECURITIES:**

Debt Securities can be classified into traded securities, thinly traded securities and non-traded securities. Mutual Funds shall value its investments in accordance with the "Principles of Fair Valuation". The concept, as elaborated by SEBI, in their guidelines, published in the Gazette of India (ref LAD – NRO/GN/2011-12/38/4290) is

*"The valuation of investments shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realizable value of the securities/assets. The valuation shall be done in good faith and in true and fair manner through appropriate valuation policies and procedures.*

As per the clauses mentioned in the guidelines, the AMC shall take into consideration prices of trades of the same security or similar security reported on all available public platforms.

In case of any requirement for change in the principal stock exchange, the approval is to be sought from the Board of the AMC by the valuation committee.

In the meeting held in January 2013, the Board of Directors approved changes in the valuation policy. These changes have been made with the principle of fair valuation kept in mind.

**Exchange for Consideration of Prices**

The platform or primary exchange for consideration of prices for valuation of Debt Securities would be in the order given below:-

- 1) FIMMDA F-Trac
- 2) NSE- WDM
- 3) BSE- WDM
- 4) Self Trades of the AMC.

**Principle of Fair Valuation:-**

According to the above principle the AMC has to ensure fair treatment to all investors (both existing and new investors). The AMC has to create a policy which has to ensure fair and transparent valuation for all the assets/securities held in its schemes. The valuation policy has to specify the methodologies used valuing all types of securities held by the schemes and for a new type of security, prior approval of the Board of the AMC is required for the valuation of such securities, before any investment is made in such securities.

In light of the new norms for valuation enunciated by SEBI, the following valuation norms shall be followed for the various types of securities which the AMC proposes to invest in.

### **Valuation of Debt Securities and Money Market Securities**

#### **Valuation of Traded Securities**

The limit for taking market prices into consideration for valuation would now be revised to

##### For Cds and Cps

3 trades and Rs. 150 crs

##### For Bonds and Ncnds

3 trades and Rs. 50 crs (only listed bonds as reported on the Fimmda F-Trac platform)

#### **Valuation of Self Trades of the Fund:-**

Self or Own trades of the Fund would have to be considered for valuation provided they are in marketable lots. Self trades of the Fund would follow the order of precedence as mentioned above.

#### **Valuation of Non- traded Certificate of Deposits (Cds):-**

Our current system being more representative of the fair value than AMFI, we continue with the same.

We change the policy to consider the following

- 1) For Cds of maturity  $\leq 60$  days

Reference Yield provided by Crisil/ICRA to be considered for maturity  $\leq 60$  days  
Securities to be amortized at purchase yield provided that yield is within a limit of  $\pm 50$  bps.

#### **Valuation of Non – traded Securities other than Certificate of Deposits:-**

Our current system being more representative of the fair value than AMFI, we continue with the same.

We change the policy to consider the following

For Cps/Ncnds of maturity  $\leq 60$  days

Reference Yield provided by Crisil/ICRA to be considered for maturity  $\leq 60$  days

The spread over comparable Cds at which the Commercial Paper /Ncd was bought would be locked in the valuation matrix.

The Cps/Ncnds are to be amortized at purchase yield provided that yield is within a limit of  $\pm 100$  bps over the concerned spread.

#### **Valuation of Non- traded Securities with maturity $\geq 60$ days.**

For the purpose of valuation we follow the reference yields provided by Crisil/ICRA. These matrices provided by the rating agencies take cognizance of all the market yields in the market and as a consequence we do not intend to follow the concept of similar security during valuation.

However we intend proposing the following limits for all mark ups and mark downs in valuation.

For Certificate of Deposits: - the mark ups/downs would be limited to +/- 50 bps of the reference yield provided by Crisil/ICRA.

For Commercial Paper: - First the spread over the Cd at which the Cp was bought would be locked in and then the mark ups/downs would be limited to +/- 100 bps over the concerned the spread.

For Bonds and Ncds: - the mark ups/downs would be limited to +/- 75 bps of the reference yield provided by Crisil/ICRA.

If the Fund Manager feels that the above limits are constraining the Fair Valuation , then the Fund Manager can change the mark up /down so as to ensure fair valuation is possible with a clear justification as to why the mark up/down is outside the limits. Such a situation would be also be justified on days of market events such as a monetary policy announcements, the end of every quarter of the financial year etc.

#### **Valuation at Clean Price:-**

Debt securities are valued at clean price, which means excluding accrued interest component of the security. If corporate bonds and debentures are quoted cum-interest on the exchange, the valuation must be done by excluding the accrued interest portion (i.e. from the last due date of interest till date) from the quoted price, since the interest is accrued and accounted separately on a daily basis.

## **5. VALUATION OF OTHER INSTRUMENTS:**

### **5.1 VALUATION OF RIGHTS ENTITLEMENTS: As per Schedule VIII of SEBI (Mutual Fund) Regulations**

5.1.1 When Company announces rights to the existing equity shareholders, under its Listing Agreement with Stock Exchange; it has to declare ex-right date for the purpose of trading on the Stock Exchange. Ex-right date is a date from which the underlying shares, which are traded on the Stock Exchange, will not be entitled to the rights. These rights entitlements can also be renounced in favour of a willing buyer. These renunciations are in some cases traded on the Stock Exchange. In such case these should be valued as traded equity related securities as detailed at para 1 above.

5.1.2 Till the rights are subscribed, the entitlements as per Regulations have to be valued as under:

Valuation of non-traded rights entitlement is principally the difference between the right price and ex-right price. SEBI Regulations have explained this with the help of following formula:

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

$V_r$  = Value of Rights

$n$  = Number of rights offered

$m$  = Number of original shares held

$P_{ex}$  = Ex-right price

$P_{of}$  = Rights offer price

5.1.3 The following issues while valuing the rights entitlements have to be addressed:

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

## **5.2 VALUATION OF SUSPENDED SECURITY:**

5.2.1 In case trading in an equity security is suspended for trading on the stock exchange up to 30 days, then the last traded price would be considered for valuation of that security.

5.2.2 If an equity security is suspended for trading on the stock exchange for more than 30 days, then it would be considered as non-traded and valued accordingly.

**5.3 VALUATION OF INTEREST RATE SWAP (IRS):**

“In case of IRS contracts, counter parties agree to exchange stream of interest payments on notional value at an agreed date. One party agrees to pay floating and another agrees to pay fixed rate of interest. Floating rate is decided on the basis of some benchmark such as NSE MIBOR.

Valuation of IRS involves valuation of streams of interest payments. The underlying security is valued in the same manner as was valued before entering into IRS contract.

Value of IRS contract is the present value of the difference between the fixed and floating interest to be received/paid on maturity of the contract. Floating rate interest till maturity is the interest accrued till the valuation date plus the interest on remaining period at reversal rate.

Reversal rate for the day is available on Reuters for different maturities. The relevant rate is taken on the basis of maturity of the contract. However, if the maturity date falls between the two years, the reversal rate is arrived by interpolation on valuation date.

**5.3.1 Pay fixed and buy floater**

	Notional Contract value	
	* Fixed interest rate *	
FIXED Payable (A)	period of contract	XXXXX
	Interest rate as per	
REVERSAL RATE	Reuters	XXX
	Accumulated interest till	
	date + (Reversal rate*	
	Compounded face	
FLOATING Receivable (B)	value * No. of days	XXXXXX
	remaining/365)	

NO. OF DAYS REMAINING		XXXX
UNRAELISED GAIN/(LOSS) (C)	(A) – (B)	XXXXXX
BALANCE DAYS For NEXT RESET DATE/MATURITY DATE		XXXX
	(C)/(1+REVERSAL RATE/365*Balance days to maturity/interest reset date	
PV ON UNRELIASED G/(L)		XXXX
Gain/(Loss) Already Provided		XXXX
Mark to Market Loss		XXXX

### 5.3.2 Pay floating buy fixed

<u>FIXED Receivable (A)</u>	Notional Contract value * Fixed interest rate * period of contract	XXXXX
<u>REVERSAL RATE</u>	<u>Interest rate as per Reuters</u>	<u>XXX</u>
<u>FLOATING Payable (B)</u>	Accumulated interest till date + (Reversal rate* Compounded face value * No. of days remaining/365)	XXXXXXX
<u>NO. OF DAYS REMAINING</u>		<u>XXXX</u>
<u>UNRAELISED GAIN/(LOSS) (C)</u>	<u>(A) – (B)</u>	<u>XXXXXX</u>
<u>BALANCE DAYS For NEXT RESET DATE/MATURITY DATE</u>		<u>XXXX</u>
	(C)/(1+REVERSAL RATE/365*Balance days to maturity/interest reset date	
<u>PV ON UNRELIASED G/(L)</u>		<u>XXXX</u>
<u>Gain/(Loss) Already Provided</u>		<u>XXXX</u>
<u>Mark to Market Loss</u>		<u>XXXX</u>

### 5.3.3 Valuation of Cumulative Convertible Preference Shares.

CCPS would be valued at the traded prices. If CCPS is not traded it would be valued along lines of convertible debentures or as valuation committee may decide.

#### **5.4 VALUATION OF ADR/GDR/OFFSHORE SECURITIES**

Mutual Fund can invest in ADRs/GDRs in line with the SEBI Circular dated September 1, 1999 and September 30, 1999. Exchange to be considered for valuation of ADRs/GDRs is to be approved by the AMC Board. Process of valuation would be as follows:

##### **Receiving last quoted price**

- If the security is listed in a time zone ahead of ours than the same day price as provided by Reuters would be used for valuation.
- If the security is listed in a time zone behind ours than the previous day's price would be used for valuation.
- In case the security is not traded on the above mentioned days, price of previous day should be used provided the price is not prior than 30 days.
- In case the security is not traded for more than 30 days, AMC shall provide the fair price for the same.

##### **Converting the price in Indian Rupees (INR)**

Since these prices are in foreign currency these are to be converted in Indian Rupees by applying the exchange rate. Reuters also provide closing conversion rate, which can be used for converting the foreign currency prices in INR. This closing price in INR should be used for valuation of ADR/GDR/Offshore securities.

#### **5.5 Valuation of Partly Paid-up Equity Shares**

If the partly paid-up equity shares are traded in market separately then the same shall be valued at traded price (like any other equity instrument). If it is not traded for more than 30 days or thinly traded or unlisted, the same shall be valued as per valuation norms given in Section II.

## **5.6 Valuation of Mutual Fund Unit (MFU)**

MFUs shall be valued at the same day NAV as available on AMFI website by 21.00 IST.

## **5.7 Valuation of Exchange Traded Fund (ETF)**

ETFs shall be valued at closing prices available on the stock exchange. (NSE/BSE).

## **SECTION II**

### **VALUATION NORMS FOR NON-TRADED SECURITIES**

#### **INTRODUCTION:**

#### **A. Two distinct definitions for recognition as non-traded securities are noted.**

- i) If the equity securities are not traded on any stock exchange for a period of thirty days prior to the valuation date, the scrip must be treated as 'non-traded' scrip
- ii) If the debt securities are not traded on any stock exchange for a period of fifteen days prior to the valuation date, the scrip must be treated as 'non-traded' scrip.

#### **B. Basic Conditions of valuation of Non-traded / Thinly traded Securities**

The Regulations prescribe following conditions for valuation of non-traded securities:

- i) Non-traded securities shall be valued in 'good faith' on the basis of the valuation principles laid down by SEBI.
- ii) The basis should be appropriate valuation methods on the principles approved by Board of AMC.
- iii) Such basis should be documented in Board minutes
- iv) Methods used to arrive at good faith valuation should be periodically reviewed by the Trustees.



v) Methods used to arrive at good faith valuation should be such that the auditors report the same as 'fair and reasonable' in their report on the annual accounts.

## **Process to be followed for valuation of non-traded securities**

### **1. EQUITY AND EQUITY RELATED SECURITIES:**

#### **1.1 APPLICATION MONEY FOR PRIMARY MARKET ISSUE:**

i) Application money should be valued at cost up to 60 days from the closure of the issue. If the security is not allotted within 60 days from the closure of the issue, application money is to be valued as per the directives of valuation committee. Rationale of valuing such application money should also be recorded.

ii) Equity securities allotted and proposed to be listed, but not listed, are to be valued at cost till two months from the date of allotment and after two months, are to be valued as unlisted securities. Method of valuing unlisted equity is stated at para 1.3 below.

#### **1.2 NON-TRADED / THINLY TRADED EQUITY**

##### **A. As per SEBI Circular No. MFD/CIR/ 8 / 92 / 2000 dated September 18, 2000 non traded / thinly traded equity is to be valued as follows:**

(a) Based on the latest available Balance Sheet, net worth shall be calculated as follows :

(b) Net Worth per share = [share capital+ reserves (excluding revaluation reserves) – Misc. expenditure and Debit Balance in P&L A/c] Divided by No. of Paid up Shares.

(c) Average capitalization rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken

as capitalization rate (P/E ratio). Earnings per share (EPS) of the latest audited annual accounts will be considered for this purpose.

(d) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10% for ill-liquidity so as to arrive at the fair value per share.

(e) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earning.

(f) In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.

(g) In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security.

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

1.2.1 Net worth per share is computed as follows:

i) Net worth of the company = Paid up share capital + Reserves other than Revaluation reserve - Miscellaneous expenditure, debit balance in Profit and Loss account and certain contingent liabilities.

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

1.2.2 Computation of capitalized value of earning per share (EPS):

i) Determination of the Industry Price Earning Ratio (P/E) to which the company belongs.

