ESCORTS ASSET MANAGEMENT LTD.

SCHEME INFORMATION DOCUMENT (SID)

ESCORTS FIXED MATURITY PLAN - SERIES III (A CLOSE ENDED INCOME SCHEME- 480days)

Offer of Units of Rs. 10/- each for cash during the
New Fund Offer for Units

New Fund Offer Opens on: ....
New Fund Offer Closes on: ....

Name of Mutual Fund	:	ESCORTS MUTUAL FUND
Address	:	11, Scindia House, Connaught Circus, New Delhi 110 001. Tel: (011) 43587415, 43587420, 43587423 Website : www.escortsmutual.com
Name of Asset Management Company	:	ESCORTS ASSET MANAGEMENT LTD.
Address	:	11, Scindia House, Connaught Circus, New Delhi 110 001. Tel: (011) 43587415, 43587420, 43587423
Name of Trustee Company	:	ESCORTS INVESTMENT TRUST LTD
Address	:	Y-7, Civil Side, Tis Hazari, New Delhi – 110054.

The particulars of the Scheme have been prepared in accordance with the Securities and Exchange Board of India (Mutual Funds) Regulations 1996, (herein after referred to as SEBI (MF) Regulations) as amended till date, and filed with SEBI, along with a Due Diligence Certificate from the AMC. The units being offered for public subscription have not been approved or recommended by SEBI nor has SEBI certified the accuracy or adequacy of the Scheme Information Document.

The Scheme Information Document sets forth concisely the information about the scheme that a prospective investor ought to know before investing. Before investing, investors should also ascertain about any further changes to this Scheme Information Document after the date of this Document from the Mutual Fund / Investor Service Centres / Website / Distributors or Brokers.

The investors are advised to refer to the Statement of Additional Information (SAI) for details of Escorts Mutual Fund, Tax and Legal issues and general information on www.escortsmutual.com.

SAI is incorporated by reference (is legally a part of the Scheme Information Document). For a free copy of the current SAI, please contact your nearest Investor Service Centre or log on to our website.

The Scheme Information Document should be read in conjunction with the SAI and not in isolation.

This Scheme Information Document is dated......................

ESCORTS ASSET MANAGEMENT LTD.

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HIGHLIGHTS - SUMMARY OF THE SCHEME

- **Scheme**
  Escorts Fixed Maturity Plan - Series III is a close ended 480 days income scheme.

- **Investment objective**
  The investment objective of the Scheme is to generate regular income through investments in Debt / Money Market Instruments and Government Securities, which mature on or before the date of maturity of the Scheme."

- **Investment Options**
  The investor can opt for either Dividend (Regular income) or Growth (Capital Appreciation) Options.

- **Liquidity**
  A close ended income scheme which shall be listed. No redemption / repurchase of units shall be allowed prior to the maturity of the close ended schemes. However, investors may exit only in demat mode, by selling through NSE or any other stock exchange where the scheme will be listed.

- **Listing**
  In terms of SEBI Circular SEBI/IMD/CIR NO.12/147132/08 dated December 11, 2008 the scheme will be listed on Stock Exchange.

- **Benchmark**
  The benchmark index used shall be CRISIL Short-Term Bond Index.

- **Transparency/NAV Disclosure**
  NAV will be declared in at least two daily newspapers on every Business Day, except in special circumstances as described in the SAI. Also, full portfolio in the prescribed format will be disclosed by publishing in the newspapers or by sending to the Unit Holders within 1 month from the end of each half- year i.e. March 31 and September 30. The portfolio will also be displayed on the website of the Mutual Fund.

- **Loads**
  Entry Load – Nil Exit Load - Nil

- **Minimum Application Amount**
  Any application for subscription to Units under the Scheme must be for a minimum of Rs. 5000/- and in multiples of Rs. 1/- thereafter.

- **Applications Supported by Blocked Amount**
  Investors may apply through the ASBA facility during the NFO period of the scheme by filling in the ASBA form and submitting the same to selected Self Certified Syndicate Banks (SCSBs) which are registered with SEBI for offering the ASBA facility, which in turn will block the amount in the account as per the authority contained in the ASBA form, and undertake other tasks as per the

procedure specified therein. Investors are also requested to check with their respective Banks for details regarding application through ASBA mode. The list of SCSBs is available on SEBI website www.sebi.gov.in and also on the website of the stock exchanges.

- *"The mutual fund/ AMC and its empanelled brokers has not given and shall not given any indicative portfolio and indicative yield in any communication, in any manner whatsoever. Investors are advised not to rely on any communication regarding indicative yield/ portfolio with regard to the scheme."*

- **Tax Benefits: (Under Income Tax Act, 1961) (as amended by Finance Act, 2011)**

- Under Section 10(35), any income (other than income arising from transfer of units) received by any person in respect of units of mutual fund is exempt from income tax.
- Under Section 10(38), in case of equity oriented fund where STT is attracted, no long term capital gains tax is attracted.
- Securities Transaction Tax (STT) @ 0.25% is to be paid by unitholders at the time of redemption / switch-out of units of an equity-oriented fund.
- Under Section 111A, where STT is attracted, short term capital gains tax will be 15% of short term capital gains. This tax would be increased by applicable surcharge. Further, an additional 2% Education Cess and Secondary & Higher Education Cess at the rate of 1% on the amount of tax and surcharge.
- Under Section 94(7), loss on sale of units bought within 3 months of record date and sold within 9 months after record date shall be ignored while computing income chargeable to tax to the extent of exempt income received or receivable on such units.
- U/S 94(8), units purchased within 3 months prior to record date of entitlement of bonus and sold within 9 months after such date, the loss arising on transfer of original units shall be ignored for the purpose of computing income chargeable to tax.
- Gifts of Units, purchased under the Scheme are exempt from Gift-Tax, subject to proviso under section 56(2) (ii) of the Income Tax Act, that the Value of any Property received other than relative without consideration or for in adequate consideration will also be included in the computation of total Income of the recipient, includes shares & securities also (w.e.f 1.10.2009).
- Units of the Scheme are not subject to Wealth-tax.

  (Tax benefits to the mutual fund and unitholders are in accordance with prevailing tax laws)

I. INTRODUCTION

A. RISK FACTORS

Standard Risk Factors:

- Investment in Mutual Fund Units involves investment risks such as trading volumes, settlement risk, liquidity risk, default risk including the possible loss of principal.

- As the price / value / interest rates of the securities in which the scheme invests fluctuate, the value of your investment in the scheme may go up or down.
- Past performance of the Sponsor/AMC/Mutual Fund does not guarantee future performance of the scheme.
- The name of the scheme does not in any manner indicate either the quality of the scheme or its future prospects and returns.
- The sponsor is not responsible or liable for any loss resulting from the operation of the scheme beyond the initial contribution of Rs. 1,00,000/- made by it towards setting up the Fund.
- The present scheme is not a guaranteed or assured return.

Scheme Specific Risk Factors:

- **Liquidity and Settlement Risks** - The liquidity of the Scheme's investments may be inherently restricted by trading volumes, transfer procedures and settlement periods. From time to time, the Scheme will invest in certain securities of certain companies, industries, sectors, etc. based on certain investment parameters as adopted internally by EAML. While at all times the Asset Management Company will endeavour that excessive holding/investment in certain securities of industries, sectors, etc. by the Scheme is avoided, the funds invested by the Scheme in certain securities of industries, sectors, etc. may acquire a substantial portion of the Scheme's investment portfolio and collectively may constitute a risk associated with non-diversification and thus could affect the value of investments. Reduced liquidity in the secondary market may have an adverse impact on market price and the Scheme's ability to dispose of particular securities, when necessary, to meet the Scheme's liquidity needs or in response to a specific economic event or during restructuring of the Scheme's investment portfolio. Furthermore, from time to time, the Asset Management Company, the Custodian, the Registrar, any Associate, any Distributor, Dealer, any Company, Corporate Bodies, Trusts, any Retirement and Employee Benefit Funds or any Associate or otherwise, any scheme / mutual fund managed by the Asset Management Company or by any other Asset Management Company may invest in the Scheme. While at all times the Trustee Company and the Asset Management Company will endeavour that excessive holding of Units in the Scheme among a few Unitholders is avoided, however, the funds invested by these aforesaid persons may acquire a substantial portion of the Scheme's outstanding Units and collectively may constitute a majority unitholders in the Scheme. Redemption of Units held by such persons may have an adverse impact on the value of the Units of the Scheme because of the timing of any such redemptions and this may impact the ability of other Unitholders to redeem their respective Units.
- **Investment Risks** - The value of, and income from, an investment in the Scheme can decrease as well as increase, depending on a variety of factors which may affect the values and income generated by the Scheme's portfolio of securities. The returns of the Scheme's investments are based on the current yields of the securities, which may be affected generally by factors affecting capital markets such as price and volume, volatility in the stock markets, interest rates, currency exchange rates, foreign investment, changes in Government and Reserve Bank of India policy, taxation, political, economic or other developments, closure of the

Stock Exchanges etc. Investors should understand that the investment pattern indicated, in line with prevailing market conditions, is only a hypothetical example as all investments involve risk and there is no assurance that the Scheme's investment objective will be attained or that the Scheme be in a position to maintain the model percentage of investment pattern particularly under exceptional circumstances. Different types of securities in which the scheme would invest in the offer document carry different levels and types of risk. Accordingly the scheme's risk may increase or decrease depending upon its investment pattern. e.g corporate bonds carry a higher amount of risk than Government securities. Further even among corporate bonds, bonds, which are AAA rated, are comparatively less risky than bonds, which are AA rated. The Scheme will endeavour to invest in highly researched growth/ value stocks. However the growth associated with equities is generally high as also the erosion in the value of the investments/ portfolio in the case of the capital markets passing through a bearish phase is a distinct possibility. The NAV of the scheme is largely dependent on the performance of the companies and the sectors wherein the investment has been made. The scheme may use techniques and instruments (as disclosed in the clause "portfolio turnover") for efficient portfolio management and to attempt to hedge or reduce the risk of such fluctuations. However these techniques and instruments if imperfectly used have the risk of the scheme incurring losses due to mismatches particularly in a volatile market. The Fund's ability to use these techniques may be limited by market conditions, regulatory limits and tax considerations (if any). The use of these techniques is dependent on the ability to predict movements in the prices of securities being hedged and movements in interest rates. There exists an imperfect correlation between the hedging instruments and the securities or market sectors being hedged. Besides, the fact that skills needed to use these instruments are different from those needed to select the Fund's / Scheme's securities. There is a possible absence of a liquid market for any particular instrument at any particular time even though the futures and options may be bought and sold on an organised exchange. The use of these techniques involves possible impediments to effective portfolio management or the ability to meet repurchase / redemption requests or other short-term obligations because of the percentage of the Scheme's assets segregated to cover its obligations.

- **Securities Lending Risks** - It may be noted that this activity would have the inherent probability of collateral value drastically falling in times of strong downward market trends, rendering the value of collateral inadequate until such time as that diminution in value is replenished by additional security. It is also possible that the borrowing party and/or the approved intermediary may suddenly suffer severe business setback and become unable to honour its commitments. This, along with a simultaneous fall in value of collateral would render potential loss to the Scheme. Besides, there is also be temporary illiquidity of the securities that are lent out and the scheme will not be able to sell such lent out securities until they are returned.
- **Interest Rate Risk** - As with debt instruments, changes in interest rate may affect the Scheme's net asset value. Generally the prices of instruments increase as interest rates decline and decrease as interest rates rise. Prices of long-term securities fluctuate more in response to such interest rate changes than short-term securities. Indian debt and government securities markets can be volatile leading

to the possibility of price movements up or down in fixed income securities and thereby to possible movements in the NAV.

- **Credit Risk -** Credit risk or Default risk refers to the risk that an issuer of a fixed income security may default (i.e. the issuer will be unable to make timely principal and interest payments on the security). Because of this risk corporate debentures are sold at a higher yield above those offered on Government Securities, which are sovereign obligations and free of credit risk. Normally, the value of fixed income securities will fluctuate depending upon the changes in the perceived level of credit risk as well as any actual event of default. The greater the credit risk, the greater the yield required for someone to be compensated for the increased risk.
- **Reinvestment Risk -** This risk refers to the difference in the interest rate levels at which cash flows received from the securities in the schemes are reinvested. The additional income from reinvestment is the "interest on interest" component. The risk is that the rate at which interim cash flows are reinvestment may be lower than that originally assumed.
- **Risks associated with Investing in Derivatives -** Derivative 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 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 risk associated with investing directly in securities and other traditional investments.

