

## OFFER DOCUMENT

### JPMorgan Mutual Fund

### JPMorgan India Alpha Fund

An equity oriented interval scheme

**Issue of Units of Rs 10 per Unit plus Applicable Entry Load during the New Fund Offer ('NFO') period and at Net Asset Value ('NAV') subject to applicable Entry and Exit Loads thereafter.**

<b>Sponsor:</b>	<b>Trustee:</b>	<b>Asset Management Company:</b>
<b>JPMorgan Asset Management (Asia) Inc.</b>	<b>JPMorgan Mutual Fund India Private Limited</b>	<b>JPMorgan Asset Management India Private Limited</b>
<b>Correspondence Office: 21/F Chater House 8 Connaught Road Central Hong Kong</b>	<b>Registered Office: 9<sup>th</sup> Floor Mafatlal Centre Nariman Point Mumbai 400 021</b>	<b>Registered Office: 9<sup>th</sup> Floor Mafatlal Centre Nariman Point Mumbai 400 021</b>

**NFO opens      xxx xx, 2008**  
**NFO closes     xxx xx, 2008**

This Offer Document sets forth concisely the information that a prospective investor ought to have before investing. Investors should read the Offer Document carefully before making an investment decision. This Offer Document remains effective until a 'material change' (other than a change in fundamental attributes and within the purview of the Offer Document) occurs and, thereafter, the changes shall be filed with the Securities and Exchange Board of India ('SEBI') and circulated to the Unit Holders as prescribed by SEBI from time to time, or may be publicly notified by advertisements in the newspapers, subject to the applicable regulations. The Scheme particulars have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended till date and the Offer Document has been filed with SEBI. The Units in this Scheme, being offered for public subscription, have neither been approved nor disapproved by SEBI, nor has SEBI certified the accuracy or adequacy of this Offer Document. No person has been authorized to give any information or to make any representations not confirmed in this Offer Document, in connection with this Offer Document or the issue of Units, and any information or representations not contained herein must not be relied upon as having been authorized by the Mutual Fund or the Asset Management Company.

**This Offer Document is dated May 13, 2008 and was approved by the Boards of JPMorgan Asset Management India Private Limited on May 7, 2008 and JPMorgan Mutual Fund India Private Limited on May 7, 2008.**

**PLEASE RETAIN THIS OFFER DOCUMENT FOR FUTURE REFERENCE**

In accordance with SEBI directives, (i) this Offer Document will remain effective till a revised version is printed and circulated; and (ii) this Offer Document will be fully revised and updated at least once in two years from the date of issue. Till the time the Offer Document is reprinted, an addendum giving details of each of the changes will be attached to the Offer Document. The yearly condensed financial information of the Scheme will also be included in the form of an addendum to the Offer Document till the time the revised Offer Document is printed. Investors may also like to ascertain any further changes after the date of this Offer Document from the Mutual Fund/its Investor Service Centres/ distributors or brokers.

Notwithstanding anything in this Offer Document to the contrary, each recipient of this Offer Document (and each employee, representative, or other agent of such recipient) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated in this Offer Document and all materials of any kind (including opinions or other tax analyses) that are provided to such recipient relating to such tax treatment and tax structure.

Any capitalised items not defined on this cover page shall be construed in accordance with Section II – Definitions.

**IMPORTANT**

If you are in any doubt about the contents of this Offer Document, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser. Prospective investors should review this Offer Document carefully and in its entirety and consult with their legal, tax and financial advisers in relation to (i) the legal and regulatory requirements within their own countries for the subscription, purchase, holding, conversion, redemption or disposition of Units of the Scheme; (ii) any foreign exchange restrictions to which they are subject in their own countries in relation to the subscription, purchase, holding, conversion, redemption or disposition of Units of the Scheme; (iii) the legal, tax, financial or other consequences of subscribing for, purchasing, holding, converting, redeeming or disposing of Units of the Scheme; and (iv) any other consequences of such activities.

**CUSTODIAN**

Deutsche Bank AG  
Mumbai Branch  
Sir Hazarimal Somani Marg,  
Fort,  
Mumbai – 400 001.

**REGISTRAR AND TRANSFER AGENT**

Deutsche Investor Services Private Limited

*Registered office*

Nicholas Piramal Tower  
Peninsula Corporate Park  
Ganpatrao Kadam Marg, Lower Parel  
Mumbai – 400 013.

*Operations / correspondence office*

Phase 1, Tower 1,  
2nd Floor, Logitech Park,  
M.V. Road, Sakinaka,  
Andheri (E)  
Mumbai – 400072.

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## I. HIGHLIGHTS

Sponsor	JPMorgan Asset Management (Asia) Inc.
Name of the Scheme	JPMorgan India Alpha Fund
Structure	An equity oriented interval scheme. The Scheme does not assure or guarantee any returns.
Investment Objective	The investment objective the Scheme is to achieve a total return in excess of the return on short-term instruments through a market-neutral strategy of buying and selling equity and equity-linked Securities. The strategy is designed to remain broadly market neutral for investors with a medium to long term horizon. However, there can be no assurance that the investment objective of the Scheme will be realised.
Purchase Price for New Fund Offer	Rs 10 per Unit for cash plus applicable Entry Load. E.g. For purchases attracting an Entry Load (2.25%), the Purchase Price = Rs 10.225; for purchases not attracting Entry Load, the Purchase Price = Rs 10.00
Scheme Options	The Scheme offers a growth option and a dividend option. The Dividend option offers both a payout and re-investment facility.
Purchase / Redemption Price during Ongoing Offer	After the closure of the NFO, the price for Purchases and Redemptions will be based on the Applicable NAVs subject to applicable Entry and Exit Loads.
Minimum Initial Application Amount	Rs 5,000 per application and in multiples of Re 1 thereafter
Minimum Additional Application Amount	Rs 1,000 per application and in multiples of Re 1 thereafter
Minimum Amount / No. of Units for Redemption	Rs 1,000 or 100 Units
Benchmark for performance comparison	Crisil Liquid Fund Index

<b>For each Purchase</b>	<b>Entry Load (% of Rs 10 or Applicable NAV as the case may be)</b>
(i) Of less than Rs 5 Crores	2.25%
(ii) Of Rs 5 Crores or more	Nil
(iii) By a FOF (irrespective of the amount of Purchase)	Nil
(iv) As a result of dividend re-investment	Nil
(v) Through SIP where single instalment is less than Rs 5 Crores	2.25%
(vi) Through SIP where single instalment is more than or equal to Rs 5 Crores	Nil
(vii) Through STP where a single instalment is less than Rs 5 crores	2.25%
(viii) Through switch-in or STP, provided that Units are switched out from the Scheme or any other equity scheme of the Fund to another scheme of the Fund and to the Scheme within 90 days of switch-out/STP.	Nil
(ix) Through systematic transfers other than above	Entry Load as applicable to any Purchase (as mentioned in point (i) and (ii) above.
(x) Through switch-in from other equity schemes of the Fund	NIL
(xi) Applications / switch applications received directly by the AMC, collection centre, Investor Service Centre or through the internet (as and when available)	NIL

Exit Load:	For each Redemption	Exit Load (% of Applicable NAV)
	Within 6 months from the date of allotment in respect of Purchase made other than through SIP	1.00%
	Within 24 months from the date of allotment in respect of the first Purchase made through SIP	1.00%
	<p>A switch-out or a withdrawal under SWP shall also attract an Exit Load like any Redemption.</p> <p>No Entry / Exit Loads will be chargeable in case of switches made between different Options of the scheme.</p> <p><i>To know the latest position on Entry / Exit Load structure prior to investing / Redemption investors are advised to contact any of the ISCs or the AMC at its toll-free number 1800-22-5763</i></p>	

**There will be Nil Entry and Exit Load for Units allotted under the dividend reinvestment option.**

Liquidity	Units may be purchased at NAV-related prices on every Business Day on an ongoing basis, commencing not later than 30 days
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	<p>from the closure of the NFO Period. The Scheme being an interval scheme, only accepts Redemption request during the Specified Redemption Period on an ongoing basis, commencing not later than 30 days from the closure of the NFO Period. The Mutual Fund will endeavour to despatch the Redemption proceeds within three Business Days from the date of Applicable NAV.</p>
Specified Redemption Period	<p>The Redemption request can be submitted at the designated collection centres on Business days by 7<sup>th</sup> (provided 7<sup>th</sup> is a Business Day) of each month till 3.00 pm. The Applicable NAV for such Redemption shall be the NAV of the last Business Day of the month in which the request is received. E.g the applications received after 3.00 pm on the 7<sup>th</sup> of the month shall be due to be processed in the next month, .</p>
Transparency	<p>The AMC will calculate and disclose the first NAV in the Scheme within a period of 30 days from the closure of the NFO Period. Subsequently, the NAVs will be calculated and disclosed on every Business Day. The NAV shall be made available at all ISCs of the AMC. The AMC will publish the NAV for each Business Day in two daily newspapers. The AMC shall update the NAVs on the websites of the Fund (<a href="http://www.jpmorganmf.com">www.jpmorganmf.com</a>) and of the Association of Mutual Funds in India (<a href="http://www.amfiindia.com">www.amfiindia.com</a>) by 9.00 pm every Business Day. In case of any delay, the reasons for such delay would be explained to AMFI. If the NAVs are not available before commencement of business hours on the following Business Day due to any reason, the Fund shall issue a press release providing reasons and explaining when the Fund would be able to publish the NAVs.</p> <p>The AMC will, before the expiry of one month from the close of each half year (i.e. March 31 and September 30), disclose the full portfolio of the Scheme by either sending a complete statement to all the Unit Holders or by publishing such statement, by way of an advertisement, in one English daily newspaper having nationwide circulation and in a newspaper published in the language of the region where the head office of the Fund is situated.</p>
Tax structure for the investors	<p>This scheme shall not qualify as an equity oriented scheme in terms of the Income Tax Act since the scheme may have holdings of less than 65% in stocks of domestic companies.</p>

## II. DEFINITIONS

### A. Definitions

In this Offer Document, unless the context suggests otherwise, the following terms will have the meanings indicated in this section.

Applicable NAV	<p>For applications for Purchases along with a local cheque or demand draft payable at par at the place where the application is received), accepted during the Ongoing Offer Period at the Designated Collection Centres of the Fund on a Business Day up to the Cut-off time of the Scheme, the NAV of that day; and for applications for Purchases (along with a local cheque or demand draft payable at par at the place where the application is received) accepted during the Ongoing Offer Period at the Designated Collection Centres of the Fund on a Business Day after the Cut-off time of the Scheme, the NAV of the next Business Day.</p> <p>For applications for Redemptions: The NAV of the last Business Day of the month in which the Redemption request has been received during the Specified Redemption Period (by 7<sup>th</sup> of each month by 3.00 pm). For applications received after 3.00 pm on the last day of the specified redemption period the application shall be processed at the NAV of the last business day of the next month. In case the last business day is a non-business day, then the application shall be processed at the NAV of the next business day of the last business day.</p>
Application Form / Key Information Memorandum	<p>A form meant to be used by an investor to open a folio and Purchase Units in the Scheme. Any modifications to the Application Form will be made by way of an addendum, which will be attached thereto. On issuance of such addendum, the Application Form will be deemed to be updated by the addendum.</p>
Asset Management Company / AMC/ Investment Manager	<p>JPMorgan Asset Management India Private Limited set up under the Companies Act 1956, having its registered office at Mafatlal Centre, 9th Floor, Nariman Point, Mumbai - 400 021 and authorised by SEBI to act as an asset management company / investment manager to the schemes of JPMorgan Mutual Fund.</p>
Board	<p>Board of directors</p>
Business Day	<p>A day other than (i) Saturday or Sunday and/ or (ii) a day on which any of the principal stock exchanges on which the Investments are traded is closed, and/ or (iii) a day on which the Reserve Bank of India or banks in Mumbai, India are closed for business, and/ or (iv) a day on which the Investment Manager's offices in Mumbai, India are closed for business, and/ or (v) a book closure period as may be announced by the Trustees / AMC and/ or (vi) a day on which normal business cannot be transacted due to storms, floods, bandhs, strikes or such other events as the AMC may determine from time to time.</p> <p>The AMC, with the approval of the Trustees of the Fund, reserves the right to change the definition of Business Day, in accordance with applicable regulations. The AMC reserves the right to declare any day as a Business Day or otherwise at any or all Investor Service Centres (ISC).</p>

Collection Bank(s)	The bank(s) with which the AMC has entered into an agreement, from time to time, to enable customers to deposit their Application Form for Units. The names and addresses of the Collection Bank(s) are mentioned at the end of this Offer Document.
Custodian	Deutsche Bank AG, registered under the SEBI (Custodian of Securities) Regulations, 1996, or any other custodian who is approved by the Trustee.
Cut-off time	A time prescribed in this Offer Document up to which an investor can submit a valid Purchase / Redemption request along with a local cheque or a demand draft payable at par at the place where the application is received, to be entitled to the Applicable NAV for that Business Day.
Debt Security	Debt and debt related instruments
Designated Collection Centres	<b>During the NFO:</b> AMC's offices, ISCs and branches of Collection Bank(s) designated by the AMC where the applications shall be received. <b>During the Ongoing Offer:</b> AMC's offices and ISCs designated by the AMC where the applications shall be received. The names and addresses of the Designated Collection Centres are mentioned at the end of this Offer Document.
Entry Load	A Load charged to an investor on Purchase based on the amount of investment or per any other criteria decided by the AMC.
Exit Load	A Load charged to the Unit Holder on exiting (by way of Redemption) based on period of holding, amount of investment, or any other criteria decided by the AMC.
Foreign Institutional Investors	An entity registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 as amended from time to time.
Fund Administrator	Deutsche Bank AG, Mumbai Branch.
Fund of Funds	A mutual fund scheme that invests primarily in other schemes of the same mutual fund or other mutual funds.
Fund / Mutual Fund	JPMorgan Mutual Fund, a trust registered with SEBI under the Regulations, vide Registration No. MF053/07/01 dated February 8, 2007.
Investment	Means any investments, cash, negotiable instruments, Securities or bullion for the time being and from time to time forming part of the Scheme's assets.
Investment Management Agreement	The agreement dated December 6, 2006 entered into between JPMorgan Mutual Fund India Private Limited and the AMC, as amended from time to time.
Investor Service Centre/ ISC	Official points of acceptance of transaction / service requests from investors. These will be designated by the AMC from time to time.
JPMorgan Asset Management (Asia) Inc.	The Sponsor of JPMorgan Mutual Fund.
JPMorgan Chase	The JPMorgan Chase & Co. group of companies
Laws	The laws of India, the Regulations and any other applicable regulations for the time being in force in India including guidelines, directions and instructions issued by SEBI, the government of India or RBI from time to time for regulating mutual funds generally or the Mutual Fund particularly.

Load	Entry Load or Exit Load as applicable.
Net Asset Value	Net asset value of the Units of the Scheme (including options thereunder) calculated in the manner provided in this Offer Document or as may be prescribed by the Regulations from time to time.
New Fund Offer	The offer for Purchase made to the investors during the NFO period.
New Fund Offer Period / NFO Period	The period being xxx xx, 2008 to xxx xx, 2008 subject to extension, if any.
Non-Resident Indian	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 (Deposit) Regulations, 2000.
Offer Document	This document, issued by JPMorgan Mutual Fund, for inviting subscription to Units of JPMorgan India Alpha Fund, as amended from time to time. Any modifications to the Offer Document will be made by way of an addendum which will be attached to the Offer Document. On issuance of an addendum, the Offer Document will be deemed to be updated by the addendum.
Ongoing Offer	The offer of Units under the Scheme when it becomes open-ended after the closure of the New Fund Offer Period.
Ongoing Offer Period	The period during which the Ongoing Offer for subscription to the Units of the Scheme is made.
Person of Indian Origin	A citizen of any country other than Bangladesh or Pakistan, if (a) he at any time held an 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).
Purchase / Subscription	Subscription to / Purchase of Units by an investor of the Scheme.
Purchase Price	The price (being Applicable NAV plus Entry Load) at which the Units can be purchased and calculated in the manner provided in this Offer Document.
Registrar and Transfer Agent	Deutsche Investor Services Private Limited, registered under the SEBI (Registrar to an Issue and Share Transfer Agent), Regulations, 1993, appointed as the registrar and transfer agent for the Scheme, or any other registrar that may be appointed by the AMC.
Redemption	Repurchase of Units by the Fund from a Unit Holder.
Redemption Price	The price (being Applicable NAV minus Exit Load / CDSL) at which the Units can be redeemed and calculated in the manner provided in this Offer Document.
Regulatory Agencies	SEBI and any other governmental or regulatory bodies to which the Trustee Company and/or the Mutual Fund and/or the Investment Manager (as the case may be) is subject.
Scheme	JPMorgan India Alpha Fund (including as the context permits, the options thereunder).
SEBI Regulations / Regulations	Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended from time to time, including by way of circulars or notifications issued by SEBI.

Scheme Options	The Scheme offers a growth option and a dividend option. The dividend option offers both payout and re-investment facilities.
Securities	As defined under Section 2(h) of the Securities Contracts (Regulation) Act, 1956 of India; and also includes shares, stocks, bonds, debentures, warrants, instruments, obligations, money market instruments, debt instruments or any financial or capital market instrument of whatsoever nature made or issued by any statutory authority or body corporate, incorporated or registered by or under any law; or any other securities, assets or such other investments as may be permissible from time to time under the Regulations.
Sponsor	JPMAMAI, being the settlor of the Mutual Fund.
Systematic Investment Plan	A plan enabling investors to save and invest in the Scheme on a monthly/ quarterly/ yearly basis by submitting post-dated cheques / payment instructions.
Systematic Transfer Plan	A plan enabling Unit Holders to transfer fixed amounts from their Unit accounts in the Scheme to other schemes launched by the Fund on a monthly or quarterly basis by giving a single instruction.
Systematic Withdrawal Plan	A plan enabling Unit Holders to withdraw amounts from the Scheme on a monthly or quarterly basis by giving a single instruction.
Transaction Slip	A form meant to be used by Unit Holders seeking additional Purchase or Redemption of Units in the Scheme, change in bank account details, switch-in or switch-out and such other facilities offered by the AMC and mentioned on that form.
Trustee / Trustee Company	JPMorgan Mutual Fund India Private Limited, a company set up under the Companies Act 1956, to act as the trustee company to the JPMorgan Mutual Fund.
Trust Deed	The trust deed dated December 4, 2006 made by and between the Sponsor and the Trustee, establishing the Mutual Fund, as amended from time to time.
Trust Property	Amounts settled / contributed by the Sponsor towards the corpus of the Mutual Fund and all other contributions in cash or in kind, additions and accretions to the Mutual Fund; the Unit capital; and any other investments for the time being representing the same and income thereof and include properties of any kind whatsoever or any part thereof to which the same may be converted from time to time.
Unit	The interest of an investor in the Scheme consisting of each Unit representing one undivided share in the assets of the Scheme; and includes any fraction of a Unit which shall represent the corresponding fraction of one undivided share in the assets of the Scheme.
Unit Capital of the Scheme	The aggregate of the face value of the Units issued under the Scheme.
Unit Holder	Any registered holder for the time being, of a Unit of the Scheme offered under this Offer Document including persons jointly registered.
Valuation Day	Same as Business Day.
Words and expressions used in this Offer Document and not defined	Same meanings respectively assigned to them in the Trust Deed and/or the Regulations.

## B. Abbreviations

In this Offer Document the following abbreviations have been used.

ADR	American Depository Receipt
AMC	Asset Management Company
AMFI	Association of Mutual Funds in India
AOP	Association of Persons
BOI	Body of Individuals
BSE	Bombay Stock Exchange Limited
CDSL	Contingent Deferred Sales Load
CVL (Central Agency)	CDSL Ventures Limited
ECS	Electronic Clearing System
EFT	Electronic Funds Transfer
FII	Foreign Institutional Investor
FOF	Fund of Funds
GDR	Global Depository Receipt
HUF	Hindu Undivided Family
IMA	Investment Management Agreement
ISC	Investor Service Centre
JPMAMAI	JPMorgan Asset Management (Asia) Inc.
NAV	Net Asset Value
NFO	New Fund Offer
NRI	Non-Resident Indian
NSE	National Stock Exchange of India Limited
PAN	Permanent Account Number
PIO	Persons of Indian Origin
POA	Power of Attorney
RBI	Reserve Bank of India
RTGS	Real Time Gross Settlement
SEBI	Securities and Exchange Board of India established under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992
SEFT	Special Electronic Funds Transfer
SI	Standing Instructions
SIP	Systematic Investment Plan
STP	Systematic Transfer Plan
SWP	Systematic Withdrawal Plan

## C. Interpretations

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

- Words in singular include the plural and vice-versa.
- Pronouns having a masculine or feminine gender shall be deemed to include the other.
- All references to "Rs" refer to Indian Rupees and "US\$" refer to United States dollars. A "crore" means "ten million" and a "lakh" means a "hundred thousand".
- References to times of day (i.e. a.m. or p.m.) are to Indian Standard Time ('IST') and references to a day are to a calendar day including non-Business Day.

### **III. RISK FACTORS**

#### **A. Standard Risk Factors**

- Mutual funds and Securities investments are subject to market risks and there is no assurance or guarantee against loss in the Scheme or that the Scheme's objectives will be achieved.
- As with any investment in securities, the NAV of the Units issued under the Scheme can go up or down depending on various factors and forces affecting capital markets.
- Past performance of the Sponsor / AMC / Mutual Fund does not indicate the future performance of the Scheme.
- Investors in the Scheme are not being offered a guaranteed or assured rate of return.
- JPMorgan India Alpha Fund is the name of the Scheme, and this does not in any manner indicate the quality of the Scheme or its future prospects and returns.

#### **B. Scheme Specific Risk Factors**

As per SEBI circular no. SEBI/IMD/CIR No. 10/22701/03 dated December 12, 2003, and SEBI/IMD/CIR No. 1/42529/05 dated June 14, 2005 the Scheme should have a minimum of 20 Unit Holders and no single Unit Holder should account for more than 25% of the corpus of the Scheme. In case of non-fulfilment with either of the aforesaid conditions in a three months time period or the end of succeeding calendar quarter, whichever is earlier, from the close of the NFO of the Scheme, the Scheme shall be wound up by following the guidelines prescribed by SEBI. The aforesaid conditions should also be met in each subsequent calendar quarter thereafter on an average basis. SEBI has further prescribed that if any investor breaches the 25% limit over a calendar quarter, a rebalancing period of one month will be allowed to the investor and thereafter the investor who is in breach of the limit shall be given 15 days notice to redeem his exposure over the 25% limit. In the event of failure on part of the said investor to redeem the excess exposure, the excess holding over the 25% limit will be automatically redeemed by the Mutual Fund on the Applicable NAV on the 15<sup>th</sup> day of the notice period.

Investments in equity and equity related Securities involve a degree of risk.

- Equity Securities and equity related Securities are volatile and prone to price fluctuations on a daily basis. The liquidity of investments made by the Scheme may be restricted by trading volumes and settlement periods. This may impact the ability of the Unit Holders to redeem their Units. In view of this, the Trustee has the right, in its sole discretion to limit Redemptions (including suspending Redemption) under certain circumstances. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the Scheme to make intended Securities purchases, due to settlement problems, could cause the Scheme to forego certain investment opportunities. Similarly, the inability to sell Securities held in the Scheme's portfolio could result at times, in potential losses to the Scheme, should there be a subsequent decline in the value of Securities held in the Scheme's portfolio.
- The liquidity and valuation of the Scheme's investments due to its holdings of unlisted Securities may be affected if they have to be sold prior to the target date for disinvestment. While smaller and medium size companies may offer substantial opportunities for capital appreciation, they also involve substantial risks.
- Investments in money market instruments would involve a moderate credit risk i.e. risk of an issuer's liability to meet the principal payments.

- Money market instruments may also be subject to price volatility due to factors such as changes in interest rates, general level of market liquidity and market perception of credit worthiness of the issuer of such instruments.
- The NAV of the Scheme's Units, to the extent that the Scheme is invested in money market instruments, will be affected by the changes in the level of interest rates. When interest rates in the market rise, the value of a portfolio of money market instruments can be expected to decline.
- Redemption risk: As the scheme is an interval scheme, Unit Holders can make Redemptions/switch-outs only during the Specified Redemption Period. As the liquidity of the investments made by the Scheme could, at times, be restricted by trading volumes and settlement periods, the time taken by the Mutual Fund for Redemption of Units may be significant in the event of an inordinately large number of Redemption requests or a restructuring of the Scheme.
- Failure to achieve market neutrality due to incomplete correlation, in particular when individual stocks are offset by an index future.
- Inability to replace short stock when the lender requests the return of lent stocks.
- Unusual market conditions result in normal correlations no longer existing.
- **Suspensions in trading:** Each securities exchange typically has the right to suspend or limit trading in the securities which it lists. Such a suspension may render it impossible for the Fund to liquidate positions, and accordingly, expose the Fund to losses and delays in its ability to unwind positions and redeem Units.

## C. Other Risk Factors

### 1. Risk Factors Associated with Derivatives

- The Scheme may invest in derivative products in accordance with and to the extent permitted under the Regulations. The use of derivatives requires an understanding of the underlying instruments and the derivatives themselves. The risk of investments in derivatives includes mis-pricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.
- Trading in derivatives carries a high degree of risk although they are traded at a relatively small amount of margin which provides the possibility of great profit or loss in comparison with the principal investment amount.
- The Scheme may find it difficult or impossible to execute derivative transactions in certain circumstances. For example, when there are insufficient bids or suspension of trading due to price limits or circuit breakers, the Scheme may face a liquidity issue.
- The option buyer's risk is limited to the premium paid, while the risk of an option writer is unlimited. However, the gains of an Option writer are limited to the premiums earned.
- The relevant stock exchange may impose restrictions on exercise of Options and may also restrict the exercise of options at certain times in specified circumstances.
- The writer of a put option bears the risk of loss if the value of the underlying asset declines below the exercise price. The writer of a call option bears a risk of loss if the value of the underlying asset increases above the exercise price.
- Investments in index futures face the same risk as investments in a portfolio of shares representing an index. The extent of loss is the same as in the underlying stocks.
- The Scheme bears a risk that it may not be able to correctly forecast future market trends or the value of assets, indexes or other financial or economic factors in establishing derivative positions for the Scheme.

- The risk of loss in trading futures contracts can be substantial, because of the low margin deposits required, the extremely high degree of leverage involved in futures pricing and the potential high volatility of the futures markets.
- Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends on the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involves uncertainty and the decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies.
- The risks associated with the use of derivatives are different from or possibly greater than, the risks associated with investing directly in Securities and other traditional investments.
- Derivative products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor.

As and when the Scheme trades in derivative products, there are risk factors and issues concerning the use of derivatives that investors should understand. Derivatives require the maintenance of adequate controls to monitor such transactions and the embedded market risks that a derivative adds to the portfolio.

Besides the price of the underlying asset, the volatility, tenor and interest rates affect the pricing of derivatives. Other risks in using derivatives include but are not limited to:

- (b) **Market Liquidity Risk:** This is where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates and indices.
- (c) **Model Risk:** This is the risk of mis-pricing or improper valuation of derivatives.
- (d) **Basis Risk:** This is when the instrument used as a hedge does not match the movement in the instrument / underlying asset being hedged. The risks may be inter-related also; for e.g. interest rate movements can affect equity prices, which could influence specific issuer / industry assets.

## **2. Risk Factors Associated with Stock Lending**

The risks in lending portfolio Securities, as with other extensions of credit, consist of the failure of another party, in this case the approved intermediary, to comply with the terms of the agreement entered into between the lender of Securities, i.e. the Scheme, and the approved intermediary. Such failure to comply can result in a possible loss of rights in the collateral put up by the borrower of the Securities, the inability of the approved intermediary to return the Securities deposited by the lender and the possible loss of any corporate benefits accruing to the lender from the Securities deposited with the approved intermediary. The Mutual Fund may not be able to sell such Securities and this can lead to temporary illiquidity.

## **3. Risk Factors Associated with Debt Securities**

The Scheme may invest in Debt Securities which may involve a degree of risk.

- The NAV of the Scheme, to the extent invested in Debt Securities, will be affected by changes in the general level of interest rates. The NAV of the Scheme is expected to

increase from a fall in interest rates while it would be adversely affected by an increase in the level of interest rates.

- Debt Securities, while fairly liquid, lack a well-developed secondary market, which may restrict the selling ability of the Scheme and may lead to the Scheme incurring losses till the security is sold.
- Debt Securities are subject to the risk of the issuer's inability to meet interest and principal payments on its obligations and market perception of the creditworthiness of the issuer.
- The AMC may, considering the overall level of risk of the portfolio, invest in lower rated / unrated securities offering higher yields.

#### **4. Risk Factors Associated with Overseas Investment**

Subject to necessary approvals and within the investment objectives of the Scheme, the Scheme may invest in overseas markets which carry risks related to fluctuations in the foreign exchange rates, the nature of the securities market of the country, restrictions on repatriation of capital due to exchange controls and the political environment. Further the repatriation of capital to India may also be hampered by and changes in Regulations or political circumstances. In addition, country risks would include events such as introduction of extraordinary exchange controls, economic deterioration, bi-lateral conflict leading to immobilisation of overseas financial assets and the prevalent tax laws of the respective jurisdictions for the execution of trades or otherwise.

#### **D. Special Considerations**

- The Sponsor is not responsible or liable for any loss resulting from the operation of the Scheme beyond the initial contribution of an amount of Rs 1,00,000 (Rupees One Lakh Only) made by them towards setting up the Mutual Fund or such other accretions and additions to the initial corpus set up by the Sponsor. The associates of the Sponsor are not responsible or liable for any loss or shortfall resulting from the operation of the Scheme.
- Neither this Offer Document nor the Units have been filed / registered in any jurisdiction other than India. The distribution of this Offer Document in certain jurisdictions may be restricted or totally prohibited and accordingly, persons who come into possession of this Offer Document are required to inform themselves about, and to comply with, any such restrictions.
- Before making an application for Units, prospective investors should review / study this Offer Document carefully and in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial / investment matters. Investors should consult their own professional advisor(s) as to the legal, tax or financial implications resulting from (i) Subscription, gifting, acquisition, holding, disposal (by way of sale, switch or Redemption or conversion into money) of Units and (ii) to the treatment of income (if any), capitalisation, capital gains, any distribution, and other tax consequences relevant to their Subscription, acquisition, holding, capitalisation, disposal (by way of sale, transfer, switch or conversion into money) of Units within their jurisdiction or under the laws of any jurisdiction to which they may be subject to possible legal, tax, financial or other consequences.
- The Mutual Fund / the AMC have not authorised any person to give any information or make any representations, either oral or written, not stated in this Offer Document in connection with the issue of Units under the Scheme. Prospective investors are advised not to rely upon any information or representations not incorporated in this Offer Document as the same have not been authorised by the Mutual Fund or the AMC. Any Subscription or Redemption made by any person on the basis of

statements or representations which are not contained in this Offer Document or which are inconsistent with the information contained herein shall be solely at the risk of the investor.

- From time to time, funds managed by the affiliates /associates of the Sponsor may invest either directly or indirectly in the Scheme. The funds managed by these affiliates/associates may acquire a substantial portion of the Units and collectively constitute a major investment in the Scheme. Accordingly, Redemption of Units held by such affiliates /associates may have an adverse impact on the value of the Units of the Scheme because of the timing of any such Redemption and may affect the ability of other Unit Holders to redeem their respective Units.
- As the liquidity of the Scheme's investments may sometimes be restricted by trading volumes and settlement periods, the time taken by the Fund for Redemption of Units may be significant in the event of an inordinately large number of Redemption requests or of a restructuring of the Scheme's portfolio. In view of this, the Trustee has the right, in its sole discretion, to limit Redemptions under certain circumstances - please refer Section XVII.G - Right to limit Redemption.
  - Mutual funds invest in securities which may not always be profitable and there can be no guarantee against loss resulting from investing in the Scheme. The Scheme's value may be impacted by fluctuations in the bond markets, fluctuations in interest rates, prevailing political, economic and social environments, changes in government policies and other factors specific to the issuer of the securities, tax Laws, liquidity of the underlying instruments, settlement periods, trading volumes etc.
  - Redemptions due to a change in the fundamental attributes of the Scheme or due to any other reason may entail tax consequences. Such tax shall be borne by the investor and the Mutual Fund shall not be liable for any tax consequences that may arise.

**Investors are urged to study the terms of the offer carefully before investing in the Scheme and to retain this Offer Document for future reference.**



## V. LOAD, FEES AND EXPENSES

Sales of Units under the Scheme could attract an Entry Load (as a % of the invested amount). Repurchases could attract an Exit Load (as a % of the Applicable NAV for Redemptions). During the NFO Period and Ongoing Offer Period:

### 1. Entry Load

<b>For each Purchase</b>	<b>Entry Load (% of Rs 10 or Applicable NAV as the case may be)</b>
(i) Of less than Rs 5 Crores	2.25%
(ii) Of Rs 5 Crores or more	Nil
(iii) By an FOF (irrespective of the amount of Purchase)	Nil
(iv) As a result of dividend re-investment	Nil
(v) Through SIP where single instalment is less than Rs 5 Crores	2.25%
(vi) Through SIP where single instalment is more than or equal to Rs 5 Crores	Nil
(vii) Through STP where a single instalment is less than Rs 5 crores	2.25%
(viii) Through switch-in or STP, provided that Units are switched out from the Scheme or any other equity scheme of the Fund to another scheme of the Fund and to the Scheme within 90 days of switch-out/STP.	Nil
(ix) Through systematic transfers other than above	Entry Load as applicable to any Purchase (as mentioned in point (i) and (ii) above.
(x) Through switch-in from other equity schemes of the Fund	NIL
(xi) Applications / switch applications received directly by the AMC, collection centre, Investor Service Centre or through the internet (as and when available)	NIL

A switch-in may also attract an Entry Load like any Purchase except in cases mentioned above

## 2. Exit Load

<b>For Redemption</b>	<b>Exit Load (% of Applicable NAV)</b>
Within 6 months from the date of allotment in respect of Purchase made other than through SIP	1.00%
Within 24 months from the date of allotment in respect of the first Purchase made through SIP	1.00%

A switch-out or a withdrawal under SWP shall also attract an Exit Load like any Redemption.

There will be Nil Entry and Exit load for Units allotted under the dividend reinvestment option.

No Entry / Exit Loads / CDSL will be chargeable in case of switches made between different options of the Scheme.

Subject to the Regulations, the Trustee retains the right to change / impose an Entry / Exit Load / CDSL, subject to the provisions below.

- (a) Any imposition or enhancement of Load in future shall be applicable on prospective investments only.
- (b) The AMC shall arrange to display a notice in all the ISCs/AMC office before changing the prevailing Load structure. An addendum detailing the changes in Load structure will be attached to Offer Documents and Application Forms. Unit Holders / Prospective investors will be informed of changed / prevailing Load structures through various means of communication such as public notice and / or display at ISCs / distributors' offices, on account statements, acknowledgements, investor newsletters, etc.
- (c) The Redemption Price will not be lower than 93% of the Applicable NAV and the Purchase Price will not be higher than 107% of the Applicable NAV, provided that the difference between the Redemption Price and the Purchase Price at any point in time shall not exceed the permitted limit as prescribed by SEBI from time to time, which is currently 7% calculated on the Purchase Price.

