

## Shinsei Mutual Fund

### Statement of Additional Information

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

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**Name of Mutual Fund:**

Shinsei Mutual Fund

**Name of Asset Management Company:**

Shinsei Asset Management (India) Private Limited

**Name of Trustee Company:**

Shinsei Trustee Company (India) Private Limited

**Address (common for all the entities):**

Registered Office: 5<sup>th</sup> floor, Harchandrai House, 81, Maharshi Karve Road,  
Marine Lines, Mumbai – 400002.

**Website:**

[www.shinseifunds.com](http://www.shinseifunds.com)

This SAI is dated January 3, 2011.

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## DEFINITIONS

“AMC” / Asset Management Company / “Investment Manager” shall mean Shinsei Asset Management (India) Private Limited, a company set up under the Companies Act 1956 and authorized by SEBI to act as the asset management company in respect of the Schemes of the Mutual Fund.

“AMFI” shall mean the Association of Mutual Funds in India.

“Exit Load” shall mean a Load (other than CDSC) charged to the Unit holder on exiting a Scheme of the Mutual Fund (by way of Redemption) based on the period of holding, amount of investment, or any other criteria decided by the AMC.

“Fundamental Attributes” shall have the same meaning as assigned to it in Section II-F of the Scheme Information Document.

“FII” or “Foreign Institutional Investor” shall mean Foreign Institutional Investor, registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995.

“FIRC” shall mean Foreign Inward Remittance Certificate.

“IMA” or “Investment Management Agreement” shall have the same meaning as assigned to it under Para I (D) of the SAI.

“KYC” shall mean Know Your Client Requirements.

“Mutual Fund” shall mean the Shinsei Mutual Fund, a trust set up under the provisions of the Indian Trusts Act, 1882, and registered with SEBI vide Registration No. MF/060/09/01 dated February 10, 2009.

“NAV” shall mean the Net Asset Value of the Units of the Schemes (and plans and options, if any, therein) calculated in the manner provided in the relevant SID or as may be prescribed by the SEBI (MF) Regulations from time to time.

“NEFT” shall mean National Electronics Funds Transfer Service.

“NRI” or “Non-resident Indian” shall mean a person resident outside India who is a citizen of India or is a person of Indian origin as per the meaning assigned to the term under Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000 as amended from time to time

“PIO” or “Person of Indian Origin” shall mean a citizen of any country other than Bangladesh or Pakistan, if (a) he at any time held Indian passport; or (b) he or either of his parents or any of his grandparents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955); or (c) the person is a spouse of an Indian citizen or a person referred to in sub-clause (a) or (b).

“PMLA” shall mean the Prevention of Money Laundering Act, 2002.

“RBI” shall mean the Reserve Bank of India established under the Reserve Bank of India Act, 1934.

“RTGS” shall mean Real Time Gross Settlement.

“Registrar” shall mean Karvy Computershare Private Limited or such other registrar and share transfer agent appointed by the Mutual Fund / AMC from time to time.

“SAI”/ Statement of Additional Information shall mean this document issued by the Mutual Fund containing details of the Mutual Fund, its constitution, and other tax, legal and general information legally forming a part of the SID.

“Scheme” / “Scheme(s)” shall mean a scheme / schemes of the Mutual Fund.

“SEBI” shall mean Securities and Exchange Board of India established under Securities and Exchange Board of India Act, 1992.

“SEBI Regulations” or “SEBI (MF) Regulations” shall mean the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended from time to time.

“SID”/ “Scheme Information Document” shall mean the document issued by Shinsei Mutual Fund offering Units of the Mutual Fund for Subscription.

“Sponsor” shall mean Shinsei Bank, Limited.

“Trust Deed” shall have the same meaning as assigned to it under Para I (C) of this SAI.

“Trust Fund” shall mean the amounts settled / contributed by the Sponsor towards the corpus of the Mutual Fund and additions / accretions thereto.

“Trustee” shall mean Shinsei Trustee Company (India) Private Limited, a company set up under the Companies Act, 1956 and approved by SEBI to act as the trustee to the Schemes of Shinsei Mutual Fund.

“Units” shall mean units of a Scheme of the Mutual Fund representing the interest of a Unit holder in the net assets of such Scheme.

Words or expressions not defined herein shall have the same meaning as assigned to them under the SID.

## I. INFORMATION ABOUT SPONSOR, AMC AND TRUSTEE COMPANY

### A. Constitution of the Mutual Fund

Shinsei Mutual Fund (the “**Mutual Fund**”) has been constituted as a trust in terms of the Trust Deed dated July 16, 2008 (“**Trust Deed**”) in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) with Shinsei Bank, Limited (“**Shinsei Bank**”) as the Sponsor / Settlor and Shinsei Trustee Company (India) Private Limited as the Trustee. The Trust Deed has been registered under the Indian Registration Act, 1908. The Mutual Fund has been registered with SEBI on February 10, 2009 under Registration Code MF/060/09/01.

### B. Sponsor

Shinsei Mutual Fund is sponsored by the Shinsei Bank. The Sponsor is the Settlor of the trust constituting the Mutual Fund. The Sponsor has entrusted a sum of Rs.1,00,000/- to the Trustee as the initial contribution towards the corpus of the Mutual Fund.

#### *Brief details about the Sponsor*

Shinsei Bank, a bank incorporated under the laws of Japan, having its registered office at 1-8, Uchisaiwaicho 2 – Chome, Chiyoda-ku, Tokyo 100-8501, Japan, is a pre-eminent financial services firm delivering trusted solutions to its customers, employees and shareholders.

Shinsei Bank is a leading diversified Japanese financial institution providing a full range of financial products and services to both institutional and individual customers. Converted into a commercial bank in the year 2000, it is the new face of what was previously known as The Long-Term Credit Bank of Japan, Limited (“**LTCB**”), established in 1952. Shinsei Bank has total assets of USD 122 billion (JPY 11.3 trillion) on a consolidated basis as on March 31, 2010 and a network of 40 outlets that includes 31 Shinsei Financial Centers and 9 Consulting Spots in Japan. Shinsei Bank demands uncompromising levels of integrity and transparency in all its activities to earn the trust of customers, staff and shareholders. Shinsei Bank is committed to delivering long-term profit growth and increasing value for all its stakeholders.

Shinsei Bank’s strategic transformation into a leading Japanese financial services company is considered one of Japan’s most impressive turnaround stories. Every action at Shinsei Bank is focused on strengthening a corporate culture that values and respects individual efforts and ideas and connects people and resources to provide exceptional solutions to customers.

Shinsei Bank’s customer focused approach has been recognized and appreciated by its customers all over Japan. The fact that it has been ranked as the best bank in Japan for three consecutive years (2004, 2005 and 2006) is a validation of the respect that the Bank enjoys amongst stakeholders. This was the result of a survey on customer satisfaction carried out by the *Nihon Keizai Shimbun* among Japanese financial institutions. Shinsei Bank has also been awarded the NASSCOM award for its partnership with Indian IT services companies.

Financial performance of Shinsei Bank (past three years):

Particulars	March 31, 2010		March 31, 2009		March 31, 2008	
	USD million	JPY billion	USD million	JPY billion	USD million	JPY billion
Net Worth	5,917.69	551.47	5,994.30	588.82	7,616.07	759.55
Total Income	2,835.95	264.28	1,864.03	183.10	2,634.03	262.60
Profit after tax	(1,503.93)	(140.15)	(1,456.62)	(143.08)	602.71	60.10
Assets Under Management (if applicable)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

(Conversion rate from Japanese Yen to US Dollar as on 31<sup>st</sup> March each year)

### C. The Trustee

Shinsei Trustee Company (India) Private Limited (the “Trustee”), through its Board of Directors, shall discharge its obligations as trustee of the Shinsei Mutual Fund. The Trustee ensures that the transactions entered into by the AMC are in accordance with the SEBI Regulations and will also review the activities carried on by the AMC.

#### Details of Trustee Directors

Name	Age / Qualification	Brief Experience
<b>Mr. K. N. Prithviraj</b> (Chairman-Independent)	63 years M.A. - Economics, Madras University, CAIIB (First Part), Fellow of Research in the Department of Economics, University of Madras	Mr. Prithviraj joined Punjab National Bank as a Probationary Officer and during his tenure from 1969 to 2003, rose to the level of a General Manager (Credit). He then moved to United Bank of India in 2003 as an Executive Director, assumed charge as Chairman and Managing Director of Oriental Bank of Commerce in May 2005 and superannuated on March 31, 2007.  Presently, Mr. Prithviraj holds the post of the Administrator of the Specified Undertaking of UTI (“SUUTI”). He is also on the board of UTI Technology Services Limited and UTI Infrastructure & Services Limited as a non-executive Chairman. Further, he is also on the board of Axis Bank Limited as a nominee director of SUUTI besides being an independent director on the

Name	Age / Qualification	Brief Experience
		Boards of Surana Industries Limited, Falcon Tyres Limited, Brickwork Ratings India Private Limited, PNB Investment Services Limited and Dwarikesh Sugar Industries Limited. He is also a member of the Advisory Board for serious Bank, Commercial & Financial Frauds (ABBCFF) constituted by the Central Vigilance Commission (CVC).
<b>Mr. Om Parkash Gahrotra</b> <i>(Independent)</i>	63 years Masters in Financial Management from Jammalal Bajaj Institute of Management and from Birmingham University, United Kingdom.	Mr. Gahrotra belongs to the 1969 batch of Indian Administrative Service. After his retirement, he has been associated with Rewas Ports Limited as the Chief Executive Officer and Managing Director where he is responsible for overall management and setting up of a green-field port project. He was in several responsible positions in the Government offices. During the period from September 2004 to December 2006, he was designated as an Additional Chief Secretary of the Finance Department of the Government of Maharashtra where he was responsible for the overall budgeting, planning and fiscal management of the Maharashtra State. Mr. Gahrotra was an Additional Chief Secretary and Managing Director of the Maharashtra State Textile Corporation, a state government undertaking, from May 2001 to November 2004. He was a Senior Executive Director in SEBI from February 1996 to April 2001 where he was responsible for regulating Foreign Institutional Investors, corporate takeovers, technology, overseas coordination and interacting with the International Organization of Securities

Name	Age / Qualification	Brief Experience
		<p>Commission (“<b>IOSCO</b>”) members. He is also the Chairman of the board of Onang Management Advisory Services Private Limited and a director on the board of Elan Vascular Technologies Pvt. Ltd.</p>
<p><b>Mr. Tejinder Singh Laschar</b> (Independent)</p>	<p>62 years M.A. (Eco), M. Com., and holds a post graduate diploma in Development Policy from Glasgow University, United Kingdom</p>	<p>Mr. Laschar joined the Indian Economic Service in 1973 and superannuated in September 2007 as a Senior Economic Advisor, Office of the Economic Advisor, Ministry of Commerce and Industry, Government of India. Here he handled all issues pertaining to Industrial Policy and Promotion, foreign direct investment, World Trade Organization, compilation of Wholesale Price Index and Index of Industrial Production.</p> <p>Mr. Laschar has held responsible positions in various divisions of the Ministry of Finance such as the Economic division, World Bank division, Banking division, India Investment Centre, etc. He has been a full time consultant in the Institute of Public Enterprises, Osmania University, conducting research, consultancy, training and teaching MBA students. He was a member of the Advisory Committee of SEBI on Primary Markets and has undertaken projects for the Asian Development Bank. Mr. Laschar has been a consultant to the Indian Council for International Economic Relations. He was the Chairman and Managing Director of Hindustan Fertilizer Corporation Limited. He has been on the boards of a number of limited companies both in the public and private sectors. In the financial field, Mr. Laschar has been on the boards</p>

Name	Age / Qualification	Brief Experience
		<p>of public sector banks, housing finance institutions, insurance companies and has also been a trustee of the erstwhile GIC Mutual Fund.</p> <p>Mr. Laschar was appointed as a member of the Task Force of the Department of Public Enterprises, Government of India, for firming up the Memorandum of Understanding with Central Public Sector Undertakings in the Consultancy Sector for 2008-09 and the Energy Sector for 2009-10. He is also on the board of IFCI Limited and PNB Housing Finance Limited and on the panel of Arbitration for The National Stock Exchange of India Limited (NSE).</p>
<p><b>Mr. Chetan M. Shah</b> (Independent)</p>	<p>46 years Masters in International Management from the American Graduate School of International Management, United States of America. (popularly known as the “<b>Thunderbird</b>”).</p>	<p>Mr. Shah joined the International Business Division of Pepe Jeans at their global headquarters in London in 1989 where he was responsible for business development in Eastern Europe, South America, Asia, Middle East and Africa. Mr. Shah took over as a Managing Director and Country Head of the Pepe Jeans brand for its Indian operations in 1991 and in the process became the youngest Pepe employee to head an overseas business. His foresight, insightful strategy and passion have enabled Pepe Jeans to become the market leader in the premium jeans and casual wear segment in India.</p>
<p><b>Mr. Yoshihiro Hasegawa</b> (Associate)</p>	<p>54 years Graduation from Rikkyo University</p>	<p>Mr. Hasegawa is the Head of Global Business Development Dept. in Daiwa Asset Management Co. Ltd. He started his career with Daiwa Securities Co. Ltd. in 1979 before it was reconstituted into a holding</p>

Name	Age / Qualification	Brief Experience
		<p>company structure, where he worked in various capacities and gained considerable experience in the investment banking business. In 2006, he assumed the role of Chief Representative of the Mumbai Representative Office of Daiwa Securities Capital Markets Co. Ltd. (formerly known as Daiwa Securities SMBC Co. Ltd.) In 2007, he became Director of Daiwa Capital Markets India Private Limited (formerly known as Daiwa Securities SMBC India Private Limited) and in 2008, he was appointed as the Director &amp; President of Daiwa Capital Markets India Private Limited (formerly known as Daiwa Securities SMBC India Private Limited). For almost 2 years, he acted as the head of investment banking business of the Daiwa Securities Group in India. Mr. Hasegawa is also on the board of asset management subsidiaries of Daiwa Asset Management Co. Ltd. in New York, London, Hong Kong and Singapore.</p>

### Responsibilities and duties of the Trustee as well as the specific and general due diligence

Pursuant to the Trust Deed dated July 16, 2008 constituting the Mutual Fund and in terms of the SEBI Regulations, the rights and obligations of the Trustee, *inter alia*, are as under:

1. The Trustee has exclusive ownership of the assets of the Schemes of the Mutual Fund (“**Trust Property**”) and holds the same in trust and for the benefit of the Unit holders.
2. The Trustee shall ensure that:
  - (i) The liability of a particular Scheme of the Mutual Fund shall be met out of the assets of the same Scheme and shall in no way attach to or become a liability of any other Scheme of the Mutual Fund; and
  - (ii) Proper and separate accounts and records are maintained for each of the Schemes of the Mutual Fund.