- Classification of industries provided by AMFI should be adopted.
- Presently Industry P/E Ratio used is provided by NSE on a monthly basis. However, the P/E ratio data if not available from BSE/NSE, P/E

provided by the Capital Market, Prowess (CMIE), Bloomberg etc. should be taken.

ii) Compute EPS from the latest audited annual accounts. In case the EPS is negative, EPS value shall be considered as zero

iii) Compute capitalized value of EPS at 75% discount  
 $(P/E \times 0.25) \times \text{EPS}$

1.2.3 Computation of fair value per share to be considered for valuation at 10 % discount for illiquidity.

$[(\text{Net worth per share} + \text{Capitalized value of EPS}) / 2] \times 0.90$

1.2.4 In case the latest balance sheet i.e. balance sheet prepared within nine months from the close of the accounting year of the company, is not available (unless the accounting year is changed) the shares should be valued as zero.

1.2.5 In case an individual non traded / thinly traded security as valued aforesaid, accounts for more than 5% of the total asset of the scheme, AMC should appoint an independent valuer. The security shall be valued on the basis of the valuation report of the valuer.

1.2.6 To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued by the procedure above and the proportion which it bears to the total net assets of the scheme to which it belongs would be compared on the date of valuation.

### 1.3 VALUATION OF UNLISTED EQUITY:

A. **SEBI Circular No. MFD/CIR/03/526/2002 dated May 9, 2002** has prescribed the method of valuation for unlisted equity securities. These guidelines are similar to the guidelines issued by SEBI for non-traded / thinly traded securities mentioned above only except the following:

1.3.1 Computation of Net worth per share as lower of (a) and (b):

(a) i) Net worth of the company = Paid up share capital + Reserves other than Revaluation reserve - Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses.

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

(b) i) Net worth of the company = Paid up capital + Consideration on exercise of Option/Warrants received/receivable by the company + free reserves other than Revaluation reserve – Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses.

ii) Net worth per share = (Net worth of the company / {Number of paid-up shares + number of shares that would be obtained on conversion/exercise of outstanding warrants and options}).

If the net worth of the company is negative, the share should be marked down to Zero.

1.3.2 Computation of fair value per share to be considered for valuation **at 15 % discount** for illiquidity.

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

1.3.3 In case the latest balance sheet i.e. balance sheet prepared within nine months from the close of the accounting year of the company, is not available (unless the accounting year is changed) the shares should be valued as zero.

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

#### **1.4 VALUATION OF NON -TRADED WARRANTS-**As per Eighth Schedule to SEBI (Mutual Funds) Regulations.

In respect of warrants to subscribe for shares attached to instruments, the warrants can be valued similarly to the valuation of convertible portion of debentures as mentioned in the paragraph 2.3, as reduced by the amount which

would be payable on exercise of the warrant. If the amount payable on exercise of the warrants is higher than the value of the share, the value of the warrants should be taken as zero.

Value of Warrant = [Value of share computed as stated in the paragraph above - exercise price]

#### **1.5 VALUATION OF PREFERENCE SHARES:**

Non traded preference shares should be valued in good faith depending upon the type of the preference Share and after considering illiquidity discount if any.

#### **1.6 VALUATION OF ILLIQUID SECURITY IN EXCESS OF 15% OF TOTAL ASSETS OF THE SCHEME**

**As per SEBI Circular No. MFD/CIR/ 8 / 92 / 2000 dated September 18, 2000**

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

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

Provided that in case any scheme has illiquid securities in excess of 15% of total assets as on September 30, 2000 then such a scheme shall within a period of two years bring down the ratio of illiquid securities within the prescribed limit of 15% in the following time frame:

- (i) All the illiquid securities above 20% of total assets of the scheme shall be assigned zero value on September 30, 2001.
- (ii) All the illiquid securities above 15% of total assets of the scheme shall be assigned zero value on September 30, 2002.

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

Wherever a scheme has illiquid securities as at September 30, 2001 not exceeding 15% in the case of an open ended funds and 20% in the case of closed ended funds, the concessions of giving time period for reducing the illiquid security to the prescribed limits would not be applicable and at all time the excess over 15% or 20% shall be assigned nil value.

## **1.7 VALUATION OF SHARES ON DE-MERGER:**

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

i. **Both the shares are traded immediately on de-merger:** In this case both the shares are valued at respective traded prices.

ii. **Shares of only one company continued to be traded on de-merger: in such a scenario the shares would be fairly valued and in good faith.**

iii. **Both the shares are not traded on de-merger:** Shares of de-merged companies are to be valued equal to the pre de merger value up to a period of 30 days from the date of de merger. The market price of the shares of the de-merged company one day prior to ex-date can be bifurcated over the de-merged shares. The market value of the shares can be bifurcated in the ratio of cost of shares.

In case shares of both the companies are not traded for more than 30 days, these are to be valued as unlisted security.

## **2. NON TRADED/THINLY TRADED DEBT SECURITIES**

A debt security has to be treated as non-traded or thinly traded if it is not traded on any stock exchange for a period of fifteen days prior to the valuation date.

The Basic conditions for valuation of non-traded-thinly traded debt securities are as follows:-

- a) **Non-traded securities shall be valued in 'good faith' on the basis of the valuation principles laid down by SEBI.**
- b) The basis should be appropriate valuation methods on the principles approved by Board of AMC.
- c) Such basis should be documented in Board minutes
- d) Methods used to arrive at good faith valuation should be periodically reviewed by the Trustees.

e) Methods used to arrive at good faith valuation should be such that the auditor's report the same as 'fair and reasonable' in their report on the annual accounts.

The process to be followed valuation of non-traded debt securities.

- 1) **For securities with Put/Call option:-** They are to be valued considering the put/call date as the date of maturity of the security.
- 2) **For Securities with only Call option or only Put option :-** For those securities with a single option, to be valued at the least of the following :-
  - Valuing the security to the final maturity
  - Valuing the security to the call /put date
- 3) **For Securities with only multiple Call/Put Options :-** For those securities with multiple call or put options , the securities are to be valued at the least of the following:-
  - Value as obtained by valuing the security to final maturity
  - Value as obtained by valuing the security to each of the various call or put option.

As per the policy of Fair valuation as enunciated by SEBI, all the securities have to be valued on a fair valuation basis which means realizable value. The above mentioned restrictions on mark ups and mark downs would tantamount to a violation of the SEBI policy. Hence we intend to do away with the limits and ensure that the mark ups and mark downs are so done so as to ensure that all the securities are valued on the basis of the principle of fair valuation. This is in line with the Principle of Fair Valuation.

**A. Valuation of non-investment grade and performing security**

To be valued by giving a discount of 25% to the face value, i.e. 75% of the face value.

**B. Investment Grade and Non Performing or Non-Investment Grade and Non Performing Securities**

Debt is considered as non-performing if the interest and/or principal amount have not been received or remained outstanding for one quarter from the day such income/instalment has fallen due.

Value the aforesaid securities at "book value" less provisioning. Book value for the purpose of provisioning shall mean the value determined as per the prescribed valuation method at para A and B above. Provisioning to be made as follows:

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

(In case the security is held by a close-ended scheme and if the period i.e.18 months past due date of interest, falls beyond the redemption date of the scheme, the aforesaid time phases of provisioning should be proportionately shortened to at least coincide with the redemption date of the scheme.)

- During the aforesaid period of provisioning any instalment of redemption falls due and not received, the provided amount should be at least equal to the instalment due but not received.
- In case of bullet redemption (i.e. not in parts) entire amount to be provided if not received with in a period of 3 months from the due date.

**Process to be followed for valuation of assets that ceases to be a non-performing asset:**

In case the asset is no longer a non-performing asset which means, if issuer of the security has paid all the arrears of interest / principal, the provision shall be written back (reduced) as follows.



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

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

During the aforesaid period of two quarters (i.e. from the date it ceases to be non-performing asset to the date on which provisions are written back), if any redemption instalment falls due and not received, provision will have to be made for the redemption instalment.

It may be noted that part payment of outstanding interest shall not trigger write back of provisions except to the extent where after part payment of redemption installments, principal amount outstanding is less than the provision made.

**Re-schedulement of interest / redemption:**

In case any company defaults either interest or principal amount and the fund has accepted a re-schedulement of the schedule of payments, then SEBI has prescribed the following methodology for valuation of the security:

(i) In case it is a first re-schedulement and only interest is in default, the status of the asset namely, 'NPA' may be continued and existing provisions should not be written back. This practice should be continued for two quarters of regular servicing of the debt. Thereafter, this be classified as 'performing asset' and valued accordingly. The interest provided is to be written back.

(ii) If the re-schedulement is done due to default in interest and principal amount, the asset should be continued as non-performing for a period of 4 quarters, even though the asset is continued to be serviced during these 4 quarters regularly. Thereafter, this can be

classified as 'performing asset' and valued accordingly. All the interest provided till such date should be written back.

(iii) If the re-schedulement is done for a second/third time or thereafter, the characteristic of NPA should be continued for eight quarters of regular servicing of the debt. Thereafter, this can be classified as 'performing asset' and valued accordingly. The provision should be written back only after it is reclassified as 'performing asset'.

#### **D. Provisioning in case of Deep discount bonds**

Deep discount bonds can be classified as NPAs if any of the following conditions are satisfied:

- If the rating of the Bond comes down to grade "BB" or below.
- If the company is defaulting in their commitments in respect of other liabilities, if available.
- If net worth is fully eroded.

Provisioning to be made as follows:

- 10% of the book value of the asset should be provided for after 3 months, from the date of classification of the asset as NPA.
- Another 20% of the book value of the asset should be provided for after 6 months, from the date of classification of the asset as NPA.
- Another 20% of the book value of the asset should be provided for after 9 months, from the date of classification of the asset as NPA.
- Another 25% of the book value of the asset should be provided for after 12 months, from the date of classification of the asset as NPA.
- The balance 25% of the book value of the asset should be provided for after 15 months, from the date of classification of the asset as NPA.

(In case of security is held by the close-ended scheme and if the period i.e.18 months past due date of interest, falls beyond the redemption date of the scheme, the aforesaid time phases of provisioning should be

proportionately shortened to at least coincide with the redemption date of the scheme.)

## **2.3 VALUATION OF CONVERTIBLE DEBENTURES**

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

Non-convertible and convertible components are valued separately.

A. The non-convertible component shall be valued on the same basis as would be applicable to a non-convertible debt instrument mentioned at clause 2 above

B. The convertible component to be valued as follows:

i) Ascertain

- The number of shares to be received after conversion.
- Whether the shares would be pari passu for dividend on conversion.
- The rate of last declared dividend.
- Whether the shares are presently traded or non-traded/thinly traded.
- Market rate of shares on the date of valuation

ii) In case the shares to be received are, on the date of valuation, are thinly traded / non-traded, these shares to be received on conversion are to be valued as thinly traded / non-traded shares as stated at para 1.2 above.

iii) In case the shares to be received on conversion are not non-traded or thinly traded on the date of valuation and would be traded pari passu for dividend on conversion:

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

b) Determine the discount for non-tradability of the shares on the date of valuation.

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

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

iv) In case the shares to be received on conversion are not non-traded or thinly traded on the date of valuation but would not be traded *pari passu* for dividend on conversion:

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

b) Arrive at the market value of the shares on the date of valuation by reducing the amount of last paid dividend.

c) Determine the discount for non-tradability of the shares on the date of valuation.

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

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

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

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

## 2.4 VALUATION OF FLOATING RATE NOTES (FRNs) AND INVERSE FLOATER

FRNs and Inverse Floaters should be valued at cost. Interest on FRNs and Inverse Floaters is floating w.r.t. benchmark interest rates such as NSE MIBOR etc. In case of FRNs interest is normally determined at benchmark plus mark-up and in case of

Inverse Floaters interest rate is determined at fixed interest rate less benchmark interest rate.

However, if FRNs and Inverse Floaters are traded in the market, the traded price needs to be considered for valuation. If the security is not traded, difference between the last traded price and the redemption value should be amortised as specified in case of money market securities in Para 4.4.

## **2.5 SECURITISED DEBT:**

This security should be valued similar to the non-traded debt instrument. Expected cash flow statements received from the issuer should be entered in the security master of the CRISIL Bond Valuer. Subsequent change, if any, in the future cash flow is updated in the security master. Value arrived at using CRISIL Bond Valuer is used for valuation. However, securities having - a residual maturity of less than or equal to 60 days cannot be valued by CRISIL Bond Valuer. In such cases the said securities should be amortized.

## **3. VALUATION OF REPO INSTRUMENTS**

Eighth Schedule to SEBI (Mutual Fund) Regulation has spelt out briefly the methodology for valuation of Repo Instruments.

### **3.1 REVERSE REPURCHASE TRANSACTION:**

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

loan given plus interest accrued every day. The difference between repurchase and sale prices is accounted as interest income.

### **3.2 REPURCHASE TRANSACTION:**

In future if such transaction is entered into it would be valued as follows:

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

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

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

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

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

#### 4. INTER SCHEME TRANSFERS

##### Inter Scheme Policy:-

- 1) Market Price for any security to be taken for any IST as far as possible.
- 2) If any security is traded in a marketable lot (which is Rs. 25 crs) then that price has to be taken for the IST price.
- 3) If any self trade of the Fund is done, then any IST of the same security or similar security is to be done at that price.
- 4) If all of the above prices are not available then the previous day valuation price is taken.

