

Daiwa Mutual Fund

Statement of Additional Information

This Statement of Additional Information (“SAI”) contains details of Daiwa 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).

Name of Mutual Fund:

Daiwa Mutual Fund

Name of Asset Management Company:

Daiwa Asset Management (India) Private Limited

Name of Trustee Company:

Daiwa Trustee Company (India) Private Limited

Address (common for all the entities):

Registered Office: 1102, 11th Floor, Tower 2, Wing ‘A’, One Indiabulls Centre, 841, Senapati Bapat Marg, Elphinstone Road (W), Mumbai 400 013.

Website:

www.daiwafunds.in

This SAI is dated July 18, 2013.

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DEFINITIONS

“AMC” / “Asset Management Company” / “Investment Manager” shall mean Daiwa 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 Daiwa Mutual Fund, a trust set up under the provisions of the Indian Trusts Act, 1882, and registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.

“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 Daiwa Mutual Fund offering Units of the Mutual Fund for Subscription.

“Sponsor” shall mean Daiwa Asset Management Co. Ltd.

“Trust Deed” shall have the same meaning as assigned to it under Para I (A) 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 Daiwa 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 Daiwa 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

Daiwa Mutual Fund (the “**Mutual Fund**”) has been constituted as a trust in terms of the Trust Deed dated July 16, 2008 (as amended on December 20, 2010) (“**Trust Deed**”) in accordance with the provisions of the Indian Trusts Act, 1882 (2 of 1882) with Daiwa Asset Management Co. Ltd. (“**DAM**”) as the Sponsor of the Mutual Fund and Daiwa 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 January 7, 2011 under Registration code MF/060/09/01.

Shinsei Investment I Limited, Mauritius, a 100% subsidiary of Shinsei Bank, Limited (*the erstwhile sponsor of the Mutual Fund*) and other resident shareholders of the AMC transferred their entire shareholding in the AMC to DAM and Daiwa Securities Group Inc. (the parent company of DAM) on December 20, 2010. Consequently, Shinsei Bank, Limited ceased to be the sponsor of the Mutual Fund and DAM became the new sponsor of the Mutual Fund. A Deed of Variation to Trust Deed constituting the Mutual Fund has been executed on December 20, 2010 to reflect DAM as the new Sponsor of the Mutual Fund.

B. Sponsor

Daiwa Mutual Fund is sponsored by DAM. Shinsei Bank, Limited (*the erstwhile sponsor of the Mutual Fund*) is the Settlor of the trust constituting the Mutual Fund and 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

DAM, the asset management arm of the Daiwa Securities Group, is a corporation registered under the laws of Japan with its head office at Tokyo. DAM is registered and regulated by Financial Services Agency in Japan. The core business activities of DAM include developing and managing various types of mutual fund schemes and products.

DAM has been operating as the mutual fund management company since its incorporation in 1959, and is the second-largest mutual fund management company in Japan. Currently, DAM manages over 350 funds of various asset classes, and offers a wide range of mutual fund products including equity funds, bond funds and REIT funds, (investing in not only Japan, Asia but also markets where the highest growth is expected like India, China and Brazil) to its investors through distribution channels. As of April 1, 2013, DAM has approximately USD 111.30 billion of assets under management.

DAM has an exceptional track record in Asian equities including Japanese equities and global bond funds. Mutual funds launched by DAM have received various awards from Morningstar and Lipper such as the ‘Morningstar Award Fund of the Year’ and the ‘Lipper Fund Awards Japan’.

Since its incorporation in 1959, DAM has accumulated experience in management of Japanese equities, foreign bonds, and other securities, by placing emphasis on fostering its internal asset management capability. Moreover, DAM has diversified and expanded its activities to foreign countries and has established subsidiaries in New York, London, Hong Kong and Singapore, and a representative office in Shanghai. Currently DAM and its overseas subsidiaries employ more than 600 executives and employees worldwide, including more than 140 fund managers and analysts.

The financial performance of DAM for the last three (3) financial years is as follows:

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011
Net-worth	35,231,371 (20,349,640)	34,847,077 (21,755,030)	36,900,336 (19,933,562)
Total Income	74,025,191 (42,756,950)	73,332,260 (45,781,330)	72,648,873 (39,244,921)
Profit After Tax	7,029,755 (4,060,386)	7,022,948 (4,384,426)	9,205,730 (4,972,935)
Assets under Management*	11,062,770 (6,389,856)	9,634,444 (6,014,784)	9,872,840 (5,333,308)

Upper figure; Amounts in Thousand Yen

Lower figure in parenthesis; Amounts in Thousand Rupees**

*Upper figure; Amounts in million Yen

Lower figure in parenthesis; Amounts in million Rupees

**Note: Converted into Rupees using Reserve Bank of India Reference Rate

(source: www.rbi.org.in)

Reference Rate (Rupee / 100 Yen)	57.76 (Mar 28, 2013)	62.43 (Mar 30, 2012)	54.02 (Mar 31, 2011)
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C. The Trustee

Daiwa Trustee Company (India) Private Limited (the “Trustee”), through its Board of Directors, shall discharge its obligations as trustee of the Daiwa 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
Mr. K. N. Prithviraj <i>(Chairman)</i>	66 years M.A. - Economics, Madras University, CAIIB (First Part), Fellow of Research in the Department of Economics, University of Madras	<p>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.</p> <p>Presently, Mr. Prithviraj holds the post of the Administrator of the Specified Undertaking of UTI (“SUUTI”). He is also on the board of UTI Infrastructure Technology 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 boards of Surana Industries Limited (“SIL”), Falcon Tyres Limited, Brickwork Ratings India Private Limited, PNB Investment Services Limited and Dwarikesh Sugar Industries Limited. He is also on the board of National Financial Holdings Ltd. as a non-executive director.</p>
Mr. Om Parkash Gahrotra	67 years Masters in Financial Management from Jannalal Bajaj Institute of Management and from Birmingham University, United Kingdom.	<p>Mr. Gahrotra belongs to the 1969 batch of Indian Administrative Service. After his retirement, he was associated with Rewas Ports Limited as the Chief Executive Officer and Managing Director where he was responsible for overall management and setting up of a green-field port project. He is presently working as the Managing Director of Synergy Li Power Resources India Pvt. Ltd. where he is assisting in setting up a 2000 MW gas based Power Plant in Maharashtra. He held several responsible positions in the Government. 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</p>

Name	Age / Qualification	Brief Experience
		<p>Maharashtra where he was responsible for the overall budgeting, planning and fiscal management of the State of Maharashtra. 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 Commission (“IOSCO”) members as well as regulation of the Primary Markets in India. He is also the Chairman of the board of Onang Management Advisory Services Private Limited, a director on the boards of Elan Vascular Technologies Pvt. Ltd, Kalpataru Limited, Trimax IT Infrastructure and Services Limited, Uttam Galva Steels Limited and THDC India Limited.</p>
<p>Mr. Atsushi Osugi*</p>	<p>56 years MBA from INSEAD University, France and M. A. in Economics from Keiko University, Japan.</p>	<p>Mr. Osugi started his career with Daiwa Securities group in 1981. In 1983, he moved to France for higher studies in management. After his studies, he served Daiwa Securities Group in United States and France for around 10 years.</p> <p>In 1995, Mr. Osugi moved back to the parent company Daiwa Securities Co. Ltd. in Japan, where he worked in various capacities and gained considerable experience in marketing, product planning, pension planning and internal audit. In 2009, he moved to Daiwa Institute of Research Business Innovation Ltd. in Japan and assumed the responsibilities of internal audit and general affairs for two years before assuming his current role in Daiwa Asset Management Co. Ltd.</p>

Name	Age / Qualification	Brief Experience
		Presently, Mr. Osugi is Managing Director in the Fund Management Division of Daiwa Asset Management Co. Ltd., Japan and represents Daiwa Securities Group on the Board of the Trustee Company.

* Associated with the Sponsor.

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 as amended on December 20, 2010, 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 2012-2013, the Board of Directors of the Trustee met on six occasions and met twice since April upto June 2013. 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

Daiwa 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 1102, 11th floor, Tower 2, Wing “A”, One Indiabulls Centre, 841, Senapati Bapat Marg, Elphinstone Road (W), Mumbai – 400 013. 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 as amended on December 20, 2010, (“**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/INP000003997 valid from March 11, 2011 to March 10, 2014. Currently, the AMC provides portfolio management support services and advisory services to DAM and other group companies. The AMC has no conflict of interest between its mutual fund and portfolio management activities.