3. Subject to the approval of SEBI, the Trustee shall have the authority to appoint one or more bodies corporate to act as an asset management company and to enter into an investment management agreement with them. The Trustee shall thereafter have the right to obtain from the AMC, such information as it considers necessary.
4. The Trustee through the AMC is, *inter alia*, empowered and entitled to:
  - (i) frame one or more Schemes for the issue of Units and frame such rules and regulations for the issue as it may in its absolute discretion deem fit;
  - (ii) acquire, hold, manage, trade, lend and dispose of stocks and securities of all kinds, subject to RBI approval if applicable;
  - (iii) acquire, hold, manage, trade, lend and dispose of gold, commodities, real estate and such other assets as may be permitted under the SEBI Regulations;
  - (iv) acquire or enter into or deal in any derivative, option, hedging (including currency hedging), swap or other contract of a similar nature, repurchase agreement transactions and to enter into securities lending and borrowing transactions, underwriting and sub underwriting contracts and placings;
  - (v) calculate the offer, repurchase and redemption prices of Units including inter alia the allowance to be made in computing these prices for contingent liabilities;
  - (vi) keep the capital and moneys of the Mutual Fund in call or repurchase options or deposit with banks or other financial institutions or companies or any other financial instruments as may be permitted under the SEBI Regulations;
  - (vii) enter into agency arrangements with one or more banks for the purposes of mobilizing collections for various Schemes of the Mutual Fund and displaying the advertisements and other marketing materials;
  - (viii) enter into agreements or arrangements including agreements/arrangements by way of tie-ups, collaborations, joint ventures with mutual funds, asset management companies, financial institutions, investment companies, banks and other institutions;
  - (ix) do any other kind of business connected with mobilization of savings and investments;
  - (x) accept contributions, grants, and donations;
  - (xi) collect, get in and receive the profit, interest, dividend and income of the Trust Property from time to time as and when the same becomes due and receivable;
  - (xii) pay all costs, charges, expenses and outgoings of and incidental to the administration and execution of the Mutual Fund and the management and maintenance of the Trust Property and incurred for the same in accordance with and subject to the limits under the SEBI Regulations as may be stipulated from time to time;
  - (xiii) appoint brokers, sub-brokers, agents, custodial agents, registrars, share transfer agents for the purpose of purchase and sale of securities, investment under the Schemes of the Mutual Fund and to pay their charges;
  - (xiv) appoint and engage advocates, solicitors, valuers, chartered accountants, credit rating agencies, and other such advisers and experts for the purpose of the Schemes of the Mutual Fund and to pay their remuneration and charges;

- (xv) do all such acts, deeds and things and exercise such powers and sign and execute all such documents, Unit certificates, transfer forms, declarations, affidavits, indemnities as it may in its absolute discretion deem fit;
  - (xvi) open one or more bank accounts, securities account/s with RBI and other banks (if permitted) and operate the same;
  - (xvii) deal with all the matters arising from the Mutual Fund/AMC, on the one hand and Unit holders on the other, and to settle disputes, if any, with Unit holders;
  - (xviii) generally exercise all such powers as may be required to be exercised under the SEBI Regulations for the time being in force and do all such matters and things as may promote the Mutual Fund or as may be incidental to or consequential upon the discharge of its functions and the exercise and enforcement of all or any of the powers and rights under the Trust Deed;
  - (xix) pay out of the income of the Trust Property after deducting all expenses, interest and dividend in accordance with the relevant Scheme of the Mutual Fund and the SID applicable to such Scheme;
  - (xx) subject to the provisions of the SEBI Regulations and the Trust Deed, exercise all powers and rights of a trustee under the Indian Trusts Act, 1882 to achieve the objects of the Mutual Fund and protect the interests of the Unit holders;
5. The Trustee is responsible for supervising the collection of all income due to be paid to the Schemes and for claiming any repayment of tax and holding any income received in trust for the Unit holders in accordance with the Trust Deed and the SEBI Regulations.
6. The Trustee shall act at all times in the interest of Unit holder and provide all such information to the Unit holders and SEBI as may be specified by SEBI.
7. The Trustee shall *inter alia*:
- (i) at no time acquire any asset out of the Trust Property, which involves the assumption of any liability which is unlimited or results in the encumbrance of the Trust Property in any way, except to the extent permitted by the SEBI Regulations;
  - (ii) not make or grant loans or guarantee loans except as permitted under the SEBI Regulations nor carry out at any time any activity in contravention of the SEBI Regulations;
  - (iii) take reasonable care to ensure that the Schemes floated and managed by the AMC are operated in accordance with the Trust Deed, the SIDs and the SEBI Regulations;
  - (iv) cause the AMC to ensure that the manner of calculating the offer, repurchase and redemption prices of Units, including inter alia the allowance to be made in computing these prices for contingent liabilities, would be in accordance with the SEBI Regulations and any guidelines issued by SEBI from time to time; and
  - (v) be bound to discharge all obligations, duties and responsibilities entrusted to them under the SEBI Regulations.

8. The Trustee shall exercise due diligence as under:

**General Due Diligence**

- (i) The Trustee shall be discerning in the appointment of the directors on the Board of Directors of the AMC;
- (ii) The Trustee shall review the desirability or continuance of the AMC if substantial irregularities are observed in any of the Schemes and shall not allow the AMC to float new Schemes;
- (iii) The Trustee shall ensure that the Trust Property is properly protected, held and administered by proper persons and by a proper number of such persons;
- (iv) The Trustee shall ensure that all service providers hold appropriate registrations from SEBI or concerned regulatory authorities;
- (v) The Trustee shall arrange for test checks of service contracts at such frequency and in such manner as it shall deem appropriate from time to time; and
- (vi) The Trustee shall report to SEBI of any special developments in the Mutual Fund.

**Special Due Diligence**

- (i) The Trustee shall obtain internal audit reports at regular intervals from independent auditors appointed by the Trustee;
- (ii) The Trustee shall obtain compliance certificates at regular intervals from the AMC;
- (iii) The Trustee shall hold meetings of the Board of Directors of the Trustee regularly and frequently;
- (iv) The Trustee shall consider the reports of the independent auditor and compliance reports of the AMC at the meetings of the Board of Directors of the Trustee for appropriate action;
- (v) The Trustee shall maintain minutes of the meetings of the Board of Directors of the Trustee;
- (vi) The Trustee shall prescribe a code of ethics which shall be followed by the Trustee, AMC and its personnel;
- (vii) The Trustee shall communicate in writing with the AMC regarding any deficiencies and checking on the rectification of deficiencies;
- (viii) The Trustee shall ensure that the accounts maintained by the AMC follow the accounting policies prescribed by SEBI or any other relevant authority and shall be in the prescribed format and have the prescribed contents;
- (ix) The Trustee shall ensure that all necessary statements in respect of the Mutual Fund and the Trust Property are prepared in the manner required by the SEBI Regulations and make or cause to be made all reports, publications, notices and filings with respect to the Mutual Fund required by Indian law;
- (x) The Trustee shall cause the balance sheet and accounts of the Mutual Fund to be prepared and submitted to the Sponsor for the accounting year as soon as may be after the end of each accounting year;
- (xi) The Trustee shall cause the affairs of the various Schemes of the Mutual Fund in respect of every accounting year to be audited by one or more auditors qualified to act as auditors under the law for the time being and obtain their report and

submit the same to SEBI or any other Government Authority, if required by the law in force. The auditor shall be appointed by the Trustee and the Trustee may in its discretion, determine out of what part or parts of the Trust Property or the income thereof, the cost of such audit shall be defrayed and may make such apportionment of such costs as it thinks desirable. Such auditor shall not be the same as the auditor appointed for the AMC.

9. The Trustee shall segregate the assets of the Mutual Fund from all other assets held by them whether beneficially or as trustee of some other trust and shall also segregate and maintain separate assets pertaining to each Scheme.
10. The Trustee may amend the Trust Deed with the prior approval of SEBI and the Unit holders where it affects the interest of Unit holders.
11. The Trustee may, subject to the SEBI Regulations, acquire, hold, develop, deal with and dispose of any movable or immovable property either on ownership, rental or other basis whatsoever, with power to let or sublet the same with or without charging any compensation fee or rent as the Trustee may in its absolute discretion deem fit. However, no investment shall be made in immovable property from the resources mobilised for the Schemes.

### **Trustee - Supervisory Role**

The Board of Directors of the Trustee is provided with periodic reports on the activities of the Mutual Fund. These reports are designed to assist the Board of Directors of the Trustee in ensuring that the AMC and the Mutual Fund are complying with the SEBI Regulations. The Board of Directors of the Trustee also seeks information from the AMC from time to time.

During the financial year 2009-2010, the Board of Directors of the Trustee met on eight occasions and during the period from April 2010 to May 2010, the Board met on one occasion. The Audit Committee, comprising of all the independent directors of the Trustee, has been constituted pursuant to the SEBI circular MFD/CIR/010/024/2000 dated January 17, 2000 to, *inter alia*, review internal audit systems and reports from internal and statutory auditors.

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

Shinsei Asset Management (India) Private Limited is a private limited company incorporated under the Companies Act, 1956 on May 1, 2007 having its registered office at 5<sup>th</sup> Floor, Harchandrai House, 81, Maharshi Karve Road, Marine Lines, Mumbai - 400 002. The AMC has been appointed as the asset management company of the Mutual Fund by the Trustee vide the Investment Management Agreement dated July 21, 2008, (“**IMA**”) and executed between the Trustee and the AMC.

The AMC has been granted a certificate of registration as a Portfolio Manager with SEBI under registration no. PM/INP000003500 valid from December 11, 2009 to December 10, 2012. The AMC does not provide portfolio management services as on date.

(i) **Shareholding pattern of the AMC**

Shareholding pattern of the AMC as on December 31, 2010 is as under:

Sr. No.	Name of shareholder	Status (Individual/ Company)	% of equity shareholding
1.	Daiwa Asset Management Co. Ltd.	Company	91
2.	Daiwa Securities Group Inc.	Company	9
	<b>TOTAL</b>		<b>100</b>

(ii) **Details of the AMC Directors**

Name	Age/Qualification	Brief Experience
<b>Mr. Shyam Sinha</b> (Chairman – Independent)	74 years Masters in Science	Mr. Sinha has been an advisor to ExxonMobil Chemical Company, Houston, USA, since April 2006. Prior to this assignment, he was the Chief Executive Officer and Director of ExxonMobil Company India Private Limited, where he was responsible for the entire operational activities including financial activities of the company for over 20 years in India as well as for the company's business in Sri Lanka, Bangladesh and Nepal.
<b>Mr. Arpan Thanawala</b> (Independent)	41 years B.Com. F.I.A.I., F.I.A, F.I.I.I, CFP <sup>CM</sup>	Mr. Thanawala is a partner with the Thanawala Consultancy Services since 1996. He started his career with William M. Mercer, in London and thereafter worked as an investment analyst at BZW Investment Management in Hong Kong. Mr. Thanawala was also associated with Watson Wyatt in Singapore where he worked in the field of investment consultancy. He was previously the Chairman of the board of directors and Audit Committee of Principal PNB Asset Management Company Limited.

Name	Age/Qualification	Brief Experience
<b>Mr. Piyush Surana</b> <i>(Associate)</i>	45 years B.Com, LL.B, ACA, CFP	<p>Mr. Piyush Surana is the Chief Executive Officer of the AMC. Prior to taking over this role, he was the Chief Operating Officer for the operations of Shinsei Bank, Limited in India. He was the designated Chief Operating Officer at Alliance Capital Asset Management (India) Private Limited for 7 years where he was responsible for business development, operations and finance, compliance as well as all the support areas of the organization. Mr. Surana has also worked with Reliance Capital Asset Management Limited for almost 4 years where he was responsible for the operations and finance. Mr. Surana is also a director on the boards of two other companies.</p>
<b>Mr. Takashi Yamaguchi</b> <i>(Associate)</i>	45 years Post Graduation from University of Virginia Darden School of Business	<p>Mr. Yamaguchi is the Executive Director in Global Business Development Dept. of Daiwa Asset Management Co. Ltd.</p> <p>He started his career with Daiwa Securities Co. Ltd. in 1992 before it was reconstituted in a holding company structure, where he worked in various capacities and gained considerable experience in the Japanese mutual fund business. Since 2001, he worked in the Investment Trust Dept. in Daiwa Securities Co. Ltd. for almost 3 years where he was responsible for sales and distribution. Since 2004, he worked in the Corporate Planning Dept. in Daiwa Securities Group Inc. He was responsible for asset management business strategy of the Daiwa Securities Group.</p>

## **Duties and Responsibilities of the AMC and the material provisions of the Investment Management Agreement**

The duties and responsibilities of the AMC shall be consistent with the SEBI Regulations and the IMA. The AMC shall discharge such duties and responsibilities as provided for under the SEBI Regulations and the IMA. The AMC shall, in the course of managing the affairs of the Mutual Fund, inter alia:

1. Provide management, advisory and administrative services for the Mutual Fund in accordance with the provisions of the IMA and any resolution of the Trustee Board from time to time;
2. Formulate and devise various Schemes and invest the corpus of the Mutual Fund in accordance with the objects / provisions of the Trust Deed, the SEBI Regulations, or circulars issued by SEBI from time to time;
3. Manage the Schemes of the Mutual Fund in accordance with the relevant rules and regulations applicable to them (including the provisions of the relevant Scheme Information Document applicable to each Scheme);
4. Be responsible for the day-to-day management of the corpus of the Mutual Fund and the various Schemes of the Mutual Fund;
5. Be responsible for floating and issuing Schemes for the Mutual Fund after approval of the same by the Trustee Board and SEBI, as well as investing and managing the funds mobilized under various Schemes, in accordance with the provisions of the Trust Deed and the SEBI Regulations;
6. Ensure that no scheme information document, key information memorandum, abridged half yearly results and annual results are issued or published without the prior approval of the Trustee Board or the Board of the AMC in writing, and also ensure that such documents do not contain any statements or matter extraneous to the Trust Deed or particulars stated in the Scheme Information Document approved by the Trustee Board and SEBI;
7. Disclose the basis for calculating the repurchase price and NAV of the various Schemes of the Mutual Fund to the investors, at such intervals as may be specified by the Trustee Board and in accordance with the SEBI Regulations issued from time to time;
8. Maintain books and records about the operation of various Schemes of the Mutual Fund to ensure compliance with the SEBI Regulations and shall submit a scheme wise quarterly report on functioning of the various Schemes of the Mutual Fund to the Trustee or at such intervals and in such manner as may be required or called for by the Trustee or by SEBI;
9. Submit quarterly reports in accordance with the SEBI Regulations in addition to any other reports called for by the Trustee or SEBI from time to time;

10. Instruct the auditors to examine the Mutual Fund's annual statement of accounts and to report on their correctness and authorize the auditors to communicate directly with the Trustee at any time;
11. Publish by public advertisement in newspapers and in its discretion, in any other manner, the unaudited half-yearly accounts and audited annual accounts of the various Schemes as required under the SEBI Regulations;
12. Ensure at all times that the corpus of the Mutual Fund is segregated from the assets of the AMC and assets of any other funds for which the AMC is responsible;
13. Provide compliance certificates to the Trustee at regular intervals, as required under the SEBI Regulations;
14. Exercise all due diligence and vigilance in carrying out its duties and in protecting the rights and interests of the Unit holders;
15. Evaluate investment and divestment opportunities for each of the Scheme of the Mutual Fund.

**(iii) Information on Key Personnel**

<b>Name</b>	<b>Designation</b>	<b>Age</b>	<b>Qualification</b>	<b>Total no. of years' experience</b>	<b>Brief Experience</b>
Mr. Piyush Surana	Chief Executive Officer	45 years	B.Com, LL.B, ACA, CFP	Over 20 years	<p><b>From September 2008 onwards:</b> Shinsei Asset Management (India) Private Limited.</p> <p><b>July 2006 to September 2008 :</b> Shinsei Corporate Advisory Services Private Limited as Chief Operating Officer – India and Chief Operating Officer – South East Asia – Asset Management.</p> <p><b>March 2006 to June 2006:</b> Independent Consulting</p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					<p>Mumbai, India as a Consultant.</p> <p><b>February 1999 to December 2005:</b> Alliance Capital Asset Management (India) Private Limited as Chief Operating Officer.</p> <p><b>April 1995 to January 1999:</b> Reliance Capital Asset Management Limited as Head – Operations and Finance.</p>
Mr. Sethuram Iyer	Chief Investment Officer	57 years	B Sc. (Chemistry) from Madras University Intermediate - ICWAI	Over 30 years	<p><b>From September 2008 onwards:</b> Shinsei Asset Management (India) Private Limited as Chief Investment Officer.</p> <p><b>September 2007 to September 2008:</b> Shinsei Corporate Advisory Services Private Limited as Chief Investment Officer</p> <p><b>June 2007 to August 2007:</b> State Bank of India as General Manager Network-1, Mumbai – Local Head Office.</p> <p><b>February 2003 – May 2007:</b> SBI Funds</p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					<p>Management Private Limited (on deputation from State Bank of India) as Chief Investment Officer.</p> <p><b>September 1998 – December 2002:</b> State Bank of India, Tokyo Branch as Senior Vice President (Credit &amp; Investments).</p> <p><b>September 1996 – September 1998:</b> State Bank of India – Overseas Branch, Chennai as Assistant General Manager (Textiles Division).</p>
Mr. Udayan Basu	Head – Sales and Distribution	51 years	M.Com, MBA	Over 24 years	<p><b>From May 2009 onwards:</b> Shinsei Asset Management (India) Private Limited as Head – Sales &amp; Distribution.</p> <p><b>May 2007 to May 2009:</b> Mirae Asset Global Investments (India) Private Limited as Head – Institutional Business, Asia Pacific Region.</p> <p><b>January 2006 to May 2007:</b> Principal-PNB Asset Management Company Private</p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					<p>Limited as Head - Institutional Asset Management (PMS).</p> <p><b>December 1999 to December 2005:</b> Principal-PNB Asset Management Company Private Limited as Head – Business Development &amp; Institutional Sales.</p> <p><b>December 1998 to November 1999:</b> Zurich Asset Management (I) Private Limited as Head - Sales &amp; Distribution.</p>
Mr. David Pezarkar	Head – Equities	39 years	B.A.(Eco.), M.M.S. (Finance)	Over 17 years	<p><b>From October 2008 onwards:</b> Shinsei Asset Management (India) Private Limited as Head – Equity.</p> <p><b>June 2007 to October 2008:</b> Bajaj Allianz Life Insurance Company Limited as Head – Equity.</p> <p><b>July 2006 to June 2007:</b> SBI Funds Management Private Limited as Fund Manager - Equity.</p> <p><b>March 2006 to June 2006:</b> Way2Wealth</p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					<p>Brokers Private Limited as Head – Research.</p> <p><b>June 1994 to February 2006:</b> UTI Mutual Fund as Fund Manager - Equity.</p>
Mr. Killol Pandya	Head – Fixed Income	35 years	B.Com, DPCM (ICFAI), MMS (Finance)	Over 11 years	<p><b>From September 2008 onwards:</b> Shinsei Asset Management (India) Pvt. Ltd. as Senior Fund Manager – Debt. Appointed as Head – Fixed Income in March 2009.</p> <p><b>April 2008 to September 2008:</b> Shinsei Corporate Advisory Services Private Limited as Senior Fund Manager - Debt.</p> <p><b>June 2003 to April 2008 :</b> SBI Funds Management Private Limited as Fund Manager - Debt.</p> <p><b>August 2000 to June 2003:</b> IL&amp;FS Investsmart Limited as a Debt Dealer.</p> <p><b>May 1999 to August 2000:</b> Darashaw &amp; Co. Private Limited as a</p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					Debt Dealer.
Mr. Amit Garg	Dealer – Debt	29 years	MBA (Finance)	Over 5 years	<p><b>From September 2008 onwards:</b> Shinsei Asset Management (India) Private Limited as Debt Dealer.</p> <p><b>August 2008 – September 2008:</b> Shinsei Corporate Advisory Services Private Limited as Debt Dealer.</p> <p><b>June 2004 to July 2008:</b> Darashaw &amp; Co. Private Limited as Debt Market Dealer – Primary &amp; Secondary.</p>
Mr. Anand Shah	Dealer – Equity	32 years	B.Com., PGDBA	Over 8 years	<p><b>From October 2008 onwards:</b> Shinsei Asset Management (India) Private Limited as Equity – Dealer.</p> <p><b>May 2006 to September 2008:</b> Kotak Mahindra UK Limited as Equity – Dealer.</p> <p><b>March 2004 to April 2006:</b> K. R. Chocksey as Equity Sales – Institutional.</p> <p><b>December 2003 – March 2004:</b> Pranav Securities Private Limited as Equity Sales –</p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					Institutional.  <b>January 2003 to November 2003:</b> Tata WaterHouse TD as Equity Dealer.  <b>May 2001 to December 2002:</b> Padmakant Devidas Securities Private Limited as a Dealer.
Mr. Sanjay Sisodia	Head – Operations	44 years	Chartered Accountant	Over 19 years	<b>From September 2008 onwards:</b> Shinsei Asset Management (India) Private Limited as Head – Operations.  <b>June 2008 - September 2008:</b> Shinsei Corporate Advisory Services Private Limited as Head – Operations.  <b>November 2007 – June 2008:</b> Deutsche Operations International Private Limited as Head of Service Delivery.  <b>November 2005 – November 2007:</b> Spectrum Global Fund Administration as Director of Fund Operations.  <b>November 2003 – October 2005:</b> JM Financial Asset