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

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

(ii) If the investors are charged lower Net Asset Value at the time of purchase of their units or are given higher Net Asset Value at the time of sale of their units, AMC shall pay the difference in amount to the scheme. The AMC may recover the difference from the investors.

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

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

$$\text{NAV (Rs.)} = \frac{\text{Market or Fair Value of Scheme's Investments} + \text{Current Assets including Accrued Income} - \text{Current Liabilities and Provisions}}{\text{No. of Units outstanding under Scheme on the Valuation Day}}$$

The NAV of the Growth Option and the Dividend Option will be different after the declaration of the first dividend.

#### V. TAX & LEGAL & GENERAL INFORMATION

##### A. Taxation on investing in mutual funds

**The information furnished below outlines briefly the key tax implications applicable to the unit holders of the Scheme and to the Mutual Fund and based on relevant provisions of the Income**

**Tax Act, 1961, Wealth Tax Act, 1957 and Gift Tax Act, 1958 and the amendments made by the Finance Act, 2011 (collectively called 'the relevant provisions'). The information given is included only for general purpose and is based on advise received by the AMC regarding the law and practice currently in force in India and the Investors/Unit holders should be aware that the relevant fiscal rules or their explanation may change. As is the case with any investment, there can be no assurance that the tax position or the proposed tax position prevailing at the time of an investment in the Scheme will endure indefinitely. In view of the individual nature of tax consequences, each Investor / Unit holder is advised to consult his / her own professional tax advisor.**

## **TAX IMPLICATIONS TO UNIT HOLDERS**

### **1. Tax benefits of investing into schemes of Mutual Fund**

**Tax Benefits to the Mutual Fund:** Peerless Mutual Fund is a Mutual Fund registered with the Securities & Exchange Board of India and hence the entire income of the Mutual Fund will be exempt from income tax in accordance with the provisions of Section 10(23D) of the Income-tax Act, 1961, (the Act). The Mutual Fund will receive all income without any deduction of tax at source under the provisions of Section 196(iv) of the Act.

An exemption has been granted under the Finance (No.2) Act, 2004 to open ended equity oriented mutual funds from paying distribution tax on income distributed without any time limit, effective from 1 April 2004.

## **A. TAXATION ON INVESTING IN EQUITY SCHEMES OF MUTUAL FUNDS**

### **(i) Income-tax**

#### **Tax on Income distribution / Income distributed by the Mutual Fund / All Unit holders**

Income received by unit holders in respect of the units of the Mutual Fund, is exempt from tax under Section 10(35) of the Act.

Income distribution, if any, made by the Mutual Fund to the unit holders attracts distribution tax under the provisions of section 115R of the Act. Proviso (b) to section 115R(2) of the Act provides exemption to equity oriented mutual funds from paying distribution tax on income distributed to unit holders.

The expression "equity oriented fund" has been defined under Explanation (b) to section 115T of the Act to include a fund where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty-five per cent of the total proceeds of such fund. Further, as per the proviso to the Explanation (b) to section 115T, the percentage of equity shareholding of the fund shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

#### **Tax Deduction at Source All Unit holders**



In view of the exemption of income in the hands of the Unit holders, no income tax is deductible at source, on income distribution by the Mutual Fund on or after April 1, 2003, under the provisions of Sections 194K and 196A and 196B of the Act.

## **(ii) Tax on Capital Gains**

### **Long-term Capital Gains**

Section 10(38) of the Act grants exemption to any income arising from the transfer of a long term capital asset, being units of an equity oriented fund provided the transaction giving rise to the capital gains, attracts Securities Transaction Tax (STT) and is made on or after 1st October 2004 i.e the date on which Chapter VII of the Finance (No. 2) Act, 2004 has come into force. For this purpose "equity oriented fund" means where the investible funds are invested by the Mutual Fund in equity shares in domestic companies to the extent of more than sixty five percent of the total proceeds of such fund set up under a scheme of a Mutual Fund specified under Section 10(23D) of the Act.

### **Short-term Capital Gains**

Under Sec. 111A, where the total income of an assessee includes any income chargeable under the head "Capital Gains", arising from the transfer of a short-term capital asset, being a unit of an equity oriented fund and

(a) the transaction of sale of such unit is entered into on or after 1st October 2004, i.e. the date on which Chapter VII of the Finance (No. 2) Act, 2004 has come into force; and

(b) such transaction is chargeable to securities transaction tax under that Chapter, the tax payable by the assessee on such short-term capital gains is at the rate of fifteen per cent.

In case of resident individuals and HUFs, where the total income as reduced by the short-term capital gains, is below the basic exemption limit, the short-term capital gains will be reduced to the extent of the shortfall and only the balance short-term capital gains will be subjected to the 15 per cent tax rate.

Where the total income of an assessee includes any short-term capital gains on equity oriented units the deduction under section 80C shall be allowed from the income tax on the total income as reduced by such short term capital gains.

The income-tax rates specified above and elsewhere in this document are exclusive of the applicable surcharge, education cess and secondary and higher education cess. The applicable rates for surcharge are as given below:

<b>Assessee</b>	<b>If income below Rs. 1 crore</b>	<b>If income exceeds Rs. 1 crore but less than Rs. 10 crores</b>	<b>If income exceeds Rs. 10 crores</b>
	Surcharge	Surcharge	Surcharge
Individual (including	Nil	10%	10%

proprietorships), Hindu Undivided Family (HUF), Association of Persons (AOP), Body of Individual (BOI), Co-operative society, Local Authority and Partnership Firms (including LLPs)			
Indian Corporates	Nil	5%	10%
Foreign Companies	Nil	2%	5%

\*Additionally, education cess and secondary and higher education cess is leviable @ 3% on the income tax and surcharge as computed above.

**Foreign Institutional Investors:** Long-term capital gains arising on sale/ transfer of equity oriented mutual fund units, held for a period of more than twelve months, would be exempt from income-tax.

Short-term capital gains arising on sale/ transfer of equity oriented mutual fund units would be taxed at 15 per cent.

**Specified overseas financial organizations:** Long-term capital gains arising on sale/ transfer of equity oriented mutual fund units, held for a period of more than twelve months, would be exempt from income-tax.

Short-term capital gains arising on sale/ transfer of equity oriented mutual fund would be taxed at 15 per cent.

Overseas financial organisation means any fund, institution, association or body, whether incorporated or not, established under the laws of a country outside India, which has entered into an arrangement for investment in India with any public sector bank or public financial institution or a mutual fund specified under clause (23D) of section 10 and such arrangement is approved by the Securities and Exchange Board of India, established under the Securities and Exchange Board of India Act, 1992 (15 of 1992), for this purpose.

**The following amounts would be deductible, from the full value of consideration, to arrive at the amount of capital gains:**

- i. Cost of acquisition of units and shares as adjusted by Cost Inflation Index notified by the Central Government, where applicable, and
- ii. Expenditure incurred wholly and exclusively in connection with the transfer of units and shares.

#### **Tax Deduction at Source on Capital Gains**

**Domestic Unit holders:** No income tax is deductible at source from income by way of capital gains under the provisions of the Act.

**Foreign Institutional Investors :** Under Section 196D of the Act, no deduction shall be made from any income by way of capital gains, in respect of transfer of units referred to in Section 115AD of the Act.

**Specified overseas financial organizations:** As per section 196B of the Act, income tax is deductible on long-term capital gains arising on repurchase of units purchased in foreign currency, at the rate of 10 per cent.

Income tax is deductible on short-term capital gains arising on sale / repurchase of units at the rate of 15 per cent.

**Other Non-resident Unit holders :**

**In the case of a non-resident other than a company:** No income tax is deductible at source from income by way of long term capital gains since it is exempt u/s 10(38) of the Act.

Income tax is deductible on short-term capital gains arising on sale / repurchase of units at the rate of 15 per cent for both NRI and other than NRI.

**In the case of a foreign company:** No income tax is deductible at source from income by way of long term capital gains since it is exempt u/s 10(38) of the Act.

Income tax is deductible on short-term capital gains arising on sale / repurchase of units at the rate of 15 per cent.

The Fund will deduct the above tax at the time of repurchase of units. In case of sale of units by Non-resident investors through recognized stock exchange, tax deduction will be done by the bank of the Non-resident investor.

**Equity Linked Savings Schemes**

Equity Linked Savings Schemes (ELSS) are schemes formulated under the Equity Linked Savings Scheme (ELSS), 2005, issued by the Central Government.

Accordingly, any investment made by an assessee in the ELSS of the Fund up to a sum of Rs. 100,000/- in a financial year would qualify for deduction under Section 80C of the I.T. Act.

An "assessee" as per ELSS 2005 means:—

(i) an individual; or

(ii) a Hindu undivided family; or

(iii) an association of persons or a body of individuals consisting, in either case, only of husband and wife governed by the system of community of property in force in the State of Goa and Union Territories of Dadra and Nagar Haveli and Daman and Diu by whom, or on whose behalf, investment is made.

**Clubbing of income**

Subject to the provisions of section 64(1A) of the Act, taxable income accruing or arising in the case of a minor child shall be included in the income of the parent whose total income is greater or where the marriage of the parents does not subsist, in the income of

that parent who maintains the minor child. An exemption under section 10(32) of the Act, is granted to the parent in whose hand the income is included, upto Rs.1,500/- per minor child. When the child attains majority, the tax liability will be on the child.

### Securities Transaction Tax (STT)

Nature of Transaction	Payable by	Rate From April 1, 2013 to May 31, 2013	Rate* From June 1, 2013 onwards
Purchase and sale of equity shares or units of equity oriented mutual funds on a recognized stock exchange on delivery basis.	Purchaser	0.10%	Nil
	Seller	0.10%	0.001%
Sale on stock exchange of equity shares or units of equity oriented mutual funds on non-delivery basis.	Seller	0.025%	0.025%
Derivatives: Futures	Seller	0.017%	0.01%
Derivatives: Options	Where option is not exercised – Seller to pay	0.017%	0.017%
	Where option is exercised – Buyer to pay	0.125%	0.125%
Sale of units of equity oriented mutual funds to the mutual fund.	Seller	0.25%	0.001%
Sale of unlisted equity shares by any holder of such shares under an offer for sale to the public included in an initial public offer and where such shares are subsequently listed on a recognized stock exchange.	Seller	0.2%	0.2%

\* The Finance Act, 2013 has amended the Securities Transactions Tax (STT) rates and it will take effect from June 1, 2013.

As per the Finance Act 2008, with effect from 1.4.2008 (FY 08-09), STT paid in respect of securities transactions entered into in the course of business will now be allowable as a business deduction, instead of being allowed as a rebate under Sec. 88E against the tax payable, if the income from such securities transactions forms part of income computed under the head "Profits and gains of Business or Profession". Consequently, the provision

for disallowance of such STT under Sec. 40(a)(ib) has been deleted. Further the restriction under Sec. 88E that the amount of STT rebate should not exceed the tax on the income arising out of the securities transactions, would no longer apply.

## **B. TAXATION ON INVESTING IN DEBT SCHEMES OF MUTUAL FUNDS**

### **Tax on Income Distribution**

#### **Tax on Income Distribution by a Non-Equity Oriented Mutual Fund (other than a Liquid Fund discussed elsewhere in the Memorandum)**

Income distribution, if any, made by a non-equity oriented mutual fund will attract distribution tax under Section 115R of the Act, at the following rates:

##### **From April 1, 2013 to May 31, 2013**

- 12.5% plus surcharge on such income tax @ 10% and education cess and secondary & higher education cess @ 3% on the amount of tax and surcharge in case income is distributed to individuals and Hindu Undivided Families (HUFs),
- 30% plus surcharge on such income tax @ 10% and education cess and secondary & higher education cess @ 3% on the amount of tax and surcharge in case income is distributed to persons other than individuals and HUFs.

##### **From June 1, 2013 onwards**

- 25% plus surcharge on such income tax @ 10% and education cess and secondary & higher education cess @ 3% on the amount of tax and surcharge in case income is distributed to individuals and Hindu Undivided Families (HUFs),
- 30% plus surcharge on such income tax @ 10% and education cess and secondary & higher education cess @ 3% on the amount of tax and surcharge in case income is distributed to persons other than individuals and HUFs.

#### **Tax on Income Distribution by a Money Market Mutual Fund or Liquid Fund**

Income distribution, if any, made by non-equity oriented mutual fund being a Money Market Mutual Fund or Liquid Fund will attract distribution tax under Section 115R of the Act, at the following rates:

##### **From April 1, 2013 onwards**

- 25% plus surcharge on such income tax @ 5% and education cess and secondary & higher education cess @ 3% on the amount of tax and surcharge in case income is distributed to individuals and Hindu Undivided Families (HUFs),
- 30% plus surcharge on such income tax @ 5% and education cess and secondary & higher education cess @ 3% on the amount of tax and

surcharge in case income is distributed to persons other than individuals and HUFs.

The expression “money market mutual fund” has been defined under Explanation (d) to Section 115T which means a scheme of mutual fund which has been set up with the objective of investing exclusively in money market instruments as defined in sub-clause (p) of clause 2 of the Securities and Exchange Board of India (Mutual Fund) Regulations, 1996.

The expression “liquid fund” has been defined under Explanation (e) to Section 115T which means a scheme or plan of a mutual fund which is classified by the Securities and Exchange Board of India as a liquid fund in accordance with the guidelines issued by it in this behalf under the Securities and Exchange Board of India Act, 1992 or regulations made there under.