B. REQUIREMENT OF MINIMUM INVESTORS IN THE SCHEME

The Scheme shall have a minimum of 20 investors and no single investor shall account for more than 25% of the corpus of the Scheme. These conditions will be complied with immediately after the close of the NFO itself i.e. at the time of allotment. In case of non-fulfillment with the condition of minimum 20 investors, the Scheme shall be wound up in accordance with Regulation 39 (2) (c) of SEBI (MF) Regulations automatically without any reference from SEBI. In case of non-fulfillment with the condition of 25% holding by a single investor on the date of allotment, the application to the extent of exposure in excess of the stipulated 25% limit would be liable to be rejected and the allotment would be effective only to the extent of 25% of the corpus collected. Consequently, such exposure over 25% limits will lead to refund within 6 weeks of the date of closure of the New Fund Offer.

C. SPECIAL CONSIDERATIONS

Prospective investors should review / study this Statement of Additional Information in its entirety and shall not construe the contents hereof or regard the summaries contained herein as advice relating to legal, taxation, or financial / investment matters and are advised to consult their own professional advisor(s) as to the legal, tax, financial or any other requirements or restrictions relating to the subscription, gifting, acquisition, holding, disposal (by way of sale, switch or Redemption or conversion into money) of units and to the treatment of income (if any), capitalization, capital gains, any distribution, and other tax consequences relevant to their subscription, acquisition, holding, capitalization, disposal (by way of sale, transfer, switch or conversion into money) of Units within their jurisdiction of nationality, residents, incorporation, domicile etc or under the laws of any jurisdiction to which they or any managed funds to be used to purchased/gift Units are subject and also to determine possible legal, tax, financial or other consequences of subscribing/ gifting, purchasing or holding Units before making an application for Units.

The tax benefits described in this Statement in addition with Statement of Additional Information are as available under the present taxation laws and are available subject to relevant condition. The information given is included only for general purpose and is based on advice received by AMC regarding the law and practice currently in force in India and the Investors should be aware that the relevant fiscal rules or their interpretation may change. As is the case with any investment, there can be no guarantee that the tax position or the proposed tax position prevailing at the time of an investment in the Scheme will endure indefinitely.

Disclaimer Clause of Stock Exchange

As required, a copy of this Scheme Information Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter no. NSE/LIST/142496-D dated 16.08.2011 permission to the Mutual Fund to use the Exchange’s name in this Scheme Information Document as one of the stock exchanges on which the Mutual Fund’s units are proposed to be listed subject to, the Mutual Fund fulfilling the various criteria for listing. The Exchange has scrutinised this Scheme Information Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Mutual Fund. **It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Scheme Information Document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Scheme Information Document; nor does it warrant that the Mutual Fund’s units will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of the Mutual Fund, its sponsors, its management or any scheme of the Mutual Fund.**

Every person who desires to apply for or otherwise acquire any units of the Mutual Fund may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

D. DEFINITIONS

Act	Income-tax Act, 1961
Asset Management Company (AMC)	Escorts Asset Management Limited, incorporated under the Companies Act, 1956 and having its registered Office at 11, Scindia House, Connaught Circus, New Delhi 110 001 and its successors and assigns.
Bank	Scheduled Commercial Bank in India.
Business Day	A day other than: (i) Saturday and Sunday; (ii) A day on which the banks in Mumbai and/RBI are closed for business/ clearing; (iii) A day on which the National Stock Exchange of India Limited is closed; (iv) A day which is a public and/or bank holiday at a Investor Service Centre where the application is received; (v) A day on which Sale/Redemption/Switching of units is suspended by the AMC; (vi) A day on which normal business cannot be transacted due to storms, floods. Bandhs, strikes or such other events as the AMC may specify from time to time; The AMC reserves the right to declare any day as a Business Day or otherwise at any or all Investor Service Centres.
Custodian	HDFC Bank Limited, Custodian and Depository Services, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400013, SEBI registration no. INBI00000063.
Initial Contribution	The sum of Rs. 1,00,000/- (Rupees One Lac only) entrusted to the Trustee by the Sponsor towards the corpus of the Mutual Fund trust.
New Fund Offer	Offer of Units of Escorts Fixed Maturity Plan - Series III during the New Fund Offer Period.
New Fund Offer Period	The period during which the New Fund Offer of Units under the Scheme shall be open for subscription.
Investment Management Agreement	The Agreement dated 15th April, 1996 and Addendum dated 10th August, 2011 between the Trustee and the Asset Management Company.
Load/ Contingent Deferred Sales Charge	Amount collected to cover the cost of promotion of the Scheme.
Mutual Fund or Mutual Fund Trust	The trust established in accordance with the Deed of Trust dated 15th April, 1996 and registered with the Securities and Exchange Board of India on 3rd July, 1996 vide registration no. MF/028/96/4.
Net Asset Value (NAV)	It is the actual value of a Unit issued under the Scheme, on the valuation day.
RBI	Reserve Bank of India
Regulations	Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 as amended.

SEBI	Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992.
Scheme	Escorts Fixed Maturity Plan - Series III (480days) Mutual Fund Scheme.
Sponsor	Escorts Finance Limited, a Company incorporated under the Companies Act, 1956 and having its Registered Office at C-30, Friends Colony (East), New Delhi – 110065
Trustee	Escorts Investment Trust Limited, a Company incorporated under the Companies Act, 1956 and having its Registered Office at Y-79, Civil Side, Tis Hazari, New Delhi – 110054.
Trust Deed	The Deed of Trust dated 15th April, 1996 establishing the Mutual Fund.
Unit	An undivided share in the NAV of the Scheme.

E. DUE DILIGENCE BY THE ASSET MANAGEMENT COMPANY

It is confirmed that:

(i) the draft Scheme Information Document forwarded to SEBI is in accordance with the SEBI (Mutual Funds) Regulations, 1996 and the guidelines and directives issued by SEBI from time to time.

(ii) all legal requirements connected with the launching of the scheme as also the guidelines, instructions, etc., issued by the Government and any other competent authority in this behalf, have been duly complied with.

(iii) the disclosures made in the Scheme Information Document are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the proposed scheme.

(iv) the intermediaries named in the Scheme Information Document and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.

Date : ……………….
Place : New Delhi

(Lalit K. Khanna)
Chief Executive Officer
Escorts Mutual Fund

F. KYC POLICY

Investments in the Units of the Fund(s) or any of its Schemes is/are subject to scrutiny and due diligence including, know your customer (KYC) due diligence as per (a) anti money laundering and other applicable laws, rules, regulations, circulars and byelaws notified and in force in India from time to time ("Applicable Laws"); and (b) internal anti money laundering policies and procedures of the AMC ("AML Policies"). The AMC (including its agents) reserve(s) the right to freeze or terminate any folio which is not in accordance with or is otherwise found to be in breach of any Applicable Laws and/or internal AML Policies of the AMC, at any point of time, before or after the allocation of Units. For further details, please refer the Statement of Additional Information (SAI).

II. INFORMATION ABOUT THE SCHEME

A. TYPE OF THE SCHEME

Escorts Fixed Maturity Plan - Series III (480 days) is a close ended income scheme.

B. INVESTMENT OBJECTIVE OF THE SCHEME

Escorts Fixed Maturity Plan is a close ended fixed term income scheme comprising there-under 480 days investment plan. The investment objective of the Scheme is to generate regular income through investment in Debt / Money Market Instruments and Government Securities usually maturing in line with the time profile of the scheme. **There is no assurance that the investment objective of the Schemes will be realized.**

C. ASSET ALLOCATION AND INVESTMENT PATTERN

The following asset allocation is proposed to be adhered to, under normal conditions:

Instruments	Asset allocation (% of total assets)		Risk Profile
	Min.	Max.	High/Medium/Low
Debt and Money Market Instruments	60	100	Low to Medium
Government Securities	0	40	Low

In terms of SEBI circular No. 12/147132/08 dated December 11, 2008, the scheme shall invest only in such a securities, which mature on or before the date of maturity of the scheme.

In terms of SEBI notification dated June 05, 2009, the scheme shall not invest more than 30% of its NAV in money-market instruments issued by a single issuer. The scheme may review the above pattern of investments based on views on the debt markets and asset-liability management needs. The portfolio shall be reviewed on a monthly basis. At all times, the objective of the portfolio will be to seek income.

Pending deployment of funds of the Scheme in securities in terms of the investment objective of the Scheme, the AMC may invest the funds of the Scheme in short term deposits of scheduled commercial banks. From time to time the Plan may hold cash. A part of the net assets may be invested in the Collaterilsed Borrowing & Lending Obligations (CBLO) or Repo or in an alternative investment as may be provided by the RBI to meet the liquidity requirements. In terms of SEBI Circular No. SEBI/IMD/CIR No.1/ 91171/07 dated 16.04.2007:

1. "Short Term" for such parking of funds by mutual funds shall be treated as a period not exceeding 91 days.
2. Such short term deposits shall be held in the name of the concerned scheme.

3. No mutual fund scheme shall park more than 15% of the net assets in Short term deposit(s) of all the scheduled commercial banks put together. However, it may be raised to 20% with prior approval of the trustees. Also, parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the mutual fund in short term deposits.
4. No mutual fund scheme shall park more than 10% of the net assets in short term deposit(s), with any one scheduled commercial bank including its subsidiaries.
5. Trustees shall ensure that no funds of a scheme may be parked in short term deposit of a bank which has invested in that scheme.
6. Asset Management Company (AMC) shall not be permitted to charge any investment management and advisory fees for parking of funds in short term deposits of scheduled commercial banks in case of liquid and debt oriented schemes.

Investments in derivative instruments may be used in the manner and to the extent permissible under SEBI Regulations from time to time. The total asset allocation including exposure to derivatives will not exceed 100% of the portfolio value of the scheme (i.e. net assets including cash) and the same security wise hedge positions may be excluded in calculating the same.

The Scheme may take derivatives position based on the opportunities available subject to the guidelines issued by SEBI from time to time and in line with the overall investment objective of the Scheme. These may be taken to hedge the portfolio, rebalance the same or to undertake any other strategy as permitted under the SEBI Regulations. The maximum debt derivative position will be restricted to 50% of the Net Assets of the Scheme.

A Brief Note on the Debt and Money Market in India

The debt market in India is a predominantly institutional market and the key market players are banks, financial institutions, insurance companies, mutual funds, primary dealers and corporate. However, provident / pension funds are also present, though not in a very active manner. It comprises of:

i. The money market – The market for borrowing / lending monies; and;
It can be classified into the following categories -
- The market for clean borrowing / lending i.e. borrowing / lending without the backing of any collateral consists of
- Call Money: The market for overnight borrowing / lending
- Notice Money: The market for borrowing / lending from 2 days to a fortnight.
- Term Money: The market for borrowing / lending from a fortnight to six months
- The market for collateralized borrowing / lending – mainly consists of
- Repo transactions - These are repurchased obligation transactions, in which the borrower tenders securities to the lender which is bought back by the borrower on the repurchase date. The price difference between the sale and repurchase of the securities is the implicit interest rate for the borrowing /lending. The eligible underlying securities for these transactions are currently government securities /

treasury bills. Corporate bonds etc. are currently not allowed as eligible securities for repo transactions. The minimum repo term (lending / borrowing period) is one day.

- CBLO means Collateralised Borrowing and Lending obligation and is a discount instrument introduced by the Clearing Corporation of India Limited (CCIL). They can be traded like any other discount instrument. Lenders buy CBLO's and borrowers sell CBLOs. CCIL manages the risks inherent in issuing these securities through a system of margins and deposits that it takes from both lenders and borrowers. CBLOs can be issued/bought/sold for a minimum of one day to a maximum of 360 days.

ii. The securities market – The market for trading in securities. It is divided into :

- The market for money market (short-term) instruments – which are generally discount securities maturing within one year at the time of issuance. Instruments satisfying this criterion are treasury bills (obligations of the government), commercial paper (obligations of the corporate sector) and certificate of deposit (obligations of banks). Government securities are medium / long-term debt obligations of the government. The market for government securities is the most liquid segment of the Indian debt market. Most of the secondary market trading is concentrated in government securities.
- The market for Government Securities - Trading in government securities is now done mostly through an electronic trading, reporting and settlement platform developed by the Reserve Bank of India (RBI) called Negotiated Dealing System (NDS). The role of brokers which was an important element of the Indian bond market therefore stands reduced to that extent. Trading in corporate bonds is relatively subdued (in comparison to government securities). Price discovery and trading in this segment is still carried out through the telephone. Attempts at improving the trading, settlement and risk management practices for trading corporate bonds are currently underway.
- The market for Corporate Bonds
- The market for other instruments such as securitised debt /PTCs etc.

Trading in other instruments such as securitised debt is relatively scarce. Price discovery and trading in this segment too is through the telephone. The various instruments and their prevailing yields and liquidity are indicated in the following table:

As on March 31, 2011

Instruments	Tenor	Yield	Liquidity	Risk
Treasury Bills	364 days	7.64% p.a.	High	Nil
Commercial Paper	1 year	10.50% p.a.	High	Medium
Commercial Paper	3 months	10.25% p.a.	High	Medium
Government Securities	10 years	8.01% p.a.	High	Nil
Government Securities	1-5 years	7.55% - 7.90% p.a.	High	Nil
Corporate Bonds	5 years	9.23% p.a.	Medium - High	Medium
Corporate Bonds	10 years	9.18% p.a.	Medium - High	Medium

Source: www.fimmda.org

The actual yields will, however, vary in line with general levels of interest rates and debt/money market conditions prevailing from time to time.