(i) Shareholding pattern of the AMC

Shareholding pattern of the AMC as on June 30, 2013 is as under :

Sr. No.	Name of shareholder	Status (Individual /Company)	% of Equity shareholding
1.	Daiwa Asset Management Co. Ltd.	Company	91.00
2.	Daiwa Securities Group Inc.	Company	9.00
	Total		100.00

(ii) Details of the AMC Directors

Name	Age/Qualification	Brief Experience
Mr. Shyam Sinha (Chairman)	78 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. Mr. Sinha is on the board of M/s. Ingenia Polymers India Private Limited as a non-executive director.
Mr. Arpan Thanawala	45 years B.Com. F.I.A.I, F.I.A, F.I.I.I, CFP ^{CM}	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

Name	Age/Qualification	Brief Experience
		<p>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. Mr. Thanawala is also a director of M/s. iMusti Inc.</p>
<p>Mr. Takashi Yamaguchi*</p>	<p>46 years Post Graduation from University of Virginia Darden School of Business</p>	<p>Mr. Yamaguchi is the Chief Executive Officer of the AMC. Prior to this, he was the Executive Director in Global Business Development Dept. of Daiwa Asset Management Co. Ltd., Japan.</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>

* Associated with the Sponsor.

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. Compute and carry out valuation of investments made by the Schemes in accordance with the investment valuation norms specified in the Eighth Schedule and shall publish the same;
12. 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;
13. 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;
14. Provide compliance certificates to the Trustee at regular intervals, as required under the SEBI Regulations;
15. Exercise all due diligence and vigilance in carrying out its duties and in protecting the rights and interests of the Unit holders;
16. Evaluate investment and divestment opportunities for each of the Scheme of the Mutual Fund.

(iii) Information on Key Personnel

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
Mr. Takashi Yamaguchi	Chief Executive Officer	46 years	Post graduation from the University of Virginia Darden School of Business, Japan	Over 22 years	<p>From July 2013 onwards:</p> <p>Daiwa Asset Management (India) Pvt. Ltd. as Chief Executive Officer.</p> <p>From January 2011 till June 2013:</p> <p>Daiwa Asset Management (India) Pvt. Ltd. as Joint CEO.</p> <p>From October 2010 to December 2010:</p> <p>Daiwa Asset Management Co. Ltd., Tokyo as Executive Director, Global Business Development.</p> <p>April 2010 to September 2010:</p> <p>Daiwa Asset Management Co. Ltd., Tokyo as Deputy General Manager, Global Business Development.</p> <p>February 2004 to March 2010 :</p> <p>Daiwa Securities Group Inc., Tokyo as Deputy General Manager, Corporate Planning.</p> <p>July 2001 to January 2004:</p> <p>Daiwa Securities Co.</p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					<p>Ltd., Tokyo as Deputy Manager, Investment Trust.</p> <p>August 1999 to June 2001: Daiwa Securities Group Inc., Tokyo as Deputy Manager.</p>
Mr. David Pezarkar	Head – Equities	42 years	B.A.(Eco.), M.M.S. (Finance)	Over 20 years	<p>From October 2008 onwards: Daiwa Asset Management (India) Private Limited (formerly known as Shinsei Asset Management (India) Private Limited) as Head – Equity.</p> <p>June 2007 to October 2008: Bajaj Allianz Life Insurance Company Limited as Head – Equity.</p> <p>July 2006 to June 2007: SBI Funds Management Private Limited as Fund Manager - Equity.</p> <p>March 2006 to June 2006: Way2Wealth Brokers Private Limited as Head – Research.</p> <p>June 1994 to February 2006: UTI Mutual Fund as Fund Manager - Equity.</p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
Mr. Kumar Nathani	Fund Manager - Fixed Income	48 years	M.Com, CFA (Hyderabad, India-1991)	Over 15 years	<p>From April 19, 2013 onwards : Daiwa Asset Management (India) Pvt. Ltd. - Fund Manager -Fixed Income</p> <p>From February 8, 2010 to November 15, 2012 : IDBI Capital Ltd. - General Manager- PMS Debt</p> <p>From July 1, 2008 to December 11, 2009 : Taurus Asset Management Company Ltd - Fund Manager -Fixed Income</p> <p>From January 1, 2008 to June 30, 2008 : SBI Funds Management Private Ltd – Fund Manager (PMS) Debt</p> <p>From January 30, 2007 to December 30, 2007 : Taurus Asset Management Company Ltd - Fund Manager -Fixed Income.</p> <p>From August 2005 to January 29, 2007: UTI Mutual Fund - Asst. Fund Manager.</p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					<p>From April 2004 to August 2005 : UTI Mutual Fund – Manager Internal Audit.</p> <p>From November 2002 – March 2004 : UTI Mutual Fund - Asst. Fund Manager</p>
Mr. Jamil Ansari	Senior Research Analyst [#]	32 years	B.E (Information Technology) & MMS (Finance)	Over 7 years	<p>From July 7, 2011 onwards: Daiwa Asset Management (India) Private Limited as Senior Research Analyst</p> <p>From October 2008 to July 6, 2011: Nomura Financial Advisory & Securities India (P) Ltd. as Lead Analyst</p> <p>From August 2007 to October 2008: Lehman Brothers Securities India (P) Ltd. as Research Associate</p> <p>From February 2007 to August 2007: BRICS Securities Ltd. as Research Associate</p>
Mr. Udit Goel	Dealer - Fixed Income	31 years	MBA (Finance), B.E. - (Electronics)	Over 6 years	<p>From February 28, 2013 onwards : Daiwa Asset Management (India) Private Limited as Dealer Fixed Income</p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					<p>From November 3, 2012 to February 27, 2013 : Daiwa Asset Management (India) Private Limited as Debt Fund Advisor</p> <p>From June 20, 2011 to November 2, 2012 : Daiwa Asset Management (India) Private Limited as Fixed Income Analyst</p> <p>June 2010 to June 2011: LKP Securities Ltd. as Fixed Income Dealer</p> <p>May 2009 to May 2010 : IDBI Capital Ltd as Debt - Institutional Distribution</p> <p>April 2005 to August 2006 : HDFC Bank Ltd. as Branch Banking</p>
Mr. Amit Shah	Compliance Officer and Company Secretary	38 years	B.Com, ACS, LL.B.	Over 10 years	<p>From July 15, 2013 onwards:</p> <p>Daiwa Asset Management (India) Private Limited (formerly known as Shinsei Asset Management (India) Private Limited) as Compliance Officer and Company</p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					<p>Secretary.</p> <p>October 18, 2010 to July 14, 2013: Daiwa Asset Management (India) Private Limited (formerly known as Shinsei Asset Management (India) Private Limited) as Sr. Manager Compliance Officer.</p> <p>April 2008 to October 2010: Fullerton India Credit Company Limited as Sr. Manager Compliance & Secretarial.</p> <p>November 2005 to March 2008: Brics Gilt Finance Ltd. as Company Secretary</p> <p>June 2002 to October 2005: Prasad Film Labs (Mumbai) Pvt. Ltd. as Manager Accounts & Finance.</p>
Mr. Joji Mathew**	Head Finance & Accounts	44 years	B.Com., MBA (Finance)	Over 19 years	<p>From October 2008 onwards: Daiwa Asset Management (India) Private Limited (formerly known as Shinsei Asset</p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					<p><i>Management (India) Private Limited</i> as Head - Finance & Accounts.</p> <p>February 2007 to September 2008: Shinsei Corporate Advisory Services Private Limited as Head – Finance & Accounts.</p> <p>April 2006 to February 2007: Dawnay Day AV Financial Services Private Limited as Associate Vice President – Finance & Accounts.</p> <p>December 2005 to March 2006: Alliance Bernstein (I) Private Limited as Assistant Vice President – Accounts.</p> <p>September 1998 to December 2005: Alliance Capital Asset Management (India) Private Limited as Assistant Vice President – Accounts.</p>
Mr. Godfrey Machado	Head-Information Technology	45 years	Post Graduate Diploma in Software Technology;	Over 19 years	<p>From April 11, 2013 onwards : Daiwa Asset Management (India) Pvt. Ltd. - Head-</p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
			Diploma in Computer Application and Diploma in Industrial Electronics.		<p>Information Technology</p> <p>From September 2007 to October 2012 : Ecolog International FZE Dubai - Manager – Information Technology</p> <p>From December 2006 to August 2007 : Dewsoft Solution (P) Ltd – Project Manager</p> <p>From November 1993 to November 2006 : Bassein Catholic Co-op Bank Ltd. - Manager - Information Technology</p>
Mr. Vishal Mishra	Jr. Portfolio Manager ^s	33 years	B.Com. A.C.A.	Over 10 years	<p>From July 1, 2013 onwards :</p> <p>Daiwa Asset Management (India) Private Limited (formerly known as Shinsei Asset Management (India) Private Limited) as Jr. Portfolio Manager.</p> <p>From April 2009 onwards: Daiwa Asset Management (India) Private Limited (formerly known as Shinsei Asset Management (India) Private Limited) as</p>