**To know the latest position on Entry / Exit Load or CDSL structure prior to investing / Redemption, investors are advised to contact any of the ISCs or the AMC at its toll-free number "1800 22 5763".**

All Entry Loads / Exit Loads / CDSL are intended to enable the AMC to recover expenses incurred for promotion or distribution and sales of the Units of the Scheme. All Loads including CDSL will be retained in the Scheme in a separate account and will be utilised to meet the distribution and marketing expenses. Any surplus amounts in the exit load account shall be credited to the Scheme whenever considered appropriate by the AMC.

## B. Fees and expenses

As per the Regulations, the following fees and expenses can be charged to the Scheme:

### 1. Initial issue expenses

As per the Regulations initial issue expenses cannot be charged to schemes. Hence no initial issue expense would be charged to the Scheme.

No initial issue expenses were charged in JPMorgan India Equity Fund, JPMorgan India Liquid Fund, JPMorgan India Liquid Plus Fund and JPMorgan India Smaller Companies Fund, schemes launched by the Fund.

### Illustration of amount available to the Scheme for Investment

The amount available to the Scheme for investment for each Rs 100 contributed by the investor will be as under:

	Purchase attracting Entry Load (2.25%)	Purchase not attracting Entry Load
1. Amount paid by Investor	Rs 100	Rs 100
2. Entry Load (%)	2.250	Nil
3. Purchase Price (Rs 10 + Entry Load)	Rs 10.225	Rs 10.000
4. Units allotted (1 ÷ 3)	9.780 units	10 units
<b>5. Amount available for investment (Units allotted x Rs 10)</b>	<b>Rs 97.800</b>	<b>Rs 1,00.000</b>
6. Load charged to Investor	Rs 2.200 (being 2.25% of Rs 97.80)	Nil

### 2. Investment management fee

Under the Regulations, the AMC is entitled to an investment management fee at the rate of 1.25% per annum of the daily average net assets of the Scheme outstanding in each financial year for the net assets up to and equal to Rs 100 Crores and at the rate of 1.00% per annum of the daily average net assets of the Scheme outstanding in each financial year for the net assets in excess of Rs 100 Crores.

### 3. Annual Scheme Recurring expenses

The ongoing fees and expenses of operating the Scheme on an annual basis, and which shall be charged to the Scheme, are estimated to be a maximum of (each as a percentage per annum of the daily average net assets):

(Nature of Expense)	(% p.a. of daily average net assets)
Investment management fees	1.2500
Trustee fees	0.0500
Custodian fees	0.1000
Registrar & transfer agent fees	0.1500
Marketing & selling expenses including agents commission	0.5000
Audit fees	0.0200
Unit Holder servicing, investor communication expenses	0.0400
Costs of fund transfer	0.0100
Costs of statutory advertisements	0.0050
Service tax + other expenses	0.3900
<b>TOTAL ANNUAL SCHEME RECURRING EXPENSES</b>	<b>2.5000</b>

\* Other expenses: Any other expenses which are directly attributable to the Scheme, may be charged with approval of the Trustee within the overall limits as specified in the Regulations, except those expenses which are specifically prohibited.

The purpose of the above table is to assist the investor in understanding the various costs and expenses that the investor in the Scheme will bear directly or indirectly.

The above estimates for recurring expenses for the Scheme are based on the corpus size of Rs 100 Crores, and may change to the extent assets are higher.

These estimates have been made in good faith as per the information available to the AMC at the time of preparation of the Offer Document, and the AMC reserves the right to change the estimates, both inter se or in total, subject to prevailing Regulations.

The AMC may incur actual expenses which may be more or less than those estimated above under any head and / or in total. The AMC will charge the Scheme such actual expenses incurred, subject to the statutory limit prescribed in the Regulations, the current limits of which are given below:

#### Maximum Recurring Expenses:

<i>Daily average net assets</i>	<i>Maximum, as a % of daily average net assets</i>
First Rs 100 Crores	2.50%
Next Rs 300 Crores	2.25%
Next Rs 300 Crores	2.00%
Balance assets	1.75%

Maximum investment management fee to be charged by the AMC:

<i>Daily average net assets</i>	<i>Maximum, as a % of daily average net assets</i>
First Rs 100 Crores	1.25%
Balance assets	1.00%

However, an additional management fee of up to 1% may be charged in case of a No-Load scheme.

Any excess over these limits will be borne by the AMC.

## VI. CONDENSED FINANCIAL INFORMATION

### JPMORGAN MUTUAL FUND

Condensed Financial Information as on February 29, 2008

Historical Per Unit Statistics	JPMORGAN INDIA EQUITY FUND	JPMORGAN INDIA LIQUID FUND	JPMORGAN INDIA LIQUID PLUS FUND	JPMORGAN INDIA SMALLER COMPANIES FUND
	June 14, 2007 to Feb 29, 2008	Sep 21, 2007 to Feb 29, 2008	Sep 21, 2007 to Feb 29, 2008	Dec 26, 2007 to Feb 29, 2008
<b>Date of Allotment</b>	14-Jun-2007	21-Sep-2007	21-Sep-2007	26-Dec-2007
<b>NAV at the beginning of the year / Date of Allotment:</b>				
Growth	10.000	10.0000	10.0000	10.0000
Dividend	10.000	10.0000	10.0000	10.0000
<b>Net Income per Unit (Rs.)</b>	1.045	0.3021	0.4499	-0.1494
<b>Dividend:</b>				
Dividend -Individual / HUF	1.00000000	0.26028587	0.31052394	-
Dividend -Others	1.00000000	0.26028587	0.28901186	-
<b>Transfer to reserves (if any) (Rs.In crores)</b>	-	-	-	-
<b>NAV at the end of the year / period (Rs.)</b>				
Growth	12.549	10.3469	10.3697	8.6080
Dividend	11.656	10.0079	10.0089	8.6080
<b>Net Assets end of the year / period (Rs. In Crores)</b>	1,206.94	312.68	503.21	458.29
<b>Ratio of Recurring Expenses to Average Daily Net Assets (%) (Annualised)</b>	2.04%	0.22%	0.37%	1.98%
<b>Absolute Returns (Since Inception)</b>	25.49%	3.47%	3.70%	-13.92%
<b>Benchmark Returns (Since Inception)</b>	28.21%	2.81%	2.81%	-18.48%

<b>Benchmark Index</b>	BSE-200 index	CRISIL Liquid Fund Index	CRISIL Liquid Fund Index	CNX - Mid Cap
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## VII. CONSTITUTION OF THE MUTUAL FUND

### A. The Mutual Fund / Fund

The Mutual Fund was established by JPMAMAI, as a trust under the Indian Trusts Act, 1882, in terms of the Trust Deed dated December 4, 2006 and is registered under the Indian Registration Act, 1908. The Fund has been registered with SEBI vide Registration No.MF/053/07/01.

The objective of the Fund is to raise monies through the sale of Units to the public or a section of the public under one or more schemes for investing in securities.

### B. The Sponsor

The Sponsor for JPMorgan Mutual Fund is JPMorgan Asset Management (Asia) Inc.

The Sponsor is a wholly-owned indirect subsidiary of JPMorgan Chase & Co. and a part of the JPMorgan Chase group ('JPMorgan Chase' or the 'Group'). JPMorgan Chase is among the world's leading global financial service firms.

The Sponsor serves as the holding company for many Asian asset management businesses of JPMorgan Chase and its principal activity is to undertake asset management businesses through operating subsidiaries established for this purpose in the Asia Pacific region.

The Sponsor holds 75% of the paid-up equity capital of the AMC. The balance 25% is held by J.P. Morgan India Private Limited.

J.P. Morgan India Private Limited is a SEBI registered merchant banker, underwriter, a trading member of the capital market segments of the BSE and the NSE and trading-cum-clearing member of the derivatives segments of the BSE and the NSE.

### Summary of consolidated financial performance of the Sponsor: Amounts in US\$ '000

<b>Years ended December 31</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Turnover / Total income	550,912	385,952	325,627
Profit after tax	141,733	87,542	78,607
Equity capital	1	1	1
Free reserves *	1,964,215	1,817,863	1,734,281
Net worth / shareholders' funds	1,984,583	1,827,460	1,74,6956
Earnings per share	1,417	875	786
Book value per share	19,846	18,295	17,470
Percentage of dividend paid	-	-	-

\* Includes capital reserve.

## **C. The Trustee Company**

JPMorgan Mutual Fund India Private Limited, a company incorporated under the Companies Act, 1956, acts as the trustee company of the Fund.

The registered office of the Trustee Company is at Mafatlal Centre, 9th Floor, Nariman Point, Mumbai – 400 021.

### **1. Objectives**

The Trustee Company has, at the request of JPMAMAI, agreed to act as the trustee of the Mutual Fund in accordance with the terms and conditions set out in the Trust Deed.

### **2. Functions and responsibilities**

The Trustee Company shall manage, or cause to be managed, the Mutual Fund in accordance with all applicable Laws, and for that purpose the Trustee Company may on behalf of the relevant schemes of the Mutual Fund, from time to time, inter alia:-

- float one or more schemes for the issue of units to be subscribed by the public, class of public, or specified persons, whether singly or otherwise; to lay down policies for investments and frame such rules and regulations for the issue, repurchase, and redemption of, and distribution of income on, units; and modify or alter the said rules and regulations as the Trustee Company may in its absolute discretion deem fit, the duration of each scheme being such as may be decided from time to time by the Trustee Company;
- if required by the provisions of a scheme, cause units to be listed on one or more recognised stock exchanges as permitted by SEBI and as may be deemed fit by the Trustee Company;
- apply for and obtain tax benefits for the relevant scheme;
- apply for and obtain from the applicable Regulatory Agencies all approvals and consents necessary in relation to investments made or proposed to be made by the relevant scheme;
- appoint, employ or otherwise engage persons, officers, executives or employees, on a full time or part time basis, including retaining the services of consultants, experts or advisers on retainerhip or other basis;
- make, amend or alter rules or bye-laws for the general and routine administration of the affairs of the Mutual Fund and for any other matters incidental to or ancillary to the attainment of the objectives of the relevant scheme;
- acquire, hold, lend, borrow, manage, trade, convert or dispose of shares, debentures (convertible or non-convertible), bonds, instruments, obligations, warrants, notes, money market papers, debt instruments, derivatives in a recognised stock exchange and other stocks and securities of all kinds issued by any company or body corporate or any local authority in India or by the Government of India, or by any body corporate or any local authority or by the government of any country outside India in accordance with the provisions of the Regulations and/or as may be allowed by SEBI from time to time and/or as permitted pursuant to other applicable Laws;

- do any other kind of business connected with mobilization of savings and investments including such other business which may be allowed under the Laws;
- accept contributions, grants and donations to the account of the relevant scheme;
- collect, and receive profits and interest for the account of the relevant scheme and shall be responsible for supervising the collection of any income due to be paid to the relevant scheme, and also for claiming refunds of income tax and other tax and holding the income received on any investment pertaining to the relevant scheme in trust for the benefit of the unit holders of such scheme in accordance with the Regulations and these presents;
- distribute dividend and income of the relevant scheme as and when the same may become due and payable;
- pay and be entitled to be reimbursed out of the Trust Property for all costs, charges, expenses and outgoings of, and incidental to, the administration of the Mutual Fund, the management and maintenance of the Trust Property, the protection or support of any interest in or of the Mutual Fund or of any unit holder, and all expenses incurred for the same in accordance with the Regulations, including remuneration of the Trustee Company, expenses incurred for the preparation and distribution of notices, reports, printing, postage, maintenance of accounts and records, register of unit holders, all ground rent and other rents, rates, taxes, outgoings and cost of repairs of any properties forming part of the Trust Property, or relating to the relevant Scheme, and premiums for insurance, income tax and surcharge (if any). All expenses incurred by the Trustee Company shall be a first charge upon the Trust Property for such expenses together with the interest accrued thereon;
- pay out of the Trust Property all wages, salaries remuneration or fees as may be considered appropriate by the Trustee Company to the persons employed or engaged for their services by the Trustee Company, including the fees of the auditors of the Mutual Fund;
- pay out or retain in the Trust Property the income, after deducting all expenses, interest and dividends;
- give receipts or discharges for any moneys, securities or other movable properties payable, transferable or deliverable to the Mutual Fund by reason of or in the exercise of any trust or power;
- borrow monies to meet the temporary liquidity needs of the relevant scheme for the purposes of repurchase or redemption of units, or payment of interest or dividend to unit holders; provided that the aggregate of such borrowings shall not exceed 20% of the net asset value of the relevant scheme (or for such other purposes and at such higher or lower percentage as may be stipulated under the Regulations) and shall not exceed a period of six months (or such period as may be permitted by the Regulations);
- lend or borrow securities in accordance with the guidelines issued by the SEBI from to time;
- generally 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 Trustee Company's powers and rights under this Trust Deed;

- keep, or cause to be kept, such records as are necessary for the purpose of enabling the Trustee Company and the Investment Manager (as the case may be) to comply with the provisions set out herein or any other documents, including the regulations made by the Regulatory Agencies for the time being in force; and shall establish to the reasonable satisfaction of the auditors of the Mutual Fund and the Regulatory Agencies that such compliance by the Trustee Company or the Investment Manager (as the case may be) has been achieved; and
- have power to acquire, hold, develop, deal with and dispose of any movable or immovable property either on ownership, rental or any other basis whatsoever, let or sublet the same with or without charging any compensation, fee or rent as the Trustee Company may in its absolute discretion deem fit.

### **3. Note on activities**

The Trustee Company shall be administered by its Board of not less than four directors as constituted under the articles of association of the Trustee Company. At least two-thirds of such directors (or such number as SEBI may specify from time to time) shall be independent persons and shall not be associated with JPMAMAI or its associates in any manner.

The Trustee Company was incorporated on November 29, 2006. Since incorporation, the Board has held 11 meetings.

Systems for monitoring the activities of the AMC are described in paragraph 5 below.

#### 4. Board of Directors of the Trustee

The directors of the Trustee are:

Names, addresses and occupations of the directors	Other directorships of the directors
<p><b>Mr. Jagadish Salunkhe</b> 8 Gulmohar Near LIC, Off SV Road, Ville Parle (West) Mumbai – 400 056</p> <p><i>Consultant</i></p>	<p>Nil</p>
<p><b>Mr. PGR Prasad</b> Sreevalsom, Lal Bhag Road, DPI Junction Thycaud, Thiruvananthapuram – 695014 Kerala</p> <p><i>Service</i></p>	<p>MAPE-ADMISI Securities Private Ltd V-Guard Industries Ltd.</p>
<p><b>Dr. Dharmendra Bhandari</b> Pilani Bhavan, M.I. Road Jaipur – 302 001</p> <p><i>Chartered Accountant</i></p>	<p>Bank of Baroda Su-raj Diamond &amp; Jewellery Ltd. Harmony for Silvers Foundation (Sec 25 company)</p>
<p><b>Mr. N Balasubramanian</b> Flat No. 71 Belmonte Tower, Moghul Lane, Mahim (West) Mumbai – 400 060</p> <p><i>Consultant</i></p>	<p>ICICI Venture Funds Management Company Limited Stock Holding Corporation of India Limited GTL Infrastructure Limited JBF Industries Limited Management Development Institute (MDI), Gurgaon</p>
<p><b>Mr. M. G. Bhide</b> A/5, Bageshree Shankar Ghanekar Marg Prabhadevi Mumbai – 400 025</p> <p><i>Consultant</i></p>	<p>Finolex Industries Limited Mahindra Shubhalabh Services Limited Mahindra &amp; Mahindra Financial Services Limited Indian Oiltanking Limited Asset Reconstruction Company (India) Limited Global Trade Finance Limited JPMorgan Securities India Private Limited</p>
<p><b>Mr. Dominic Price</b> Benreeza 2nd Floor Khan Abdul Gaffar Khan Road Worli Seaface Mumbai – 400 025</p> <p><i>Managing Director and Senior Country Officer for the JPMorgan group of companies in India and Sri Lanka</i></p>	<p>JPMorgan Services India Private Limited JPMorgan Securities Lanka (Private) Limited IDFC Private Equity Company Limited Auraliya Private Limited</p>

Mr M.G. Bhide and Mr Dominic Price are directors associated with the Sponsor.

### **Brief write-up on the Directors**

#### **Mr Jagadish Salunkhe**

Mr Salunkhe has extensive experience of working in the insurance industry spanning over forty years. He joined Life Insurance Corporation of India in 1960 and rose to the position of Chairman in January 1994 having worked in wide ranging areas such as actuarial, marketing, group schemes business, human resources development and general management.

In addition to the above he has been actively involved with the following organisations:

- Asset Management Company of LIC Mutual Fund - Chairman (1994 – 1997)
- Housing Finance Company of Life Insurance Corporation of India - Chairman. (1994 – 1997)

He has been the Chairman of the Governing Council of National Insurance Academy for over two years as well as member of the Executive Committees of the Insurance Institute of India and Actuarial Society of India.

Mr Salunkhe had been a member of the boards of several large financial organisations like Unit Trust of India, General Insurance Corporation of India, Industrial Credit and Investment Corporation of India and UTI Bank. He had also been on the Board of several large Indian enterprises such as Tata Chemicals, Larsen & Toubro, Ashok Leyland, and Mahindra & Mahindra.

He has international experience of work in the South East Asian region, having worked as Appointed Actuary for eight years in leading Malaysian insurance companies. He has also been closely associated with the activities of the Life Insurance Association of Malaysia, having been on several committees.

His academic qualifications are:

B.Com.

Fellowship of the Institute of Actuaries, London

Fellow of the Actuarial Society of India

#### **Mr PGR Prasad**

Mr Prasad retired as Managing Director and Chief Executive of SBI Mutual Fund in December 2005, a post he held for 3 years.

Prior to that, he held several senior posts in the banking industry, including;

- Managing Director & Chief Executive of INMB Bank Limited, Nigeria, a subsidiary of SBI
- Dy. General Manager (Corporate Finance) at SBI Capital Markets Limited

His academic qualifications are:

B.Sc. (Mechanical Engineering)

Certified Associate of the Indian Institute of Bankers (C.A.I.I.B.)

Chartered Financial Analyst (CFA), Institute of Chartered Financial Analysts of India

### **Dr. Dharmendra Bhandari**

Dr Bhandari retired as an Associate Professor of Accountancy at the University of Rajasthan, Jaipur.

Dr Bhandari's thesis was on "Taxation of Non-Residents in India".

He is a Partner in Anjali Subhash & Associates., Chartered Accountants.

Dr Bhandari has spent several years in the financial services sector and was

- on deputation with Reserve Bank of India as Officer on Special Duty with the Department of Supervision in 1994-95
- on deputation as Consultant to the Joint Parliamentary Committee (JPC) constituted to enquire into Irregularities in Banking and Securities Transactions, 1992.
- Member, State Planning Commission, Government of Rajasthan, 2000-2004.

Dr Bhandari was a director of three nationalized banks from 1989 onwards and involved in the supervision of banks, compliance with central bank regulatory guidelines, sanction of high value loans, policy matters, etc., and Chairman of Audit Committee of Bank of Maharashtra and Bank of Baroda.

Dr Bhandari as Officer on Special Duty with Reserve Bank of India, was associated with the working of the Department of Supervision which conducts operational supervision of banks in India including overseas operations of Indian banks and foreign bank branches and representative offices in India; and setting up market intelligence for surveillance and monitoring of the banking system in the country.

Dr Bhandari as a consultant to the Joint Parliamentary Committee (JPC), worked closely with the parliamentary committee to investigate one of the largest bank scam in India and for suggesting ways and means to strengthen the banking and financial system in the country.

Dr Bhandari as a member of the Central Council of the Institute of Chartered Accountants of India was associated with formulating accounting standards and policies.

In addition, Dr Bhandari has written several papers and lectured extensively.

His academic qualifications are:

Ph. D., FCA.

### **Mr N Balasubramanian**

Mr Balasubramanian retired as Chairman & Managing Director of Small Industries Development Bank of India ('SIDBI') in September 2006. He was Deputy Managing Director of SIDBI for the period 2003-04.

Prior to that he worked with Bank of Baroda where he held several senior positions.

His academic qualifications are:

M.Sc. (Agri.) and Post-Graduate Programme in Management from IIM, Ahmedabad.

### **Mr M. G. Bhide**

Mr Bhide retired as Chairman & Managing Director of Bank of India.

Prior to that he held the position of the Managing Director and Group Executive (National Banking) of the State Bank of India.

He has been conferred a Hon. Fellowship of the National Institute of Bank Management.

He is currently a director of several large and reputed companies.

His academic qualifications are:

M.A. and C.A.I.I.B

### **Mr Dominic Price**

Mr Price is Managing Director and Senior Country Officer for JPMorgan Chase in India and Sri Lanka.

Mr Price is responsible for all JPMorgan group companies operating in India. In addition, he chairs the Investment Bank Research & Finance Management Committee which governs JPMorgan's knowledge-based off-shoring in India.

Prior to his move to Mumbai in 1998, Mr Price worked in London, Singapore and Tokyo in a variety of debt trading, origination and investment banking positions with Credit Suisse First Boston, Paribas Capital Markets and JPMorgan.

His academic qualifications are:

"A" Levels from Kings School, Canterbury.

## **5. Summary of substantive provisions of Trust Deed**

In accordance with the SEBI Regulations and the Trust Deed, the Trustee is required to fulfil several duties and obligations, including the following:

The Trustee Company shall take into its custody, or under its control, and shall deal with as it may deem appropriate, all the trust property, and hold it in trust for the Unit Holders of each relevant scheme.

The Trustee Company shall stand possessed of the assets of each scheme upon trust exclusively for the unit holders of that scheme.

The Trustee Company shall take reasonable care to ensure that the schemes floated by and managed by the Investment Manager are managed in accordance with the Trust Deed and Regulations.

The Trustee Company shall be impartial and shall not execute the trust herein for the advantage of one scheme at the expense of any other scheme, or for the advantage of one unit holder or one class of unit holders at the expense of another unit holder or another class of unit holders. The Trustee Company shall segregate the assets of each scheme and maintain clear and accurate accounts of the Trust Property in respect of each scheme.

The Trustee Company shall provide or cause to be provided information to the unit holders of each relevant scheme and to SEBI, as may be specified by SEBI.

The Trustee Company shall act in the interest of the unit holders.

The Trustee Company shall ensure that changes in the Fundamental Attributes of any scheme; or fees and expenses payable by any Scheme; or any other change which would modify any scheme and affect the interest of unit holders of that scheme, shall be carried out in compliance with the Regulations.

The Trustee Company shall comply with, and cause the Investment Manager and all other service providers of the Mutual Fund, to comply with, the applicable provisions in the Regulations and ensure compliance in that regard, to ensure that the interest of the unit holders is protected.

The Trustee Company shall be accountable for the Trust Property of the respective schemes.

The Trustee Company shall take steps to ensure that the affairs of the Mutual Fund are conducted in accordance with the provisions of the Trust Deed and shall abide by the Code of Conduct as may be specified in the Regulations.

The Trustee Company shall be responsible for the calculation of any income due to be paid or received by the Mutual Fund in accordance with the Regulations and the Trust Deed.

The Trustee Company shall enter into, or procure the Mutual Fund or the Investment Manager to enter into, agreements with one or more registered participants and depositories and make all necessary arrangements for dematerialisation of such securities as are specified by SEBI from time to time to enable settlement of all transactions through one or more registered participants or depositories.

The Trustee Company shall compute and carry out, or cause to be computed or carried out, the valuation of investments of the Mutual Fund and publish the same in accordance with the valuation norms as presently specified in Eight Schedule to the Regulations.

The Trustee Company shall ensure that no sale of units of each scheme shall be made either by the Trustee Company or by the Investment Manager unless accompanied by documents which contain full disclosure of the required information to enable the prospective investors to make an informed investment decision relating to the relevant scheme.

The Trustee Company shall ensure that all necessary statements in respect of the income and the assets of the Mutual Fund are prepared in the manner required by the Regulations and shall make or cause to be made all reports, publications, notices and filings with respect to the Mutual Fund as required by the Regulations.

The Trustee Company shall have internal controls to ensure that (i) income due to the Mutual Fund is properly accounted for; (ii) distributions from the Mutual Fund are properly made.

The Trustee Company shall comply with, and shall ensure that the Mutual Fund complies with, such reporting requirements, disclosures or submit such documents as are stipulated in the Regulations or as may be required by SEBI.

The Trustee Company shall acquaint itself with the nature of the assets of the Mutual Fund and shall transfer or procure the transfer of the Trust Property to itself to hold on trust for the Mutual Fund and shall cause the Trust Property to be held in a secure state.

The Trustee Company shall be responsible for the maintenance and defence of the Trust Property in legal and other proceedings and shall take such other steps as may be reasonably

required for the preservation of the Trust Property and for the assertion or protection of the title thereto.

The Trustee Company shall ensure that all application forms, sales literature or other printed matter issued to prospective investors or advertisements or announcements relating to the Mutual Fund, comply with the provisions of the Regulations as presently contained in the Sixth Schedule to the Regulations; and shall be submitted to SEBI within seven days from the date of issue or as required under the Regulations.

The Trustee Company shall supply a copy of the Trust Deed, or an extract thereof to any person, upon payment of such fees as may be prescribed by the Trustee Company. A copy of the Trust Deed shall be kept open for public inspection in the principal office of the Mutual Fund at all times during business hours on all Business Days.

The Trustee Company shall provide the unit holders of a relevant scheme with an annual report on the activities of the scheme in which the Unit Holders have invested and shall make such other disclosures to them as are essential in order to keep them informed about anything that may have an adverse bearing on the investments.

The Trustee Company, in carrying out its responsibilities under the Trust Deed, shall maintain an arms length relationship with other persons with which it may be associated.

The Trustee shall ensure before the launch of any scheme that the Asset Management Company possesses / has done the following:

- Established systems in place for its back office, dealing room and accounting;
- Appointed all key personnel including fund manager(s) for the scheme(s) and submitted their bio-data which shall contain the educational qualifications and past experience in the securities market, and be satisfied with the number of key personnel considering the size of the Mutual Fund and the proposed scheme, to SEBI within 15 days of their appointment;
- Appointed auditors to audit its accounts;
- Appointed a compliance officer to comply with regulatory requirements and to redress investor grievances;
- Appointed registrars and transfer agents for the Mutual Fund and laid down parameters for their supervision;
- Prepared a compliance manual which is updated by reflecting all the provisions of regulations and guidelines issued by SEBI from time to time and designed internal control mechanisms including internal audit systems; and
- Specified norms for empanelment of brokers and marketing agents.

**The Trustee shall exercise due diligence as under:**

**General Due Diligence:**

- The Trustee shall be discerning in the appointment of the directors on the Board of the Asset Management Company.
- The Trustee shall review the desirability or continuance of the Asset Management Company if substantial irregularities are observed in any of the schemes and shall not allow the Asset Management Company to float new schemes.
- 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.
- The Trustee shall ensure that all the service providers are holding appropriate registrations from SEBI or a concerned regulatory authority.
- The Trustee shall arrange for test checks of service contracts.

- The Trustee shall immediately report to SEBI of any special developments in the Mutual Fund.

#### **Specific Due Diligence:**

- Obtain internal audit reports at regular intervals from independent auditors appointed by the Trustee.
- Obtain compliance certificates at regular intervals from the Asset Management Company.
- Hold meetings of the Trustee once in two calendar months and at least six such meetings shall be held in every year.
- Consider the reports of the independent auditor and compliance reports of Asset Management Company at the meetings of Trustee for appropriate action.
- Maintain records of the decisions of the Trustee at its meetings and of the minutes of the meetings.
- Prescribe and adhere to a code of ethics by the Trustee, Asset Management Company and its personnel.
- Communicate in writing to the Asset Management Company the deficiencies and check on the rectification of deficiencies.
- The independent directors of the Trustee shall pay specific attention to the following, as may be applicable, namely:-
  - The Investment Management Agreement and the compensation paid under the agreement.
  - Service contracts with affiliates as to whether the Asset Management Company has charged higher fees than outside contractors for the same services.
  - Selection of the Asset Management Company's independent directors
  - Securities transactions involving affiliates to the extent such transactions are permitted by Regulations.
  - Selecting and nominating individuals to fill independent directors vacancies.
  - Code of ethics must be designed to prevent fraudulent, deceptive or manipulative practices by insiders in connection with personal securities transactions.
  - The reasonableness of fees paid to the Sponsor, Asset Management Company and others for services provided.
  - Principal underwriting contracts and renewals.
  - Any service contract with the associates of the Asset Management Company.

#### **6. Amendments to the Trust Deed**

The Trust Deed shall not be amended without obtaining the prior approval of SEBI and the Unit Holders' approval would be obtained where it affects the interests of the Unit Holders, unless SEBI expressly waives the requirement to obtain such approval from the Unit Holders.

#### **7. Trusteeship fees**

The Trustee Company shall during the term of the Mutual Fund, and whether or not the Mutual Fund shall be in course of administration by or under the order or direction of any competent court or regulatory authorities, be paid annually out of the Mutual Fund a fee not exceeding Rs 1,00,00,000 (Rupees one crore only) as may be agreed between JPMAMAI and the Trustee Company from time to time, which rate of remuneration may be reviewed by the JPMAMAI and the Trustee Company every three years. The aforesaid remuneration is in addition to all costs, charges and expenses incurred in or in connection with the administration and execution of the Mutual Fund.

## **8. Trustee Governance**

A meeting of the Board of the Trustee Company shall be held at least once in every two calendar months and at least six such meetings shall be held in every year. As required by the Regulations two-thirds of the number of directors shall not be associated with JPMAMAI or its associates in any manner whatsoever.

The Trustee has constituted an audit committee of the Board which shall meet every alternate month.

Head - Compliance & Monitoring reports to the Board of the Trustee Company.

## VIII. INVESTMENT OBJECTIVES AND POLICIES

The investment objective the Scheme is to achieve a total return in excess of the return on short-term instruments through a market-neutral strategy of buying and selling equity and equity-linked Securities. The strategy is designed to remain broadly market neutral for investors with a medium to long term horizon. However, there can be no assurance that the investment objective of the Scheme will be realised.

### A. Disclosures and investment restrictions

As per the Trust Deed read with the Regulations, the following investment restrictions apply in respect of the Scheme at the time of making investments. However, all investments by the Scheme will be made in accordance with the investment objective, investment strategy and investment pattern described under paragraph G - Fundamental Attributes.

1. The Scheme shall not invest more than 15% of its NAV in debt instruments (irrespective of residual maturity) issued by a single issuer which are rated not below investment grade by a credit rating agency authorised to carry out such activity under the Regulations. Such investment limit may be extended to 20% of the NAV of the Scheme with the prior approval of the Board of the Trustee Company and the Board of the AMC.  
Provided that such limit shall not be applicable for investments in government securities and money market instruments.  
Provided further that investment within such limit can be made in mortgaged backed securitised debt which are rated not below investment grade by a credit rating agency registered with SEBI. Debentures, irrespective of any residual maturity period (above or below one year), shall attract the investment restrictions as applicable for debt instruments as specified under Clause 1 and 1 A of the Seventh Schedule to the Regulations.
2. The Scheme shall not invest more than 10% of its NAV in unrated debt instruments (irrespective of residual maturity) issued by a single issuer and the total investment in such instruments shall not exceed 25% of the NAV of the Scheme. All such investments shall be made with the prior approval of the Board of the Trustee Company and the Board of the AMC.
3. The Fund under all its schemes shall not own more than 10% of any company's paid up capital carrying voting rights. For the purpose of determining the above limit, a combination of positions of the underlying securities and stock derivatives will be considered.
4. Transfers of investments from one scheme to another scheme in the Fund shall be made only if, -
  - (a) such transfers are done 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.
5. The Scheme may invest in other schemes managed by the same AMC or by the asset management company of any other mutual fund without charging any fees, provided that aggregate inter-scheme investment made in all schemes under the same

management or in schemes under the management of any such other asset management company shall not exceed 5% of the net asset value of the Fund.

6. The Scheme shall buy and sell Securities on the basis of deliveries and shall in all cases of purchases, take delivery of relative Securities and in all cases of sale, deliver the securities and shall in no case put itself in a position whereby it has to make short sale or carry forward transaction or engage in badla finance.  
Provided that the Fund may enter into derivatives transactions on a recognised stock exchange subject to such guidelines as may be specified by SEBI.
7. The Fund shall, get the Securities purchased or transferred in the name of the Fund on account of the Scheme, wherever investments are intended to be of a long term nature.
8. Pending deployment of funds of the Scheme in Securities in terms of the investment objective of the Scheme, the Scheme can invest the funds of the Scheme in short term deposits of scheduled commercial banks. The investment in these deposits shall be in accordance with SEBI Circular dated April 16, 2007 and any other applicable guidelines.
9. The Scheme shall not make any investment 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.
10. The Scheme shall not make any investment in any Fund of Funds scheme.
11. The Scheme shall not invest more than 10% of its NAV in the equity shares or equity related instruments of any company.  
For the purpose of determining the above limit, a combination of positions of the underlying securities and stock derivatives will be considered.
12. The Scheme shall not invest more than 5% of its NAV in the unlisted equity shares or equity related instruments.

**B. Investment restrictions pertaining to derivatives:**

**In accordance with SEBI's circulars nos. DNP/Cir-29/2005, DNP/Cir-30/2006, DNP/Cir-31/2006 dated September 14, 2005, January 20, 2006 and September 22, 2006 respectively, the following conditions shall apply to the Scheme's participation in the derivatives market.**

**Please note that the investment restrictions applicable to the Scheme's participation in the derivatives market will be as prescribed or varied by SEBI or by the Trustees (subject to SEBI requirements) from time to time.**

1. Position limit for the Scheme in index options contracts  
The position limit for the Scheme in index options contracts shall be as follows:
  - (a) The Scheme's position limit in all index options contracts on a particular underlying index shall be Rs 500 crores or 15% of the total open interest of the market in index options, whichever is higher, per the relevant stock exchange.
  - (b) This limit would be applicable on open positions in all options contracts on a particular underlying index.

2. Position limit for the Scheme in index futures contracts  
The position limit for the Scheme in index futures contracts shall be as follows:
- (a) The Scheme's position limit in all index futures contracts on a particular underlying index shall be Rs 500 crores or 15% of the total open interest of the market in index futures, whichever is higher, per the relevant stock exchange.
  - (b) This limit would be applicable on open positions in all futures contracts on a particular underlying index.
  - (c) Additional position limit for hedging for the Scheme.

In addition to the position limits as set out in point 1 and 2 above, the Scheme may take exposure in equity index derivatives subject to the following limits:

- i. Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Scheme's holding of stocks.
  - ii. Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Scheme's holding of cash, government securities, T-Bills and similar instruments.
3. Position limit for the Scheme for stock based derivative contracts  
The position limit for the Scheme in a derivative contract on a particular underlying stock, i.e. stock option contracts and stock futures contracts shall be as follows:
- (a) For stocks having applicable market-wise position limit (MWPL) of Rs 500 crores or more, the combined futures and options position limit shall be 20% of applicable MWPL or Rs 300 crores, whichever is lower and within which stock futures position cannot exceed 10% of applicable MWPL or Rs 150 crores, whichever is lower.
  - (b) For stocks having applicable market-wise position limit (MWPL) less than Rs 500 crores, the combined futures and options position limit would be 20% of applicable MWPL and futures position cannot exceed 20% of applicable MWPL or Rs 50 crores whichever is lower.

