

**Investors should note that this Scheme is suitable for investors who have investment horizon of minimum 5 years.**



## **SCHEME INFORMATION DOCUMENT**

### **An Open-ended Equity Scheme**

Continuous Offer of Units at Applicable NAV.

<b>Name of the Scheme</b>	<b>PPFAS Long Term Value Fund</b>
<b>Type of Scheme</b>	<b>An open ended equity scheme</b>
<b>New Fund Offer opens on</b>	<b>&lt; Date &gt;</b>
<b>New Fund Offer closes on</b>	<b>&lt; Date &gt;</b>
<b>Scheme Reopens on</b>	<b>&lt; Date &gt;</b>

Name of Mutual Fund: **PPFAS Mutual Fund**

Name of Asset Management Company: **PPFAS Asset Management Private Limited**

Name of Trustee Company: **PPFAS Trustee Company Private Limited.**

#### **Postal addresses and related information of Asset Management Company and Trustee Company:**

<b>PPFAS Asset Management Private Limited.</b>  <b>Registered office:</b> 103, Veena Chambers, 21 Dalal Street, Fort, Mumbai- 400001.  <b>Corporate Office:</b> 1st Floor Great Western Bldg., Shahid Bhagat Singh Road, opposite Lion Gate, Fort, Mumbai- 400001.  <a href="http://amc.ppfas.com">http://amc.ppfas.com</a>	<b>PPFAS Trustee Company Private Limited.</b>  <b>Registered office:</b> 103, Veena Chambers, 21 Dalal Street, Fort, Mumbai- 400001.  <b>Corporate Office:</b> 1st Floor Great Western Bldg., Shahid Bhagat Singh Road, opposite Lion Gate, Fort, Mumbai- 400001.  <a href="http://amc.ppfas.com">http://amc.ppfas.com</a>
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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 (ISCs) / Website / Distributors or Brokers.

This SID can be modified from time to time through an Addendum whenever a material change occurs. Such material change will also be filed with SEBI and circulated to all Unit holders or may be publicly notified by advertisements in newspapers subject to Regulations. Investors can obtain such Addenda from the Mutual Fund/ its Investor Service Centres or distributors / AMC Website.

The investors are advised to refer to the Statement of Additional Information (SAI) for details of PPFAS Mutual Fund, Tax and Legal issues and general information on <http://amc.ppfas.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 - <http://amc.ppfas.com>.

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

The Mutual Fund has not authorized any person to provide any information or representation not confirmed in the SAI and SID. Investors are advised, while taking investment decision, not to rely on any such information or representation that is not contained in the SAI / SID.

This Scheme Information Document (SID) is dated December 18, 2012.

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## Highlights/ Summary of the Scheme

<b>Investment Objective</b>	The investment objective of the Scheme is to seek to generate long-term capital growth from an actively managed portfolio primarily of equity and Equity Related Securities.
<b>Liquidity</b>	<p>Liquidity will be available through sale and repurchase of units on an ongoing basis. The Scheme being offered is open-ended scheme and will offer Units for Sale, switch-in and Redemption switch out , on every Business Day at NAV based prices. As per SEBI (MF) Regulations, the Mutual Fund shall dispatch redemption proceeds within 10 Business Days of receiving the Redemption request. A penal interest of 15% p.a. or such other rate as may be prescribed by SEBI from time to time, will be paid in case the payment of redemption proceeds is not made within 10 Business Days from the date of redemption. However under normal circumstances, the Mutual Fund would endeavour to pay the redemption proceeds within 4 Business Days (as applicable) from acceptance of the duly completed Redemption request. Please refer to section 'Redemption' on Page 77.</p> <p>SEBI circular no. CIR/IMD/DF/21/2012 dated 13<sup>th</sup> September 2012 provided that a Mutual Fund shall provide separate plan for Direct and investments routed through Distributors.</p> <p>Accordingly two plans are offered in this Scheme. Switch in and Switch-out facility is allowed for both plans offered by the Scheme.</p>
<b>Benchmark</b>	S&P CNX 500, NIFTY, SENSEX.

**Transparency/ NAV disclosure**

The AMC will calculate and disclose the NAV of the Scheme at the close of every Business Day and release to the Press, News Agencies and the Association of Mutual Funds of India (AMFI) except in special circumstances described in 'Suspension of Sale / Redemption / Switching of the Units' under section 'Restrictions, if any, on the right to freely retain or dispose of units being offered' on Page 65. NAV will also be displayed on the website of the Mutual Fund. In addition, the ISCs would also display the NAV.

The AMC shall update the NAVs on the website of the Mutual Fund (<http://amc.ppfas.com>) and on the website of Association of Mutual Funds in India - AMFI ([www.amfiindia.com](http://www.amfiindia.com)) by 9.00 p.m. on every Business Day and will be published in two newspapers. In addition, the ISCs would also display the NAV. . In case of any delay, the reasons for such delay would be explained to AMFI in writing. If the NAVs are not available before commencement of Business Hours on the following day due to any reason, the Mutual Fund shall issue a press release giving reasons and explaining when the Mutual Fund would be able to publish the NAVs.

The AMC will disclose details of the portfolio of the Scheme on a monthly basis on its website or at such frequency as may be decided by the Trustee / AMC from time to time. As presently required by the SEBI (MF) Regulations, a complete statement of the Scheme portfolio would be published by the Mutual Fund as an advertisement in one English daily Newspaper circulating in the whole of India and in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated within one month from the close of each half year (i.e. March 31 & September 30) or mailed to the Unit holders.

**Half Yearly Financial Results**

The Fund shall provide half yearly disclosures of the Scheme's unaudited financial results in the prescribed format on its website <http://amc.ppfas.com> within one month from the close of each half year i.e. on 31st March and on 30th September and shall publish an advertisement in this regard in at least one English daily newspaper having nationwide circulation and in a newspaper having wide circulation published in the language of the region where the Head Office of the Fund is situated.

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<p><b>Load (for lumpsum purchases and investments through SIP)</b></p>	<p><b>Entry Load: Not Applicable.</b></p> <p>Upfront commission shall be paid directly by the investor to the ARN Holder (AMFI registered Distributor) based on the investors' assessment of various factors including the service rendered by the ARN Holder.</p> <p><b>Exit Load:</b></p> <p>Scheme will not charge any exit load.</p> <p>For further details on load structure refer to the section 'Load Structure' on Page 88.</p>
<p><b>Minimum Application Amount</b></p>	<p>New Purchase: Rs. 5,000 and in multiple of Re. 1 thereafter.</p> <p>Additional Purchase: Rs. 5,000 and in multiple of Re. 1 thereafter.</p> <p>In case of monthly SIP , Rs. 5,000 and in multiple of Re. 1 thereafter.</p> <p>In case of quarterly SIP Rs. 5,000 and in multiple of Re. 1 thereafter.</p>
<p><b>Dematerialisation of units</b></p>	<p>The Unit holders would have an option to hold the Units in electronic (dematerialized) form or account statement/ physical (non-demat) form. Units held in Demat Form are freely transferable. The Applicant intending to hold Units in dematerialized form will be required to have a beneficiary account with a Depository Participant (DP) of the NSDL/CDSL and will be required to mention in the application form DP's Name, DP ID No. and Beneficiary Account No. with the DP at the time of purchasing Units.</p> <p>Unit-holders are requested to note that request for conversion of units held in Account Statement (non-demat) form into Demat (electronic) form should be submitted to their Depository Participants.</p>

**Transaction Charges**

In accordance with SEBI circular No. Cir/ IMD/ DF/13/ 2011 dated August 22, 2011, PPFAS Asset Management Private Limited ("the AMC")/Mutual Fund shall deduct the Transaction Charges on purchase / subscription received from the investors investing through a valid ARN Holder i.e. AMFI registered Distributor (provided the distributor has opted to receive the Transaction Charges) as under:

**(i) First Time Mutual Fund Investor (across Mutual Funds):**

Transaction Charge of Rs. 150/- per purchase / subscription of Rs. 10,000/- and above will be deducted from the purchase / subscription amount for payment to the distributor of such investor and the balance shall be invested.

**(ii) Investor other than First Time Mutual Fund Investor:**

Transaction Charge of Rs. 100/- per purchase / subscription of Rs. 10,000/- and above will be deducted from the purchase/ subscription amount for payment to the distributor of such investor and the balance shall be invested.

**Transaction Charges In Case Of Investments Through SIP:**

Transaction Charges in case of investments through SIP are deductible only if the total commitment of investment (i.e. amount per SIP installment x No.of installments) amounts to Rs. 10,000 or more. In such cases, Transaction Charges shall be deducted in 4 installments.

**It may be noted that Transaction Charges shall not be deducted:**

- (a) where the distributor of the investor has not opted to receive any Transaction Charges;
- (b) for purchases / subscriptions / total commitment amount in case of SIP of an amount less than Rs. 10,000/-;
- (c) for transactions other than purchases / subscriptions relating to new inflows. ; i.e. through Switches/ Systematic Transfers/ Dividend Transfers/ Dividend Reinvestment ( as and when offered) ;
- (d) for purchases / subscriptions made directly with the Fund (i.e. not through any distributor);
- (e) for purchases / subscriptions routed through Stock Exchange(s) as applicable (as and when this facility is made available).

For further details on Transaction Charges, refer to the section 'Transaction Charges' on Page 66.