Name	Designation	Age	Qualification	Total no. of years' experience	Brief Experience
					<p>Senior Research Analyst.</p> <p>April 2008 to March 2009: Collins Stewart India Private Limited as AVP – Research.</p> <p>July 2005 to March 2008: IL&FS Investsmart Securities Limited as Senior Manager – Research.</p> <p>January 2004 to June 2005: Crisil Research & Information Limited as Research Analyst.</p> <p>May 2003 to December 2003: Quantum Information Services Limited as Research Analyst.</p>

*Mr. N. Sethuram Iyer continues to oversee the day-to-day functioning of the investment team and is also responsible for the same.

Effective June 27, 2013, Mr. Jamil Ansari also functions as Dealer-Equity.

**Effective August 28, 2012, Mr. Joji Mathew also oversees the day-to-day functioning of the operations team and is responsible for the same.

§ Mr. Vishal Mishra continues to oversee the function of research analyst.

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:

Daiwa Asset Management (India) Private Limited
1102, 11th Floor, Tower 2, Wing 'A', One Indiabulls Centre, 841, Senapati Bapat Marg, Elphinstone Road (W), Mumbai - 400 013.
Telephone : 91-22-66142900 ; Fax : 91-22-66100158
E-mail : investorcare@daiwafunds.in

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: 3rd Floor, Trent House, Plot No. G-60, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051.

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: 3rd 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 is presented scheme wise for all the schemes launched by the Mutual Fund during the last three fiscal years (excluding redeemed schemes) for each of the last three fiscal years.

HISTORICAL PER UNIT STATISTICS	Daiwa Government Securities Fund – Short Term Plan	
	2012-2013*	2011-2012*
NAV at the beginning of the year (in Rs.)		
Growth Option	1,077.5054	— ¹
Dividend Option	1,005.7530	— ¹
Dividends (gross) (in Rs.)		
Dividend Option	61.90	69.86
NAV at the end of the year (in Rs.)		
Growth Option	1,150.8903	1,077.5054
Dividend Option	1,010.5345	1,005.7530
Scheme Returns²	6.81%	7.75%
Benchmark Returns²	9.63%	7.27%
Additional Benchmark Index Returns² &³	8.31%	6.31%
Net Assets at the end of period (Rs. in crores)	1.63	11.56
Ratio of recurring expenses to net assets	1.46%	0.73%

* March 31, 2013 & March 31, 2012 being non-business days, all information is provided upto previous business days.

Notes:

¹The units were allotted during the financial year and hence there are no NAVs per unit at the beginning of the year.

²Returns are absolute and computed for the Growth Option. As per SEBI standards for performance reporting, the returns are calculated on Rs. 1,000/- invested at inception for DGSF-STP. For this purpose, inception/launch date is deemed to be date of allotment. **Past performance may or may not be sustained in the future.**

³Crisil 1 Year T-Bill Index

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. Applications complete in all respects together with necessary remittance may be submitted on or before the closing of any New Fund Offer. The AMC reserves the right to reject transaction requests which do not have adequate information. Investors are advised to retain the acknowledgment slip signed/stamped by the collection centre where they submit the application. 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) 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, irrespective of the amount of investment. 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 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. This exemption shall be applicable only to investments by individuals (including NRIs but not PIOs), minors and sole proprietary firms including joint holders. HUFs and other categories of investors will not be eligible for this exemption. Further, SEBI has vide its letter no. OW/16541/2012 dated July 24, 2012 conveyed that investments in mutual fund schemes (including investments in SIPs) upto Rs. 50,000/- per investor per year per mutual fund 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.

Applications through electronic mode :

The Mutual Fund allows certain online transactions to its existing Unit Holders including Subscription, Redemption, switching of Units and any other transaction as may be specified by the Mutual Fund/AMC from time to time, through use of Personal Identification Number (“PIN”).

Unit Holders may note that transactions will be accepted / executed in accordance with and subject to the terms and conditions prescribed in the SID / KIM of the respective Scheme, and as per the terms and conditions of the facility as stipulated by the Mutual Fund/ the AMC from time to time, which include obtaining a PIN and completing the requisite documentation.

The Mutual Fund may (at its sole discretion and without being obliged in any manner to do so and without being responsible and/or liable in any manner whatsoever) also allow transactions in Units by electronic mode (web/electronic transactions) including transactions through the various web sites with which the AMC would have an arrangement from time to time subject to fulfilling such terms and conditions as may be stipulated by the AMC/Mutual Fund from time to time.

However investors intending to take benefit of the online transaction facility should note that the investors shall use this facility at their own risk. The Mutual Fund, the AMC, the Trustee, along with its directors, employees and representatives shall not be liable for any damages or losses arising out of or in connection with the use of the website or its non-use including, but not limited to non-availability or failure of performance, loss or corruption of data, loss of or damage to property (including profit and goodwill), work stoppage, computer failure or malfunctioning, or interruption of business, error, omission, interruption, deletion, defect, delay in operation or transmission, computer virus, communication line failure, unauthorized access or use of information.

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 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/- (each regular purchase or per SIP instalment). However the restriction of Rs.50,000/- will not be applicable for payment made by a guardian whose name is registered in the records of the Mutual Fund in that folio;
- (ii) Payment by an employer on behalf of its employee(s) under Systematic Investment Plans or lump-sum/one-time subscription, through payroll deductions. The AMC may seek additional documentation from the investor to ensure authenticity of the arrangement from a fraud prevention and KYC perspective.
- (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:

Amount of investment	Demand Draft charges
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 Supported by Blocked Amount (“ASBA”) facility

In accordance with the SEBI circular no. SEBI/IMD/CIR No. 18/198647 dated March 15, 2010, an investor can subscribe to the New Fund Offer (NFO) launched on or after October 1, 2010 through ASBA facility by applying for the Units offered under the Option(s)/Plan(s) of the Scheme(s) in the ASBA form and by following the procedure as prescribed in the form. ASBA is an application containing an authorization given by the investor to block the application money in his specified bank account towards the subscription of Units offered during the NFO of the Scheme of the Mutual Fund. Thus, for an investor who applies through ASBA facility, the application money towards the subscription of Units shall be debited from his specified bank account only if his/her application is selected for allotment of Units.

On allotment, in respect of investors who have made applications through the ASBA facility, the amounts towards subscription of Units blocked in the respective bank accounts as mandated by the investors will be unblocked to the extent of Units allotted and the amounts so unblocked will be transferred to the bank account of a Scheme.

The procedure to be followed for ASBA facility is described below :

- (i) An investor intending to subscribe to the Units of a Scheme during the NFO through ASBA, is required to submit a duly completed ASBA form (“ASBA Form”) to a Self Certified Syndicate Bank (“SCSB”), with whom the investor has a bank account.

- (ii) The ASBA Form can be submitted through anyone of the following modes:
- Physical mode : Under this mode the ASBA Form can be submitted to the Designated Branches (“DBs”) of the SCSB (“Physical ASBA”);
 - Electronic mode: Under this mode the ASBA Form can be submitted electronically through the internet banking facility offered by the SCSB (“Electronic ASBA”).
- (iii) On submission of the ASBA Form, an acknowledgement will be given by the SCSB. Such acknowledgement does not guarantee, in any manner that the investors will be allotted the Units applied for.