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					<p>Management Private Limited as Head of Operations.</p> <p><b>February 2002 – October 2003:</b> Cholamandalam Asset Management Limited as Head of Compliance &amp; Accounts.</p> <p><b>May 2001 - Feb 2002:</b> Dundee Investment Management and Research Private Limited as Head of Compliance.</p> <p><b>September 2000 - May 2001:</b> Cholamandalam Asset Management Limited as Compliance Officer.</p> <p><b>October 1996 – September 2000:</b> Escorts Asset Management Limited as Head of Operations.</p>
Ms. Farhana Mansoor	Head – Compliance and Company Secretary	36 years	B.Com, ACS, LL.B.	Over 13 years	<p><b>From September 2008 onwards:</b> Shinsei Asset Management (India) Private Limited as Head – Compliance and Company Secretary.</p> <p><b>April 2007 to</b></p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					<p><b>September 2008:</b> Shinsei Corporate Advisory Services Private Limited as Head – Compliance.</p> <p><b>January 2006 to April 2007:</b> JM Financial Asset Management Private Limited as Compliance Officer.</p> <p><b>July 2001 to December 2005:</b> Alliance Capital Asset Management (India) Private Limited as AVP – Compliance &amp; Company Secretary.</p> <p><b>May 2000 to June 2001:</b> FDC Limited as Secretarial Executive.</p> <p><b>October 1998 to January 2000:</b> Mahindra &amp; Mahindra Limited as Management Trainee.</p>
Mr. Joji Mathew	Head – Finance & Accounts	41 years	B.Com., MBA (Finance)	Over 16 years	<p><b>From October 2008 onwards:</b> Shinsei Asset Management (India) Private Limited as Head - Finance &amp; Accounts.</p> <p><b>February 2007 to September 2008:</b></p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					<p>Shinsei Corporate Advisory Services Private Limited as Head – Finance &amp; Accounts.</p> <p><b>April 2006 to February 2007:</b> Dawnay Day AV Financial Services Private Limited as Associate Vice President – Finance &amp; Accounts.</p> <p><b>December 2005 to March 2006:</b> AllianceBernstein (I) Private Limited as Assistant Vice President – Accounts.</p> <p><b>September 1998 to December 2005:</b> Alliance Capital Asset Management (India) Private Limited as Assistant Vice President – Accounts.</p>
Mr. Abhijit Somvanshi	Head – Marketing & Communications	32 years	B.Com, MMS	Over 8 years	<p><b>From October 2008 onwards :</b> Shinsei Asset Management (India) Pvt. Ltd. as Head – Marketing &amp; Communications.</p> <p><b>January 2004 to October 2008 :</b> IL &amp; FS Investsmart Limited as Head – Marketing &amp;</p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					<p>Communications.</p> <p><b>June 2001 to January 2004:</b>            ICICI Group (Bill Junction Payments Limited) as Sr. Executive – Marketing &amp; Communications.</p>
Mr. Sanjay D'Cunha	Head-Information & Technology	42 years	B.A. (Economics & Commerce), MBA (General Mgt.)	Over 17 years	<p><b>From September 2010 onwards:</b>            Shinsei Asset Management (India) Pvt. Ltd. as Head-Information &amp; Technology</p> <p><b>September 2009 to September 2010:</b>            SMC Wealth Management Services Pvt. Ltd. as Head- Information &amp; Technology</p> <p><b>June 2008 to March 2009 :</b>            Matrix Asset Management Company (Pvt) Ltd. as Head-Information &amp; Technology</p> <p><b>May 2003 to June 2008 :</b>            ING Investment Management Services Pvt. Ltd. as Head-Information &amp; Technology</p> <p><b>August 1994 to May 2003 :</b></p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					ING Bank N.V. as Head–Information & Technology

### People involved in the Research Team:

In addition to members of the investment team whose details are mentioned in the “Information on Key Personnel” section above, Mr. Vishal Mishra has been designated as a research analyst for the AMC. His details are as given below:

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
Mr. Vishal Mishra	Senior Research Analyst	29 years	B.Com. A.C.A.	Over 7 years	<p><b>From April 2009 onwards:</b> Shinsei Asset Management (India) Private Limited as Senior Research Analyst.</p> <p><b>April 2008 to March 2009:</b> Collins Stewart India Private Limited as AVP – Research.</p> <p><b>July 2005 to March 2008:</b> IL&amp;FS Investsmart Securities Limited as Senior Manager – Research.</p> <p><b>January 2004 to June 2005:</b> Crisil Research &amp; Information Limited as Research Analyst.</p> <p><b>May 2003 to December</b></p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					<b>2003:</b> Quantum Information Services Limited as Research Analyst

All the above personnel are based at the corporate office of the AMC in Mumbai.

The risk management function has been assigned to the Valuation and Risk Management Committee comprising of the Chief Executive Officer and senior employees from the investment, operations and compliance areas.

### **Investor Relations Officer**

Investors can address their queries to the Investor Relations Officer, Mr. Mohammed Pardawala, at the following address :

Shinsei Asset Management (India) Private Limited  
 5<sup>th</sup> floor, Harchandrai House, 81, Maharshi Karve Road  
 Marine Lines, Mumbai - 400002.  
 Telephone : 91-22-66142900 ; Fax : 91-22-66100158  
 E-mail : investorcare@shinseifunds.com

All the above personnel are based at the corporate office of the AMC in Mumbai.

### **Procedure and recording of investment decisions**

All investment decisions will be undertaken by the AMC in accordance with SEBI Regulations and the investment objectives specified in the SID. All investment decisions taken by the AMC in relation to the corpus of the respective Scheme(s) shall be recorded.

The AMC has appointed an Investment Committee comprising the Chief Executive Officer, Chief Investment Officer, Head – Equity, Head – Debt, all Fund Managers and the Compliance Officer. The Committee's role is to monitor the investment activity by evolving suitable investment strategies, monitor risk parameters of the Schemes of the Mutual Fund and review the investment policy for the Schemes and the portfolio and performance of the Schemes periodically. However the day to day investment management decision will solely be of the respective fund manager of the relevant Scheme.

With regard to investments in equity securities, such investments will be made only if there is a suitable "buy" recommendation from the in-house research team. The individual scrip wise reasons shall be recorded by the fund manager at the time of placing individual orders on the dealing desk.

With regard to investments in debt securities, all investments will be made in companies in which exposures have been approved by the Investment Committee. Individual transaction wise

reasons will be recorded by the fund manager at the time of executing individual deals on the dealing desk. In addition to this, the fund manager will also conform to the exposure ceilings fixed for each counter party.

All investments will be subject to internal checks and approvals to ensure that the investment norms prescribed are not violated.

Performance of the Schemes vis-à-vis their benchmark indices will be analysed and periodically placed before the Boards of the AMC and the Trustee. The Boards of the Trustee and the AMC will also review the performance of the Schemes in light of the performance of the mutual fund industry as published from time to time by independent research agencies and financial newspapers and journals.

## **E. Service providers**

### **i. Custodian**

**Name:** Citibank N.A.

**Address:** 3<sup>rd</sup> Floor, Trent House, Plot No. G-60, Bandra - Kurla Complex, Bandra (East), Mumbai – 400051.

**SEBI Registration Number:** IN/CUS/004.

### **ii. Registrar and Transfer Agent**

**Name:** Karvy Computershare Private Limited

**Principal Business Address:** 46, Road No 4, Street No 1, Banjara Hills, Hyderabad - 500 034.

**SEBI Registration no.** INR000000221.

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

### **iii. Statutory Auditor of the Mutual Fund**

**Name:** M/s. BSR & Co., Chartered Accountants

**Address:** Lodha Excelus, Apollo Mills Compound, N.M. Joshi Marg, Mahalaxmi, Mumbai – 400 011.

### **iv. Legal Counsel**

**Name :** Amarchand & Mangaldas & Suresh A. Shroff & Co., Advocates and Solicitors

**Address :** Peninsula Chambers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai- 4000 013.

## v. Fund Accountant

**Name:** Citibank, NA

**Address:** 3<sup>rd</sup> Floor, Trent House, Plot No. G-60, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051.

## vi. Collecting Bankers

The collecting bankers for the Scheme(s) shall be mentioned in the SID of the respective Scheme(s). Applications for NFO of a Scheme will be accepted at the Designated Collection Centres or such collection bankers as will be specified in the SID of such Scheme.

During the New Fund Offer Period, the applications in respect of a Scheme may also be accepted at the Investor Service Centers as designated by the AMC, details in respect of which will be mentioned in the relevant SID.

## F. Condensed financial information (CFI)

HISTORICAL PER UNIT STATISTICS	Shinsei Liquid Fund (“SLF”)		Shinsei Industry Leaders Fund (“SILF”)	Shinsei Treasury Advantage Fund (“STAF”)
	Retail Plan	Institutional Plan		
	2009-2010	2009-2010	2009-2010	2009-2010
<b>NAV at the beginning of the year (as on April 1)<sup>1</sup> (in Rs.)</b>				
Growth Option	—	—	—	—
Dividend Option	N.A.	N.A.	—	N.A.
Daily Dividend Option	—	—	N.A.	—
Weekly Dividend Option	—	—	N.A.	—
Monthly Dividend Option	N.A.	N.A.	N.A.	—
<b>Dividends<sup>2</sup> (gross) (In Rs.)</b>				
Dividend Option	N.A.	N.A.	—	N.A.
Daily Dividend Option	—	—	N.A.	22.38407
Weekly Dividend Option	—	—	N.A.	22.03573
Monthly Dividend Option	N.A.	N.A.	N.A.	21.48511
<b>NAV at the end of the year (as on March 31, 2010) (in Rs.)</b>				
Growth Option	1,029.6627	1,030.8734	10.53	1,022.7417
Dividend Option	N.A.	N.A.	10.53	N.A.
Daily Dividend Option	1,000.5200	1,000.5197	N.A.	1,000.1084
Weekly Dividend Option	1,000.8333	— <sup>3</sup>	N.A.	1,000.4625
Monthly Dividend Option	N.A.	N.A.	N.A.	1,001.0644
<b>Absolute Return<sup>4</sup></b>	2.97%	3.09%	5.30%	2.27%
<b>Benchmark Return</b>	2.22%	2.22%	9.93%	1.54%
<b>Benchmark index</b>	CRISIL Liquid Fund Index		BSE 100 Index	CRISIL Liquid Fund Index
<b>Net Assets at the end of period (Rs. in crs.)</b>	0.63	33.03	14.46	112.83

HISTORICAL PER UNIT STATISTICS	Shinsei Liquid Fund (“SLF”)		Shinsei Industry Leaders Fund (“SILF”)	Shinsei Treasury Advantage Fund (“STAF”)
	Retail Plan	Institutional Plan		
<b>Ratio of Recurring Expenses to net assets</b>	0.49%	0.25%	2.49%	0.30%
<b>Date of Allotment</b>	July 9, 2009		September 9, 2009	October 9, 2009

**Notes :**

- <sup>1</sup> The units under the schemes were allotted during the financial year ended March 31, 2010 and hence there are no NAVs per unit at the beginning of the year.
- <sup>2</sup> Excluding dividend details of SLF.
- <sup>3</sup> There are no investors under this option as on March 31, 2010.
- <sup>4</sup> Since the schemes have not completed one year, annualized returns are not provided. Returns are computed based on the NAV of Growth Option. As per SEBI standards for performance reporting, the since inception returns are calculated on Rs. 10/- invested at inception for SILF and on Rs. 1,000/- invested at inception for SLF and STAF. For this purpose, inception/launch date is deemed to be date of allotment. **Past performance may or may not be sustained in the future.**

## II. HOW TO APPLY

This section must be read in conjunction with Section III of the SID of the relevant Scheme of the Mutual Fund.

Application Forms / Transaction Slips for purchase of Units of a Scheme will be available at the ISCs / distributors. Applications filled up and duly signed by all joint investors should be submitted along with the cheque /draft / other payment instrument to a Designated Collection Centre. Please refer to the paragraph "How to pay" below for details for making payment.

Applications should be made in adherence to the minimum requirements pertaining to the minimum purchase amounts.

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

It is mandatory for all investors (including joint holders, NRIs, POA holders and guardians in the case of minors) investing Rs. 50,000/- and above to furnish such documents and information as may be required to comply with the Know Your Customers ("KYC") policies under the Anti Money Laundering laws. Applications without such documents and information may be rejected.

SEBI has mandated that Permanent Account Number (PAN) should be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction. Thus, submission of PAN is mandatory for all investors (including all joint applicants/holders, guardians in case of minors and NRIs) for investing with mutual funds. All investments without PAN (for all holders, including Guardians) are liable to be rejected. However, in accordance with SEBI letter no.MRD/DoP/PAN/PM/166999/2009 dated June 19, 2009 issued to AMFI and the subsequent guidelines issued by AMFI vide its circular dated July 14, 2009 in this regard, SIPs upto Rs. 50,000/- per year per investor i.e. aggregate of investments in a rolling 12 month period or in a financial year i.e. April to March ("Micro SIP") are exempted from the requirement of PAN. Please refer to paragraph V(B)(4) – Permanent Account Number (PAN) of this SAI for further details.

All investments in the Mutual Fund need to comply with the PAN and KYC requirements as noted above.

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

## A. How to Pay

All Subscription cheques / drafts / payment instruments must be drawn favouring the name of the Scheme. They should be crossed "Account Payee only". A separate cheque or bank draft must accompany each application. Multiple cheques with a single Application Form are not permitted.

Payment can be made by any of the following modes:

- cheque;
- demand draft;
- a payment instrument (such as pay order, bankers' cheque etc.); or
- electronic transfer of funds by way of direct credit / RTGS / NEFT to designated Scheme collection account.