# 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 fluctuates, the value of your investment in the Scheme may go up or down depending on the various factors and forces affecting the capital markets and money markets as with any investment in stocks, shares and securities..
- The present Scheme is the first scheme being launched under this management.
- Past performance of the Sponsors and their affiliates / AMC / Mutual Fund does not guarantee future performance of the Scheme of the Mutual Fund.
- PPFAS Long Term Value Fund is only the name of the Scheme and 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 lakh made by them towards setting up the Fund.
- The present Scheme is not guaranteed or assured return scheme.

### Scheme Specific Risk Factors

Some of the specific risk factors related to the Scheme include, but are not limited to the following:

#### (i) Risk factors associated with investing in equities and equity related instruments

- The value of Scheme's investments may be affected by factors affecting the Securities markets and price and volume volatility in the capital markets, interest rates, currency exchange rates, changes in law/ policies if the Government, taxation laws and political, economic or other developments which may have an adverse bearing on individual securities, a specific sector or all sectors. Consequently, the NAV of the units of the Scheme may be affected.
- Equity and equity related instruments/ securities are volatile and prone to price fluctuations on a daily basis. Investments in equity shares and equity related instruments involve a degree of risk and investors should not invest in the Scheme(s) unless they can afford to take the risks.

- The liquidity of investments made in the Scheme may be restricted by trading volumes and settlement periods. Settlement periods may be extended significantly by unforeseen circumstances. The inability of the Scheme to make purchases due to settlement problems could cause the Scheme to miss certain investment opportunities. Similarly, the inability to sell securities held in the Scheme's portfolio may result, at times, in potential losses to the Scheme, should there be a subsequent decline in the value of securities held in the Scheme's portfolio.
- Securities, which are not quoted on the stock exchanges, are inherently illiquid in nature and carry a larger amount of liquidity risk, in comparison to securities that are listed on the exchanges. Investment in such securities may lead to increase in the scheme portfolio risk. The liquidity and valuation of the Scheme's investments due to the holdings of unlisted securities may be affected if they have to be sold prior to the target date of disinvestment.
- While securities that are listed on the stock exchange carry lower liquidity risk, the ability to sell these investments is limited by the overall trading volume on the stock exchanges and may lead to the Scheme incurring losses till the security is finally sold.
- The Liquidity of the scheme is inherently restricted by trading volumes in securities in which it invests.
- Investment strategy to be adopted by the Scheme may carry the risk of significant variance between the portfolio allocation of the Scheme and the Benchmark particularly over a short to medium term period.
- Mid Cap and Small Cap Companies are generally less liquid in terms of trading volumes on stock exchanges. Risk to the scheme may increase in proportion to the investment made in Mid Cap and Small Cap Companies.

### **Concentration Risks**

The scheme will try to achieve reasonable diversification of portfolio. This may lead to investments are concentrated in certain companies and/ or sector/s. The Scheme may be exposed to higher levels of volatility and concentration risk than would generally be the case in a more diverse fund portfolio.

### **(ii) Risk factors associated with investing in Fixed Income Securities and Money Market Instruments**

**Price-Risk or Interest-Rate Risk** :The Net Asset Value (NAV) of the Scheme, to the extent invested in Debt and Money Market securities, will be affected by changes in the general level of interest rates. The NAV of the Scheme is expected to increase from a fall in interest rates while it would be adversely affected by an increase in the level of interest rates. Generally, when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest rates

The changes in the prevailing rates of interest will likely affect the value of the Scheme's holdings until the next reset date and thus the value of the Schemes' Units will be affected. The value of securities held by the Scheme generally will vary inversely with changes in prevailing interest rates. The fund could be exposed to the interest rate risk (i) to the extent of time gap in resetting of the benchmark rates, and (ii) to the extent the benchmark index fails to capture the interest rate movement.

Money market securities, while fairly liquid, lack a well developed secondary market, which may restrict the selling ability of the Scheme and may lead to the Scheme incurring losses till the security is finally sold.

**Credit Risk:** Investment in Debt Securities is subject to the risk of an issuer's inability to meet interest and principal payments obligations. Investment is also subject to the risk of market perception of the creditworthiness of the issuer. i.e. even where no default occurs, the price of a security may go down because the credit rating of an issuer goes down.

Government securities where a fixed return is offered run price-risk like any other fixed income security. Generally, when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of interest rates. The price-risk is not unique to Government Securities. It exists for all fixed income securities. However, Government Securities are unique in the sense that their credit risk generally remains zero. Therefore, their prices are influenced only by movement in interest rates in the financial system.

**Prepayment Risks:** In the event of prepayments, investors may be exposed to changes in tenor and yield.

**Re-investment Risk:** Investments in fixed income securities carry re-investment risk as interest rates prevailing on the coupon payment or maturity dates may differ from the original interest rates and proceeds may get invested at a lower rate

**Spread Risk:** In a floating rate security the coupon is expressed in terms of a spread or mark up over the benchmark rate. However depending upon the market conditions the spreads may move adversely or favorably leading to fluctuation in NAV.

Different types of fixed income securities in which the Scheme would invest as given in the SID carry different levels and types of risk. Accordingly, the Scheme risks may increase or decrease depending upon its investment pattern. e.g. corporate bonds carry a higher level 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 AMC may, considering the overall level of risk of the portfolio, invest in lower rated / unrated securities offering higher yields as well as zero coupon securities that offer attractive yields. This may increase the absolute level of risk of the portfolio.

As zero coupon securities do not provide periodic interest payments to the holder of the security, these securities are more sensitive to changes in interest rates. Therefore, the interest rate risk of zero coupon

securities is higher. The AMC may choose to invest in zero coupon securities that offer attractive yields. This may increase the risk of the portfolio.

Investments in fixed income securities carry re-investment risk as interest rates prevailing on the coupon payment or maturity dates may differ from the original interest rates.

A borrower may prepay a receivable prior to its due date. This may result in a change in the yield and tenor for the Scheme.

Securities, which are not quoted on the stock exchanges, are inherently illiquid in nature and carry a larger amount of liquidity risk, in comparison to securities that are listed on the exchanges or offer other exit options to the investor, including a put option. The AMC may choose to invest in unlisted securities that offer attractive yields. This may increase the risk of the portfolio.

Scheme's performance may differ from the benchmark index to the extent of the investments held in the debt segment, as per the investment pattern indicated under normal circumstances.

**Redemption risk:** The Scheme at times may receive large number of redemption requests, leading to an asset-liability mismatch and therefore, requiring the investment manager to make a distress sale of the securities leading to realignment of the portfolio and consequently resulting in investment in lower yield instruments.

To the extent the underlying Mutual Fund Scheme invest in Debt / Money Market Instruments, the Scheme shall be affected by the afore mentioned risk factors. The Net Asset Value (NAV) of the units of the Scheme is likely to get effected on accounts of such risk factors. Any change in the investment policies or fundamental attributes of any underlying scheme is likely to affect the performance of the Scheme. Further, the liquidity of the Scheme's investments may be inherently restricted by the liquidity of the underlying schemes in which it has invested.

### **(iii) General Risk factors**

Trading volumes, settlement periods and transfer procedures may restrict the liquidity of the investments made by the Scheme. Different segments of the Indian financial markets have different settlement periods and such periods may be extended significantly by unforeseen circumstances leading to delays in receipt of proceeds from sale of securities. The NAV of the Units of the Scheme can go up or down because of various factors that affect the capital markets in general.

As the liquidity of the investments made by the Scheme could, at times, be restricted by trading volumes and settlement periods, the time taken by the Mutual Fund for redemption of Units may be significant in the event of an inordinately large number of redemption requests or restructuring of the Scheme. In view of the above, the Trustee has the right, in its sole discretion, to limit redemptions (including suspending redemptions) under certain circumstances, as described on Page 65 under "**Right to Limit Redemptions**" in Section 'Restrictions, if any, on the right to freely retain or dispose of units being offered'.

At times, due to the forces and factors affecting the capital market, the Scheme may not be able to invest in securities falling within its investment objective resulting in holding the monies collected by it in cash or cash equivalent or invest the same in other permissible securities / investments amounting to substantial reduction in the earning capability of the Scheme.

Performance of the Scheme may be affected by political, social, and economic developments, which may include changes in government policies, diplomatic conditions, and taxation policies.

#### **(iv) Risk factors associated with investing in Foreign Securities**

Subject to necessary approvals and within the investment objectives / asset allocation pattern of the Scheme may invest in overseas markets which carry risks related to fluctuations in the foreign exchange rates, the nature of the securities market of the country, repatriation of capital due to exchange controls and political circumstances. It is the AMC's belief that investment in foreign securities offers new investment and portfolio diversification opportunities into multimarket and multi-currency products. Such investment opportunities may be pursued by the AMC provided they are considered appropriate in terms of the overall investment objectives of the Scheme. Since the Scheme would invest only partially in foreign securities, there may not be readily available and widely accepted benchmarks to measure performance of the Scheme. However, such investments also entail additional risks not only limited to the following.

##### **Currency Risk:**

Moving from Indian Rupee (INR) to any other currency involves currency risk. To the extent that the assets of the Scheme will be invested in securities denominated in foreign currencies, the Indian Rupee equivalent of the net assets and income may be adversely affected by changes in the value of certain foreign currencies relative to the Indian Rupee.

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##### **Interest Rate Risk:**

The pace and movement of interest rate cycles of various countries, though loosely co-related, can differ significantly. Investments in securities of countries other than India, the Scheme stand exposed to their interest rate cycles.

##### **Credit Risk:**

Investment in Foreign Debt Securities are subject to the risk of an issuer's inability to meet interest and principal payments on its obligations and market perception of the creditworthiness of the issuer. This is substantially reduced since the SEBI (MF) Regulations stipulate investments only in debt instruments with rating not below investment grade by accredited/registered credit rating agency.