Note: If the bank account specified in the ASBA Form does not have sufficient amount mentioned towards the subscription of Units, the bank shall reject the ASBA Form.

- (iv) On acceptance of ASBA Form, the SCSB shall block funds available in the bank account specified to the extent of amount towards subscription of Units.
- (v) The amounts as specified above shall be blocked in the specified bank account until; (a) Allotment of Units or (b) Rejection of the ASBA Form, as the case may be.
- (vi) The amounts so blocked shall be unblocked by the SCSBs (i) on allotment of Units and the SCSB shall transfer the amount to the bank account of the Scheme, or (ii) in case the ASBA form is rejected.

The list of SCSBs and the DBs where ASBA Form can be submitted is available on the websites of BSE (www.bseindia.com), NSE (www.nseindia.com) and SEBI (www.sebi.gov.in).

Note: The investors will not be allowed to withdraw the ASBA Form submitted during the NFO Period, post closure of the NFO Period.

The SCSB shall ensure that complaints of ASBA investors arising out of errors or delay in capturing of data, blocking or unblocking of bank accounts, etc. are satisfactorily redressed. SCSB shall be liable for all its omissions and commissions in discharging responsibilities in the ASBA process. The Registrar & Transfer Agent shall act as a nodal agency for redressing complaints of ASBA and non-ASBA investors, including providing guidance to ASBA investors regarding approaching the SCSB concerned.

Technical grounds for rejection of ASBA applications :

The ASBA forms can be rejected by the AMC/Registrar/SCSBs, on the following technical grounds:

- (i) Applications by persons not competent to contract under the Indian Contract Act, 1872, including but not limited to minors, insane persons etc.
- (ii) The ASBA Form is without the stamp of the SCSB.
- (iii) Application by any person outside India if not in compliance with applicable Foreign and Indian laws.
- (iv) Bank account details not given/incorrect details given.

- (v) Duly certified Power of Attorney, if applicable, not submitted along with the ASBA Form.
- (vi) No corresponding records available with the depositories matching the parameters namely (a) Names of the ASBA applicants (including the order of names of joint holders) (b) DP ID (c) Beneficiary account number or any other relevant details pertaining to the Depository Account.
- (vii) Insufficient funds in the investor's account.
- (viii) Application accepted by SCSB and not uploaded on/with the exchanges/Registrar.

D. 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.

E. 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 copy 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.

F. 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. In case of Unit Holders holding Units in the dematerialised mode, the AMC / Mutual Fund will not send the account statement / Unit certificate to the Unit Holders. The statement provided by the Depository Participant will be equivalent to the account statement.
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

A. Valuation of assets

VALUATION CONCEPTS

Valuing an investment generally entails determining the price an investment can reasonably expect to fetch in an open market. Such price may or may not be readily available due to various constraints including the fact that the investment may not be traded in the market during a particular period or an investment is not listed and hence an acceptable and transparent market price may not be available.

Vide the amendments to the SEBI Regulations dated February 21, 2012 and SEBI circular dated February 28, 2012, the “Principles of Fair Valuation” have been introduced in the Eighth Schedule to the SEBI Regulations. These overarching principles seek to ensure fair treatment to all investors including existing investors as well as investors seeking to purchase or redeem units of mutual funds in all schemes of the mutual funds at all points in time. The new valuation guidelines mandate that the valuation of investments held by the schemes of the mutual funds shall be based on the principles of fair valuation i.e. valuation shall be reflective of the realizable value of the securities/assets and that the valuation shall be done in good faith and in true and fair manner through appropriate valuation policies and procedures. The new valuation guidelines repose the responsibility of true and fairness of valuation and correct NAV on the AMC. The existing valuation guidelines mentioned in the Eighth Schedule continue to exist; however, in case of any conflict between the newly introduced principles of fair valuation and the existing valuation guidelines, the principles of fair valuation shall prevail.

The AMC follows the valuation guidelines prescribed by SEBI to ensure a fair treatment to all investors including existing investors as well as investors seeking to purchase or redeem units of the schemes of the Mutual Fund at all points of time. However, in cases where the AMC is of the view that the value derived as per the valuation guidelines does not reflect the fair value of the instrument, the principles of fair valuation shall be applied.

VALUATION & RISK MANAGEMENT COMMITTEE

In accordance with the SEBI circular no.MFD/CIR No.010/024/2000 dated January 17, 2000 every asset management company is required to constitute an in-house Valuation Committee comprising of the Chief Executive Officer and other senior executives from Operations, Fund Management and Compliance departments to review the system and practices of valuation of securities. Accordingly, the Board of Directors of the AMC has constituted the Valuation and Risk Management Committee comprising of the Chief Executive Officer, Jt. CEO, Chief Investment Officer, Head - Equity, Head – Fixed Income, Head – Operations and Head – Compliance to *inter alia* review the system and practices of valuation of securities, risk management processes and controls within the organisation and to oversee the risk management function.

PART 1 – EQUITY AND RELATED SECURITIES

Traded securities

All actively traded equity instruments shall be valued at the last quoted closing price on the principal stock exchange on the valuation day (i.e. T day). When the securities are traded on more than one recognised stock exchange, the securities shall be valued at the last quoted closing price on the stock exchange where the security is principally traded.

The AMC will select the appropriate stock exchange and shall record the reasons for the selection and change, if any, in writing. All scrips may be valued at the prices quoted on the stock exchange where majorities in value of the investments are principally traded.

The AMC has selected National Stock Exchange (NSE) as the “principal stock exchange” and the Bombay Stock Exchange (BSE) as the “secondary stock exchange”. In case the selected stock exchange for valuation of any or all securities is to be changed, reasons for change will be recorded in writing by the Valuation & Risk Management Committee and approved by the Board of Directors of the AMC.

When on a particular valuation day, a security has not been traded on the principal stock exchange, the value at which it is traded on the secondary stock exchange may be used.

When an equity security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on the selected stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than 30 days prior to the valuation date.

Non traded security or Thinly traded security

When trading in an equity and/or equity related security (such as convertible debentures, equity warrants etc.) up to T-30 days is both less than Rs. 5 lacs and the total volume is less than 50,000 shares, the security shall be considered as thinly traded security and valued accordingly.

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

In order to determine whether a security is thinly traded or not, the volumes traded on all recognized stock exchanges in India will be taken into account. 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. If a 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.

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.

On the last day of each month, the service vendor viz. Bilav Software Pvt. Ltd. sends a report on the scrip-wise volumes to Citibank N.A., custodian for the Mutual Fund. This data is used to determine whether any of the equity securities held in the portfolio of the schemes of the Mutual Fund is thinly traded. Based on the same, Citibank sends a monthly confirmation on thinly traded securities to the AMC.

When a security 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.

Non traded and thinly traded securities are valued in good faith based on the principles laid down below:

- (a) Based on the latest available Balance Sheet, Net Worth per share shall be calculated as [Share capital + reserves (excl revaluation reserves) – Misc. exp and debit balance in P&L] divided by the number of paid up shares.
- (b) Average capitalization rate (P/E ratio) for the industry based upon either NSE or BSE data (which shall be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the industry average P/E shall be taken as capitalization rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose. The value as per the net worth value per share and the capitalized earnings value as calculated above shall be averaged and further discounted by 10% for illiquidity to arrive at the fair value per share.
- (c) If the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalized earnings.
- (d) Where latest balance sheet of the company is not available within nine months from close of the year, unless accounting year is changed, the value of shares of such company shall be taken as zero.
- (e) If the 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.

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.

Follow on Public Offers (FPO)

In case of follow on public offers (FPOs), valuation will be done at the last quoted closing price on the principal stock exchange (NSE) on the allotment date and not wait till the separate listing of the new security. If not priced on NSE on allotment date, then methodology for actively traded, as above, shall be followed.

Initial Public Offer (IPO)

IPO investments shall be accounted as share application money until allotment is made. Post allotment till listing, the shares will be valued at cost.

De-merger

In case of de-merger, there are three possibilities viz.,

- Both companies' shares are traded
- One of the companies' shares are traded
- Both companies' shares are not traded.

If both companies' shares are traded, then market price for both will be considered for valuation. If one of the company's shares is traded, then the traded company's shares shall be valued at traded price. For non-traded shares, market value will be derived based on the market value of the original traded shares on one trading day prior to the ex-date of demerger minus market value of demerged traded shares on ex-date. This price for the non-traded share shall be constant till listing of the non-traded shares. In case value of the traded share of the demerged company is equal or in excess of the value of pre demerger share, then the non-traded share is to be valued at zero.