4. Position limit for the Scheme  
The position limit / disclosure requirements for the Scheme shall be as follows:
- (a) For stock option and stock futures contracts, the gross open position across all derivative contracts on a particular underlying stock of the Scheme shall not exceed the higher of:  
1% of the free float market capitalisation (in terms of number of shares)  
Or  
5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts).
  - (b) This position limit shall be applicable on the combined position in all derivative contracts on an underlying stock at a stock exchange.
  - (c) For index based contracts, the Scheme shall disclose the total open interest held by its scheme or all schemes put together in a particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index.

The Trustee may alter the above restrictions from time to time to the extent that changes in the Regulations may allow and as deemed fit in the general interest of the Unit Holders.

### **C. Guidelines governing investment in debt securities**

The AMC will follow a policy where, before any investment is made in any debt instrument, a research report will be prepared by the Chief Investment Officer - Fixed Income / Fund Manager / research analyst which will analyze the debt instruments. The research report shall be reviewed at least on a half yearly basis. The recommendations of the research report shall not be binding on the Fund Manager / Chief Investment Officer - Fixed Income.

Any purchase which is made against the recommendations of the research recommendation shall be backed by the reasons for the same by the concerned Fund Manager / Chief Investment Officer - Fixed Income. For investment into companies for which there is a pre-existing research report that is not dated more than six months from the day of the proposed investment, the investment can be made by the Fund Manager directly. However, if the research report is dated more than six months without any subsequent update then a fresh report will be required.

The investment philosophy of the AMC shall be directed towards providing stable returns with a low risk strategy and capital appreciation/accretion through investment in debt instruments and related securities besides preservation of capital. The Scheme shall invest only in debt securities with a credit rating of AA- and above.

### **D. Investment in Government Securities**

As per Regulations and investment restriction guidelines issued by SEBI, the AMC will follow a policy wherein each decision of purchase/sale of government securities and money market instruments shall be recorded. A weekly report relating to the portfolio of the Scheme will be reviewed by the investment committee of the AMC.

Investment and security selection of all kind of debt instruments including Government of India ('GoI') securities, state government securities, and government guaranteed debt is delegated to the Fund Manager with the responsibility on the Fund Manager /Chief Investment Officer – Fixed Income to ensure conformity with the specified minimum credit rating standards for position credit risk and portfolio credit risk. All investments in GoI securities shall be done in accordance with SEBI / RBI guidelines.

### **E. Investments by the AMC**

Subject to the Regulations, the AMC may invest up to its net worth, either directly or indirectly, in the Scheme during the NFO and / or Ongoing Offer Period. However, the AMC shall not charge any investment management fee on such investment in the Scheme.

### **F. Portfolio Turnover**

Portfolio turnover is defined as the aggregate value of investment and disinvestment in equity / equity related Securities (other than those caused by the Purchases and Redemptions by Unit Holders) as a percentage of the average corpus of the Scheme during a specified period of time. This would also exclude investments / disinvestments in money market instruments.

Since the fund manager would be constantly buying and selling securities, the portfolio turnover ration is expected to be high.

### **G. Fundamental Attributes**

In terms of the Regulations and SEBI circular No. IIMARP/MF/CIR/01/294/98 dated February 4, 1998, "Fundamental Attributes" referred above shall mean:

1. Type of scheme, e.g. an open-ended equity growth scheme;
2. Investment objectives, investment strategy, investment pattern;
3. Terms of issue relating to listing, redemption, fees, expenses

In accordance with Regulation 18(15A) of the Regulations, the Trustee shall ensure that no change in the fundamental attributes of the Scheme or the Fund or the fees and expenses payable or any other change which would modify the Scheme and affect the interest of the Unit Holders will be carried out unless:

- (a) 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 a newspaper published in the language of the region where the head office of the Mutual Fund is situated; and
- (b) the Unit Holders are given an option to exit at the prevailing NAV without any Exit Load.

### **1. Type of scheme**

JPMorgan India Alpha Fund is an equity oriented interval scheme.

### **2. Investment objective**

The investment objective of the Scheme is to achieve a total return in excess of the return on short-term instruments through a market-neutral strategy of buying and selling equity and equity-linked Securities. The strategy is designed to remain broadly market neutral for investors with a medium to long term horizon.

However, there can be no assurance that the investment objective of the Scheme will be realized.

### **3. Investment strategy**

Some of the key strategy's which Fund Manager will follow in designing the portfolio are as follows :

#### **Strategy A :**

LONG Stock  
SHORT Stock Futures

#### **Strategy B :**

LONG Stock Futures  
SHORT Stock Futures

#### **Strategy C :**

LONG Stock / Stock Future  
SHORT Index

#### **Strategy D :**

LONG Index  
SHORT Stock / Stock future

#### **Strategy E:**

LONG Stock,  
SHORT Stock.

**Long** : A position is termed as "LONG" when the fund manager has a conviction that the stock will out-perform vis-a-vis another stock based on fundamental aspects associated with

the stocks. The fund manager arrives at a conviction based on, amongst other things, a detailed analysis of the company's financials, management meeting, earnings sustainability and quality of earnings. The reasons for such convictions can be many and varied.

**Short** : A position is termed as "SHORT" when a fund manager has a conviction that a stock will under perform vis-a-vis another stock based on fundamental aspects associated with the stock. The fund manager arrives at a conviction based on, amongst other things, a detailed analysis of the company's financials, management meeting, earnings sustainability and quality of earnings. The reasons for such convictions can be many and varied.

At all points of time, the scheme aims to have market neutral positions. The portfolio at some points of time could have a higher cash component (apart from margin money) due to the non-availability of profitable trades as deemed suitable by the Fund Manager.

#### **Foreseeable Situations :**

##### **Situation A) : Trades as estimated by Fund Manager :**

In such a situation, Fund Manager would either roll over the trade or square off the trade if they believe that the potential has been uncovered. In this scenario, Fund Manager could also choose to increase the allocation to the trade

##### **Situation B) : 1<sup>st</sup> leg in tandem, reverse in 2<sup>nd</sup> leg :**

Risk of losses in the second leg being in excess of the gains in the first leg and as a consequence resulting in a net loss on the particular pair strategy. The second leg in isolation may suffer substantial losses.

The risk can be substantial and requires constant monitoring.

In this case, Fund Manager would re-visit the reverse leg idea to check whether the thought process still holds true or the current price movement is due to an aberration which would get corrected in due course of time. If this is an aberration, the trade would continue else the trade will be squared off.

##### **Situation C) : Both legs of the trade have reversed :**

The positions may suffer the risk of substantial losses since the market movement is in the exact opposite direction of the Fund Manager's initial view on both legs

The risk can be substantial and requires constant monitoring.

In this case, FM would re-visit both the ideas to check whether the thought process still holds true or the current price movement is due to an aberration which would get corrected in due course of time. If this is an aberration, the trade would continue else the trade will be squared off.

#### **Portfolio Liquidity**

There are 226 stocks (as on March 31, 2008) in the F&O segment. However, all the stocks in the derivatives segment are not highly liquid.

The fund manager has no limits in terms of market capitalization and could choose to invest in stocks / futures across market capitalization. In case of small cap stocks, the fund manager could encounter liquidity problem while liquidating the stock in case of an emergency situation.

#### 4. Investment pattern and risk profile

Under normal circumstances it is anticipated that the asset allocation shall be as follows:

<b>Instruments</b>	<b>Normal asset allocation (% of net assets)</b>	<b>Risk profile</b>
Equity and equity related Securities*	0% - 100%	Medium to High
Debt, Money market instruments and Mutual fund units	0% - 100%	Low to Medium

Offshore Securities, ADRs and GDRs up-to the limits permitted by SEBI. Investment in securitised debt may be made to the extent of 20% of net assets of the Scheme, for derivatives only the margin paid shall appear in the assets.

The corpus of the assets of the Scheme shall be predominantly invested in equity and equity related Securities including equity derivatives. However, due to market conditions, the AMC may invest beyond the range set out above. Such deviations shall normally be for a short term only, for defensive considerations and with the intention of protecting the interests of the Unit Holders. In the event of deviations, rebalancing will normally be carried out within 10 Business Days.

The Scheme may invest in the following asset classes, other than foreign securitised debt:

- (a) Equity and equity related Securities including but not limited to derivatives, equity warrants and convertible instruments.
- (b) Money market instruments, debt Securities and mutual fund units:
  - Investments in these instruments will be made for managing liquidity. The preferred instruments will be money market instruments.
  - Money market instruments include commercial papers, commercial bills, treasury bills, Government Securities having an unexpired maturity upto one year, call or notice money, certificate of deposit, usance bills and any other like instruments as specified by Reserve Bank of India from time to time.
  - For the purpose of further diversification and liquidity, the Scheme may invest in other equity schemes managed by the AMC or by the asset management company of any other mutual fund without charging any fees on such investments, provided that aggregate inter-scheme investment made in all schemes managed by the same AMC or in schemes managed by the asset management company of any other mutual fund shall not exceed 5% of the net asset value of the Fund.
- (c) Any other Securities / asset class / instruments as permitted under SEBI Regulation.

Limits for stock lending are:

- (a) not more than 20% of the net assets of the Scheme; and
- (b) not more than 5% of the net assets of the Scheme to any single counter-party.

#### 5. Benchmark

The Benchmark index for the Scheme is the CRISIL Liquid Fund Index.

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

All investment decisions, relating to the Scheme, will be undertaken by the AMC in accordance with the Regulations and the investment objectives specified in this Offer Document.

The AMC has constituted an Investment Committee. The Investment Committee includes the Chief Executive Officer, the Chief Operating Officer, Head-Operations, the Chief Investment Officer-Fixed Income, the Fund Manager of the Scheme, the Compliance Officer and the Risk Officer. The Investment Committee will determine the investment policy and philosophy with regard to different classes, sectors and counterparties for the Scheme. The Investment Committee provides guidance and monitors portfolios; it does not take investment decisions. The Investment Committee will review the portfolio on a regular basis to ensure compliance with regulations. The Investment Committee would monitor the portfolio on a daily basis and periodically review it to track illiquid assets and take corrective action. The Investment Committee would research and review issuers with regard to credit risk.

However, the Fund Manager will have the right to make all investment decisions.

All investment decisions taken by the AMC in relation to the corpus of the Scheme shall be recorded.

With regard to investments, individual security-wise reasons shall be recorded by the Fund Manager at the time of placing individual orders on the dealing desk. A detailed report will be made before taking any decision to invest in a company for the first time. The performance of the Scheme will periodically be tabled before the Boards of the AMC and the Trustee respectively. The performance of the Scheme vis-à-vis benchmark indices would be monitored by the Boards of the Trustee and the AMC periodically. Further, the Boards of the Trustee and the AMC will also review the performance of the Scheme in the light of performance of the mutual fund industry as published from time to time by independent research agencies and financial newspapers and journals.

## **7. Underwriting**

The Scheme does not propose to underwrite securities of other issuers.

## **8. Investment of subscription money**

The AMC, on receipt of the minimum subscription amount, can commence investment of the funds received in accordance with the investment objective of the Scheme. Alternatively, it may maintain the amounts received as subscription in term deposits with banks in accordance with the MF Regulations and more particularly SEBI Circular No. SEBI/IMD/Cir No. 1/91171/07 dated April 16, 2007 and SEBI-IMD-CIR No. 8-107311-07 dated October 26, 2007. Further the AMC would charge investment management fees for parking funds of the Scheme in short term deposits of commercial banks in accordance with SEBI Regulations. The income earned from such investments / deposits will be merged with assets under management to form part of assets of the Scheme on completion of the allotment of the Units.

## **9. Listing, transfer and redemption**

The Scheme being open-ended, the Units are not proposed to be listed on any stock exchange and no transfer facility is provided. However, the Mutual Fund may at its sole discretion list the Units on one or more stock exchanges at a later date.

The Mutual Fund will offer and redeem the Units on a continuous basis after the NFO Period with effect from a specified date.

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

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

#### **11. Recording of changes**

Any changes in securities and in the number of Units will be recorded in the books not later than the first Valuation Day 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 seven days following the date of the transaction, provided as a result of such non-recording, the NAV calculations shall not be affected by more than 1%.

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

- (a) If investors are allotted units at a price higher than the Net Asset Value or are given a price lower than Net Asset Value at the time of sale of their Units, they shall be paid the difference in amount by the Scheme.
- (b) If investors are charged lower Net Asset Value at the time of purchase of their Units or are given higher Net Asset Value at the time of sale of their Units, the AMC shall pay the difference in amount to the Scheme. The AMC may recover the difference from the said investors.

The valuation guidelines outlined above are within the parameters of the Regulations and are subject to changes from time to time by the AMC and / or the Trustee. However, such changes must be in conformity with the Regulations.

#### **12. Investment in derivatives**

The Scheme may invest in various derivatives instruments including futures (index and stock), options (index and stock) and forward contracts which are available for investment in the Indian markets from time to time and which are permissible under the applicable Regulations. Investment in such instruments will be made in accordance with the investment objective and the strategy of the Scheme to protect the value of the portfolio and to enhance returns. The investments shall also be subject to internal limits as may be laid down from time to time and such limits and restrictions as may be prescribed by the Regulations or any other regulatory body.

#### **Concepts and examples**

##### **(a) Futures**

A futures contract is an agreement between the buyer and the seller for the purchase and sale of a particular asset at a specific future date. The price at which the asset would change hands in the future is agreed upon at the time of entering into the contract. The actual purchase or sale of the underlying asset involving payment of cash and delivery of the instrument does not

take place until the contracted date of delivery. A futures contract involves an obligation on both the parties to fulfil the terms of the contract.

Currently, futures contracts have a maximum expiration cycle of 3 months. Three contracts are available for trading, with 1 month, 2 months and 3 months expiry respectively. A new contract is introduced on the next trading day following the expiry of the relevant monthly contract. Futures contracts typically expire on the last Thursday of the month. For example a contract with the May expiration expires on the last Thursday of May.

**(i) Index futures**

Index futures began trading on the NSE on June 12, 2000. A futures contract on the stock market index gives its owner the right and obligation to buy or sell the portfolio of stocks characterized by the index. Stock index futures are cash settled; there is no delivery of the underlying stocks.

Example:

Let us assume that the Nifty Index at the beginning of the January 06 was 2,900 and three futures indices as under were available:

Month	Bid price	Offer price
January 06	2,905	2,910
February 06	2,925	2,935
March 06	2,940	2,960

The Scheme could buy an index of January 06 at the offer price of 2,910. The Fund will be required to pay the initial margin as required by the exchanges.

The following is a hypothetical example of a typical trade in index future and the costs associated with the trade.

	<b>Particulars (amount in Rs)</b>	<b>Index Future</b>	<b>Actual purchase of stocks</b>
	Index as on beginning January 06	2,900	2,900
	January 06 futures price	2,910	
A	Execution Cost (Carry cost and other costs associated with the Index Futures – 2,910-2,900)	10	NIL
B	Brokerage Cost – on purchase (Assumed @ of 0.06% for index future and 0.07% for spot stocks) (0.06% of 2,910 and 0.07% of 2,900)	1.75	2.03
C	Securities Transaction Tax (STT on purchase of index futures – NIL; STT on purchase of stocks – 0.1% of 2,900)	NIL	2.90
D	Gain on surplus funds (assumed 10% returns on 90% of the money left after paying margin (10%)) - (10% x 2,900 x 90% x 30 days / 365)	21.45	NIL
	<b>Total Cost (A + B + C - D)</b>	<b>-9.70</b>	<b>4.93</b>

The above example is used only for illustrative purposes (including an assumption that there will be a gain pursuant to investment in index futures). As evident in the above example, the costs associated with the trade in futures are less than those associated with the trade in actual stock. Thus, in the above example the futures trade seems to be more profitable than the trade in actual stock. However, the profitability of an index future as compared to an individual security will depend upon transaction costs, gain on surplus funds and carrying costs.

The returns may also vary based on actual costs and will depend on final guidelines/procedures and trading mechanism as envisaged by stock exchanges and other regulatory authorities.

**(ii) Stock futures**

Stock futures were launched on November 9, 2001. A futures contract on a stock gives its owner the right and obligation to buy or sell the stocks. Stock futures trade either at a premium or at a discount to the spot price; the premium level indicates the cost of carry.

Like index futures, stock futures are also cash settled; there is no delivery of the underlying stock. A purchase or sale of futures on a security reflects essentially the same price exposure as a purchase or sale of the security itself.

**Illustration**

**a) Buying futures and selling spot :**

If a stock in futures market trades at a discount to the spot price, then the Scheme may sell the stock and buy futures. On the day of the expiry of the future, the Scheme may reverse the transaction, and earn a risk free return on the holdings.

**Risk involved in the above strategy:** On the day of expiry, the Scheme may not be able to buy the stock. The spread between the futures price and the stock price might widen for the period between establishing the position and the expiry of the contract.

**b) Buying spot and selling futures**

If a stock in futures market trades at a premium to the spot price, then the Scheme may buy the stock and sell futures thereby earning returns.

**Risk involved in the above strategy:** On the day of expiry, the Scheme may not be able to sell the stock. The spread between the futures price and the stock price might widen for the period between establishing the position and the expiry of the contract.

**Risk involved in futures transactions:** The maximum loss for the Scheme of a long position in futures will be limited to the price at which the position was created. For a short futures position, the maximum loss for the Scheme is substantial and will be the difference between the price at which the position was created and the settlement price on expiry of the contract or the price at which the position is unwound (as the case may be). The loss for the aforesaid positions will be realised either at the expiry of the contract or when the position is unwound.

**(b) Options**

An option is a contract which provides the buyer (also called the holder) the right, without the obligation, to buy (call) or sell (put) a specified asset at an agreed price on or up to a particular date. For acquiring this right the buyer has to pay a premium to the seller. The

seller on the other hand has the obligation to buy or sell that specified asset at the agreed price. The premium is determined considering a number of factors such as the underlying asset's market price, the number of days to expiration, strike price of the option, the volatility of the underlying asset and the risk and the rate of return. The strike price, the expiration date and the market lots are specified by the exchanges.

An option contract may be of two kinds; a call option or a put option.

An option that provides the buyer the right to buy is a call option. The buyer of the call option (known as the holder of the option) can call upon the seller (known as writer of the option) and buy from him the underlying asset at the agreed price at any time on or before the expiry date of the option, depending on the type of option. The seller of the option has to fulfil the obligation on exercise of the option.

The right to sell is called a put option. Here, the buyer of the option can exercise his right to sell the underlying asset to the seller of the option at the agreed price.

Options are of two types: (a) European and (b) American. In a European option, the holder of the option can only exercise his right on the date of expiration. In an American option, he can exercise this right anytime between the purchase date and the expiration date.

#### **Illustrations on options:**

**Buying a call option:** Consider that the Scheme buys a call option at the strike price of Rs 3,000 and pays a premium of Rs 150. If the market price of the underlying stock on the date of expiry of the option is Rs 3,500 the Scheme would earn profits. However, if on the date of the expiry of the option, the market price of the underlying stock is Rs 2,800, the Scheme will not exercise the option and it shall lose the premium of Rs 150.

Risk involved in the above strategy: The loss for the Scheme, as the buyer of the option, is limited to the premium paid by it while the gains are unlimited.

**Writing a call option:** Consider that the Scheme writes a call option at the strike price of Rs 3,050 and earns a premium of Rs 100. If the market price of the underlying stock on the date of expiry increases to Rs 3,200, then the option is exercised. The Scheme earns the premium of Rs 100 but loses the difference between the market price and the exercise price i.e. Rs 150. In case the market price of the underlying stock decreases to Rs 3000, the Scheme gets to keep the premium of Rs 100.

Risk involved in the above strategy: In case the settlement price is higher than the strike price on the expiry day, the Scheme has to pay the difference between the strike price and the settlement price. Alternatively, if the option buyer chooses to exercise the option before expiry day, the Scheme shall pay the difference between the market price and the strike price.

#### **Buying a put option:**

Consider the situation of an Scheme buys a put option with a strike price of Rs. 70 to sell 100 shares of company A. Suppose the current stock price is Rs.65 , the expiration date is next month and the price of an option to sell one share is Rs.7. the initial investment is Rs.700. If the stock price is on this date (date of expiry) is less than Rs.70, the investor will clearly choose to exercise the option. If the stock price is below Rs.65 on the date of expiration, the option will be exercised. Suppose that the stock price is Rs.55, by exercising the option the investor will be able to sell 100 shares for Rs.70 per share and realise a gain Rs.15 per share

or Rs.1500, ignoring the transaction cost. When the initial cost of the option is taken the investor will make a net profit of Rs.800

It is important to realize that an investor sometimes exercises an option and makes a loss overall. Suppose that, in the example above the stock price is Rs.65 at the expiration of the option. The investor would exercise the option for a gain of  $100*(65-70)=Rs.500$ , and realize a loss overall of Rs.200 when the initial cost of option is taken into account.

Risk involved in the above strategy: The loss for the Scheme, as the buyer of the option, is limited to the premium paid by it while the gains are unlimited.

**Writing a put option:** Consider that the Scheme writes a put option at the strike price of Rs 3,050 and earns a premium of Rs 50. If the market value of the underlying stock decreases to Rs 3,000 the put option will be exercised and the Scheme will earn the premium of Rs 50 but loses the difference between the exercise price and the market price which is Rs 50. However if the market price of the underlying stock is Rs 3,100, the option-holder will not exercise the option, as a result of which the option will expire and the Scheme will earn the premium income of Rs 50.

Risk involved in the above strategy: In case the settlement price is lower than the strike price on the expiry day, the Scheme has to pay the difference between the settlement price and the strike price. Alternatively, if the option buyer chooses to exercise the option before the expiry day, the Scheme shall pay the difference between the market price and the strike price.

Please note that the above examples are based on assumptions and are used only for illustrative purposes.

### **Investment in debt derivatives**

Derivatives products are leveraged instruments and can provide disproportionate gains as well as disproportionate losses to the investor. Execution of such strategies depends upon the ability of the fund manager to identify such opportunities. Identification and execution of the strategies to be pursued by the fund manager involve uncertainty and the decision of the fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify or execute such strategies.

The risks associated with the use of derivatives are different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments.

In terms of Circular No. MFD.BC.191/07.01.279/1999-2000 and PD.BC.187/07.01.279/1999-2000 dated November 1, 1999 and July 7, 1999 respectively issued by the RBI permitting participation by mutual funds in interest rate swaps and forward rate agreements, the Fund will use derivative instruments for the purpose of hedging and portfolio balancing. Further, the guidelines issued by the RBI from time to time for forward rate agreements and interest rate swaps and other derivative products will be adhered to by the Fund.

#### **Interest Rate Swaps (IRS)**

An IRS is an agreement between two parties to exchange stated interest obligations for an agreed period in respect of a notional principal amount. The most common form is a fixed to floating rate swap where one party receives a fixed (pre-determined) rate of interest while the other receives a floating (variable) rate of interest.

#### **Forward Rate Agreement (FRA)**

A FRA is basically a forward starting IRS. It is an agreement between two parties to pay or receive the difference between an agreed fixed rate (the FRA rate) and the interest rate (reference rate) prevailing on a stipulated future date, based on a notional principal amount for an agreed period. The only cash flow is the difference between the FRA rate and the reference rate. As is the case with IRS, the notional amounts are not exchanged in FRAs.

Example of a derivatives transaction

#### Basic Structure of a Swap

Bank A has a six-month Rs. 10 crore liability, currently being deployed in call. Bank B has a Rs. 10 crore, six-month asset, being funded through call. Both banks are running an interest rate risk.

To hedge this interest rate risk, they can enter into a six-month MIBOR (Mumbai Inter Bank Offered Rate) swap. Through this swap, A will receive a fixed pre-agreed rate (say 7%) and pay "call" on the NSE MIBOR ("benchmark rate"). Bank A paying at "call" on the benchmark rate will hedge the interest rate risk of lending in call. Bank B will pay 7% and receive interest at the benchmark rate. Bank A receiving of "call" on the benchmark rate will hedge its interest rate risk arising from its call borrowing.

The mechanism is as follows:

- Assume the swap is for Rs.10 crore March 1, 2005 to September 1, 2005. A is a fixed rate receiver at 7% and B is a floating rate receiver at the overnight compounded rate.
- On March 1, 2005, A and B will exchange only an agreement of having entered this swap. This documentation would be based on an International Swaps and Derivatives Association (ISDA) template.
- On a daily basis, the benchmark rate fixed by NSE will be tracked by them. On September 1, 2005 they will calculate the following:
- A is entitled to receive interest on Rs.10 crore at 7% for 184 days i.e. Rs. 35.28 lakh, (this amount is known at the time the swap was concluded) and will pay the compounded benchmark rate.
- B is entitled to receive daily compounded call rate for 184 days and pay 7% fixed.
- On September 1, 2005, if the total interest on the daily overnight compounded benchmark rate is higher than Rs. 35.28 lakhs, A will pay B the difference. If the daily compounded benchmark rate is lower, then B will pay A the difference.
- Effectively, Bank A earns interest at the rate of 7% p.a. for six months without lending money for six months fixed, while Bank B pays interest @ 7% p.a. for six months on Rs. 10 crore, without borrowing for six months fixed.

As per the above mentioned RBI circulars, mutual funds are permitted to do interest rate swaps / forward rate agreements for hedging purposes only. Accordingly, the AMC would undertake the same for similar purposes only. IRS and FRAs also have inherent credit and settlement risks. However, these risks are reduced as they are limited to the interest streams and not the notional principal amounts.

Investments in derivatives will be in accordance with the SEBI Regulations / guidelines. The circumstances under which such transactions would be entered into would be when, using the IRS route, it is possible to generate better returns / meet the objective of the Scheme at a

lower cost. For example, if buying a two-year MIBOR- based instrument and receiving the two-year swap rate yields better return than buying the two-year AAA corporate instrument, the Scheme would endeavour to do that. Alternatively, the Scheme would also look to hedge existing fixed rate positions if the view on interest rates is that they are likely to rise in the future.

## **IX. MANAGEMENT OF THE FUND**

### **A. Asset Management Company**

In conformity with the Regulations, JPMorgan Asset Management India Private Limited, a company registered under the Companies Act, 1956 and having its registered office at Mafatlal Centre, 9th Floor, Nariman Point, Mumbai 400 021, has been set up to act as the Asset Management Company to the Fund.

In terms of the Investment Management Agreement, the AMC has been appointed as the Investment Manager to the Fund.

The Investment Manager was approved by SEBI to act as the AMC for the Fund vide letter no. IMD/MS/86193/07 dated February 12, 2007. The AMC manages the Scheme / options of the Fund in accordance with the provisions of the Investment Management Agreement, the Trust Deed, the Regulations and the objectives of each Scheme / option. The AMC can be removed by the Trustee, subject to the Regulations.

**Currently, the AMC is engaged to manage funds for JPMorgan Mutual Fund only. Any other business activity by the AMC shall be as per Regulation 24 of SEBI Regulations.**

### **B. Investor Relations Officer**

The Investor Relations Officer for the Fund is Mr. Anutosh Bose and he may be contacted at the office of the AMC at Mafatlal Centre, 8th Floor, Nariman Point, Mumbai – 400 021.

Email : india.investors@jpmorgan.com  
Telephone : 2281 7222  
Fax : 6719 8223

### **C. Information on AMC**

#### **1. Name and address**

JPMorgan Asset Management India Private Limited  
Registered Office:  
Mafatlal Centre, 9<sup>th</sup> Floor  
Nariman Point  
Mumbai – 400 021  
Telephone: 2285 5666  
Fax: 6719 8223

#### **2. Investment Management Agreement**

In accordance with SEBI Regulations, the Trust Deed and the Investment Management Agreement, the Investment Manager has several duties and obligations, including the following:

- During the term of its appointment, the Investment Manager shall, subject to the overall policy and supervision of the Trustee Company, be responsible for floating the schemes of the Mutual Fund and shall have the power, authorization and right to exercise investment management functions in relation to the Mutual Fund and the schemes of the Mutual Fund framed from time to time including making investments of the funds raised under the schemes of the Mutual Fund, in accordance with the provisions of the relevant offer document for each Scheme, the Trust Deed and the Laws.

- Without prejudice to the generality of the foregoing, the Investment Manager shall in relation to managing the Mutual Fund and the schemes of the Mutual Fund:
  - ensure that no Scheme is launched by it unless the Scheme is approved by the Trustee Company and a copy of the offer document is filed with SEBI; provided that in the event SEBI requires the Investment Manager to carry out modifications to the offer document, then the Investment Manager shall ensure that the same shall have been carried out;
  - manage the investment and re investment of the investments with a view to achieving the investment objectives and policies of each scheme as set forth in the relevant offer document; and shall endeavour to ensure that all investment decisions are made in the interests of the unit holders;
  - invest funds raised under the schemes in accordance with the provisions of the relevant offer document, the Trust Deed and the Laws and in particular shall ensure that the investments are made subject to such restrictions and limitations prescribed by the Regulations and as presently contained in the Trust Deed and Seventh Schedule to the Regulations and in any event except as otherwise provided in the Regulations, shall not advance any loans or guarantees for any purpose. Subject to the Investment Manager's duties and obligations set out above, the investment objectives and policies of each scheme, the Trust Deed and the Laws, the Investment Manager shall also have the authority, power and right to:
    - make investments, on a full discretionary basis for the account of and in the name of the relevant scheme;
    - issue orders and instructions with respect to the acquisition, conversion and disposal of investments;
    - purchase (or otherwise acquire), sell (or otherwise dispose of), hold, convert and invest in investments, effect transactions on behalf of and for the account of the relevant scheme in connection with any such purchase, acquisition, sale or disposal or the protection of any investments. All investments which are intended to be of long term nature are to be registered in the name and for the account of the relevant scheme, the Mutual Fund and/or the Trustee Company;
    - borrow monies to meet the temporary liquidity needs of the relevant scheme for the purposes of repurchase or redemption of units, or payment of interest or dividend to unit holders; provided that the aggregate of such borrowings shall not exceed 20% of the net asset value of the relevant scheme (or for such other purposes and at such higher or lower percentage as may be stipulated under the Regulations) and shall not exceed a period of 6 months (or such period as may be permitted by the Regulations);
    - lend or borrow securities in accordance with the guidelines issued of SEBI from time to time;
  - maintain all accounts and records required by law to enable a complete and accurate view to be formed of the assets, liabilities, income and expenditures of the Mutual Fund, and of all transactions effected by the Investment Manager for the account of the Mutual Fund;

- submit a report to the Trustee Company on a periodic basis as agreed upon with the Trustee Company and otherwise as requested by the Trustee Company on its activities hereunder. The Investment Manager shall further submit a quarterly (or at such intervals as may be required by the Trustee Company or SEBI) report on the operations of the Schemes to the Trustee Company and such other information as may be required by the Trustee Company to ensure that the Investment Manager is in compliance with the provisions of the Trust Deed and the Regulations;
- evaluate investment opportunities for possible investment by the Mutual Fund on behalf of a scheme and to carry out credit assessments of issuers, debtors or guarantors (if any) in respect of the investments and proposed investments;
- issue and administer instructions to the Custodian and the Mutual Fund's stockbrokers and distributors;
- keep or cause to be kept on behalf of the Mutual Fund at the Investment Manager's head office and/or at such other place(s) as may be required by the Laws or as may be provided under the Trust Deed, such books, accounts, records and statements as may be necessary to give a complete and accurate record of the assets, liabilities, income and expenditures of the Mutual Fund, and all transactions carried out by it on behalf of the Mutual Fund; and shall permit JPMAMAI, Trustee Company, and their respective employees and auditors to inspect all such books, records and statements at all reasonable times;
- prepare reports on the investments and the relevant Indian securities market for inclusion in documents to be issued in relation to the Mutual Fund or each scheme as and when requested for by the Trustee Company;
- calculate the net asset value of each scheme as per the Regulations and to disclose to the unit holders at such intervals as may be specified by the Trustee Company and SEBI, the basis of calculating the repurchase prices and net asset value of the schemes;
- make investments in Securities for the purpose of hedging or otherwise, provided however, that the Investment Manager shall under no circumstances be obliged to hedge the Securities.
- During the term of its appointment, the Investment Manager shall:
  - at all times act in the best interest of the Mutual Fund and at all times comply with the terms and conditions of its approval by SEBI as per the Regulations;
  - not, without the prior approval of the Trustee Company and SEBI, undertake any other business activity other than activities specified under sub-regulation (2) of regulation 24 of the Regulations, management of the Mutual Fund and other activities such as financial services consultancy, exchange of research and analysis on commercial basis, as long as these activities are not in conflict with the investment management activity hereunder;
  - be prohibited from taking up any activity in contravention of the Regulations;
  - cause the Custodian to segregate the assets pertaining to each scheme held by the Custodian;

- appoint on behalf of the Mutual Fund only those registrars and transfer agents who are registered with SEBI and not appoint any person as a key personnel who has been found guilty of any economic offence or involved in violation of any relevant securities laws;
- enter into all contracts and agreements and such other undertakings as may, in the opinion of the Investment Manager, be necessary or advisable or incidental to the carrying out of the objectives of this Agreement including but not limited to derivative agreements and agreements with registered depository participants and depositories;
- open and operate separate bank accounts with banks in the name and on behalf of each scheme;
- calculate the fees payable in respect of the services of the Trustee Company, Investment Manager and the Custodian and arrange payment of such fees and other payments due to them;
- apply to the applicable Regulatory Agencies for, and obtain from such Regulatory Agencies, all necessary approvals, confirmations or consents, including approvals in relation to investments made or proposed to be made, launching of a scheme, taxation status of the Mutual Fund and/or the Schemes and all tax and other payments which may be due to or by the Mutual Fund and/or the schemes from time to time in respect of the relevant investments; and in connection therewith the Investment Manager shall have and is hereby granted the authority to disclose to any such competent Regulatory Agencies such information in its possession regarding the Mutual Fund and/or the relevant scheme or its affairs as may be necessary or required;
- provide an option to the unit holders to nominate, in accordance with the Regulations and in the form prescribed thereunder, a person in whom the unit will vest in the event of the death of the unit holders;
- provide the Trustee Company with the calculation of any income due to be paid to, or received by, the Mutual Fund and/or the relevant scheme, in accordance with the Regulations and the Trust Deed;
- cause to be published within one month from the close of each half year, i.e. March 31 and September 30,(or as specified by SEBI) its unaudited financial results and those of the Mutual Fund in one English daily newspaper of national circulation in India and, if different to the English language, in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated, and the same shall contain the details as specified in Twelfth Schedule to the Regulations and such other details as are necessary for the purpose of providing a true and fair view of the operations of the Mutual Fund;
- unless otherwise required under the Regulations, shall cause the annual accounts of the Mutual Fund to be audited by such auditors as the Trustee Company, may appoint for the purpose. The Investment Manager may, in its discretion, determine out of what parts of the assets, or the income thereof, the cost of such audit shall be defrayed, and may make such apportionments of such costs as it thinks desirable. Copies of the accounts shall be delivered to JPMAMAI and to such other persons as may be required by or under any directions or guidelines of SEBI after the same shall have been prepared;

- not acquire any of the assets out of any scheme property which involves the assumption of any liability which is unlimited or which may result in encumbrance of the Trust Property in any way unless permitted by the relevant Regulatory Agencies or relevant Laws;
- be diligent in the selection of brokers and monitor the transactions to ensure that there is no undue concentration of business with any one broker;
- ensure that no loss, damage or expense incurred by the Investment Manager or officers of the Investment Manager or any person delegated by the Investment Manager is met out of the Trust Property, except as provided in the Investment Management Agreement;
- ensure that no offer document of a scheme, key information memorandum, abridged half yearly and annual financial reports are issued or published without the prior written approval of the Trustee Company or contain any statement extraneous to the Trust Deed or offer document or scheme particulars approved by the Trustee Company and SEBI;
- abide by the Code of Conduct as laid down in the Regulations, as contained in Fifth Schedule to the Regulations;
- forward copies of all such notices, instruction or other communication and documents issued in respect of the Mutual Fund to the Trustee Company.
- In addition to the powers of the Investment Manager set out elsewhere in the Investment Management Agreement or provided by any applicable Laws, the Investment Manager shall have the following powers:-
  - it may instruct any professional advisers or other experts to provide advice in connection with the investment management services;
  - it may take any action necessary for it to comply with applicable Laws or the Regulations or otherwise act in accordance with the requirements or requests of any relevant Regulatory Agencies (including, without limitation, providing any information relating to the Trustee Company, the Mutual Fund, the unit holders or the Trust Property);
  - it is entitled to rely and act upon (a) any communication or document believed by it to be genuine; (b) any communication or document signed or purported to be signed by any person on behalf of another person and whose signature the Investment Manager is for the time being authorised by that other person to accept; (c) any opinion, advice or information (in whatever form) from any professional adviser (including but not limited to lawyers, accountants, auditors, valuers, brokers, auctioneers) or other experts instructed by the Trustee Company or the Investment Manager in connection with the Mutual Fund, and shall not be responsible for any loss occasioned by so acting; or (d) the established practice and rulings of any market (and of its committees and officials) on which any dealing in any investment or other property is from time to time effected in determining what shall constitute a good delivery and any similar matters and such practice and rulings shall be conclusive and binding upon all persons under the Trust Deed;
  - it may exercise absolute discretion in relation to the performance of all the trusts, powers, authorities and discretions vested in it;

- it is entitled to require the authentication or verification of any signature on any document required to be signed in connection with the Mutual Fund;
- it is entitled to accept as sufficient evidence of the value of any asset of the Trust Property or investments or the cost price or sale price of any such asset or of any market quotation (a) a certificate by any professional person, firm or association qualified in the opinion of the Trustee Company and/or the Investment Manager to provide such a certificate or (b) such value or price as may be quoted by a statistical service considered by the Investment Manager to be reputable.