To manage risks associated with foreign currency and interest rate exposure, the Mutual Fund may use derivatives for efficient portfolio management including hedging in accordance with conditions as may be stipulated by SEBI / RBI from time to time.

**Repatriation Risk:**

The repatriation of capital to India may also be hampered by changes in regulations concerning exchange controls or political circumstances as well as the application to it of other restrictions on investment

**(v) Risk factors associated with investing in Derivatives.**

The AMC, on behalf of the Scheme may use various derivative products, from time to time, in an attempt to protect the value of the portfolio and enhance Unit holders' interest. Derivative products are specialized instruments that require investment techniques and risk analysis different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument but of the derivative itself. Other risks include, the risk of mis-pricing or improper valuation and the inability of derivatives to correlate perfectly with underlying assets, rates and indices.

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 risks associated with investing directly in securities and other traditional investments.

Derivatives require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that a derivative adds to the portfolio and the ability to forecast price or interest rate movements correctly. There is the possibility that a loss may be sustained by the portfolio as a result of the failure of another party (usually referred to as the "counter party") to comply with the terms of the derivatives contract. The Scheme bears a risk that it may not be able to correctly forecast future market trends or the value of assets, indices or other financial or economic factors in establishing derivative positions for the Scheme.

Also, the market for derivative instruments is relatively nascent in India and does not have the volumes which may be seen in other developed markets, which may result in volatility to the values. Besides the price of the underlying asset, the volatility, tenor and interest rates affect the pricing of derivatives.

Trading in derivatives carry a high degree of risk although they are traded at a relatively small amount of margin which provides the possibility of great profit or loss in comparison with the principal investment amount. The Scheme may find it difficult or impossible to execute derivative transactions in certain circumstances.

Other risks in using derivatives include but are not limited to:

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- a. **Credit Risk** - this occurs when a counterparty defaults on a transaction before settlement and therefore, the Scheme are compelled to negotiate with another counter party, at the then prevailing (possibly unfavorable) market price, in order to maintain the validity of the hedge. For exchange traded derivatives, the risk is mitigated as the exchange provides a guaranteed settlement but one takes the performance risk on the exchange.
- b. **Market Liquidity risk** - this occurs where the derivatives cannot be sold (unwound) at prices that reflect the underlying assets, rates and indices.
- c. **Model Risk** - this is the risk of mis-pricing or improper valuation of derivatives.
- d. **Basis Risk** - This risk arises when the instrument used as a hedge does not match the movement in the instrument/ underlying asset being hedged. The risks may be inter-related also; for e.g. interest rate movements can affect equity prices, which could influence specific issuer/industry assets.

#### **(vi) Risk factors associated with investing in Securitised Debt**

The Risks involved in Securitised Papers described below are the principal ones and does not represent that the risks set out hereunder is exhaustive.

##### **Limited Liquidity & Price Risk**

There is no assurance that a deep secondary market will develop for the Certificates. This could limit the ability of the investor to resell them.

##### **Limited Recourse, Delinquency and Credit Risk**

The Credit Enhancement stipulated represents a limited loss cover to the Investors. These Certificates represent an undivided beneficial interest in the underlying receivables and do not represent an obligation of either the Issuer or the Seller or the originator, or the parent or any affiliate of the Seller, Issuer and Originator. Delinquencies and credit losses may cause depletion of the amount available under the Credit Enhancement and thereby the Investor Payouts to the Certificate Holders may get affected if the amount available in the Credit Enhancement facility is not enough to cover the shortfall. On persistent default of a Obligor to repay his obligation, the Servicer may repossess and sell the Asset. However many factors may affect, delay or prevent the repossession of such Asset or the length of time required to realise the sale proceeds on such sales. In addition, the price at which such Asset may be sold may be lower than the amount due from that Obligor.

##### **Risks due to possible prepayments and Charge Offs**

In the event of prepayments, investors may be exposed to changes in tenor and yield. Also, any Charge Offs would result in the reduction in the tenor of the Pass Through Certificates (PTCs).

## **Bankruptcy of the Swap Bank**

If the Swap Bank, becomes subject to bankruptcy proceedings then an Investor could experience losses or delays in the payments due under the Interest Rate Swap Agreement.

## **Risk of Co-mingling**

With respect to the Certificates, the Servicer will deposit all payments received from the Obligors into the Collection Account. However, there could be a time gap between collection by a Servicer and depositing the same into the Collection account especially considering that some of the collections may be in the form of cash. In this interim period, collections from the Loan Agreements may not be segregated from other funds of originator. If originator in its capacity as Servicer fails to remit such funds due to Investors, the Investors may be exposed to a potential loss.

## **(vii) Risk factors associated with Securities Lending**

As with other modes of extensions of credit, there are risks inherent to securities lending, including the risk of failure of the other party, in this case the approved intermediary, to comply with the terms of the agreement entered into between the lender of securities i.e. the Scheme and the approved intermediary. Such failure can result in the possible loss of rights to the collateral put up by the borrower of the securities, the inability of the approved intermediary to return the securities deposited by the lender and the possible loss of any corporate benefits accruing to the lender from the securities deposited with the approved intermediary.

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## **(viii) Risk factors associated with processing of transaction through Stock Exchange Mechanism\***

The trading mechanism introduced by the stock exchange(s) is configured to accept and process transactions for mutual fund units in both Physical and Demat Form. The allotment and/or redemption of Units through NSE and/or BSE or any other recognised stock exchange(s), on any Business Day will depend upon the modalities of processing viz. collection of application form, order processing/settlement, etc. upon which the Fund has no control. Moreover, transactions conducted through the stock exchange mechanism shall be governed by the operating guidelines and directives issued by respective recognized stock exchange(s).

\* At this moment the Scheme does not offer the facility to transact in the units of the scheme through platform made available by Stock Exchanges. AMC/ Trustees reserves the right to offer this facility to its unit-holders in future in the best interest of the unit-holders.

## **B. Requirement of Minimum Investors in the Scheme(s)**

The Scheme/Plan shall have a minimum of 20 investors and no single investor shall account for more than 25% of the corpus of the Scheme/Plan(s). However, if such limit is breached during the NFO of the Scheme,



the Fund will endeavour to ensure that within a period of three months or the end of the succeeding calendar quarter from the close of the NFO of the Scheme, whichever is earlier, the Scheme complies with these two conditions. In case the Scheme / Plan(s) does not have a minimum of 20 investors in the stipulated period, the provisions of Regulation 39(2)(c) of the SEBI (MF) Regulations would become applicable automatically without any reference from SEBI and accordingly the Scheme / Plan(s) shall be wound up and the units would be redeemed at applicable NAV. The two conditions mentioned above shall also be complied within each subsequent calendar quarter thereafter, on an average basis, as specified by SEBI. If there is a breach of the 25% limit by any investor over the quarter, a rebalancing period of one month would be allowed and thereafter the investor who is in breach of the rule shall be given 15 days notice to redeem his exposure over the 25 % limit. Failure on the part of the said investor to redeem his exposure over the 25 % limit within the aforesaid 15 days would lead to automatic redemption by the Mutual Fund on the applicable Net Asset Value on the 15th day of the notice period. The Fund shall adhere to the requirements prescribed by SEBI from time to time in this regard.

### **C. Special Considerations, if any**

The Trustee, AMC, Mutual Fund, their directors and their employees shall not be liable for any of the tax consequences that may arise, in the event that the Scheme is wound up for the reasons and in the manner provided in 'Statement of Additional Information ('SAI')'. Redemption by the Unit holder due to change in the fundamental attributes of the Scheme or due to any other reasons may involve tax consequences. The Trustee, AMC, Mutual Fund, their directors and their employees shall not be liable for any such tax consequences that may arise.

The tax benefits described in this Scheme Information Document and Statement of Additional Information are as available under the present taxation laws and are available subject to relevant conditions. The information given is included only for general purpose and is based on advise received by the AMC regarding the law and practice currently in force in India and the Unit holders 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. In view of the individual nature of tax consequences, each Unit holder is advised to consult his / her own professional tax advisor.

Investors should study this Scheme Information Document and the Statement of Additional Information carefully in its entirety and should not construe the contents as advise relating to legal, taxation, investment or any other matters.

Investors are advised to consult their legal, tax, investment and other professional advisors to determine possible legal, tax, financial or other considerations of subscribing to or redeeming units, before making a decision to invest / redeem Units.

In the event of substantial investment by the Sponsors and their associates in the Scheme of the Mutual Fund, Redemption of Units by these entities may have an adverse impact on the performance of the Scheme and this may also affect the ability of other Unit holders to redeem their Units.

Neither this Scheme Information Document nor the Units have been registered in any jurisdiction. The Investors may take note that the Scheme (may in future be registered/ recognized in any other applicable jurisdiction, by the AMC as and when it desires. The distribution of this Scheme Information Document in certain jurisdictions may be restricted or totally prohibited due to registration requirements and accordingly, persons who come into possession of this Scheme Information Document are required to inform themselves about and to observe any such restrictions and or legal compliance requirements.

Any dispute arising out of the Scheme shall be subject to the exclusive jurisdiction of the Courts in India. Statements in this Scheme Information Document are, except where otherwise stated, based on the law, practice currently in force in India, and are subject to changes therein.

No person has been authorised to issue any advertisement or to give any information or to make any representations other than that contained in this Scheme Information Document. Circulars in connection with this offering not authorised by the Mutual Fund and any information or representations not contained herein must not be relied upon as having been authorized by the Mutual Fund.