If both the company's shares are not traded, then the shares of both the demerged companies will be valued equal to the pre demerger value (one trading day prior to the ex-date) up to the date of listing. The market value of the shares would be bifurcated in the ratio of cost of shares as may be obtained by the prescribed demerger ratio.

Rights valuation

As per the valuation guidelines prescribed in the Eighth Schedule to the SEBI Regulations, if the rights securities are traded in market separately then the same shall be valued at traded price (like any other equity instrument). Valuation of non-traded rights entitlement is principally the difference between the right price and ex-right price. SEBI Regulations have explained this with the help of following formula:

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

Where
 V_r = Value of Rights
 n = Number of rights offered
 m = Number of original shares held
 P_{ex} = Ex-right price
 P_{of} = Rights offer price

The rights entitlement shall be valued as on ex-date. The rights entitlement shall be booked at issue price and valued at market price.

When rights shares have been applied for quantity less than or equal to the rights entitlement, then the value of such shares applied will be equal to the current ex-price of the share.

In case where the additional quantities have been applied on rights, the additional quantities will be booked as application money and will be held at cost till allotment when the allotted quantity will be accounted for in the original share and valued as per the valuation policy of the original share.

Preference Shares

If preference shares are listed, the same shall be valued at traded price. In case the same are not traded for more than 30 days on NSE or BSE, the same shall be valued in good faith by AMC depending on the type of preference share. Appropriate Illiquidity discount can be given.

Non convertible preference shares shall be valued as per corporate debt valuation. However if the company has not paid dividend for one year it would be treated like a non-performing debenture.

Convertible debentures

A convertible debenture shall be split into convertible and non convertible components. The convertible component shall be valued at proportionate price of the converted share (if the ratio of conversion is not 1:1) reduced by the conversion price (face value of the convertible component) and further reduced by appropriate illiquidity discount. The non convertible component shall be valued at corporate debt valuation guidelines.

In case of optionally convertible debentures two valuations shall be considered, one of exercising the option and one of not exercising the option. If the option rests with the issuer, lower of the two values shall be taken and if the option rests with the investor, the higher of the two will be taken.

Warrants

In respect of warrants to subscribe for shares attached to instruments, the warrants will 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. Traded warrants shall be valued at market price. Non traded warrants shall be valued as under:

If exercise price is less than market price of the share, then the warrant shall be valued at the discounted value of the share less exercise price. Discount rate shall be decided on a case to case basis by the Valuation & Risk Management Committee.

On the other hand if the exercise price is greater than market price of the share, the warrant shall be valued at zero.

Derivative instruments – Futures and options

Futures and options shall be valued at the daily closing price of the contract, on the exchange on which the contract is executed. The price of same contract series on another exchange will not be considered. In case closing prices are not available the same shall be valued at settlement prices.

Valuation of MF Units and ETFs

- MF units and ETFs listed and traded would be valued at the closing traded price available on stock exchange (NSE/BSE) as on the valuation date. In case the units are not traded for more than 7 days, last declared NAV would be considered for valuation.
- Unlisted MF units and listed untraded MF units would be valued at NAV (adjusted for load if any) on the valuation date as available on AMFI website by 21.00 IST.

PART 2 – FIXED INCOME AND RELATED INSTRUMENTS

Types of securities covered:

Commercial Paper (“CP”), Certificate of Deposit (“CD”), Non-Convertible Debentures (“NCD”) (including Zero Coupon Bonds (“ZCB”) & Structured Obligations (“SO”) instruments), Fixed Deposit (“FD”), Collateralized Borrowing & Lending Obligations (“CBLO”), Reverse Repo, Government Securities (“G Secs”), Treasury Bills (“T Bills”), BRDS, CMBs.

Meaning of ‘Public Platform’:

- F-Trac for CP, CD and NCD (including ZCB and SO instruments);
- NDS OM or NSE WDM for TBills with residual maturity of less than 91 days; and
- Valuations provided by CRISIL/ICRA/FIMMDA or any other agency for G Secs and T Bills with residual maturity of over 91 days.

Valuation of FDs, CBLO, Reverse repo, Bill Re Discounting (BRDs) and Cash Management Bills (CMBs) :

Straight line amortization will be used for valuing the above instruments.

Valuation of other instruments viz. CP, CD, NCD (incl. ZCB and SO instruments)

The above instruments shall be valued as follows :

Residual Maturity →	<= 60 days	> 60 days
Traded security	To be valued on amortization basis from the last valuation price or cost (as the case may be). In case of AMC’s own trade on a particular valuation day, the price at which the own trade has taken place will be considered provided that the own trade is of a market lot or more. CRISIL and ICRA are the agencies that provide the	To be valued at weighted average YTM of reported trades provided that : ✓ For instruments maturing between 61 days and 1 year, the traded price may be taken if there are at least 3 trades aggregating to Rs. 100 crores or more on the public platforms; ✓ For instruments maturing over one year, the traded price may be taken if there

Residual Maturity →	<= 60 days	> 60 days
	<p>benchmark yields for such securities, which in turn are constructed after considering traded prices, if any, of same/similar securities across public platforms. At the time of first purchase the spread between the purchase yield and the benchmark yield will be fixed. This spread will remain fixed through the life of the instrument and would be changed only if there is adequate justification for the change. For example, market trades / AMC's trades at a different spread would be reflected through a change in the spread.</p> <p>The amortised price may be used for valuation as long as it is within $\pm 0.10\%$ of the reference price (derived from benchmark yield \pm spread as above). In case the variance exceeds $\pm 0.10\%$, the valuation shall be adjusted to bring it within the $\pm 0.10\%$ band.</p> <p>The above valuation is also subject to any abnormal market conditions being observed or other reasons to ignore outliers which shall need justification from the fund manager.</p>	<p>are at least 2 trades aggregating to Rs. 25 crores or more on the public platforms.</p> <p>In case of the AMC's own trades, only a trade of a market lot or more is to be taken as reflective of the realizable value of the total holding in a single instrument. All amounts refer to the face value of securities. In addition, as the price may be distorted in case of forward settlement dates (eg. across a weekend/holidays), the traded yields may be used to arrive at a price for valuation. In case of multiple trades, the weighted average price may be used for valuation.</p> <p>In case there are both qualifying market trades and AMC trades, the market trades would be given a higher priority. In case of multiple platforms reporting trades on the same day, the order of preference would be FIMMDA, Exchange (NSE WDM, BSE) and own trades. The qualifying criteria are to be observed at the exchange/platform level (as the same trades may be reported on multiple platforms).</p> <p>The above valuation is also subject to abnormal market conditions being observed or other reasons to ignore outliers which shall need FM</p>

Residual Maturity →	<= 60 days	> 60 days
		justification.
Non Traded	<p>The valuation methodology shall be as per the straight line amortization method as long as the valuation remains within +/- 0.10% of the 'reference price' for each time bucket as provided by CRISIL or other approved agencies.</p> <p>If YTM falls outside +/- 0.10% of reference price, the YTM of the security will be adjusted to bring it within the +/-0.10% band.*</p>	Valuation as per matrix (as under current methodology) i.e. - at valuation prices provided by CRISIL or any other approved agency for individual securities without any discretionary spread.

* At the time of first purchase the spread between the purchase yield and the benchmark yield will be fixed. This spread will remain fixed through the life of the instrument and would be changed only if there is adequate justification for the change. For example, market trades / AMC's trades at a different spread could be reflected through a change in the spread.

Irrespective of amortisation, a change in the credit rating or credit profile of the issuer would require a re-evaluation of the appropriateness of the spread.

In case of subsequent trades by the fund in the same security, the valuation would reflect the most recent trade as long as the trade is of market lot. The security such valued would be amortised to maturity with such amortised prices to be in line with $\pm 0.10\%$ of the reference price as above.

A market trade at a different spread may be reflected through a change in spread. Irrespective of amortization, a change in the credit rating or credit profile of the issuer would require a re-evaluation of the appropriateness of the spread.