### **3. Investment Management fee**

Under the regulations, the AMC is entitled to charge an investment management fee at the rate of 1.25% per annum of the daily average net assets of the Scheme(s) outstanding in each financial year for the net assets up to Rs 100 Crores and at the rate of 1.00% per annum of the daily average net assets outstanding in each financial year for the net assets in excess of Rs 100 Crores.

#### 4. Board of Directors of the AMC

The directors of the AMC are:

Names, addresses and occupations of the directors	Other directorships of the directors
<p><b>Mr, KG Vassal</b> 701, Crystal Towers. Military Road, Marol, Andheri (East), Mumbai 400 059</p> <p><i>Company Director</i></p>	<p>E-Square Leisure Private Limited</p>
<p><b>Mr. Dhananjay Mungale</b> 10 A Ameya Apartments Near Kirti College Prabhadevi Mumbai 400 028</p> <p><i>Independent Consultant</i></p>	<p>Mahindra &amp; Mahindra Financial Services Limited LIC Housing Finance Ltd Tamilnadu Petroproducts Ltd Camlin Limited Chowgule Steamship Limited Caprihans India Limited Indoco Remedies Limited South India Corporation (Agencies) Limited [name changed to SICAL Logistics Limited] I2IT Private Limited Snowcem Paints Private Limited Indo Count Industries Limited National Organic Chemicals Industries Limited Mentor Technologies Private Limited Investor Advisors Private Limited XCEL Telecom Pvt. Ltd.</p>
<p><b>Mr. A.P. Kurian</b> 9, Friendship, 23<sup>rd</sup> Road, TPS III Bandra (West) Mumbai – 400 050</p> <p><i>Executive Chairman, Association of Mutual Funds in India ('AMFI')</i></p>	<p>Geojit Financial Services Limited National Stock Exchange of India Limited Muthoot Capital Services Limited Hexaware Technologies Limited Granules India Limited Haribhakti MRI Corporate Services Private Limited</p>
<p><b>Mr. T.P. Ostwal</b> 103-104 Falcon's Crest GD Ambekar Marg, Parel Mumbai – 400 012</p> <p><i>Chartered Accountant</i></p>	<p>WTI Advanced Technologies Limited Chaturvedi &amp; Shah Consulting Private Limited Kingstone Properties Private Limited Delsoft Consultancy Pvt. Ltd.</p>
<p><b>Mr. Krishnamurthy Vijayan</b> 502, Raheja Residency Sector – 14, Vashi, Navi Mumbai</p> <p><i>Chief Executive Officer</i></p>	<p>None</p>

<i>JPMorgan Asset Management India Private Limited</i>	
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<p><b>Mr Anthony J Morgan</b> 40 Coronation Road West, #01-03 Astrid Meadows, Singapore - 269258</p> <p><i>Chief Operating Officer</i> <i>JPMorgan Asset Management – South Asia</i> <i>JF Asset Management (Singapore) Limited</i></p>	<p>JF Asset Management (Singapore) Limited JF Capital Partners Limited JF Capital Partners (Holdings) Limited JF India Management Limited Blue Duck Design Private Limited Leg Before Wicket Pty. Limited</p>
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Mr Krishnamurthy Vijayan, Mr Anthony J Morgan and Mr AP Kurian are directors associated with the Sponsor/AMC.

### **Brief write-up on the Directors**

#### **Mr KG Vassal**

As a former Executive Director of Unit Trust of India, Mr Vassal held various senior management positions as chief of personnel & administration, operations, systems, information technology, research & planning, internal audit, compliance, board section, India PSU Fund and India Access Fund.

He was Chief Vigilance Officer in UTI and Chairman of UTI International, Grunsey (UK). He was also a Director & Advisor of UTI Institute of Capital Markets.

Mr Vassal is a Commerce and Law graduate with professional qualifications in Management, Labour Laws and Banking.

#### **Mr Dhananjay Mungale**

Between 1978 and 1999 Mr. Mungale worked in the financial services sector with DSP Financial Consultants Limited, Bank of America and DSP Merrill Lynch Limited.

He also served as a Member of the Board and Managing Committee of DSP Merrill Lynch Asset Management (India) Limited.

Mr Dhananjay Mungale is an advisor to select corporate groups and companies in India and Europe. He is on the Board of various public and private Indian corporations.

Mr. Mungale is a Chartered Accountant and Law graduate.

#### **Mr AP Kurian**

Mr Kurian is the Executive Chairman of the Association of Mutual Funds in India, a post he has held since July 1998.

Mr Kurian retired as Executive Trustee of the erstwhile Unit Trust of India ('UTI').

Mr Kurian has over 4 decades of experience in finance and financial services, having worked in the Reserve Bank of India and the UTI.

Mr Kurian has a Masters degree in Economics & Statistics from Kerala University.

### **Mr TP Ostwal**

Mr Ostwal is a Senior Partner of M/S Ostwal, Desai & Kothari, a chartered accountancy firm. He is also Senior Partner of M/S T.P. Ostwal & Associates.

Mr Ostwal is the Trustee Chairman of the International Fiscal Association, a non-profit making association.

Mr Ostwal was a Member of the Expert Committee set up by the Central Board for Direct Taxes for framing transfer pricing regulations in India.

Mr Ostwal is a Fellow of the Institute of Chartered Accountants of India and a Commerce graduate.

### **Mr Krishnamurthy Vijayan**

Mr Vijayan has had a long career in the mutual fund industry.

He started his career with UTI in 1986 where he spent 10 years. He then joined Jardine Fleming Asset Management India Private Limited where he spent 5 years in Marketing, Operations and Compliance before joining JM Financial Asset Management Private Limited as the Chief Executive Officer.

Mr Vijayan holds a B.Com. and M.A.

### **Mr Anthony Morgan**

Mr. Morgan is the Chief Operating Officer of JPMorgan Asset Management, South Asia. He was admitted as a Solicitor of the Supreme Court of New South Wales and the High Court of Australia in 1991 and 1992, respectively. He spent his entire professional career in the financial services sector in the functional areas of legal, regulatory compliance, risk management, finance, product development and business management. His professional career has included roles in Australia, Hong Kong and Singapore with additional management responsibility for businesses in India, Pakistan and Thailand.

His academic qualifications are:

Bachelor of Legal Studies, Macquarie University

Master of Laws, University of Sydney

Master of Taxation, University of Sydney

Master of Business Administration, University of London

## **5. Key personnel**

**The following are the key personnel of the AMC:**

### **Krishnamurthy Vijayan – Whole-time Director & Chief Executive Officer**

**Age: 44 years; Total experience: 21 years**

Krishnamurthy Vijayan has had a long career in the mutual fund industry. He started his career with UTI in 1986 where he spent 10 years. He then joined Jardine Fleming Asset Management India Private Limited where he spent 5 years in Marketing, Operations and Compliance before joining JM Financial Asset Management Private Limited as the Chief Executive Officer, a post he held till October 2005. Krishnamurthy holds a B.Com. and M.A.

### **Anand Krishna – Chief Operating Officer**

**Age: 47 years; Total experience: 22 years**

Anand Krishna has been with the JPMorgan group in India since 1995 as Senior Financial Manager.

Prior to this he worked with Tata Consultancy Services in Financial Accounting and Treasury & Taxation. He also spent 5 years with the audit divisions of some of the leading chartered accountancy firms in India.

Anand is a Chartered Accountant and a Science graduate from Mumbai University.

### **Shirin Mehta – Head Marketing & Communications**

**Age: 47 years; Total experience: 26 years**

Shirin has been with the JPMorgan group since 1994.

Shirin moved to the asset management team after a three-year stint handling the Global Research Centre production group for JPMorgan, where she was in charge of a team of 34 that took care of editing, production work, and data guardian responsibilities for the firm. Her responsibilities included ensuring compliance with regulatory issues laid down by the SEC and FSA, overseeing the high quality of finished research, and supervising that global daily products were brought out on schedule.

Prior to this Shirin was editor for JPMorgan's securities business in India.

Before JPMorgan, she worked in magazines such as Imprint (as Managing Editor) and Business India (Chief Sub-Editor).

Shirin holds a BA in English from the University of Mumbai and a Diplome Superieur from the Alliance Francaise de Bombay.

**Nandkumar R. Surti – Chief Investment Officer – Fixed Income**

**Age: 37 years; Total experience: 17 years**

Nandkumar has about 17 years of experience in the financial services sector in India. He was the fund manager for GIC Asset Management Company Ltd. for two years from 1992 to 1994. He then worked as the Head-Fixed Income with JM Financial Asset Management Private Limited for more than 11 years from December 1994 to February 2006. Thereafter he joined Lotus India Asset Management Company Ltd. and worked for a period of around 7 months. He joined JPMorgan Asset Management India Private Limited in November 2006 as Chief Investment Officer –Fixed Income. Nandkumar is a Graduate CWA.

**Harshad Patwardhan – Fund Manager Equity**

**Age: 37 years; Total experience: 13 years**

Harshad has around 13 years experience in the equities markets. Prior to joining JPMorgan Asset Management he worked for 2 years with Deutsche Equities India Private Limited as a Senior Research Analyst and has extensive experience with several foreign brokerage houses covering a variety of sectors. Harshad holds a B.Tech (IIT), MBA (IIM) and CFA.

**Amit Gadgil – Associate Fund Manager Equity**

**Age: 32 years; Total experience: 6 years**

Amit has about 5 years of experience in the accounting and financial services sector. Prior to joining JPMorgan Asset Management, he worked for 7 months with Hansberger Global Investors as a Research Analyst and with Deutsche Equities India Private Limited as an Analyst covering the banking, insurance and cement industries. In addition, he has worked on research and analysis of US companies and UK telecom companies in his earlier jobs. Amit did a summer internship with JPMorgan, New York where he was engaged in research of US apparel stocks. Amit started his career in the auditing and business services areas during his tenures with Price Waterhouse Coopers and A F Ferguson. Amit holds a M.Com., ACA, PGDM (IIM Ahmedabad).

**Prabal Nag – Head: Sales & Marketing**

**Age: 41 years; Total experience: 15 years**

Prabal heads the sales and marketing functions leading and mentoring a team spread around the country. Prior to joining JPMorgan Asset Management India Private Limited, Prabal was Head of Sales & Marketing with JM Financial Asset Management Private Limited, an organisation he worked at for 12 years. Prabal's academic qualifications are B.A., LLB, MBA (University of Connecticut), USA.

**Anutosh Bose – Head Operations and Investor Relations**

**Age: 37 years; Total experience: 14 years**

Anutosh Bose has over 14 years of experience in the mutual fund industry, spanning Investor Services, Investment Accounts, Technology and Operations.

He started his mutual fund career with UTI in 1993. He was given ‘Best Employee Award’ in 1994. He has successfully implemented various projects in the field of investor relations, fund accounts, operations and technology.

He worked with JMFinancial Asset Management Private Limited for over two years in Operations Support and Technology Infrastructure.

Prior to joining UTI, his work experience includes automation of marketing, distribution and operations of various pharma and retail consumer goods, as a freelancer and consultant.

Anutosh holds a B.Sc. (Hons.) degree in Physics from Delhi University. His professional qualification includes CAIIB (UTI-exam), PGDMSM, PGDCA, Oracle Financials and MBA (Finance) from JBIMS, Mumbai University.

**Hirji Gorimar – Head Technology**

**Age: 41 years; Total experience: 19 years**

Hirji Gorimar has been with the JPMorgan group since 1999.

He has over 19 years of Information Technology experience in the financial services industry, including 9 years managing the application development groups, and 4 years of managing I. T. groups. Previous experience includes working with multi-national banks in India and overseas.

Hirji’s experience covers I. T.controls & risk, infrastructure management and applications delivery.

Hirji is a Science graduate with a post graduate diploma in computers application from the Technical Board of Maharashtra. He is also a Certified Information System Auditor (‘CISA’).

**Farrokh Bharucha – Company Secretary and Legal Liaison**

**Age: 50 years; Total experience: 25 years**

Farrokh Bharucha has been with the JPMorgan group since 1995 in the secretarial & legal liaison function.

In December 2005, he passed the AMFI Certification Test on Mutual Funds with distinction (90%).

Farrokh’s experience in the compliance, legal and company secretarial field extends over 25 years, including 7 years in the field of mutual funds.

Farrokh is a Commerce graduate and has a Bachelor of General Law (‘BGL’) qualification. He is an Associate member of both the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India.

**Yash Kumar – Head – Compliance & Monitoring**

**Age: 31 years; Total experience: 6 years**

Yash has worked with various leading organizations like the Securities and Exchange Board of India, Reliance Capital Asset Management Limited and National Commodity & Derivatives Exchange Limited.

Yash Kumar is a commerce Graduate from Delhi University. He holds an MBA from Indraprastha University, Delhi and also a LLB from University of Delhi. He has completed his Post Graduate Diploma in Enterprise Risk Management from ICFAI University.

**Namdev Chougule – Assistant Fund Manager – Fixed Income Dealing**

**Age: 31 years; Total experience: 10 years**

Namdev has worked in the financial services sector for over 6 years as a dealer, analyst and fund manager for several leading mutual funds and banks.

Prior to joining JPMorgan Asset Management India Private Limited, Namdev worked for a year as Fund Manager – Fixed Income with Lotus India Asset Management Company Private Limited and around 6 months as an Analyst – Fixed Income with JM Financial Asset Management Company Limited.

Namdev holds a B.E. (Elect) and MMS (Finance) and he has passed the Financial Risk Managers (FRM) examination conducted by the Global Association of Risk Professionals.

**Karan Sikka – Dealer**

**Age: 28 years; Total experience: 3 years**

Karan has worked with Principal Asset Management Company Private Limited, ICICI Bank Limited and J.P. Morgan Services India Private Limited. He joined the JPMorgan group of companies in December 2004.

Karan is a Chartered Accountant and a Commerce Graduate.

**Mayur Dharamshi – Dealer**

**Age: 35 years, Total Experience: 13 years**

Mayur has been with JPMorgan group since 1996. Mayur has extensive exposure in the areas of Equity Settlements, Finance and Accounts, prior to his moving into the Asset Management team, where he was a part of the AMC operations team before moving into Equity Dealing.

Mayur is a Commerce Graduate from the Mumbai University.

**Thrivikram Iyer**

**Head- Risk Management**

**Age: 36 years; Total experience: 12 years**

Thrivikram has around 12 years combined experience in the areas of risk management, consultancy and accounting.

Prior to joining JPMorgan Asset Management, he worked with ICICI Prudential Asset Management Company as Associate Vice President handling Risk Management for a period of close to two years. Prior to that he worked with Ocwen Financial Solutions Private Limited (subsidiary of Ocwen Financial Corporation) as Global Risk Manager where he gained extensive experience and was involved in the implementation of the requirements of Sarbanes Oxley Act.

He started his career with Elder Pharmaceuticals Limited and subsequently worked with Credit Lyonnais Bank and later Synergy Software Systems in Dubai (U.A.E) where he was involved in re-engineering processes and providing consultancy in the implementation of industry specific solutions.

Thrivikram holds a B.Com. degree from the University of Mumbai and is a Chartered Accountant and a Certified Management Accountant.

**Ravi Ratanpal  
Dealer**

Age: 28 years; Total Experience: 3 years

Ravi has been with the JPMorgan group since 2004. He has experience in debt capital markets research. Prior to his moving into the Asset Management team, he was part of the Investment Banking Research team at JPMorgan.

Ravi is a Commerce Graduate from the Mumbai University and an MBA (Finance).

**Arindam Ghosh – Head - Business Development**

Age: 36 years; Total experience: 13 years

Arindam Ghosh has had a long career in the financial services industry.

He started his career with Paterson & Co. in 1995 where he spent 4 years. He then joined ICICI Capital Services Limited where he spent 1 year in Sales and Distribution of Investment products (products launched by ICICI Bank and other 3rd Parties) he then joined HDFC asset management company limited where he spent more than 4 yrs and was responsible for sales and distribution function in Mumbai before joining Fidelity Fund Management Private Limited where he was responsible for the sales & distribution function across West and East India, a post he held till September 2006.

Arindam holds a Bachelors Degree in Commerce and M.B.A.

**Fund Manager of the Scheme:**

Mr. Harshad Patwardhan and Mr. Amit Gadgil (for equity portion)

Mr. Nandkumar Surti and Namdev Chougule (for debt portion)

**Fund Management and Research**

The AMC currently has four personnel in the fund management department and three personnel in the research department.

**6. Fund Administration**

Deutsche Bank AG, Mumbai Branch has been appointed as the fund administrator for the Scheme. The Fund Administrator provides fund accounting, NAV calculation, expense administration and other related services in accordance with the Fund Administration Agreement dated February 20, 2007 between the AMC and the Fund Administrator.

The Fund Administrator is entitled to remuneration for its services in accordance with the terms of the Fund Administration Agreement and such remuneration will be borne by the AMC and not by the Unit Holders. The AMC has the right to change the Fund Administrator in certain circumstances.

**7. Custodian**

Deutsche Bank AG, Mumbai Branch has been appointed as custodian of the Scheme. The Custodian is registered with SEBI under the SEBI (Custodians of Securities) Regulations, 1996, vide registration number IN/CUS/003 dated March 20, 1998. The Mutual Fund has entered into a Custody Agreement dated February 20, 2007, with the Custodian, whose principal responsibilities under the Custody Agreement are to:

- establish custody and deposit accounts for the relevant schemes of the Fund;
- receive and hold any Investments, cash and/or any other property of the Scheme;
- effect the transfer, exchange or delivery of Investments;
- collect and receive dividends, all other income and payments, and process corporate benefits;
- ensure that the Investments are clearly recorded in the books of the Custodian as belonging to the relevant scheme of the Fund and not to the Custodian or other customers, agents or nominees of the Custodian;
- make payments, or effect payments, out of the custody and / or deposit accounts of the relevant schemes of the Fund;
- maintain and keep all necessary books, records and statements;
- keep the Fund informed about all notices, reports, circulars and other information received by it;
- procure that all rights of voting conferred by any Property held by it on behalf of the relevant schemes of the Fund shall be exercised in accordance with the directions of the Fund;
- arrange to provide adequate insurance cover in respect of Securities held by it;
- ensure segregation of assets between different schemes of the Fund;
- provide detailed information and other reports as required by the AMC;
- maintain confidentiality of the transactions; and
- be responsible for any loss or damage to the assets belonging to the schemes of the Fund due to negligence on its part or on the part of its approved agents.

The Custodian shall not assign, transfer, hypothecate, pledge, lend, use or otherwise dispose of any assets or property of the Fund, except pursuant to instruction from the Trustee / AMC or under the express provisions of the Custody Agreement.

The Custodian will be entitled to remuneration for its services in accordance with the terms of the Custody Agreement and an estimate of which is provided in the table pertaining to the recurring expenses in respect of the Scheme as set out in Section V.B.3 – Annual Scheme Recurring expenses. Accordingly, the recurring expenses will be borne by the Unit Holders. The Trustee has the right to change the Custodian, in certain circumstances.

## **8. Registrar and Transfer Agents**

Deutsche Investor Services Private Limited has been appointed to act as registrar and transfer agent to the Scheme in accordance with the Registrar and Transfer Agent Agreement dated February 20, 2007. The Registrar is registered with SEBI under the SEBI (Registrar and Transfer Agents) Regulations, 1993 vide registration no. INR000004017 dated October 9, 2006.

As registrar to the Scheme, DISPL's principal responsibilities are to:

- provide ISCs;
- process Purchase and Redemption transactions;
- calculate and allot units for the relevant schemes of the Fund;
- provide reconciliations;
- process dividend / commission payments;
- maintain Unit Holders accounts;
- prepare and mail account statements;
- respond to enquiries made by any Unit Holders or potential investors and redress complaints;
- provide systems that have functionality required by the AMC or Regulations.

The Boards of the Trustee and the AMC are satisfied that the Registrar can provide the service required and has adequate facilities and systems capabilities to discharge responsibilities with regard to processing of applications and despatching Unit certificates / Account statements to Unit Holders within the time limit prescribed in the Regulations and also has sufficient capacity to redress investor complaints. The Registrar will be paid fees in accordance with the agreed terms and conditions an estimate of which is provided in the table pertaining to the recurring expenses in respect of the Scheme as set out in Section V.B.3 – Annual Scheme Recurring Expenses. Accordingly, the recurring expenses will be borne by the Unit Holders. The AMC has the right to change the Registrar in certain circumstances.

The registered office of the Registrar and Transfer Agent is:

Nicholas Piramal Tower  
Peninsula Corporate Park  
Ganpat Rao Kadam Marg, Lower Parel  
Mumbai – 400 013.

The operations / correspondence office of the Registrar and Transfer Agent is:

Phase 1, Tower 1,  
2<sup>nd</sup> Floor, Logitech Park,  
M.V. Road, Sakinaka,  
Andheri (E)  
Mumbai – 400072.

## **9. Auditors**

Statutory Auditors to the Scheme

Price Waterhouse  
252 Vir Savarkar Marg  
Shivaji Park, Dadar  
Mumbai 400 028

Auditors to the Asset Management Company

S. R. Batliboi & Co.  
Express Towers  
Nariman Point  
Mumbai – 400 021

Auditors to the Trustee Company

Price Waterhouse  
252 Vir Savarkar Marg  
Shivaji Park, Dadar  
Mumbai 400 028

Price Waterhouse, Chartered Accountants, are the auditors appointed for the Fund. The audit fees for the Scheme will be borne by the Unit Holders as part of the recurring expenses of the Scheme. The Trustee has the right to change the Auditors.

## **10. Collection Banks**

The Collection Banks to the NFO, provided in Section XXIV, are authorised to act as collection banks. Collection Banks may be appointed by the AMC from time to time. Applications for the NFO will be accepted at Designated Collection Centres. The details are mentioned at the end of this Offer Document

## **X. UNITS AND OFFER**

### **A. Units on offer during New Fund Offering**

#### **1. Minimum amount to be raised**

The Fund seeks to collect a minimum subscription amount of Rs one crore under the Scheme during the NFO Period. In the event this amount is not raised during the NFO Period, the amount collected under the Scheme will be refunded to the applicants as mentioned in paragraph 6 (c ) below.

There is no upper limit on the total amount to be collected under the Scheme during the NFO Period.

#### **2. NFO price**

The Units can be purchased at Rs 10 per Unit plus the applicable Entry Load in the Scheme during the NFO Period.

For Purchases attracting an Entry Load (2.25%), the Purchase Price = Rs 10.225

For Purchases not attracting Entry Load, the Purchase Price = Rs 10

If the Trustee is satisfied that, in the interest of the Unit Holders, it is necessary or expedient to do so, it may vary the issue as it may deem fit.

#### **3. NFO Period**

The NFO Period for the Scheme will be from xxx xx, 2008 to xxx xx, 2008.

#### **4. Extension of NFO Period**

The Trustee reserves the right to extend the closing date of the NFO Period, subject to the condition that the NFO Period shall not be kept open for more than 30 days. Any such extension shall be announced by way of a notice in one national newspaper.

#### **5. Initial Issue Expenses**

As per the Regulations initial issue expenses cannot be charged to the Scheme.

Scheme issue related expenses shall be charged to the investors to the extent of Entry Load charged during the NFO.

#### **6. Procedure for application during NFO Period**

##### **(a) Allotment**

Subject to the receipt of the specified minimum subscription amount, full allotment of Units applied for will be made within 30 days from the date of closure of the NFO Period for all valid applications received during the NFO Period.

##### **(b) Account statement**

An account statement will be sent by ordinary post / courier / secured encrypted electronic mail to each Unit Holder, stating the number of Units purchased, not later than 30 days from the close of the NFO Period. For ongoing periods, an account statement will be sent within 10 Business Days from allotment. Unit Holders under SIP/STP/SWP would receive the account statement once every quarter ending March, June, September and December within

10 Business days of the end of the respective quarter. However, the first account statement under SIP/STP/SWP shall be issued within 10 Business days of the initial investment. In case of any specific request received from a Unit Holder, the account statement would be sent to the Unit Holder within 5 Business days from the receipt of such request without any charges. Further, soft copy of the account statement shall be mailed to the Unit Holders under SIP/STP/SWP to their e-mail address on a monthly basis, if so mandated.

**(c) Refunds**

If the Scheme fails to collect the minimum subscription amount of Rs one crore, the Fund shall be liable to refund the money (without interest except as provided below) to the applicants.

In addition to the above, the refund of subscription money to the applicants whose applications are treated as invalid or rejected for any other reason whatsoever will commence immediately after the allotment process is completed. Refunds will be completed within 30 days of the closure of the NFO Period. If the Fund refunds the amount after such a 30-day period, interest at 15% per annum shall be liable to be paid by the AMC. Refund orders will be marked "A/c Payee only" and drawn in the name of the applicant (in the case of a sole applicant) and in the name of the first applicant in all other cases. All refund cheques will be mailed by registered post or as permitted by applicable Regulations at the risk of the applicants.

**7. Listing and transfer of Units**

The Scheme being open-ended, the Units are not proposed to be listed on any stock exchange and no transfer facility is provided. However, the Mutual Fund may, at its sole discretion, list the Units on one or more stock exchanges at a later date.

The Mutual Fund will offer and redeem the Units on a continuous basis after the NFO Period. If a person becomes a Unit Holder in the Scheme consequent to operation of law, the Mutual Fund will, subject to production of satisfactory evidence that the transferee is otherwise eligible to hold the Units, effect the transfer. Similarly, in cases of transfers taking place consequent to death or insolvency, the transferee's name will be recorded in the register of the Mutual Fund by the Registrar subject to production of satisfactory evidence and the transferee being eligible to hold the Units. In all such cases, if the transferee is not eligible to hold the Units, the Units will be redeemed and the proceeds will be disbursed to the transferee if such transferee is entitled to the same.

**8. Transmission of Units**

If Units are held in a single name by the Unit Holder, Units shall be transmitted in favour of the nominee where the Unit Holder has appointed a nominee upon production of the death certificate or any other documents to the satisfaction of the AMC / Registrar. If the Unit Holder has not appointed a nominee or in cases 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 personal representative(s) on production of the death certificate and / or any other documents to the satisfaction of the AMC / Registrar. 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 Unit 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 AMC /Registrar and in favour of the nominee only upon death of all the Unit Holders.

Any person who becomes entitled to a Unit as a consequence of the death or bankruptcy of any sole Unit Holder or of the survivor of joint Unit Holders shall not be entitled to receive notices of or to attend or vote at any meeting of Unit Holders until such person is registered as the Unit Holder of such Unit. If any person is entitled to be registered as the Unit Holder or to transfer any Unit in accordance with the provisions of the Offer Document, the Trustee Company may retain any moneys payable in respect of such Unit on trust until such person is registered as the Unit Holder of, or has transferred, the relevant Unit.

## **9. Duration of the Scheme**

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

- (a) on the happening of any event which, in the opinion of the Trustee, requires the Scheme to be wound up; or
- (b) if 75% of the Unit Holders of the Scheme pass a resolution that the Scheme be wound up; or
- (c) if SEBI so directs in the interests of Unit Holders; or
- (d) in case of non-fulfilment of conditions prescribed in SEBI circular no. SEBI/IMD/CIR No. 10/22701/03 dated December 12, 2003 and 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:

- (a) to SEBI; and
- (b) 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

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

## **10. Procedure and manner of winding-up**

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.

The Trustee, or other person authorised 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.

On completion of the winding up, the Trustee shall forward to SEBI and 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 Fund.

Notwithstanding anything contained hereinabove, 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.

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

## **XI. Sale of Units**

### **A. Minimum amount for applying for Units in the Scheme**

An initial application for Purchase of Units under the Scheme must be for a minimum amount of Rs 5,000. Additional application for Purchase of Units under the Scheme must be for a minimum amount of Rs 1,000.

### **B. Options available under the Scheme**

The Scheme offers two options - growth option and dividend option. The dividend option offers dividend payout and dividend reinvestment.

Under the growth option no dividend will be declared.

Under the dividend option, a dividend may be declared by the Trustee, at its discretion, from time to time (subject to the availability of distributable surplus as calculated in accordance with the Regulations).

If the investor does not clearly specify the choice of option at the time of investing, it will be treated as a growth option.

If the investor does not clearly specify the choice of dividend payout or reinvestment options within the dividend option, he will be treated as having elected the reinvestment option.

### **C. Cut-off time and Applicable NAV**

The Cut-off time for the Scheme is 3 pm and the Applicable NAV will be as under:

#### **For Purchase**

- a. where the application is received upto 3.00 pm with a local cheque or demand draft payable at par at the place where the application is received – closing NAV of the day of receipt of application;
- c. where the application is received after 3.00 pm with a local cheque or demand draft payable at par at the place where the application is received – closing NAV of the next Business Day ; and

#### **For Redemption**

- a. where the application is received on any given Business day up to 3.00 pm by 7<sup>th</sup> of each month – closing NAV of the last Business Day of the month.
- c. where an application is received after 3.00 pm on the 7<sup>th</sup> day of the month – closing NAV of the last Business Day of the next month.

**In case 7th of the month is a non-business day, the application received by the last Business Day prior to 7th of the month would be processed at the closing NAV of last business day of that month.**

Examples:

1. If a redemption application is received on 28th of April, the investor will get the closing NAV of the last business day of May.
2. If a redemption application is received on 7th of April by 3:00 pm, the investor will get the closing NAV of last business day of April.

3. In case 7th of September is a Sunday, a redemption application is received by 5th of September by 3:00 pm, the investor will get the closing NAV of last business day of September, provided 5th is a business day.

The above will be applicable only for cheques / demand drafts / payment instruments payable locally in the city in which a Designated Collection Centre is located. No outstation cheques will be accepted.

### **For Switches**

Valid applications for 'switch-out' shall be treated as applications for Redemption and valid applications for 'switch-in' shall be treated as applications for Purchase, and the provisions of the Cut-off time and the Applicable NAV mentioned in the Offer Document as applicable to Purchase and Redemption shall be applied respectively to the 'switch-in' and 'switch-out' applications.

### **D. Minimum number of investors and maximum holding by an investor**

As per SEBI circular no. SEBI/IMD/CIR No. 10/22701/03 dated December 12, 2003, and SEBI/IMD/CIR No. 1/42529/05 dated June 14, 2005 the Scheme should have a minimum of 20 Unit Holders and no single Unit Holder should account for more than 25% of the corpus of the Scheme. In case of non-fulfilment with either of the aforesaid conditions in a three-month time period or the end of succeeding calendar quarter, whichever is earlier, from the close of the NFO of the Scheme, the Scheme shall be wound up by following the guidelines prescribed by SEBI. The aforesaid conditions should also be met in each subsequent calendar quarter thereafter on an average basis. SEBI has further prescribed that if any investor breaches the 25% limit over a calendar quarter, a rebalancing period of one month will be allowed to the investor and thereafter the investor who is in breach of the limit shall be given 15 days notice to redeem his exposure over the 25% limit. In the event of failure on part of the said investor to redeem the excess exposure, the excess holding over the 25% limit will be automatically redeemed by the Mutual Fund at the Applicable NAV on the 15<sup>th</sup> day of the notice period.

### **E. Purchase of Units**

#### **1. Who can invest**

**Prospective investors are advised to satisfy themselves that they are not prohibited by any law from investing in the Scheme and are authorised to purchase units of mutual funds as per their respective constitutions, charter documents, corporate / other authorisations and relevant statutory provisions.** The following is an indicative list of persons who are generally eligible and may apply for subscription to the Units of the Scheme:

- Indian resident adult individuals, either singly or jointly (not exceeding three);
- Minor through parent / lawful guardian (please see the note below);
- Companies, bodies corporate, public sector undertakings, association of persons or bodies of individuals and societies registered under the Societies Registration Act, 1860;
- Religious and charitable trusts, wakfs or endowments of private trusts (subject to receipt of necessary approvals as required) and private trusts authorised to invest in mutual fund schemes under their trust deeds;
- Partnership firms constituted under the Partnership Act, 1932;
- A HUF through its Karta;

- Banks (including co-operative banks and regional rural banks) and financial institutions;
- NRIs / PIOs on full repatriation basis or on non-repatriation basis (NRIs or PIOs, of the United States of America and Canada cannot apply);
- FIIs registered with SEBI on full repatriation basis;
- Army, air force, navy and other para-military funds and eligible institutions;
- Scientific and industrial research organisations;
- Provident / pension / gratuity and such other funds as and when permitted to invest;
- International multilateral agencies approved by the Government of India / RBI;
- The Trustee, AMC or Sponsor or their associates (if eligible and permitted under prevailing laws).
- A mutual fund through its schemes, including Fund of Funds schemes.
- Any other category of investors as the AMC may permit.

Note: A Unit Holder who is a minor on becoming a major may inform the Registrar and provide his specimen signature duly authenticated by his banker as well as details of his bank account and Permanent Account Number (if required) to enable the Registrar to update their records and allow him to operate the account in his own right.