The Mutual Fund / Trustees / AMC has not authorized any person to give any information or make any representations, either oral or written, not stated in this SID or the SAI in connection with issue or sale of Units under the Scheme. Prospective Investors are advised not to rely upon any information or representations not incorporated in the SAI and SID as the same have not been authorized by the Mutual Fund or the Trustees or the AMC. Any Purchase or Redemption or Switch made by any person on the basis of statements or representations which are not contained in this SID or SAI or which are not consistent with the information contained in the Offer Documents shall be solely at the risk of the Investor / Unit holder(s). Investors are requested to check the credentials of the individual, firm or other entity they are entrusting their Application Form and payment to, for any transaction with the Mutual Fund. The Mutual Fund shall not be responsible for any acts done by the intermediaries representing or purportedly representing such Investor.

The Mutual Fund may disclose details of the investor's account and transactions there under to those intermediaries whose stamp appears on the application form. In addition, the Mutual Fund may disclose such details to the bankers / its agents, payment aggregators as may be necessary for the purpose of effecting payments to the investor. Further, the Mutual Fund may disclose details of the investor's account and transactions thereunder to any Regulatory / Statutory entities as per the provisions of law.

Mutual funds and securities investments are subject to market risks and there can be no assurance or guarantee that the Scheme objectives will be achieved. Investors should study this Scheme Information Document and the Statement of Additional Information carefully in its entirety before investing.

In terms of the Prevention of Money Laundering Act, 2002, the Rules issued there under and the guidelines/ circulars issued by SEBI regarding the Anti Money Laundering (AML Laws), all intermediaries, including Mutual Funds, have to formulate and implement a client identification programme, verify and maintain the record of identify and address(es) of investors.

If after due diligence, the AMC believes that any transaction is suspicious in nature as regards money laundering, failure to provide required documentation, information, etc. the AMC shall have absolute

discretion to report such suspicious transactions to FIU-IND and / or to freeze the folios of the investor(s), reject any application(s) / allotment of units and effect mandatory redemption of unit holdings of the investor(s) at the applicable NAV .

## D. Definitions

In this Scheme Information Document, the following words and expressions shall have the meaning specified herein, unless the context otherwise requires:

<b>"AMC" or "Asset Management Company" or "Investment Manager"</b>	PPFAS Asset Management Company Limited, incorporated under the provisions of the Companies Act, 1956 and approved by Securities and Exchange Board of India to act as the Asset Management Company for the scheme of PPFAS Mutual Fund.
<b>"Applicable NAV"</b>	The NAV applicable for purchase or redemption or switching of Units based on the time of the Business Day on which the application is accepted, subject to the provisions of 'cut off timings' as described in this Scheme Information Document.
<b>"AMFI Certified Stock Exchange Brokers"</b>	A person who is registered with AMFI as Mutual Fund Advisor and who has signed up with PPFAS Asset Management Company Limited and also registered with BSE & NSE as Participant.
<b>"ARN Holder"/"AMFI registered Distributors"</b>	Intermediary registered with Association of Mutual Funds in India (AMFI) to carry out the business of selling and distribution of mutual fund units and having AMFI Registration Number (ARN) allotted by AMFI.
<b>"Beneficial Owner"</b>	Beneficial owner as defined in the Depositories Act 1996 (22 of 1996) means a person whose name is recorded as such with a depository.
<b>"Book Closure"</b>	The time during which the Asset Management Company would temporarily suspend sale, redemption and switching of Units.

<b>"Business Day"</b>	<ul style="list-style-type: none"> <li>I. A day other than: (i) Saturday and Sunday;</li> <li>II. A day on which the banks in Mumbai and / RBI are closed for business / clearing;</li> <li>III. A day on which the National Stock Exchange of India Limited is closed;</li> <li>IV. A day which is a public and /or bank holiday at a Investor Service Centre where the application is received;</li> <li>V. A day on which Sale / Redemption / Switching of Units is suspended by the AMC;</li> <li>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.</li> <li>VII. The AMC reserves the right to declare any day as a Business Day or otherwise at any or all Investor Service Centres.</li> </ul>
<b>"Business Hours"</b>	Presently 9.30 a.m. to 5.30 p.m. on any Business Day or such other time as may be applicable from time to time.
<b>"Clearing Member" or "CM"</b>	Clearing Members are members of the Clearing Houses/Clearing Corporations who facilitate settlement of trades done on stock exchanges.
<b>"Consolidated Account Statement"</b>	Consolidated Account Statement is a statement containing details relating to all the transactions across all mutual funds viz. purchase, redemption, switch, dividend payout, dividend reinvestment, systematic investment plan, systematic withdrawal plan, systematic transfer plan and bonus transactions, etc. (including transaction charges paid to the distributor) and holding at the end of the month.
<b>"Custodian"</b>	A person who has been granted a certificate of registration to carry on the business of custodian of securities under the Securities and Exchange Board of India (Custodian of Securities) Regulations 1996, which for the time being is Deutsche Bank AG.
<b>"Depository"</b>	Depository as defined in the Depositories Act, 1996 (22 of 1996) and in this SID refers to National Securities Depository Ltd (NSDL) and Central Depository Services Ltd (CDSL).
<b>"Depository Participant"</b>	'Depository Participant' means a person registered as such under subsection (1A) of section 12 of the Securities and Exchange Board of India Act, 1992.

<b>"Derivative"</b>	Derivative includes (i) a security derived from a debt instrument, share, loan whether secured or unsecured, risk instrument or contract for differences or any other form of security; (ii) a contract which derives its value from the prices, or index of prices, or underlying securities.
<b>"Dividend"</b>	Income distributed by the Mutual Fund on the Units.
<b>"Entry Load" or "Sales Load"</b>	Load on Sale / Switch in of Units.
<b>"Equity Related Instruments"</b>	"Equity Related Instruments" includes convertible bonds and debentures, convertible preference shares, warrants carrying the right to obtain equity shares, equity derivatives and any other like instrument.
<b>"Exit Load" or "Redemption Load"</b>	Load on Redemption / Switch out of Units.
<b>"FII"</b>	Foreign Institutional Investor, registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended from time to time.
<b>"Foreign Securities"</b>	Securities as specified in the SEBI circular- SEBI/IMD/CIR No. 7/104753/07 dated September 26, 2007 and any subsequent amendments thereto specified by SEBI and/or RBI from time to time.
<b>"Gilts" or "Government Securities"</b>	Securities created and issued by the Central Government and/or a State Government (including Treasury Bills) or Government Securities as defined in the Public Debt Act, 1944, as amended or re-enacted from time to time.
<b>"Holiday"</b>	Holiday means the day(s) on which the banks (including the Reserve Bank of India) are closed for business or clearing in Mumbai or their functioning is affected due to a strike / bandh call made at any part of the country or due to any other reason.

<b>"Investment Management Agreement"</b>	The agreement dated May 22, 2012 entered into between PPFAS Trustee Company Private Limited and PPFAS Asset Management Private Limited, as amended from time to time.
<b>"Investor Service Centres" or "ISCs"</b>	Designated Offices of PPFAS Asset Management Private Limited or such other centres / offices as may be designated by the AMC from time to time.

<b>"Load"</b>	In the case of Redemption / Switch out of a Unit, the sum of money deducted from the Applicable NAV on the Redemption/Switch out and in the case of Sale/ Switch in of a Unit, a sum of money to be paid by the prospective investor on the Sale / Switch in of a Unit in addition to the Applicable NAV.
<b>"Market Capitalisation"</b>	Market value of the listed company, which is calculated by multiplying its current market price by number of its shares outstanding.
<b>"Mid-Cap Companies"</b>	Mid-Cap Companies are generally those companies that are either a constituent of the CNX Midcap Index or companies that have a market capitalisation of Rs. 500 crores or more; but does not exceed the market capitalisation of the largest constituent of the CNX Midcap Index.
<b>"Money Market Instruments"</b>	Includes commercial papers, commercial bills, treasury bills, Government securities having an unexpired maturity upto one year, call or notice money, certificate of deposit, usance bills and any other like instruments as specified by the Reserve Bank of India from time to time.
<b>"Mutual Fund" or "the Fund"</b>	PPFAS Mutual Fund, a trust set up under the provisions of the Indian Trusts Act, 1882.
<b>"Net Asset Value" or "NAV"</b>	Net Asset Value per Unit of the Scheme, calculated in the manner described in this Scheme Information Document or as may be prescribed by the SEBI (MF) Regulations from time to time.
<b>"NRI"</b>	A Non-Resident Indian or a person of Indian origin residing outside India.
<b>"Official Points of Acceptance"</b>	Places, as specified by AMC from time to time where application for subscription/ redemption / switch will be accepted on ongoing basis.
<b>"Person of Indian Origin"</b>	A citizen of any country other than Bangladesh or Pakistan, if (a) he at any time held an Indian passport; or (b) he or either of his parents or any of his grand parents was a citizen of India by virtue of Constitution of India or the Citizenship Act, 1955 (57 of 1955); or (c) the person is a spouse of an Indian citizen or person referred to in sub-clause (a) or (b).
<b>"Plans"</b>	Shall include and mean any prospective Plan issued by the Scheme in accordance with SEBI (MF) Regulations and other Plan issued under the Schemes of PPFAS Mutual Fund.