The Floating rate securities market is at a growing stage in India. The coupon rate in floating rate securities is linked to an acceptable benchmark. Floating rate securities generally have a coupon rate, which is reset over a regular period depending on the benchmark chosen. The market widely uses the MIBOR benchmarks announced by Independent agencies such as NSE and Reuters. When benchmark interest rate rises, the income generated on these floating rate securities also rise. When the benchmark interest rates fall, the income generated on these floating rate securities also fall. Increasingly more companies are raising resource through floating rate securities. Most of such securities are in the form floating rate debentures at a spread over NSE MIBOR. The Government of India has also started issuing floating rate securities. Such floating rate issuances reduce the interest rate risk of the portfolio in which these securities are held.

iii. The derivatives market – The market for-fixed income derivatives : The interest rate derivatives market is in a developing stage in the country. Instruments are mainly transacted are -

- Interest Rate Swaps; and
- Forward Rate Agreements

Vanilla interest rate swap contracts are contracts, which exchange a fixed amount against a floating benchmark. These are calculated on a notional principal, which is never exchanged. Interest rate swaps can be used to hedge interest rate risk for existing fixed rate exposures; and Create synthetic floating or fixed rate structures. Forward Rate Agreements are contracts which allow the transacting counter parties to fix a borrowing / lending rate for some future date at the current juncture itself.

The deviation in Asset Allocation pattern shall be reviewed on a monthly basis and the Fund Manager shall endeavour to do the rebalancing of the portfolio within one month from the date of deviation to bring it in line with the asset allocation pattern of the scheme. The changes in asset allocation may only be for short term and defensive considerations.

D. WHERE WILL THE SCHEME INVEST?

Investment Approach & Strategy

The net assets of the Scheme will be invested in Debt, Money market instruments and Government Securities. The objective of the Scheme is to generate regular income through investments in Debt / Money Market Instruments and Government Securities, which mature on or before the date of maturity of the Scheme.

Investments may be made in instruments, which, in the opinion of the Chief Investment Officer, are of an acceptable credit risk and chance of default is minimum. The Chief Investment Officer is generally guided by, but not restrained by the ratings announced by various rating agencies on the assets in the portfolio.

Debt Instruments include

Debt securities (in the form of non-convertible debentures, bonds, secured premium notes, zero interest bonds, deep discount bonds, floating rate bond / notes, securitised debt, pass through certificates, asset backed securities, mortgage backed securities and any other domestic fixed income securities including structured obligations etc.) include, but are not limited to:

1. Debt obligations of the Government of India, State and local Governments, Government Agencies and statutory bodies (which may or may not carry a state / central government guarantee)
2. Securities that have been guaranteed by Government of India and State Governments
3. Securities issued by Corporate Entities (Public / Private sector undertakings),
4. Securities issued by Public / Private sector banks and development financial institutions.

Money Market Instruments include

1. Commercial paper
2. Commercial bills
3. Treasury bills
4. Government securities having an unexpired maturity upto maturity of the scheme
5. Collaterilsed Borrowing & Lending Obligations (CBLO)
6. Certificate of deposit
7. Usance bills
8. Permitted securities under a repo / reverse repo agreement
9. Any other like instruments as may be permitted by RBI / SEBI from time to time

Investments will be made through secondary market purchases, initial public offers, other public offers, placements and right offers (including renunciation). The securities could be listed, unlisted, privately placed, secured / unsecured, rated / unrated of any maturity.

ADDITIONAL DISCLOSURES

In terms of SEBI Circular No. Cir/ IMD/ DF/12 /2011 dated 01.08.2011 :

1. Credit evaluation policy for the investments in debt securities :
   - Debt Equity Ratio
   - Overall Business Profile
   - Credit history background
   - Promoters background
   - Free Cash flows

2. List of sectors in which the scheme would not be investing :
   Escorts Fixed Maturity Plan – Series III shall invest in all the sectors.

3. Type of instruments which the schemes propose to invest viz. CPs, CDs, Treasury bills etc. :
   The scheme intends to invest in Commercial papers, Commercial bills, Certificate of Deposits, Non Convertible Debentures, Treasury bills,

Government securities having an unexpired maturity upto maturity of the scheme, Collaterilsed Borrowing & Lending Obligations, Usance bills, Permitted securities under a repo / reverse repo agreement and any other like instruments as may be permitted by RBI / SEBI from time to time.

4. Floors and ceilings within a range of 5% of the intended allocation (in %) against each sub asset class/credit rating. For example, it may be disclosed that x-y % would be in AAA rated bank CD as per the sample matrix below:

Credit Rating / **Instruments**	**AAA**	**AA**	**A**	**BBB**
CDs	Upto 100%	--	--	--
CPs	Upto 100%	--	--	--
NCDs	Upto 100%	Upto 100%	--	--
Securitized Debt	Upto 50%	--	--	--
Any other	--	--	--	--

(Securities with rating A and AA shall include A+ and A- & AA+ and AA- respectively)

Further, Positive variation in investment towards higher credit rating in the same instrument may be allowed. In case of non availability of and taking into account the risk-reward analysis of CPs, NCDs (including securitized debt), the scheme may invest in CDs and CBLO having equivalent or higher ratings. At the time of building up the portfolio post NFO and towards the maturity of the scheme, there may be a higher allocation to cash and cash equivalent. All investment shall be made based on the rating prevalent at the time of investment. However, in case of an instrument having dual ratings, the most conservative publicly available rating would be considered. In the event of any deviations from the floor and ceiling of credit ratings specified for any instrument, the same shall be rebalanced with 30 days from the date of the said deviation.

There will not be any variation between the intended portfolio allocation and the final allocation portfolio allocation except the exceptions mentioned above.

E. INVESTMENT STRATEGIES

i. DERIVATIVES AND HEDGING

Investments for derivative instrument may be done for trading as well as hedging and portfolio balancing. SEBI Circular dated August 18, 2010 on investment in derivatives by mutual funds shall be adhered to be the scheme.

The total asset allocation including exposure to derivatives will not exceed 100% of the portfolio value of the scheme (i.e. net assets including cash) and the same security wise hedge positions may be excluded in calculating the same. The scheme may use derivatives upto the maximum limit permitted under SEBI Regulations from time to time.

RBI has issued guidelines on Interest Rate Swaps (IRS) and Forward Rate Agreements (FRA) on July 7, 1999. These products were introduced for deepening the country's money market. SEBI has also permitted trading of interest rate derivatives through Stock Exchanges. The Scheme may trade in these instruments.

Further, the scheme will not take any leveraged position in derivatives. The total investments in debt securities and the gross exposure in derivatives, if any, shall not exceed the net assets(s) of the scheme.

Interest Rate Swaps

All swaps are financial contracts, which involve exchange (swap) of a set of payments owned by one party for another set of payments owned by another party, usually through an intermediary (market maker). An IRS can be defined as a contract between two parties (Counter Parties) to exchange, on particular dates in the future, one series of cash flows, (fixed interest) for another series of cashflows (variable or floating interest) in the same currency and on the same principal for an agreed period of time. The exchange of cashflows need not occur on the same date.

Forward Rate Agreemets

A FRA is an agreement between two counter parties to pay or to receive the difference between an agreed fixed rate (the FRA rate) and the interest rate prevailing on a stipulated future date, based on a notional amount, for an agreed period. In short, in a FRA, interest rate is fixed now for a future period. The special feature of FRAs is that the only payment is the difference between the FRA rate and the Reference rate and hence are single settlement contracts. As in the case of IRS, notional amounts are not exchanged.

Examples Of Derivatives

The Scheme will use derivatives instruments for the purpose of hedging, portfolio balancing or to undertake any other strategy as permitted under the SEBI Regulation from time to time. Hedging does not mean maximisation of returns but only reduction of systematic or market risk inherent in the investment.

Basic Structure of a Swap

Assume that the scheme has a Rs. 20 crore floating rate investment linked to MIBOR (Mumbai Inter Bank Offered Rate). Hence, the scheme is currently running an interest rate risk and stands to lose if the interest rate moves down. To hedge this interest rate risk, the scheme can enter into a 6 months MIBOR swap. Through this swap, the scheme will receive a fixed predetermined rate (assume 12%) and pays the "benchmark rate" (MIBOR), which is fixed by the National Stock Exchange of India Limited (NSE) or any other agency such as Reuters. This swap would effectively Lock-in the rate of 12% for the next 6 months, eliminating the daily interest rate risk. This is usually routed through an intermediary who runs a book and matches deals between various counterparties.

The steps will be as follows :

- Assuming the swap is for Rs. 20 crore June 1, 2008 to December 1, 2008. The Scheme is a fixed rate receiver at 12% and the counterparty is a floating rate receiver at the overnight rate on a compounded basis (say NSE MIBOR).
- On June 1, 2008 the Scheme and the counterparty will exchange only a contract of having entered this swap. This documentation would be as per International Swap Dealers Association (ISDA).
- On a daily basis, the benchmark rate fixed by NSE will be tracked by them.
- On December 1, 2008 they will calculate the following -

  - The Scheme is entitled to receive interest on Rs. 20 crore at 12% for 184 days i.e. Rs. 1.21 crore, (this amount is known at the time the swap was concluded) and will pay the compounded benchmark rate.
  - The counterparty is entitled to receive daily compounded call rate for 184 days & pay 12% fixed.
  - On December 1, 2008, if the total interest on the daily overnight compounded benchmark rate is higher than Rs. 1.21 crore, the Scheme will pay the difference to the counterparty. If the daily compounded benchmark rate is lower, then the counterparty will pay the Scheme the difference.
  - Effectively the Scheme earns interest at the rate of 12% p.a. for six months without lending money for 6 months fixed, while the counterparty pays interest @ 12% p.a. for 6 months on Rs. 20 crore, without borrowing for 6 months fixed.

The above example illustrates the benefits and risks of using derivatives for hedging and optimizing the investment portfolio. Swaps have their own drawbacks like credit risk, settlement risk. However, these risks are substantially reduced as the amount involved is interest streams and not principal.

Risk Factors
- Credit Risk: This is the risk of default by the counterparty. This is usually negligible, as there is no exchange of principal amounts in a derivative transaction.
- Market Risk: Market movements may adversely affect the pricing and settlement derivatives.
- Illiquidity Risk: The risk that a derivative cannot be sold or purchased quickly enough at a fair price, due to lack of liquidity in the market.

Risks associated with Derivatives
Derivative 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 decision of fund manager may not always be profitable. No assurance can be given that the fund manager will be able to identify and execute such strategies.

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

ii. PORTFOLIO TURNOVER POLICY

Portfolio turnover is defined as the aggregate of purchases and sales as a percentage of the corpus of the scheme during a specified period of time. The AMC's portfolio management style is conducive to a low portfolio turnover rate. However, the AMC may take advantage of the opportunities that present themselves from time to time because of the inefficiencies in the securities markets. The AMC will endeavour to balance the increased cost on account of higher portfolio turnover with the benefits derived therefrom.

iii. INVESTMENT BY THE AMC IN THE SCHEME

The AMC may invest in the scheme from time to time, as per SEBI regulations. However, in respect of investment by the Scheme in Units of other Mutual Fund Scheme(s), AMC shall not be entitled to charge any Investment Management and Advisory Fees.

iv. SECURITIES LENDING

If permitted by SEBI under extant regulations / guidelines, the Scheme may also engage in securities lending activity. Stock Lending means the lending of securities to another person or entity for a fixed period of time at a negotiated compensation in order to enhance returns of the scheme portfolio. The securities lent will be returned by the borrower on the expiry of the stipulated period. The AMC will adhere to the following strict internal limits should it engage in stock lending :

It may lend the securities held by it to eligible brokers, dealers, financial institutions, etc. through approved intermediaries, in amounts upto 75% of its total net assets at the time of lending, in accordance with the Guidelines for Participation by Mutual Funds in Stock Lending Scheme and any other guidelines / regulations issued by SEBI. The scheme would limit its exposure, with regard to securities lending, for a single intermediary, to the extent of 25% of the total net assets of the scheme at the time of lending. Collateral must be obtained by approved intermediary for the lending transactions. However, the Asset Management Company and the Trustees reserve the right to modify the above-mentioned limits. Any default / delay by the parties to return the securities lent to them may have an adverse impact on the net assets (and consequently the performance) of the scheme. Collateral would always be obtained by the approved intermediary and would always be more than the value of securities lent. Collateral can be in the form of cash, bank guarantee, government securities, as may be agreed upon with the approved intermediary and would also be subject to mark to market valuation on a daily basis.