### **(i) Income-tax**

#### **Income distributed by the Mutual Fund**

##### **All Unit holders**

Income received by unit holders in respect of the units of the Mutual Fund, is exempt from tax under Section 10(35) of the Act.

##### **Tax Deduction at Source**

##### **All Unit holders**

In view of the exemption of income in the hands of the Unit holders, no income tax is deductible at source, on income distribution by the Mutual Fund on or after April 1, 2003, under the provisions of Sections 194K and 196A of the Act.

As per section 196B of the Act, tax is required to be deducted at the rate of 10 per cent from income payable in respect of units purchased in foreign currency to approved overseas financial organizations.

### **(ii) Tax on Capital Gains**

#### **Long-term Capital Gains**

Long-term capital gains in respect of units, held for a period of more than 12 months, will be chargeable under Sec. 112 of the Act, at the rate of 20 per cent.

However, where the tax payable on such long-term capital gains, computed before indexation, exceeds 10% of the amount of capital gains, such excess tax shall not be payable by the unit holder.

In case of resident individuals and HUFs, where the total income as reduced by long-term capital gains, is below the basic exemption limit, the long-term capital gains will be reduced to the extent of the shortfall and only the balance long-term capital gains will be subjected to the 20 per cent tax or the 10 per cent as the case may be.

### **Short-term Capital Gains**

Short-term capital gains in respect of units held for not more than 12 months is added to the total income of the assessee and taxed at the applicable slab rates specified by the Act.

**Foreign Institutional Investors:** Long-term capital gains arising on sale/repurchase of units, held for a period of more than twelve months, would be taxed at the rate of 10 per cent under Section 115AD of the Act. Such gains would be calculated without inflation index and currency fluctuations.

Short-term capital gains arising on sale/repurchase of units would be taxed at 30 per cent.

**Specified overseas financial organizations:** As per the provisions of section 115AB of the Act, long-term capital gains arising on sale/repurchase of units purchased in foreign currency shall be liable to tax at the rate of 10 per cent. However, such gains shall be computed without the benefit of cost indexation.

Short-term capital gains arising on sale/repurchase of units would be taxed at 40 per cent in case of foreign companies.

### **Securities Transaction Tax**

Securities Transaction Tax (STT) is not applicable in the case of non equity-oriented mutual fund schemes.

**The following amounts would be deductible, from the full value of consideration, to arrive at the amount of capital gains:**

- i. Cost of acquisition of units and shares as adjusted by Cost Inflation Index notified by the Central Government, where applicable, and
- ii. Expenditure incurred wholly and exclusively in connection with the transfer of units and shares.

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### **Dividend Stripping**

**All Unit holders :** As per Section 94(7) of the Act, loss arising on sale of Units, which are bought within 3 months prior to the record date (i.e. the date fixed by the Mutual Fund for the purposes of entitlement of the Unit holders to receive the income) and sold within 9 months after the record date, shall be ignored for the purpose of computing income chargeable to tax to the extent of exempt income received or receivable on such Units.

### **Bonus stripping**

**All Unit holders :** As per section 94 (8) of the Act wherein in case of units purchased within a period of three months prior to the record date for entitlement of bonus and sold within nine months after the record date, the loss arising on transfer of original 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 acquisition/purchase of such bonus units as are held by it/him on the date of such sale/transfer.

### **Tax Deduction at Source on Capital Gains**

**Domestic Unit holders:** No income tax is deductible at source from income by way of capital gains under the provisions of the Act.

**Foreign Institutional Investors:** Under Section 196D of the Act, no deduction shall be made from any income by way of capital gains, in respect of transfer of units referred to in Section 115AD of the Act.

**Specified overseas financial organizations:** As per section 196B of the Act, income tax is deductible on long-term capital gains arising on sale/ transfer of units purchased in foreign currency, at the rate of 10 per cent. Income tax is deductible on short-term capital gains arising on sale/ transfer of units at the rate of 40 per cent.

### **Other Non-resident Unit holders:**

In the case of a non-resident other than a company: Income tax is deductible on long-term capital gains arising on sale/ transfer of units at the rate of 20 per cent.

Income tax is deductible on short-term capital gains arising on sale/ transfer of units at the rate of 30 per cent.

In the case of a foreign company: Income tax is deductible on long-term capital gains arising on sale/ transfer of units at the rate of 20 per cent.

Income tax is deductible on short-term capital gains arising on sale/ transfer of units at the rate of 40 per cent.

**Tax Treaty:** In accordance with the provisions of Circular no.728 dated October 30, 1995 issued by the Central Board of Direct Taxes ('CBDT'), in case of a non resident unit holder who is a resident of a country with which India has signed a Double Taxation Avoidance Agreement (DTAA) which is in force, the tax should be deducted at source under section 195 of the Act at the rate provided in the Finance Act of the relevant year or the rate provided in the said agreement, whichever is more beneficial to such non-resident unit holder.

In order to obtain the benefit of the lower rate under the DTAA, the unit holder would be required to provide a certificate from his Assessing Officer stating his eligibility for the lower rate.

### **Exemptions from long-term capital gains**

- i. As per the provisions of section 54EC of the Act, long-term capital gains (other than gains on units of equity oriented mutual funds as defined under Sec. 10(38) ) shall be exempt from tax to the extent such capital gains are invested, within a period of six months of such transfer, in acquiring notified bonds. However, if the said bonds are transferred within a period of 3 years from the date of their acquisition, the amount of



capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred.

The Finance Act, 2007 has provided that any investment made on or after the 1st April, 2007 in the above bonds by any person during any financial year should not exceed Rs. Fifty Lakh.

- ii. As per the provisions of Sec 54F of the Act in the case of an individual or a HUF, long-term capital gains (other than on units of equity oriented mutual funds as defined under Sec. 10(38)) arising on transfer of a long-term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then proportionate exemption is available.

**Other Benefits :** Investments in Units of the Mutual Fund will rank as an eligible form of investment under Section 11 (5) of the Act read with Rule 17C of the Income-tax Rules, 1962, for Religious and Charitable Trusts.

**(ii). Wealth-tax: Units held under the respective Plans** are not treated as assets as defined under Section 2(ea) of the Wealth-tax Act, 1957 and thereof would not liable to wealth-tax.

**(iii). Gift-tax:** The Gift-tax Act, 1958 has ceased to apply to gifts made on or after October 1, 1998. Gifts of Units, purchased under the respective Plans, would therefore, be exempt from gift-tax. The tax benefits to the Mutual Fund and Unit Holders is in accordance with the prevailing tax laws.

## **2. Treatment of Capital loss incurred on sale of units of Mutual Fund.**

- i. Losses under the head "Capital Gains" cannot be setoff against income under any other head. Further, within the head "Capital Gains", losses arising from the transfer of long-term capital assets cannot be adjusted against gains arising from the transfer of a short-term capital asset. However, losses arising from the transfer of short-term capital assets can be adjusted against gains arising from the transfer of a long-term capital asset or a short-term capital asset.
- ii. Unabsorbed long-term capital loss can be carried forward and set off against the long-term capital gains arising in subsequent eight assessment years.
- iii. 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

### **Surcharge & Cess**

- A surcharge of 5 percent is levied on tax payable by all resident corporate assesses if their total income in a year exceeds one crore.
- Foreign companies are liable to pay surcharge at 2% if their total income in a year exceeds Rs. one crore.
- FII being foreign companies are liable to surcharge at 2% of tax payable as aforesaid.

- An education cess of 3 percent is levied on tax payable (including surcharge) by all assesses. Accordingly, the rates of tax and TDS rates mentioned above will be increased by the applicable surcharge and education cess.
- The rates of DDT (dividend distribution tax) will also be increased by surcharge of 5% on the tax payable (2% in case of foreign companies) and education cess of 3%.

**Caveat:**

A draft of New Direct Tax Code has been recently released by the Government. The same is kept open for public discussion and will be presented to the Parliament in the Winter Session, 2009. Once finalized this Direct Tax Code will be applicable from the year 1<sup>st</sup> April 2011. The provisions given in the Direct Tax Code carries significant tax changes on the existing provisions given in this form. Since the new code is required to be passed in the Parliament the same has not been incorporated in this SAI.

**B. Legal Information**

**1. Nomination Facility**

- I. Pursuant to Regulation 29A of the SEBI Regulations, the AMC provides an option to the Unit holder to nominate (in the manner prescribed under the SEBI Regulations), a person(s) in whom the Units held by him shall vest in the event of his death. Where the Units are held by more than one person jointly, the joint Unit holders may together nominate a person(s) in whom all the rights in the Units shall vest in the event of death of all the joint Unit holders. By provision of this facility the AMC is not in any way attempting to grant any rights other than those granted by law to the nominee(s).
- II. A nomination in respect of the Units does not create an interest in the property after the death of the Unit holder. The nominee(s) shall receive the Units only as an agent and trustee for the legal heirs or legatees as the case may be. It is hereby clarified that the nominees(s) under the nomination facility provided herein shall not necessarily acquire any title or beneficial interest in the property by virtue of this nomination.
- III. Nomination can be made only by individuals on their own behalf, either singly or jointly. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate.
- IV. Only the following categories of Indian Residents can be nominated: (a) individuals (b) minors through parent/legal guardian (c) religious and charitable trusts and (d) Central Government, State Government, a local authority or any person designated by virtue of his office.
- V. The Nominee shall not be a trust other than a religious or charitable trust, society, body corporate, partnership firm, Karta of Hindu Undivided Family or a Power of Attorney holder.
- VI. A non-resident Indian can be a Nominee subject to the exchange controls in force from time to time.
- VII. Minor(s) can be nominated and in that event, the name and address of the guardian of the minor nominee shall be provided by the Unit holder. Nomination can also be in favour of the Central Government, State Government, a local authority, any person designated by virtue of his office or a religious or charitable trust.
- VIII. Nomination can be made for maximum of 3 nominees. In case of multiple nominees, the percentage of allocation / share in favour of each of the nominees should be indicated against their name and such allocation / share should be in whole numbers without any decimals making a total of 100 percent. In the event of Unit holders not indicating the

percentage of allocation / share for each of the nominees, the Mutual Fund /the AMC, by invoking default option shall settle the claim equally amongst all the nominees.

- IX. Nomination in respect of the Units stands rescinded upon the Redemption of Units.
- X. Cancellation of nomination can be made only by those individuals who hold Units on their own behalf singly or jointly and who made the original nomination. On cancellation of the nomination the nomination shall stand rescinded and the Mutual Fund / AMC shall not be under any obligation to transfer the Units in favour of the nominee(s).
- XI. The nomination facility extended under the Scheme is subject to existing laws. The AMC shall, subject to production of such evidence which in their opinion is sufficient, proceed to effect the payment/transfer to the Nominee(s). Transfer of Units / payment to the nominee(s) of the sums shall discharge the Mutual Fund / AMC of all liability towards the estate of the deceased Unit holder and his/her/their successors/legal heirs.
- XII. The Fund, the AMC and the Trustee are entitled to be indemnified from the deceased Unit Holder's estate against any liabilities whatsoever that any of them may suffer or incur in connection with a nomination.

Investors may note that where the Units are transferred in favor of the nominee, the "Know Your Customer" norms, where applicable will have to be fulfilled by the nominee.

## **2. Prevention of Money Laundering Act Requirements (PML Requirements)**

In terms of the PML Requirements, all intermediaries, including Mutual Funds, have to formulate and implement a Client Identification Process, commonly referred to as KYC Process, verify and maintain the record of identity and address (es) of investors. PFMCL recognizes the value and importance of creating a business environment that strongly discourages money launderers from using PMF.

The investor(s) / unit holder(s) including guardian(s) where investor / unit holder is a minor, must ensure that the amount invested in the Scheme is derived only through legitimate sources and does not involve and is not designed for the purpose of any contravention or evasion of the provisions of all the applicable laws, rules and regulations, directions issued by the appropriate authority (the applicable laws) in force from time to time including the Prevention of Money Laundering Act, the Income Tax Act, 1961, or the Prevention of Corruption Act, 1988, etc.

Pursuant to the above and SEBI in terms of circulars - MIRSD/SE/Cir-21/2011 dated October 05, 2011, MIRSD/Cir-23/2011 dated December 02, 2011 and MIRSD/Cir-26/2011 dated December 23, 2011, the AMC has adopted certain policies to ensure KYC, PML and SEBI Requirements, considered appropriate for its line of business, being committed to prevent money launderers using PMF as a vehicle for any such illegal activity. Accordingly, PFMCL may seek information or obtain and retain documentation used to establish Customers' identity. It may re-verify identity and obtain any missing or additional information for this purpose.

PFMCL / PTMCL / AMC reserve the right to take all steps and actions, including recording investor(s) / unit holder(s) telephonic calls, and / or obtain and retain documentation for establishing the identity of the investor, proof of residence, source of funds etc. in accordance with the applicable laws, from the investor(s) / unit holder(s), as may be required, to ensure the appropriate identification / verification / re-verification of the investor(s) / unit holder(s), the source of funds etc. under its KYC Policy.

The AMC, under powers delegated by the Trustees, shall have absolute discretion to reject any application, prevent further transactions by a Unit Holder, delay processing redemption as per applicable laws or regulations if:

(i) after due diligence, the investor / Unit Holder / a person making the payment on behalf of the investor does not fulfill the requirements of the KYC as determined by the AMC or the AMC believes that the transaction is suspicious in nature as regards money laundering.