<b>"Rating"</b>	Rating means an opinion regarding securities, expressed in the form of standard symbols or in any other standardised manner, assigned by a credit rating agency and used by the issuer of such securities, to comply with any requirement of the SEBI (Credit Rating Agencies) Regulations, 1999.
<b>"RBI"</b>	Reserve Bank of India, established under the Reserve Bank of India Act, 1934, (2 of 1934)
<b>"Registrar and Transfer Agent" or "RTA"</b>	Computer Age Management Services Pvt. Limited (CAMS) Chennai, currently acting as registrar to the Scheme, or any other registrar appointed by the AMC from time to time.
<b>"Redemption / Repurchase"</b>	Redemption of Units of the Scheme as permitted.
<b>"Regulatory Agency"</b>	Government of India, SEBI, RBI or any other authority or agency entitled to issue or give any directions, instructions or guidelines to the Mutual Fund
<b>"Repo"</b>	Sale of Government Securities with simultaneous agreement to repurchase/ resell them at a later date.
<b>"Reverse Repo"</b>	Purchase of Government Securities with a simultaneous agreement to sell them at a later date.
<b>"Sale/Subscription"</b>	Sale or allotment of Units to the Unit holder upon subscription by the investor/ applicant under the Scheme.
<b>"Scheme" or "PPFAS Long Term Value Fund"</b>	PPFAS Long Term Value Fund offered under this Scheme Information Document (including, as the context permits, the Option(s) thereunder).
<b>"Scheme Information Document" or "SID"</b>	This document issued by PPFAS Mutual Fund, offering Units of the Scheme for subscription.
<b>"SEBI"</b>	Securities and Exchange Board of India, established under the Securities and Exchange Board of India Act, 1992.
<b>"SEBI (MF) Regulations" or "Regulations"</b>	Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended from time to time.
<b>"Short Selling"</b>	Short selling means selling a stock which the seller does not own at the time of trade.
<b>"Small-Cap Companies"</b>	Small-Cap Companies are those companies whose market capitalisation is lower than Rs. 500 Crores.
<b>"Sponsors" or "Settlers"</b>	Parag Parikh Financial Advisory Services Limited.

<b>"Statement of Additional Information" or "SAI"</b>	The document issued by PPFAS Mutual Fund containing details of PPFAS Mutual Fund, its constitution, and certain tax, legal and general information. SAI is legally a part of the Scheme Information Document.
<b>"Stock Lending"</b>	Lending of securities to another person or entity for a fixed period of time, at a negotiated compensation in order to enhance returns of the portfolio.
<b>"Switch"</b>	Redemption of a unit in any scheme (including the options therein) of the Mutual Fund against purchase of a unit in another scheme (including the options therein) of the Mutual Fund, subject to completion of Lock-in Period, if any.
<b>"Trust Deed"</b>	The Trust Deed dated April 13, 2012 made by and between PPFAS and PPFAS Trustee Company Private Limited ("Trustee"), thereby establishing an irrevocable trust, called PPFAS Mutual Fund.
<b>"Unit"</b>	The interest of the Unit holder which consists of each Unit representing one undivided share in the assets of the Scheme.
<b>"Unit holder" or "Investor"</b>	A person holding Unit in the Scheme of PPFAS Mutual Fund offered under this Scheme Information Document.

#### **INTERPRETATION**

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

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



## E. Abbreviations

In this Scheme Information Document the following abbreviations have been used.

ADR	American Depository Receipts
AMC	Asset Management Company
AMFI	Association of Mutual Funds in India
BSE	BSE Limited
CAGR	Compound Annual Growth Rate
CBLO	Collateralised Borrowing & Lending Obligations
CDSL	Central Depository Services Limited
ECS	Electronic Clearing System
EFT	Electronic Funds Transfer
FCNRA/c	Foreign Currency (Non-Resident) Account
FII	Foreign Institutional Investor
GDR	Global Depository Receipts
ISC	Investor Service Centre
KYC	Know Your Customer
MIBOR	Mumbai Inter-Bank Offer Rate
NAV	Net Asset Value
NEFT	National Electronic Funds Transfer
NFO	New Fund Offer
NRE A/c	Non-Resident (External) Rupee Account
NRI	Non-Resident Indian
NRO A/c	Non-Resident Ordinary Rupee Account
NSDL	National Depositories Services Limited
NSE	National Stock Exchange of India Limited
PAN	Permanent Account Number
RBI	Reserve Bank of India
RTA	Registrar and Transfer Agent

RTGS	Real Time Gross Settlement
SEBI	Securities and Exchange Board of India
SIP	Systematic Investment Plan
STP	Systematic Transfer Plan
SWP	Systematic Withdrawal Plan

### **E. Due Diligence by the Asset Management Company**

It is confirmed that:

- (i) This Scheme Information Document has been prepared 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 Combined Scheme Information Document are true, fair and adequate to enable the investors to make a well informed decision regarding investment in the scheme.
- (iv) The intermediaries named in the Scheme Information Document (SID) and Statement of Additional Information are registered with SEBI and their registration is valid, as on date.

Place : Mumbai.  
Date: December 18, 2012

Signed: Sd/-  
Name: Swapnil Walimbe.  
Designation: Chief Compliance Officer.

## II. Information about the Scheme:

**A. Type of the Scheme: PPFAS Long Term Value Fund is an Open-ended Equity Scheme.**

**B. What is the investment objective of the scheme:**

The investment objective of the Scheme is to seek to generate long-term capital growth from an actively managed portfolio primarily of equity and equity Related Securities.

**C. How will the Scheme allocate it's asset**

### ASSET ALLOCATION :

The corpus of the Scheme will be invested primarily in equity and equity related instruments. The Scheme may invest a part of its corpus in debt and money market instruments, in order to manage its liquidity requirements from time to time, and under certain circumstances, to protect the interests of the Unit holders. Scheme may invest in permitted foreign securities.

Under normal circumstances, the asset allocation (% of Net Assets) of the Scheme's portfolio will be as follows.

Types of Instruments	Normal Allocation (% of net assets)	Risk Profile
Equity and equity related instruments	65 - 100%	Medium to high risk
Debt securities, Money Market instruments and cash (including CBLO / repo/ reverse repo/ securitised debt)	0- 35%	Low to medium risk
Foreign securities.	0- 35%	Medium to high risk

The Scheme may take derivatives position ( in equity, currency and fixed income) based on the opportunities available subject to the guidelines issued by SEBI from time to time and in line with the investment objective of the Scheme. These may be taken to hedge the portfolio, re-balance the same or to undertake any other strategy as permitted under SEBI (MF) Regulations from time to time. The cumulative gross exposure through equity, debt and Derivative positions shall not exceed 100% of the net assets of the Scheme.

The Scheme may seek investment opportunity in the Foreign Securities (including ADR/ GDR/ foreign equity and debt securities), in accordance with guidelines stipulated in this regard by SEBI and RBI from time to time. Under normal circumstances, exposure to foreign securities subject to regulatory limits shall not be more than 35% of the Scheme's net assets.

In addition to the instruments stated in the table above, the Scheme may enter into repos/reverse repos as may be permitted by RBI. From time to time, the Scheme may hold cash. A part of the net assets may be

STD  
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invested in the Collateralised Borrowing & Lending Obligations (CBLO) or repo or in an alternative investment as may be provided by RBI to meet the liquidity requirements.

The Scheme may engage in short selling of securities in accordance with the framework relating to short selling and securities lending and borrowing specified by SEBI. Subject to the SEBI (MF) Regulations, as applicable from time to time, the Scheme seek may engage in Stock Lending. Stock Lending means the lending of stock to another person or entity for a fixed period of time, at a negotiated compensation in order to enhance returns of the portfolio. The securities lent will be returned by the borrower on the expiry of the stipulated period.

The Scheme will pay reasonable administrative and custodial fees in connection with the lending of Securities. The Scheme will be exposed to the risk of loss should a borrower default on its obligation to return the borrowed Securities. The Scheme will not lend more than what is permitted under applicable SEBI (Mutual Funds) Regulations. For detailed understanding on Securities lending by the Scheme, Investors are requested to refer to the SAI.

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

Pending deployment of funds of the Scheme in securities in terms of the investment objective of the Scheme the AMC may park the funds of the Scheme in short term deposits of scheduled commercial banks, subject to the guidelines issued by SEBI vide its circular dated April 16, 2007, as amended from time to time.

These limits will be reviewed by the AMC from time to time based on views on the equity markets and asset liability management needs. However, at all times the portfolio of the Scheme will adhere to the overall investment objective of the Scheme.

Investors should note that companies or sectors which are very capital intensive, which have low returns on capital ratios and/ or which have very volatile business prospectus may not be considered for investment at all. Performance of the Scheme will defer to the extent these companies/ sectors are represented in the Benchmark indices.

### **Review by Board of AMC and Trustees**

A detailed review of the schemes of the Fund including its performance vis-à-vis benchmark index, assets size,rankings/ratings received, if any is placed before the Board of Directors of AMC and to the Trustee on a quarterly basis.

### **Change in Asset Allocation Pattern**

Subject to SEBI (MF) Regulations the asset allocation pattern indicated above may change from time to time, keeping in view market conditions, market opportunities, applicable regulations and political and economic factors. It must be clearly understood that the percentages stated above are only indicative and not absolute and that they can vary substantially depending upon the perception of the Investment Manager, the intention being at all times to seek to protect the interests of the Unit holders. Such changes in the investment pattern

will be for short term and for defensive consideration only. Provided further and subject to the above, any change in the asset allocation affecting the investment profile of the Scheme shall be effected only in accordance with the provisions of sub regulation (15A) of Regulation 18 of the Regulations, as detailed later in this document.