Example : A fund has an equity share of a company which it would wish to hold for a long period of time as a core holding in the portfolio as per the fund manager's plan. In that case the investors would be benefited only to the extent of the rise in the value of the share, from time to time if any, on the exchange. If the fund is enabled to lend the said security to a borrower who would want to take advantage of the market fluctuations in its price, the borrower would return the security to the lender (scheme) at a stipulated time or on demand for a negotiated compensation. The fund's unitholders can enhance their returns to the extent of the compensation it will earn for lending the same. An adequate security or collateral will have to be maintained by the intermediary. This should always be higher than the cost of the security. Thus it is in the interest of the investors that returns can be enhanced by way of stock lending rather than hold the security only for capital appreciation potential.

Thus the scenario under which the fund would participate in stock lending would be :

1. There is a holding of security eg 1 lakh shares of XYZ Ltd in the fund, which the fund manager wants to be the core holding of the scheme for approximately 6 to 12 months.
2. There is a borrower (not mutual fund) for the security, (who has taken a short position in the market and needs XYZ Ltd shares to settle it) who is willing to put up a proper collateral for the same. (In all cases higher than the price of the script).
3. The borrower is represented by a proper recognized intermediary.
4. The agreement is to return the security or the amount so negotiated at a particular period of time or on demand.

Then the security will be lent by the fund and the unitholders would benefit from the additional compensation earned for lending, apart from the capital appreciation, which also happens in that stock.

F. FUNDAMENTAL ATTRIBUTES

Following are the Fundamental Attributes of the scheme, in terms of Regulation 18 (15A) of the SEBI (MF) Regulations:

(i) Type of a scheme
o Close ended 480 days income scheme
o Fixed Maturity Plan

(ii) Investment Objective
o Main Objective – generate regular income.
o Investment pattern –

Instrument	Likely Proportion* (%)		Risk
Debt and Money Market Instruments	60	100	Low to Medium
Government Securities	0	40	Low

Notes: * = as a proportion of the net assets of the scheme

(iii) Terms of Issue

o Liquidity provisions –
An close-ended scheme with daily determination of Net Asset Value and providing opportunity to invest and exit at NAV related prices, with applicable load, on daily basis.

o Aggregate fees and expenses charged to the scheme –
Total expenses of the scheme including the investment management and advisory fee shall be within the limits stated in Regulation 52(6), or as may be prevailing under the Regulations from time to time.

In accordance with Regulation 18(15A) of the SEBI (MF) Regulations, the Trustees shall ensure that no change in the fundamental attributes of the Scheme(s) and the Plan(s) / Option(s) thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme(s) and the Plan(s) / Option(s) thereunder and affect the interests of Unitholders is carried out unless:

- A written communication about the proposed change is sent to each Unitholder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and
- The Unitholders are given an option for a period of 30 days to exit at the prevailing Net Asset Value without any exit load.

G. BENCHMARK

CRISIL Short-Term Bond Index

H. CHIEF INVESTMENT OFFICER & FUND MANAGERS

Name	Designation	Age	Qualification	Expe-rience (yrs.)	Type and nature of past experience including assignment held during the last 10 years	Responsibility
Mr. Sanjay Arora	Chief Investment Officer	38	ACA, Grad CWA	15	Equity Research and Portfolio Management	Overall responsibility for Fund Management

ESCORTS ASSET MANAGEMENT LTD.

Name	Designation	Age	Qualification	Experience (yrs.)	Type and nature of past experience including assignment held during the last 10 years	Responsibility
Mr. Jagveer Singh Fauzdar	Fund Manager (Equity)	32	MBA (Fin.) – Lucknow Univ.	7	Equity Research and Portfolio Management	Fund Manager (Equity)
Mr. Rajat Budhiraja	Fund Manager (Debt)	27	M.B.A. (Finance), B.E. (Computer Science)	5	Research	Fund Manager (Debt)

They manage all the schemes of Escorts Mutual Fund.

I. INVESTMENT RESTRICTIONS

The investment policy of the Scheme complies with the rules, regulations and guidelines laid out in SEBI (Mutual Funds) Regulations, 1996. As per the Regulations, specifically the Seventh Schedule, the following investments limitations are applicable:

1. The scheme shall not invest more than 15% of its NAV in debt instruments 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 Act. Such investment limit may be extended to 20% of the NAV of the scheme with the prior approval of the Board of Trustees and the Board of AMC.
   Provided such limit shall not be applicable for investment in government securities.
   Provided further that investment within such limit can be made in mortgaged backed securitised debt, which are not rated below investment grade by a credit rating agency registered with the Board. However, investments made in securitised debt (MBS/ABS), restrictions at originator level will not be applicable.
2. The scheme shall not invest more than 10% of its NAV in unrated debt instruments issued by a single issuer and the total investments in such instruments shall not exceed 25% of the NAV of the scheme. The proposals for investment in unrated debt instruments may be approved by Committee. However, the detailed parameters must be approved by the AMC Board and the Trustees. In case any security does not fall under the parameters, the prior approval of Boards of AMC and Trustee shall be required.
3. No mutual fund scheme shall invest more than 30% percent of its net assets in money market instruments of an issuer:
   Provided that such limit shall not be applicable for investments in Government securities, treasury bills and collateralized borrowing and lending obligations.
4. The Mutual Fund under all scheme(s), including this Scheme shall not own more than 10% of any company's paid up capital carrying voting rights.
5. Transfers of investments from one scheme to another scheme in the same Mutual Fund shall be allowed only if:

- such transfers are done at the prevailing market price for quoted instruments on spot basis; and
- the securities so transferred shall be in conformity with the investment objective of the Scheme to which such transfer has been made.

6. The Scheme may invest in another scheme under the same asset management company or any other mutual fund, without charging any fees, provided that the aggregate inter-scheme investments made by all schemes under the same management or in schemes under the management of any other asset management company shall not exceed 5% of the net asset value of the Mutual Fund.
7. The Mutual Fund shall buy and sell securities on the basis of deliveries and shall, in all cases of purchases, take delivery of relevant securities and in all cases of sale, deliver the securities :
   Provided that the Mutual Fund may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by the Board:
   Provided further that a mutual fund may enter into derivatives transactions on a recognised stock exchange, subject to framework specified by the Board.
8. The Mutual Fund shall get the securities purchased, transferred in the name of the Mutual Fund on account of the concerned Scheme, whenever investments are intended to be of a long-term nature.
9. Pending deployment of funds of a scheme in securities in terms of investment objectives of the scheme a mutual fund can invest the funds of the scheme in short term deposits of scheduled commercial banks. The investment in short term deposits shall be reported to the trustees along with the reasons for the investment, which, interalia, would include comparison with interest rates offered by other scheduled commercial banks. Further, the AMC shall ensure that the reasons for such investments are recorded in the manner prescribed in SEBI Circular MFD/CIR/6/73/2000 dated 27.07.2000. Further, in terms of SEBI Circular No .SEBI/IMD/Cir No. 1/91171/07 dated 16.04.2007 the following guidelines shall be followed :
   a. “Short Term” for such parking of funds by mutual funds shall be treated as a period not exceeding 91 days.
   b. Such short term deposits shall be held in the name of the concerned scheme.
   c. No mutual fund scheme shall park more than <u>15% of the net assets in Short term deposit(s) of all the scheduled commercial banks put together</u>. However, it may be raised to 20% with prior approval of the trustees. Also, parking of funds in short term deposits of a<u>ssociate and sponsor scheduled commercial banks</u> together shall not exceed <u>20% of total deployment</u> by the mutual fund in short term deposits.
   d. No mutual fund scheme shall park more than <u>10% of the net assets</u> in short term deposit(s), with <u>any one scheduled commercial bank</u> including its subsidiaries.
   e. Trustees shall ensure that no funds of a scheme may be parked in short term deposit of a bank which has invested in that scheme.
   f. Asset Management Company (AMC) shall not be permitted to charge any investment management and advisory fees for parking of funds in short term deposits of scheduled commercial banks in case of liquid and debt oriented schemes.

However, the abovesaid Circular shall not be applicable to term deposits placed as margins for trading in cash and derivatives market.

10. The Mutual Fund shall not make any investment in
    - any unlisted security of an associate or group Company of the Sponsor; or
    - any security issued by way of private placement by an associate or group Company of the Sponsor; or
    - the listed securities of group companies of the Sponsor which is in excess of 25% of the net assets.
11. No scheme of a Mutual Fund shall make any investment in any fund of funds.
12. In case of investments in securitised debts, the Scheme may invest in asset backed securities and mortgage backed securities. Investment in securitised debt shall be upto a maximum of 10% of its NAV.
13. The scheme shall not invest more than 5% of its NAV in the unlisted equity shares or equity related instruments in case of open ended schemes.
14. No term loans for any purpose may be advanced by the Mutual Fund and the Mutual Fund shall not borrow except to meet temporary liquidity needs of the Schemes for the purpose of payment of interest or dividends to Unit Holders, provided that the Mutual Fund shall not borrow more than 20% of the net assets of each of the Schemes and the duration of such borrowing shall not exceed a period of six months.
15. The scheme shall not invest more than 10% of its NAV in the equity shares or equity related instruments of any company.

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 1A of Seventh Schedule to the Regulations.

Further, it is clarified that the investment limits mentioned in (1) and (2) above are applicable to all debt securities which are issued by public bodies/institutions such as electricity boards, municipal corporations, state transport corporations etc. guaranteed by either central or state government. Government securities issued by central/state government or on its behalf by RBI are exempt from the above referred investment limits.

All investment restrictions stated above shall be applicable at the time of making investment. The Scheme will not enter into any transaction, which exposes it to unlimited liabilities or results in the encumbering of its assets in any way so as to expose them to unlimited liability. These investment limitations / parameters as expressed / linked to the net asset / net asset value / capital, shall in the ordinary course, apply as at the date of the most recent transaction or commitment to invest. Changes do not have to be effected merely because of appreciation or depreciation in value or by reason of the receipt of any rights, bonuses or benefits in the nature of capital or of any scheme of arrangement or for amalgamation, reconstruction or exchange, or at any repayment or redemption or other reason outside the control of the Fund, any such limits would thereby be breached. If these limits are exceeded for reasons beyond its control, AMC shall adopt as a priority objective the remedying of that situation, taking due account of the interests of the Unitholders.

In terms of SEBI Circular No. SEBI/IMD/CIR No.1/91171/07 dated 16.04.2007 "Short Term" for such parking of funds shall be treated as a period not exceeding 91 days. Further, No mutual fund scheme shall park more than 15% of the Net Assets in Short term deposit(s) of all the scheduled commercial banks put together. However, it may be raised to 20% with prior approval of the trustees. Also, parking of funds in short term deposits of associate and sponsor scheduled commercial banks together shall not exceed 20% of total deployment by the mutual fund in short term deposits. Moreover, no mutual fund scheme shall park more than 10% of the Net Assets in short term deposit(s), with any one scheduled commercial bank including its subsidiaries. Trustees shall ensure that no funds of a scheme may be parked in short term deposit of a bank which has invested in that scheme.

In the event of any amendment to the Regulations, in general and to the Seventh Schedule thereto, in particular, the Trustee shall take note of the same and may alter these investment restrictions, from time to time, with immediate effect, if need be, to enable the Scheme to make investments to achieve its investment objective.

J. SCHEME PERFORMANCE

"This scheme is a new scheme and does not have any performance track record".

III. UNITS AND OFFER

This section provides details you need to know for investing in the scheme.

A. NEW FUND OFFER (NFO)

New Fund Offer Period This is the period during which a new scheme sells its units to the investors.	NFO opens on: …………………. NFO closes on: …………………. The Trustee reserves the right to extend the closing date, subject to the condition that the subscription list shall not be kept open for more than 15 days.
New Fund Offer Price:	Rs. 10/- per unit This is the price per unit that the investors have to pay to invest during the NFO.

Minimum Target amount This is the minimum amount required to operate the scheme and if this is not collected during the NFO period, then all the investors would be refunded the amount invested without any return. However, if AMC fails to refund the amount within 6 weeks, interest as specified by SEBI (currently 15% p.a.) will be paid to the investors from the expiry of six weeks from the date of closure of the subscription period.	Rs. 50,00,000/- The minimum subscription amount for the New Fund Offer of Units under the Scheme is 5,00,000 Units of Rs. 10/- each aggregating to Rs. 50 lakhs, in the event this amount is not raised during the New Fund Offer period, the amount collected will be refunded to the applicants. However, any over subscription will be retained.
Maximum Amount to be raised (if any)	Not Applicable

Options offered :

The investor can opt for Dividend Option or Growth Option. Units under each Investment Option will have a separate Net Asset Value, after the first dividend distribution. The Dividend Option will suit the needs of those investors who are desirous of receiving regular income by way of dividends, which are exempt from tax under section 10(33) of the Act. The Growth Option will suit the needs of those investors who do not require regular income, by way of dividends but are desirous of enjoying capital appreciation. They will enjoy the twin tax benefits of indexation and lower tax rate on long term capital gains under sections 48 and 112 of the Act.