The above payment instrument should be payable at a bank's branch, which is situated at and is a member of the Banker's Clearing House / Zone in the city where the application is submitted to a Designated Collection Centre.

An investor may also invest through a distributor with whom the AMC has made an arrangement, whereby payment may be made through ECS / EFT / RTGS / SI / Wire Transfer or in any manner acceptable to the AMC, and is evidenced by receipt of credit in the bank account of the Mutual Fund.

The following modes of payment are **not valid**, and applications accompanied by such payments are liable to be rejected.

- Outstation cheques (i.e. if the cheque is payable at a bank's branch which does not participate in the local clearing mechanism of the city where the application is submitted);
- Non-MICR cheques;
- Cash, money orders or postal orders;
- Post dated cheques excluding SIP;
- Multiple cheques with a single application; and
- Third party payments as detailed below.

Third Party payments:

When payment is made through instruments issued from an account other than that of the applicant investor, such payment is referred to as "third party payment". It is clarified that in case of payments from a joint bank account, the first holder of the mutual fund folio has to be one of the joint holders of the bank account from which the payment is made.

Applications accompanied by third party payments as defined above shall be rejected except in the following exceptional situations:

- (i) Payment made by parents/grand-parents/related persons on behalf of a minor in consideration of natural love and affection or as gift for a value not exceeding Rs.50,000/- (for each regular purchase or per SIP installment);

- (ii) Payment made by an employer on behalf of its employee(s) under Systematic Investment Plans through payroll deductions;
- (iii) Custodian on behalf of an FII or a client.

In case of the above exceptional situations, the AMC shall carry out adequate verification as required under the PMLA which shall *inter alia* include determining the identity of the investor and the person making the payment i.e. mandatory KYC for the investor and the person making the payment, obtaining necessary declarations from the investor and the person making the payment and verifying the source of funds. The AMC may also request for additional documentation as may be required in this regard from the investor/person making the payment.

When payment is made through pre-funded instruments such as Pay Order, Demand Draft, Banker’s cheque, etc., a certificate from the issuing banker must accompany the application stating the account holder’s name and the account number which has been debited for the issue of the instrument. If payment is made by RTGS, NEFT, ECS, bank transfer, etc., a copy of the instruction to the bank stating the account number debited must accompany the application. The AMC may, at its discretion, reject any application which is incomplete or not accompanied with valid documents.”

In case of an applicant who is a resident of a city which is not serviced by any ISC, the AMC shall bear the bank charges for the demand draft borne by such applicant, and allot Units for the amount inclusive of such charges. The AMC will bear the demand draft charges only in case of investments in equity schemes of the Mutual Fund as mentioned in the table below:

<b>Amount of investment</b>	<b>Demand Draft charges</b>
Upto Rs. 10,000/-	At actuals, subject to a maximum of Rs. 50/-
Above Rs. 10,000/-	Rs. 3/- per Rs. 1,000/- subject to a maximum of Rs. 10,000/-

The AMC may, at its discretion, refuse to bear the demand draft charges in case of investments made by the same applicant(s) through multiple applications and such decision of the AMC will be final and binding on the investor. It may be noted that other than demand draft charges, any other charge incurred by the investor will not be borne by the AMC. Further, additional charges, if any, incurred by an investor over and above the levels indicated above will not be borne by the AMC. The AMC will not entertain any request for refund of demand draft charges. No demand draft charges will be borne by the AMC for purchase of Units by investors residing at such locations where the ISCs / Designated Collection Centres of the AMC are located.

All applicants for Purchase of Units must provide complete bank details in the Application Form viz. name of the bank, branch, address, bank account type and bank account number. Any Application Form without these details will be treated as incomplete and will be rejected. The Registrar / AMC may ask the investor to provide a blank cancelled cheque or its photocopy for the purpose of verifying the bank account details.

It is advisable to mention the Application Form number / folio number and name of the first applicant overleaf the cheque / demand draft accompanying the Application Form.

**Applications accompanied by cheques / drafts not fulfilling the above criteria are liable to be rejected. Returned cheques will not be re-presented for collection and the accompanying application will be rejected.**

The Trustee, at its discretion, may choose from time to time to alter or add other modes of payment.

## **B. Payment by NRIs, PIOs, FIIs**

### **(i) Repatriable basis**

In the case of NRIs/PIOs investing on repatriable basis, payment may be made either by inward remittance through normal banking channels or out of funds held in a Non - Resident (External) Rupee Account (NRE) / Foreign Currency (Non-Resident) Account (FCNR). In case Indian Rupee drafts are purchased abroad or from FCNR / NRE accounts, an account debit certificate from the bank issuing the draft confirming the debit shall also be enclosed. NRIs shall also be required to furnish such other documents as may be necessary and as desired by the Mutual Fund in connection with the investment in the Scheme.

FIIs may pay their Subscriptions either by inward remittance through normal banking channels or out of funds held in a Non-Resident Rupee Account maintained with the designated branch of an authorized dealer in accordance with the relevant exchange management regulations. In case Indian rupee drafts are purchased by the FII from 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. Payments shall be made by cheques/demand drafts crossed "Account Payee Only".

### **(ii) Non-repatriable basis**

In the case of NRIs investing on non-repatriable basis, payment may be made either by inward remittance through normal banking channels or out of funds held in an NRE / FCNR / Non-Resident Ordinary Rupee Account (NRO).

## **C. Applications under Power of Attorney**

In case of an application under a Power of Attorney ("POA"), the relevant original Power of Attorney duly notarized or duly certified true copy thereof should be submitted. The signatures of the investor and the POA holder must be clearly available in the POA document for the POA to be accepted as a valid document. The Mutual Fund reserves the right to reject any POA and / or subsequent transaction if the signatures as above are not available in the document.

## **D. Investments by non-individual investor**

In case of application by a limited company or a body corporate or an eligible institution or a registered society or a trust or a partnership firm under a Power of Attorney or otherwise, the original Power of Attorney duly notarised or a certified true copy thereof or the relevant

resolution or authority to make the application / Redemption as the case may be, or certified true duly thereof, along with a certified copy of the Memorandum and Articles of Association and/or bye laws and/or trust deed and/or partnership deed (as the case may be) and Certificate of Registration / Incorporation alongwith a list of authorized signatories duly certified, should be submitted. The officials should sign the application under their official designation. In case of a trust, it shall submit a certified true copy of the resolution from the trustee(s) authorising such purchases / Redemption.

The AMC reserves the right to reject a Redemption request for non-submission of requisite documents by the investor.

### **E. 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 'Joint' or 'Anyone or Survivor'.

In either of the cases referred above i.e. application made by one investor/more than one investor, the Mutual 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 'Joint', all instructions to the Mutual Fund would have to be signed jointly by all the Unit holders. The Mutual 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 Mutual Fund. It will not be necessary for all the Unit holders to sign.

In case if nothing is mentioned by the investor in the Application Form the default option shall be 'Joint' or as mentioned in the SID of the Scheme.

In all cases, all communication to Unit holders (including account statements, statutory notices and communication, etc.) will be addressed to the Unit holder whose name appears first in terms of priority in the Register. All payments, whether for Redemptions, Dividends, etc. will be made favouring the first-named Unit holder. Service of a notice on or delivery of a document to any one of several joint Unit holders shall be deemed effective service on or delivery to the other joint Unit holders.

Any notice or document so sent by post to or left at the address of a Unit holder appearing in the Register shall notwithstanding that such Unit holder be then dead or bankrupt and whether or not the Trustee or the AMC has notice of such death or bankruptcy be deemed to have been duly served and such service shall be deemed a sufficient service on all persons interested (whether jointly with or as claiming through or under the Unit holder) in the Units concerned.

Investors are advised to go through the sections titled ‘Transmission of Units’ and ‘Nomination Facility’ before selecting the relevant box pertaining to the mode of holding in the Application Form.

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

1. Unit holders of a 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 despatched within 30 days of the declaration of the Dividend. The account statement reflecting the new or additional Subscription as well as Redemption/Switch of Units shall be despatched to the Unit holder within 10 business days from the date of acceptance of the Redemption request. 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/Repurchase proceeds within 10 Business Days of receiving the Redemption request.
4. The Trustee is bound to make such disclosures to the Unit holders as are essential in order to keep the Unit holders 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 that Scheme.
7. The Trustee shall obtain the consent of the Unit holders:
  - (i) whenever required to do so by SEBI, in the interest of the Unit holders.
  - (ii) whenever required to do so if a requisition is made by three- fourths of the Unit holders of a Scheme.
  - (iii) when the Trustee decides to wind up a Scheme or prematurely redeem the Units of that Scheme.
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 affect the interest of Unit holders, shall be carried out unless:
  - (i) a written communication about the proposed change is sent to each Unit holder and an advertisement is 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 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.

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

Valuation of assets, computation of NAV and Redemption price and their frequency of disclosure will be in accordance with the provisions of the regulations/guidelines/directives issued by SEBI from time to time.

##### **A. Valuation of assets**

The assets of the Scheme shall be valued based on the valuation norms specified in Schedule VIII of the SEBI Regulations and the guidelines/directives prescribed by SEBI from time to time.

The broad valuation norms are detailed below.

##### **1. Traded securities**

- (i) Traded securities shall be valued at the last quoted price on the stock exchange.
- (ii) When the securities are traded on more than one recognized stock exchange, the securities shall be valued at the last quoted closing price on the stock exchange where the security is principally traded. It would be left to the AMC to select the appropriate stock exchange, but the reasons for the selection should be recorded in writing. There should, however, be no objection for all scrips being valued at the prices quoted on the stock exchange where a majority in value of the investments are principally traded.
- (iii) Once a stock exchange has been selected for valuation of a particular security, reasons for change of the exchange shall be recorded in writing by the AMC.
- (iv) When on a particular valuation day, a security has not been traded on the selected stock exchange, the value at which it is traded on another stock exchange may be used.
- (v) When a security (other than debt securities) is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange as the case may be, on the earliest previous day may be used provided such day is not more than thirty days prior to valuation date.
- (vi) When a debt security (other than Government securities) is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the principal stock exchange or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than fifteen days prior to valuation date.
- (vii) When a debt security (other than Government Securities) is purchased by way of private placement, the value at which it was bought may be used for a period of fifteen days beginning from the date of purchase.

## **2. Thinly traded securities / non-traded securities / unlisted equity securities**

### **(i) Thinly traded equity/equity related securities**

- (1) When trading in an equity / equity related security (such as convertible debentures, equity warrants, etc.) in a month is both less than Rs. 5 lakh and the total volume is less than 50,000 shares, it shall be considered as a thinly traded security and valued accordingly. Further it is clarified that in order to determine whether a security is thinly traded or not, the volumes traded in all recognised stock exchanges in India may be taken into account.
- (2) Where a stock exchange identifies the thinly traded securities by applying the above parameters for the preceding calendar month and publishes / provides the required information along with the daily quotations, the same can be used by the Mutual Fund.
- (3) If the security is not listed on the stock exchange(s) which provide such information, then the Mutual Fund shall make its own analysis in line with the above criteria to determine whether the said security is thinly traded which would then be valued accordingly.
- (4) In case trading in an equity security is suspended upto 30 days, then the last traded price would be considered for valuation of that security. If an equity security is suspended for more than 30 days, then the AMC / Trustee will decide the valuation norms to be followed and such norms would be documented and recorded.

### **(ii) Thinly traded debt securities**

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.

A thinly traded debt security as defined above would be valued as per the norms set for non-traded debt security.

### **(iii) Non-traded securities**

When a security (other than debt securities) is not traded on any stock exchange for a period of 30 days prior to the valuation day, the scrip shall be treated as non-traded security.

#### **Valuation of non-traded / thinly traded securities**

Non-traded / thinly traded securities shall be valued in “good faith” by the AMC on the basis of appropriate valuation methods as approved by the Board of Directors of the AMC. In terms of the SEBI (MF) Regulations, for valuation of non-traded securities the following principles will be generally followed:

- (1) Equity instruments shall generally be valued on the basis of capitalisation of earnings solely or in combination with the net asset value, using for the purposes capitalisation, the price or earning ratios of comparable traded securities and with an appropriate discount for lower liquidity;
- (2) Debt instruments shall generally be valued on a yield to maturity basis, the capitalisation factor being determined for comparable traded securities and with an appropriate discount for lower liquidity;
- (3) Government securities will be valued at yield to maturity based on the prevailing market rate.

**(a) Non-traded / thinly traded equity and securities**

Thinly traded and non-traded equity securities will be valued “in good faith” by the AMC on the basis of the valuation principles laid down below:

- (1) Based on the latest available Balance Sheet, networth shall be calculated as follows:  
Net-worth per share = [share capital + reserves (excluding revaluation reserves) - Miscellaneous expenditure and Debit Balance in P&L A/c] Divided by no. of paid up shares.
- (2) Average capitalisation rate (P/E ratio) for the industry based upon either NSE or BSE data (which would be followed consistently and changes, if any noted with proper justification thereof) shall be taken and discounted by 75%, i.e. only 25% of the industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.
- (3) The value as per the net-worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10% for illiquidity so as to arrive at the fair value per share.
- (4) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
- (5) 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.
- (6) 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. To determine if a security accounts for more than 5% of the total assets of the Scheme, it will be valued in accordance with the procedure mentioned above on the date of valuation.

**(b) Thinly traded / non-traded debt securities**

Thinly traded / non-traded debt securities (other than Government Securities) will be valued “in good faith” by the AMC on the basis of the valuation principles laid down below:

**(1) Non-traded / thinly traded debt securities upto 182 days to maturity**

As the money market securities are valued on the basis of amortization (cost plus accrued interest till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments) a similar process would be adopted for non-traded debt securities with residual maturity of upto 182 days, in the absence of any other standard benchmarks in the market. Debt securities purchased with residual maturity period upto 182 days are to be valued at cost (including accrued interest till the beginning of the day) plus the difference between the redemption value (inclusive of interest) and the cost spread uniformly over the remaining maturity period of the instrument. In case of a debt security with maturity greater than 182 days at the time of purchase, the last valuation price plus accrued interest should be used instead of purchase cost. All other non-traded non-government debt instruments shall be valued using the method suggested below.

**(2) Non-traded / thinly traded debt securities over 182 days to maturity**

Non-traded / thinly traded debt securities over 182 days of maturity would be classified into “investment grade” and “non-investment grade” securities based on their credit ratings. The non-investment grade securities would further be classified as “performing” and “non-performing” assets.

- All non-government investment grade debt securities, classified as not traded, shall be valued on yield to maturity basis as described below.
- All non-government non-investment grade performing debt securities would be valued at a discount of 25% to the face value.
- All non-government non-investment grade non-performing debt securities would be valued based on the provisioning norms.

The approach in valuation of non-traded debt securities is based on the concept of using spreads over the benchmark rate to arrive at the yields for pricing the non-traded security.

The yields for pricing the non-traded debt security would be arrived at using the process as defined below :

**Step A**

A risk free benchmark yield is built using the government securities (GOI securities) as the base. GOI securities are used as the benchmarks as they are traded regularly, free of credit risk and traded across different maturity spectrums every week.

### **Step B**

A matrix of spreads (based on the credit risk) are built for marking up the benchmark yields. The matrix is built based on traded corporate paper on the wholesale debt segment of an appropriate stock exchange and the primary market issuances. The matrix is restricted only to investment grade corporate paper.

### **Step C**

The yields as calculated above are marked-up / marked-down for illiquidity risk

### **Step D**

The yields so arrived at are used to price the portfolio.

## **(3) Valuation of securities with put/call options**

The option embedded securities will be valued as follows :

### **Securities with call option**

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

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

### **Securities with put option**

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

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

### **Securities with both put and call option on the same day**

The securities with both put and call option on the same day would be deemed to mature on the put / call day and would be valued accordingly.

## **(4) Government securities**

Government securities will be valued at the prices for government securities released by CRISIL, which is currently the only approved agency suggested by Association of Mutual Funds in India (AMFI).

**(iv) Unlisted equity shares**

Unlisted equity shares of a company shall be valued “in good faith” on the basis of the valuation principles laid down below:

- (a) Based on the latest available audited balance sheet, net worth shall be calculated as lower of (i) and (ii) below:
- i. Net worth per share = [share capital plus free reserves (excluding revaluation reserves) minus miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by number of paid up shares.
  - ii. After taking into account the outstanding warrants and options, net worth per share shall again be calculated and shall be = [share capital plus consideration on exercise of option / warrants received / receivable by the company plus free reserves (excluding revaluation reserves) minus miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by {Number of paid up shares plus number of shares that would be obtained on conversion/exercise of outstanding warrants and options}.

The lower of (i) and (ii) above shall be used for calculation of net worth per share and for further calculation in (c) below.

- (b) Average capitalisation 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 capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.
- (c) The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share.