## **Debt Market In India**

The instruments available in Indian Debt Market are classified into two categories, Government and Non - Government debt securities. The following instruments are available in these categories:

### **A) Government Debt Securities**

- ★ Central Government Debt
- ★ Treasury Bills
- ★ Dated Government Securities
  - Coupon Bearing Bonds
  - Floating Rate Bonds
  - Zero Coupon Bonds
- ★ State Government Debt
  - State Government Loans
  - Coupon Bearing Bonds

### **B) Non-Government Debt**

- ★ Instruments issued by Government Agencies and other Statutory Bodies
  - Government Guaranteed Bonds
  - PSU Bonds

### **C) Instruments issued by Public Sector Undertakings**

- ★ Commercial Paper
- ★ PSU Bonds
- ★ Fixed Coupon Bonds
- ★ Floating Rate Bonds
- ★ Zero Coupon Bonds

### **Instruments issued by Banks and Development Financial Institutions**

- ★ Certificates of Deposit
- ★ Promissory Notes
- ★ Bonds
- ★ Fixed Coupon Bonds
- ★ Floating Rate Bonds
- ★ Zero Coupon Bonds

### **Instruments issued by Corporate Bodies**

- ★ Commercial Paper
- ★ Non-Convertible Debentures
- ★ Fixed Coupon Debentures
- ★ Floating Rate Debentures
- ★ Zero Coupon Debentures

### **Instruments that comprise a major portion of money market activity include,**

- ★ Overnight Call
- ★ Collateralised Borrowing & Lending Obligations (CBLO)
- ★ Treasury Bills
- ★ Government Securities with a residual maturity of < 1 year
- ★ Commercial Paper and Certificates of Deposit

Apart from these, there are some other options available for short tenure investments that include MIBOR linked debentures with periodic exit options and other such instruments.

### **Overseas Debt Market**

The nature and number of debt instruments available in international debt markets is very wide. In terms of diverse instruments as well as liquidity, overseas debt markets offer great depth and are well developed.

Investment in international debt greatly expands the universe of good quality debt, which is no longer restricted to the limited papers available in the domestic debt market. The higher rated overseas sovereign, quasi-government and corporate debt offer lower default risk in addition to offering a high degree of liquidity since these are traded across major international markets. Investments in rated international debt offer multiple benefits of risk reduction, a much wider universe of good quality debt and also potential gains from currency movements. Investments in international markets are most often in U.S. dollars, though the Euro, Pound Sterling and the Yen are also major currencies.

Besides factors specific to the country / issuer, international bond prices are influenced to a large extent by a number of other factors; chief among these are the international economic outlook, changes in interest rates in major economies, trading volumes in overseas markets, cross currency movements among major currencies, rating changes of countries / corporations and major political changes globally.

**D. Where will the scheme invest**

The corpus of the Scheme shall be invested in any (but not exclusively) of the following securities:

**Equity and equity related instruments:**

Investments in these securities will be as per the limits specified in the asset allocation table of respective Scheme, subject to permissible limits laid under SEBI (MF) Regulations.

**Debt securities:**

The Scheme will retain the flexibility to invest in the entire range of debt instruments and money market instruments. These instruments are more specifically highlighted below:

Debt instruments (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.
5. Foreign Debt Securities as may be permitted by the SEBI/ RBI.

**Money Market Instruments include:**

1. Commercial papers
2. Commercial bills
3. Treasury bills
4. Government securities having an unexpired maturity upto one year
5. Collateralised Borrowing & Lending Obligation (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

Investment in debt securities will usually be in instruments, which have been assessed as "high investment grade" by at least one credit rating agency authorised to carry out such activity under the applicable

regulations. Pursuant to SEBI Circular No. MFD/CIR/9/120/2000 dated November 24, 2000, the AMC may constitute committee(s) to approve proposals for investments in unrated debt instruments. The AMC Board and the Trustee shall approve the detailed parameters for such investments. The details of such investments would be communicated by the AMC to the Trustee in their periodical reports. It would also be clearly mentioned in the reports, how the parameters have been complied with. However, in case any unrated debt security does not fall under the parameters, the prior approval of Board of AMC and Trustee shall be sought.

Investment in debt instruments shall generally have a low risk profile and those in money market instruments shall have an even lower risk profile. The maturity profile of debt instruments will be selected in accordance with the AMC's view regarding current market conditions, interest rate outlook and the stability of ratings.

Investments in Debt securities and Money Market Instruments will be as per the limits specified in the asset allocation table of the Scheme, subject to permissible limits laid under SEBI (MF) Regulations.

Investments in both equity and debt 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. The AMC retains the flexibility to invest across all the securities / instruments in debt and money market.

### **Investment in Securitised Debt**

A securitisation transaction involves sale of receivables by the originator (a bank, non-banking finance company, housing finance company, or a manufacturing/service company) to a Special Purpose Vehicle (SPV), typically set up in the form of a trust. Investors are issued rated Pass Through Certificates (PTCs), the proceeds of which are paid as consideration to the originator. In this manner, the originator, by selling his loan receivables to an SPV, receives consideration from investors much before the maturity of the underlying loans. Investors are paid from the collections of the underlying loans from borrowers.

Typically, the transaction is provided with a limited amount of credit enhancement (as stipulated by the rating agency for a target rating), which provides protection to investors against defaults by the underlying borrowers.

### **Investment / Risk Mitigation Strategy**

#### **1. Risk profile of securitised debt vis-à-vis risk appetite of the Scheme**

The risk profile of securitised debt is generally at par with the risk profile of other debt securities at the same level of credit rating. Securitised debt offers additional income (spread) over a debt security of similar rating and maturity, which enables the scheme to optimize its income without taking any additional credit risk. Securitised debt is generally less liquid, however, investment in securitised debt is made to maintain a diversified portfolio of debt securities that optimizes return without increasing the overall risk profile of the Scheme.



## **2. Policy relating to originators based on nature of originator, track record, NPAs, losses in earlier securitised debt, etc.**

The originator is an entity (like banks, non-banking finance companies, corporates etc), which has initially provided the loan & is also generally responsible for servicing the loans. The schemes will invest in securitised debt of originators with at least investment grade credit rating and established track record. A detailed evaluation of originator is done before the investment is made in securitised debt of any originator on various parameters given below:

### **Track record**

The investment in securitised debt is done based on origination and underwriting process and capabilities of the originator, overview of corporate structure, group to which they belong, experience of the company in the business, how long they have been in the business, financial condition of the company, credit rating, past performance of similar pools by the originator, etc.

### **Willingness to pay through credit enhancement facilities etc.**

Credit enhancement is provided by the originator, as indicated by rating agencies, so as to adequately cover the defaults and acts as a risk mitigation measure. The size of the credit enhancement as indicated by rating agency depends on the originator's track record, past delinquencies, pattern of the portfolio & characteristics of the pool vis-a-vis of the portfolio, nature of the asset class.

### **Business Risk Assessment**

The business risk assessment of originator / underlying borrower also includes detailed credit assessment wherein following factors are also considered:

- ★ Outlook for the economy (domestic and global)
- ★ Outlook for the industry
- ★ Company specific factors

Additionally, a detailed review of rating rationale is done along with interactions with the company as well as the rating agency. All investment in securitised debt is done after taking into account points ( with regard to originator) stated below:

- ★ Default track record/ frequent alteration of redemption conditions
- ★ High leverage ratios of the ultimate borrower both on a standalone basis as well on a consolidated level/ group level
- ★ Higher proportion of reschedulement of underlying assets of the pool or loan, as the case may be
- ★ Higher proportion of overdue assets of the pool or the underlying loan, as the case may be

## **Risk mitigation strategies for investments with each kind of originator**

**Investments are based on assessment of following parameters, to mitigate risk associated with such investment:**

- a. Credit quality, size and reach of the originator
- b. Nature of receivables/asset category i.e. cars, commercial vehicles, personal loans etc.
- c. Collection process, infrastructure and follow-up mechanism
- d. Credit cum liquidity enhancement
- e. Asset Quality - portfolio delinquency levels
- f. Past performance of rated pools
- g. Pool Characteristics - seasoning, Loan-to-value ratios, geographic diversity etc.

### **4. Minimum retention percentage by originator of debts to be securitised**

While minimum retention percentage by originator is not prescribed, any amount retained by the originator through subordination is viewed positively at the time of making investment.

### **5. The mechanism to tackle conflict of interest when the mutual fund invests in securitised debt of an originator and the originator in turn makes investments in that particular scheme of the fund.**

All proposals for investment in securitised debt are evaluated by the analyst based on several parameters such as nature of underlying asset category, pool characteristics, asset quality, credit rating of the securitisation transaction, and credit cum liquidity enhancement available. Investment in securitised debt by the scheme is made by the fund manager in line with the investment objective of the scheme.

### **Pending deployment as per investment objective, the moneys under the Scheme may be parked in short-term deposits of Scheduled Commercial Banks.**

The Scheme shall comply with the following guidelines for parking of funds in short term deposits:

1. "Short Term" for parking of funds shall be treated as a period not exceeding 91 days.
2. Such short-term deposits shall be held in the name of the Scheme.
3. The Scheme shall not park more than 15% of the net assets in short term deposit(s) of all the scheduled commercial banks put together. However, such limit may be raised to 20% with prior approval of the Trustee.

4. 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.

5. The Scheme shall not park more than 10% of the net assets in short term deposit(s), with any one scheduled commercial bank including its subsidiaries.

6. The Scheme shall not park funds in short-term deposit of a bank, which has invested in the Scheme.

The aforesaid limits shall not be applicable to term deposits placed as margins for trading in cash and derivatives market.