Dividend Policy

1. No dividend will be declared and distributed under the Growth Option, and the distributable surplus, which thus remains wholly undistributed, would be transferred to the reserves of the Scheme attributable to the Unit holders of this Option alone.
2. Under the Dividend Option, the Trustee may decide and declare dividend at such rests, as it deems fit, after the close of the relevant period, subject to availability of distributable surplus, from time to time.
3. When dividends are declared and distributed, the reserves of the Scheme attributable to the Unit holders of this Option alone, will stand reduced by an amount equivalent to the product of the number of Units outstanding, under the Dividend Option and the dividend per Unit (including Dividend Tax plus surcharge as applicable thereon, if any).
4. Dividend will be paid by cheque favouring the registered holder of the Units and, if there is more than one registered holder, then the first-named registered holder.
5. Dividend warrants will be dispatched to the Unit holder’s address in the Register of Unit holders and made payable to the bank, branch and account number of the Unit holder.
6. Dividend warrants will be dispatched, within 30 days from the date of declaration of dividend.
7. Dividend Payout of Rs. 100/- and below shall be automatically re-invested in the scheme.

8. Payment of dividend and dispatch of dividend warrants to Non-Resident Unit holders / FIIs will be subject to obtaining requisite RBI directions from time to time.
9. The Trustee may introduce Electronic Clearing Service (ECS), at a later date to obviate the need for issuing and handling paper instruments such as dividend warrants and thereby facilitates improved investor service, for which purpose a separate communication will be sent to all eligible Unit holders at the appropriate time.
10. The unclaimed dividend amount shall be deployed by the mutual fund in call money market or money market instruments only and the investors who claim these amounts during the period of 3 years from the due date shall be paid at the prevailing NAV. After a period of 3 years this amount shall be transferred to a pool account and the investors can claim the amount at NAV prevailing at the end of the third year. The income earned on such funds can be used for the purpose of investor education.

<u>Who can invest</u>

This is an indicative list and you are requested to consult your financial advisor to ascertain whether the scheme is suitable to your risk profile.

The following persons/ entities (subject, wherever relevant to purchase of Units of Mutual Funds being permitted under relevant statutory regulations and their respective constitutions, wherever applicable) may apply for subscription to Units under the Scheme :

1. Resident adult individuals, either singly or jointly (not exceeding three)
2. Minors through their parents/ legal guardians;
3. Hindu Undivided Family (‘HUF’), in the name of karta;
4. Sole Proprietors, Partners of (Partnership) Firms and Association of Persons or Body of Individuals;
5. Bodies corporate/ Companies registered in India:
6. Banks (including Co-operative and Regional Rural Banks) and financial institutions;
7. Religious and Charitable (public) and private Trusts authorised to invest in such Units;
8. Registered societies and Co-operative societies authorised to invest in such Units;
9. Provident/ Pension/ Gratuity/ Superannuation and such other Funds as and when permitted to invest.
10. Army/ Air Force/ Navy and other para-military Funds and eligible institutions;
11. Scientific and/ or industrial research organisations authorised to invest in such Units;
12. Other associations, institutions, bodies etc. authorised to invest in such Units:
13. Non-Resident Indians and persons of Indian origin residing abroad (collectively ‘NRIs’);
14. Foreign Institutional Investors (‘FIIs’) registered with SEBI;
15. Multilateral agencies approved by the Government of India can apply subject to obtaining Reserve Bank of India (‘RBI’) approval; and
16. Other Mutual Funds and Schemes of Escorts Mutual Fund.

Investments in Units under the scheme by religious and charitable trusts will rank as an eligible investment under Section 11(5) of the Act read with Rule 17C of the Income-tax Rules, 1962. Eligible institutions such as those covered under section 11 and 10(23C) of the Act, investing in Units under the scheme would therefore continue to qualify for exemption, in respect of income therefrom under the applicable sections of the Act.

In terms of Schedule 5 of Notification No. FEMA 20/2000 dated May 3, 2000, RBI as amended vide FEMA Notification No. 101 dated October 3, 2003 has granted general permission to NRIs to purchase, on a repatriation basis, units of domestic mutual funds. Further, the general permission is also granted to NRIs to sell the units to the mutual funds for repurchase or for the payment of maturity proceeds, provided that the units have been purchased in accordance with the conditions set out in the aforesaid notification.

For the purpose of this section, the term “mutual funds” is as referred to in Clause (23D) of Section 10 of Income-tax Act, 1961.

However, NRI investors also have the option to make their investment on a non-repatriable basis.

In terms of Schedule 5 of Notification No. FEMA 20/2000 dated May 3, 2000, RBI has granted general permission to a registered FII to purchase, on repatriation basis, units of domestic mutual funds. Further, the general permission is also granted to FIIs to sell the units to the mutual funds for repurchase or for the payment of maturity proceeds, provided that the units have been purchased in accordance with the conditions set out in the aforesaid notification.

For the purpose of this section, the term “mutual funds” is as referred to in Clause (23D) of Section 10 of Income-tax Act, 1961.

In terms of SEBI Circular No. CIR/ IMD /DF / 14 /2011 dated 09.08.2011 foreign investors (termed as Qualified Foreign Investors/ QFIs) who meet KYC requirement may invest in equity and debt schemes of Mutual Funds (MF) through the following two routes:

1. Direct route - Holding MF units in demat account through a SEBI registered depository participant (DP).
2. Indirect route- Holding MF units via Unit Confirmation Receipt (UCR).

The investment through the above mentioned routes shall be subject to the following conditions :

i. Qualified Foreign Investor (QFI) shall mean a person resident in a country that is compliant with Financial Action Task Force (FATF) standards and that is a signatory to International Organization of Securities Commission's (IOSCO’s) Multilateral Memorandum of Understanding,

Provided that such person is not resident in India, Provided further that such person is not registered with SEBI as Foreign Institutional Investor or Sub-account.

Explanation- For the purposes of this clause:
(1) the term "Person" shall carry the same meaning under Section 2(31) of the Income Tax Act, 1961
(2) the phrase “resident in India” shall carry the same meaning as in the Income Tax Act, 1961
(3) “resident” in a country, other than India, shall mean resident as per the direct tax laws of that country.

Kindly note that only QFIs who comply with para i above are allowed to invest under these routes.

The QFIs shall meet the KYC requirements as per the FATF standards, Prevention of Money Laundering Act, 2002(PMLA) rules and regulations made thereunder, and SEBI circulars issued in this regard before acceptance of subscriptions from them.

MF can accept subscriptions from QFIs till such time the investments by QFIs under both the above-mentioned routes reaches US $ 8 billion in equity schemes and US$ 2.5 billion in debt schemes and the remaining limit of US $ 2 billion in equity schemes and US$ 0.5 billion in debt schemes shall be auctioned by SEBI through bidding process.

Units held by QFIs by way of UCR/demat holding shall be non transferable and non tradable.

All subscriptions shall be received and redemption proceeds shall be transferred into QFIs designated overseas bank account. The overseas bank account which QFIs has designated for the purpose shall be based in countries which are compliant with FATF standards and are signatory to MMOU of IOSCO.

Pledge or lien cannot be created for units/ UCRs held by QFIs.

Deduction of applicable tax at source out of the redemption proceeds shall be made before making redemption payments to QFIs.

QFIs shall submit necessary information for the purpose of obtaining PAN and KYC.

Other conditions for direct route (demat account) .

1. There shall be 3 parties under this route - QFIs, qualified DP and MF.

2. A QFIs can open only one demat account with any one of the qualified DPs and shall subscribe and redeem through that DP only. MF alongwith the DP shall have adequate systems to ensure the compliance of the same.

3. To become a qualified DP, a SEBI registered DP shall fulfill the following:

3.1. DP shall have paid up capital of Rs.50 Crore or more,

3.2. DP shall be either a clearing bank or clearing member of any of the clearing corporations.

3.3. DP shall have appropriate arrangements for receipt and remittance of money with a designated Authorised Dealer (AD) Category - I bank

3.4. DP shall demonstrate that it has systems and procedures to comply with the FATF Standards, PMLA and SEBI circulars issued from time to time.

3.5. DP shall obtain prior approval of SEBI before commencing the activities relating to accepting MF subscription from QFIs.

4. The qualified DP shall open a demat account for the QFIs after ensuring all the requirements as per the PMLA, FATF standards and SEBI circulars issued in this regard.

5. For the purpose of account opening, MF can rely on the KYC done by DPs. Further, MF shall obtain the relevant records of KYC/ other documents from the DP and ensure compliance with para 3.14. However, MF shall comply with PMLA, FATF standards and SEBI circulars issued in this regard from time to time on an ongoing basis.

6. The qualified DP shall open a separate single rupee pool bank account with a designated AD Category -I bank, exclusively for the purpose of investments by QFIs in India.

<u>Process flow</u>

Subscription

1. The QFIs shall place a purchase/ subscription order mentioning the name of the scheme/MF with its DP and remit foreign inward remittances through normal banking channel in any permitted currency (freely convertible) directly to the single rupee pool bank account of the DP maintained with a designated AD category - I bank.

2. DP in turn shall forward the purchase order to the concerned MF and remits the money to the MF's scheme account on the same day as the receipt of funds from QFIs. In case of receipt of money after business hours, DP shall remit the funds to MF scheme account by next business day.

3. If for any reasons, the DP is not able to remit the money to the MF scheme account within the stipulated timeframe as mentioned in 2 above, the DP shall immediately return the money to the designated overseas bank account of the QFIs.

4. MF shall process the order and credit units into the demat account of the QFIs.

5. If for any reasons the units are not allotted, MF / DP shall ensure that the money is remitted back to the QFI's designated overseas bank account within 3 working days from the date of receipt of subscription of money in the single

rupee pool bank account of the DP maintained with a designated AD category I bank.

Redemption

1. QFIs can redeem, either through Delivery Instruction (physical/ electronic) or any another mode prescribed by the Depositories. On receipt of instruction from QFIs, DP shall process the same and forward the redemption instructions to the MF. Upon receipt of instruction from DP, MF shall process the same and shall credit the single rupee pool bank account of the DP with the redemption proceeds.

2. The DP can make fresh purchase of units of equity and debt schemes of MF (if so instructed by the QFIs) out of the redemption proceeds received provided that payment is made towards such purchase is made within two working days of receipt of money from MF in the pooled bank account. In case no purchase is made within said period, the money shall be remitted by the DPs to the designated bank overseas account of the QFIs within two working days from the date of receipt of money from the MF in the pooled bank account.

Dividend

In case of dividend payout, the MF shall credit the single rupee pool bank account of the DP with the dividend amount. The DP in turn shall remit the same to the designated bank overseas account of the QFIs within two working days from the date of receipt of money from the MF in the DP's rupee pooled bank account.

Other conditions for Indirect route (Unit Confirmation Receipts)

1. There shall be four parties involved - QFIs, UCR issuer (based overseas), SEBI registered Custodian (based in India) and MF.

2. QFIs can subscribe / redeem only through the UCR Issuer.

3. MF shall appoint one or more UCR issuing agent overseas and one SEBI registered custodian in India.

4. UCR issuer appointed by MF shall act as agent of the MF.

5. MF can appoint entities fulfilling the following conditions as UCR issuer:
   i. The entity is able to demonstrate that it has proven track record, expertise and technology in the business of issuance of global depository receipts/ global custody agency.
   ii. The entity is registered with an overseas securities market / banking regulator.

Custodians appointed by the MF shall comply with the SEBI (Custodian of Securities) Regulations, 1996, circulars and guidelines issued by SEBI.

The rupee denominated units of the scheme would be held as underlying by the custodian in India in demat mode against which the UCR issuer would issue UCR to be held by QFIs.

Every UCR issued by UCR issuer, Custodian in India shall hold corresponding number of units against it i.e., there shall be one unit of MF scheme for every unit of UCR.

Money shall be received from UCR issuer either in foreign country by opening bank account overseas (in accordance with the relevant extant FEMA regulations) or in Indian rupees in the respective MF scheme account held in India.

UCR issuer shall be mandated regarding the requirements for KYC, Customer due diligence process and documents and information to be collected from the QFIs in terms of the requirements.

Escorts Mutual Fund shall obtain the relevant records of KYC/ other documents from the UCR issuer in order to comply with FATF standards, PMLA and SEBI circulars issued in this regard.

Units purchased and redeemed through UCR issuer shall be settled on gross basis and under no circumstances shall be netted against other investors of UCR issuer

Process flow:

1. The QFIs places a purchase/ subscription order through the UCR issuer.

In case of MF opening bank account overseas (in accordance with the relevant extant FEMA regulations)

i. UCR issuer shall forward the order of QFIs to the MF/Custodian. Upon receipt and transfer of funds to India; the MF shall issue units to the custodian and custodian in turn confirm to the UCR Issuer to issue UCR to the QFIs.

ii In case of redemption, UCR issuer shall confirm receipt of redemption request to the MF and Custodian. Upon receipt of instruction, MF shall process the same and shall transfer the redemption proceeds to the MF overseas bank account for making payment to the designated overseas bank account of the QFIs.

iii In case of dividend payout, the MF shall transfer the dividend amounts to the MF overseas bank account for making payment to the designated overseas bank account of the QFIs.