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

- (a) All calculations as aforesaid shall be based on audited accounts.
- (b) 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.
- (c) If the net worth of the company is negative, the share would be marked down to zero.
- (d) In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.

- (e) 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. To determine if a security accounts for more than 5% of the total assets of the Scheme, it will be valued in accordance with the procedure as mentioned above on the date of valuation.

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

### **3. Money market securities**

Investments in call money, bills purchased under rediscounting scheme and short term deposits with banks shall be valued at cost plus accrual. Other money market instruments shall be valued at the yield at which they are currently traded. For this purpose, non-traded instruments i.e. instruments not traded for a period of seven days will be valued at cost plus interest accrued at the beginning of the day plus the difference between the redemption value and cost spread uniformly over the remaining maturity period of the instruments.

### **4. Convertible debentures**

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

### **5. Warrants**

In respect of warrants to subscribe for shares attached to instruments, the warrants can be valued at the value of the share which would be obtained on exercise of the warrant as reduced by the amount which would be payable on exercise of the warrant. An appropriate discount will be deducted to account for the period which must elapse before the warrant can be exercised.

### **6. Repo**

Where instruments have been bought on 'repo' basis, the instrument must be valued at the resale price after deduction of applicable interest upto date of resale. Where an instrument has been sold on a 'repo' basis, adjustment must be made for the difference between the repurchase price (after deduction of applicable interest upto date of repurchase) and the value of the instrument. If the repurchase price exceeds the value, the depreciation must be provided for and if the repurchase price is lower than the value, credit must be taken for the appreciation.

## 7. Rights

Until they are traded, the value of the “rights” shares will be calculated as:

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

Where

$V_r$  = Value of rights

$n$  = no. of rights offered

$m$  = no. of original shares held

$P_{ex}$  = Ex-rights price

$P_{of}$  = Rights Offer Price

Where the rights are not treated *pari passu* with the existing shares, suitable adjustment will be made to the value of rights. Where it is decided not to subscribe for the rights but to renounce them and renunciations are being traded, the rights can be valued at the renunciation value.

## 8. Illiquid securities

- (a) Aggregate value of "illiquid securities" of the Scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall 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.
- (b) The Mutual Fund shall disclose as on March 31 and September 30 the scheme-wise total illiquid securities in value and percentage of the net assets while making disclosures of half yearly portfolios to the Unit Holders. In the list of investments, an asterisk mark shall also be given against all such investments which are recognised as illiquid securities.
- (c) In respect of closed ended Schemes, for the purposes of valuation of illiquid securities, the limit of 15% applicable to open-ended Schemes would be increased to 20%.

## 9. Derivative products

- (i) The traded derivatives shall be valued at market price in conformity with the stipulations of sub clauses (i) to (v) of clause 1 of the Eighth Schedule to the SEBI Regulations read with valuation norms as prescribed above and as amended from time to time.
- (ii) The valuation of untraded derivatives shall be done in accordance with the valuation method for untraded investments prescribed in sub clauses (i) and (ii) of clause 2 of the Eighth Schedule to the SEBI Regulations read with the valuation norms as prescribed above and as amended from time to time.

## 10. Foreign Securities

There are no specific SEBI guidelines on valuation of Foreign Securities at present. In the absence of any guidelines, the following policy will be followed in case of investments in Foreign Securities :

Securities issued outside India and listed on stock exchanges outside India shall be valued at the closing price on the stock exchange on which it is listed. However, in case a security is listed on more than one stock exchange, the AMC reserves the right to determine the stock exchange, the price of which would be used for the purpose of valuation of that security. Any subsequent change in the reference stock exchange used for valuation will be backed by reasons for such change being recorded in writing by the AMC. Further in case of extreme volatility in the overseas markets, the securities listed in those markets may be valued on a fair value basis.

If a significant event has occurred after security prices were established for the computation of NAV of a Scheme, the AMC reserves the right to value the said securities on fair value basis.

When on a particular valuation day, a security has not been traded on the selected stock exchange, the security will be valued in accordance with SEBI guidelines applicable for a security listed in India.

In case of investment in foreign debt securities, on the valuation day, the securities shall be valued in line with the valuation norms specified by SEBI for Indian debt securities. However, in case valuation for a specific debt security is not covered by SEBI (MF) Regulations, then the security will be valued on fair value basis.

Due to difference in time zones of different markets, closing price of overseas securities / units of overseas mutual fund may be available only after the prescribed time limit for declaration of NAV in India. In such cases, the NAV of the Scheme for any Business Day (T day) will be available on the next Business Day (T+1 day) and the same shall be posted, on each Business Day, on the Mutual Fund's website [www.shinseifunds.com](http://www.shinseifunds.com) and on the AMFI website ([www.amfiindia.com](http://www.amfiindia.com)) on date of computation of NAV.

On the valuation day, all assets and liabilities denominated in foreign currency will be valued in Indian Rupees at the exchange rate available on Bloomberg / Reuters / RBI at the close of banking hours in India. The Trustee reserves the right to change the source for determining the exchange rate.

The exchange gain / loss resulting from the aforesaid conversion shall be recognized as unrealized exchange gain / loss in the books of the Scheme on the day of valuation.

Further, the exchange gain / loss resulting from the settlement of assets / liabilities denominated in foreign currency shall be recognized as realized exchange gain / loss in the books of the Scheme on the settlement of such assets / liabilities.

## **11. Valuation of debt and money market instruments effective from July 1, 2010**

Pursuant to SEBI circular no. SEBI/IMD/CIR No.16/193388/2010 dated February 02, 2010 on valuation of debt and money market instruments, the current provisions regarding valuation of these securities will be modified, as under effective from July 1, 2010:

### **(i) Valuation of money market and debt securities with residual maturity of upto 91 days**

All money market and debt securities, including floating rate securities, with residual maturity of upto 91 days shall be valued at the weighted average price at which they are traded on the particular valuation day.

When such securities are not traded on a particular valuation day they shall be valued on amortization basis. In case of floating rate securities with floor and caps on coupon rate and residual maturity of upto 91 days then those shall be valued on amortization basis taking the coupon rate as floor.

### **(ii) Valuation of money market and debt securities with residual maturity of over 91 days**

All money market and debt securities, including floating rate securities, with residual maturity of over 91 days shall be valued at weighted average price at which they are traded on the particular valuation day. When such securities are not traded on a particular valuation day they shall be valued at benchmark yield/ matrix of spread over risk free benchmark yield obtained from agency(ies) entrusted for the said purpose by AMFI.

### **(iii) Valuation of securities not covered under the current valuation policy**

In case any security purchased by the Mutual Fund does not fall within the current framework of the valuation of securities, then the Mutual Fund shall report immediately to AMFI regarding the same. Further, at the time of investment, the AMC shall ensure that the total exposure in such securities does not exceed 5% of the total AUM of the scheme.

AMFI has been advised that the valuation agencies should ensure that the valuation of such securities gets covered in the valuation framework within six weeks from the date of receipt of such intimation from Mutual Fund.

In the interim period, till AMFI makes provisions to cover such securities in the valuation of securities framework, the Mutual Fund shall value such securities using its proprietary model which has been approved by its independent trustees and the statutory auditors.

## **B. Guidelines for identification and provisioning of non-performing assets (debt securities)**

### **(A) Definition of a Non Performing Asset (NPA)**

An 'asset' shall be classified 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.

### **(B) Effective date for classification and provisioning of NPAs**

The definition of NPA may be applied after a quarter past due date of the interest. For e.g. if the due date for interest is 30.06.2008, it will be classified as NPA from 01.10.2008.

### **(C) Treatment of income accrued on the NPA and further accruals**

- After the expiry of the 1<sup>st</sup> quarter from the date the income has fallen due, there will be no further interest accrual on the asset i.e. if the due date for interest falls on 30.06.2008 and if the interest is not received, accrual will continue till 30.09.2008 after which there will be no further accrual of income. In short, taking the above example, from the beginning of the 2<sup>nd</sup> quarter there will be no further accrual on income.
- On classification of the asset as NPA from a quarter past due date of interest, all interest accrued and recognized in the books of accounts of the Mutual Fund till the date, should be provided for. For e.g. if interest income falls due on 30.06.2008, accrual will continue till 30.09.2008 even if the income as on 30.06.2008 has not been received. Further, no accrual will be done from 01.10.2008 onwards. Full provision will also be made for interest accrued and outstanding as on 30.06.2008.

### **(D) Provision for NPAs – debt securities**

Both secured and unsecured investments once they are recognized as NPAs call for provisioning in the same manner and where these are related to close ended Schemes, the phasing would be such that to ensure full provisioning prior to the closure of the Scheme or the scheduled phasing which ever is earlier.

The value of the asset must be provided in the following manner or earlier at the discretion of the Mutual Fund. The Mutual Fund will not have discretion to extend the period of provisioning. The provisioning against the principal amount or instalments should be made at the following rates irrespective of whether the principal is due for repayment or not :

- 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.
- 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 assets 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 assets 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 the interest i.e. 15 months from the date of classification of the assets as NPA.

Book value for the purpose of provisioning for NPAs shall be taken as a value determined as per the prescribed valuation method.

This can be explained by an illustration :

Let us consider that interest income is due on a half yearly basis and the due date falls on 30.06.2008 and the interest is not received till 1<sup>st</sup> quarter after due date i.e. 30.09.2008. This provisioning will be done in following phased manner :

<b>% of provision</b>	<b>Date of provisioning</b>
10% provision	01.01.2009
20% provision	01.04.2009
20% provision	01.07.2009
25% provision	01.10.2009
25% provision	01.01.2010

Thus, 1 1/2 years past the due date of income or 1 1/4 year from the date of classification of the 'asset' as an NPA, the 'asset' will be fully provided for. If any instalment is fallen due, during the period of interest default, the amount of provision should be instalment amount or above provision amount, whichever is higher.

#### **(E) Reclassification of assets**

Upon reclassification of assets as 'performing assets' :

1. In case a company has fully cleared all the arrears of interest, the interest provisions can be written back in full.
2. The asset will be reclassified as performing on clearance of all interest arrears and if the debt is regularly serviced over the next two quarters.

3. In case the company has fully cleared all the arrears of interest, the interest not credited on accrual basis would be credited at the time of receipt.

4. The provision made for the principal amount can be written back in the following manner :

- 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 instalments and interest were in default earlier.

5 An asset is reclassified as 'standard asset' only when both overdue interest and overdue instalments are paid in full and there is satisfactory performance for a subsequent period of 6 months.

#### **(F) Receipt of past dues**

When the Mutual Fund has received income/principal amount after their classification as NPAs ;

- For the next 2 quarters, income should be recognized on cash basis and thereafter on accrual basis. The asset will be continued to be classified as NPA for these two quarters.
- During this period of two quarters although the asset is classified as NPA no provision needs to be made for the principal if the same is not due and outstanding
- If part payment is received towards principal, the asset continues to be classified as NPA and provisions are continued as per the norms set at (D) above. Any excess provision will be written back.

#### **(G) Classification of Deep Discount Bonds as NPAs**

Investments in Deep Discount Bonds can be classified as NPAs, if any two 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 assets, if available.
- Full net worth erosion.

Provision shall be made as per the norms set at (D) above as soon as the asset is classified as NPA. Full provision can be made if the rating comes down to grade 'D'.

#### **(H) Reschedulement of an asset**

In case any company defaults either interest or principal amount and the Mutual Fund has accepted a reschedulement of the schedule of payments, then the following practice may be adhered to:

- (i) In case it is a first reschedulement 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 can be classified as 'performing asset' and the interest provided may be written back.
- (ii) If the reschedulement 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 all the interest provided till such date should be written back.
- (iii) If the reschedulement 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. The provision should be written back only after it is reclassified as 'performing asset'.

#### **(I) Disclosure in the Half Yearly Portfolio Reports**

The Mutual Fund shall make scripwise disclosures of NPAs on half yearly basis along with the half yearly portfolio disclosure.

The total amount of provisions made against the NPAs shall be disclosed in addition to the total quantum of NPAs and their proportion of the assets of the Scheme. In the list of investments an asterisk mark shall be given against such investments which are recognized as NPAs. Where the date of redemption of an investment has lapsed, the amount not redeemed shall be shown as 'Sundry Debtors' and not investment provided that where an investment is redeemable by instalments, that will be shown as an investment until all instalments have become overdue.

#### **C. Accrual of expenses and income**

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

#### **D. Changes in securities and in number of Units**

Any changes in securities and in the number of Units will be recorded in the books not later than the first valuation date following the date of transaction. If this is not possible, given the frequency of NAV disclosure, the recording may be delayed up to a period of 7 days following the date of the transaction, provided as a result of such non-recording, the NAV calculation shall not be affected by more than 1%.

In case the NAV of a Scheme differs by more than 1%, due to non-recording of transactions, the investors or Scheme as the case may be, shall be paid the difference in amount as follows:

- If the investors are allotted Units at a price higher than NAV or are given a price lower than NAV at the time of sale of their Units, they shall be paid the difference in amount by the Scheme.
- If the investors are charged lower NAV at the time of purchase of their Units or are given higher NAV at the time of sale of their Units, the 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 SEBI Regulations and are subject to change from time to time in conformity with changes made by SEBI.

#### **E. NAV computation**

The Net Asset Value (NAV) is the actual value of a Unit and is computed as shown below :

Market Value of the Scheme's investments + other current assets (including accrued interest) + unamortised issue expenses - all liabilities except unit capital and reserves

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Number of units outstanding at the end of the day

The NAVs of the Schemes will be computed for each Business Day and will be calculated upto four decimals using standard rounding criteria. In case of liquid Schemes, the NAV will be computed for each Calendar Day.

Calculation of the Scheme's NAV will be subject to such rules or regulations that SEBI may issue from time to time and will be subject to audit on an annual basis. The computation and disclosure of the NAV and the Redemption price shall be in conformance with the SEBI (MF) Regulations, 1996.

#### **F. Accounting policies and standards**

The AMC shall follow the accounting policies and standards, as specified in the Ninth Schedule of the SEBI Regulations :

- (i) For the purposes of the financial statements, the Scheme shall mark all investments to market and carry investments in the balance sheet at market value. However, since the unrealised gain arising out of appreciation on investments cannot be distributed, provision will be made for exclusion of this item when arriving at distributable income.
- (ii) Dividend income earned by the Scheme would be recognised, not on the date the dividend is declared, but on the date the share is quoted on an ex-dividend basis. For investments which are not quoted on the stock exchange, dividend income would be recognised on the date of declaration.
- (iii) In respect of all interest-bearing investments, income shall be accrued on a day to day basis as it is earned. Therefore when such investments are purchased, interest paid for the period from the last interest due date up to the date of purchase would not be treated as a cost of purchase but shall be debited to Interest Recoverable Account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale will not be treated as an addition to sale value but shall be credited to Interest Recoverable Account.

- (iv) In determining the holding cost of investments and the gains or loss on sale of investments, the "average cost" method shall be followed.
- (v) Transactions for purchase or sale of investments shall be recognised as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction would be recorded, in the event of a purchase, as of the date on which the Scheme obtains an enforceable obligation to pay the price or, in the event of a sale, when the Scheme obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.
- (vi) Bonus shares to which the Scheme becomes entitled shall be recognised only when the original shares on which the bonus entitlement accrues are traded on the stock exchange on an ex-bonus basis. Similarly, rights entitlements shall be recognised only when the original shares on which the right entitlement accrues are traded on the stock exchange on an ex-rights basis.
- (vii) Where income receivable on investments has accrued but has not been received for the period specified in the guidelines issued by SEBI, provision shall be made by debiting to the revenue account the income so accrued in the manner specified by guidelines issued by SEBI.
- (viii) When in the case of an open-ended Scheme units are sold, the difference between the sale price and the face value of the unit, if positive, shall be credited to reserves and if negative is debited to reserve, the face value being credited to Capital Account. Similarly, when in respect of such a Scheme, units are repurchased, the difference between the purchase price and face value of the unit, if positive shall be debited to reserves and, if negative, shall be credited to reserves, the face value being debited to the capital account.
- (ix) In the case of an open-ended Scheme, when units are sold an appropriate part of the sale proceeds shall be credited to an Equalisation Account and when units are repurchased an appropriate amount shall be debited to Equalisation Account. The net balance on this account shall be credited or debited to the Revenue Account. The balance on the Equalisation Account debited or credited to the Revenue Account shall not decrease or increase the net income of the Scheme but is only an adjustment to the distributable surplus. It shall therefore be reflected in the Revenue Account only after the net income of the Scheme is determined.
- (x) In a close-ended Scheme which provides to the Unit Holders the option for an early redemption or repurchase their own Units, the par value of the Unit shall be debited to Capital Account and the difference between the purchase price and the par value, if positive, shall be debited to reserves and, if negative, shall be credited to reserves. A proportionate part of the unamortized initial issue expenses shall also be transferred to the reserves so that the balance carried forward on that account is proportional to the number of units remaining outstanding.
- (xi) The cost of investments acquired or purchased shall include brokerage, stamp charges and any charge customarily included in the broker's bought note. In respect of privately placed debt instruments, any front-end discount offered shall be reduced from the cost of the investment.
- (xii) Underwriting commission shall be recognised as revenue only when there is no devolvement on the Scheme. Where there is devolvement on the Scheme, the full

underwriting commission received and not merely the portion applicable to the devolvement shall be reduced from the cost of the investment.