The Scheme may invest in other schemes (as and when PPFAS Mutual Fund introduces new scheme/s) managed by the AMC or in the schemes of any other mutual funds, provided it is in conformity with the investment objectives of the Scheme and in terms of the prevailing SEBI (MF) Regulations.

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As per the SEBI (MF) Regulations, no investment management fees will be charged for such investments.

#### **Investment in Foreign Securities:**

The Scheme may also invest in suitable investment avenues in overseas financial markets for the purpose of diversification, commensurate with the Scheme objectives and subject to necessary stipulations by SEBI / RBI. Towards this end, the Mutual Fund may also appoint overseas investment advisors and other service providers, as and when permissible under the regulations. The Scheme may, with the approval of SEBI / RBI invest in:

- i. ADRs/ GDRs issued by Indian or foreign companies
- ii. Equity of overseas companies listed on recognized stock exchanges overseas
- iii. Initial and follow on public offerings for listing at recognized stock exchanges overseas
- iv. Foreign debt securities in the countries with fully convertible currencies, short term as well as long term debt instruments with rating not below investment grade by accredited/registered credit rating agencies
- v. Money market instruments rated not below investment grade
- vi. Repos in the form of investment, where the counterparty is rated not below investment grade; repos should not however, involve any borrowing of funds by mutual funds
- vii. Government securities where the countries are rated not below investment grade
- viii. Derivatives traded on recognized stock exchanges overseas only for hedging and portfolio balancing with underlying as securities.

- ix. Short term deposits with banks overseas where the issuer is rated not below investment grade
- x. Units/securities issued by overseas mutual funds or unit trusts registered with overseas regulators and investing in (a) aforesaid securities, (b) Real Estate Investment Trusts (REITs) listed in recognized stock exchanges overseas or (c) unlisted overseas securities (not exceeding 10% of their net assets).

Mutual funds can make overseas investments [as stated in point (i) to (x) above] subject to a maximum of US \$300 million (limit per mutual fund subject to overall limit of US \$ 7 billion) or such limits as may be prescribed by SEBI from time to time.

Subject to the approval of the RBI / SEBI and conditions as may be prescribed by them, the Mutual Fund may open one or more foreign currency accounts abroad either directly, or through the custodian/sub-custodian, to facilitate investments and to enter into/deal in forward currency contracts, currency futures, index options, index futures, interest rate futures/swaps, currency options for the purpose of hedging the risks of assets of a portfolio or for its efficient management.

The Mutual Fund may, where necessary appoint intermediaries as sub-managers, sub-custodians, etc. for managing and administering such investments. The appointment of such intermediaries shall be in accordance with the applicable requirements of SEBI and within the permissible ceilings of expenses.

Under normal circumstances, exposure to foreign securities subject to regulatory limits shall not be more than 35% of the Scheme's net assets.

### **Trading in Derivatives**

The Scheme may take derivative positions based on the opportunities available subject to the guidelines provided by SEBI from time to time and in line with the overall investment objective of the Scheme. The Fund has to comply with the prescribed disclosure requirements. These may be taken to hedge the portfolio, rebalance the same or to undertake any other strategy as permitted under SEBI (MF) Regulations from time to time. Hedging does not mean maximisation of returns but only reduction of systematic or market risk inherent in the investment. The Scheme intends to take position in derivative instruments like Futures, Options, Interest Rate Swaps, Forward Rate Agreements, and such other derivative instruments as may be permitted by SEBI and RBI from time to time.

Pursuant to SEBI Circular No. DNP/Cir-29/2005 dated September 14, 2005, the Scheme shall be treated as Trading Members at par with a registered FII in respect of position limits in index futures, index options, stock options and stock futures contracts.

Net position in derivatives will be as per fund management process and decision of the fund manager in the best interest of the unit-holders of the scheme. While taking any derivative positions, scheme will comply with applicable SEBI and RBI guidelines as amended from time to time.

Difference between exchange traded derivatives and Over the Counter Trade (OTC):

Derivatives can be traded over the exchange or can be structured between two counter-parties. Those transacted over the exchange are called Exchange Traded derivatives whereas the other category is referred to as OTC (Over the Counter) derivatives. Some of the differences of these two derivative categories are stated below:

### **Exchange Traded Derivatives:**

These are quoted on the exchanges like any other traded asset class. The common amongst these are the Index Futures, Index Options, Stock Futures and Options on individual equities / securities. The basic form of the futures contract is similar to that of the forward contract, a futures contract obligates its owner to purchase a specified asset at a specified exercise price on the contract maturity date. Futures are cash-settled and are traded only in organised exchanges. Exchange traded derivatives are standardised in terms of amount and delivery date.

Standardisation and transparency generally ensures a liquid market together with narrower spreads. For delivery dates far in the future, there may be insufficient liquidity in the futures market.

### **OTC derivatives:**

OTC derivatives require the two parties engaging in a derivatives transaction to come together through a process of negotiations. It is a derivative that is customised in terms of structure, amount, tenor, underlying assets, collateral etc. Some examples of OTC derivatives are interest rate and currency swaps, Forward Rate Agreements (FRAs) etc.

### **Position Limits**

The position limits for trading in derivatives by Mutual Funds specified by SEBI vide SEBI Circular No. DNP/ Cir-29/2005 dated September 14, 2005, SEBI Circular No. DNP/ Cir -30/2006 dated January 20, 2006 and SEBI Circular No. SEBI/DNP/ Cir-31/2006 dated September 22, 2006 are as follows:

Mutual Fund will comply with applicable position limits.

#### **i. Position limit for Mutual Funds in index options contracts**

- a. The Mutual Fund position limit in all index options contracts on a particular underlying index shall be Rs. 250 crore or 15% of the total open interest of the market in index options, whichever is higher, per Stock Exchange.
- b. This limit would be applicable on open positions in all options contracts on a particular underlying index.

#### **ii. Position limit for Mutual Funds in index futures contracts**

- a. The Mutual Fund position limit in all index futures contracts on a particular underlying index shall be Rs.

250 crore or 15% of the total open interest of the market in index futures, whichever is higher, per Stock Exchange.

b. This limit would be applicable on open positions in all futures contracts on a particular underlying.

**iii. Additional position limit for hedging In addition to the position limits at point (i) and (ii) above,**

Mutual Funds may take exposure in equity index derivatives subject to the following limits :

1. Short positions in index derivatives (short futures, short calls and long puts) shall not exceed (in notional value) the Mutual Fund's holding of stocks.
2. Long positions in index derivatives (long futures, long calls and short puts) shall not exceed (in notional value) the Mutual Fund's holding of cash, government securities, T-Bills and similar instruments.

**iv. Position limit for Mutual Funds for stock based derivative contracts**

The Mutual Fund position limit in a derivative contract on a particular underlying stock, i.e. stock option contracts and stock futures contracts will be as follows :-

1. For stocks having applicable market-wide position limit (MWPL) of Rs. 500 crores or more, the combined futures and options position limit shall be 20% of applicable MWPL or Rs. 300 crores, whichever is lower and within which stock futures position cannot exceed 10% of applicable MWPL or Rs. 150 crores, whichever is lower.
2. For stocks having applicable market-wide position limit (MWPL) less than Rs. 500 crores, the combined futures and options position limit would be 20% of applicable MWPL and futures position cannot exceed 20% of applicable MWPL or Rs. 50 crore whichever is lower.

**v. Position limit for each scheme of a Mutual Fund The scheme-wise position limit requirements shall be :**

1. For stock option and stock futures contracts, the gross open position across all derivative contracts on a particular underlying stock of a scheme of a mutual fund shall not exceed the higher of:

1% of the free float market capitalization (in terms of number of shares). **or**  
5% of the open interest in the derivative contracts on a particular underlying stock (in terms of number of contracts).

2. This position limits shall be applicable on the combined position in all derivative contracts on an underlying stock at a Stock Exchange.

3. For index based contracts, Mutual Funds shall disclose the total open interest held by its scheme or all

schemes put together in a particular underlying index, if such open interest equals to or exceeds 15% of the open interest of all derivative contracts on that underlying index.

### **Exposure Limits**

The exposure limits for trading in derivatives by Mutual Funds specified by SEBI vide its Circular No. Cir/IMD/DF/11/2010 dated August 18, 2010 are as follows:

1. The cumulative gross exposure through equity, debt and derivative positions should not exceed 100% of the net assets of the scheme.
2. Mutual Funds shall not write options or purchase instruments with em-bedded written options.
3. The total exposure related to option premium paid must not exceed 20% of the net assets of the scheme.
4. Cash or cash equivalents with residual maturity of less than 91 days may be treated as not creating any exposure.
5. Exposure due to hedging positions may not be included in the above mentioned limits subject to the following:
  - a. Hedging positions are the derivative positions that reduce possible losses on an existing position in securities and till the existing position remains.
  - b. Hedging positions cannot be taken for existing derivative positions. Exposure due to such positions shall have to be added and treated under limits mentioned in Point 1.
  - c. Any derivative instrument used to hedge has the same underlying security as the existing position being hedged.
  - d. The quantity of underlying associated with the derivative position taken for hedging purposes does not exceed the quantity of the existing position against which hedge has been taken.
6. Mutual Funds may enter into plain vanilla interest rate swaps for hedging purposes. The counter party in such transactions has to be an entity recognized as a market maker by RBI. Further, the value of the notional principal in such cases must not exceed the value of respective existing assets being hedged by the scheme. Exposure to a single counterparty in such transactions should not exceed 10% of the net assets of the scheme.
7. Exposure due to derivative positions taken for hedging purposes in excess of the underlying position against which the hedging position has been taken, shall be treated under the limits mentioned in point 1.
8. Definition of Exposure in case of Derivative Positions. Each position taken in derivatives shall have an associated exposure as defined under. Exposure is the maximum possible loss that may occur on a position.