In case MF receives money in India from UCR issuer.

i UCR issuer shall forward the purchase order to MF and Custodian, and remit the funds into MF scheme account (in rupee terms). Upon receipt of funds; the

MF shall issue units to the custodian and custodian shall in turn confirm to the UCR Issuer to issue UCR to the QFIs.

ii In case of redemption, UCR issuer shall confirm receipt of redemption request to the MF & Custodian. Upon receipt of instruction, MF shall process and remit redemption proceeds to the UCR issuer which in turn shall remit redemption proceeds to the designated bank account of the QFIs.

iii In case of dividend payout, the MF shall remit the dividend amount proceeds to the UCR issuer which in turn shall remit the dividend amount to the designated bank account of the QFIs.

Where can you submit the filled up applications

a) Escorts Asset Management Limited
Regd. Office: 11, Scindia House,
Connaught Circus, New Delhi – 110 001.
(Tel): (011) 43587415, 43587420,
(Fax): (011) 43587432
Website : www.escortsmutual.com
help@escortsmutual.com

b) Skyline Financial Services Pvt. Ltd.
D-153A, 1st Floor,
Okhla Industrial Area, Phase – I,
New Delhi 110 020.
Tel : 30857575, 30857558, 26812682
Fax : 30857562
www.skylinerta.com
virenr@skylinerta.com

Official points of acceptance, collecting banker details etc. – appearing on back cover page.

How to Apply

Please refer to the SAI and Application form for the instructions.

No receipt will be issued for the application. However, the Acknowledgement Slip, at the bottom of the application, duly initialed / stamped by collecting branches of the bankers to the New Fund Offer shall be issued to the investor for future reference. All communication in respect of the application should be sent to the Asset Management Company quoting the full name of the investor, application serial number, number of Units applied for, date on which and name of the collecting branch of the bankers to the New Fund Offer.

Mode of Payment:-

- For application(s) from Resident investors payment should be made either by cash or by local cheque/ demand draft drawn in favour of “ESCORTS MUTUAL FUND – A/C ESCORTS FIXED MATURITY PLAN - SERIES III”, crossed “A/c payee only" and made payable locally after deducting bank charges / commission and drawn on any bank branch which is a member of Bankers Clearing House located in the centre where the application is lodged. Bank charges for outstation demand drafts will be borne by the AMC during New Fund Offer Period. Stockinvests, outstation cheques, post-dated cheques, postal orders or money orders will not be accepted. In case of payment by cheque/ demand draft, a separate cheque/ demand draft must accompany each application.

- For application(s) from NRIs, in case of purchase of units on repatriation basis, payment shall be made either by inward remittance through normal banking channels or out of the funds held in his Non-Resident (External) Account / FCNR Account. In case of purchase of units on non repatriation basis, payment shall be made either by inward remittance through normal banking channels or out of the funds held in his Non-Resident (External) Account / FCNR Account / Non Resident Ordinary Account / NRNR Account. All cheques/ demand drafts should be drawn in favour of "ESCORTS MUTUAL FUND – A/C ESCORTS FIXED MATURITY PLAN - SERIES III – NRI". Payment in the form of foreign exchange/ Dollar drafts may result in subscription to fractional Units. Applicable Exchange Rate shall be that prevailing on the date of remittance of dividend / redemption.
- Cheque/ demand draft accompanying the application, if any should contain the application serial number on its reverse.

Mandatory Information

As per the directives issued by SEBI, it is mandatory for applicants to mention their bank account numbers in their applications and therefore, investors are requested to fill-up the appropriate box in the application form failing which applications are liable to be rejected. It is mandatory for all investors (including joint holders, NRIs, POA holders and guardians in the case of minors) to furnish such documents and information as may be required to comply with the Know Your Customers (KYC) policies under the AML Laws. Applications without such documents and information may be rejected.

In terms of SEBI circulars dated April 27, 2007, April 03, 2008 and June 30, 2008 read with SEBI letter dated June 25, 2007, Permanent Account Number (PAN) would be the sole identification number for all participants transacting in the securities market, irrespective of the amount of transaction, except (a) investors residing in the state of Sikkim; (b) Central Government, State Government, and the officials appointed by the courts e.g. Official liquidator, Court receiver etc. (under the category of Government) and (c) investors participating only in micro-pension. Investors are required to register their PAN with the Mutual Fund by providing the PAN card copy (along with the original for verification which will be returned across the counter). **All investments without PAN (for all holders, including Guardians) are liable to be rejected.** All investments in Escorts Mutual Fund need to comply with the PAN and KYC requirements as noted above. Where the investor has lodged the Unit Certificate(s) for transfer with the AMC/Registrar, the transferee(s) would be bound to furnish the above stated mandatory information of the bank account details, PAN and KYC information. Transfer requests lodged without such mandatory information are **liable to be rejected.**

Non acceptance of Third Party Cheques

Third Party Cheques will not be accepted by the Scheme.

Definition of Third Party Cheques

- Where payment is made through instruments issued from an account other than that of the beneficiary investor, the same is referred to as Third-Party payment.
- In case of a payment from a joint bank account, the first holder of the mutual fund folio has to be one of the joint holders of the bank account from which payment is made. If this criterion is not fulfilled, then this is also construed to be a third party payment.

However, afore-mentioned clause of investment with Third-Party Payment shall not be applicable for the below mentioned exceptional cases.

a. Payment by Parents/Grand-Parents/related persons on behalf of a minor in consideration of natural love and affection or as gift for a value not exceeding Rs.50,000/- (each regular purchase or per SIP installment)
b. Payment by Employer on behalf of employee under Systematic Investment Plans through Payroll deductions.
c. Custodian on behalf of an FII or a client.

For pre funded instruments such as DD/Pay order it is the onus of the investor to provided adequate supporting documents to prove that such instruments are issued by debiting the first holders account.
Escorts Asset Management Co. Ltd. / Trustee retains the sole and absolute discretion to reject/ not process application and refund subscription money if the subscription does not comply with the specified provisions of Payment Instruments.

Applications Supported by Blocked Amount (ASBA)
ASBA is an application containing an authorization given by the Investor to block the application money in is specified bank account towards the subscription of Units offered during the NFO of the Schemes. On intimation of allotment by CAMS to the banker the investors account shall be debited to the extent of the amount due thereon. On allotment, units will be credited to the Investor’s demat account as specified in the ASBA application form.

As per SEBI vide its circular no. SEBI/IMD/CIR No 18 / 198647 /2010 dated March 15, 2010 an investor can subscribe to the New Fund Offer (NFO) through ASBA facility. The ASBA facility is offered by selected Self Certified Syndicate Banks (SCSBs) which are registered with SEBI for offering the facility, and whose names appear in the list of SCSBs as displayed by SEBI on its website at www.sebi.gov.in.

Rejection of Applications :-

The following kinds of Applications are liable to be rejected:

1. Incomplete or incorrectly filled Applications and/or those not accompanied by the subscription amount or otherwise found invalid;
2. Applications under Power of Attorney for which the requisite documents are not submitted within the time period stipulated in this regards Applications accompanied by cheques / demand drafts that have been dishonoured / returned unpaid;
3. The Trustee reserves the sole and absolute right to accept or reject applications, in whole or in part, without assigning any reason therefore. The decision of the Trustee in this regard shall be absolute and final.

Grounds for rejection of ASBA Applications :

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

1. Applications by persons not competent to contract under the Indian Contract Act, 1872, including but not limited to minors, insane persons etc.
2. Mode of ASBA i.e. either Physical ASBA or Electronic ASBA, not selected or ticked.
3. ASBA Application Form without the stamp of the SCSB.
4. Application by any person outside India if not in compliance with applicable foreign and Indian laws.
5. Bank account details not given/incorrect details given.
6. Duly certified Power of Attorney, if applicable, not submitted alongwith the ASBA application form.
7. No corresponding records available with the Depositories matching the parameters namely
   (a) Names of the ASBA applicants (including the order of names of joint holders)
   (b) DP ID
   (c) Beneficiary account number or any other relevant details pertaining to the Depository Account.
8. Insufficient funds in the investor's account Application accepted by SCSB and not uploaded on/with the Exchange / Registrar

Mechanism for Redressal of Investor Grievances under ASBA Facility :

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

Allotment of Units / Refund :

Subject to the Scheme receiving the minimum subscription, full allotment will be made to all valid applications received during the New Fund Offer (NFO) period. Allotment of Units on Application shall be made in the following manner:

a) As the scheme will be listed on one or more stock exchange(s), Units issued under the Scheme shall be allotted in electronic (dematerialised) form. For this purpose, the investors need to furnish the details of their depository account in the Application Form. The Units allotted in electronic form will be credited to the investor's Beneficiary Account with a Depository Participant (DP) of CDSL or NSDL as per the details furnished by the investor in the Application Form within thirty days from the close of the NFO. An intimation / allotment advice specifying the number of units allotted to the investor will be dispatched within 5 business days from the closure of the NFO. The Account Statement of the Beneficiary Account with the DP will be sent by the respective DP's as per their service standards. In case the Unitholder does not wish to get his/her Units converted / allotted in electronic form or the AMC is not able to credit the Units to the beneficiary account(s) of the investor for any reason whatsoever, in terms of SEBI Circular No. 18/198647/2010 dated 15.03.2010 Escorts Mutual Fund shall allot Units and despatch Statement of Account within 5 business days of the closure of the NFO. This non-transferable Statement of Account with a unique account number shall state the number of Units held and will be confirmation of the ownership of Units. It may please be noted that trading in the Units over the stock exchange will be permitted only in electronic form and cannot be traded in physical form.

   Please note that where the investor has furnished the details of their depository accounts in the Application Form, it will be assumed that the investor has opted for allotment in electronic form and the allotment will be made only in electronic form as default.

b) Refund of subscription money to applicants, in case applications are invalid or rejected will be made within six weeks from the date of closure of the NFO. In case the scheme fails to receive the minimum targeted subscription amount during the NFO or fails to get the Units listed on a recognized stock exchange, refund of the subscription money to the applicants will be made within six weeks from the date of closure of the NFO. No interest will be payable on any subscription money so refunded within six weeks. If the Mutual Fund refunds the amount after six weeks, interest at the rate as may be prescribed by SEBI (presently 15% p.a.) shall be paid out of the assets of the AMC for the period thereafter. 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. The allotment of units is subject to realisation of the payment instrument. The Trustee is entitled, in its sole and absolute discretion, to reject any Application. Refund warrants for the following amounts will be dispatched:

1. Where an application is rejected in full, the subscription amount in full;
2. Where an application is accepted in part, the excess subscription amount;
3. For applications accompanied by payment in the form of foreign exchange/Dollar drafts, where the remittance is in excess of the subscription amount due on the nearest lower multiple of 100 Units, the excess subscription amount;
4. If the entire subscription does not amount to target amount of Rs. 50 lakhs, on the date of closure of the New Fund Offer Period, then the entire subscription amount in full and the Scheme shall be deemed to have been terminated.

5. No interest will be payable on any subscription amount so refunded. However, if the Mutual Fund fails to refund the above excess subscription amount, if any within 6 weeks from the date of the New Fund Offer Period, then interest @ 15% per annum will be paid out of the assets of the Mutual Fund for the Period thereafter.
6. Refund warrants, marked “A/c Payee Only” will be drawn in the name of the investor and dispatched by registered post A.D. to the address of the sole/first-named investor as per the application.

Lien on Units

A lien on Units allotted will be created, and such Units shall not be available for redemption until the payment proceeds are realised by the Fund. In case a unitholder redeems Units soon after making purchases, the redemption cheque will not be despatched until sufficient time has elapsed to provide reasonable assurance that cheques or drafts for Units purchased have been cleared. In case the cheque / draft is dishonoured by the bank, the transaction shall be reversed and the Units allotted earlier shall be cancelled, and a fresh Account Statement / Confirmation slip shall be despatched to the Unitholder.

For non-individuals and NRIs, the Fund may mark a lien on Units in case documents, which need to be submitted, are not given in addition to the application form and before the submission of the redemption request.

However, the Fund reserves the right to change operational guidelines for lien on Units from time to time.

Pledge of Units

The Units under the Scheme may be offered by a Unitholder as security by way of pledge in favour of a scheduled bank, financial institution or any other body, all specifically approved by the Fund for this purpose. Upon a specific authorisation request made by a Unitholder and upon completing necessary formalities by the Unitholder, the Fund will instruct the Registrar to mark a lien for a specific period on the Units standing to the credit of the Unitholders account. However, the disbursement of such loans will be at the entire discretion of the concerned bank/ financial institution/ any other body and the Mutual Fund assumes no responsibility thereof. If by enforcing the pledge /charge, the scheduled bank/ financial institution any other approved body seeks to transfer the Units and or have them registered in its name, then the AMC shall comply with the request, if the necessary documentary evidence is made available. No pledge or charge shall be recognised by the AMC unless it is registered with the Registrar and the acknowledgement has been received. However, Escorts Asset Management Ltd. reserves the right to change operational guidelines for pledge on Units, from time to time.