## **2. Who cannot invest**

### **IT SHOULD BE NOTED THAT THE FOLLOWING PERSONS CANNOT INVEST IN THE SCHEME:**

- (a) Any individual who is a foreign national or any other entity that is not an Indian resident under the Foreign Exchange Management Act, 1999, except where registered with SEBI as a FII or FII sub-account or except for NRIs or PIOs (who are not residents of the United States of America and Canada), unless such foreign national or any other person or entity that is not an Indian resident has procured the relevant regulatory approvals from the Foreign Investment Promotion Board and/or the RBI, as applicable, as determined in the sole discretion and to the sole satisfaction of the AMC.
- (b) Overseas Corporate Bodies (OCBs), i.e. firms and societies which are held directly or indirectly but ultimately to the extent of at least 60% by NRIs and trusts in which at least 60% of the beneficial interest is similarly held irrevocably by such persons.
- (c) NRIs and PIOs who are resident of the United States of America and Canada.
- (d) Non-Resident Indians residing in the Non Compliant Countries and Territories (NCCTs) as determined by the Financial Action Task Force (FATF), from time to time.
- (e) Religious and charitable trusts, wakfs or other public trusts that have not received necessary approvals and a public trust that is not authorised to invest in mutual fund schemes under their trust deeds. The Mutual Fund will not be responsible for or any adverse consequences as a result of an investment by a public or a private trust if it is ineligible to make such investments.
- (f) Any other person determined by the AMC or the Trustee as not being eligible to invest in the Scheme.

The Units of the Scheme are not 'public securities' under the relevant statutes and any religious and charitable trust that seeks to invest in the Units of the Scheme will require prior approval of the appropriate authority.

The Fund reserves the right to include / exclude new / existing categories of investors to invest in the Scheme from time to time, subject to SEBI Regulations and other prevailing regulations.

Subject to the Regulations, any application for Units may be accepted or rejected at the sole and absolute discretion of the Trustee. For example, the Trustee may reject any application for the Purchase of Units if the application is invalid or incomplete or if, in its opinion, increasing the size of the Scheme's Unit capital is not in the general interest of the Unit Holders, or if the Trustee for any other reason does not believe that it would be in the best interest of the Scheme or its Unit Holders to accept such an application.

The AMC / Trustee may need to obtain from the investor verification of identity or such other details relating to a subscription for Units as may be required under any applicable Laws, which may result in a delay in processing the application.

### **3. Purchase price**

Following the NFO Period, the Purchase Price of the Units is the price at which investors can Purchase Units of the Scheme. It will be calculated as described below:

Purchase Price = Applicable NAV x (1 + Entry Load), if applicable

Purchase Price will be calculated up to four decimal places for the Scheme.

For example, if the Applicable NAV of the Scheme is Rs 10, and it has a 2.25% Entry Load, the Purchase Price will be calculated as follows:

Purchase Price = 10 x (1 + 2.25 %) i.e. 10 + 0.2250 = 10.2250

If the Scheme has no Entry Load, the Purchase Price will be equal to the Applicable NAV.

For details on Load structure for the Scheme, please refer Section V – Load, Fees and Expenses.

### **4. How to apply**

Application Forms / Transaction Slips for the Purchase of Units of the Scheme will be available at the ISCs / distributors. Application Forms / Transaction Slips filled up and duly signed by the investor or all joint investors (as the case may be) should be submitted along with the cheque /draft / other payment instrument and supporting documents to a Designated Collection Centre. For details of payment, please refer to paragraph 5 below - How to pay.

Additional Purchases and Redemptions may be communicated through facsimile instructions (Facsimile Instructions) and the AMC shall not require other written confirmation in respect of such Facsimile Instructions. Such Facsimile Instruction are solely for the convenience, and at the risk, of the Unit Holder and the AMC is authorised to act on any Facsimile Instruction which the AMC in its sole discretion believes is transmitted from the Unit Holder.

The AMC shall exercise due care in carrying out its internal verification procedures but shall not be liable for acting in good faith on such Facsimile Instructions which are transmitted from unauthorised persons, which shall be binding on the Unit Holder whether made with or without his authority, knowledge or consent.

Applications should be made in adherence to the minimum amount requirements as mentioned in paragraph A - Minimum amount for applying in the Scheme.

It is mandatory for every applicant to provide the name of the bank, branch, address, account type and number as per SEBI requirements and any Application Form / transaction slip without these details will be treated as incomplete. Such incomplete applications 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 number.

In order to strengthen the Know Your Client (KYC) norms and identify every participant in the securities market with their respective PAN, thereby ensuring a sound audit trail for all transactions, SEBI has mandated that PAN will be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction.

Accordingly, it is mandatory for investors to provide their PAN along with a self-attested ( if required) copy of the investor's PAN Card.

If the investment is being made on behalf of a minor, the PAN of the minor or father or mother or the guardian, who represents the minor, should be provided.

Applications received without PAN/PAN card copy will be rejected.

In accordance with the regulatory guidelines, the PAN card copy needs to be verified with the original.

For all applications the applicant or in the case of application in joint names, each of the applicants, should mention his / her permanent account number (PAN) allotted under the Income-tax Act, 1961 and also submit a photocopy of the PAN card(s) or a communication from the income tax authority indicating allotment of PAN ("PAN Communication") along with the application for the purpose of verification of the number.

An application should be complete in all respects before it is submitted.

It will be treated as incomplete and rejected if:

- the PAN is not mentioned;
- the PAN is mentioned but not supported by a photocopy of the PAN card or PAN Communication;
- any other information or documents as may be required by the AMC or the Trustee have not been submitted together with the Application Form / Transaction Slips.

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

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

## **5. How to pay**

All cheques / drafts must be drawn favouring "JPMorgan India Alpha Fund". They should be crossed "Account Payee only". A separate cheque, bank draft or instruction must accompany each application.

Payment can be made by either:

- cheque;
- draft (i.e. demand draft or bank draft);
- a payment instrument (such as pay order, banker's cheque, etc.);
- electronic instructions (if mandated).

The cheque 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 invest through a bank with whom the AMC has made an arrangement, whereby payment may be made through ECS / EFT / SEFT / 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 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).
- Cash, money orders or postal orders.
- Post-dated cheques (except for applications for purchasing Units under SIP of the Scheme).

If the applicant is resident of a city, the banking clearing circle of which is different from that of any Investor Service Centre as designated by the AMC from time to time, the bank charges for the demand draft(s) shall be borne by the applicant. The AMC shall not refund any demand draft charges.

Applications accompanied by cheques / drafts not fulfilling the above criteria are liable to be rejected.

Note: The Trustee, at its discretion at a later date, may choose to alter or add other modes of payment.

## **6. Payments by NRIs, FIIs**

### **(a) Repatriable basis**

In the case of NRIs/PIOs, payment may be made either by inward remittance through normal banking channels or out of funds held in a Non-Resident (External) Rupee Account (NRE) / Foreign Currency (Non-Resident) Account (FCNR).

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 authorised dealer in accordance with the relevant exchange management regulations.

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

In the case of NRIs, 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).

## **7. Transactions under Power of Attorney**

An applicant wishing to transact through a power of attorney must lodge the photocopy of the POA attested by a notary public or the original POA (which will be returned after verification). Applications are liable to be rejected if the POA is not submitted. The enclosure of original POA should be duly indicated in the Application Form / Transaction Slips.

## **8. Application by non-individual investors**

In case of an application by a company, body corporate, society, mutual fund, trust or any other organisation not being an individual, a duly certified copy of the relevant resolution or a document providing evidence of the authority of the organisation to invest in units of mutual fund(s) such as the Scheme, along with the updated specimen signature list of authorised signatories must be lodged along with the Application Form / Transaction Slip at a Designated Collection Centre, if not submitted earlier. Further, the AMC may require that a copy of the incorporation deeds / constitutive documents (e.g. memorandum of association and articles of association) be submitted.

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

In case of joint applications, if the investor has not mentioned the mode of holding, it shall be deemed as 'Anyone or Survivor'.

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

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 Investment Manager 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 should carefully study Section X.A.8 - Transmission of Units and paragraph H.6. below - Nomination Facility, before selecting the relevant box pertaining to the mode of holding in the Application Form.

## **10. Processing of Application Forms during on-going offer period**

### **(a) Allotment**

New investors may apply for Units by filling up an Application Form. Existing investors can apply for Units using a Transaction Slip. All valid and complete applications/slips will be allotted Units at the Applicable NAV plus applicable Entry Load for the application amount.

**(b) Account statement**

An account statement will be sent by ordinary post /courier/ secured encrypted electronic mail to each Unit Holder, stating the number of Units purchased, generally within three Business Days, but not later than 10 Business Days from date of acceptance of the valid Application Form / Transaction Slip. Unit Holders under SIP/STP/SWP would receive the account statement once every quarter ending March, June, September and December within 10 Business Days of the end of the respective quarter. However, the first account statement under SIP/STP/SWP shall be issued within 10 Business Days of the initial investment.

**F. Note on Anti-Money Laundering, Know-Your-Customer and Investor Protection**

**Anti Money Laundering:** JPMorgan Chase is committed to complying with all applicable anti-money laundering laws and regulations in all of its operations. In India, the Prevention of Money Laundering Act, 2002 and the rules under it have been notified. Further, SEBI has also issued guidelines on anti-money laundering which are required to be followed by the intermediaries. JPMorgan Chase recognises the value and importance of creating a business environment that strongly discourages money launderers from using JPMorgan Chase. To that end, certain policies have been adopted by the AMC.

**Know Your Customer (KYC):** The need to "Know Your Customer" is vital for the prevention of money laundering. The AMC may seek information or obtain and retain documentation used to establish identity. It may re-verify identity and obtain any missing or additional information for this purpose.

With effect from February 1, 2008, any investors investing (whether new or additional purchase) Rs. 50,000/- or more in mutual funds is required to comply with Know Your Client (KYC) norms under the Prevention of Money Laundering Act 2002 (PMLA) ("**KYC Compliance**").

In order to make the data capture and document submission easy and convenient for the investors, the mutual fund industry collectively entrusted the responsibility of collection of documents relating to identity and address of the investor(s) to an independent agency (Presently CDSL Ventures Limited) which will act as central record keeping agency ('**Central Agency**'). As a record of having verified the identity and address of the investors(s) and for efficient retrieval of records, the Central Agency will issue a KYC acknowledgment Letter (previously known as Mutual Fund Identification Number – MIN Letter) ("**KYC Acknowledgment**") to each investor who submits an application and prescribed documents to the Central Agency.

Investors are required to attach the copy of KYC Acknowledgement along with the application at the time of making investment for the first time in every mutual fund. In respect of any subsequent investments in the same mutual fund, it is not necessary to attach a copy of the KYC Acknowledgement. The investors who wish to obtain a KYC Acknowledgement are required to submit a completed application form ("**KYC Form**") for KYC Compliance along with all the prescribed documents listed in the KYC Form, at any of the Points of Service ('**POS**'). The Form is available on our website ([www.jpmorganmf.com](http://www.jpmorganmf.com)) and at the AMFI website ([www.amfiindia.com](http://www.amfiindia.com)). POS are the designated centres appointed by the Central Agency for receiving KYC application forms, processing data and providing customers with evidence of KYC Compliance. A list of POSs (including their locations) is available at

www.amfiindia.com. On submission of the application, documents and information to the satisfaction of the POS, the Central Agency will scrutinise the information and documents submitted by the investor, and confirm the KYC Compliance by way of KYC Acknowledgment. However, the Central Agency may cancel the evidence of KYC Compliance within 15 Business Days from the date of allotment of provisional certification in case of any deficiency in the document/information. Intimation of cancellation of KYC Compliance certificate will be dispatched by the Central Agency to the investor immediately. No communication will be sent to the investor if the KYC Compliance certificate as allotted is confirmed.

The KYC Compliance certificate will be validated with the records of the Central Agency before allotting Units. Applications for subscriptions of value of Rs.50,000/- and above without a valid KYC Compliance can be rejected by the AMC / Registrar.

In the event of any application form being subsequently rejected for lack of information / deficiency / insufficiency of mandatory documentation, the investment transaction may be cancelled and the amount may be redeemed at Applicable NAV, subject to payment of Exit Load, wherever applicable. Such Redemption proceeds may be despatched within a maximum period of 21 days from date of acceptance of the application. The decision of the AMC/ Registrar/ CDSL Ventures Ltd. in this regard will be considered final.

All investors (both individual and non-individual) can apply for KYC Compliance. However, applicants should note that minors cannot apply for a KYC Compliance and any investment in the name of minors should be along with a guardian, who should obtain a KYC compliance certificate for the purpose of investing with a mutual fund. Applicants / Unit Holders intending to apply for Units / currently holding Units and operating their scheme folios through a Power of Attorney (PoA) must ensure that the issuer of the PoA and the holder of the PoA mention their respective KYC compliance certificate at the time of investment above the threshold. PoA holders are not permitted to apply for a KYC Compliance on behalf of the issuer of the PoA. Separate procedures are prescribed for change in name, address and other KYC compliance related details, should the applicant desire to change such information. POS will extend the services of effecting such changes. Further details on KYC Compliance can be sought on our website ([www.jpmmorganmf.com](http://www.jpmmorganmf.com)) and at the AMFI website ([www.amfiindia.com](http://www.amfiindia.com)).

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

- (i) after due diligence, the investor / Unit Holder / a person making the payment on behalf of the investor does not fulfil the requirements of the "Know Your Customer" as determined by the AMC or the AMC believes that the transaction is suspicious in nature as regards money laundering;
- (ii) the AMC determines in its sole discretion that the application does not or will not comply with any applicable laws or regulations.

In this regard the AMC reserves the right to reject any application and effect a mandatory Redemption of Units allotted at any time prior to the expiry of 30 Business Days from the date of the application

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

**Investor Protection:** The Scheme is designed to support long-term investment and active trading is discouraged. Short term or excessive trading into and out of the Scheme may affect its performance by disrupting portfolio management strategies and by increasing expenses. The Fund, the AMC, or the Trustee may refuse to accept applications for Purchase, especially where transactions are deemed disruptive, particularly from market timers or investors who, in the Fund's / AMC's or the Trustee' opinion, have a pattern of short term or excessive trading or whose trading has been or may be disruptive for the Scheme. If in the opinion of the AMC, a Unit Holder is indulging in short term or excessive trading as above, it shall, under powers delegated by the Trustee, have absolute discretion to reject any application, prevent further transaction by the Unit Holder or redeem the Units held by the Unit Holder at any time prior to the expiry of 30 Business Days from the date of the application.

## **G. Investor information**

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

- Sponsor or its associates, Trustee, Registrar, banks and / or authorised external third parties who are involved in transaction processing, despatches, etc. of the Scheme;
- Distributors or sub-brokers through whom applications of investors are received for the Scheme.; or
- Any other persons for compliance with any legal or regulatory requirements or to verify the identity of investors for complying with anti-money laundering requirements.

Account statements or financial information pertaining to the investor, if it is to be sent over the internet to the Unit Holder, distributors or any other entity as indicated above, will be sent only through a secure means and / or through encrypted electronic mail.

## **H. Facilities offered to investors**

### **1. Systematic investment plan**

This facility enables investors to save and invest periodically over a period of time. It is a convenient way to "invest as you earn" and affords the investor an opportunity to enter the market regularly, thus averaging the acquisition cost of Units. The conditions for investing in SIP will be as follows:

- (a) SIP is offered only during the Ongoing Offer Period.
- (b) The date of the first cheque shall be the same as the date of the application while the remaining cheques (minimum five payment instructions/cheques) shall be post dated cheques (dated uniformly either the 1<sup>st</sup>, 10<sup>th</sup>, 15<sup>th</sup> or 25<sup>th</sup> of a month). Alternatively, the payment under SIP may be made through a distributor with whom the AMC has made an arrangement for payment of investment money through ECS / EFT / SEFT / RTGS /SI / wire transfer or in any manner acceptable to the AMC.
- (c) Purchases can be made only on monthly basis under SIP.
- (d) All cheques /payment instructions (including the first cheque / payment instruction) shall be of equal amounts.
- (e) The minimum amount of each cheque / payment instruction shall be Rs 1,000.
- (f) The aggregate of such cheques / payment instructions shall not be less than Rs 6,000. i.e. minimum six cheques in case of monthly SIP. There is no upper Purchase limit for a single cheque / payment instruction or in aggregate.
- (g) If the previous folio number is not mentioned, an extension of an existing SIP will be treated as a new SIP on the date of such application and all the above conditions need to be met with.

- (h) The load structure prevailing at the time of submission of the SIP application (whether fresh or extension) will apply for all the instalments indicated in such an application.
- (i) In case of cancellation of a SIP or cheques returned uncleared for SIP instalments or payment instructions not honoured, if no Entry Load had been charged, the AMC may reduce the number of Units allotted against the previous instalments to the extent of applicable Entry Load on such instalments.

The Units will be allotted to the investor at the Applicable NAV plus applicable Entry Load on the respective dates on which the investments are sought to be made. However, if any of the dates on which an investment is sought to be made is a non Business Day, the Units will be allotted at the Applicable NAV plus applicable Entry Load of the next Business Day. Any Unit Holder can avail of this facility subject to certain terms and conditions detailed in the Application Form. This facility is available only if the Application Form / Transaction Slip along with the post-dated cheques /payment instructions is handed over to an ISC.

**Investors should note that an application for SIP can be submitted at Designated Collection Centres.**

For applicable load on Purchases through SIP please refer to Section V – Load, Fees and Expenses.

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## **2. Switching**

Investors can switch between different options under the Scheme, at the Applicable NAV. All valid applications for switch-out shall be treated as Redemption and for switch-in as Purchase with the respective Applicable NAVs of the option. As per the current load structure, no Entry or Exit Load will be charged for intra-scheme switching. However, the AMC may change the loads prospectively as indicated in Section V.A - Load structure of the Scheme.

Note: For tax implications on switching please see Section XIX - Tax treatment of investments in mutual funds.

## **3. Lien on Units for loan**

In conformity with the guidelines and notifications issued by SEBI / Government of India / any other Regulatory Agencies from time to time, as applicable, Units under the Scheme may be offered as security by way of a lien / charge in favour of scheduled banks, financial institutions, non-banking finance companies, or any other body. The Registrar will note and record the lien against such Units. A standard form for this purpose is available on request with the Registrar.

The Unit Holder will not be able to redeem / switch Units under lien until the lien holder provides written authorisation to the AMC / Fund that the lien is discharged. As long as Units are under lien, the lien holder will have complete authority to exercise the lien, thereby redeeming such Units and receiving payment 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 a 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.

#### **4. Nomination facility**

A Unit Holder can, at the time an application is made or by subsequently writing to the AMC / Registrar, request for a nomination form in order to nominate any one/ more person(s) (maximum three) to receive the Units upon his death, subject to the completion of certain necessary formalities e.g. providing proof of the death of the Unit Holder, signature of the nominee, furnishing proof of guardianship if the nominee is a minor, and the execution of an indemnity bond or such other documents as may be required from the nominee in favour of and to the satisfaction of the AMC / Registrar. The investors/Unitholders are requested to note that in case of multiple nominees, the "Share / Ratio" of nomination has to be clearly specified in the nomination form/ request letter. If the "Share / Ratio" of nomination is not explicitly stated, then the nomination shall be treated at "Equal Share/Ratio".

In cases of joint Unit Holders, all joint Unit Holders must sign the nomination form.

Only the following categories of Indian residents can be nominated: (a) individuals; (b) minors through parent / legal guardian (whose name and address must be provided); (c) religious or charitable trusts; and (d) central government, state government, a local authority or any person designated by virtue of his office.

A nomination in respect of Units will be treated as rescinded upon the Redemption of all the Units. Cancellation of a nomination can be made only by the Unit Holders who made the original nomination and must be notified in writing. On receipt of a valid cancellation, the nomination shall be treated as rescinded and the Fund / AMC / Trustee shall not be under any obligation to transfer the Units in favour of the nominee.

The transfer of Units / payment to the nominee of the Redemption proceeds shall be valid and effectual against any valid demand made upon the Fund / AMC / Trustee and shall discharge the Fund / AMC / Trustee of all liability towards the estate of the deceased Unit Holder and his legal heir, personal representative or other successors.

The Fund, the AMC and the Trustee are entitled to be indemnified from the deceased Unit Holder's estate against any liabilities whatsoever that any of them may suffer or incur in connection with a nomination.

Nomination rules as specified by SEBI:

- (a) 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 HUF, holder of POA cannot nominate. If the Units are held jointly, all joint holders must sign the nomination form.
- (b) A minor can be nominated and in that event, the name and address of the parent / 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.
- (c) The nominee shall not be a trust, other than a religious or charitable trust, society, body corporate, partnership firm, karta of HUF or a POA holder. A non-resident Indian can be a nominee subject to the exchange controls in force, from time to time.
- (d) Nomination in respect of the Units stands rescinded upon the transfer or Redemption of all the Units.
- (e) Transfer of Units in favour of a nominee shall be valid discharge by the Fund / AMC / Trustee / Registrar against the legal heir, personal representative or other successor.
- (f) 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.

- (g) On cancellation of the nomination, the nomination shall stand rescinded and the Fund / AMC / Trustee shall not be under any obligation to transfer the Units in favour of the nominee.

**5. 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 Fund, and a consolidated account statement will then be provided for investments in all the schemes.

**8. Fractional Units**

Since a request for Purchase or Redemption is generally made in Rupee amounts and not in terms of a fixed number of Units of the Scheme, an investor may be left with fractional Units. Fractional Units will be computed and accounted for up to three decimal places for the Scheme. However, fractional Units will in no way affect the investor's ability to redeem the Units, either in part or in full, standing to the Unit Holder's credit.

## **XII. DIVIDENDS AND DISTRIBUTION**

The Trustee may decide to distribute by way of dividend, the surplus by way of realised profit, dividends and interest, net of losses, expenses and taxes, if any, to Unit Holders in the dividend option of the Scheme if such surplus is available and adequate for distribution in the opinion of the Trustee. The Trustee's decision with regard to availability and adequacy, rate, timing and frequency of distribution shall be final. The dividend will be due to only those Unit Holders whose names appear in the register of Unit Holders in the dividend option of the Scheme on the record date which will be announced in advance. The Unit Holders have the option of receiving the dividend or reinvesting the same. The dividend will be reinvested at the Applicable NAV of the immediately following Business Day.

The AMC shall despatch to the Unit Holders, the dividend warrants within 30 days of the date of declaration of dividend. The dividend distribution procedure shall be in accordance with the Regulations.

## **XIII. INTER-SCHEME TRANSFERS**

Transfer of Investments from /to the Scheme to/from another scheme/s/plan/s of the Mutual Fund shall be done only if:

1. such transfers are on a spot basis and are at the prevailing market price for exchange traded Securities.  
Explanation: "Spot basis" shall have the same meaning as specified by the stock exchanges for spot transactions.
2. the securities so transferred are in conformity with the investment objective of the scheme/s/ plan/s to which such transfers are made; and
3. non-performing assets of other schemes will not be acquired by the Scheme.

## **XIV. ASSOCIATE TRANSACTIONS**

The Sponsor had settled the Fund by entrusting the sum of Rs 1,00,000/- (Rupees one lakh only) to the Trustee Company as the initial contribution towards the corpus of the Mutual Fund.

JPMorgan Mutual Fund has not had any transactions with the Sponsor or any of the Sponsor's associates from the date of its registration till the date of the Offer Document. Any investments by the Sponsor, the Trustee and their associates or affiliates, in the Scheme or any transactions by such entities with the Fund would be in accordance with the Regulations.

The AMC may, however, for purposes of providing certain services, utilise the services of the Sponsor or other associate companies or affiliates, established or to be established at a later date, that are in a position to provide the requisite services to the AMC. The Fund / AMC shall conduct its business with the aforesaid companies (including their employees or relatives) on commercial terms and on an arms-length basis to the extent permitted under the SEBI Regulations.

The AMC, on behalf of the mutual fund will, before investing in the securities of the group companies of the Sponsor, evaluate such investments, the criteria for the evaluation being the

same as is applied to other similar investments to be made under the Scheme. All such investments shall be made in accordance with SEBI Regulations.

## **XV. BORROWINGS BY THE MUTUAL FUND**

Under the Regulations, the 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 Regulations, the 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, either directly or through the AMC, as permitted by the Regulations. The Scheme may bear the interest charged on such borrowings.

## **XVI. NAV AND VALUATION OF ASSETS OF THE SCHEME**

### **A. Calculation of NAV**

The NAV under the Scheme shall be calculated by the method shown below:

NAV (Rs) =	$\frac{\text{(Market or fair value of the scheme's investments + receivables + accrued income + other assets) - (accrued expenses + payables + other liabilities and provisions)}}{\text{No. of Units outstanding under the Scheme}}$
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The NAV will be calculated up to three decimal places.

The valuation of the Scheme's assets and calculation of the Scheme's NAV shall be subject to audit on an annual basis and such regulations as may be prescribed by SEBI from time to time.

The first NAV will be calculated and announced within a period of 30 days after the close of the NFO Period. Subsequently, the NAV shall be calculated and announced on all Business Days.

### **B. Valuation of assets**

The Net Asset Value will be computed by dividing the net assets of the Scheme by the number of Units outstanding on the Valuation Day.

The Scheme shall value its investments according to the valuation norms, as specified in Eighth Schedule to the Regulations, or such norms as may be prescribed by SEBI from time to time.

The broad valuation norms pertaining to the Scheme are detailed below.

#### **1. Traded Securities**

- (a) Traded Securities are valued at the last quoted closing price on the NSE. If a particular Security is not listed on the NSE, it is valued at the last quoted closing price on the stock exchange where it is principally traded ("another stock exchange").
- (b) When on a particular Valuation Day, a Security listed on the NSE has not been traded on the NSE, the value at which it has been traded on another stock exchange is 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 or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than 30 days prior to the Valuation Day.

- (c) All Government bonds are to be valued at the prices provided by CRISIL.COM on a daily basis.

## **2. Thinly traded Securities / non-traded Securities / un-listed Securities**

### **(a) Thinly traded Securities**

When trading in an equity / equity related Security (such as convertible debentures, equity warrants, etc.) in a month is less than Rs 5 lakh and the total volume is less than 50,000 shares, it shall be considered as a thinly traded Security and valued accordingly.

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 Fund.

If the share is not listed on the stock exchanges which provide such information, then it will be obligatory on the part of the Fund to make its own analysis in line with the above criteria to check whether such Securities are thinly traded which would then be valued accordingly.

In case trading in an equity Security is suspended up to 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/Trustees will decide the valuation norms to be followed and such norms would be documented and recorded.

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

When a Security (other than debt and Government Securities) is not traded on any stock exchange for a period of 30 days prior to the Valuation Day, the Security is treated as non-traded Security. This is per SEBI circulars dated September 18, 2000, March 28, 2001 and February 20, 2002.

Non traded/ thinly traded equity Securities shall be valued "in good faith" by the AMC on the basis of the valuation principles laid down below:

- Based on the latest available balance sheet, net worth shall be calculated as follows :
- Net worth per share = [share capital+ reserves (excluding revaluation reserves) - miscellaneous expenditure and debit balance in profit and loss account] divided by the number of paid up shares.
- 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.
- The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 10% for illiquidity so as to arrive at the fair value per share.
- In case the earnings per share (EPS) is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
- 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.

- 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 should be valued by the procedure above and the proportion which it belongs would be compared on the date of valuation, equity instruments shall generally be valued on the basis of capitalization of earnings solely or in combination with the net asset value, using for the purposes of capitalization, the price or earning ratios of comparable traded Securities and with an appropriate discount for lower liquidity;
- debt instruments shall generally be valued on a yield to maturity basis, the capitalization factor being determined for comparable traded Securities and with an appropriate discount for lower liquidity;
- investments in call money, bills purchased under rediscounting scheme and short term deposits with banks shall be valued at cost plus accrual; other money market instruments shall be valued at the yield at which they are currently traded. For this purpose, non-traded instruments that is, instruments not traded for a period of seven days, will be valued at cost plus interest accrued till the beginning of the day plus the difference between the redemption value and the cost spread uniformly over the remaining maturity period of the instruments;
- government Securities will be valued at yield to maturity based on the prevailing market rate.

**(c) Un-listed Securities**

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

- (i) Based on the latest available audited balance sheet, net worth shall be calculated as lower of (a) and (b) below:
  - (a) 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.
  - (b). 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 (a) and (b) above shall be used for calculation of net worth per share and for further calculation in (iii) below.

- (ii) 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). EPS of the latest audited annual accounts will be considered for this purpose.
- (iii) 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:

- i. All calculations as aforesaid shall be based on audited accounts.
- ii. In case 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.
- iii. If the net worth of the company is negative, the share would be marked down to zero.
- iv. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.
- v. 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 should 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.

- (iv) While investments in call money, bills purchased under rediscounting plan and short term deposits with banks shall be valued at cost plus accrual, other money market instruments shall be valued at the yield at which they are currently traded. For this purpose, non-traded instruments, that is, instruments not traded for a period of 7 days, will be valued at cost plus interest accrued till the beginning of the Valuation Day plus the difference between the Redemption value and the cost spread uniformly over the remaining maturity period of the instruments.
- (v) Valuation of bonds and convertible debentures  
The non-convertible and convertible components of convertible debentures and bonds shall be valued separately. The non-convertible component would be valued on the same basis as would be applicable to a debt instrument. The convertible component should be valued on the same basis as would be applicable to an equity instrument. If, after conversion the resultant equity instrument would be traded pari passu with an existing instrument which is traded, the value of the latter instrument can be adopted after an appropriate discount for the non-tradability of the instrument during the period preceding the conversion. While valuing such instruments, the fact whether the conversion is optional should also be factored in.
- (vi) Valuation of repo.  
Where an instrument has been bought on a 'Repo' basis, the instrument would be valued at the resale price after deduction of applicable interest upto the date of resale. Where an instrument has been sold on a 'Repo' basis, adjustment would be made for the difference between the repurchase price (after deduction of applicable interest up to date of repurchase) and the value of the instrument. If the repurchase price exceeds the value of the instrument, the depreciation would be provided for, and if the repurchase price is lower than the value of the instrument, credit would be taken for the appreciation.
- (vii) Valuation of warrants.  
In respect of warrants to subscribe attached to instruments, the warrants would 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. A discount similar to the discount to be determined in respect of convertible debentures

shall be deducted to account for the period, which must elapse before the warrant can be exercised.

(viii) Valuation of rights entitlement.

a. Until they are traded, the value of "rights" shares shall be calculated as:

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

Where  $V_r$  = Value of rights

$n$  = no. of rights offered

$m$  = no. of original shares held

$P_{ex}$  = Ex-rights price

$P_{of}$  = Rights offer price

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

**(d) Illiquid Securities**

- (i) Aggregate value of "illiquid Securities" of the Scheme, which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the scheme and any illiquid Securities held above 15% of the total assets shall be assigned zero value.
- (ii) The Mutual Fund shall disclose as on March 31 and September 30 the scheme-wise total illiquid Securities in value and percentage of the net assets while making disclosures of half yearly portfolios to the Unit Holders. In the list of investments, an asterisk mark shall also be given against all such investments which are recognised as illiquid Securities.
- (iii) The Mutual Fund shall not be allowed to transfer illiquid Securities among its schemes.

**(e) Non-Performing Assets (NPA)**

Valuation of non-performing assets (debt securities) will be done in accordance with "SEBI Guidelines for Identification and Provisioning for NPAs" issued vide circular dated September 18, 2000 (as modified), which will form part of valuation policy of the Scheme.

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.

The Fund shall make security wise disclosures of NPAs on a 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 recognised 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.

**(f) Derivatives**

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

## **XVII. Redemption or Repurchase**

The Unit Holder has the option to request for Redemption either in an amount of Rupees or in number of Units.

The Scheme being an interval scheme, Redemption request can be accepted only during the Specified Redemption Period on an ongoing basis, commencing not later than 30 days from the closure of the NFO Period.

The Redemption request can be submitted at the designated collection centres on Business Days.

The minimum amount in Rupees for Redemption shall be Rs 5,000, while the minimum number of Units for Redemption shall be 500 Units. The minimum balance after Redemption shall be Rs 5,000. In case the balance falls below Rs 5,000 all remaining units in that account will be automatically redeemed.

Units can be redeemed (i.e. sold back to the Mutual Fund) at the Redemption Price during the Ongoing Offer Period. If an investor has purchased Units of the Scheme on more than one Business Day, the Units will be redeemed on a first-in-first-out basis. If multiple Purchases are made on the same day, the Purchase appearing earliest in the account statement will be redeemed first.

### **A. Redemption price**

The Redemption Price of the Units is the price at which a Unit Holder can redeem Units of the Scheme. As an example it may be calculated as described below:

Redemption Price = Applicable NAV x (1 - Exit Load)

Redemption Price will be calculated up to four decimal places.

For example, if the Applicable NAV of a Scheme is Rs 10, and it has a 1% Exit Load, the Redemption Price will be calculated as follows:

Redemption Price =  $10 \times (1 - 1.00\%)$  i.e.  $10 - 0.10 = 9.90$

The NAV of the last Business Day of the month in which the redemption request has been received during the specified redemption period (by 7<sup>th</sup> of each month by 3.00 pm). For applications received after 3.00 pm on the last day of the specified redemption period the application shall be processed at the NAV of the last business day of the next month. In case the last business day is a non-business day, then the application shall be processed at the NAV of the next business day of the last business day. The redemption price shall be subject to exit loads.

If the Scheme has no Exit Load, the Redemption Price will be equal to the Applicable NAV.

The securities transaction tax (STT), levied under the Income-tax Act, on the Redemption will be reduced from the amount of Redemption Price. To illustrate (STT assumed @ 0.20%):

If a Redemption of 1,000 Units is sought by the Unit Holder at a Redemption Price of Rs 9.90 (as calculated above), the Redemption amount is Rs 9,900. This will be further reduced by Rs 20 (i.e.  $Rs\ 9,900 \times 0.20\%$ , rounded off to the nearest Rupee), making the net Redemption amount Rs 9,880.

If a Redemption of Rs 10,000 is sought by the Unit Holder at a Redemption Price of Rs 9.90 (as calculated above), the effective Redemption amount will be grossed up to Rs 10,020 (i.e.  $10,000 \div (1 - 0.20\%)$ ) and 1,012.121 Units ( $10,020 \div 9.90$ ) will be redeemed.

This is to ensure that the Unit Holder receives the net amount of Rs 10,000 as desired. Investors may note that the Trustee has a right to modify the existing Load structure in any manner or introduce an Entry Load or Exit Load or CDSL or a combination of Entry Load and / or Exit Load and / or CDSL and / or any other Load subject to a maximum as prescribed under the Regulations and with prospective effect only. Please refer to Section V – Load, Fees and Expenses.

## **B. How to redeem**

A transaction slip can be used by the Unit Holder to request a Redemption. The requisite details should be entered in the transaction slip and submitted at an ISC. Transaction slips can be obtained from any location of the ISCs.

## **C. Payment of proceeds**

### **1. Resident Investors**

Redemption proceeds will be paid by cheques, marked "A/c Payee only" and drawn in the name of the sole holder / first-named holder (as determined by the records of the Registrar). The Mutual Fund will endeavour to despatch the Redemption proceeds within 3 Business Days from the acceptance of the Redemption request, but not beyond 10 Business Days from the date of Redemption. If the payment is not made within the period stipulated in the Regulations, the Unit Holder shall be paid interest @15% p.a. for the delayed period and the interest shall be borne by the AMC.