The accounting policies and standards as outlined above are as per the SEBI Regulations extant at this time and, hence, are subject to change as per any changes in the SEBI Regulations.

## 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 Mutual Fund and the Unit Holders of the Mutual Fund. It is based on the relevant provisions of the Income Tax Act, 1961 (the “Act”), Wealth Tax Act, 1957 and Gift Tax Act, 1958 (collectively referred to as ‘the relevant provisions’) as amended by the Finance Act, 2010. Since the information below is based on the relevant provisions as on May 31, 2010, any subsequent changes in the said provisions could impact the overall tax considerations for the Mutual Fund and the Unit holders in the Mutual Fund.

Investors are requested to note that the tax position prevailing at the time of investment may change in future due to statutory amendment(s). The Mutual Fund will pay/deduct taxes as per the applicable tax laws on the relevant date. Additional tax liability, if any, imposed on investors due to such changes in the tax structure, shall be borne solely by the investors and not by the AMC or Trustee.

**THE FOLLOWING INFORMATION IS PROVIDED FOR GENERAL INFORMATION PURPOSES ONLY. IT APPLIES TO THE MUTUAL FUND AND THE UNIT HOLDERS IN THE MUTUAL FUND. PROSPECTIVE UNIT HOLDERS SHOULD MAKE THEIR OWN INVESTIGATION OF THE TAX CONSEQUENCES OF SUCH INVESTMENT. EACH PROSPECTIVE UNIT HOLDER IS ADVISED TO CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF BEING A UNIT HOLDER IN THE MUTUAL FUND. THE MUTUAL FUND IS NOT MAKING ANY REPRESENTATION OR WARRANTY TO ANY UNIT HOLDER REGARDING ANY LEGAL INTERPRETATIONS AND TAX CONSEQUENCES TO THE FUND AND THE UNIT HOLDERS IN THE MUTUAL FUND.**

### I. TAXABILITY OF THE MUTUAL FUND

#### (A) Income earned or received by the Mutual Fund

The Mutual Fund is a mutual fund registered with SEBI and as such is eligible for benefits under section 10(23D) of the Act, to have its entire income exempt from tax. The Mutual Fund will receive all income without any deduction of tax at source under the provisions of section 196(iv) of the Act.

#### (B) Income distributed by the Mutual Fund

In accordance with section 115R, the Mutual Fund will be required to pay tax on distribution of its income as under:

##### *1. In case of money market mutual fund or a liquid fund:*

At 27.681 percent (including a surcharge of 7.5 percent and an additional surcharge by way of education cess of 3 percent on the amount of tax plus surcharge) on income distributed by the

Mutual Fund.

**2. In cases other than mentioned in (1) above:**

**(a) If income is distributed to an individual or a Hindu Undivided Family ['HUF']:**

At 13.84 percent (including a surcharge of 7.5 percent and an additional surcharge by way of education cess of 3 percent on the amount of tax plus surcharge) on income distributed by the Mutual Fund.

**(b) If income is distributed to any other person:**

At 22.14 percent (including a surcharge of 7.5 percent and an additional surcharge by way of education cess of 3 percent on the amount of tax plus surcharge) on income distributed by the Mutual Fund.

It may be noted that an equity oriented fund (i.e. such fund where the investible funds are invested by way of equity shares in domestic companies to the extent of more than 65% of the total proceeds of such fund) is not required to pay any tax on distribution of income under section 115R.

**Notes :**

As per the Act, a money market mutual fund means a money market mutual fund as defined in the SEBI (Mutual Funds) Regulations, 1996 and a liquid fund means a scheme or plan of a mutual fund as specified in the guidelines issued by SEBI in this regard.

**(C) Securities transaction tax ("STT")**

The Mutual Fund is liable to pay STT as indicated in the table below:

<b>Sr. No.</b>	<b>Taxable securities transaction</b>	<b>Rate of STT</b>
1.	Purchase of an equity share in a company, where (a) the transaction of such purchase is entered into in a recognised stock exchange; and (b) the contract for the purchase of such share is settled by actual delivery or transfer of such share.	0.125%
2.	Sale of an equity share in a company, where : (a) the transaction of such sale is entered into in a recognized stock exchange; and (b) the contract for the sale of such share is settled by actual delivery or transfer of such share.	0.125%
3.	Sale of an equity share in a company, where : (a) the transaction of such sale is entered into in a recognized stock exchange; and (b) the contract for the sale of such share is settled otherwise than by actual delivery or transfer of such share.	0.025%

Sr. No.	Taxable securities transaction	Rate of STT
4.	In respect of derivative transactions, STT is leviable as under:	
	(a) Sale of an option in securities	0.017%
	(b) Sale of an option in securities, when option is exercised (payable by the purchaser)	0.125%
	(c) Sale of a futures in securities	0.017%

## II. TAXABILITY OF THE UNIT HOLDERS IN THE MUTUAL FUND

### Income tax implications for the Unit holders in case of a debt fund :

#### (A) Income in respect of Units

In accordance with section 10(35), any income (other than on transfer of units) in respect of units of a mutual fund specified under section 10(23D) is exempt from income-tax in the hands of the Unit holders.

#### (B) Long-term capital gains

Long-term capital gains on sale of Units of the Mutual Fund, i.e. capital gains in respect of Units held for a period of more than 12 months, is taxable in the hands of Unit holders. The provisions for taxation of long-term capital gains for different categories of assesses are explained below:

#### ***1. Overseas Financial Organisations (“OFOs”) (section 115AB) and Foreign Institutional Investors (“FIIs”) (section 115AD)***

Under section 115AB, any income earned by way of long-term capital gains in respect of Units purchased in foreign currency held for a period of more than 12 months by OFOs is chargeable to tax at the rate of 10% plus applicable surcharge and education cess. Such gains are calculated without indexation of cost of acquisition. Similarly, long-term capital gains are chargeable at the rate of 10% plus applicable surcharge and education cess in case of FIIs in accordance with the provisions of section 115AD.

#### ***2. All other investors including individuals (including non-resident Indians), HUFs, partnership firms, Indian companies, etc.***

Long-term capital gains arising in respect of Units of the Mutual Fund will be chargeable under section 112 (including section 115E in the case of non-resident Indians) at a rate of 20% plus applicable surcharge and education cess. Capital gains would be computed after taking into account cost of acquisition as adjusted by Cost Inflation Index (“CII”) notified by the Central Government and expenditure incurred wholly and exclusively in connection with such transfer.

An assessee has the option to apply concessional tax rate of 10% plus applicable surcharge and education cess, provided the long-term capital gains are computed without claiming the benefit of indexation.

### ***Exemption from long-term capital gains tax***

(a) In accordance with the provisions of section 54EC and subject to the conditions specified therein, long-term capital gains shall not be chargeable to tax to the extent such capital gains are invested in certain prescribed bonds within six months from the date of transfer of the Units. The investment and corresponding exemption is subject to an upper limit of Rs. 50 lakh per investor per financial year (1 April to 31 March).

(b) In accordance with the provisions of section 54F and subject to the conditions specified therein, in the case of an individual or a HUF, capital gains arising on transfer of Units 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, then such gains would not be chargeable to tax on a proportionate basis.

### **(C) Short-term capital gains**

Short-term capital gains on sale of Units of mutual funds, i.e. units held for a period of 12 months or less, are taxable in the hands of Unit holders. The provisions for taxation of short-term capital gains for different categories of assessee are explained below:

#### ***1. Individuals (including non-resident Indians) and HUFs:***

Short-term capital gains are treated as part of the normal income of the investor and are chargeable to tax as per the relevant slab rates (plus applicable surcharge and education cess) applicable to the investor.

#### ***2. Partnership firms, domestic companies and FIIs:***

Short-term capital gains are chargeable to tax at the rate of 30% plus applicable surcharge and education cess.

#### ***3. OFOs:***

The tax rate for OFOs would depend on the legal status of the OFO i.e. fund, corporate body, etc.

### **(D) Capital losses**

Losses under the head 'capital gains' cannot be set off against income under any other head. Further, losses arising from the transfer of long-term capital assets can be adjusted against gains from other long-term capital assets; the losses cannot however be adjusted against gains arising from the transfer of short-term capital assets. Moreover, losses arising from the transfer of short-term capital assets can be adjusted against gains arising from the transfer of either long-term [other than gains exempt under section 10(38)] or short-term capital assets.

Unabsorbed capital losses can be carried forward and set off in subsequent eight assessment years.

### ***Income stripping***

In accordance with section 94(7), if any person buys or acquires Units within a period of three months prior to the record date fixed for distribution of income and sells or transfers the same within a period of nine months from such record date, then losses arising from such sale, to the extent of income received or receivable on such Units, is to be ignored.

### ***Bonus stripping***

In accordance with section 94(8), where additional Units have been issued to any person without any payment, on the basis of existing Units held by such person, the loss on sale of original Units is to be ignored if the original Units were acquired within three months prior to the record date fixed for receipt of additional Units and sold within nine months from such record date. The loss so ignored shall however be considered as cost of acquisition of such additional Units.

## **(E) Tax deduction at source**

### ***1. Income in respect of units***

In accordance with the provisions of section 194K, no tax should be deducted at source in respect of any income credited or paid by a mutual fund to resident Unit holders. Similarly, in accordance with the proviso to section 196A(1), no tax is to be deducted at source from any income credited or paid to non-resident Unit holders and foreign companies.

### ***2. Capital gains***

#### ***(a) Resident Unit holders:***

No tax is required to be deducted at source on capital gains arising to any resident Unit holder.

#### ***(b) FIIs:***

No tax is deductible at source from capital gains (whether long-term or short-term) arising to an FII in view of the provisions of section 196D(2).

#### ***(c) Other non-resident unit holders / foreign company:***

In accordance with the provisions of section 195, tax is required to be deducted at source from the Redemption proceeds paid to investors. Under section 195, tax shall be deducted at source in respect of capital gains as under:

#### **Foreign company**

Short-term capital gains	40% plus applicable surcharge and education cess
Long-term capital gains	20% plus applicable surcharge and education cess

## Others

Short-term capital gains	30% plus applicable surcharge and education cess
Long-term capital gains	20% plus applicable surcharge and education cess

In accordance with the provisions of section 206AA, if the payee does not provide a Permanent Account Number ('PAN'), tax is required to be withheld at the rate higher of 20% or applicable rate.

### **(F) Treaty benefits**

Investors are entitled to claim benefits of the tax treaty entered into between India and the country of which they are tax resident, subject to complying with the conditions prescribed under the treaty.

It may also be noted that as per section 2(37A)(iii) read with Circular No. 728 dated 30 October 1995 issued by the Central Board of Direct Taxes, in the case of a remittance to a country with which a tax treaty is in force, the tax is to be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in tax treaty, whichever is more beneficial to the assessee.

## **Income tax implications for the Unit holders in case of an equity oriented fund**

### **(A) Income in respect of Units**

In accordance with section 10(35), any income (other than on transfer of Units) in respect of Units of a mutual fund specified under section 10(23D) is exempt from income-tax in the hands of the Unit holders.

### **(B) Long-term capital gains**

In accordance with section 10(38), long-term capital gains arising on sale of Units of the Mutual Fund, i.e. capital gains in respect of Units held for a period of more than 12 months, are exempt from tax in the hands of Unit holders, subject to payment of STT.

### **(C) Short-term capital gains**

Section 111A provides that short-term capital gains arising on sale of Units of equity oriented mutual funds, i.e. units held for a period of 12 months or less, are chargeable to tax at a rate of 15% plus applicable surcharge and education cess, subject to payment of STT.

Further, the fifth proviso to section 48 provides that no deduction shall be allowed in respect of STT paid for the purpose of computing the capital gains.

## (D) Capital losses

Losses under the head “capital gains” cannot be set off against income under any other head. Losses arising from the transfer of short-term capital assets can be adjusted against gains arising from the transfer of either long-term [other than gains exempt under section 10(38)] or short-term capital assets.

Unabsorbed capital losses can be carried forward and set off in subsequent eight assessment years.

### *Income stripping*

In accordance with section 94(7), if any person buys or acquires Units within a period of three months prior to the record date fixed for distribution of income and sells or transfers the same within a period of nine months from such record date, then losses arising from such sale, to the extent of income received or receivable on such Units, is to be ignored.

### *Bonus stripping*

In accordance with section 94(8), where additional units have been issued to any person without any payment, on the basis of existing Units held by such person, the loss on sale of original Units is to be ignored if the original units were acquired within three months prior to the record date fixed for receipt of additional Units and sold within nine months from such record date. The loss so ignored shall however be considered as cost of acquisition of such additional Units.

## (E) Securities Transaction Tax

The Unit holder is liable to pay STT as explained below :

Sr. No.	Taxable securities transaction	Rate of STT
1.	Purchase of a Unit of an equity oriented fund, where : (a) the transaction of such purchase is entered into in a recognised stock exchange; and (b) the contract for the purchase of such Unit is settled by actual delivery or transfer of such Unit.	0.125%
2.	Sale of a Unit of an equity oriented fund, where : (a) the transaction of such sale is entered into in a recognized stock exchange; and (b) the contract for the sale of such Unit is settled by actual delivery or transfer of such Unit.	0.125%
3.	Sale of a Unit of an equity oriented fund where : (a) the transaction of such sale is entered into in a recognized stock exchange; and (b) the contract for the sale of such Unit is settled otherwise than by actual delivery or transfer of such Unit.	0.025%

Sr. No.	Taxable securities transaction	Rate of STT
4.	Sale of a Unit of an equity oriented fund to the Mutual Fund	0.25%

**(F) Tax deduction at source**

***1. Income in respect of units***

In accordance with the provisions of section 194K, no tax should be deducted at source in respect of any income credited or paid by the Mutual Fund to resident Unit holders. Similarly, in accordance with the proviso to section 196A(1), no tax is to be deducted at source from any income credited or paid to non-resident Unit holders and foreign companies.

***2. Capital gains***

***(a) Resident Unit holders:***

No tax is required to be deducted at source on capital gains arising to any resident Unit holder.

***(b) FIIs:***

No tax is deductible at source from capital gains (whether long-term or short-term) arising to an FII in view of the provisions of section 196D(2).

***(c) Other non-resident Unit Holders / foreign company:***

In accordance with the provisions of section 195, tax is required to be deducted at source from the Redemption proceeds paid to investors; this withholding is in addition to the securities transaction tax payable, if any, by the investor. Under section 195, tax shall be deducted at source in respect of capital gains as under:

Foreign company

Short-term capital gains: 15% plus applicable surcharge and education cess  
 Long-term capital gains: Nil

Others

Short-term capital gains: 15% plus applicable surcharge and education cess  
 Long-term capital gains: Nil

In accordance with the provisions of section 206AA, if the payee does not provide a Permanent Account Number ('PAN'), tax is required to be withheld at the rate higher of 20% or applicable rate.

### **(G) Treaty benefits**

Investors are entitled to claim benefits of the tax treaty entered into between India and the country of which they are tax resident, subject to complying with the conditions prescribed under the treaty.

It may also be noted that as per section 2(37A)(iii) read with circular no. 728 dated 30 October 1995 issued by the Central Board of Direct Taxes, in the case of a remittance to a country with which a tax treaty is in force, the tax is to be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in tax treaty, whichever is more beneficial to the assessee.

## **III. OTHER BENEFITS**

### **(A) Investment by charitable and religious trust**

Units of the Mutual Fund constitute an eligible avenue for investment by charitable or religious trusts as per rule 17C of the Income Tax Rules, 1962, read with clause (xii) of section 11(5).

### **(B) Wealth tax**

Units of the Mutual Fund are not treated as assets as defined under section 2(ea) of the Wealth Tax Act, 1957 and therefore would not be liable to wealth-tax.

### **(C) Gift tax**

The Gift Tax Act, 1958 has ceased to apply to gifts made on or after 1 October 1998. Gifts of Units of the Mutual Fund would therefore be exempt from gift tax.