(ii) the AMC determines in its sole discretion that the application does not or will not comply with any applicable laws or regulations.

In this regard the AMC reserves the right to reject any application and affect a mandatory Redemption of Units allotted at any time prior to the expiry of 30 days from the date of the allotment.

If the payment for Purchase of Units are made by a third party (e.g. a power of attorney holder, a financing agency, a relative, etc.), the investor / applicant may be required to give such details of such transaction so as to satisfy the AMC of the source and / or consideration underlying the transaction.

### **3. KYC Compliance**

In order to reduce hardship and help investors dealing with SEBI intermediaries, SEBI issued three circulars - MIRSD/SE/Cir-21/2011 dated October 05, 2011, MIRSD/Cir-23/2011 dated December 02, 2011 and MIRSD/Cir-26/2011 dated December 23, 2011 informing SEBI registered intermediaries as mentioned therein to follow, with effect from January 01, 2012, a uniform KYC compliance procedure for all the investors dealing with them on or after that date. SEBI also issued KYC Registration Agency ("KRA") Regulations 2011 and the guidelines in pursuance of the said Regulations and for In-Person Verification ("IPV").

### **4. Transfer and Transmission Facility**

- I. Units of the schemes shall be non-transferable. However, if a person becomes a holder of the units consequent to operation of law, or upon enforcement of a pledge, the Mutual Fund will, subject to production of satisfactory evidence, effect the transfer, if the transferee is otherwise eligible to hold the units.
- II. In case units are held in a single name by a unit holder, units shall be transmitted in favour of the nominee, where the unit holder has appointed a nominee, upon production of death certificate or any other document to the satisfaction of the Mutual Fund, AMC/Trustee or Registrar.
- III. If the unit holder has not appointed a nominee, the units shall be transmitted in favour of the unit holder's executor / administrator of estate / legal heir(s), as the case may be, on production of death certificate or any other document to the satisfaction of the Mutual Fund, AMC/Trustee or Registrar.
- IV. In case units are held by more than one registered unit holder, then upon death of first unit holder, units shall be transmitted in favour of the second named holder on production of a death certificate or any other document to the satisfaction of the Mutual Fund, AMC/Trustee or Registrar.
- V. The rights in the units will vest in the nominee upon the death of all joint unit holders upon the nominee producing a death certificate or any other document to the satisfaction of the Mutual Fund, AMC/Trustee or Registrar.

In case of transmission of Units, the transferee will have to comply with the applicable “ Know Your Customer” Norms.

## **5. Duration of the Scheme and Winding Up**

- I. Each closed-ended Scheme/ Plan will have a Maturity Date / Final Redemption Date and will be compulsorily and without any act by the unit holder(s) redeemed on Maturity Date / Final Redemption Date. On Maturity / Final Redemption Date of the Scheme/ Plan, the units will be redeemed at the Applicable NAV.
- II. The Mutual Fund may convert the Scheme/ Plans under the Scheme after the Maturity Date / Final Redemption Date into an open-end Scheme/ Plan and this shall be in accordance with the SEBI Regulations.
- III. The Units of close-ended Scheme/ Plan may be converted into open-ended scheme,
  - (a) If the SID of such scheme discloses the option and the period of such conversion; or
  - (b) The Unit holders are provided with an option to redeem their units in full.
- IV. A close-ended scheme shall be fully redeemed at the end of the maturity period.
- V. Provided that a close ended scheme may be allowed to be rolled over if the purpose, period and other terms of the roll over and all other material details of the scheme including the likely composition of assets immediately before the roll over, the net assets and net asset value of the scheme, are disclosed to the Unit holders and a copy of the same has been filed with SEBI.
- VI. Provided further, that such roll over will be permitted only in case of those Unit holders who express their consent in writing and the Unit holders who do not opt for the roll over or have not given written consent shall be allowed to redeem their holdings in full at net asset value based price.
- VII. A closed-ended Scheme/ Plan shall be wound up on the expiry of duration fixed in the Scheme/ Plan on the redemption of the Units unless it is rolled-over for a further period under sub-regulation (4) of regulation 33.
- VIII. An Open-ended / Interval Scheme has a perpetual life.
- IX. Where the Scheme is a Close - Ended Schemes with automatic conversion into Open-Ended Scheme upon Maturity, such schemes will remain close - ended for the period mentioned in the SID and subsequently the scheme will automatically be converted into an open-ended scheme without any further reference from the Mutual Fund/ Trustee/ AMC/ Unit holders. Thereafter, the duration of the Scheme is perpetual.
- X. However, in terms of the Regulations, an open-ended schemes may be wound up anytime, and close-ended scheme may be wound up at any time prior to the maturity date, after repaying the amount due to the unit holders under the following circumstances:
  - (1) On happening of any event, which in the opinion of the Trustee, requires the Scheme concerned to be wound up, OR
  - (2) If 75% of the unit holders of the Scheme concerned pass a resolution that the Scheme be wound up, OR
  - (3) If SEBI so directs in the interests of unit holders.
  - (4) In addition to the above, an open- ended scheme may also be wound up if the scheme/investment Plan fails to fulfill the condition of a minimum of 20 Investors on an ongoing basis for each calendar quarter.

## **6. Procedure and Manner of Winding Up**

- I. The Trustee shall call a meeting of the Unit holders of the Scheme to consider and pass necessary resolutions by simple majority of Unit holders present and voting at the meeting for authorising the AMC or any other person / agency to take the steps for winding up of the Scheme.
- II. Provided that a meeting shall not be necessary if the Scheme is wound up at the end of the maturity period.
- III. The Trustee or the person authorised as above, shall dispose the assets of the Scheme concerned in the best interests of the Unit holders of the Scheme.
- IV. The proceeds of the sale made in pursuance of the above, shall in the first instance be utilised towards discharge of such liabilities as are properly due under the Scheme and after making appropriate provision for meeting the expenses connected with such winding up, the balance shall be paid to the Unit holders in proportion to their respective interests in the assets of the Scheme as on the date when the decision for the winding up was taken.
- V. On the completion of the winding up, the Trustee shall forward to SEBI and the Unit holders, a report on the winding up containing particulars such as circumstances leading to the winding up, the steps taken for disposal of assets of the Scheme before winding up, expenses of the Scheme for winding up, net assets available for distribution to the Unit holders and a certificate from the Auditors of the Mutual Fund.
- VI. Notwithstanding anything contained herein, the application of the provisions of SEBI Regulations in respect of disclosures of half-yearly reports and annual reports shall continue to be applicable until the winding up is completed or the Scheme ceases to exist.
- VII. After the receipt of report referred to the above under "Procedure and Manner of Winding up" if SEBI is satisfied that all measures for winding up of the Scheme have been complied with, the Scheme shall cease to exist.
- VIII. The aforesaid provisions pertaining to "Procedure and Manner of Winding Up" shall apply in respect of each individual scheme and to the extent possible shall apply mutatis mutandis to each Investment Plan.

## **7. Consolidation of Folios**

In case an investor has multiple folios, the AMC reserves the right to consolidate all the folios into one folio, based on such criteria as may be determined by the AMC from time to time. In case of additional purchases in same scheme / fresh purchase in new scheme, if the investor fails to provide the folio number, the AMC reserves the right to allot the units in the existing folio, based on such integrity checks as may be determined by the AMC from time to time.

## **8. Miscellaneous**

Investors may note that in case of fresh/additional purchases, if the name of the Scheme on the application form/transaction slip differs with the name on the Cheque/Demand Draft/payment instrument/transfer letter, then the AMC will allot units under the Scheme mentioned on the application form. In case of fresh/additional purchases, if the Scheme name is not mentioned on the application form/transaction slip, then the units will be allotted under the Scheme mentioned on the Cheque/Demand Draft/payment instrument/transfer letter. The

Plan/Option that will be considered in such cases if not specified by the customer will be the default option of the Scheme as per the SID. However, in case additional purchase is under the same scheme as fresh purchase, then the AMC reserves the right to allot units in the option under which units were allotted at the time of fresh purchase.

#### **9. Bank Mandate Requirement**

- a) For all fresh purchase transactions made by means of a cheque, where the account on which the cheque is drawn for purchase of units differs from the bank mandate account provided in the application, a copy of blank/cancelled cheque of bank mandate account is required to be provided. This condition is also applicable to all purchase transactions made by means of a Demand Draft.
- b) For Change of Bank mandate requests a copy of cheque of new bank mandate account is required to be provided. All Change of Bank Mandate requests submitted without copy of cheque are liable to be rejected.
- c) In case the application is not accompanied by the cheque copy, the AMC reserves the right to reject the application also the AMC will not be liable in case the redemption/dividend proceeds are credited to wrong account in absence of above cheque copy.
- d) In case of Change of Bank Mandate requests along with redemptions requests, where copy of cheque as mandated above is not submitted, redemption proceeds will be issued / credited to existing bank mandate account.

#### **10. Application with/without broker**

Investors may note and follow the below-mentioned directions while applying for the units of the schemes of the Mutual Fund:

- (1) In case where the Broker code is already printed in Application form / Transaction form / Purchase request form by the AMC / Registrar / Distributor :  
  
Where the Investor wishes to apply directly (i.e. not through existing broker / distributor), then the investor should strike off the broker code (printed) and should write "Direct Applications" or "Not Applicable (N.A.)" and countersign the same
- (2) In case where the Broker code is not printed in Application form / Transaction form / Purchase request form :  
  
*In case of direct applications, the Investor should write in the space provided for the broker code "Direct Application" or "Not Applicable (N.A.)".*
- (3) In case of change in broker, the investor will be required to strike off the old broker code and countersign near the new broker code, before submitting the application form / transaction form / purchase form to the designated ISC's/ OPA (Official points of Acceptance).
- (4) The Registrar and the AMC shall effect the application for changes in the broker code within the reasonable period of time from the time of receipt of written request from the investor at the designated ISC's / OPA. Decision of the Registrar/AMC in this regard shall be final and acceptable to all.

- (5) All Unitholders who have invested/may invest through channel distributors and intend to make their future investments through the direct route, are advised to complete the procedural formalities prescribed by AMC from time to time.

### **11. Consolidated Account Statement (CAS):**

Pursuant to Regulation 36 of SEBI (Mutual Funds) Regulations, 1996 and amendments thereto, read with SEBI Circular No. Cir/ IMD/ DF/16/ 2011 dated September 8, 2011, the investor whose transaction\*\* has been accepted by the AMC/Mutual Fund **on or after October 1, 2011** shall receive the following:

- (i) On acceptance of the application for subscription, an allotment confirmation specifying the number of units allotted by way of email and/or SMS within 5 Business Days from the date of receipt of transaction request will be sent to the Unit holders registered e-mail address and/or mobile number.
- (ii) Thereafter, a consolidated account statement (CAS)<sup>^</sup> for each calendar month to the Unit holder(s) in whose folio(s) transaction\*\*(s) has/have taken place during the month on or before 10<sup>th</sup> of the succeeding month shall be sent by mail/e-mail.

<sup>^</sup>**Consolidated Account Statement (CAS)** shall contain details relating to all the transactions\*\* carried out by the investor across all schemes of all mutual funds during the month and holding at the end of the month including transaction charges paid to the distributor.

**\*\*The word 'transaction' shall include purchase, redemption, switch, dividend payout, dividend reinvestment, systematic investment plan, systematic withdrawal plan, systematic transfer plan and bonus transactions.**

- (iii) For the purpose of sending CAS, common investors across mutual funds shall be identified by their Permanent Account Number (PAN).
- (iv) In case of a specific request received from the Unit holders, the AMC/Fund will provide the account statement to the investors within 5 Business Days from the receipt of such request.
- (v) In the event the account has more than one registered holder, the first named Unit holder shall receive the CAS/account statement.
- (vi) The CAS shall not be received by the Unit holders for the folio(s) not updated with PAN details. The Unit holders are therefore requested to ensure that the folio(s) are updated with their PAN.

Further, the CAS detailing holding across all schemes of all mutual funds at the end of every six months (i.e. September/ March), shall be sent by mail/e-mail on or before 10<sup>th</sup> day of succeeding month, to all such Unit holders in whose folios no transaction has taken place during that period. The half yearly consolidated account statement will be sent by e-mail to the Unit holders whose e-mail address is available, unless a specific request is made to receive in physical.



The statement of holding of the beneficiary account holder for units held in demat will be sent by the respective DPs periodically.

## **12. Option to hold units in Dematerialized (Demat) Form**

Pursuant to SEBI Circular no. CIR/IMD/DF/9/2011 dated May 19, 2011, effective **October 1, 2011**, Peerless Mutual Fund will provide an option to the investors of the Fund to mention demat account details in the subscription form, in case they desire to hold units in the dematerialised mode. The option to subscribe to the units in the dematerialised mode is available for all the schemes of the Fund, except for subscription through Systematic Investment Plan (SIP) and for plans / options, where dividend distribution frequency is less than one month.

## **13. Option to hold units in Dematerialised Form for SIP Transactions**

Pursuant to SEBI Circular no. CIR/IMD/DF/9/2011 dated May 19, 2011 and further to the Addendum dated 26 October 2011 offering the option to hold units in dematerialised form, Peerless Mutual Fund has decided to extend the facility to investors of the Fund for investment made **through Systematic Investment Plan (SIP)** for all the Schemes of the Peerless Mutual Fund offering SIP, with effect from 1 January 2012.