Inter Scheme Transfers (“ISTs”) of debt and money market instruments

The above mentioned valuation guidelines applicable for the purchase and sale of debt and money market instruments shall be applicable for ISTs as well. Trades reported on public platforms such as F-TRAC, FIMMDA, NDS OM etc., shall be considered while making allowances and exceptions for such reports in the context of the IST. In other words, the FIMMDA screen may be considered as a data source but subject to exceptions stated below.

While considering public platforms for valuation purposes, the time at which the IST was effected shall be considered. For example, if at the time of effecting an IST, there is no valuation/price available for the same security/similar security in question or if the price available on said platform does not fulfill the criteria stated in the list of conditions mentioned below in this policy, the IST shall be valued at straight line amortised price based on the previous

day’s public platform data / previous day’s valuation YTM as applicable. The price at which the IST will be done is the price available to us at the time of executing the IST.

ISTs shall be done at market prices provided appropriate prices are available at the time of the IST. By ‘appropriate prices’ we refer to the weighted average price of the same or similar securities on public platform at the time of executing the IST.

For securities having residual maturity of ≤ 60 days, all trades of public platforms shall be considered provided that there are at least 3 trades on the public platforms and that there is a minimum volume of Rs. 100 crores on the public platforms considered. For securities having residual maturity of > 60 days, all trades of public platforms shall be considered provided that, for instruments maturing between 61 days and 1 year, the traded price may be taken if there are at least 3 trades aggregating to Rs. 100 crores or more on public platforms and for instruments maturing above year, the traded price may be taken if there are at least 2 trades aggregating to Rs. 25 crores or more on public platforms.

Mark Up/Down of Yields

SEBI guidelines for valuation provide for certain mark up/down in benchmark yields to cover for risks perceived by the Mutual Fund. In case of securities rated by external agencies, the Mutual Fund has the flexibility to mark up/down the benchmark yields provided by CRISIL to adjust for certain risks, such as liquidity, promoter, etc, upto certain limits. In case of securities rated internally by the Mutual Fund, a part of the mark up is mandatory.

Currently, the applicable mark up/down limits are given below :

Securities Rated by External Agencies	Mark Up/Down Range (Basis Points)
Debt instruments with maturity higher than 2 years	+75 to -25
Debt instruments with maturity upto 2 years	+100 to -50
Securities Internally Rated by the Mutual Fund	
Debt instruments with maturity higher than 2 years	
▪ Mandatory mark up	+25
▪ Additional Discretionary mark up	+50
Debt instruments with maturity up to 2 years	
▪ Mandatory mark up	+50
▪ Additional Discretionary mark up	+50

If there is any difficulty in categorization of a particular instrument for valuation, the issue shall be discussed with the investments, compliance and operations teams for feedback.

The Chief Executive Officer of the AMC shall give prior approval to the use of the discretionary mark up or down limit.

VALUATION OF SECURITIES NOT COVERED UNDER THE CURRENT VALUATION POLICY:

Investment in new type of securities/assets shall be made only after establishment of the valuation methodologies for such securities with the approval of the Board of Directors of the AMC.

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 the 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 the independent directors of Daiwa Trustee and the statutory auditors.

Process to deal with exceptional events where market prices are not considered fair :

In terms of clause (g) of the “Principles of Fair Valuation” in the Eighth Schedule to the SEBI Regulations, the responsibility of true and fairness of valuation and correct NAV shall be of the AMC, irrespective of the disclosure of the approved valuation policies and procedures i.e. if the established policies and procedures of valuation do not result in fair/appropriate valuation, the AMC may deviate from the established policies and procedures in order to value the assets/ securities at fair value.

In case of any deviation from the above established guidelines for valuation, reasons for such deviation from the established guidelines for valuation shall be documented by the fund manager(s) and pre-approved by the Valuation & Risk Management Committee. The same shall also be reported to the Boards of Directors of the AMC and Trustee and appropriately disclosed to investors.

Specific conditions for deviation applicable to debt and money market securities:

These circumstances are events or situations where market information is not available, is insufficient or is unsuitable for fair and true valuation of securities.

The benchmark yield / matrix provided by the agencies prescribed by AMFI for debt and money market securities with residual maturities of over 60 days would take into account any abnormalities in pricing for the specific type of security and as such, no deviation is considered necessary in respect of such securities.

Examples of the circumstances under which deviation from the established policies will be considered while valuing debt and money market securities with residual maturities of upto 60 days are given below. The list is an inclusive list and not an exhaustive one.

- i. If due to a specific market phenomenon, the yields in respect of certain securities either fall or rise on a particular day, where it is highly probable that the normal values would be restored on the very next trading day, such securities would be valued as per the applicable valuation guidelines, ignoring the traded prices of the securities. Such kind of phenomenon is mostly observed on the reporting dates for banks, Quarter ends (T-5 working days of each calendar quarter end are usually marked with abnormal pricing).
- ii. Major regulatory changes by Government, Government agencies or regulators.
- iii. Absence of trading in a particular security.
- iv. Natural or public disturbance which may force markets to close early or trading to become abnormally thin.
- v. Any other extraordinary circumstance, where there is a need to deviate from the normal valuation policy, the need and the basis of valuation will be deliberated and decided by the Valuation & Risk Management Committee.

The following market lot sizes of debt and money market securities would be considered:

Type of security	Market lot size
G Secs and State Development Loans	Rs. 5 crores and in multiples of Rs. 5 crores
T Bills	Rs. 25 crores and in multiples of Rs. 25 crores
Money Market Instruments (CPs/CDs/NCDs having residual maturity of upto one year)	Rs. 25 crores and in multiples of Rs. 25 crores
NCDs having residual maturity of more than one year	Rs. 5 crores and in multiples of Rs. 5 crores

NON PERFORMING ASSETS (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 / installment has fallen due. The valuation of Non Performing Assets (NPA) would be in accordance with SEBI Circular MFD/CIR/8/92/2000 dated September 18, 2000 and SEBI Circular no. MFD / CIR /14 / 088 / 2001 dated March 28, 2001 as amended from time to time.

CONSISTENCY

Similar securities held under various schemes of the Mutual Fund shall be valued consistently.

REVIEW OF POLICY AND VALUATION GUIDELINES & PROCEDURES

This policy shall be reviewed at periodic intervals to ensure the appropriateness and accuracy of the methodologies used and its effective implementation in valuing the securities/assets. The Boards of Directors of the AMC and Trustee shall be updated of these developments every half year. This policy including the valuation guidelines and procedures shall be regularly reviewed (at least once in a Financial Year) by an independent auditor to seek to ensure their continued appropriateness.

The internal auditors shall, during their audit, review the valuation practices followed by the AMC and provide their comments thereon. The periodic internal audit reports shall be discussed and reviewed by the Audit Committee of the Trustee and also by the Boards of Directors of the AMC and Trustee. The half yearly reports submitted by the Trustee to SEBI shall *inter alia* comment on the status of compliance with the prescribed valuation guidelines.

RETENTION OF RECORDS

Daiwa AMC shall maintain and preserve the documentation of rationale for valuation including inter scheme transfers in accordance with the requirement of Regulation 50 of the SEBI Regulations in order to enable audit trail.

TRANSPARENCY AND DISCLOSURES

This policy and valuation guidelines and procedures as approved by the Board of Directors of the AMC shall be disclosed in the Statement of Additional Information, on the website of the AMC/Mutual Fund (www.daiwafunds.in) and at any other place where SEBI may specify to ensure transparency of the valuation norms adopted by the AMC.

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 30.06.2011, it will be classified as NPA from 01.10.2011.

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

- After the expiry of the 1st 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 30.06.2011 and if the interest is not received, accrual will continue till 30.09.2011 after which there

will be no further accrual of income. In short, taking the above example, from the beginning of the 2nd 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 30.06.2011, accrual will continue till 30.09.2011 even if the income as on 30.06.2011 has not been received. Further, no accrual will be done from 01.10.2011 onwards. Full provision will also be made for interest accrued and outstanding as on 30.06.2011.