Listing

Being a closed - ended scheme, as per SEBI guidelines, the Units of the Scheme will be listed on one or more recognised stock exchange(s). It is proposed to list the Units on National Stock Exchange of India Ltd. (NSE). The AMC has received in-principle approval from NSE for listing of Units, vide their letter no. NSE/LIST/142496-D dated 16.08.2011.

Statement of Account

As the scheme will be listed on one or more stock exchange(s), Units issued under the Scheme shall be allotted in dematerialised form and credited to the investor's Beneficiary Account with a Depository Participant (DP) of CDSL or NSDL within 5 business days from the close of the NFO (in terms of SEBI Circular No. 18/198647/2010 dated 15.03.2010). Upon allotment, an intimation / allotment advice specifying the number of units allotted to the investor will be dispatched within 5 business days from the closure of the NFO. The Account Statement of the Beneficiary Account with the DP will be sent by the respective DPs as per their service standards. In case the Unitholder does not wish to get his/her Units converted / allotted in electronic form or the AMC is not able to credit the Units to the beneficiary account(s) of the investor for any reason whatsoever, the AMC shall issue Statement of Account specifying the Units allotted to the investor. The Statement of Account will be dispatched within 5 business days from the closure of the NFO and will be sent either by courier or through the services of the Indian postal department, at the option of the AMC taking into consideration the investor's location so as to provide investors with the best available service. The Unitholders can dematerialise the Units at any time by making an application to their DP by filling up the Dematerialisation Request Form (DRF). It may please be noted that trading in the Units over the stock exchange will be permitted only in electronic form.

Trading and Settlement:

Buying or selling of Units by investors can be made from the secondary market on the stock exchange in dematerialised form only. Units can be bought or sold like any other listed stock on the stock exchange at market prices. The minimum number of Units that can be bought or sold on the stock exchange will be 1 (one) unit. Investors can purchase Units at market prices, which may be at a premium/discount to the NAV of the Scheme depending upon the demand and supply of Units at the stock exchange. All investors may buy/sell Units on the stock exchange on all the trading days of the stock exchange. The trading will be as per the normal settlement cycle. If an investor has bought Units, investor has to pay the purchase amount to the broker/sub-broker such that the amount paid is realised before the funds pay-in day of the settlement cycle on the stock exchange. If an investor has sold Units, investor has to deliver the units to the broker/sub-broker before the securities pay-in day of the settlement cycle on the stock exchange. The Units (in case of Units bought) and the funds (in the case of Units sold) are paid out to the broker on the payout day of the settlement cycle on the stock exchange. The stock exchange regulations stipulate that the trading member should pay the money or Units to the investor within 24 hours of the payout. If an investor has bought Units, he should give standing instructions for 'Delivery-In' to his/her DP for accepting Units in his/her beneficiary account. An investor should give the details of his/her beneficiary account and the DP-ID of his/her DP to his/her trading member. The trading member will transfer the Units directly to his/her beneficiary account on receipt of the same from stock exchange's clearing corporation.

An investor who has sold Units should instruct his/her Depository Participant (DP) to give 'Delivery Out' instructions to transfer the Units from his/her trading member through whom he/she has sold the Units. The details of the pool A/c of investor's trading member to which the Units are to be transferred, unit quantity, etc. should be mentioned in the delivery out instructions given by him/her to the DP. The instructions should be given well before the prescribed securities pay-in day. SEBI has advised that the delivery out instructions should be given at least 24 hours prior to the cut off time for the prescribed securities pay-in to avoid any rejection of instructions due to data entry errors, network problems, etc. Since the trading of Units on the stock exchange is permitted only in electronic (demat) form, an investor who purchases or sells the Units on the stock exchange will be required to have a beneficiary account with a Depository Participant of NSDL/CDSL.

Rolling Settlement

The Fund intends to follow the same settlement pattern and practices of the stock exchange. The Pay-in and Pay-out of funds and the Units will take place within 2 working days after the trading date. The pay-in and payout days for funds and securities are prescribed as per the settlement cycle.

REDEMPTION AND MATURITY

Being a closed end scheme, the AMC / Mutual Fund shall not repurchase the Units before the maturity of the Scheme / respective Plan in terms of SEBI circular No. SEBI/IMD/CIR NO.12/147132/08 dated December 11, 2008. Investors wishing to exit may do so through stock exchange mode. Upon maturity, the Units outstanding under each Plan will be automatically redeemed at the NAV of the Date of Maturity and proceeds will be paid to the Unitholder, without any further reference from the Unitholder. In case the Units are held in physical form, the Unitholders need not surrender the Account Statement for redemption on maturity of the Scheme. The Account Statement shall automatically stand cancelled on the maturity date and the redemption amount shall be paid to the Unitholders. For the units held in electronic form, the units will be extinguished with the depository and the redemption amount will be paid on the maturity date, at the prevailing NAV on that date.

The maturity amount will be paid to the Unitholders whose names appear on the Register of Unitholders on the respective maturity dates, at the prevailing NAV on that date. However, in case of the Units on which any lien or encumbrance is marked and such lien or encumbrance is subsisting on the Date of Maturity, the Unitholder will be required to procure a release of their lien / encumbrance pending which, the maturity proceeds will not be paid. The Unitholder shall not be entitled for any interest or compensation for any delayed or nonpayment of the maturity proceeds till such time the Unitholder provides proof of the release of the lien / encumbrance to the satisfaction of the AMC/Mutual Fund. Please note that if the Maturity Date falls on a Non-Business Day or if the banks / stock exchanges remain closed on account of strike or any other unforeseen reason on the maturity Date, then the Scheme / Plan will mature on the following Business Day.

The redemption or repurchase proceeds shall be despatched to the unitholders within 10 working days from the date of maturity.

Roll Over

The Trustee may, at its discretion, roll over the Scheme upon maturity. The Scheme may be allowed to be rolled over if the purpose, period and other terms of the roll over and all other material details of the Scheme including the likely composition of assets immediately before the roll over, the net assets and net asset value of the scheme, are disclosed to the unitholders and a copy of the same has been filed with the SEBI. Provided further, that such roll over will be permitted only in case of those unitholders who express their consent in writing and the unitholders who do not opt for the roll over or have not given written consent shall be allowed to redeem their holdings in full at net asset value based price.

Ongoing Repurchase This is the date from which the scheme will reopen for redemptions after the closure of the NFO period.	Not Applicable
Ongoing price for redemption (sale) /switch outs (to other schemes/plans of the Mutual Fund) by investors. This is the price you will receive for redemptions/switch outs. *Example: If the applicable NAV is Rs. 10, exit load is 2% then redemption price will be:* *Rs. 10* (1-0.02) = Rs. 9.80*	Not Applicable
Where can the applications for redemption switches be submitted?	The units shall be redeemed automatically on the date of maturity of the scheme.
Minimum amount for redemption/switches	Not Applicable

Accounts Statements
Each Unitholder will receive an Account Statement each time redemptions of Units are made. In addition, each Unitholder will also receive an Account Statement as soon as practicable after 31st March each year. Such Annual Account Statements will detail the Unitholder's opening balance of Units held as at 1st April of the previous year, all transactions that occurred in the preceding twelve months with respect to his / her account, such as additional purchases and redemptions, a closing balance of Units held and the NAV of the Units as at 31st March.

Annual Account Statement:

- The Mutual Funds shall provide the Account Statement to the Unitholders who have not transacted during the last six months prior to the date of generation of account statements. The Account Statement shall reflect the latest closing balance and value of the Units prior to the date of generation of the account statement,
- The account statements in such cases may be generated and issued along with the Portfolio Statement or Annual Report of the Scheme.

- Alternately, soft copy of the account statements shall be mailed to the investors' e-mail address, instead of physical statement, if so mandated.

Every Unitholder will have an Account Number. The number of Units issued to a Unitholder or redeemed by a Unitholder will be reflected in his or her account and a statement to this effect will be issued to the Unitholder.

Delay in payment of redemption proceeds

The Asset Management Company shall be liable to pay interest to the unitholders at such rate as may be specified by SEBI for the period of such delay (presently @ 15% per annum).

B. PERIODIC DISCLOSURES

Net Asset Value This is the value per unit of the scheme on a particular day. You can ascertain the value of your investments by multiplying the NAV with your unit balance. Redemption and Sale Prices	The Mutual Fund shall declare the Net asset value of the scheme on every business day on AMFI's website www.amfiindia.com by 9.00 P.M. and also on their website. The publishing of NAV and redemption prices as outlined above are as per the prevailing SEBI Regulations and are subject to change from time to time. While determining the prices of the units, the scheme shall ensure that the repurchase price is not lower that 95% of the Net Asset Value and the sale price is not higher that 107% of the Net Asset Value. Provided further that the difference between the repurchase price and the sale price of the unit shall not exceed 7% calculated on the sale price.
Half yearly Disclosures: Portfolio / Financial Results This is a list of securities where the corpus of the scheme is currently invested. The market value of these investments is also stated in portfolio disclosures.	The mutual fund shall publish a complete statement of the scheme portfolio and the unaudited financial results, within one month from the close of each half year (i.e. 31st March and 30th September), by way of an advertisement at least, in one National English daily and one regional newspaper in the language of the region where the head office of the mutual fund is located. The mutual fund may opt to send the portfolio to all unit holders in lieu of the advertisement (if applicable).
Half Yearly Results	The mutual fund and Asset Management Company shall before the expiry of one month from the close of each half year that is on 31st March and on 30th September, publish its unaudited financial results in one national English daily newspaper and in a regional newspaper published in the language of the region where the Head Office of the mutual fund is situated. These shall also be displayed on the web site of the Mutual Fund and that of AMFI.

Annual Report	Scheme wise Annual Report or an abridged summary thereof shall be mailed to all unitholders within four months from the date of closure of the relevant accounts year i.e. 31st March each year.
Associate Transactions	Please refer to Statement of Additional Information (SAI).

Taxation		Resident Investors	Mutual Fund
	Income Fund Tax on Dividend	Nil	Dividend Distribution Tax (DDT) Individual/HUF 13.519% Others 32.445% (Refer note 1&2 below)
	Capital Gains Long Term	10% / 20%	Nil
	Short Term	Income Tax rate applicable to the Unit holders as per their income slabs.	Nil
	These rates are applicable w.e.f June 1, 2011 Note: 1. Escorts Mutual Fund is a Mutual Fund registered with the SEBI and hence the entire income of the Mutual fund will be exempt from income tax in accordance with the provisions of Section 10(23D) of the Income-Tax Act, 1961 (the Act). 2. On income distribution, if any, made by the Mutual Fund, additional income-tax is payable under section 115R of the Act, in the case of its Schemes (Other than equity-oriented funds i.e. such fund where the investible funds are invested by way of equity shares in domestic companies to the extent of more than 65% of the total proceeds of such fund). Upto May 31, 2011, the additional income tax on distribution of income to an individual/HUF shall be payable by the mutual fund at the rate of 13.519%* and at the rate of 21.63%* on distribution of income to any other investor. The additional income-tax on distribution of income by a money market mutual fund or a liquid fund shall be payable at the rate of 27.038%*.		

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	With effect from June, 2011, the additional income-tax on distribution of income by a money market mutual fund or a liquid fund to an individual/HUF shall be payable by the mutual fund at the rate of 27.038%* and at the rate of 32.445%* on distribution of income to any other investor. The additional income-tax on distribution of income by any other fund to an individual/HUF shall by payable at the rate of 13.519%* and at the rate of 32.445%* on distribution of income to any other investor. Under the terms of the Scheme Information Document, a Fixed Maturity plan is classified as "Other than money market mutual fund or a liquid fund" and accordingly the additional income tan on distribution of income to an individual and HUF is payable by the mutual fund at the rate of 13.519%* and at the rate of 32.445%* on distribution of income to any other investor. However, if such Fixed Maturity plan is subsequently classified as "Liquid Fund", then additional income tax on distribution of income will be payable by the Mutual Fund at the rate of 27.038%* for Individual/HUF and 32.445%* to investors other than individuals & HUF. * Including applicable surcharge, education cess and secondary and higher education cess. Further, inc case of distribution of income already paid by such Fixed maturity Plan, the Trustee/AMC reserves the right to recover the differential additional income tan on distribution of income so paid from the Unit holders of respective Fixed Maturity Plan. For Further datails on taxation please refer to the Section on Taxation on investing in Mutual Funds in Statement of Additional Information (SAI).