The bank name and bank account number, as specified in the Registrar's records, will be mentioned in the cheque. The cheque will be payable at par at all the cities having ISCs. If the Unit Holder resides in any other city, he will be paid by a demand draft payable at the city of his residence and the demand draft charges shall be borne by the AMC. The proceeds may be paid by way of direct credit / EFT / SEFT / RTGS / wire transfer / any other manner through which the investor's bank account specified in the Registrar's records may be credited with the Redemption proceeds.

Note: The Trustee, at its discretion at a later date, may choose to alter or add other modes of payment.

The Redemption proceeds will be sent by courier or (if the addressee city is not serviced by the courier) by registered post. The despatch for the purpose of delivery through the courier / postal department, as the case may be, shall be treated as delivery to the investor. The AMC / Registrar are not responsible for any delayed delivery or non-delivery or any consequences thereof, if the despatch has been made correctly as stated in this paragraph.

### **2. Non-Resident Indian Investors**

For NRIs, Redemption proceeds will be remitted depending upon the source of investment as follows:

#### **(a) Repatriation Basis**

When Units have been purchased through remittance in foreign exchange from abroad or by cheque / draft issued from proceeds of the Unit Holder's FCNR deposit or from funds held in the Unit Holder's Non Resident (External) Rupee account kept in India, the proceeds can be remitted to the Unit Holder in foreign currency (any exchange rate fluctuation will be borne by the Unit Holder). The proceeds can also be sent to his Indian address for crediting to his NRE / FCNR / non-resident (Ordinary) account, if desired by the Unit Holder.

#### **(b) Non-Repatriation Basis**

When Units have been purchased from funds held in the Unit Holder's non-resident (Ordinary) account, the proceeds will be sent to the Unit Holder's Indian address for crediting to the Unit Holder's non-resident (Ordinary) account.

For FIIs, the designated branch of the authorised dealer may allow remittance of net sale / maturity proceeds (after payment of taxes) or credit the amount to the foreign currency account or Non-resident Rupee account of the FII maintained in accordance with the approval granted to it by the RBI.

The Fund will not be liable for any delays or for any loss on account of any exchange fluctuations, while converting the Rupee amount in foreign exchange in the case of transactions with NRIs / FIIs.

The Fund may make other arrangements for effecting payment of Redemption proceeds in the future.

#### **D. Effects of Redemption**

The number of Units held by the Unit Holder in his folio will stand reduced by the number of Units redeemed.

Units once redeemed will be extinguished and will not be re-issued.

#### **E. Unclaimed Redemptions and dividends**

As per circular no. MFD/CIR/9/120/2000, dated November 24, 2000 issued by SEBI, the unclaimed Redemption and dividend amounts shall be deployed by the Fund in money market and other permitted instruments. The investment management fee charged by the AMC for managing such unclaimed amounts shall not exceed 50 basis points. The circular also specifies that investors who claim these amounts during a period of three years from the due date shall be paid at the prevailing NAV. Thus, after a period of three years, this amount can be transferred to a pool account and the investors can claim the said amounts at the NAV prevailing at the end of the third year. In terms of the circular, the onus is on the AMC to make a continuous effort to remind investors through letters to take their unclaimed amounts. The details of such unclaimed amounts shall be disclosed in the annual report sent to the Unit Holders.

#### **F. Suspension of Purchase and Redemption of Units / determination of NAV**

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

1. 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.
2. When, as a result of political, economic, social 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, in the AMC's sole discretion, to be reasonably practicable or might otherwise be detrimental to the interests of the Unit Holders.
3. 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.
4. If, in the sole opinion of the AMC, extreme volatility of markets causes or might cause, prejudice to the interests of the Unit Holders of the Scheme.
5. In case of natural calamities, war, strikes, riots, and bandhs.

6. In case of any other event of force majeure or disaster that, in the opinion of the AMC, affects the normal functioning of the Fund or the AMC or the Registrar.
7. If so directed by SEBI.

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

The Fund / Trustee / AMC also reserves the right, at their sole discretion, to withdraw sale of and/or repurchase and/or switch of Units in the Scheme, temporarily or indefinitely, if in the opinion of the AMC, increasing the Scheme's size further may prove detrimental to the existing Unit Holders of the Scheme. However, the suspension of sale / repurchase / switch will be made with the approval of the Trustee. In this event, an application to purchase Units is not binding on, and may be rejected by, the Trustee, the AMC or their respective agents.

#### **G. 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 option(s) thereof, or such other percentage as the Trustee may determine. Any Units which consequently are not redeemed on a particular Business Day will, subject to the further application of the Trustees' right to limit Redemption, be carried forward for Redemption to the next Business Day. 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, the balance amount being carried forward for Redemption to the next Business Day. In the aforementioned circumstances, the Trustee reserves the right, in its sole discretion, to limit Redemptions with respect to any single account to an amount of Rs 1 lakh in a single day.

## **XVIII. ACCOUNTING POLICIES**

In accordance with the Regulations, the AMC will follow the accounting policies and standards detailed below.

1. The AMC shall keep and maintain proper books of accounts, records and documents, for the Scheme so as to explain its transactions and to disclose at any point of time the financial position of the Scheme and, in particular, to give a true and fair view of the state of affairs of the Scheme.
2. For the purposes of the financial statements, the Fund 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 shall be made for exclusion of this item when arriving at distributable income.
3. Dividend income earned by the Scheme shall be recognised on the date on which the investment is quoted on an ex-dividend basis, not on the date on which the dividend is declared. For investments, which are not quoted on the stock exchange, dividend income shall be recognised on the date of declaration.
4. 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 shall not be treated as a cost of purchase but shall be debited to interest recoverable account. Similarly, interest received at the time of sale for the period from the last interest due date up to the date of sale shall not be treated as an addition to sale value but shall be credited to interest recoverable account.
5. In determining the holding cost of investments and the gains or loss on sale of investments, the "average cost" method shall be followed.
6. 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 shall 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.
7. Bonus shares to which the Scheme becomes entitled shall be recognised only when the original shares to 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 rights entitlement accrues are traded on the stock exchange on an ex-rights basis.
8. Where income receivable on investments has accrued but has not been received for the period as specified in the SEBI guidelines for identification and provisioning for NPAs, provision shall be made by debiting to the revenue account the income so accrued in the manner specified in the SEBI guidelines for identification and provisioning for NPAs. Insofar as provision for the principal amount is concerned, the same shall be provided as specified in the aforesaid guidelines.
9. When 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, shall be debited to reserves, the face value being credited to the capital account. Similarly, when 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.
10. 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 an 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 shall only be 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.

11. The cost of investments acquired or purchased shall include securities transaction tax, 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.

The accounting policies and standards outlined above are consistent with the current Regulations and are subject to changes made from time to time by the AMC and/or Trustee. However, such changes must be in conformity with the Regulations.

## **XIX. TAX TREATMENT OF INVESTMENT IN MUTUAL FUNDS**

Prospective unit holders should inform themselves of, and take their own advice on, the taxes applicable to the subscription, holding and redemption of units, and any distribution (each, a “Relevant Event”) under the laws of the place of their operations, domicile, residence, citizenship and/or incorporation. Neither the Fund nor any of the parties listed in the Sections VII & IX of this Offer Document gives or makes any warranty and/or representation as to the tax consequences in relation to any Relevant Event (or combination of Relevant Events), takes any responsibility for any tax consequences in relation to any Relevant Event (or combination of Relevant Events) and each of the Fund and such parties expressly disclaims any liability whatsoever for any tax consequences in relation to any Relevant Event (or combination of Relevant Events) and/or for any loss howsoever arising (whether directly or indirectly) from any Relevant Event (or combination of Relevant Events). Dividends, interest income, gains on the disposal of investments and other income received by the Fund on its investments in some jurisdictions may be liable to the imposition of income tax, irrecoverable withholding tax or other tax.

The following paragraphs are based on Law and practice currently in force as well as known future tax changes at the date of this Offer Document and are subject to changes in content and interpretation. They are intended as a general guide only and do not necessarily describe the tax consequences for all types of investors in the Fund and no reliance, therefore, should be placed upon them.

### **Income-tax**

The income-tax rates indicated below are as per the Finance Bill, 2007, which is currently awaiting the ratification of the Parliament and the Presidential accord<sup>1</sup>.

#### **A. For Unit Holders**

##### **(i) Securities Transaction Tax (‘STT’)**

At the time of sale of units of an equity oriented fund to the Mutual Fund (ie redemption / repurchase of units by the fund), the Unit Holder is required to pay a STT of 0.25 per cent on the value of the sale, which will be collected by the Mutual Fund and deposited into Government treasury.

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

#### **On units of Equity Oriented Funds:**

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

Under section 2(29A) of the Income-tax Act, 1961 (‘Act’), units of a mutual fund held as capital assets are treated as long-term capital assets if they are held for a period of more than twelve months preceding the date of transfer. The additional (bonus) units issued under any option under the Scheme and held as capital assets would be treated as a long-term capital assets if held for a period of more than 12 months from the date when such additional units were allotted.

As per section 10(38) of the Act, long-term capital gains arising from the sale of a unit of an equity oriented fund is exempt from tax where such sale attracts STT. For this purpose, ‘an equity oriented fund’ has been defined as a scheme of a Mutual Fund where the investible

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<sup>1</sup> The proposals in the Finance Bill, 2007 are subject to change before the same is enacted by the Parliament.

funds are invested in equity shares of domestic companies to the extent of more than 65 per cent of the total proceeds of such fund. The percentage of equity shareholding of the fund shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

#### *Short-term Capital Gains*

Under section 2(42A) of the Act, units of a mutual fund held as capital assets for a period of 12 months or less preceding the date of their transfer are regarded as short-term capital assets.

As per section 111A of the Act, short-term capital gains arising from the sale of a unit of an equity oriented fund to the Mutual Fund and chargeable to STT, is taxable at the rate of 10 per cent.

The said tax rate would be increased by a surcharge of:

- (a) 10 per cent - in case of individual / HUF / AOP and BOI, where the total income exceeds Rs 10,00,000
- (b) 10 per cent - in case of firms / domestic corporate Unit Holders, where the total income exceeds Rs 100,00,000
- (c) 2.5 per cent - in case of foreign corporate Unit Holders, where the total income exceeds Rs 100,00,000
- (d) Nil – in case of local authority and co-operative societies

Further, an additional surcharge of 3 per cent by way of education cess would be charged on amount of tax inclusive of surcharge for all Unit Holders.

However, in case of resident individuals and HUFs, where the total income as reduced by the short-term capital gains, is below the basic exemption limit (Rs 1,95,000 in case of resident individuals of an age of 65 years or more, Rs 1,45,000 in case of women resident in India below 65 years of age and Rs 1,10,000 in case of other individuals and HUF), the short-term capital gains will be reduced to the extent of the shortfall and only the balance short-term capital gains will be subjected to the 10 per cent tax rate.

For the purpose of computing the eligible deduction under section 80C of the Act, the total income of the assessee shall be reduced by the income earned in the nature of short-term capital gains.

In case of non-resident Unit Holders eligible for availing tax treaty benefits, please refer to para (v) below.

#### **On units of funds other than Equity Oriented Funds:**

##### *Long-term capital gains*

Long-term capital gains earned on transfer of units of funds other than equity oriented funds, will be chargeable to tax at the rate of 20 per cent under the provisions section 112 of the Act. However, where the tax payable on such long-term capital gains, computed before indexation, exceeds 10 per cent of the amount of capital gains, such excess tax shall not be payable by the Unit Holder. In the case of FIIs and specified overseas financial organizations, such long-term capital gains are chargeable to tax at the rate of 10 per cent without the benefit of indexation.

In case of resident individuals and HUFs, where the total income as reduced by long-term capital gains, is below the basic exemption limit, the long-term capital gains will be reduced

to the extent of the shortfall and only the balance long-term capital gains will be subjected to the 20 per cent tax or the 10 per cent as the case may be.

The aforementioned tax rates would be increased by a surcharge of:

- (a) 10 per cent - in case of individual / HUF / AOP and BOI, where the total income exceeds Rs 10,00,000
- (b) 10 per cent - in case of firms / domestic corporate Unit Holders, where the total income exceeds Rs 100,00,000
- (c) 2.5 per cent - in case of foreign corporate Unit Holders, where the total income exceeds Rs 100,00,000
- (d) Nil – in case of local authority and co-operative societies

Further, an additional surcharge of 3 per cent by way of education cess would be charged on amount of tax inclusive of surcharge for all Unit Holders.

For the purpose of computing the eligible deduction under section 80C of the Act, the total income of the assessee shall be reduced by the income earned in the nature of long-term capital gains.

In case of non-resident Unit Holders eligible for availing tax treaty benefits, please refer to paragraph (v) below.

*Short-term capital gains*

Short-term capital gains earned on the transfer of units of funds other than equity oriented funds is added to the total income of the assessee and taxed at the following tax rates:

**Table A**

Individual / HUF	Where total income for a tax year (April to March) is less than or equal to Rs 1,10,000* (the basic exemption limit)	Nil
	Where such total income is more than Rs 1,10,000* but is less than or equal to Rs 1,50,000	10% of the amount by which the total income exceeds Rs 1,10,000*
	Where such total income is more than Rs 1,50,000* but is less than or equal to Rs 2,50,000	Rs 4,000 plus 20% of the amount by which the total income exceeds Rs 1,50,000*
	Where such total income is more than Rs 2,50,000	Rs 24,000 plus 30% of the amount by which the total income exceeds Rs 2,50,000
Co-operative society	Where total income for a tax year (April to March) is less than or equal to Rs 10,000	10% of the total income
	Where such total income is more than Rs 10,000 but is less than or equal to Rs 20,000	Rs 1,000 plus 20% of the amount by which the total income exceeds Rs 10,000
	Where the total income exceeds Rs 20,000	Rs 3,000 plus 30% of the amount by which the total income exceeds Rs 20,000

Domestic Corporate/ Partnership firm/ Local authority/ FII's/ Specified Overseas Financial Organisations/ NRI	30%
AOP/ BOI	30% or such higher rate of tax applicable to the individual members of the AOP / BOI
Foreign Corporates	40%

\* In case of women resident in India below 65 years of age, the basic exemption limit is Rs 1,45,000. Income between Rs 1,45,000 and Rs 1,50,000 will be taxable at the rate of 10%. In case of resident individuals of an age of 65 years or more, the basic exemption limit is Rs 1,95,000. Income between Rs 1,95,000 and Rs 2,50,000 will be taxable at the rate of 20%

The aforementioned tax rates would be increased by a surcharge of:

- (a) 10 per cent - in case of individual / HUF / AOP and BOI, where the total income exceeds Rs 10,00,000
- (b) 10 per cent - in case of firms / domestic corporate Unit Holders, where the total income exceeds Rs 100,00,000
- (c) 2.5 per cent - in case of foreign corporate Unit Holders, where the total income exceeds Rs 100,00,000
- (d) Nil – in case of local authority and co-operative societies

Further, an additional surcharge of 3 per cent by way of education cess would be charged on amount of tax inclusive of surcharge for all Unit Holders.

In case of non-resident Unit Holders eligible for availing tax treaty benefits, please refer to para (v) below.

This scheme shall not qualify as an equity oriented scheme in terms of the Income Tax Act since the scheme may have holdings of less than 65% in stocks of domestic companies.

### **(iii) Tax on Business Income**

Under section 28 of the Act, profit arising on transfer of units of a mutual fund which are held as stock in trade or trading asset, is taxed under the head 'Profits and Gains of Business or Profession'. Such profit is added to the total income of the assessee and taxed at the rates mentioned in Table A above.

In case of non-resident Unit Holders eligible for availing tax treaty benefits, please refer to paragraph (v) below.

**(iv) Tax Deduction at Source**

**Table B**

		TDS Rates under the Act		
		Residents	FII's	NRIs / Other foreign entities (excluding FII's)
Short-term capital gains	Non-equity oriented fund	NIL	NIL	30 per cent for foreign non-corporates 40 per cent for foreign corporate entities
	Equity oriented Fund	NIL	NIL	10 per cent
Long-term capital gains	Non-equity oriented fund	NIL	NIL	10 per cent for specified overseas financial organisations 20 per cent for other foreign entities
	Equity oriented Fund	NIL	NIL	NIL
Business income	Non-equity and equity oriented mutual fund	NIL	30 per cent for non-corporate FII's 40 per cent for corporate FII's	30 per cent for foreign non-corporates 40 per cent for foreign corporate entities

The aforementioned tax rates would be increased by a surcharge of:

- (a) 10 per cent - in case of foreign non-corporate Unit Holders, where the total income exceeds Rs 10,00,000
- (b) 2.5 per cent - in case of foreign corporate Unit Holders, where the total income exceeds Rs 100,00,000

Further, an additional surcharge of 3 per cent by way of education cess would be charged on the amount of tax inclusive of surcharge for all Unit Holders.

In case of non-resident Unit Holders eligible for availing tax treaty benefits, please refer to paragraph (v) below.

**(v) Tax treaty**

In the case of a non-resident Unit Holder who is resident of a country with which India has signed a Double Taxation Avoidance Agreement (DTAA), which is in force, income tax is payable at the rate provided in the Act or at the rate provided in the such agreement, whichever is more beneficial to such non resident Unit Holder.

Further, where the rate of tax prescribed under the relevant DTAA is lower than that prescribed under the Act, tax would be withheld at such lower rate.

However, in order to obtain the benefit of the lower rate under the DTAA, the Unit Holder would be required to provide a certificate from his Assessing Officer stating the eligibility of the investor to claim such benefit.

**(vi) Tax on Income distributed by the Mutual Fund**

Under the provisions of section 10(35) of the Act, income received in respect of units of a mutual fund specified under section 10(23D) of the Act will be exempt from income tax in the hands of all unit holders.

In view of the exemption of income in the hands of the unit holders, no tax needs to be deducted at source from such distribution by the Fund on or after April 1, 2003, under the provisions of sections 194K and 196A of the Act.

**Dividend stripping**

Under the provisions of section 94(7) of the Act, where a person buys any units within a period of three months before the record date, sells such units within nine months after such date and the income distributed on such units is exempt from tax, the loss on such sale to the extent of the income distributed on units shall be ignored while computing the income chargeable to tax.

**Bonus stripping**

Under the provisions of section 94(8) of the Act, where a person buys units (original units) within a period of three months before the record date, receives bonus units on such original units, and then sells (all or part of) the original units within a period of nine months from the record date and continues to hold the bonus units, then the loss incurred on the original units shall be ignored while computing the income chargeable to tax but shall be deemed to be the cost of acquisition of the bonus units.

**(vii) Switching between options**

As stated in Section IX.H.4 switching from one option to another option will be effected by way of Redemption of units of the relevant option and reinvestment of the redemption proceeds in the other option selected by the Unit Holder. Hence switching will attract the same implications as applicable on transfer of such units.

**(viii) Exemptions from long-term capital gains**

As per the provisions of section 54EC of the Act, taxable long-term capital gains [including gains arising on transfer of a long-term capital asset being units not otherwise exempt under section 10(38) of the Act] are exempt from tax to the extent such capital gains are invested, within a period of six months of such transfer, in acquiring bonds redeemable after 3 years and issued on or after April 1, 2007 by the National Highways Authority of India and by the Rural Electrification Corporation Limited. A ceiling of Rs 50,00,000 applies in respect of investment in such bonds in any financial year.

If the said bonds are transferred within a period of 3 years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred.

As per the provisions of Sec 54F of the Act in the case of an individual or a HUF, specified taxable long-term capital gains [including gains arising on transfer of a long-term capital asset being units not otherwise exempt under section 10(38) of the Act] are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then proportionate exemption is available.

**(ix) Set-off and carry forward of losses**

According to the provisions of the Act, the capital loss resulting from sale of units would be available for set off against other capital gains made by the investor and would reduce the tax liability of the investor to that extent. However, losses on transfer of units held as long term capital assets would be allowed to be set-off only against gains from transfer of long-term capital assets. Where such losses arising from sale of units held as capital asset cannot be wholly set-off, the amount of losses not set-off can be carried forward for a period of eight years. However, when the long term gains arising on transfer of units are not subject to tax then the long-term losses from such units would not be allowed to be set off or carried forward.

Under the Act, a loss resulting from the transfer of units held as stock in trade or trading asset would be available for set off against income under any other head other than income under the head 'Salaries'. Where such loss cannot be wholly set-off in accordance with the provisions of the Act, the amount remaining to be set-off can be carried forward for a period of eight years and set-off against income under the head 'Profits and Gains of Business or Profession'.

**(x) Rebate for STT**

No deduction would be allowed for STT while calculating capital gains. However, where the units are treated as stock in trade and the profits arising from the sale of units are taxed under the head 'Profits and Gains of Business or Profession', an amount equal to the STT paid by the Unit Holder can be claimed as a rebate from the tax payable on the income from such sale of units by virtue of the provisions of section 88E of the Act.

**(xi) Minimum Alternate Tax**

Under the Act, long-term capital gains arising on sale of units of an equity oriented fund and exempt under the provisions of section 10(38) of the Act, would not be excluded from the book profits while calculating profits chargeable to minimum alternate tax.

**B. Tax Benefits / Consequences to the Mutual Fund:**

JPMorgan Mutual Fund is a Mutual Fund registered with the Securities and Exchange Board of India and its entire income is exempt from tax under the provisions of section 10(23D) of the Act. The Mutual Fund will receive all Indian sourced income without any deduction of tax at source under the provisions of section 196(iv) of the Act.

Where the Fund receives any income from investments made in overseas jurisdictions, the same may be subject to withholding tax (or any other tax) in the relevant jurisdiction from which the income is received. As the Fund is exempted from its entire income (including foreign income) in India, credit / refund in respect of such foreign taxes withheld / paid by the fund will not be available.

Income distribution, if any, made by a Mutual Fund, will attract distribution tax under section 115R of the Act at the rates listed below:

**Table C**

<b>Sr No</b>	<b>Type of Mutual Fund</b>	<b>Income distributed to</b>	<b>Rate of distribution tax</b>
(i)	Equity oriented mutual fund	Any person	Nil
(ii)	Money market mutual fund or Liquid mutual fund	Any person	25 per cent
(iii)	Mutual fund other than (i) and (ii) above	Individual or HUF	12.5 per cent
		Any person other than Individual or HUF	20 per cent

The aforementioned rates would be increased by a surcharge of 10 per cent and an additional surcharge by way of education cess at the rate of 3 per cent on the amount of distribution tax inclusive of surcharge.

For this purpose, a 'Money market mutual fund' has been defined to mean a money market mutual fund as defined in sub-clause (p) of clause 2 of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. Further, a 'Liquid fund' has been defined to mean a scheme or plan of a mutual fund which is classified by the Securities and Exchange Board of India as a liquid fund in accordance with the guidelines issued by it in this behalf under the Securities and Exchange Board of India Act, 1992 or regulations made thereunder.

Under the Act, as and when the Mutual Fund purchases and sells equity shares/units/derivates, it would be required to pay the STT applicable on such purchases / sales to the concerned Recognised Stock Exchange. The current rates of STT have been listed below:

**Table D**

<b>Transaction</b>	<b>Rate of STT</b>	<b>Payable by</b>
Purchase of an equity share in a company / unit of an equity-oriented fund where the transaction is entered into in a recognised stock exchange and the contract is settled by actual delivery or transfer of shares / units.	0.125%	Purchaser
Sale of an equity share in a company / unit of an equity-oriented fund where the transaction is entered into in a recognised stock exchange and the contract is settled by actual delivery or transfer of shares / units.	0.125%	Seller
Sale of an equity share in a company / unit of an equity-oriented fund where the transaction is entered into in a recognised stock exchange and the contract is settled otherwise than by actual delivery or transfer of shares / units.	0.025%	Seller
Sale of a derivative when transaction is entered into in a recognised stock exchange.	0.017%	Seller

**C. Other Benefits:**

- (i) **Wealth-tax:** Units of a scheme of a Mutual Fund are not treated as assets as defined under section 2(ea) of the Wealth-tax Act, 1957 and thereof would not be liable to wealth-tax.
- (ii) **Gift-tax:** The Gift-tax Act, 1958 has ceased to apply to gifts made on or after October 1, 1998. Gifts of units purchased in a scheme of the Mutual Fund would therefore, be exempt from gift-tax.
- (iii) Investments in Units of the Mutual Fund will rank as an eligible form of investment under section 11(5) of the Act read with Rule 17C of the Income-tax Rules, 1962, for religious and charitable trusts.

**EACH INVESTOR IS ADVISED TO CONSULT HIS OR HER OWN TAX CONSULTANT WITH RESPECT TO THE SPECIFIC TAX IMPLICATIONS ARISING OUT OF HIS OR HER PARTICIPATION IN THE SCHEME.**

Prospective unit holders should inform themselves of, and take their own advice on, the taxes applicable to the subscription, holding and redemption of units, and any distribution (each, a "Relevant Event") under the laws of the place of their operations, domicile, residence, citizenship and/or incorporation. Neither the Fund nor any of the parties listed in the Sections VII & IX of this Offer Document gives or makes any warranty and/or representation as to the tax consequences in relation to any Relevant Event (or combination of Relevant Events), takes any responsibility for any tax consequences in relation to any Relevant Event (or combination of Relevant Events) and each of the Fund and such parties expressly disclaims any liability whatsoever for any tax consequences in relation to any Relevant Event (or combination of Relevant Events) and/or for any loss howsoever arising (whether directly or indirectly) from any Relevant Event (or combination of Relevant Events). Dividends, interest income, gains on the disposal of investments and other income received by the Fund on its investments in some jurisdictions may be liable to the imposition of income tax, irrecoverable withholding tax or other tax.

The following paragraphs are based on Law and practice currently in force as well as known future tax changes at the date of this Offer Document and are subject to changes in content and interpretation. They are intended as a general guide only and do not necessarily describe the tax consequences for all types of investors in the Fund and no reliance, therefore, should be placed upon them.

**Income-tax**

The income-tax rates indicated below are as per the Finance Act, 2007.

**A. For Unit Holders**

**(i) Securities Transaction Tax ('STT')**

At the time of sale of units of an equity oriented fund to the Mutual Fund (ie redemption / repurchase of units by the fund), the Unit Holder is required to pay a STT of 0.25 per cent on the value of the sale, which will be collected by the Mutual Fund and deposited into Government treasury.

**(ii) Tax on Capital Gains**

**On units of Equity Oriented Funds:**

### *Long-term Capital Gains*

Under section 2(29A) of the Income-tax Act, 1961 ('Act'), units of a mutual fund held as capital assets are treated as long-term capital assets if they are held for a period of more than twelve months preceding the date of transfer. The additional (bonus) units issued under any option under the Scheme and held as capital assets would be treated as a long-term capital assets if held for a period of more than 12 months from the date when such additional units were allotted.

As per section 10(38) of the Act, long-term capital gains arising from the sale of a unit of an equity oriented fund is exempt from tax where such sale attracts STT. For this purpose, 'an equity oriented fund' has been defined as a scheme of a Mutual Fund where the investible funds are invested in equity shares of domestic companies to the extent of more than 65 per cent of the total proceeds of such fund. The percentage of equity shareholding of the fund shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

### *Short-term Capital Gains*

Under section 2(42A) of the Act, units of a mutual fund held as capital assets for a period of 12 months or less preceding the date of their transfer are regarded as short-term capital assets.

As per section 111A of the Act, short-term capital gains arising from the sale of a unit of an equity oriented fund to the Mutual Fund and chargeable to STT, is taxable at the rate of 10 per cent.

The said tax rate would be increased by a surcharge of:

- (a) 10 per cent - in case of individual / HUF / AOP and BOI, where the total income exceeds Rs 10,00,000
- (b) 10 per cent - in case of firms / domestic corporate Unit Holders, where the total income exceeds Rs 100,00,000
- (c) 2.5 per cent - in case of foreign corporate Unit Holders, where the total income exceeds Rs 100,00,000
- (d) Nil – in case of local authority and co-operative societies

Further, an additional surcharge of 3 per cent by way of education cess would be charged on amount of tax inclusive of surcharge for all Unit Holders.

However, in case of resident individuals and HUFs, where the total income as reduced by the short-term capital gains, is below the basic exemption limit (Rs 1,95,000 in case of resident individuals of an age of 65 years or more, Rs 1,45,000 in case of women resident in India below 65 years of age and Rs 1,10,000 in case of other individuals and HUF), the short-term capital gains will be reduced to the extent of the shortfall and only the balance short-term capital gains will be subjected to the 10 per cent tax rate.

For the purpose of computing the eligible deduction under section 80C of the Act, the total income of the assessee shall be reduced by the income earned in the nature of short-term capital gains.

In case of non-resident Unit Holders eligible for availing tax treaty benefits, please refer to para (v) below.

### **On units of funds other than Equity Oriented Funds:**

#### *Long-term capital gains*

Long-term capital gains earned on transfer of units of funds other than equity oriented funds, will be chargeable to tax at the rate of 20 per cent under the provisions section 112 of the Act. However, where the tax payable on such long-term capital gains, exceeds 10 per cent of the amount of capital gains computed before indexation, such excess tax shall not be payable by the Unit Holder. In the case of FIIs and specified overseas financial organizations, such long-term capital gains are chargeable to tax at the rate of 10 per cent without the benefit of indexation.

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

The aforementioned tax rates would be increased by a surcharge of:

- (a) 10 per cent - in case of individual / HUF / AOP and BOI, where the total income exceeds Rs 10,00,000
- (b) 10 per cent - in case of firms / domestic corporate Unit Holders, where the total income exceeds Rs 100,00,000
- (c) 2.5 per cent - in case of foreign corporate Unit Holders, where the total income exceeds Rs 100,00,000
- (d) Nil – in case of local authority and co-operative societies

Further, an additional surcharge of 3 per cent by way of education cess would be charged on amount of tax inclusive of surcharge for all Unit Holders.

For the purpose of computing the eligible deduction under section 80C of the Act, the total income of the assessee shall be reduced by the income earned in the nature of long-term capital gains.

In case of non-resident Unit Holders eligible for availing tax treaty benefits, please refer to paragraph (v) below.

#### *Short-term capital gains*

Short-term capital gains earned on the transfer of units of funds other than equity oriented funds is added to the total income of the assessee and taxed at the following tax rates:

**Table A**

Individual / HUF	Where total income for a tax year (April to March) is less than or equal to Rs 1,10,000* (the basic exemption limit)	Nil
	Where such total income is more than Rs 1,10,000* but is less than or equal to Rs 1,50,000	10% of the amount by which the total income exceeds Rs 1,10,000*
	Where such total income is more than Rs 1,50,000* but is less than or equal to Rs 2,50,000	Rs 4,000 plus 20% of the amount by which the total income exceeds Rs 1,50,000*
	Where such total income is more than Rs 2,50,000	Rs 24,000 plus 30% of the amount by which the total income exceeds Rs 2,50,000

Co-operative society	Where total income for a tax year (April to March) is less than or equal to Rs 10,000	10% of the total income
	Where such total income is more than Rs 10,000 but is less than or equal to Rs 20,000	Rs 1,000 plus 20% of the amount by which the total income exceeds Rs 10,000
	Where the total income exceeds Rs 20,000	Rs 3,000 plus 30% of the amount by which the total income exceeds Rs 20,000

Domestic Corporate/ Partnership firm/ Local authority/ Specified FII's/ Overseas Financial Organisations/ NRI	30%
AOP/ BOI	30% or such higher rate of tax applicable to the individual members of the AOP / BOI
Foreign Corporates	40%

\* In case of women resident in India below 65 years of age, the basic exemption limit is Rs 1,45,000. Income between Rs 1,45,000 and Rs 1,50,000 will be taxable at the rate of 10%. In case of resident individuals of an age of 65 years or more, the basic exemption limit is Rs 1,95,000. Income between Rs 1,95,000 and Rs 2,50,000 will be taxable at the rate of 20%

The aforementioned tax rates would be increased by a surcharge of:

- (a) 10 per cent - in case of individual / HUF / AOP and BOI, where the total income exceeds Rs 10,00,000
- (b) 10 per cent - in case of firms / domestic corporate Unit Holders, where the total income exceeds Rs 100,00,000
- (c) 2.5 per cent - in case of foreign corporate Unit Holders, where the total income exceeds Rs 100,00,000
- (d) Nil – in case of local authority and co-operative societies

Further, an additional surcharge of 3 per cent by way of education cess would be charged on amount of tax inclusive of surcharge for all Unit Holders.

In case of non-resident Unit Holders eligible for availing tax treaty benefits, please refer to para (v) below.

### (iii) Tax on Business Income

Under section 28 of the Act, profit arising on transfer of units of a mutual fund which are held as stock in trade or trading asset, is taxed under the head 'Profits and Gains of Business or Profession'. Such profit is added to the total income of the assessee and taxed at the rates mentioned in Table A above.

In case of non-resident Unit Holders eligible for availing tax treaty benefits, please refer to paragraph (v) below.

**(iv) Tax Deduction at Source**

**Table B**

		TDS Rates under the Act		
		Residents	FII's	NRIs / Other foreign entities (excluding FII's)
Short-term capital gains	Non-equity oriented fund	NIL	NIL	30 per cent for foreign non-corporates 40 per cent for foreign corporate entities
	Equity oriented Fund	NIL	NIL	10 per cent
Long-term capital gains	Non-equity oriented fund	NIL	NIL	10 per cent for specified overseas financial organisations 20 per cent for other foreign entities
	Equity oriented Fund	NIL	NIL	NIL
Business income	Non-equity and equity oriented mutual fund	NIL	30 per cent for non-corporate FII's 40 per cent for corporate FII's	30 per cent for foreign non-corporates 40 per cent for foreign corporate entities

The aforementioned tax rates would be increased by a surcharge of:

- (a) 10 per cent - in case of foreign non-corporate Unit Holders, where the total income exceeds Rs 10,00,000
- (b) 2.5 per cent - in case of foreign corporate Unit Holders, where the total income exceeds Rs 100,00,000

Further, an additional surcharge of 3 per cent by way of education cess would be charged on the amount of tax inclusive of surcharge for all Unit Holders.

In case of non-resident Unit Holders eligible for availing tax treaty benefits, please refer to paragraph (v) below.

**(v) Tax treaty**

In the case of a non-resident Unit Holder who is resident of a country with which India has signed a Double Taxation Avoidance Agreement (DTAA), which is in force, income tax is payable at the rate provided in the Act or at the rate provided in the such agreement, whichever is more beneficial to such non resident Unit Holder.

Further, where the rate of tax prescribed under the relevant DTAA is lower than that prescribed under the Act, tax would be withheld at such lower rate.

However, in order to obtain the benefit of the lower rate under the DTAA, the Unit Holder would be required to provide a certificate from his Assessing Officer stating the eligibility of the investor to claim such benefit.

**(vi) Tax on Income distributed by the Mutual Fund**

Under the provisions of section 10(35) of the Act, income received in respect of units of a mutual fund specified under section 10(23D) of the Act will be exempt from income tax in the hands of all unit holders.

In view of the exemption of income in the hands of the unit holders, no tax needs to be deducted at source from such distribution by the Fund on or after April 1, 2003, under the provisions of sections 194K and 196A of the Act.