The units will be allotted in dematerialized mode based on the applicable NAV, as per terms of the respective Schemes and credited to the investors' demat account every Monday for realization status received during the previous week (Monday to Friday). The allotment of units will be subject to the guidelines / procedures specified by the Depositories (NSDL / CDSL) from time to time.

## **14. Mailing of Annual Report or Abridged Summary:**

Pursuant to Regulation 56 of SEBI (Mutual Funds) Regulations, 1996 and amendments thereto, read with SEBI circular No. Cir/ IMD/ DF/16/ 2011 dated September 8, 2011, the scheme wise annual report or an abridged summary thereof hereinafter shall be sent by AMC/Mutual Fund as under:

- (i) by e-mail to the Unit holders whose e-mail address is available with the Fund,
- (ii) in physical form to the Unit holders whose email address is not available with the Fund and/or to those Unit holders who have opted / requested for the same.

The physical copy of the scheme wise annual report or abridged summary shall be made available to the investors at the registered office of the AMC. A link of the scheme annual report or abridged summary shall be displayed prominently on the website of the Fund.

## **C. General Information**

### **1. Inter-Scheme Transfer of Investments**

Transfers of investments from one scheme to another scheme in the Mutual Fund shall be allowed only if

- (a) Such transfers are done at the prevailing market price for quoted instruments on

- spot basis (spot basis shall have same meaning as specified by stock exchange for spot transactions).
- (b) Transfers of unquoted securities will be as per the policy laid down by the Trustee from time to time
  - (c) The securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.

## 2. Associate Transactions

The Mutual Fund is registered on September 04, 2009 with SEBI and has not had any transactions with the Sponsor or any of the Sponsor's associates from the date of registration until the date of this SAI.

The AMC may however, for the purposes of providing certain services utilize the services of the Sponsor, group companies and any other subsidiary or associate company of the Sponsor established or to be established at a later date, who is in a position to provide the requisite services to the AMC.

The scheme will invest in group companies of the sponsor or the sponsor in accordance with the provisions of the Regulations.

The AMC, on behalf of the Fund, shall conduct its business with the aforesaid companies (including their employees or relatives) on commercial terms and on arms-length basis and at mutually agreed terms and conditions to the extent permitted under the Regulations.

**Details of brokerage / commission paid to associates / related parties / group companies of Sponsor for the past 3 financial years is given below:**

**Brokerage paid to associates / related parties / group companies of Sponsor / AMC:**

Name of associates / related parties / group companies of Sponsor / AMC	Nature of association / nature of relation	Period covered	Value of transaction (in Rs.cr. & % of total value of transaction of fund)		Brokerage (in Rs.cr. & % of total brokerage paid by the fund)	
			Rs. Cr.	%	Rs. Cr.	%
Peerless Securities Limited	Subsidiary of Sponsor	Apr'12 – Mar'13	3.35	0.04%	0.01	2.13%
Peerless Securities Limited	Subsidiary of Sponsor	Apr'11 – Mar'12	1.35	0.02%	0.00	0.93%
Peerless Securities Limited	Subsidiary of Sponsor	Apr'10 – Mar'11	0.52	0.01%	0.00	0.91%

**Commission paid to associates / related parties / group companies of Sponsor / AMC for FY 2010-11**

Name of associates /	Nature of association /	Period covered	Business given (in Rs.cr. & % of	Commission paid (in Rs.cr. &
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related parties / group companies of Sponsor / AMC	nature of relation		total business received by the fund)		% of total commission paid by the fund)	
			Rs. Cr.	%	Rs. Cr.	%
Peerless Securities Limited	Subsidiary of Sponsor	Apr'10 – Mar'11	46.36	0.05	0.01	0.46
The Peerless General Finance & Investment Co. Limited	Sponsor	Apr'10 – Mar'11	73.48	0.09	0.45	25.78
Peerless Developers Limited	Subsidiary of Sponsor	Apr'10 – Mar'11	9.75	0.01	0.00	0.04

**Commission paid to associates / related parties / group companies of Sponsor / AMC for FY 2011-12**

Name of associates / related parties / group companies of Sponsor / AMC	Nature of association / nature of relation	Period covered	Business given (in Rs.cr. & % of total business received by the fund)		Commission paid (in Rs.cr. & % of total commission paid by the fund)	
			Rs. Cr.	%	Rs. Cr.	%
Peerless Securities Limited	Subsidiary of Sponsor	Apr'11 – Mar'12	18.72	0.03	0.19	9.81
The Peerless General Finance & Investment Co. Limited	Sponsor	Apr'11 – Mar'12	295.51	0.45	0.11	3.43
Peerless Developers Limited	Subsidiary of Sponsor	Apr'11 – Mar'12	80.25	0.13	0.81	27.60

**Commission paid to associates / related parties / group companies of Sponsor / AMC for FY 2012-13**

Name of associates / related parties / group companies of Sponsor / AMC	Nature of association / nature of relation	Period covered	Business given (in Rs.cr. & % of total business received by the fund)		Commission paid (in Rs.cr. & % of total commission paid by the fund)	
			Rs. Cr.	%	Rs. Cr.	%
Peerless Securities Limited	Subsidiary of Sponsor	Apr'12 – Mar'13	0.94	0.00%	0.01	0.41%
The Peerless General Finance & Investment Co.	Sponsor	Apr'12 – Mar'13	16.62	0.03%	0.27	9.80%

Limited						
Peerless Developers Limited	Subsidiary of Sponsor	Apr'12 – Mar'13	20.06	0.04%	0.34	12.93%

None of the Schemes of Peerless Mutual Fund has invested in group companies.

### 3. Stock Lending by the Mutual Fund

Subject to the SEBI Regulations as applicable from time to time, the Mutual Fund may, engage in Stock Lending. Stock Lending means the lending of stock to another person or entity for a fixed period of time, at a negotiated compensation. The securities lent will be returned by the borrower on the expiry of the stipulated period.

For details, investors are requested to refer to the Scheme Information Document of the respective schemes.

### 4. Borrowing by the Mutual Fund

The Mutual Fund is allowed to borrow to meet the temporary liquidity needs of the schemes for the purpose of repurchase, redemption of units or payment of interest or dividend to the unit holders, provided that the Mutual Fund shall not borrow more than 20% of the net assets of each scheme and the duration of such borrowing shall not exceed a period of six months.

### 5. Unclaimed Redemption and Dividend Amount

As per Circular No. MFD/CIR/9/120/2000, dated November 24, 2000, issued by SEBI, unclaimed redemption and dividend amounts shall be deployed by the Mutual Fund in money market instruments and such other instruments/securities as maybe permitted from time to time. The investment management fee charged by the AMC for managing such unclaimed amounts shall not exceed 50 basis points. Investors who claim these amounts during a period of three years from the due date shall be paid at the prevailing NAV. After a period of three years, this amount can be transferred to a pool account and the investors can claim the said amounts at the NAV prevailing at the end of the third year. The AMC shall make a continuous effort to remind investors through letters to take their unclaimed amounts.

### 6. Suspension of the Purchase and Redemption of Units

Subject to the approval of the Boards of the AMC and of the Trustee, and subject also to necessary communication of the same to SEBI, the determination of the NAV of the Units of a Scheme, and consequently of the Purchase, Redemption and switching of Units, may be temporarily suspended in any of the conditions described below.

- a) When one or more stock exchanges or markets which provide the basis of valuation for a substantial portion of the assets of the Scheme is closed otherwise than for ordinary holidays.

- b) When, as a result of political, economic or monetary events or any other circumstances outside the control of the Trustee and the AMC, the disposal of the assets of the Scheme is not considered to be reasonably practicable or might otherwise be detrimental to the interests of the Unit Holders.
- c) In the event of breakdown in the means of communication used for the valuation of investments of the Scheme, so that the value of the securities of the Scheme cannot be accurately or reliably arrived at.
- d) If, in the opinion of the AMC, extreme volatility of markets causes or might cause, prejudice to the interests of the Unit Holders of the Scheme.
- e) In case of natural calamities, war, strikes, riots, and bandhs.
- f) In case of any other event of force majeure or disaster that in the opinion of the AMC affects the normal functioning of the AMC or the Registrar.
- g) During the period of Book Closure.
- h) If so directed by SEBI.

In any of the above eventualities, the time limits for processing requests for subscription and Redemption of Units will not be applicable. Suspension or restriction of Redemption facility shall be made applicable only after the approval of the Board of Directors of the AMC and the Trustee. The approval from the AMC Board and the Trustee giving details of circumstances and justification for the proposed action shall also be informed to SEBI in advance.

## **7. Documents Available for Inspection**

The following documents will be available for inspection at the office of the Mutual Fund at 3rd Floor, Peerless Mansion, 1, Chowringhee Square, Kolkata - 700 069 during business hours on any day (excluding Saturdays, Sundays and public holidays)

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

## **8. Underwriting by the Mutual Fund**

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

## **9. Investor Grievances Redressal Mechanism**

Investors can lodge any service request or complaints or enquire about NAVs, Unit Holdings, Valuation, Dividends, etc by calling the investor line of the AMC at 022 61779922 –toll free no 18001038999 or email – connect@peerlessmf.co.in. The service representatives may require personal information of the investor for verification of his / her identity in order to protect confidentiality of information. The AMC will at all times endeavour to handle transactions efficiently and to resolve any investor grievances promptly.

Any complaints should be addressed to Ms. Rachita Shetty, who has been appointed as the Investor Relations Officer and can be contacted at:

**Address:**

Ground 03, Churchgate Chambers,  
Premises Co-operative Housing Society Ltd,  
Plot - 05, Sir Vithaldas Thackersay Marg,  
Next to American Centre, Mumbai - 400 020  
Phone: 022 61779922 Toll free no 1800 103 8999

**Notwithstanding anything contained in this Statement of Additional Information, the provisions of the SEBI (Mutual Funds) Regulations, 1996 and the guidelines thereunder shall be applicable.**

**for and on behalf of the Board of Directors of  
Peerless Funds Management Co. Ltd.**

**Akshay Gupta  
Managing Director &CEO**

Place: Kolkata

Dated: 21<sup>st</sup> June, 2013

**LIST OF ADDENDA TO STATEMENT OF ADDITIONAL INFORMATION**

ADDENDUM NO.	DATE OF ADDENDUM	PARTICULARS
1	17 <sup>th</sup> July, 2012	Appointment of Independent director on the Board of Trustees & Change in exit load etc.
2	28 <sup>th</sup> September, 2012	Amendment to SID, KIM & SAI
3	9 <sup>th</sup> October, 2012	Resignation of Director from Peerless Trust Management Co. Limited
4	27 <sup>th</sup> October, 2012	Changes in Annual scheme expenses, cash investments etc.
5	30 <sup>th</sup> October, 2012	Single plan structure for all the schemes
6	23 <sup>rd</sup> November, 2012	Investment restrictions (for all Debt schemes)
7	28 <sup>th</sup> December, 2012	Introduction of Direct Plan
8	26 <sup>th</sup> March, 2013	Amendment to SID & KIM

**ADDENDUM NO. 1**

Notice is hereby given that the Board of Directors of Peerless Trust Management Co. Limited (Trustees to Peerless Mutual Fund) has approved:

**A. DECLARATION OF DIVIDEND**

Peerless Trust Management Co. Limited, Trustees to Peerless Mutual Fund, has approved dividend in the Quarterly Dividend option of Peerless Income Plus Fund as under:

Name of Scheme	Option	Quantum of Dividend (Rs. Per unit) #	Record Date *	Face Value per unit (Rs.)	NAV per unit (Rs.) as on 16.07.2012
Peerless Income Plus Fund	Quarterly Dividend	0.1800	23 July 2012	10.0000	10.3929

# as reduced by the amount of statutory levy, if any.

\* Or the immediate following business day if that day is not a business day.

**Pursuant to payment of dividend, the NAV of the Quarterly Dividend option of Peerless Income Plus Fund would fall to the extent of payout and statutory levy, if applicable.**

Dividend will be paid to those unit holders whose names appear in the register of unit holders with the quarterly dividend option of the above schemes as on the record date. The dividend payout will be as mentioned above or to the extent of available surplus in the scheme, whichever is lower as on the record date. No dividend will be paid in the absence of distributable surplus as on the record date.

**B. APPOINTMENT OF INDEPENDENT DIRECTOR IN PEERLESS TRUST MANAGEMENT CO. LIMITED**

Mr. Sunil Mitra has been appointed as Independent Director in Peerless Trust Management Co. Limited with effect from 17 July 2012.

Mr. Sunil Mitra is an IAS of 1975 batch and has served both the Government of West Bengal and the Government of India. In his 36 years of career as Civil Servant, he has served as District Development Officer, as District Magistrate, as Secretary / Principal

Secretary of Public Enterprises & Industrial Reconstruction and as Power Secretary with the Government of West Bengal. He has also served the Government of India as Deputy Secretary/Director (Systems) in the Department of Defence, as Counsellor in Embassy of India, Moscow, as Disinvestment Secretary and as Revenue Secretary.

Presently, he is the Chairman of The Calcutta Stock Exchange Ltd. and also holds the position of Independent Director in a number of companies like West Bengal State Electricity Distribution Company Ltd., Edelweiss Financial Services Limited and IPE Global Pvt. Ltd.