(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 30.06.2011 and the interest is not received till 1st quarter after due date i.e. 30.09.2011. This provisioning will be done in following phased manner :

% of provision	Date of provisioning
10% provision	01.01.2011
20% provision	01.04.2011

% of provision	Date of provisioning
20% provision	01.07.2011
25% provision	01.10.2011
25% provision	01.01.2012

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 2nd 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 2nd 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) Re-schedulement of an asset

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

- (i) In case it is a first re-schedulement and only interest is in default, the status of the asset namely, 'NPA' may be continued and existing provisions should not be written back. This practice should be continued for two quarters of regular servicing of the debt. Thereafter, this can be classified as 'performing asset' and the interest provided may be written back.
- (ii) If the re-schedulement is done due to default in interest and principal amount, the asset should be continued as non performing for a period of 4 quarters, even though the asset is continued to be serviced during these 4 quarters regularly. Thereafter, this can be classified as 'performing asset' and all the interest provided till such date should be written back.
- (iii) If the re-schedulement is done for a second/third time or thereafter, the characteristic of NPA should be continued for eight quarters of regular servicing of the debt. 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 scrip wise 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

Number of units outstanding at the end of the day

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

Calculation of the Schemes' 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 proposed by the Finance Act, 2013. It may be noted that the benefits and consequences mentioned are not exhaustive. It is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the Scheme(s).

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 of the Act, the Mutual Fund will be required to pay tax on distribution of its income as mentioned in the table below:

Sr. No.	Distribution by	Distribution to	*Tax on distribution of income (in %)
1	Money market mutual fund or liquid fund	Individual or HUF	28.325
		Any other person	33.99
2	Other fund (debt oriented)	Individual or HUF	28.325
		Any other person	33.99

* Including surcharge of 10% on the amount of tax and education cess @ 3% on the amount of tax plus surcharge.

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:

Sr. No.	Taxable securities transaction	Rate of STT (in %)
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.	0.1
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.	0.1
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
4.	In respect of derivative transactions, STT is leviable as under: (a) Sale of an option in securities (b) Sale of an option in securities, when option is exercised	0.017 0.125

Sr. No.	Taxable securities transaction	Rate of STT (in %)
	(payable by the purchaser) (c) Sale of a futures in securities	0.01*
5.	Sale of unlisted equity shares under an offer for sale referred to in sub-clause (aa) of clause (13) of section 97	0.2

(*applicable for any transaction made on or after June 1, 2013)

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 assesseees 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.	Nil
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.	0.001
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	0.001

(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 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(2) of the Act, 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. 1,00,000. In case any scheme of the Mutual Fund is in accordance with ELSS, the investors will be entitled to deduction under section 80C.

(E) Deduction under section 80CCG

In accordance with provisions of section 80CCG of the Act, a resident individual is entitled to a deduction of fifty percent of the amount invested in listed unit of an equity oriented mutual fund in accordance with a scheme as may be notified by the Central Government in this behalf. The deduction can be claimed upto a maximum of Rs. 25,000 over a period of three consecutive assessment years. Rajiv Gandhi Equity Savings Scheme has been notified under section 80CCG. The deduction is allowable only on fulfillment of the conditions as prescribed in the section.

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. 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.
8. Nomination is mandatory for new folios/accounts opened by individuals with sole/single holding.
9. In case of joint holdings in a folio, all joint holders are required to sign the request for nomination / cancellation of nomination, irrespective of the mode of holding. Nomination form cannot be signed by Power of Attorney (PoA) holders.
10. The facility to nominate will not be available in a folio held on behalf of a minor.
11. Investors who do not wish to nominate must sign separately confirming their non-intention to nominate.

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. The nomination facility is subject to existing laws.

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 and as per the PMLA, the rules, guidelines/circulars pertaining to Anti-Money Laundering, mandated that all intermediaries including mutual funds should formulate and implement for Client Identification Programme, a proper policy framework as per the guidelines on anti money laundering measures and also to adopt a Know Your Customer ("KYC") policy to verify and maintain the record of identity and address(es) of investors etc. To facilitate uniform implementation of these guidelines, AMFI had circulated Client Identification implementation procedure to all the mutual funds. 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) and 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, then the AMC 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 Unit 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

In order to avoid duplication of the KYC process across the SEBI registered intermediaries, SEBI has vide its various circulars viz. MIRSD/SE/Cir-21/2011 dated October 5, 2011, MIRSD/Cir-23/2011 dated December 2, 2011 and MIRSD/Cir-26/2011 dated December 23, 2011, prescribed uniform Know Your Customer (“**KYC**”) requirements for the securities market and also issued guidelines related thereto. Further, SEBI has also mandated the intermediaries to conduct In-Person Verification (“**IPV**”) of their new clients.

Accordingly, with effect from January 2, 2012, new investors who are not KYC compliant are requested to submit the common KYC application form along with the specified documents and complete the KYC process including IPV, before investing in the schemes of Mutual Fund. The common KYC application forms are available on the website of the AMC (www.daiwafunds.in).

The Mutual Fund or its Registrar & Transfer Agent (“**R&T**”) shall perform the initial KYC of the new investors and may also undertake enhanced KYC measures commensurate with the risk profile of the investors. Investors who have completed the KYC process through any SEBI registered intermediary will not be required to undergo the KYC process again with the Mutual Fund.

Investors who have completed their KYC formalities prior to January 1, 2012 are required to provide additional information as prescribed by SEBI to the KYC Registration Agency (“**KRA**”) and complete the IPV process. The above requirements are mandatory for such investors intending to invest in a new mutual fund (i.e. a mutual fund where they have not invested earlier or opened a folio earlier) effective December 1, 2012.

Investors who have completed their KYC formalities prior to January 1, 2012 and are already an investor in a mutual fund(s), can continue investing in the mutual fund(s) without any further KYC requirements. However, if the investor intends to invest in another mutual fund(s), such investor would need to complete additional KYC requirements including IPV. Investors may refer to the website of the Mutual Fund/AMC (www.daiwafunds.in) for further details.

IPV conducted for an investor by any SEBI registered intermediary can be relied upon by the Mutual Fund. IPV can also be carried out by the AMC or by Know Your Distributor (KYD) compliant distributors who hold certifications from NISM/AMFI. In case of applications received directly from the investors (i.e. not through any distributor), the Mutual Fund may also rely upon the IPV conducted by scheduled commercial banks.

New investors are required to complete the revised KYC application forms as prescribed by SEBI from time to time to be used.

The Mutual Fund/the AMC/R&T reserve the right to reject an application in case of inadequate KYC documents, undertake additional KYC measures and/or obtain such further information/documents from the investors as may be deemed necessary.

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.

This clause is not applicable to investors residing in the state of Sikkim, investors in Micro SIP and investors not investing more than Rs. 50,000/- per year (as explained below), officials of the Central Government, State Government, and the officials appointed by the courts e.g. Official Liquidator, Court Receiver etc. (under the category of Government).

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, 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. Further, SEBI has vide its letter no. OW/16541/2012 dated July 24, 2012 conveyed that investments in the mutual fund schemes (including investments in SIPs) upto Rs. 50,000/- per investor per year per mutual fund are exempted from the requirement of PAN. However, in such cases, the investor may be required to furnish additional documents for proof of identity/address as may be deemed necessary.

Investors are advised to refer to the uniform KYC process and form to comply with the KYC requirement.

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 in case of units held in the physical mode. 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. Unit holders may note that Units held in dematerialized mode are freely transferable.

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 and 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.

Investors may refer to the website of the Mutual Fund/AMC (www.daiwafunds.in) for a ready reckoner matrix of various documents required under different transmission scenarios. In case of transmission of Units to a claimant who is a minor, the prescribed documents like PAN, KYC, bank details, indemnity, etc. of the guardian will be required. If the amount involved in transmission exceeds Rs. 1 lakh, the AMC/Mutual Fund may, on a case to case basis, seek additional documents from the claimant(s) of Units as may be prescribed by SEBI, AMFI and other regulatory authorities from time to time.

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. Standardization of Processes Regarding Investments Made on Behalf of Minors, Change in status of minor on attaining majority, Change in guardian and Change of address

The AMC has implemented the following procedures in case of investments made on behalf of the minor, change in status of minor on attaining majority, change in guardian and change of address :

I. "On behalf of minor" accounts:

- Minor shall be the first and the sole holder in an account. There shall not be any joint accounts with minor as the first or joint holder.

- Guardian in the folio on behalf of the minor should either be a natural guardian (i.e. father or mother) or a court appointed legal guardian, and should mandatorily submit requisite documentation to the AMC evidencing the relationship/status of the guardian.
- Date of birth of the minor alongwith supporting documents (viz. birth certificate, school leaving certificate, passport or any other document evidencing the date of birth of the minor) should be mandatorily provided while opening the account.