### **(D) Deduction under section 80C**

In accordance with clause (xiii) of section 80C(1) of the Income-tax Act, 1961, an individual / HUF is entitled to a deduction from its gross total income in respect of Subscription to any Units of a mutual fund referred to in section 10(23D) under any plan formulated in accordance with the Equity Linked Saving Scheme, 2005 (“ELSS”). The maximum amount of deduction under section 80C is Rs. 100,000. In case any Scheme of the Mutual Fund is in accordance with ELSS, the investors will be entitled to deduction under section 80C.

## **B. LEGAL INFORMATION**

### **1. Nomination Facility**

In terms of Regulation 29A of the SEBI Regulations, the Unit Holders have an option for making nomination. The Mutual Fund recommends that all Unit holders avail the nomination facility.

If an application for purchase of Units is made in the name of a single holder, the Unit holder may nominate a successor(s) to receive the Units upon his/her death, subject to the prescribed formalities. Where the Units are held by more than one person jointly, the joint holders may together nominate person(s) in whom all the rights in the Units shall vest in the event of the death of all the joint Unit holders. This facility is subject to the law applicable to such succession. Only the following categories of Indian residents may be nominated: (a) individuals; (b) minors through parent / legal guardian (whose name and address must be provided); and (c) religious or charitable trusts.

An investor has the option to nominate upto maximum 3 nominees. The percentage of allocation to these nominees should be clearly mentioned in the nomination form. In case the percentage of allocation is not indicated in the form, then by default the investments will be equally divided between all the nominees. The Application /common Transaction Form contains a section on nomination where in the investor can fill up all the details for nomination. Nomination so made can be cancelled or changed by the Unit holder(s) at any time. While making nomination, cancellation or change thereof, it is required to be witnessed by third party. Nomination can be modified by the consent of account holder/s. Nomination can be made in favour of a minor, provided other major individual is named as the guardian of the nominee.

The following rules and regulations have to be complied with by the Unit holder / joint Unit holders who wish to nominate a person in whom the Units held by him/them shall vest in the event of his/their death:

1. The nomination can be made only by individuals applying for/holding Units on their own behalf singly or jointly. Non-individuals including society, trust, body corporate, partnership firm, Karta of Hindu Undivided Family, holder of Power of Attorney cannot nominate. If the units are held jointly, all joint holders will sign the nomination form.
2. A minor 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.
3. 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. A non-resident Indian can be a nominee subject to the exchange controls in force, from time to time.
4. Nomination in respect of the Units stands rescinded upon the transfer of Units.
5. Transfer of Units in favour of a Nominee shall be valid discharge by the AMC against the legal heir.
6. The 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.
7. On cancellation of the nomination, the nomination shall stand rescinded and the AMC shall not be under any obligation to transfer the Units in favour of the Nominee.

However, investors should be aware that the nominee may not acquire title or beneficial interest in the property by virtue of the nomination and that neither the Mutual Fund or the AMC or the Registrar and Transfer Agent of the Mutual Fund will be bound to transfer the Units to the nominee in the event of any dispute in relation to the nominee's entitlement to the Units.

If the Mutual Fund or the AMC or the Trustee were to incur, suffer or any claim, demand, liabilities, proceedings or actions are filed or made or initiated against any of them in respect of or in connection with the nomination, they shall be entitled to be indemnified absolutely for any loss, expenses, costs, and charges that any of them may suffer or incur absolutely from the investor's estate.

To enable the AMC to transfer the Unit holdings in the name of the nominee upon death of a Unit holder, the following documents are required :

- (a) Death certificate;
- (b) Identity proof of the nominee;
- (c) Proof of guardianship, in case the nominee is a minor and or an unsound person;
- (d) Indemnity in the prescribed format;
- (e) Such other documents as may be prescribed by the AMC from time to time.

The nominee(s) will also be required to complete the 'Know Your Customer' requirements as required under PMLA regulations.

## **2. Prevention of Money Laundering**

The Prevention of Money Laundering Act, 2002 (hereinafter referred to as "PMLA") came into effect from July 1, 2005 vide Notification No. GSR 436(E) dated July 1, 2005 issued by the Department of Revenue, Ministry of Finance, Government of India. Further, SEBI vide its circular reference number ISD/CIR/RR/AML/1/06 dated January 18, 2006 mandated that all intermediaries including mutual funds should formulate and implement a proper policy framework as per the guidelines on anti money laundering measures and also to adopt a Know Your Customer ("KYC") policy. The intermediaries may, according to their requirements specify additional disclosures to be made by clients for the purpose of identifying, monitoring and reporting incidents of money laundering and suspicious transactions undertaken by clients. SEBI also issued another circular reference no. ISD/CIR/RR/AML/2/06 dated March 20, 2006 advising all intermediaries to take necessary steps to ensure compliance with the requirement of section 12 of the Act inter-alia maintenance and preservation of records and reporting of information relating to cash and suspicious transactions to Financial Intelligence Unit-India ("FIU-IND"), New Delhi.

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

To ensure appropriate identification of the investor(s) under its KYC policy and with a view to monitor transactions for the prevention of money laundering, the AMC / the Mutual Fund reserves the right to seek information, record investor's telephonic calls and / or obtain and retain documentation for establishing the identity of the investor, proof of residence, source of funds,

etc. It may re-verify identity and obtain any incomplete or additional information for this purpose.

The investor(s) and their attorney, if any, shall produce reliable, independent source documents such as photographs, certified copies of ration card/ passport/driving license/PAN card, etc. and/or such documents or produce such information as may be required from time to time for verification of the identity, residential address and financial information of the investor(s) by the AMC/Mutual Fund. If the investor(s) or the person making payment on behalf of the investor(s), refuses / fails to provide the required documents/ information within the period specified in the communication(s) sent by the AMC to the investor(s) then the AMC, after applying appropriate due diligence measures, believes that the transaction is suspicious in nature within the purview of the Act and SEBI circulars issued from time to time and/or on account of deficiencies in the documentation, shall have absolute discretion to report suspicious transactions to FIU-IND and/or to freeze the folios of the investor(s), reject any application(s)/allotment of units and effect mandatory Redemption of unit holdings of the investor(s) at the Applicable NAV subject to payment of exit load, if any, in terms of the said communication sent by the AMC to the investor(s) in this regard.

The KYC documentation shall also be mandatorily complied with by the holders entering the Register of Members by virtue of operation of law e.g. transmission, etc.

The Mutual Fund, the AMC, the Trustee and their directors, employees and agents shall not be liable in any manner for any claims arising whatsoever on account of freezing the folios/rejection of any application/allotment of units or mandatory Redemption of units due to non-compliance with the provisions of PMLA, SEBI circular(s) and KYC policy and/or where the AMC believes that transaction is suspicious in nature within the purview of the Act and SEBI circular(s) and reporting the same to FIU-IND.

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

### **3. Know Your Customer (KYC) Compliance**

It is mandatory for all applicants subscribing to Units of value Rs. 50,000/- and above, to be KYC compliant. In order to make the data capture and document submission easy and convenient for the investors, the mutual fund industry has collectively entrusted the responsibility of collection of documents relating to identity and address of the investor(s) to an independent agency (presently CDSL Ventures Limited) which will act as central record keeping agency ('Central Agency'). As a token of having verified the identity and address of the investor(s) and for efficient retrieval of records, the Central Agency will issue a KYC Acknowledgement Letter (previously known as Mutual Fund Identification Number -MIN Letter) to each investor who submits an application and the prescribed documents to the Central Agency.

Investors are required to attach the copy of KYC Acknowledgement Letter (or the erstwhile MIN Allotment Letter) along with the Application Form at the time of making investment for the first time in the Mutual Fund. Investors who wish to obtain a KYC Acknowledgement Letter have to submit a completed Application Form for Know Your Customer ('KYC Form') along with all the prescribed documents listed in the KYC Form, at any of the Point of Service ('POS'). The KYC Form is available on the website of the AMC - [www.shinseifunds.com](http://www.shinseifunds.com) and AMFI website - [www.amfiindia.com](http://www.amfiindia.com) POS are the designated centres appointed by the Central Agency for receiving application forms, processing the same and issuance of KYC Acknowledgement Letter. List of and location of POS is available at [www.amfiindia.com](http://www.amfiindia.com). On submission of KYC form, documents and information to the satisfaction of the POS, the investor will be issued a provisional KYC Acknowledgement Letter across the counter. Subsequently, the Central Agency will verify the information and documents submitted by the investor. The verification process will be completed within 10 working days from the date of provisional KYC Acknowledgment Letter. In case of any deficiency insufficiency in documentation, intimation will be sent to the investors. However, the Central Agency may cancel the KYC Acknowledgement Letter within 10 working days from the date of issue of provisional KYC Acknowledgement Letter, in case of any deficiency in the document/information. Intimation of cancellation of KYC Acknowledgement Letter will be dispatched by the Central Agency to the investor immediately. No communication will be sent to the investor if the KYC documents are in order. The KYC Acknowledgement Letter is presently being issued free of cost.

Pursuant to the implementation of KYC compliance requirements under the PMLA and in compliance with the AMFI circular dated August 16, 2010, the threshold limit for KYC compliance has been revised for certain categories of investors effective October 1, 2010. Accordingly, the following categories of investors are required to be KYC compliant, irrespective of the amount of investment in the schemes of the Fund :

- (a) Non-individual investors including companies, body corporates, public sector undertakings, association of persons or bodies of individuals, Hindu Undivided Family (HUF), partnership firms, banks, financial institutions, trusts, Foreign Institutional Investors (FII), etc.;
- (b) Non-Resident Indians (NRIs) including Persons of Indian Origin (PIO);
- (c) Investors (individuals and non-individuals) investing through channel distributors.

For the purpose of KYC compliance, the above categories of investors shall include (i) each of the applicants in case of joint holdings, (ii) constituted Power of Attorney (PoA) holders in case of investments made through PoA and (iii) guardians in case of investments made by minor.

The aforesaid requirements are applicable for fresh investments (purchase, switch-in, systematic investment plan, systematic transfer plan, etc.) made on or after October 1, 2010. Applications received from the above categories of investors without a valid KYC compliance are liable to be rejected.

The KYC status will be validated with the records of the Central Agency before allotting Units. Applications for Subscriptions of value of Rs. 50,000/- and above without a valid KYC compliance, where applicable, may be rejected. All investors (both individual and non-individual) can apply for KYC compliance.

#### 4. Permanent Account Number (PAN)

As per the Securities and Exchange Board of India (SEBI) circular dated April 27, 2007 read with SEBI letter dated June 25, 2007, Permanent Account Number (PAN) issued by the Income Tax Authorities has been made the sole identification number for all participants transacting in the securities market including mutual funds, irrespective of the amount of transaction. It is mandatory for all investors to provide a PAN card copy (along with the original for verification which will be returned across the counter). All investments without PAN (for all holders, including guardians) are liable to be rejected.

As per SEBI circular dated June 30, 2008, PAN is not mandatory in the case of Central Government, State Government, and the officials appointed by the courts e.g. Official liquidator, Court receiver etc. (under the category of Government) for transacting in the securities market.

Further, in accordance with SEBI letter no.MRD/DoP/PAN/PM/166999/2009 dated June 19, 2009 issued to AMFI and the subsequent guidelines issued in this regard by AMFI vide its circular dated July 14, 2009, SIPs upto Rs. 50,000/- per year per investor i.e. aggregate of investments in a rolling 12 month period or in a financial year i.e. April to March (“Micro SIP”) are exempted from the requirement of PAN with effect from August 1, 2009. Micro SIP will not be subject to common KYC process through CVL. This exemption is applicable only to investments by individuals (including NRIs, but not PIOs), minors, sole proprietary firms and joint holders. HUFs and other categories will not be eligible for Micro SIPs.

This exemption will not be applicable to normal purchase transactions upto Rs. 50,000/- which will continue to be subject to PAN requirement.

Investors can submit anyone of the following photo identification documents (current and valid and either self-attested or attested by an AMFI registered distributor mentioning the AMFI Registration Number) alongwith Micro SIP applications as proof of identification in lieu of PAN:

- (a) Voter Identity Card;
- (b) Driving License;
- (c) Government / Defense identification card;
- (d) Passport;
- (e) Photo Ration Card;
- (f) Photo Debit Card;
- (g) Employee ID cards issued by companies registered with Registrar of Companies;
- (h) Photo Identification issued by Bank Managers of Scheduled Commercial Banks/Gazetted Officer/Elected Representatives to the Legislative Assembly/Parliament;
- (i) ID card issued to employees of Scheduled Commercial/State/District Co-operative Banks;
- (j) Senior Citizen/Freedom Fighter ID card issued by Government;
- (k) Cards issued by Universities/deemed Universities or institutes under statutes like ICAI, ICWA, ICSI;

- (l) Permanent Retirement Account No. (PRAN) card issued to New Pension System (NPS) subscribers by CRA (NSDL); and
- (m) Any other photo ID card issued by Central Government/State Governments/Municipal authorities/Government organizations like ESIC/EPFO.

While making subsequent Micro SIP applications with the Mutual Fund, an investor can quote the existing folio number where a Micro SIP has been registered and therefore, need not resubmit the supporting document. The Micro SIP application will be rejected by the AMC where it is found that the registration of the application will result in the aggregate of Micro SIP installments in a financial year exceeding Rs. 50,000/- or where there are deficiencies in the supporting documents submitted by the investor in lieu of PAN. The rejected application will be sent back to the investor with a deficiency memo. In case the first Micro SIP installment is processed (as the cheque may be banked), and the application is found to be defective, the Micro SIP registration will be ceased for future installments. No refunds shall be made by the AMC for the Units already allotted and a communication to this effect will be sent to the investor. However, an investor shall be allowed to redeem his investments at the Applicable NAV.

## **5. Transfer and transmission of units**

The Mutual Fund will be repurchasing and issuing units on an ongoing basis and hence no transfer facility is being offered. Any addition/deletion of name from the folio of the Unit holder is deemed as transfer of Units. In view of the same, additions/deletions of names will not be allowed under any folio of the Scheme. The said provisions in respect of deletion of names will not be applicable in case of death of a Unit holder (in respect of joint holdings) as this will be treated as transmission of Units and not transfer.

If a transferee becomes a holder of the Units by operation of law or upon enforcement of a pledge, then the AMC shall, subject to production of such evidence and submission of such documents, which in their opinion is sufficient, proceed to effect the transfer, if the intended transferee is otherwise eligible to hold the Units. In case the Unit holder holds Units in a single name, 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 documents to the satisfaction of the Mutual Fund/AMC. If the Unit holder has not appointed a nominee or in the case where the nominee dies before the Unit holder, the Units shall be transmitted in favour of or as otherwise directed by the Unit holder's legal representative(s) on production of the death certificate and/or any other documents to the satisfaction of the Mutual Fund/AMC. If Units are held by more than one registered Unit holder, then, upon death of one of the Unit holders, the Units shall be transmitted in favour of the remaining holder(s) (in the order in which the names appear in the register of Unit holders with the Registrar) on production of a death certificate and/or any other documents to the satisfaction of the Mutual Fund/AMC and to the nominee only upon death of all the Unit Holders, upon the nominee producing a death certificate and/or any other document to the satisfaction of the Mutual Fund/AMC.

It is expressly understood that the investor/Unit holder is aware of the relevant statutes, tax related provisions, etc. pertaining to the transfer and undertakes to abide by the same.

## **6. Duration of a Scheme/Winding up**

### **(a) Duration of a Scheme:**

The duration of a Scheme is perpetual. However, in accordance with the SEBI Regulations, a Scheme may be wound up, after repaying the amount due to the Unit holders:

- (i) on the happening of any event which, in the opinion of the Trustee, requires the Scheme to be wound up;
- (ii) if 75% of the Unit holders of the Scheme pass a resolution that the Scheme be wound up;
- (iii) if SEBI so directs in the interests of Unit holders; or
- (iv) in case of non-fulfillment of the two conditions prescribed in terms of the minimum number of investors vide SEBI circular No. SEBI/IMD/CIR No. 10/22701/03 dated December 12, 2003 (including amendments thereto from time to time).

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

- (i) to SEBI; and
- (ii) in two daily newspapers having a circulation all over India and in a vernacular newspaper with circulation in Mumbai.

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

- (i) cease to carry on any business activities in respect of the Scheme so wound up;
- (ii) cease to create or cancel Units in the Scheme; and
- (iii) cease to issue or redeem Units in the Scheme.