**C. CHANGE IN EXIT LOAD STRUCTURE UNDER ALL OPTIONS OF PEERLESS SHORT TERM FUND**

The Board of Directors of Peerless Trust Management Co. Limited (Trustees to Peerless Mutual Fund) has approved revision of the Exit Load of Peerless Short Term Fund ("the Scheme") with effect from 23 July 2012. The details of existing / revised Exit Load are as follows:

	<b>Existing Structure</b>	<b>New Structure</b>
Exit Load in Peerless Short Term Fund (all options)	if redeemed / switched out within 6 months from the date of allotment / investment: 0.50%	if redeemed / switched out within 9 months from the date of allotment / investment: 1%

**D. REQUIREMENTS FOR PRE-FUNDED INSTRUMENTS**

The Board of Directors of Peerless Trust Management Co. Limited (Trustees to Peerless Mutual Fund) has approved the change in the documentation requirements for investors who invest less than Rs. 50,000/- by way of demand drafts against cash as follows:

<b>Present</b>	<b>Proposed</b>
Subscription through a pre-funded instrument procured against cash shall only be accepted for investments below Rs. 50,000/-.	Subscription through a pre-funded instrument procured against cash shall only be accepted for investments below Rs. 50,000/-.
Investor is required to provide a certificate from Banker stating the name, address and PAN (if available) of the person requisitioning such pre-funded instruments.	Investor is required to provide a certificate from Banker stating the name, address and PAN (if available) of the person requisitioning such pre-funded instruments. or counterfoil of the deposit slip containing the name of the Purchaser/applicant of the pre-funded instrument, his bank account number and seal of the bank.

**E. CHANGES TO THE OFFICIAL POINTS OF ACCEPTANCE**

Investors / unit holders are advised to take note of the following changes made to the list of Official Points of Acceptance of Peerless Mutual Fund – Karvy Computershare Private Limited (Registrar's) offices for all the transactions.



Location	Old Address	New Address
Guntur w.e.f 11 June 2012	Karvy Computershare Pvt. Ltd. Door No : 6- 10-18 Sai House10 / 1 , Arundelpet Guntur - 522 002	Karvy Computershare Pvt. Ltd. D NO 6-10-27 10/1, Sri Nilayam Arundelpet Guntur -522002 Ph no :0863-2339094, 2326686,2326687
Jammu w.e.f. 01 August 2012	Karvy Computershare Pvt. Ltd., 29 D/C, Near Service Selection Commission Office Gandhi Nagar Jammu – 180004;	Karvy Computershare Pvt Ltd., 5 A/D Second Extension, Opposite Panama Chowk Petrol Pump, Gandhi Nagar, Jammu Pin - 180012

**THIS ADDENDUM SETS OUT THE CHANGES TO BE MADE IN THE STATEMENT OF ADDITIONAL INFORMATION (SAI), KEY INFORMATION MEMORANDUM (KIM) AND SCHEME INFORMATION DOCUMENT (SID) OF THE SCHEMES OF PEERLESS MUTUAL FUND. ALL OTHER TERMS AND CONDITIONS OF THE SID, KIM & SAI WILL REMAIN UNCHANGED.**

#### **ADDENDUM NO. 2**

#### **A) AMENDMENT TO THE SCHEME INFORMATION DOCUMENT (SID), KEY INFORMATION MEMORANDUM (KIM) OF THE RESPECTIVE SCHEMES AND STATEMENT OF ADDITIONAL INFORMATION (SAI) OF PEERLESS MUTUAL FUND**

Pursuant to SEBI (Mutual Funds) (Second Amendment) Regulations 2012 dated 26 September 2012 and SEBI Circular no. CIR/IMD/DF/21/2012 dated 13 September 2012, the following amendments are being made to the Scheme Documents of the existing schemes of Peerless Mutual Fund.

"The Scheme Information Document & Key information Memorandum of the respective schemes shall stand amended with effect from 1 October 2012, as follows:

#### **Peerless Liquid Fund**

1. Fresh subscriptions / additional purchases / switch – in etc. will only be accepted under **Peerless Liquid Fund – Super Institutional Plan** only.
2. Fresh subscriptions / additional purchases / switch – in etc. shall NOT be accepted under **Peerless Liquid Fund – Institutional Plan** and **Peerless Liquid Fund – Retail Plan** with effect from 1 October 2012. However these plans under the schemes shall continue till such time the existing investors remain invested in the plan.
3. Minimum application amount will be Rs.1,000 and in multiples of Re.1/- thereafter.
4. Additional purchases will be in multiples of Re.1/-.

#### **Peerless Ultra Short Term Fund**

1. Fresh subscriptions / additional purchases / switch – in etc. will only be accepted under **Peerless Ultra Short Term Fund – Super Institutional Plan** only.

2. Fresh subscriptions / additional purchases / switch – in etc. shall NOT be accepted under **Peerless Ultra Short Term Fund – Retail Plan** with effect from 1 October 2012. However this plan shall continue till such time the existing investors remain invested in the plan.
3. Minimum application amount will be Rs.1,000 and in multiples of Re.1/- thereafter.
4. Additional purchases will be in multiples of Re.1/-.

#### **Peerless MF Child Plan**

1. Minimum application amount will be Rs.1,000 and in multiples of Re.1/- thereafter.
2. Additional purchases will be in multiples of Re.1/-.

#### **Change in Total Expense Ratio (TER) (applicable for all schemes)**

1. An additional TER of 30 basis points will be charged on daily net assets of the Scheme, if the new inflows from beyond top 15 cities are at least:
  - (a) 30% of gross new inflows in the scheme or
  - (b) 15% of the year to date Avg. AUM of the scheme, whichever is higher.

In case inflows from beyond top 15 cities is less than the higher of (a) or (b) above, additional TER will be charged on proportionate basis.

2. The additional TER charged shall be utilized for distribution expenses incurred for bringing inflows from such cities.
3. Brokerage and transaction costs which are incurred for the purpose of execution of trade and is included in the cost of investment, not exceeding 0.12 % in case of cash market transactions and 0.05% in case of derivative transactions, may be charged to the scheme.
4. Additional Expenses incurred towards different heads (as mentioned in the regulations) not exceeding 0.20% of the daily net assets can be charged to the scheme.
5. In case such investments are redeemed within 1 year, the additional TER utilized will be credited back to the scheme.
6. Service Tax on investment & advisory fees will be in addition to the maximum TER charged to the schemes.

#### **Exit Load (applicable for all schemes, where exit load exists)**

1. Service tax on exit load, if any will be paid out of exit load proceeds.
2. Exit load proceeds, if any, (net of service tax) will be credited back to the schemes.

#### **Applicability of NAV on purchase of units for all Schemes (other than liquid schemes)**

Allotments in respect of purchases/ switch-ins for all the schemes (other than liquid scheme) for an amount equal to or more than Rs 2 lakh (hitherto Rs. 1 crore) are subject to receipt of valid application / switch-in request, credit of entire subscription / switch-in amounts in relevant scheme's account and funds available for utilization by the relevant scheme within relevant cut –off time being 3.00 pm.

This is applicable for Peerless Ultra Short Term Fund, Peerless Short Term Fund, Peerless Income Plus Fund, Peerless MF Child Plan, Peerless Equity Fund and Peerless Flexible Income Fund.

#### **Investment restrictions (for all schemes)**

The total exposure of debt schemes of mutual funds in a particular sector (excluding investments in Bank CDs, CBLO, G-Secs, T-Bills and AAA rated securities issued by Public Financial Institutions and Public Sector Banks) shall not exceed 30% of the net assets of the scheme."

#### **Disclosure with respect to Half Yearly Financial Results**

AMC shall make half yearly disclosures of the unaudited financial results on the website [www.peerlessmf.co.in](http://www.peerlessmf.co.in).

#### **Transaction Charges**

In partial modification to SEBI circular no. Cir/ IMD/ DF/13/ 2011 dated August 22, 2011, distributors shall have also the option to either opt in or opt out of levying transaction charge based on type of the product.

#### **F. APPOINTMENT OF KEY PERSONNEL**

Mr. Vishal Jain has been appointed as Equity Research Analyst w.e.f. September, 2012. He is a Qualified Chartered Accountant and has rich experience of over 8 years in Institutional Equity Research, Investment Banking, Investments and related areas.

**THIS ADDENDUM SETS OUT THE CHANGES TO BE MADE IN THE STATEMENT OF ADDITIONAL INFORMATION (SAI), KEY INFORMATION MEMORANDUM (KIM) AND SCHEME INFORMATION DOCUMENT (SID) OF THE SCHEMES OF PEERLESS MUTUAL FUND. ALL OTHER TERMS AND CONDITIONS OF THE SID, KIM & SAI WILL REMAIN UNCHANGED.**

#### **ADDENDUM NO. 3**

##### **Resignation of Director from Peerless Trust Management Co. Limited**

Mr. Sudev Chandra Das has resigned from the Directorship on the Board of Peerless Trust Management Co. Limited with effect from September 28, 2012. The Composition of the Board of Peerless Trust Management Co. Ltd. conforms to the provisions of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996

**THIS ADDENDUM SETS OUT THE CHANGES TO BE MADE IN THE STATEMENT OF ADDITIONAL INFORMATION (SAI), KEY INFORMATION MEMORANDUM (KIM) AND SCHEME**

**INFORMATION DOCUMENT (SID) OF THE SCHEMES OF PEERLESS MUTUAL FUND. ALL OTHER TERMS AND CONDITIONS OF THE SID, KIM & SAI WILL REMAIN UNCHANGED.**

**ADDENDUM NO. 4**

**A. DECLARATION OF DIVIDEND**

Notice is hereby given that the Board of Directors of Peerless Trust Management Co. Limited (Trustees to Peerless Mutual Fund) has approved dividend in the Quarterly Dividend option of Peerless Income Plus Fund as under:

Name of Scheme	Option	Quantum of Dividend (Rs. Per unit) #	Record Date *	Face Value per unit (Rs.)	NAV per unit (Rs.) as on 26.10.2012
Peerless Income Plus Fund	Quarterly Dividend	0.1800	2 November 2012	10.0000	

# as reduced by the amount of statutory levy, if any.

\* Or the immediate following business day if that day is not a business day.

**Pursuant to payment of dividend, the NAV of the Quarterly Dividend option of Peerless Income Plus Fund would fall to the extent of payout and statutory levy, if applicable.**

Dividend will be paid to those unit holders whose names appear in the register of unit holders with the quarterly dividend option of the above schemes as on the record date. The dividend payout will be as mentioned above or to the extent of available surplus in the scheme, whichever is lower as on the record date. No dividend will be paid in the absence of distributable surplus as on the record date.

**B. ANNUAL SCHEME RECURRING EXPENSES**

The Total expense ratio of each scheme of Peerless Mutual Fund (including Investment and Advisory Fees) will be subject to the maximum limits (as a percentage of Daily Net Assets of the Scheme) as per Regulation 52 of SEBI Regulations, as amended from time to time, with no sub-limit on Investment and Advisory fees as currently mentioned under the respective Scheme Information Documents (SIDs).

**C. INVESTOR EDUCATION AND AWARENESS**

The Fund/AMC will annually set apart at least 0.02 per cent of daily net assets within the maximum limit of Annual Scheme Recurring Expenses as prescribed under Regulation 52 of SEBI Regulations, as amended from time to time, for investor education and awareness initiatives.

**D. MONTHLY PORTFOLIO DISCLOSURES**

The Fund/AMC will disclose the Portfolio (along with ISIN) of all the Schemes on the last day of the month on its website [www.peerlessmf.co.in](http://www.peerlessmf.co.in) on or before the tenth day of the succeeding month in a user-friendly and downloadable format.

**E. CASH INVESTMENTS IN MUTUAL FUNDS**

In order to enhance the reach of mutual fund products amongst small investors, who may not be tax payers and may not have PAN /bank accounts such as farmers, small

traders,/businessmen/workers, SEBI has permitted receipt of cash for fresh purchases / additional purchases to the extent of Rs. 20,000/- per investor, per financial year shall be allowed subject to:

- i) compliance with Prevention of Money Laundering Act, 2002 and Rules framed thereunder; the SEBI Circular(s) on Anti Money Laundering (AML) and other applicable Anti Money Laundering Rules, Regulations and Guidelines; and
- ii) sufficient systems and procedures in place.

However, payment towards redemptions, dividend, etc. with respect to aforementioned investments shall be paid only through banking channel.

The Fund/AMC is in the process of setting up appropriate systems and procedures for the said purpose. Appropriate notice shall be displayed on its website viz. [www.peerlessmf.co.in](http://www.peerlessmf.co.in) as well as at the Investor Service Centres, once the facility is made available to the investors.

#### **F. CHANGES TO THE OFFICIAL POINTS OF ACCEPTANCE**

Investors / unit holders are advised to take note of the following changes made to the list of Official Points of Acceptance of Peerless Mutual Fund – Karvy Computershare Private Limited (Registrar's) offices for all the transactions.