Note-A: : The above rates would be increased by a surcharge of :
(a) 5% - in case of domestic corporate unit holders, where the total income exceeds Rs.1,00,00,000
(b) 2 % - in case of FII being a corporate, where the total income exceeds Rs.1,00,00,000

For further details on taxation please refer to the clause on Taxation in the SAI

Investor services	Ms. Mohini Sharma Registrar Services & Investor Service Department Escorts Asset Management Limited Regd. Office: 11, Scindia House, Connaught Circus, New Delhi – 110 001. (Tel): (011) 43587415, 43587420, 43587423 (Fax): (011) 43587432 www.escortsmutual.com help@escortsmutual.com Skyline Financial Services Pvt. Ltd. D-153A, 1st Floor, Okhla Industrial Area, Phase – I, New Delhi 110 020. Tel : 30857575, 30857558, 26812682 Fax : 30857562 www.skylinerta.com virenr@skylinerta.com

C. COMPUTATION OF NAV

NAV is the actual value of a Unit issued under the Scheme, on the valuation day and is computed as follows:

$$\frac{\textbf{Market/Fair value of investments + receivables + accrued income + other current assets - payables - accrued expenses - other current liabilities and provisions}}{\textbf{Number of Units outstanding}}$$

NAV of the Units issued under the Scheme shall be disclosed for each business day from Monday to Friday (excluding Saturday and Sunday and any holiday declared under the Negotiable Instruments Act, 1882 at New Delhi) and subject to audit on an annual basis. Units under each Investment Option will have a separate NAV, after the first dividend distribution. The NAV shall be rounded off upto four decimal places using standard rounding criteria. Valuation of the scheme’s assets, calculation of the scheme’s NAV and the accounting policies & standards will be subject to such norms and guidelines that SEBI may prescribe from time to time and shall be subject to audit on an annual basis. NAV shall be published atleast in two daily newspapers on daily basis.

IV. FEES AND EXPENSES

A. NEW FUND OFFER (NFO) EXPENSES

These expenses are incurred for the purpose of various activities related to the NFO like sales and distribution fees paid marketing and advertising, registrar expenses, printing and stationary, bank charges etc. The expenses of New Fund Offer shall be borne by the AMC.

B. ANNUAL SCHEME RECURRING EXPENSES

These are the fees and expenses for operating the scheme. These expenses include Investment Management and Advisory Fee charged by the AMC, Registrar and Transfer Agents' fee, marketing and selling costs etc. as given in the table below.

For the information of investors, the estimated break-up of expenses, on an on-going basis, as a percentage of the weekly average net assets, in any financial year shall be as follows:

Expenses	Net Assets Upto (Rs.) 100 Crores
Investment Management and Advisory Fee	1.25 %
Custodian's Fee and charges	0.10 %
Investor Service & Communication Expenses	0.40 %
Trustee Fee	0.05 %
Audit Fee	0.05 %
Marketing and Selling Expenses (including Brokerage)	0.40 %
Total	**2.25 %**

For the actual current expenses being charged, the investor should refer to the website of the mutual fund.

The above break-up of on-going expenses has been estimated 'in good faith', on the basis of information available to the Asset Management Company and are subject to change inter se amongst eligible expenses, as per actual. Further, these estimates are based on the Scheme's weekly average net assets being Rs. 100 Crores. In case, the Scheme's weekly average net asset is higher or lower, these estimates would require revision. Further, common expenses of the Mutual Fund, such as Trustee Fee, Audit Fee etc. shall be borne by each of the Scheme(s) of the Mutual Fund, in operation from time to time, pro rata on the net asset(s) of the Scheme(s) and proportionate to the period of operation of the Scheme(s). Such other expenses which are directly attributable to the scheme may be charged with the approval of the trustee within the overall limit as specified in Regulation 52(6), or as may be prevailing under the Regulations from time to time. Any on-going expense, which is not specifically mentioned above, and/or not approved/or specifically excluded by SEBI will not be charged to the Scheme.

The Investment Management Fee charged by the AMC for managing unclaimed amounts of dividend / redemption shall not exceed 50 basis points.

The total expenses of the Scheme excluding issue or redemption expenses but including the investment management and advisory fee shall be subject to the following limits:

i) On the first Rs. 100 Crores of the average weekly net assets 2.25%
ii) On the next Rs. 300 Crores of the average weekly net assets 2.00%
iii) On the next Rs. 300 Crores of the average weekly net assets 1.75%
iv) On the balance of the assets 1.50%

The Asset Management Company may charge the mutual fund with investment and advisory fees which are fully disclosed in the offer document subject to the following namely:—

(i) One and a quarter of one per cent of the weekly average net assets outstanding in each accounting year for the scheme concerned, as long as the net assets do not exceed Rs.100 crores, and
(ii) One per cent of the excess amount over Rs.100 crores, where net assets so calculated exceed Rs.100 crores.

On-going expenses in excess of the prescribed limit, if any in any financial year will be borne by the Asset Management Company or by the trustee or sponsor. Further, as and when permitted by SEBI, the AMC may charge a higher fee for that part of the unit capital that is invested overseas. However, revision in fee charged shall be within the SEBI Regulations at all times. Total expenses of the scheme including the investment management and advisory fee shall be within the limits stated in Regulation 52(6), or as may be prevailing under the Regulations from time to time.

These estimates have been made in good faith as per the information available to the Investment Manager based on past experience and are subject to change inter-se. Types of expenses charged shall be as per the SEBI (MF) Regulations.

C. LOAD STRUCTURE

Load is an amount, which is paid by the investor to subscribe to the units or to redeem the units from the scheme. This amount is used by the AMC to pay commissions to the distributor and to take care of other marketing and selling expenses. Load amounts are variable and are subject to change from time to time. For the current applicable structure, please refer to the website of the AMC (www.escortsmutual.com) or may call your distributor.

Type of Load	Load chargeable (as %age of NAV)
Entry	Nil
Exit	Nil

Bonus units and units issued on reinvestment of dividends shall not be subject to entry and exit load.

In accordance with the requirements specified by the SEBI circular no. SEBI/IMD/CIR No.4/168230/09 dated June 30, 2009 no entry load will be charged for purchase/additional purchase/switches accepted by the Mutual Fund. Similarly, no entry load will be charged with respect to applications for registrations under the Systematic Investment Plan (SIP)/Systematic Transfer Plan (STP) accepted by the Mutual Fund.

All loads including Contingent Deferred Sales Charge (CDSC) for the Scheme shall be maintained in a separate account and may be utilised towards meeting the selling and distribution expenses. Any surplus in this account may be credited to the scheme, whenever felt appropriate by the AMC.

The upfront commission on investment made by the investor, if any, shall be paid to the ARN Holder (AMFI registered distributor) directly by the investor, based on the investor's assessment of various factors including service rendered by the ARN Holder.

The investor is requested to check the prevailing load structure of the scheme before investing.

For any change in load structure AMC will issue an addendum and display it on the website/Investor Service Centres.

The Asset Management Company and the Trustees reserves the right to introduce, modify / change Entry load, Exit load / CDSC and / or switchover load if it so deems fit in the interest of smooth and efficient functioning of the Mutual Fund, subject to a maximum as prescribed under the Regulations with prospective effect. In case of an exit / repurchase load this may be linked to the period of holding.

Loads, when levied, shall be charged as a percentage of Net Asset Value (NAV) i.e. applicable load as a percentage of NAV will be added to NAV to calculate sale price and will be subtracted from NAV to calculate repurchase price. In other words, the following formulae shall be used :

Any imposition or enhancement of load in future shall be applicable on prospective investments only. However, AMC shall not charge any load on issue of bonus units and units allotted on reinvestment of dividend for existing as well an prospective investors.

At the time of change in the load structure the AMC may take following measures:

- The addendum detailing the changes may be attached to Scheme Information Documents and Key Information Memorandum. The addendum may be circulated to all the distributors / brokers so that the same can be attached to all Scheme Information Documents and Key Information Memoranda already in stock.
- Arrangements may be made to display the addendum in the Scheme Information Documents in the form of a notice to all the investors service centers and distributors / broker office.
- The introduction of exit load / CDSC alongwith the details may be stamped in the acknowledgement slip issued to the investors on submission of the application form and may also be disclosed in the statement of accounts issued after the introduction of such load / CDSC.

- A public notice shall be given in respect of such changes in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of region where the Head Office of the Mutual Fund is situated.
- Any other measures which the mutual fund may feel necessary.

Trail Fees: The scheme is open for investments by a FOF or a Feeder Fund. In case of direct investments made by the FOF or a Feeder Fund into the underlying funds, the distributors of the FOF or Feeder Fund who mobilise the funds are entitled to the brokerage/trail commission. Accordingly, the brokerage/trail commission would be paid from the underlying fund within the overall expenses that are permitted by the regulations. The underlying fund may pay the brokerage/trail commission either directly to the distributor or to the FOF/Feeder Fund for onward payment to the distributors.

V. RIGHTS OF UNITHOLDERS

Please refer to SAI for details.

VI. PENALTIES, PENDING LITIGATION OR PROCEEDINGS, FINDINGS OF INSPECTIONS OR INVESTIGATIONS FOR WHICH ACTION MAY HAVE BEEN TAKEN OR IS IN THE PROCESS OF BEING TAKEN BY ANY REGULATORY

This section shall contain the details of penalties, pending litigation, and action taken by SEBI and other regulatory and Govt. Agencies.

1. All disclosures regarding penalties and action(s) taken against foreign Sponsor(s) may be limited to the jurisdiction of the country where the principal activities (in terms of income / revenue) of the Sponsor(s) are carried out or where the headquarters of the Sponsor(s) is situated. Further, only top 10 monetary penalties during the last three years shall be disclosed.

There are no such cases.

2. In case of Indian Sponsor(s), details of all monetary penalties imposed and/ or action taken during the last three years or pending with any financial regulatory body or governmental authority, against Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company; for irregularities or for violations in the financial services sector, or for defaults with respect to share holders or debenture holders and depositors, or for economic offences, or for violation of securities law. Details of settlement, if any, arrived at with the aforesaid authorities during the last three years shall also be disclosed.

Escorts Finance Ltd., Sponsor of Escorts Mutual Fund had defaulted on repayment of fixed deposits on their respective maturity dates. To meet obligations to fixed deposit holders, Escorts Finance Limited turned to the promoter, Escorts Limited, for a bail-out package. For the settlement of dues Escorts Limited, came out with a Scheme of Arrangement under which the liability of Escorts Finance Ltd. was to be taken over by Escorts Ltd. against issuing of shares of Escorts Ltd. This Scheme of Arrangement was filed with the Hon'ble High Court in Delhi. A petition for approval of the scheme was also filed. Pending approval of the scheme, the Hon'ble High Court ordered to form a hardship committee to receive and consider applications from fixed deposit holders and allot shares of Escorts Limited or make payment against the respective fixed deposit. The matter is still subjudice.

Further, Escorts Finance Ltd. has been prohibited by Reserve Bank of India from accepting deposits and from alienation of assets.

3. Details of all enforcement actions taken by SEBI in the last three years and/ or pending with SEBI for the violation of SEBI Act, 1992 and Rules and Regulations framed there under including debarment and/ or suspension and/ or cancellation and/ or imposition of monetary penalty/adjudication/enquiry proceedings, if any, to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel (especially the fund managers) of the AMC and Trustee Company were/ are a party. The details of the violation shall also be disclosed.

There are no such cases.

4. Any pending material civil or criminal litigation incidental to the business of the Mutual Fund to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel are a party should also be disclosed separately.

There are no such cases.

5. Any deficiency in the systems and operations of the Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company which SEBI has specifically advised to be disclosed in the SID, or which has been notified by any other regulatory agency, shall be disclosed.

There are no such cases.

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

GENERAL

Powers of the Mutual Fund

- Power to make rule: Subject to the prior approval of SEBI, the Trustee may, from time to time prescribe such terms and make such rules, for the purpose of giving effect to the provisions of this Scheme with power to the Asset Management Company to add to, alter or amend all or any of the terms and rules that may be framed from time to time, provided however that when any change in the fundamental attributes of the Scheme or the Trust or fees and expenses payable or any other change which would modify the Scheme or affect the interest of the Unit holders is proposed to be carried out, the prior consent of not less than threefourths of the Unit holders is obtained and the Unit holders who do not give their consent are allowed to redeem their holdings of Units under the scheme.

- Power to remove difficulties: if any difficult arises in giving effect to the provisions of this Scheme, the Trustee may do anything not inconsistent with such provisions, which appear to it to be necessary, desirable or expedient, for the purpose of removing such difficulty.

Scheme to be binding on Unit holders

The terms of the Scheme and any amendment thereof shall be binding on each Unit holder and any person or persons claiming through or under it as if each Unit holder or such person expressly had agreed that such terms should be so binding.

The Scheme under this Offer Document was approved by the Board of Trustee vide Board Resolution dated 25.07.2011.

Any amendment to the Regulations and clarifications/ guidelines/ circulars issued in respect thereof by SEBI, from time to time shall be applicable to this Scheme and the Offer Document shall stand appropriately amended with effect from such date(s).