II. Change in status of minor on attaining majority:

- The AMC/Registrar will send advance notice to the registered correspondence address advising the guardian and the minor to submit an application form along with prescribed documents to change the status of the account from “minor” to “major”.
- In case the requisite documents to change the status are not received by the AMC/Registrar by the date when the minor attains majority, the AMC/Mutual Fund will not permit any transactions in the folio and suspend all standing instructions like SIPs, SWPs, STPs, etc. from the date of the minor attaining majority.
- In case of existing standing instructions like SIPs, SWPs, STPs, etc. registered in the minor’s folio for a period beyond the minor’s date of majority, the AMC/Registrar shall execute the standing instructions only till the date of the minor attaining majority.

III. Change in guardian:

In case of change in guardian, the new guardian must be a natural guardian (i.e. father or mother) or a court appointed legal guardian and such guardian shall mandatorily submit prescribed documentation to the AMC evidencing the relationship/status of the guardian, proof of KYC compliance, attestation from the bank maintaining the minor’s account where the new guardian is registered as the guardian, etc.

IV. Change of address:

Investors/Unit Holders are requested to take note that request for change of address shall be submitted alongwith the documents:

(i) For non KYC complied folios -

- ✓ Proof of new Address (“POA”) and
- ✓ Proof of Identity (“POI”): Only PAN card copy if PAN is updated in the folio, or PAN/other proof of identity if PAN is not updated in the folio.

(ii) For KYC complied folios –

- ✓ POA and
- ✓ Any other document/form that the KYC (Know Your Client) Registration Agency (“KRA”) may specify from time to time.

The AMC reserves the right to collect proof of old address on a case to case basis while effecting the change of address. Self attested copies of the above said documents alongwith originals for verification shall be submitted at any of branches of the AMC/Investor Service Centres of the Registrar. The original documents shall be returned to the investors over the counter upon

verification. In case the original of any document is not produced for verification, then the copies should be properly attested / verified by entities authorized for attesting / verification of the documents as per extant KYC guidelines. List of admissible documents for POA and POI mentioned in the SEBI circular no. MIRSD/SE/Cir-21/2011 dated October 5, 2011 shall be considered.

7. 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.

8. 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.

9. 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, as may be permitted by SEBI from time to time. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. Schemes 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.

15. 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.

16. (a) Employee Unique Identification Number for employees of empanelled distributors/agents

Pursuant to the SEBI circular dated September 13, 2012 and the AMFI guidelines on implementation of Employee Unique Identification Number (“EUIN”) dated December 31, 2012, distributors are advised to provide valid ARN code, sub-broker ARN code and EUIN of their sales person (if applicable) in the relevant columns provided in the application form. These would be validated by the AMC and in case of any discrepancy, the AMC/Trustee may withhold the commission as deemed appropriate till the deficiency is rectified. Availability of EUIN would help AMCs in tackling the problem of mis-selling even if the sales person on whose advice the transaction was executed leaves the employment of the distributor or his/her sub-broker.

(b) Deduction of transaction charges for investments through distributors/agents

In terms of SEBI circular no. Cir/IMD/DF/13/2011 dated August 22, 2011, as amended from time to time, a transaction charge per subscription of Rs. 10,000/- and above shall be charged to the investors and paid to the distributors/brokers (who have “opted-in” for charging the transaction charge) in respect of applications routed through them, subject to the following :

- In case of an existing investor, Rs. 100/- and in case of a new investor, Rs. 150/- shall be charged as transaction charge per Subscription of Rs.10,000/ – and above.
- In case of SIP, the transaction charge shall be applicable only if the total commitment through SIP amounts to Rs. 10,000/- and above. In such cases, the transaction charge shall be recovered in maximum 3 to 4 instalments.
- There shall be no transaction charge on Purchase/Subscription below Rs.10,000/-.
- There shall be no transaction charge on direct investments.
- There shall be no transaction charge on transactions other than Purchases/Subscriptions relating to new inflows.

The “opt-out” option selected by a distributor/broker shall be applicable at the distributor/broker level and not at investor level i.e. a Distributor/broker shall not charge one investor and choose not to charge another investor. Further the Distributors are also provided with the option to either opt-in or opt-out of levying transaction charges based on type of the product. The transaction charge as mentioned above shall be deducted by the AMC from the Subscription amount of the Unit Holder and paid to the Distributor/broker. The balance amount shall be invested in the Scheme. The account statement shall clearly state the net investment as gross subscription less transaction charge and mention the number of Units allotted against the net investment. In case the investment amount falls below the minimum application amount due to deduction of transaction charge from the Purchase/Subscription amount, the requirement of minimum application amount shall not 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 or group companies for distribution of Units. However, it has availed services of Daiwa Capital Markets India Private Limited (“DCMIPL”), group company of the Sponsor, for the purchase or sale of securities. Details of brokerage paid to DCMIPL during the last 3 financial years are as given below:

Name of group company	Nature of association / Nature of Relation	Period covered	Value of transaction		Brokerage	
			Amount (Rs. in crs.)	% of total value of transaction of the Mutual Fund	Amount (Rs. in crs.)*	% of total brokerage paid by the Mutual Fund
DCMIPL	Group company	01.04.2010 - 31.03.2011	0.28	0.62%	0	0.67%
DCMIPL	Group company	01.04.2011 - 31.03.2012	1.89	3.26%	0	3.40%
DCMIPL	Group company	01.04.2012- 31.03.2013	2.36	2.68%	0	2.85%

* Less than Rs. 0.01 crore.

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 associate or group companies of the Sponsor.

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 extent to which each Scheme may engage in securities lending and the single counter-party exposure of the Scheme shall be specified in the Scheme Information Document/Key Information Memorandum of the respective Scheme(s).

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

Investors/Unit Holders of the Schemes of the Mutual Fund may hold their Units in demat form 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.

Investors/Unit Holders shall clearly specify the preferred mode of holding in the Application Form. Unit Holders opting to hold the Units in the demat form must provide their Demat Account details in the specified section of the Application Form. Such Unit Holders are required to have a beneficiary account with the Depository Participant (DP) registered with NSDL/CDSL and are also required to indicate in the Application Form, the DP's name, DP ID Number and the beneficiary account number of the applicant with the DP. Investors/Unit Holders opting to hold Units of the schemes in Demat form are advised to note that the dematerialization / rematerialisation of Units shall be governed by the provisions of the SEBI (Depositories and Participants) Regulations, 1996 as may be amended from time to time and such other rules, circulars, guidelines as may be issued by the depositories from time to time. In case of subscription through SIP, Units will be allotted based on the applicable Net Asset Value as provided in the SID of the respective scheme and will be credited to the investor's demat account on a weekly basis, based on the realization of funds.

10. Website

The website of the Mutual Fund/AMC (www.daiwafunds.in) 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 1102, 11th floor, Tower 2, Wing “A”, One Indiabulls Centre, 841, Senapati Bapat Marg, Elphinstone Road (W), Mumbai – 400 013 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). 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 :

1102, 11th Floor, Tower 2, Wing “A”, One Indiabulls Centre, 841, Senapati Bapat Marg, Elphinstone Road, Mumbai – 400 013.

Telephone: +91-22-66142900

Fax: +91-22-66100158

E-mail: investorcare@daiwafunds.in

Given below is the status of investors' complaints:

	Complaints Received				Complaints Redressed				Complaints Pending			
	FY 2010-2011	FY 2011-2012	FY 2012-2013	April 1, 2013 to June 30, 2013	FY 2010-2011	FY 2011-2012	FY 2012-2013	April 1, 2013 to June 30, 2013	FY 2010-2011	FY 2011-2012	FY 2012-2013	April 1, 2013 to June 30, 2013
DLF	0	1	0	0	0	1	0	0	0	0	0	0
DILF	6	7	0	0	6	7	0	0	0	0	0	0
DTAF	0	0	0	0	0	0	0	0	0	0	0	0
DGSF-STP	NA	0	0	0	NA	0	0	0	NA	0	0	0
Total	6	8	0	0	6	8	0	0	0	0	0	0

(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 authorizes 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 thereunder shall be applicable.

Daiwa Asset Management (India) Pvt. Ltd.
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