Location	Old Address	New Address
Jalgaon w.e.f 01 September 2012	Karvy Computershare Pvt. Ltd. 148 Navi Peth, Opp. Vijaya Bank, Near Bharat Dudhalay , Jalgaon - 425 001	Karvy Computershare Pvt. Ltd. 113 Baliram Peth, B/H Mahalaxmi Dairy, Jalgaon, Maharashtra-425001 Contact Person: Versha Deshpande (09421521406)
Vapi w.e.f. 22 October 2012	Karvy Computershare Pvt. Ltd. Shop No 5, Phikhaji Residency, Opp DCB Bank, Vapi Silvassa Road, Vapi – 396195	Karvy Computershare Pvt Ltd Shop No.-12, Shital Apartment , Opp K P Tower, Imran Nagar, Silvassa Road , Vapi -396195 Contact Number: 9228012909

**THIS ADDENDUM SETS OUT THE CHANGES TO BE MADE IN THE STATEMENT OF ADDITIONAL INFORMATION (SAI), KEY INFORMATION MEMORANDUM (KIM) AND SCHEME INFORMATION DOCUMENT (SID) OF THE SCHEMES OF PEERLESS MUTUAL FUND. ALL OTHER TERMS AND CONDITIONS OF THE SID, KIM & SAI WILL REMAIN UNCHANGED.**

#### **ADDENDUM NO. 5**

**1) Pursuant to Regulation 59 of the SEBI (Mutual Funds) Regulations, 1996, the Unaudited Financial Results of the schemes of Peerless Mutual Fund for the half year ended 30 September 2012 have been hosted on the website- [www.peerlessmf.co.in](http://www.peerlessmf.co.in)**

**2) Single Plan structure for all the schemes:**

The Schemes of Peerless Mutual Fund with multiple plans viz, **Peerless Liquid Fund** and **Peerless Ultra Short Term Fund** based on the amount of investment (i.e. retail, institutional and super-institutional) shall accept fresh subscriptions only under one plan viz, **Peerless Liquid Fund – Super Institutional Plan** and **Peerless Ultra Short Term Fund – Super Institutional Plan** with effect from 01 October, 2012.

Fresh subscriptions shall include inflow into the schemes in the form of new purchases, additional purchases, switch-in and inflows from registration / renewal of Systematic Investment Plans (SIP) and Systematic Transfer Plans (STP) on or after 01 October, 2012.

**Until 31 October, 2012**, all SIPs / STPs / Dividend Reinvestment registered before 01 October, 2012 shall continue to be processed in the same plans under which they were originally registered. However, effective from **01 November, 2012**, all the Systematic transactions and dividend re-investment facilities shall be processed only in the single plan viz, **Peerless Liquid Fund – Super Institutional Plan** and **Peerless Ultra Short Term Fund – Super Institutional Plan**.

**THIS ADDENDUM SETS OUT THE CHANGES TO BE MADE IN THE STATEMENT OF ADDITIONAL INFORMATION (SAI), KEY INFORMATION MEMORANDUM (KIM) AND SCHEME INFORMATION DOCUMENT (SID) OF THE SCHEMES OF PEERLESS MUTUAL FUND. ALL OTHER TERMS AND CONDITIONS OF THE SID, KIM & SAI WILL REMAIN UNCHANGED.**

#### **ADDENDUM NO. 6**

**Notice is hereby given that in accordance with the SEBI Circular CIR/IMD/DF/24/2012 dated November 19, 2012, there is a partial modification to Notice-cum-Addendum dated September 28, 2012 on investment restrictions in debt oriented schemes.**

#### **Investment restrictions (for all Debt schemes)**

The total exposure of debt schemes of Peerless Mutual Fund in a particular sector (excluding investments in Bank CDs, CBLO, G-Secs, T-Bills and AAA rated securities issued by Public Financial Institutions and Public Sector Banks) shall not exceed 30% of the net assets of the scheme.

Provided further that an additional exposure to financial services sector (over and above the limit of 30%) not exceeding 10% of the net assets of the scheme shall be allowed by way increase in exposure to Housing Finance Companies (HFCs) registered with National Housing Bank;

Provided further that the additional exposure to such securities issued by HFCs are rated AA and above and the total investment/exposure in HFCs shall not exceed 30% of the net assets of the scheme.

This addendum forms an integral part of the Scheme Information Document (SID) and Key Information Memorandum (KIM) of the schemes of Peerless Mutual Fund. All other terms and conditions of the SID & KIM will remain unchanged.

#### **ADDENDUM NO. 7**

#### **INTRODUCTION OF DIRECT PLAN**

**NOTICE** is hereby given that in accordance with Para D titled “**Separate Option for direct investments**” under Circular no. CIR/IMD/DF/21/2012 dated September 13, 2012 issued by Securities and Exchange Board of India (SEBI), Peerless Trust Management Company Limited, Trustee to Peerless Mutual Fund (“**Fund**”), has decided to introduce a separate plan for direct investments (i.e. investments not routed through an AMFI Registration Number (ARN) Holder (“**Distributor**”) (hereinafter referred to as “**Direct Plan**”) with effect from **January 1, 2013 (“Effective Date”)** as under:

1. **Introduction of Direct Plan:** Direct Plan is only for investors who purchase / subscribe Units in a Scheme directly with the Fund and is not available for investors who route their investments through a Distributor.
2. **Scheme eligibility:** Direct Plan shall be introduced in the following schemes of the Fund:
  - (a) all open-ended schemes of the Fund as mentioned hereunder:
    - i) Peerless Liquid Fund
    - ii) Peerless Ultra Short Term Fund
    - iii) Peerless Short Term Fund
    - iv) Peerless Income Plus Fund
    - v) Peerless Equity Fund
    - vi) Peerless Flexible Income Fund
    - vii) Peerless MF Child Plan

(hereinafter collectively referred to as “**the Schemes**”).
3. **Options / Sub-options:** All Options / Sub-Options offered under the Schemes (“**Existing Plan**”) like Growth & Dividend (Payout & Re-investment) will also be available for subscription under the Direct Plan. Different dividend options based on dividend frequency like Daily, Weekly, Monthly, Quarterly under the Existing Plans of the respective Schemes will be available under Direct Plan.
4. **Scheme characteristics:** Scheme characteristics such as Investment Objective, Asset Allocation Pattern, Investment Strategy, risk factors, facilities offered and terms and conditions including load structure will be the same for the Existing Plan and the Direct Plan except that:
  - (a) Direct Plan shall have a lower expense ratio excluding distribution expenses, commission, etc and no commission for distribution of Units will be paid / charged under Direct Plan.
5. **Applicable NAV and allotment of units:**
  - (a) **Liquid Scheme(s):** Units shall be allotted for valid applications received before cut-off time (subject to provisions on realization of funds) on January 1, 2013 under Direct Plan(s) at the Net Asset Value (NAV) of December 31, 2012 of corresponding option(s) under Existing Plan(s). Thereafter, separate NAVs will be calculated and published for Direct Plan w.e.f. January 1, 2013.
  - (b) **Non-Liquid Scheme(s):** Units shall be allotted for valid applications received before cut-off time (subject to provisions on realization of funds, where

applicable) on January 1, 2013 under Direct Plan(s) at the Net Asset Value (NAV) of January 1, 2013 of corresponding option(s) under Existing Plan(s). Thereafter, separate NAVs will be calculated and published for option(s) under Direct Plan(s) w.e.f. January 2, 2013.

The above points are illustrated below:

<b>Subscriptions in Direct Plan on January 1, 2013 within cut off time*</b>	<b>Applicable NAV</b>
Liquid Schemes	NAV of the corresponding Existing Plan / Option / Sub-option as on December 31, 2012
Non-Liquid Scheme(s)	NAV of the corresponding Existing Plan / Option / Sub-option as on January 1, 2013

\* Subject to applicable provisions on realization of funds.

- (c) Where application is received without any Distributor Code in the Existing Plan **before cut-off time** on December 31, 2012, but the Applicable NAV based on realization of funds is on or after the Effective Date e.g. January 2, 2013, the Units will be allotted under Existing Plan and not under Direct Plan.
- (d) Where application is received without any Distributor Code in the Existing Plan **after cut-off time** on December 31, 2012, the same shall be deemed to have been received on the next Business Day and hence the Units will automatically be allotted under the Direct Plan at Applicable NAV.
6. **Eligible investors / modes for applying:** All categories of investors (whether existing or new Unit holders) as permitted under the Scheme Information Document of the Schemes are eligible to subscribe under Direct Plan. Investments under Direct Plan can be made through various modes offered by the Fund for investing directly with the Fund {except Stock Exchange Platform(s) and all other Platform(s) where investors' applications for subscription of units are routed through Distributors}.
7. **How to apply:** Investors subscribing under Direct Plan of a Scheme will have to indicate "Direct Plan" against the Scheme name in the application form e.g. "**Peerless Income Plus Fund – Direct Plan**". Investors should also indicate "Direct" in the ARN column of the application form. However, in case Distributor code is mentioned in the application form, but "Direct Plan" is indicated against the Scheme name, the Distributor code will be ignored and the application will be processed under Direct Plan. Further, where application is received for Existing Plan without Distributor code or "Direct" mentioned in the ARN Column, the application will be processed under Direct Plan.
8. **Existing Investments:**
- (a) Investors wishing to transfer their accumulated unit balance held under Existing Plan (through lump sum / systematic investments made with or without Distributor code) to Direct Plan under the same Scheme will have to switch their investments.



- (b) Investors wishing to transfer their accumulated unit balance held under Existing Plan of one scheme (through lump sum / systematic investments made with or without Distributor code) to Direct Plan of another scheme will have to switch /redeem their investments (subject to applicable Exit Load, if any) and apply afresh under Direct Plan.
- (c) Investors who have invested without Distributor code and have opted for Dividend Reinvestment facility under Existing Plan may note that the dividend will continue to be reinvested in the Existing Plan only.

9. **Investments through systematic routes:**

- (a) In case of Systematic Investment Plan (SIP) / Systematic Transfer Plan (STP)/ Dividend Transfer Plans, etc registered prior to the Effective Date **without any distributor code** under the Existing Plan, installments falling on or after the Effective Date will automatically be processed under the Direct Plan.
- (b) Investors who had registered for Systematic Investment Plan facility prior to the Effective Date **with distributor code** and wish to invest their **future installments** into the Direct Plan, shall make a written request to the Fund in this behalf. The Fund will take at least 15 days to process such requests. Intervening installments will continue in the Existing Plan.

In case of (a) and (b) above, the terms and conditions of the existing registered enrolment shall continue to apply.

- (c) In case of the following facilities which were registered under the Existing Plan prior to the Effective Date the future installments shall continue under the Existing Plan:
  - (i) All trigger facilities (registered with or without Distributor Code) and
  - (ii) Systematic Transfer Facilities (registered with Distributor Code)
  - (iii) Dividend Transfer Plans (registered from a folio where investments were made both **with and without** Distributor code)In case such investors wish to invest under the Direct Plan through these facilities, they would have to cancel their existing enrolments and **register afresh** for such facilities.

10. **Redemption requests:** Where Units under a Scheme are held under both Existing and Direct Plans and the redemption / Switch request pertains to the Direct Plan, the same must clearly be mentioned on the request (along with the folio number), failing which the request would be processed from the Existing Plan. However, where Units under the requested Option are held only under one Plan, the request would be processed under such Plan.

11. **Tax consequences:** Switch / redemption may entail tax consequences. Investors should consult their professional tax advisor before initiating such requests.

All other terms & conditions of the Schemes will remain unchanged.

This addendum shall form an integral part of the Scheme Information Document /Key Information Memorandum of the Schemes of the Fund as amended from time to time.

**ADDENDUM NO. 8**

**G. AMENDMENT TO THE SCHEME INFORMATION DOCUMENT (SID) AND KEY INFORMATION MEMORANDUM (KIM) OF THE RESPECTIVE SCHEMES OF PEERLESS MUTUAL FUND**

Notice is hereby given that the Board of Directors of Peerless Trust Management Co. Limited (Trustees to Peerless Mutual Fund) has approved the following changes to the Scheme Information Document & Key information Memorandum of the Schemes of Peerless Mutual Fund viz., Peerless Liquid Fund, Peerless Ultra Short Term Fund, Peerless Short Term Fund, and Peerless MF Child Plan with effect from 01 April 2013:

**Peerless Liquid Fund**

5. Threshold for dividend payout amount will be Rs. 500/-
6. Additional purchase amount will be Rs. 100 and in multiples of Re.1/-.

**Peerless Ultra Short Term Fund**

1. Threshold for dividend payout amount will be Rs. 500/-
2. Additional purchase amount will be Rs. 100 and in multiples of Re.1/-.

**Peerless MF Child Plan**

Additional purchase amount will be Rs. 100 and in multiples of Re.1/-.

**Peerless Short Term Fund**

Minimum application amount will be Rs.1,000 and in multiples of Re.1/- thereafter.

**B) CHANGES TO THE OFFICIAL POINTS OF ACCEPTANCE**

Investors / unit holders are advised to take note of the following changes made to the list of Official Points of Acceptance of Peerless Mutual Fund – Karvy Computershare Private Limited (Registrar's) offices for all the transactions.

Location	Old Address	New Address
Anand w.e.f 02 February 2013	Karvy Computershare Pvt. Ltd. F-6, Chitrangana Complex, Opp: Motikaka Chawl ; V V Nagar, Anand - 388 001	Karvy Computershare Pvt. Ltd. B/ 42 ,Vaibhav Commercial center Nr TVS Down Town Show Room Grid Char Rasta Anand 380 001
Bhavnagar w.e.f 02 February 2013	Karvy Computershare Pvt. Ltd., Surabhi Mall, 301, 3rd Floor, Waghawadi Road, Bhavnagar – 364001	Karvy Computershare Pvt Ltd., G-11, Gitanjali Complex, Beside Bhavnagar Municipal Corporation & Collector Office, Land Mark :(opp. Galaxy Cinema), Kalanala, Bhavnagar-364001. Ph. no : 0278 - 2567005/6

**ALL OTHER TERMS AND CONDITIONS OF THE SID & KIM WILL REMAIN UNCHANGED.**