### **(b) Procedure and Manner of Winding Up:**

- (i) The Trustee shall call a meeting of the Unit holders to approve, by simple majority of the Unit holders present and voting at the meeting, a resolution authorising the Trustee or any other person to take steps for winding up of the Scheme.
- (ii) The Trustee, or other person authorized as above, shall dispose of the assets of the Scheme concerned in the best interest of Unit holders of the Scheme. The proceeds of sale shall be first utilised towards discharge of such liabilities as are due and payable under the Scheme, and, after meeting the expenses connected with the 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 winding up was taken.
- (iii) On completion of the winding up, the Trustee shall forward to SEBI and the Unit holders, a report on the winding up detailing the circumstances leading to the winding up, the steps taken for disposal of the assets of the Scheme before winding up, net assets available for distribution to the Unit holders and a certificate from the Auditors of the Mutual Fund.
- (iv) Notwithstanding anything contained herein above, the provisions of the SEBI Regulations in respect of disclosures of half-yearly reports and annual reports shall continue to be applicable until winding up is completed or the Scheme ceases to exist.

- (v) After the receipt of the Trustee's report referred to above, if SEBI is satisfied that all measures for winding up of the Scheme have been complied with, the Scheme shall cease to exist.

## **7. Pledge of Units**

The Units of the Scheme may be offered as security by way of a pledge/charge in favour of scheduled banks, financial institutions, non-banking finance companies ('NBFC'), or any other body ("Lien Holder") approved by the AMC. For the purpose, the Unit holder should make a request in relevant form, which can be obtained from the Registrar or on the AMC website. The AMC and/or its Registrar will, upon receiving such request and if found to be in order in all respects, note and record such pledge of Units.

In case of Units held in electronic form, the rules of depository applicable for pledge will be applicable for pledge/assignment of the Units of the Scheme. Units held in electronic form can be pledged by completing the requisite forms/formalities as may be required by the depository.

Where the Units are held in physical form, the Registrar will note and record such pledge. A standard form for this purpose is available on request with the Registrar.

It may be noted AMC/Mutual Fund is not liable or responsible for application/approval/disbursement/repayment of loans/financial facilities in relation to which pledge is proposed to be/has been created and assumes no responsibility thereof.

As long as the pledge/lien remains marked in the records of the AMC/ Mutual Fund, the Unit holder will not be able to redeem/switch Units under lien, until the Lien Holder provides written authorisation to the Fund that the lien/charge can be vacated. As long as Units are under lien, the Lien Holder will have complete authority to exercise the lien, thereby redeeming such Units and receiving Redemption proceeds. In such instance, the Unit holder will be informed by the Registrar through an account statement. In no case will the Units be transferred from the Unit holder to the Lien Holder. Dividends declared on Units under Lien will be paid/re-invested to the credit of the Unit holder and not the Lien Holder unless specified otherwise in the lien letter.

## **8. Unclaimed Redemptions and Dividends**

As per the SEBI Guidelines for Mutual Funds dated November 24, 2000, the unclaimed Redemption and Dividend amounts may be deployed by the Mutual Fund in call money market or money market instruments only. Investors who claim these amounts during a period of three years from the due date shall be paid at the prevailing NAV of the said fund. After a period of three years, this amount will be transferred to a pool account and the investors can claim the amount at the NAV prevailing at the end of the third year. The income earned on such funds will be used for the purpose of investor education. The AMC will make a continuous effort to remind the investors through letters to take their unclaimed amounts. Further, the investment management fee charged by the AMC for managing unclaimed amounts shall not exceed 50 basis points. Details of such unclaimed amounts and number of such investors for each Scheme shall be disclosed in the annual report.

## **9. Lien/Set - off**

The Mutual Fund will have a first and paramount right of lien/set-off with respect to every Unit/Dividend under any Scheme of the Mutual Fund for any money that may be owed by the Unit holder, to the Mutual Fund.

## **10. Investor Protection**

The Mutual Fund/AMC may refuse to accept applications for Purchase, especially where transactions are deemed disruptive, particularly from market timers or investors who, in the opinion of the AMC, have a pattern of short term or excessive trading or whose trading has been or may be disruptive for the Scheme.

## **11. Power to make rules**

Subject to the SEBI Regulations, the Trustee may, from time to time, prescribe terms and make rules for the purpose of giving effect to the Scheme and may authorise the AMC to add to, alter or amend all or any of such terms and rules.

## **12. Power to remove difficulties**

If any difficulties arise in giving effect to the provisions of the Scheme, the Trustee may, subject to the SEBI Regulations, do anything not inconsistent with such provisions, which appears to it to be necessary, desirable or expedient, for the purpose of removing such difficulty.

## **13. Scheme to be binding on the Unit holders**

Subject to the SEBI Regulations, the Trustee may, from time to time, add or otherwise vary or alter all or any of the features of investment options and terms of the Scheme(s), if necessary, after obtaining the prior permission of SEBI and Unit holders and the same shall be binding on all the Unit holders of the Scheme(s) and any person or persons claiming through or under them as if each Unit holder or such person expressly had agreed that such features and terms shall be so binding. Any additions/variations/alternations shall be done only in accordance with the SEBI Regulations.

## **14. Omnibus Clause**

Besides the AMC, the Trustee/Sponsor may also absorb expenditures in addition to the limits laid down under Regulation 52 of the SEBI Regulations.

Further, any amendment/clarification and guidelines including in the form of notes or circulars issued from time to time by SEBI for the operation and management of mutual funds shall be applicable.

## **C. General Information**

### **1. Inter-scheme transfer of investments**

Transfer of investments from one Scheme to another Scheme in the same Mutual Fund, shall be allowed only if:

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

### **2. Transactions with Sponsor/Associates or Group Companies**

The Scheme(s) of the Mutual Fund, since their date(s) of inception till the date of this SAI, have not undertaken any underwriting obligations with respect to issues of associate companies. The Mutual Fund has not utilized the services of associate companies for the purchase or sale of securities or for distribution of Units.

The AMC may, however, for the purpose of providing certain services, utilise the services of the Sponsor, group companies and any other subsidiary or associate company established or to be established at a later date, who is in a position to provide the requisite services to the AMC. However, the AMC shall, on behalf of the Mutual Fund, 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 SEBI Regulations.

The AMC may, subject to the SEBI Regulations, subscribe on behalf of the Scheme(s) in the securities issued and lead managed by any of the associates. The AMC shall ensure that investments in such issues will be in line with the investment objectives of the Scheme.

No investment shall be made in :

- (a) any unlisted security of an associate or group company of the Sponsor; or
- (b) any security issued by way of private placement by an associate or group company of the Sponsor; or
- (c) the listed securities of group companies of the Sponsor which is in excess of 25% of the net assets of the Scheme(s).

As on date there have been no investments in group or associate companies.

### **3. Underwriting**

Subject to the SEBI Regulations, the Scheme may enter into underwriting commitments for primary issues after the Mutual Fund obtains a certificate of registration in terms of the Securities and Exchange Board of India (Underwriters) Rules and Regulations, 1993 authorising

it to carry on activities as underwriters. The rights and obligations pertaining to investments in securities under the SEBI Regulations shall be equally applicable to underwriting obligations of the Mutual Fund in that security. 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.

#### **4. Securities lending by the Mutual Fund**

Subject to the SEBI Regulations and the broad framework for securities lending and borrowing, the Scheme(s) may engage in securities lending. The AMC shall comply with all reporting requirements and the Trustee shall carry out periodic review as required by the SEBI guidelines. Securities lending means the lending of securities to another person or entity for a fixed period of time at a negotiated compensation in order to enhance returns of the portfolio. The securities lent will be returned by the borrower on expiry of the stipulated period.

The AMC will apply the following limits, should it desire to engage in securities lending:

- (i) not more than 20% of the net assets of the Scheme shall generally be deployed in securities lending; and
- (ii) not more than 5% of the net assets of the Scheme can generally be deployed in securities lending to any single counter-party.

The Mutual Fund may not be able to sell such lent out securities and this can lead to temporary illiquidity.

#### **5. Borrowing by the Mutual Fund**

Under the SEBI Regulations, the Mutual Fund is allowed to borrow to meet the temporary liquidity needs of the Scheme for the purpose of repurchase, Redemption of Units or payment of interest or Dividend to the Unit Holders. Further, as per SEBI Regulations, the Mutual Fund shall not borrow more than 20% of the net assets of the Scheme and the duration of such borrowing shall not exceed a period of six months.

The Fund may enter into necessary arrangements with banks/financial institutions for borrowing purposes. The Scheme may bear the interest charged on such borrowings.

#### **6. Investment in the Scheme by the AMC, Sponsor or their Affiliates**

Subject to the SEBI Regulations, the AMC, the Sponsor, the Trustee and/or their associates or affiliates, may invest either directly or indirectly in the Scheme during the NFO and/or Ongoing Offer Period. However, the AMC shall not charge any investment management and advisory services fee on its own investment in the Scheme.

## **7. Right to limit Redemption**

The Trustee may, in the general interest of the Unit Holders of the Scheme and when considered appropriate to do so based on unforeseen circumstances/unusual market conditions, limit the total number of Units which may be redeemed on any Business Day to 5% of the total number of Units then in issue under the Scheme and Plan(s) thereof or such other percentage as the Trustee may determine. Any Units which consequently are not redeemed on a particular Business Day will be carried forward for Redemption to the next Business Day, in order of receipt. Redemptions so carried forward will be priced on the basis of the Applicable NAV (subject to the prevailing Load) of the Business Day on which Redemption is made. Under such circumstances, to the extent multiple Redemption requests are received at the same time on a single Business Day, Redemptions will be made on a pro-rata basis based on the size of each Redemption request, the balance amount being carried forward for Redemption to the next Business Day. In addition, the Trustee reserves the right, in its sole discretion, to limit Redemptions with respect to any single account to an amount of Rs. 1,00,000/- in a single day.

## **8. Suspension of the determination of NAV and Redemption of Units**

Subject to the approval of the Boards of the AMC and of the Trustee, and subject also to informing the same to SEBI in advance, the determination of the NAV of the Units of the Scheme, and/or of the Redemption and switching of Units may be temporarily suspended in any one or more of the conditions described below:

- (i) 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;
- (ii) 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;
- (iii) 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;
- (iv) 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;
- (v) In case of natural calamities, floods, large scale disruptions, war, strikes, riots, and bandhs;
- (vi) 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;
- (vii) If so directed by SEBI; or
- (viii) Any other circumstances which in the opinion of the Boards of AMC and Trustee is prejudicial to the interest of the existing/prospective investors.

In any of the above eventualities, the time limits for processing requests for Subscription and Redemption of Units will not be applicable. All Subscription and Redemption of Units will be processed on the basis of the immediately next Applicable NAV after the resumption of dealings in Units.

The Mutual Fund/Trustee/AMC also reserves the right, at their sole discretion, to withdraw or suspend facility of sale and/or repurchase and/or switch of Units in the Scheme, temporarily or indefinitely, if in the opinion of the AMC, a further increase in the Scheme's corpus may be detrimental to the interests of the existing Unit holders. However, the suspension of Sale / Repurchase/Switch will be made with the approval of the Trustee. In such event, an application to Repurchase units is not binding on, and may be rejected by, the Trustee, the AMC or their respective agents.

## **9. Units with the Depository**

Units of the Schemes may, if decided by the AMC, be held with a depository. Under such circumstances, Units may be transferable in accordance with the provisions of Depositories Act, 1996 and the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 as may be amended from time to time.

## **10. Website**

The website of the Mutual Fund/AMC ([www.shinseifunds.com](http://www.shinseifunds.com)) is intended solely for the use of Resident Indians, NRIs, PIOs and FIIs registered with SEBI. It should not be regarded as a solicitation for business in any jurisdiction other than India. In particular, the information is not for distribution and does not constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction where such activity is prohibited. Persons resident outside India who nevertheless intend to respond to this material must first satisfy themselves that they are not subject to any local requirements which restrict or prohibit them from so doing. Information other than that relating specifically to the AMC/the Mutual Fund and its products, is for information purposes only and should not be relied upon as a basis for investment decisions. The AMC cannot be held responsible for any information contained in any website linked from this website.

## **11. Documents available for inspection**

The following documents will be available for inspection at the office of the Mutual Fund at 5<sup>th</sup> floor, Harchandrai House, 81, Maharshi Karve Road, Marine Lines Mumbai - 400 002 during business hours on any day (excluding Saturdays, Sundays and public holidays):

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

## 12. Investor Services and Grievance Redressal Mechanism

Investors can enquire about NAVs, Unit holdings, Valuation, Dividends, etc. or lodge any service request by calling the investor line of the AMC at 1-800-419-5000 (toll-free from a MTNL / BSNL landline) or 60005555 (at local call rate from your mobile phone prefixing the local city code or non - MTNL/BSNL landline). In order to protect confidentiality of information, the service representatives may require personal information of the investor for verification of his/her identity. The AMC will at all times endeavour to handle transactions efficiently and to resolve any investor grievances promptly.

Any complaints should be addressed to Mr. Mohammed Pardawala, who has been appointed as the Investor Relations Officer. He can be contacted at:

Address : 5<sup>th</sup> floor, Harchandrai House, 81, Maharshi Karve Road, Marine Lines,  
Mumbai – 400002.  
Telephone : 91-22-66142900 Fax : 91-22-66100158  
E-mail : investorcare@shinseifunds.com

Given below is the status of investors' complaints:

	Received		Redressed		Pending	
	FY 2009-2010*	April 1, 2010 to December 31, 2010	FY 2009-2010*	April 1, 2010 to December 31, 2010	FY 2009-2010*	April 1, 2010 to December 31, 2010
Shinsei Liquid Fund	1	0	1	0	0	0
Shinsei Industry Leaders Fund	9	5	9	5	0	0
Shinsei Treasury Advantage Fund	0	0	0	0	0	0
<b>Total</b>	<b>10</b>	<b>5</b>	<b>10</b>	<b>5</b>	<b>0</b>	<b>0</b>

The above status on investor complaints is based on the classification of complaints prescribed by SEBI vide its circular no. CIR/IMD/DF/2/2010 dated May 13, 2010.

\* The schemes were launched during the last fiscal year and hence, the above data is for the period since inception of the schemes upto March 31, 2010.

### (i) Receiving Account Statement/Correspondence by email

The Mutual Fund encourages investors to provide their email addresses for all correspondence. The AMC website may facilitate request for Account Statement by Unit Holders. The Mutual Fund will endeavour to send Account Statements and any other correspondence, including

Annual Reports, using e-mail as the mode for communication as may be decided from time to time.

The Unit holder will be required to download and print the Account Statement after receiving the e-mail from the Mutual Fund. Should the Unit holder experience any difficulty in accessing the electronically delivered Account Statement, he/she shall promptly inform the Mutual Fund in order to enable the Mutual Fund to make the delivery through alternate means or to alternate email address. Failure to advise the Mutual Fund of such difficulty within 24 hours after receiving the e-mail will serve as an affirmation regarding the acceptance by the Unit holder of the Account Statement.

It is deemed that the Unit holder is aware of all security risks including possible third party interception of the Account Statements and content of the Account Statements becoming known to third parties.

Under no circumstances shall the Mutual Fund or anyone involved in creating, producing, delivering or managing the Account Statements of the Unit holders, be liable for any direct, indirect, incidental, special or consequential damages that may result from the use of or inability to use the service or out of the breach of any warranty. The use and storage of any information including, without limitation, the password, account information, transaction activity, account balances and any other information available on the Unit holder's personal computer is at the risk and sole responsibility of the Unit holder.

#### **(ii) Use of Intermediaries**

The investor is aware that the Mutual Fund and/or AMC need to use intermediaries such as post office, local and international couriers, banks and other intermediaries for correspondence with the investor and for making payments to the investor by cheques, drafts, warrants, through Electronic Clearing Services (ECS) etc. The investor expressly agrees and authorises the Mutual Fund and AMC (including their agents) to correspond with the investor or make payments through intermediaries including but not limited to post office, local and international couriers and banks. The investor clearly understands that the Mutual Fund and AMC use such intermediaries for convenience of the investor and such intermediaries are agents of the investor and not the Mutual Fund or AMC. The Mutual Fund and/or AMC or their agents are not responsible in any manner whatsoever for delayed receipt or non-receipt of any correspondence or payment through such intermediaries.

#### **(iii) Investors' personal information**

The AMC may share investors' personal information with the following third parties:

- Registrar, banks and/or authorized external third parties who are involved in transaction processing, dispatches, etc. of investors' investment in the Scheme;
- Distributors or sub-brokers through whom applications of investors are received for the Scheme; or
- Any other organizations for compliance with any legal or regulatory requirements or to verify the identity of investors for complying with anti-money laundering requirements.

**(iv) Folio Number**

Unless otherwise requested by the Unit holder, a single folio number may be assigned if an investor invests in different Schemes of the Mutual Fund, and a consolidated account statement will then be provided for investments in all the Schemes.

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

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**Shinsei Asset Management (India) Pvt. Ltd.**  
5<sup>th</sup> Floor, Harchandrai House  
81, Maharshi Karve Road  
Marine Lines, Mumbai - 400 002  
Tel: 91-22-6614 2900; Fax: 91-22-6614 2916