**Dividend stripping**

Under the provisions of section 94(7) of the Act, where a person buys any units within a period of three months before the record date, sells such units within nine months after such date and the income distributed on such units is exempt from tax, the loss on such sale to the extent of the income distributed on units shall be ignored while computing the income chargeable to tax.

**Bonus stripping**

Under the provisions of section 94(8) of the Act, where a person buys units (original units) within a period of three months before the record date, receives bonus units on such original units, and then sells (all or part of) the original units within a period of nine months from the record date and continues to hold the bonus units, then the loss incurred on the original units shall be ignored while computing the income chargeable to tax but shall be deemed to be the cost of acquisition of the bonus units.

**(vii) Switching between options**

As stated in Section XI.H.4 switching from one option to another option will be effected by way of Redemption of units of the relevant option and reinvestment of the redemption proceeds in the other option selected by the Unit Holder. Hence switching will attract the same implications as applicable on transfer of such units.

**(viii) Exemptions from long-term capital gains**

As per the provisions of section 54EC of the Act, taxable long-term capital gains [including gains arising on transfer of a long-term capital asset being units not otherwise exempt under section 10(38) of the Act] are exempt from tax to the extent such capital gains are invested, within a period of six months of such transfer, in acquiring bonds redeemable after 3 years and issued on or after April 1, 2007 by the National Highways Authority of India and by the Rural Electrification Corporation Limited. A ceiling of Rs 50,00,000 applies in respect of investment in such bonds in any financial year.

If the said bonds are transferred within a period of 3 years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred.

As per the provisions of Sec 54F of the Act in the case of an individual or a HUF, specified taxable long-term capital gains [including gains arising on transfer of a long-term capital asset being units not otherwise exempt under section 10(38) of the Act] are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then proportionate exemption is available.

**(ix) Set-off and carry forward of losses**

According to the provisions of the Act, the capital loss resulting from sale of units would be available for set off against other capital gains made by the investor and would reduce the tax liability of the investor to that extent. However, losses on transfer of units held as long term capital assets would be allowed to be set-off only against gains from transfer of long-term capital assets. Where such losses arising from sale of units held as capital asset cannot be wholly set-off, the amount of losses not set-off can be carried forward for a period of eight years. However, when the long term gains arising on transfer of units are not subject to tax then the long-term losses from such units would not be allowed to be set off or carried forward.

Under the Act, a loss resulting from the transfer of units held as stock in trade or trading asset would be available for set off against income under any other head other than income under the head 'Salaries'. Where such loss cannot be wholly set-off in accordance with the provisions of the Act, the amount remaining to be set-off can be carried forward for a period of eight years and set-off against income under the head 'Profits and Gains of Business or Profession'.

**(x) Rebate for STT**

No deduction would be allowed for STT while calculating capital gains. However, where the units are treated as stock in trade and the profits arising from the sale of units are taxed under the head 'Profits and Gains of Business or Profession', an amount equal to the STT paid by the Unit Holder can be claimed as a rebate from the tax payable on the income from such sale of units by virtue of the provisions of section 88E of the Act.

**(xi) Minimum Alternate Tax**

Under the Act, long-term capital gains arising on sale of units of an equity oriented fund and exempt under the provisions of section 10(38) of the Act, would not be excluded from the book profits while calculating profits chargeable to minimum alternate tax.

**B. Tax Benefits / Consequences to the Mutual Fund:**

JPMorgan Mutual Fund is a Mutual Fund registered with the Securities and Exchange Board of India and its entire income is exempt from tax under the provisions of section 10(23D) of the Act. The Mutual Fund will receive all Indian sourced income without any deduction of tax at source under the provisions of section 196(iv) of the Act.

Where the Fund receives any income from investments made in overseas jurisdictions, the same may be subject to withholding tax (or any other tax) in the relevant jurisdiction from which the income is received. As the Fund is exempted from its entire income (including foreign income) in India, credit / refund in respect of such foreign taxes withheld / paid by the fund will not be available.

Income distribution, if any, made by a Mutual Fund, will attract distribution tax under section 115R of the Act at the rates listed below:

**Table C**

<b>Sr No</b>	<b>Type of Mutual Fund</b>	<b>Income distributed to</b>	<b>Rate of distribution tax</b>
(i)	Equity oriented mutual fund	Any person	Nil
(ii)	Money market mutual fund or Liquid mutual fund	Any person	25 per cent
(iii)	Mutual fund other than (i) and (ii) above	Individual or HUF	12.5 per cent
		Any person other than Individual or HUF	20 per cent

The aforementioned rates would be increased by a surcharge of 10 per cent and an additional surcharge by way of education cess at the rate of 3 per cent on the amount of distribution tax inclusive of surcharge.

For this purpose, a 'Money market mutual fund' has been defined to mean a money market mutual fund as defined in sub-clause (p) of clause 2 of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996. Further, a 'Liquid fund' has been defined to mean a scheme or plan of a mutual fund which is classified by the Securities and Exchange Board of India as a liquid fund in accordance with the guidelines issued by it in this behalf under the Securities and Exchange Board of India Act, 1992 or regulations made thereunder.

Under the Act, as and when the Mutual Fund purchases and sells equity shares/units/derivates, it would be required to pay the STT applicable on such purchases / sales to the concerned Recognised Stock Exchange. The current rates of STT have been listed below:

**Table D**

<b>Transaction</b>	<b>Rate of STT</b>	<b>Payable by</b>
Purchase of an equity share in a company / unit of an equity-oriented fund where the transaction is entered into in a recognised stock exchange and the contract is settled by actual delivery or transfer of shares / units.	0.125%	Purchaser
Sale of an equity share in a company / unit of an equity-oriented fund where the transaction is entered into in a recognised stock exchange and the contract is settled by actual delivery or transfer of shares / units.	0.125%	Seller
Sale of an equity share in a company / unit of an equity-oriented fund where the transaction is entered into in a recognised stock exchange and the contract is settled otherwise than by actual delivery or transfer of shares / units.	0.025%	Seller
Sale of a derivative when transaction is entered into in a recognised stock exchange.	0.017%	Seller

**C. Other Benefits:**

- (i) Wealth-tax:** Units of a scheme of a Mutual Fund are not treated as assets as defined under section 2(ea) of the Wealth-tax Act, 1957 and thereof would not be liable to wealth-tax.
- (ii) Gift-tax:** The Gift-tax Act, 1958 has ceased to apply to gifts made on or after October 1, 1998. Gifts of units purchased in a scheme of the Mutual Fund would therefore, be exempt from gift-tax.
- (iii)** Investments in Units of the Mutual Fund will rank as an eligible form of investment under section 11(5) of the Act read with Rule 17C of the Income-tax Rules, 1962, for religious and charitable trusts.

**EACH INVESTOR IS ADVISED TO CONSULT HIS OR HER OWN TAX CONSULTANT WITH RESPECT TO THE SPECIFIC TAX IMPLICATIONS ARISING OUT OF HIS OR HER PARTICIPATION IN THE SCHEME.**

## **XX. INVESTORS' RIGHTS AND SERVICES**

### **A. Unit Holders' rights**

1. Unit Holders of the Scheme have a proportionate right in the beneficial ownership of the assets of the Scheme.
2. If the Fund declares a dividend under the Scheme, it is bound to dispatch the dividend warrants within 30 days from the date of declaration of the dividend.
3. The Trustee is bound to disclose to the Unit Holders any important information, known to the Trustee, which may have a material adverse bearing on their investments.
4. The appointment of the AMC for the Fund can be terminated by the majority of Trustees or by 75% of the Unit Holders of the Scheme, and any change in the appointment of the AMC is subject to the prior approval of SEBI and the Unit Holders.
5. The Trustee is obliged to convene a meeting on a requisition of 75% of the Unit Holders of the Scheme / options.
6. 75% of the Unit Holders can pass a resolution to wind up the Scheme.
7. Unit Holders have the right to inspect all the documents listed in Section XXIII.C.8 - Documents available for inspection.
8. The Trustee shall obtain the consent of the Unit Holders:
  - a. whenever required to do so by the Regulations or otherwise by SEBI, in the interest of Unit Holders;
  - b. whenever required to do so on a requisition made by 75% of the Unit Holders of the Scheme; and
  - c. if the Trustee decides to propose the winding-up of the Fund or the Scheme.

In circumstances requiring the approval of Unit Holders, the AMC shall be guided by the directions issued by SEBI and / or the Trustee, under the Regulations about the manner of obtaining such approval. Detailed modalities of the same, including the principles for entitlement of votes for each Unit Holder will be finalised in consultation with and after obtaining the approval of SEBI, if applicable, and the Trustees.

### **B. Voting rights and seeking approval of the Unit Holders**

Subject to the provisions of the Regulations as amended from time to time, the consent of the Unit Holders shall be obtained, entirely at the option of the Trustee, either at a meeting of the Unit Holders or through postal ballot. Only one Unit Holder in respect of each folio or account representing a holding shall vote and he shall have one vote in respect of each resolution to be passed.

### **C. Account statements and Unit certificates**

Full allotment of the initial Units of the Scheme will be made to all valid applications within 30 days from the date of closure of the NFO Period. An account statement will be sent by ordinary post / courier / secured encrypted electronic mail to each Unit Holder, stating the number of Units purchased, not later than 30 days from the close of the NFO Period.

Unit Holders will also be sent an annual account statement by the AMC, within 30 days after March 31. The annual account statement will show all transactions during the 12 month period from April 1 of the preceding year and will also indicate the closing balance of Units held and their NAV as on March 31.

For SIP Unit Holders, the AMC will dispatch the statement of accounts under SIP/STP/SWP once every quarter ending March, June, September and December within 10 Business Days of the end of the respective quarter. However, the first account statement under SIP/STP/SWP shall be issued within 10 Business Days of the initial investment.

In case of specific requests received from investors, the Mutual Fund shall provide an account statement to the investors within three Business Days from the receipt of such request without any charges. Further, soft copy of the account statement shall be mailed to investors under SIP/STP/SWP to their e-mail address on a monthly basis, if so mandated.

Account statements to be issued in lieu of Unit certificates under the Scheme shall be non-transferable. The account statement shall not be construed as a proof of title.

A non-transferable Unit certificate will be sent to the Unit Holder within six weeks following the receipt of a written request.

Units are non-transferable. The Trustee reserves the right to make the Units transferable at a later date, subject to the Regulations.

All Units will rank *pari passu*, among Units within the same option in the Scheme, as to assets and earnings.

#### **D. NAV information**

The AMC will calculate and disclose the first NAV of the Scheme within a period of 30 days from the closure of the NFO Period. Subsequently, the NAV of a particular day shall be announced on the next Business Day.

The NAV of the Scheme shall be made available at all ISCs of the AMC. The AMC will publish the NAV in two daily newspapers. The AMC shall update the NAVs on the website of the Fund ([www.jpmorganmf.com](http://www.jpmorganmf.com)) and of the Association of Mutual Funds in India ([www.amfiindia.com](http://www.amfiindia.com)) by 9.00 pm on the next Business Day. In case of any delay, the reasons for such delay would be explained to AMFI. If the NAVs are not available before commencement of business hours on the following Business Day due to any reason, the Fund shall issue a press release providing reasons and explaining when the Fund would be able to publish the NAVs.

#### **E. Disclosure of information under the Regulations**

An annual report of the Scheme will be prepared as at the end of each financial year (March 31) and copies of the report or an abridged summary thereof will be mailed to all Unit Holders as soon as possible but not later than six months from the closure of the relevant financial year. If the report is mailed in a summary form, the full report will be available for inspection at the registered office of the Trustee and a copy thereof on request to the Unit Holders on payment of a nominal fee.

In addition, the Fund shall before the expiry of one month from the close of each half year (March 31 and September 30) publish its unaudited financial results in one national English daily newspaper and in a local daily newspaper in Mumbai. These shall also be displayed on the websites of the Fund and of AMFI.

Full portfolio details, in the prescribed format, shall also be disclosed either by publishing it in the newspapers or by sending it to the Unit Holders within one month from the end of each half-year and it shall also be displayed on the website of the Fund.

## **XXI. INVESTOR GRIEVANCES AND REDRESSAL MECHANISM**

Investors can enquire about NAVs, unit holdings, valuation, dividends, etc or lodge any service request at the toll-free number "1800 22 5763". In order to protect confidentiality of information, the service representatives may require personal information of the investor for verification of his 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 Anutosh Bose, who has been appointed as the investor relations officer. He can be contacted at:

Address : Mafatlal Centre, 8th Floor, Nariman Point, Mumbai – 400 021.  
Telephone : 91-22 - 2281 7222  
Fax : 91-22 – 6719 8223  
E-mail : india.investors@jpmorgan.com

Investor complaints till Feb 29, 2008:

<b>Period</b>	<b>Complaints received</b>	<b>Complaints redressed</b>	<b>Complaints pending</b>
June 14, 2007 – February 29, 2008	4292	4292	Nil

The investor complaints received by the Fund are redressed by the investor relations officer of the AMC and the Registrar. The compliance officer regularly reviews the redressal of complaints for assessing the quality and timeliness of the redressal.

## **XXII. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OR INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY AUTHORITY**

All penalties awarded by SEBI under the SEBI Act or any of the Regulations against the Sponsor or any company associated with the Sponsor in any capacity (including the AMC, the Trustee Company, or any of the directors or key personnel (specifically the fund managers) of the AMC and the Trustee Company).– **None**

For the Sponsor and its associates - other than any penalties mentioned above - the penalties awarded by any financial regulatory body, including stock exchanges, for defaults in respect of shareholders, debenture holders and depositors. Additionally, penalties awarded for any economic offence and violation of any securities laws.

Top 10 monetary penalties in case of foreign entities and all monetary penalties in case of Indian entities, imposed against the AMC / Trustee Company / Sponsor or any associate of the sponsor (for irregularities / violations in the financial services sector or for defaults in respect of share holders / debenture holders and depositors, in jurisdiction country by any financial regulatory body or government authority or settlement arrived with any financial regulatory body during the last five years. All disclosure on penalties and action taken against foreign entities is limited to the jurisdiction of the country where the principal activities (in terms of income / revenue) of the Sponsor / associate companies are carried out or where the headquarter is situated. –

*Indian entities:*

### **J.P. Morgan India Private Limited**

#### ***Cash Equities***

1. May 2001 - Rs 10,000 - Non-entry of client code in the order entry screen, for a few days immediately after the requirement was introduced by the National Stock Exchange (NSE)
2. August 2005 - Rs 15,000 - Resignation of directors without obtaining prior approval of the NSE
3. March 2007 – Rs.3000 - Charges for non-submission of UCC details to the exchange
4. March 2007 – Rs.1000 – Late/non-submission charges for monthly client funding disclosure for Dec 2006.
5. April 2007 – Rs.1200 – Charges for non submission of UCC details to the exchange.
6. June 2007 - Rs.2500 - Charges for non-submission of UCC details to the exchange.
7. September 2007 - Rs.500 - Charges for non-submission of UCC details to the exchange

#### ***Futures & Options***

1. January 2002 – Rs 5,000 - Exposure limit (based on margin) for a client exceeded on account of incorrect ‘exposure allowed’ amount having been entered into the exchange trading system
2. August 2002- Rs 200 - Technical error in margin collection file submitted to the exchange
3. September 2002 – Rs 5,000 - Position limit of a client in an individual stock future (based on value of position) exceeded
4. November 2002 – Rs 5,000 - Exposure limit (based on margin) for a client exceeded on account of incorrect ‘exposure allowed’ amount having been entered into the exchange trading system
5. November 2002 – Rs 5,000 - Short reporting of margin collection to the exchange on account of one record getting deleted from the file at the time of file submission

6. June 2007 – Rs 5,000 - Position limit of a client in an individual stock future (based on value of position) exceeded

#### **J.P. Morgan Securities India Private Limited**

Penalties levied by National Securities Clearing Corporation Ltd.

1. June 2005 – Rs.5,000 - Position limit of a client in an individual stock future exceeded
2. September 2005 – Rs.16,615 - Position limit of a client in an individual stock future exceeded

#### **Penalties levied by Clearing Corporation of India Limited**

1. August, 2006 – Rs.936 - Intraday shortfall in securities deposited with CCIL
2. August, 2006 – Rs.32,176 - Intraday shortfall in securities deposited with CCIL
3. June 2007 – Rs.462 – Intraday shortfall in securities deposited with CCIL
4. September 2007 – Rs.21018 - Intraday shortfall in securities deposited with CCIL

#### **JPMorgan Chase Bank N.A., Mumbai Branch**

November 2001 – Rs 151,698 - Penalty levied by Reserve Bank of India for default by The Chase Manhattan Bank branch for not maintaining the Cash Reserve Ratio for the fortnight ended November 17, 2000 and December 1, 2000. Paid in November 2001.

#### ***Foreign entities:***

#### **JPMSI Research Analyst Settlement Final Judgment**

In April 2002, the Securities and Exchange Commission (“SEC”) along with several other securities regulators launched a joint investigation into research analyst conflicts of interest at J.P. Morgan Securities Inc. (“JPMSI”), and eleven other large investment-banking firms.

In April 2003, JPMSI and nine other firms resolved this matter in what has been referred to as a “global settlement”. As part of this settlement, on April 28, 2003, the SEC filed a complaint (“Research Analyst Complaint”) against JPMSI in the United States District Court for the Southern District of New York (“District Court”). The Research Analyst Complaint alleged that JPMSI violated various rules of NASD Inc. (“NASD”) and the New York Stock Exchange Inc. (“NYSE”). On April 21, 2003, JPMSI executed a Consent in which it neither admitted nor denied the allegations of the Research Analyst Complaint and consented to the entry of a final judgment. The final judgment was entered by the District Court on October 31, 2003 and permanently enjoined JPMSI from violating the NYSE and NASD rules cited in the Research Analyst Complaint. It also ordered JPMSI to make payments totalling US\$80 million and to comply with undertakings set forth in an addendum to the final judgment, which include certain structural and other reforms intended to address research analyst conflicts of interest.

#### **JPMSI IPO Allocations Final Judgment**

On October 1, 2003, the SEC filed a complaint (the “Complaint”) in the United States District Court for the District of Columbia (the “D.C. District Court”) alleging that during the period from March 1999 through August 2000, J.P. Morgan Securities Inc., violated (i) Rule 101 of Regulation M of the Securities and Exchange Act of 1934 by attempting to induce certain institutional customers to place orders for shares in the aftermarket for certain initial public offerings (“IPOs”) it underwrote during the restricted period of such IPOs and (ii) NASD Inc. Conduct Rule 2110 by persuading one or more institutional investors to take an allocation of one “cold” IPO by promising to reward the customer with an allocation of another upcoming “hot” IPO.

JPMSI consented, without admitting or denying the allegations of the Complaint, except as to jurisdiction, to the entry of a final judgment. On October 8, 2003, the D.C. District Court entered the Final judgment (1) enjoining JPMSI, its officers, agents, servants, employees and attorneys, and all persons inactive concert or participation with JPMSI who receive actual notice of the final judgment by personal service or otherwise from violating Rule 101 of Regulation M of the Securities and Exchange Act of 1934 and NASD Conduct Rule 2110; and (2) ordering JPMSI to pay a civil penalty of US\$25,000,000. No portion of the penalty was waived.

#### **JPMSI Email Retention Settlement**

In late 2004, the SEC along with other securities regulators engaged in settlement discussions with JPMSI in connection with a joint investigation into the preservation of electronic mail communications by JPMSI.

As a result of the settlement discussions, on December 16, 2004, JPMSI executed an Offer of Settlement in which it neither admitted nor denied any findings and consented to the entry of an attached order by the SEC in anticipation of public administrative and cease-and-desist proceedings to be commenced against it by the SEC pursuant to sections 15(b)(4) and 21C of Exchange Act. On February 14, 2005, the SEC issued the contemplated Order Instituting Proceedings Pursuant to Section 15(b)(4) and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Cease-And-Desist Order, Penalty, and Other Relief in the action In the Matter of J.P. Morgan Securities Inc., Admin. Proc. File No. 3-11828 (the "Order"). The SEC thereby ordered JPMSI to cease and desist from committing or causing any violations and any future violations of section 17(a) of the Exchange Act and Rule 17a-4 thereunder, censured JPMSI pursuant to section 15(b)(4) of the Exchange Act, and directed JPMSI to comply with the undertakings set forth in the Order, including the payment of penalties and fines totalling US\$2.1 million. The Order recognized that JPMSI neither admitted nor denied the findings therein.

#### **JPMorgan Investment Advisors Settlements**

In September 2003, the SEC launched an investigation into the alleged violations by JPMorgan Investment Advisor Inc. ("JPMIA") (formerly known as Banc One Investment Advisors Corporation) and a senior officer of JPMIA of the antifraud provisions of the Investment Advisers Act of 1940, as amended, (the "Advisers Act") and the Investment Company Act of 1940, as amended (the "1940 Act"). The alleged violations took place from June 1999 through May 2003. The Attorney General of the State of New York ("NY Attorney General") undertook a similar investigation commencing in August 2003 covering the period 1998 through September 2003. The specific allegations against JPMIA included: (i) allowing excessive short-term trading in JPMIA managed mutual funds ("JPMIA Mutual Funds"); (ii) failing to disclose the conflict of interest created by permitting market-timing arrangements in JPMIA Mutual Funds; (iii) failing to charge required redemption fees in JPMIA Mutual Funds; (iv) failing to have adequate written procedures to prevent the non-public disclosure of holdings in JPMIA Mutual Funds; and (v) causing the JPMIA Mutual Funds to participate in joint transactions that raised conflicts of interest in violation of the 1940 Act.

In June 2004, JPMIA resolved these matters in a settlement with the SEC and the NY Attorney General in which JPMIA, without admitting or denying the findings by the SEC or the NY Attorney General, (i) consented to the SEC's issuance of a final Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 203(e), 203(f), and 203(k) of the Advisers Act, and Sections 9(b) and 9(f) of the 1940 Act (the "Order") and (ii) agreed to the NY Attorney General's Assurance of Discontinuance (the "A&D"). Under the terms of the Order and the A&D, JPMIA agreed to pay disgorgement of US\$10 million and a civil penalty of US\$40 million, to reduce by US\$40 million over five years the management fees

paid to JPMIA by the JPMIA Mutual Funds and to comply with undertakings that include certain structural and other reforms intended to detect and prevent the occurrence of the conduct described in the Order and A&D that is summarized above.

### **Enron Final Judgment**

On July 28, 2003, the Securities & Exchange Commission filed a complaint in the United States District Court for the Southern District of Texas alleging that during the period of December 1997 to September 2001, JPMorgan Chase & Co. ("JPMC" or "Firm") aided and abetted Enron Corp.'s violation of the antifraud provisions of the federal securities laws, Section 10(b) of the Securities Exchange Act of 1934 and Exchange Act Rule 10b-5. The Complaint alleged that Enron Corp. manipulated its reported financial results through a series of commodity derivative transactions known as prepays which were entered into with JPMC. JPMC consented, without admitting or denying the allegations of the complaint, to the entry of a final judgment. On July 28, 2003 the United States District Court for the Southern District of Texas entered a final judgment, (1) enjoining JPMC, its agents, servants, employees, attorneys, assigns and all persons in active concert or participation with them who receive actual notice of the final judgment by personal service or otherwise from violating, directly or indirectly, Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder; and (2) ordering JPMC to pay a total of US\$135,000,000: US\$65,000,000 representing disgorgement, prejudgment interest thereon in the amount of US\$5,000,000, and a civil penalty of US\$65,000,000 pursuant to Section 21(d) of the Exchange Act. No portion of the penalty was waived. JPMC made payment of US\$135,000,000 on July 28, 2003.

### **WorldCom**

Following the bankruptcy of WorldCom Inc. in July 2002, a series of cases were filed throughout the United States. All of the actions asserted claims relating to securities issued by WorldCom, including bonds issued in a private placement in December 2000 (US\$2 billion), and public offerings in August 1998 (US\$6.1 billion), May 2000 (US\$3.5 billion) and May 2001 (US\$11.9 billion). Heritage Chase Securities Inc. was a managing underwriter of the August 1998 and May 2000 public offerings. Heritage JPMSI was lead underwriter of the December 2000 private placement, a managing underwriter of the August 1998 public offering, and co-lead underwriter of the May 2000 public offering. JPMSI was co-lead underwriter of the May 2001 public offering, and JPMSL was co-manager of the European tranches of that offering. These actions variously named JPMSI, JPMC, and J.P. Morgan Securities Ltd. ("JPMSL") as underwriters of the various WorldCom bond offerings, along with other defendants. They alleged that WorldCom bond intentionally misstated its financial condition by manipulating its books and records to reduce its costs to artificially inflate its net revenues during periods leading up to the offerings at issue. The complaints also alleged the offering documents omitted disclosures of certain allegedly material facts. The underwriter defendants were alleged to be liable for not discovering or disclosing WorldCom's conduct.

The actions included a consolidated class action before the US District Court, in the Southern District of New York, as well as a large number of individual plaintiff actions brought by plaintiffs that opted out of the class, most of which actions were transferred to and consolidated before the judge presiding in the class action. In March 2005, JPMC settled the WorldCom class action litigation for a payment of US\$2 billion. Separately, JPMC settled all of the individual plaintiff actions brought by WorldCom bondholders that opted out of the class settlement. In connection with all such settlements, JPMC did not admit any wrongdoing or basis for liability to any person relating to the WorldCom offerings.

### **Chase Investment Services Corporation**

Chase Investment Services Corporation (“CISC”) effected transactions where it made recommendations to public customers to purchase class B and class C shares through its registered representatives without considering or adequately disclose on a consistent basis, that an equal investment in class A shares would generally have been more advantageous to certain customers. The firm’s supervisory and compliance policies and procedures during the review period, were not reasonably established, maintained and/or enforced so that the firm, at the point of each sale, provided adequate disclosure of, or consideration to, on a consistent basis, the benefits of the various mutual fund share classes as they applied to individual customers.

CISC has given an undertaking to create and implement a remediation plan that includes more than 4,000 transactions involving at least 2,000 customer households, and to retain an independent examiner to examine the firm’s performance of its obligations under the terms of this AWC and to submit a written final report to the firm and to NASD, the report must recite the efforts the examiner undertook to examine firm’s certified report, as well as the examiner’s findings.

Without admitting or denying the allegations, CISC consented to the described sanctions and to the entry of findings, therefore the firm is censured and fined US\$2 million.

### **Chase Investment Services Corporation**

From January 2002 to August 2004 the firm sold US\$134,019,197 of 529 college savings plans. During this period, the firm failed to establish and maintain procedures, including written supervisory procedures that were reasonably designed to achieve compliance with suitability obligations as they relate to the sale of 529 plans.

Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings; therefore the firm is censured, fined US\$500,000 and must pay approximately US\$288,500 in remediation to compensate certain customers who, during the period January 2002 through August 2004, purchased A 529 plan from the firm sponsored by a state other than the customer’s state or residence, at the time it did not have adequate procedures in place relating to suitability determinations for the sale of 529 plans. Satisfactory proof of payment or reasonable and documented efforts undertaken to effect such payment shall be provided to NASD no later than 120 days after the schedule is provided by NASD. If for any reason the firm cannot locate any customer identified in the schedule after reasonable and documented efforts within such period, or any such additional period agreed by NASD, the firm shall forward any undistributed payment and interest to the appropriate escheat, unclaimed property, or abandoned property fund for the state or country in which the customer is last known to have resided.

### **J.P. Morgan Securities Inc.**

Stipulation and consent to penalty filed by the division of enforcement on 6/23/2006 and accepted by hearing panel on 7/21/2006. Without admitting or denying guilt, JPMSI consents to findings by a hearing panel or hearing officer acting alone that it: 1. violated Rule 10A-1 of the Exchange Act and NYSE Rules 440B(A), 440B.13, 440B.20 and 410A by erroneously executing sell orders on a minus tick for securities in which the firm held a short position, by failing to accurately mark sell orders as either long, short or short exempt, by erroneously mismarking sell orders as short exempt, and by submitting inaccurate trading information that caused certain short sales to be reported as long and certain long sales to be reported as short. 2. violated Rule 200(F) of Regulation Sho under the Exchange Act in that it utilized independent trading unit aggregation to determine its net position when it did not have an adequate written plan of organization. 3. violated Rule 200(G) of Regulation SHO under the Exchange Act in that it failed to ensure that all sell orders were properly marked as “long” “short” or “short exempt”. 4. violated Rule 203(A) of Regulation SHO under the Exchange

Act in that it effected customer and/or proprietary sales pursuant to orders marked long when it did not know or have reasonable grounds to believe: A. that it would be able to deliver the security on that date the delivery was due; and B. that its customers were not misrepresenting short sales as long sales. 5. violated Rule 203(B)(1) of Regulation SHO under the Exchange Act in that it effected short sale orders without having reasonable grounds to believe that the securities could be borrowed so that they could be delivered on the dates delivery was due. 6. violated Section 17(A) of the Exchange Act and Rule 17A-3 thereunder and NYSE Rules 123 and 440 in that the firm's books and records were inadequate because they did not accurately capture trading data resulting from short sale orders, and because the firm failed to report trades to the NYSE in a timely fashion and retain records of error transactions. 7. violated NYSE Rule 123C by failing to comply with requirements governing the entry and cancellation of market-on-close and limit-on-close orders. 8. violated NYSE Rule 476(A)(11) by failing to timely and accurately file daily program trading reports. 9. violated NYSE Rule 342 in that it failed to establish and maintain appropriate procedures for supervision and control including a separate system of follow-up and review for compliance with Regulation SHO, Rule 10A-1 under the Exchange Act, NYSE Rules 440B ET SEQ. and NYSE Rules relating to the entry and cancellation of market-on-close and limit-on-close orders. The stipulated sanction was the imposition by the NYSE of a censure and a fine in the amount of US\$400,000.

#### **J.P. Morgan Securities Inc.**

On May 31, 2006, the SEC complaint alleges that JPMSI wilfully violated Section 17(A)(2) of the Securities Act. as part of its broker-dealer business respondent underwrite, and manage auctions for, auction rate securities. From at least January 1, 2003 through June 30, 2004, in connection with certain auctions, JPMSI engaged in one or more of the following practices violations: completion of open or market bids, intervention in auctions, bids to prevent failed auctions, bids to a set a "market" rate, bids to prevent all-hold auctions, prioritization of bids, submission or revision of bids after deadlines, allocation of securities, partial orders, express or tactic understanding to provide higher returns, and price talk.

Not later than 6 months after the entry of this order, JPMSI shall provide all of its customers who hold auction rate securities ("holders") and the issuers of such securities ("Issuers") with a written description of JPMSI's material auction practices and procedures. Furthermore, commencing not later than 3 months after the entry of this order, JPMSI shall at all times make a description of its then-current material auction practices and procedures available to (1) all customers and broker-dealers who are participating through JPMSI in an auction of auction rate securities on the portion of its website that is accessible to such customers and broker-dealers and is related to such auction and (2) the general public on another portion of its website accessible to the general public. Not later than 6 months after the date of this order, unless otherwise extended by the staff of the commission for good cause shown, JPMSI's chief executive officer or general counsel shall certify in writing to the staff of the commission that JPMSI has implemented procedures that are reasonably designed to prevent and detect failures by JPMSI to conduct the auction process in accordance with the auction procedures disclosed in the disclosure documents and any supplemental disclosures and that JPMSI is in compliance with Section IV.E. of this order.

Without admitting or denying the findings, JPMSI consented to the entry of this order; accordingly, pursuant to Section 8A of the Securities Act and Section 15(B) of the Exchange Act, is ordered that JPMSI is censured, shall cease and desist from committing or causing any violations and any future violations of Section 17(A)(2) of the Securities Act; and shall, within 10 days of the entry of this order, pay a civil money penalty of US\$1,500,000 to the United States Treasury.

Any pending material litigation proceedings incidental to the business of the Fund to which the Sponsor or any company associated with the Sponsor in any capacity (including the AMC, the Trustee Company or any of the directors or key personnel as above) is a party. – **None**

Any pending criminal cases against the Sponsor or any company associated with the Sponsor in any capacity (including the AMC, the Trustee Company or any of the directors or key personnel as above). –

**Enron litigation:**

JPMC and certain of its officers and directors are involved in a number of lawsuits arising out of its banking relationships with Enron Corp. and its subsidiaries (“Enron”). Several actions and other proceedings against JPMC have been resolved, including adversary proceedings brought by Enron’s bankruptcy estate. In addition, the Firm has reached an agreement to settle the lead class action litigation brought on behalf of the purchasers of Enron securities, captioned *Newby v. Enron Corp.*, for US\$2.2 billion (pretax). On May 24, 2006, the United States District Court for the Southern District of Texas approved a settlement in the *Newby* action, and entered an order of final judgment and dismissal as to the JPMC defendants. Certain plaintiffs have appealed this final judgment to the United States Court of Appeals for the Fifth Circuit, and one such appeal remains pending. The *Newby* settlement does not resolve Enron-related actions filed separately by plaintiffs who opted out of the class action or by certain plaintiffs who are asserting claims not covered by that action, including some of the actions described below.

Enron-related actions, other than *Newby*, include individual actions against the Firm by plaintiffs who were lenders or claim to be successors-in-interest to lenders who participated in Enron credit facilities syndicated by the Firm; individual and putative class actions by Enron investors, creditors and counterparties; and third-party actions brought by defendants in Enron-related cases, alleging federal and state law claims against JPMC and many other defendants. Fact and expert discovery in these actions is complete. Plaintiffs in two of the bank lender cases have moved for partial summary judgment, and were subsequently joined in that motion by plaintiffs in the other two cases. The Firm opposed this motion, briefing has been completed, and the parties await the court’s ruling.

In addition, in March 2006, two plaintiffs filed complaints in New York Supreme Court against JPMC alleging breach of contract, breach of implied duty of good faith and fair dealing and breach of fiduciary duty based upon the Firm’s role as Indenture Trustee in connection with two indenture agreements between JPMC and Enron. The Firm removed both actions to the United States District Court for the Southern District of New York. The federal court dismissed one of these cases and remanded the other to New York State court where it will now proceed.

In a purported, consolidated class action lawsuit by JPMC stockholders alleging that JPMC issued false and misleading press releases and other public documents relating to Enron in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, the United States District Court for the Southern District of New York dismissed the lawsuit in its entirety without prejudice in March 2005. Plaintiffs filed an amended complaint in May 2005. JPMC has moved to dismiss the amended complaint, and the motion has been submitted to the court for decision.

A shareholder derivative action was filed against current and former directors of JPMC asserting that the board of JPMC wrongfully refused plaintiff’s demand that it bring suit against current and former directors and senior officers of the company to recover losses allegedly suffered by JPMC and its affiliates as a result of various alleged activities, including but not limited to Enron. The complaint asserts derivative claims for breach of fiduciary duty, gross mismanagement, and corporate waste and asserts a violation of Section 14(a) of the

Securities Exchange Act of 1934. On October 11, 2006, defendants filed a motion to dismiss the complaint, and oral argument on the motion was held on January 19, 2007. On February 14, 2007, the court granted defendants' motion to dismiss the complaint without leave to replead.

A putative class action on behalf of JPMC employees who participated in the Firm's 401(k) plan alleged claims under the Employee Retirement Income Security Act ("ERISA") for alleged breaches of fiduciary duties and negligence by JPMC, its directors and named officers. In August 2005, the United States District Court for the Southern District of New York denied plaintiffs' motion for class certification and ordered some of plaintiffs' claims dismissed. In September 2005, the Firm moved for summary judgment seeking dismissal of this ERISA lawsuit in its entirety and, in September 2006, the court granted summary judgment in part, and ordered plaintiffs to show cause as to why the remaining claims should not be dismissed. On December 27, 2006, the court dismissed the case with prejudice. On December 29, 2006, plaintiffs filed a notice of appeal, which is pending.

**IPO allocation litigation:**

Beginning in May 2001, JPMC and certain of its securities subsidiaries were named, along with numerous other firms in the securities industry, as defendants in a large number of putative class action lawsuits filed in the United States District Court for the Southern District of New York. These suits allege improprieties in the allocation of securities in various public offerings, including some offerings for which a JPMC entity served as an underwriter. The suits allege violations of securities and antitrust laws arising from alleged material misstatements and omissions in registration statements and prospectuses for the IPOs and alleged market manipulation with respect to aftermarket transactions in the offered securities. The securities lawsuits allege, among other things, misrepresentation and market manipulation of the aftermarket trading for these offerings by tying allocations of shares in IPOs to undisclosed excessive commissions paid to the underwriter defendants, including JPMSI, and to required aftermarket purchase transactions by customers who received allocations of shares in the respective IPOs, as well as allegations of misleading analyst reports. The antitrust lawsuits allege an illegal conspiracy to require customers, in exchange for IPO allocations, to pay undisclosed and excessive commissions and to make aftermarket purchases of the IPO securities at a price higher than the offering price as a precondition to receiving allocations. The securities cases were all assigned to one judge for coordinated pre-trial proceedings, and the antitrust cases were all assigned to another judge. On February 13, 2003, the Court denied the motions of JPMC and others to dismiss the securities complaints. On October 13, 2004, the Court granted in part plaintiffs' motion to certify classes in six "focus" cases in the securities litigation. On December 5, 2006, the United States Court of Appeals for the Second Circuit reversed and vacated the Court's class certification ruling. On January 5, 2007, plaintiffs filed a petition for rehearing en banc in the Second Circuit, which is currently pending.

On February 15, 2005, the Court in the securities cases preliminarily approved a proposed settlement of plaintiffs' claims against 298 of the issuer defendants in these cases and a fairness hearing on the proposed settlement was held on April 24, 2006. Pursuant to the proposed issuer settlement, the insurers for the settling issuer defendants, among other things, (1) agreed to guarantee that the plaintiff classes will recover at least US\$1 billion from the underwriter defendants in the IPO securities and antitrust cases and to pay any shortfall, and (2) conditionally assigned to the plaintiffs any claims related to any "excess compensation" allegedly paid to the underwriters by their customers for allocations of stock in the offerings at issue in the IPO litigation. At the request of the Court that the parties to the proposed issuer settlement address the announced preliminary memorandum of understanding ("MOU") between plaintiffs and JPMC described below, on November 15, 2006, the issuer defendants submitted to the Court a revised proposed order. On November 29, 2006, the underwriter defendants submitted objections to the revised proposed order. The Court has not yet

approved the proposed issuer settlement, and the issuer defendants have raised the question with the Court as to whether the proposed settlement classes can be certified as a result of the Second Circuit's December 5, 2006 decision.

Joseph P. LaSala, the trustee designated by plaintiffs to act as assignee of such issuer excess compensation claims, filed complaints purporting to allege state law claims on behalf of certain issuers against certain underwriters, including JPMSI (the "LaSala Actions"), together with motions to stay proceedings in each case. On August 30, 2005, the Court stayed until resolution of the proposed issuer settlement the 55 LaSala Actions then pending against JPMSI and other underwriter defendants at that time, as well as all future-filed LaSala Actions pursuant to the parties' stipulation that the Court's decision would govern stay motions in all future LaSala Actions. On October 12, 2005, the Court granted the underwriter defendants' motion to dismiss one LaSala Action, which by stipulation applied to the parallel motions to dismiss in all other pending and future-filed LaSala Actions. Plaintiffs thereafter filed amended complaints in the lead and other LaSala Actions. On November 21, 2005, the underwriter defendants moved to dismiss the amended complaint in the lead LaSala Action and, by virtue of the stipulation of the parties, thereby moved to dismiss the amended complaints in all other pending and future-filed LaSala Actions. On February 28, 2006, judgment was entered by the Court dismissing all pending LaSala Actions. On March 14, 2006, plaintiffs filed a motion for reconsideration, alteration or amendment of the February 28 judgment. On April 28, 2006, the Court denied plaintiffs' motion for reconsideration.

On April 19, 2006, counsel for JPMC and counsel for the plaintiffs in the IPO securities and antitrust litigations entered into a preliminary MOU outlining the general terms of a "proposed settlement" providing that JPMSI would pay a sum of US\$425 million to resolve the claims of the plaintiffs against JPMC and JPMSI in the securities and antitrust cases. The MOU specified that the certification of the classes alleged in the complaints was a condition precedent to any final, binding settlement. By letter dated December 13, 2006, counsel for JPMC informed counsel for the plaintiffs in the IPO securities and antitrust litigations that, among other things, due to the Second Circuit's December 5, 2006, class certification decision, the proposed settlement classes upon which the preliminary MOU was conditioned can no longer be certified and, consequently, the MOU is unenforceable. At a December 14, 2006, conference, the Court stayed all proceedings in the IPO securities actions pending the Second Circuit's decision as to whether to grant plaintiffs' petition for rehearing en banc.

With respect to the IPO antitrust lawsuits, on November 3, 2003, the Court granted defendants' motion to dismiss the claims relating to the IPO allocation practices in the IPO Allocation Antitrust Litigation. On September 28, 2005, the United States Court of Appeals for the Second Circuit reversed, vacated and remanded the district court's November 3, 2003, dismissal decision. Defendants thereafter filed a motion for rehearing en banc in the Second Circuit, which was denied on January 11, 2006. Thereafter, defendants filed a petition for writ of certiorari in the United States Supreme Court on March 8, 2006. The certiorari petition was granted by the Supreme Court on December 7, 2006, and oral argument will be held in early 2007.

A wholly separate antitrust class action lawsuit on behalf of purported classes of IPO issuers and investors alleging that certain underwriters, including JPMSI, conspired to fix their underwriting fees in IPOs is in discovery. On April 18, 2006, the U.S. District Court for the Southern District of New York denied class certification as to the issuer plaintiffs. The denial of class certification has been appealed to the United States Court of Appeals for the Second Circuit. Further matters are currently stayed pending resolution of the Second Circuit appeal.

**National Century Financial Enterprises litigation:**

JPMC, JPMorgan Chase Bank, N.A. JPMorgan Partners, Beacon Group, LLC and three former Firm employees have been named as defendants in more than a dozen actions filed in or transferred to the United States District Court for the Southern District of Ohio (the “MDL Litigation”). In the majority of these actions, Bank One, Bank One, N.A., and Banc One Capital Markets, Inc. also are named as defendants. JPMorgan Chase Bank, N.A. and Bank One, N.A. were also defendants in an action brought by The Unencumbered Assets Trust (“UAT”), a trust created for the benefit of the creditors of National Century Financial Enterprises, Inc. (“NCFE”) as a result of NCFE’s Plan of Liquidation in bankruptcy. These actions arose out of the November 2002 bankruptcy of NCFE. Prior to bankruptcy, NCFE provided financing to various healthcare providers through wholly owned special-purpose vehicles, including NPF VI and NPF XII, which purchased discounted accounts receivable to be paid under third-party insurance programs. NPF VI and NPF XII financed the purchases of such receivables, primarily through private placements of notes (“Notes”) to institutional investors and pledged the receivables for, among other things, the repayment of the Notes. In the MDL Litigation, JPMorgan Chase Bank, N.A. is sued in its role as indenture trustee for NPF VI, which issued approximately US\$1 billion in Notes. Bank One, N.A. is sued in its role as indenture trustee for NPF XII, which issued approximately US\$2 billion in Notes. The three former Firm employees are sued in their roles as former members of NCFE’s board of directors (the “Defendant Employees”). JPMC, JPMorgan Partners and Beacon Group, LLC, are claimed to be vicariously liable for the alleged actions of the Defendant Employees. Banc One Capital Markets, Inc. is sued in its role as co-manager for three note offerings made by NPF XII. Other defendants include the founders and key executives of NCFE, its auditors and outside counsel, and rating agencies and placement agents that were involved with the issuance of the Notes. Plaintiffs in these actions include institutional investors who purchased more than US\$2.7 billion in original face amount of asset-backed notes issued by NCFE. Plaintiffs allege that the trustees violated fiduciary and contractual duties, improperly permitted NCFE and its affiliates to violate the applicable indentures and violated securities laws by (among other things) failing to disclose the true nature of the NCFE arrangements. Plaintiffs further allege that the Defendant Employees controlled the board and audit committees of the NCFE entities; were fully aware, or negligent in not knowing, of NCFE’s alleged manipulation of its books; and are liable for failing to disclose their purported knowledge of the alleged fraud to the plaintiffs. Plaintiffs also allege that Banc One Capital Markets, Inc. is liable for cooperating in the sale of securities based upon false and misleading statements. Motions to dismiss the complaints were filed on behalf of the Firm and its affiliates. In October 2006, the MDL court issued rulings on some of the motions to dismiss, granting the motions in part and denying the motions in part. Additional motions are still pending, and limited discovery is underway. The Firm has reached settlements with several of the plaintiffs: In February 2006, the JPMC entities, the Bank One entities, and the Defendant Employees reached a settlement of US\$375 million with the holders of US\$1.6 billion face value of Notes (the “Arizona Noteholders”) and reached a separate agreement with the UAT for US\$50 million; and in June 2006, the JPMorgan entities, the Bank One entities, and the Defendant Employees reached a settlement of approximately US\$16 million with holders of about US\$89 million face value of Notes (the “New York Pension Fund Noteholders.”) In addition to the lawsuits described above, the SEC has served subpoenas on JPMorgan Chase Bank, N.A. and Bank One, N.A. and has interviewed certain current and former employees. On April 25, 2005, the staff of the Midwest Regional Office of the SEC wrote to advise Bank One, N.A. that it is considering recommending that the SEC bring a civil injunctive action against Bank One, N.A. and a former employee alleging violations of the securities laws in connection with the role of Bank One, N.A. as indenture trustee for the NPF XII note program. On July 8, 2005, the staff of the Midwest Regional Office of the SEC wrote to advise that it is considering recommending that the SEC bring a civil injunctive action against two individuals, both former employees of the Firm’s affiliates, alleging violations of certain securities laws in connection with their role as former members of NCFE’s board of directors. On July 13, 2005, the staff further advised that it is considering recommending that the SEC

also bring a civil injunctive action against the Firm in connection with the alleged activities of the two individuals as alleged agents of the Firm. Lastly, the United States Department of Justice is also investigating the events surrounding the collapse of NCFE, and the Firm is cooperating with that investigation.

**Re JPMorgan Chase Cash Balance Litigation:**

In a putative consolidated class action lawsuit, filed in the District Court for the Southern District of New York, naming the JPMorgan Chase Retirement Plan (together with the predecessor plans of the JPMC. predecessor companies, the “Plans”) and JPMC’s Director of Human Resources as defendants, current and former participants in the Plans allege various claims under the ERISA. Plaintiffs’ claims are based upon alleged violations of ERISA arising from the conversion to and use of a cash balance formula under the Plans to calculate participants’ pension benefits. Specifically, plaintiffs allege that: (1) the conversion to and use of a cash balance formula under the Plans violated ERISA’s proscription against age discrimination (the “age discrimination claim”); (2) the conversion to a cash balance formula violated ERISA’s proscriptions against the backloading of pension benefits and created an impermissible forfeiture of accrued benefits (the “backloading and forfeiture claims”); and (3) defendants failed to adequately communicate to Plan participants the conversion to a cash balance formula and in general the nature of the Plan (the “notice claims”). In October 2006, the United States District Court for the Southern District of New York denied the Firm’s motion to dismiss the age discrimination and notice claims, but granted the Firm’s motion to dismiss the backloading and forfeiture claims. Plaintiffs’ motion for class certification is fully briefed and remains pending with the Court. Fact discovery is ongoing, but only as to the notice claims. Discovery as to the age discrimination claims has been temporarily stayed, pending resolution of a similar case that is now before the United States Court of Appeals for the Second Circuit.

**American Express Litigation:**

In 1998, the United States Department of Justice (“DOJ”) commenced an action against VISA U.S.A., Inc., VISA International, Inc. and MasterCard International Incorporated alleging that VISA by-law 2.10(e) and MasterCard’s Competitive Programs Policy (the “Exclusionary Rules”), which precluded any member of either of the foregoing associations from issuing payment cards over the Discover or American Express network (or any other competitive network), violated the antitrust laws and were anticompetitive.

The United States District Court for the Southern District of New York held that the Exclusionary Rules had an adverse impact on competition and could not be enforced by the associations. The United States Court of Appeals for the Second Circuit affirmed, and the United States Supreme Court denied review on October 4, 2004, resulting in the repeal of the Exclusionary Rules.

On November 15, 2004, American Express filed a complaint against VISA, MasterCard, Chase Bank USA, N.A., JPMorgan Chase & Co., as well as certain other credit card issuing banks, and their respective bank holding companies, in the United States District Court for the Southern District of New York, alleging that it suffered damages from the Exclusionary Rules. American Express claims that, in addition to VISA and MasterCard, member banks were instrumental in adopting and carrying out the Exclusionary Rules and that the Exclusionary Rules were restrictions by and for the member banks; and that the member banks agreed not to compete by means of offering American Express cards. On August 30, 2005, the Court denied the defendants’ respective motions to dismiss, finding that the allegations of the complaint satisfied pleading rules and were therefore sufficient to withstand the motions. The Court also decided that, at this time, the bank defendants, which were not parties to the DOJ action, are not bound by any of the prior findings and decisions in that case. Discovery is ongoing.

Interchange Litigation. On June 22, 2005, a group of merchants filed a putative class action complaint in the United States District Court for the District of Connecticut. The complaint alleges that VISA, MasterCard, Chase Bank USA, N.A. and JPMC, as well as certain other banks, and their respective bank holding companies, conspired to set the price of interchange in violation of Section 1 of the Sherman Act. The complaint further alleges tying/bundling and exclusive dealing. Since the filing of the Connecticut complaint, other complaints have been filed in different United States District Courts challenging the setting of interchange, as well as the associations' respective rules. All cases have been consolidated in the Eastern District of New York for pretrial proceedings. An amended consolidated complaint was filed on April 24, 2006. Defendants have filed a motion to dismiss all claims that predate January 1, 2004. The motion has not yet been decided.

Plaintiffs subsequently filed a supplemental complaint challenging MasterCard's initial public offering in 2006, alleging that the offering violates the Section 7 of the Clayton Act and that the offering was a fraudulent conveyance. Defendants filed a motion to dismiss both of those claims. The motion has not yet been decided. Discovery is ongoing.

In addition to the various cases, proceedings and investigations discussed above, JPMC and its subsidiaries are named as defendants or otherwise involved in a number of other legal actions and governmental proceedings arising in connection with their businesses. Additional actions, investigations or proceedings may be initiated from time to time in the future. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in early stages of discovery, the Firm cannot state with confidence what the eventual outcome of these pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines, penalties or impact related to each pending matter may be. JPMC believes, based upon its current knowledge, after consultation with counsel and after taking into account its current litigation reserves, that the outcome of the legal actions, proceedings and investigations currently pending against it should not have a material, adverse effect on the consolidated financial condition of the Firm. However, in light of the uncertainties involved in such proceedings, actions and investigations, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by the Firm; as a result, the outcome of a particular matter may be material to JPMC's operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and the level of JPMC's income for that period.

Any deficiency in the systems and operations of the Sponsor or any company associated with the Sponsor in any capacity (including the AMC or the Trustee Company) which SEBI has specifically advised to be disclosed in the Offer Document, or which has been notified by any other regulatory agency. – **None**

Any enquiry / adjudication proceedings under the SEBI Act and the Regulations that are in progress against the Sponsor or any company associated with the Sponsor in any capacity (including the AMC, the Trustee Company or any of the directors or key personnel as above). SEBI has issued against Fledgeling Nominees International Limited (“**FNIL**”) a show cause notice under Sections 11(4)(b) and 11B of the Securities and Exchange Board of India Act, 1992 (“**SEBI Act**”) for the alleged violation of Regulation 20 of the SEBI (Foreign Institutional Investors) Regulations, 1995 (“**FII Regulations**”) for having failed to furnish to SEBI with certain information with respect to its clients in regard to the client's transactions in Overseas Derivative Instruments (“**ODIs**”) FNIL has responded to this show cause notice by its reply dated August 16, 2005.

SEBI has initiated Enquiry Proceedings under the Regulation 6(1) of the SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations 2002 for the alleged

violation of Regulations 15A and 20 of the FII Regulations and Clauses 2, 5 and 7 of the Code of Conduct as specified in Regulation 7A of the FII Regulations in connection with client's transactions in ODIs with FNIL or its affiliates. FNIL has responded to this show cause notice by its reply dated August 16, 2005 and has submitted its written submissions dated September 28, 2006 pursuant to FNIL attending the personal hearing before the Enquiry Office, SEBI on August 28, 2006 in this regard.

SEBI has initiated Adjudication Proceedings under the Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 for the alleged violation of Regulations 15A, 20 and 20A of the FII Regulations and Clauses 2, 5 and 7 of the Code of Conduct as specified in Regulation 7A of the FII Regulations in connection with client's transactions in ODIs with FNIL or its affiliates . FNIL has responded to this show cause notice with its reply dated October 13, 2006. FNIL has attended the personal hearing before the Adjudication Office, SEBI on March 9, 2007 and on April 2, 2007 filed its written submissions.

Details of all cases of suspensions and cancellation of certificate of registration (for irregularities / violations in financial services sector or for defaults in respect of share holders, debenture holders and depositors) of the AMC, Trustee Company and sponsor or any associate of the sponsor for the last 10 years. – **None**

*The above information has been disclosed in good faith as per the information available to the AMC as at the date of this Offer Document.*

## **XXIII. OTHER MATTERS**

### **A. Policy on offshore investments**

As per SEBI Circular dated September 26, 2007, mutual funds can invest in ADRs/GDRs/Foreign Securities within overall limit of US\$5 billion and subject to a maximum of US \$300 million per mutual fund.

As per SEBI Circular dated September 26, 2007, the mutual funds can make investments in

- i. ADRs/GDRs issued by Indian or foreign companies
- ii. Equity of overseas companies listed on recognized stock exchanges overseas
- iii. Initial and follow on public offerings for listing at recognised stock exchanges overseas.
- iv. Foreign debt Securities in the countries with fully convertible currencies, short term as well as long term debt instruments with rating not below investment grade by accredited/ registered credit rating agencies.
- v. Money market instruments rated not below investment grade
- vi. Repos in the form of investment, where the counterparty is rated not below the investment grade; repos should not however, involve any borrowing of funds by mutual funds.
- vii. Government Securities where the countries are rated not below investment grade
- viii. Derivatives traded on recognised stock exchanges overseas only for hedging and portfolio balancing with underlying as securities.
- ix. Short term deposits with banks overseas where the issuer is rated not below investment grade.
- x. Units/Securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in (a) aforesaid Securities, (b) Real Estate Investment Trusts (REITs) listed in recognised stock exchanges overseas or (c) unlisted overseas Securities (not exceeding 10% of their net assets).

The overall ceiling for investment in overseas ETFs that invest in securities is US\$1 billion subject to maximum of US \$ 50 million per mutual fund.

It is the Investment Manager's belief that overseas Securities may offer new investment and portfolio diversification opportunities into multi-market and multi-currency products. However, such investments also entail additional risks. Such investment opportunities may be pursued by the Investment Manager provided they are considered appropriate in terms of the overall investment objectives of the Scheme. The Scheme may then, if necessary, seek applicable permission from SEBI to invest abroad in accordance with the investment objectives of the Scheme and in accordance with any guidelines issued by SEBI from time to time.

Foreign Securities shall be made subject to any necessary approvals or conditions stipulated by SEBI and the expenses charged to the Scheme shall not exceed the total limits on expenses as prescribed under the Regulations and guidelines thereunder. The details of calculation for charging such expenses shall be reported to the Boards of the AMC and Trustee and shall also be disclosed in the annual report of the Scheme.

The Fund may, where necessary, appoint other intermediaries of repute as advisors, sub-managers, or sub-custodians for managing and administering such investments. The appointment of such intermediaries shall be in accordance with the applicable requirements, if any, of SEBI.

The AMC shall comply with the requirements of SEBI circular dated September 26, 2007 and amendments thereto at all times.

Before the Scheme invests in foreign Securities it will appoint a dedicated Fund Manager.

**B. Disclosure under Regulation 25 (11)**

Investments made by the schemes of JPMorgan Asset Management India Private Ltd in companies or their subsidiaries that have invested more than 5% of the net assets of any scheme

Name of the company	Scheme Invested by the company	Investments made by the Schemes of JPMorgan Asset Management India Private Ltd in the company or its subsidiary	Aggregate cost of acquisition during the period ended February 29, 2008 (Rupees in Lakhs)	Outstanding as on February 29, 2008 (Rupees in Lakhs)
DSP Merrill Lynch Capital Ltd	JPMorgan India Liquid Fund	JPMorgan India Equity Fund	8,175.00	-
		JPMorgan India Liquid Fund	16,191.10	-
		JPMorgan India Liquid Plus Fund	27,565.50	-
		JPMorgan India Smaller Companies Fund.	1,920.00	-
Finolex Cables Ltd.	JPMorgan India Liquid Plus Fund	JPMorgan India Equity Fund	4,107.82	-
		JPMorgan India Smaller Companies Fund.	5,000.00	-
Global Trade Finance Ltd.	JPMorgan India Liquid Plus Fund	JPMorgan India Smaller Companies Fund.	5,000.00	-
HDFC Bank Limited	JPMorgan India Liquid Plus Fund	JPMorgan India Equity Fund	3,332.04	2,693.82
		JPMorgan India Smaller Companies Fund.	1,473.82	-
Housing Development Finance Corpn Ltd	JPMorgan India Liquid Fund	JPMorgan India Equity Fund	9,605.91	8,574.34
		JPMorgan India Smaller Companies Fund.	2,331.66	-
Infrastructure Development Fin Co Ltd	JPMorgan India Liquid Fund	JPMorgan India Equity Fund	1,913.26	2,003.38
	JPMorgan India Liquid Plus Fund			

Larsen & Toubro Ltd	JPMorgan India Liquid Fund	JPMorgan India Equity Fund	9,578.33	9,115.81
		JPMorgan India Smaller Companies Fund.	2,819.71	-
Tata Consultancy Services Ltd.	JPMorgan India Liquid Plus Fund	JPMorgan India Equity Fund	2,042.43	-

### **C. General information**

#### **1. Power to make rules**

Subject to the 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

#### **2. Power to remove difficulties**

If any difficulties arise in giving effect to the provisions of the Scheme, the Trustee may, subject to the 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.

#### **3. Scheme to be binding on Unit Holders**

Subject to the 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, 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 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 Regulations.

#### **4. Register of the Scheme's Unit Holders**

Registers of Unit Holders, containing necessary particulars, will be maintained at the Registered Office of the AMC at Mumbai, and at the office of the Registrar at Mumbai and at such other places as the Trustee may decide.

#### **5. Website**

The website of the Fund / AMC 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, including the United States of America. Any persons resident outside India who nevertheless intend to respond to this material must first satisfy themselves that they are not subject to local requirements which restrict or prohibit them from so doing. Information other than that relating specifically to the AMC / the 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 its or the Fund's website.

#### **6. Brokerage, Commission Paid**

The Mutual Fund had paid the following brokerage to the associate companies of the AMC.

Name of the Entity	Scheme	Amount Paid
JPMorgan India Private Limited	JPMorgan India Equity Fund	1374578

Commission paid to the associate distributors

Name of the Entity	Period	Amount Paid
Mahindra & Mahindra Financial Services	June 1, 2007 – Feb 29, 2008	48,151
Geojit Financial Services Ltd	June 1, 2007 – Feb 29, 2008	4,78, 508

#### **7. Omnibus clause**

JPMorgan Chase is committed to complying with all applicable anti money laundering law and regulation in all of its operations. If an investor does not fulfil these requirements, or if the AMC believes that the transaction is suspicious in nature as regards money laundering, the AMC reserves the right to reject the application.

Besides the AMC, the Trustee or the 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 fund shall be applicable.

#### **8. Documents available for inspection**

Copies of the following documents will be available for inspection on all Business Days during the NFO Period and afterwards, between 10 a.m. and 3 p.m. at the Registered Office of the AMC at Mafatlal Centre, 9th Floor, Nariman Point, Mumbai - 400 021.

- (a) Copy of memorandum of association and articles of association of the Trustee Company and of the AMC.
- (b) Copy of the Custody Agreement dated February 20, 2007 between the Trustee and the Custodian.
- (c) Copy of the Investment Management Agreement dated December 6, 2006 between the Trustee and the AMC.
- (d) Copy of the Trust Deed dated December 4, 2006.
- (e) Copy of the Fund Registration Certificate dated February 8, 2007 from SEBI.
- (f) Copy of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
- (g) Copy of Indian Trusts Act, 1882.
- (h) Copy of the Registrar and Transfer Agent Agreement dated February 20, 2007 between the AMC and the Registrar.
- (i) Copy of letter of consent of Auditors and Legal Advisors.

**NOTES:**

**NOTWITHSTANDING ANYTHING CONTAINED IN THIS OFFER DOCUMENT, THE PROVISIONS OF THE SEBI (MUTUAL FUNDS) REGULATIONS, 1996 AND THE GUIDELINES THEREUNDER SHALL BE APPLICABLE.**

**ALL POINTS MENTIONED IN THE STANDARD OBSERVATIONS ISSUED BY SEBI VIDE THEIR 'INSTRUCTIONS FOR FILING OFFER DOCUMENT WITH SEBI' DATED DECEMBER 26, 2003 HAVE BEEN INCORPORATED IN THIS OFFER DOCUMENT.**

**THE TERMS OF THE SCHEME WERE APPROVED BY THE TRUSTEE AT THEIR MEETING HELD ON May 7, 2008.**

**For and on behalf of the Board of Directors of  
JPMorgan Asset Management India Private Limited  
(Investment Manager for JPMorgan Mutual Fund)**

Krishnamurthy Vijayan

Whole-time Director & Chief Executive Officer  
JPMorgan Asset Management India Private Limited  
Place :

Mumbai

Date : \_\_\_\_\_

**2008**

## **XXIV. LISTS**

### **BRANCHES OF AMC**

#### **JPMorgan Asset Management India Private Limited**

##### **Kolkata**

Apeejay Business Centre  
Block-A, 8<sup>th</sup> Floor,  
15 Park Street,  
Kolkata – 700 016

##### **Chennai**

Abacus Business Centre  
Raja Annamalai Building, 2<sup>nd</sup> Floor,  
72 Marshall's Road,  
Egmore,  
Chennai – 600 001

##### **Bangalore**

Regus Business Centre  
Regus Raheja Towers, Level 9,  
M.G. Road,  
Bangalore – 560 001

##### **Pune**

Global Trade Centre  
1/1 Rambaug Col.  
LBS Road, Navi Peth  
Pune - 411 030

##### **New Delhi**

Shangri-la Hotel  
Business Suite 507  
19 Ashoka Road  
Connaught Place  
New Delhi – 110 001

##### **Ahmedabad**

C 83, Vishal Tower  
Behind Prahlad Nagar  
Auda Park  
Near Anand Nagar Cross Road  
Satellite  
Ahmedabad – 380 051

## INVESTOR SERVICE CENTRES

The Registrar will be the official point of acceptance for electronic transactions received from specified banks, financial institutions, distribution channels, etc (mobilised on behalf of their clients) with whom the AMC has entered / may enter into specific arrangements for purchase / sale / switch of Units.

**AGRA:** UNIT NO.13/A, 1ST FLOOR, KAILASH TOWER, BLOCK NO. E 16/8, SANJAY PLACE, AGRA 282004, TEL: 0562-4008316, **AHMEDABAD:** M-SQUARE BUILDING, FIRST FLOOR, CG ROAD, AHMEDABAD 380 009, GUJARAT, TEL: 9879026229. **BANGALORE:** 104, PRESTIGE MERIDIAN, 29, M.G ROAD, BANGALORE 560 001, KARNATAKA, TEL: 080-41232264. **BHUBANESHWAR:** METRO HOUSE, SHOP NO 5, A 410, VANIVIHAR, BHUBANESHWAR 751 004, ORRISA, TEL: 9437196843, **CHANDIGARH:** SCO 154-155, SECTOR 17 C, 2ND FLOOR, CHANDIGARH 700 001, HARYANA, TEL: 0172-4625793. **CHENNAI:** 1ST FLOOR, DOOR NO.141, ANNASALAI, CHENNAI 600 002. TAMIL NADU, TEL: 044-42630104. **COCHIN:** 3RD FLOOR, BLOCK B, BAB TOWERS, M G ROAD, COCHIN 682 015, KERALA, TEL: 0484-4029468. **COIMBATORE:** NO.424-E, RED ROSE TOWERS, D B ROAD, R.S PURAM, COIMBATORE 541 001, TAMIL NADU, TEL: 9840205812. **CUTTACK:** 1ST FLOOR, BADAMBADI LINK ROAD, OPPOSITE LIC COLONY, CUTTACK 753 012, ORISSA. **DEHRADUN:** SHOP NO.25, GROUND FLOOR, RADHA PALACE SHOPPING COMPLEX, RAJPUR ROAD, DEHRADUN 248 001, UTTARANCHAL. **GOA (PANJIM):** F-1 & F-2, ALFRAN PLAZA, 1ST FLOOR, NEAR DON BOSCO HIGH SCHOOL, M G ROAD, PANJIM, GOA, TEL: 9923185859 / 9371685859. **GUNTUR:** 2ND FLOOR, ADITYA COMPLEX, 6-19-35, 13TH MAIN ROAD, ARUNDALPET, GUNTUR 522 002, ANDHRA PRADESH. **GURGAON:** GROUND FLOOR, VATIKA ATRIUM, BLOCK B, SECTOR 53, GURGAON, HARYANA. **GUWAHATI:** GANAPATI ENCLAVE, ULUBARI, G S ROAD, GROUND FLOOR, GUWAHATI 781 001, ASSAM. **HYDERABAD:** 6-3-1093/UG-3 (A&B), VINTAGE BOULEVARD, RAJBHAVAN ROAD, SOMAJIGUDA, HYDERABAD 500 082, TEL: 9948012454. **INDORE:** B-3, ARU PLAZA, 582, M.G. ROAD, INDORE, TEL: 9329869675. **JAIPUR:** NO.605 &606, PLOT NO.15, ASHOK MARG, C-SCHEME, GREEN HOUSE, JAIPUR 302 001, TEL: 9829757778. **JAMSHEDPUR:** BHARAT BUSINESS CENTER, RAM MANDIR AREA, BESIDE MITHIALA MOTORS, BISTUPUR, JAMSHEDPUR 831001, BIHAR, TEL: 9431750111. **KANPUR:** OFFICE NO.216 &217, 2ND FLOOR, KAN CHAMBERS, 14/113. CIVIL LINES, KANPUR 200 801, UTTAR PRADESH, TEL: 9873516266. **KOLHAPUR:** SHOP NO.84, GEMSTONE RAI BAHADUR VICHARE COMPLEX 517/2, NEW SAHUPURI, NEAR S T STAND, KOLHAPUR 416 001, MAHARASHTRA. **KOLKATA:** LORDS BUILDING, 7/1 LORD SINHA ROAD, BLOCK NO.GF/D, GROUND FLOOR, KOLKATA 700071, TEL: 033-24124150. **LUCKNOW:** SKYHI CHAMBERS, F-1, 1ST FLOOR, PARK ROAD, LUCKNOW 226 001, UTTAR PRADESH, TEL: 0522-4048614. **LUDHIANA:** FORTUNE CHAMBERS, S.C.O, 16-17, 4TH FLOOR, FEROZE GHANDI MARKET, OPP STOCK EXCHANGE, LUDHIANA 141 001, HARYANA, TEL: 9829651080. **MANGALORE:** "MANASA", 2ND FLOOR, ABOVE UDAYAVAN, NEXT TO INDIA INFOLINE OFFICE, MG ROAD, MANGALORE, KARNATAKA. **MORADABAD:** SAI SADAN COMPLEX, GROUND FLOOR, JAIL ROAD, MORADABAD, UTTAR PRADESH. **MUMBAI:** PROSPECT CHAMBERS, G 02 B, D.N ROAD, FORT, MUMBAI 400 001, MAHARASHTRA, TEL: 022-32583926. **MYSORE:** CELLAR, NEW KANTHARAJA URS ROAD, MYSORE, KARNATAKA. **NAGPUR:** SHOP NO.10, PRATHIBA SANKUL, NORTH AMBAZARI ROAD, DHARAM PETH, NAGPUR, MAHARASHTRA, TEL: 9823780535. **NEW DELHI:** 910A, 9TH FLOOR, NARAYAN MANZIL, BARAKAMBA ROAD, NEW DELHI, TEL: 9871055293. **PATNA:** HARI NIWAS, SHOP NO.28, CORNER OF FRASER ROAD & EXHIBITION ROAD, PATNA 800 001, TEL: 9818220907. **PUNE:** SHOP NO.7, GROUND FLOOR, JALAN CORNER, CTS NO.538 & 539, NARAYAN PETH, N C KELKAR MARG, PUNE 411 042, MAHARASHTRA, Tel: 020-66209794. **RANCHI:** AC MARKET, GEL CHURCH COMPLEX, MAIN ROAD, RANCHI, JARKHAND 834 001. **ROURKELA:** TRIVENI COMPLEX, 2ND FLOOR, MADHUSUDAN MARG, OPP. HOTEL SUKH SAGAR, ROURKELA 769 001, ORRISA. **SALEM:** PRASAD ASSOCIATES, DIVYA TOWERS, 2ND FLOOR, FORT MAIN ROAD, SEVVAIPET, SALEM 636 001, TAMIL NADU. **SAMBALPUR:** QUALITY MANISON, GROUND FLOOR, MAIN ROAD, NAYAPARA, GOLE BAZAR, SAMBALPUR 768 001 ORISSA. **SURAT:** SHOP NO.G1/G12, MEZZANINE FLOOR, JOLLY PLAZA, OPP ATWAGATE POLICE STATION, SURAT 395001, GUJARAT. Tel: 9226103939. **TRIVANDRUM:** ANNAS ARACADE, 2ND FLOOR TC, 26/15 (16) SPENCER JUNCTION, M G ROAD, TRIVANDRUM -695001, Tel: 9895070451. **VADODARA:** NO.301, 3RD FLOOR, GOKULESH-2, OPPOSITE IVORY TERRACE, SAMPATRAO COLONY, R C DUTT ROAD, ALKAPURI, VADODARA 390 005, GUJARAT, Tel: 0265-6640458. **VIZAG:** SHOP NO.1, GROUND FLOOR, 2ND LANE, REDNAME REGENCY, DWARKA NAGAR, VIZAG-530 001, ANDHRA PRADESH, Tel: 9867062438. **WARANGAL:** SHOP NO. F-40 GREEN

SQUARE, OPPOSITE PUBLIC GARDEN, PETROL PUMP AREA, HANAMKONDA, WARRANGAL, ANDHRA PRADESH.