However, certain derivative positions may theoretically have unlimited possible loss. Exposure in derivative positions shall be computed as follows:

<b>Position</b>	<b>Exposure</b>
Long Future	Futures Price * Lot Size * Number of Contracts
Short Future	Futures Price * Lot Size * Number of Contracts
Option Bought	Option Premium Paid * Lot Size * Number of Contracts

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.

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

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. 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 cash-flows (variable or floating interest) in the same currency and on the same principal for an agreed period of time. The exchange of cash-flows need not occur on the same date.

### **Forward Rate Agreements (FRA)**

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 in FRA.

### **Lending of Securities**

The Scheme may lend Securities from its portfolio in accordance with the SEBI Regulations and the applicable SEBI guidelines. Securities lending shall enable the Scheme to earn income that may partially offset its expenses and thereby reduce the effect these expenses have on the Scheme's ability to provide investment returns that correspond generally to the price and yield performance of its underlying index. Securities lending means the lending of Securities to another person or entity for a fixed period of time at a negotiated compensation in order to enhance returns of the portfolio. The Securities lent would have to be returned by the borrower on the expiry of the stipulated period. The AMC will adhere to strict limits should it engage in Securities lending. The Scheme will pay reasonable administrative and custodial fees in connection with the lending of Securities. The Scheme will be exposed to the risk of loss should a borrower default on its



obligation to return the borrowed Securities. The Scheme's share of income from the lending collateral will be included in the Scheme's gross income. The Mutual Fund will comply with the conditions for Securities lending specified by SEBI (MF) Regulations and circulars.

**The maximum exposure of the Scheme to a single intermediary in the stock lending programme at any point of time would be limited to 30% of the market value of its equity portfolio or upto such limits as may be specified by SEBI. The Scheme will not lend more than 30% of its corpus.**

## **E. What are the Investment Strategies?**

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### **INVESTMENT STRATEGIES AND RISK CONTROL**

**Investment approach of the Scheme is governed by following guiding principles:**

#### **Focus on the long term**

Investments would be made with a long term perspective. The investment objective of the Scheme is to seek to generate long-term capital growth from an actively managed portfolio primarily of equity and Equity Related Securities.

The Fund Manager will follow an active investment strategy primarily based on fundamental research driven bottom up stock selection approach. Since Investing requires disciplined risk management, the AMC would incorporate safeguards seeking to control risks in the portfolio construction process. Such safeguards would include reasonable diversification of the portfolio, which the AMC aims to achieve by spreading the investments over a range of industries, sectors and market capitalizations.

#### **Investments confer proportionate ownership**

The approach to valuing a company is similar to making an investment in a business. Therefore, there is a need to have a comprehensive understanding of how the business operates. The key issues to focus on are growth opportunities, sustainable competitive advantage, industry structure, margins, quality of the management and protection of minority shareholders.

#### **Maintain a margin of safety**

The benchmark for determining relative attractiveness of stocks would be the intrinsic value of the business. The Investment Manager would endeavor to purchase stocks that represent a discount to this value, in an effort to preserve capital and generate superior growth.

#### **Maintain a balanced outlook on the market**

The investment portfolio would be regularly monitored to understand the impact of changes in business and economic trend. While short-term market volatility would affect valuations of the portfolio, this is not

expected to influence the decision to own fundamentally strong companies.

### **Disciplined approach to selling**

The decision to sell a holding would be based on either the anticipated price appreciation being achieved or being no longer possible due to a change in fundamental factors affecting the company or the market in which it competes, or due to the availability of an alternative that, in the view of the Investment Manager, offers superior returns.

In summary, the Investment Strategy is expected to be a function of extensive research and based on data and reasoning, rather than current trends. The objective will be to identify “businesses with superior growth prospects and good management, at a reasonable price”.

The Scheme will retain the flexibility to invest in the entire range of debt instruments and money market instruments. Investment in Debt securities and Money Market Instruments will be as per the limits in the asset allocation table of the Scheme, subject to permissible limits laid under SEBI (MF) Regulations. Please refer to ‘Debt securities’ and ‘Money Market Instruments’ under the section ‘WHERE WILL THE SCHEME(S) INVEST’ on Page 31.

**Though every endeavor will be made to achieve the objectives of the Scheme, the AMC/Sponsors/ Trustees do not guarantee that the investment objectives of the Scheme will be achieved. No guaranteed returns are being offered under the Scheme.**

The aim will be to build a portfolio, which represents a cross section of the strong growth companies in the prevailing market. In order to reduce the risk of volatility, the Scheme will diversify reasonably across major industries and economic sectors.

The Scheme may also invest to the extent permitted of net assets of the Scheme in derivatives such as Futures & Options and such other derivative instruments as may be introduced from time to time for the purpose of hedging and portfolio balancing and other uses as may be permitted under the Regulations.

The Scheme may also invest a part of its corpus, not exceeding 35% of its net assets, in overseas markets in Global Depository Receipts (GDRs), ADRs, overseas equity, bonds and mutual funds and such other instruments as may be allowed under the Regulations from time to time. Please refer to the Section on Policy on off-shore Investments by the Scheme.

Subject to the Regulations and the applicable guidelines, the Scheme may, engage in Stock Lending activities. Please refer to the Section on Page 40 on Stock Lending by the Fund.

Pending deployment as per investment objective, the moneys under the Scheme may be parked in short-term deposits of Scheduled Commercial Banks. The Scheme may invest in other schemes managed by the AMC (as and when launched in the future) or in the schemes of any other mutual funds, provided it is in conformity with the investment objectives of the Scheme and in terms of the prevailing SEBI (MF) Regulations. As per the SEBI (MF) Regulations, no investment management fees will be charged for such investments.

## **Risk Control**

Investments made from the net assets of the Scheme would be in accordance with the investment objective of the Scheme and the provisions of the SEBI (MF) Regulations. The AMC will strive to achieve the investment objective by way of a judicious portfolio mix comprising of equity and Equity related Instruments, Debt Securities and Money Market Instruments and permissible Foreign Securities.

## **Credit Evaluation Policy**

The credit evaluation policy of the AMC involves evaluation of credit fundamentals of each investment opportunity. Some of the factors that are evaluated inter-alia may include outlook on the sector, parentage, quality of management, and overall financial strength of the credit. The AMC utilises ratings of recognised rating agencies as an input in the credit evaluation process. Investments in bonds and debenture are usually in instruments that have been assigned high investment grade ratings by a recognized rating agency.

In accordance with SEBI Circular No. MFD/CIR/9/120/ 2000 dated November 24, 2000, the AMC may constitute committee(s) to approve proposals for investments in unrated instruments. The AMC Board and the Trustee shall approve the detailed parameters for such investments. The details of such investments would be communicated by the AMC to the Trustee in their periodical reports. It would also be clearly mentioned in the reports, how the parameters have been complied with. However, in case any security does not fall under the parameters, the prior approval of Board of AMC and Trustee shall be sought.

## **Interest Rate Risk**

An interest rate scenario analysis would be performed on an on-going basis, considering the impact of the developments on the macro-economic front and the demand and supply of funds. Based on the above analysis, the AMC would manage the investments of the Scheme to exploit emerging opportunities in the investment universe and manage risks at all points in time.

## **Liquidity Risk**

The AMC will attempt to reduce liquidity risk by investing in securities that would result in a staggered maturity profile of the portfolio, investment in structured securities that provide easy liquidity and securities that have reasonable secondary market activity. In the event of a requirement to liquidate all or a substantial part of these investments in a very short duration of time, the AMC may not be able to realize the full value of these securities to an adverse impact on the Net Asset Value of the Scheme.

## **Strategies for Investment in Derivatives**

### **Basic Structure of an Index Future**

Index Futures are instruments designed to give exposure to the equity market indices. Bombay Stock Exchange and the National Stock Exchange of India Limited are providing trading in index futures of 1, 2 and 3 month maturities.

#### **Following are Examples which investors should refer:**

Assumptions:

1 month NSE Nifty Future

Spot Index: 5800

Future Price on day 1: 5850

Fund buys 10,000 futures contracts

On Date of settlement

Future price = Closing spot price = 5900

Profits for the Fund =  $(5900-5850) \times 10000 = \text{Rs. } 5,00,000$

interest for the 1 month period

**Please note that the above example is given for illustration purposes only.**

The net impact for the Fund will be in terms of the difference between the closing price of the index and cost price (ignoring margins for the sake of simplicity) plus interest costs on funds that would otherwise be invested in stocks comprising the index.

The risks associated with index futures are similar to those associated with equity investments. Additional risks could be on account of illiquidity and/or mis pricing of the future at any time during the life of the contract.

The strategies stated below are given for illustration purposes only. Some of the strategies involving derivatives that may be used by the Investment Manager, with an aim to protect capital and enhance returns include :

### **Strategy Number 1**

#### **Using Index Futures to increase percentage investment in equities.**

This strategy will be used for the purpose of generating returns on idle cash, pending its investment in equities. The Scheme is subject to daily flows. There may be a time lag between the inflow of funds and their deployment in stocks. If so desired, the scheme would be able to take immediate exposure to equities via index futures. The position in index futures may be reversed in a phased manner, as the funds are deployed in the equity markets.

**Example:**

The scheme has a corpus of Rs. 50 crore and there is an inflow of Rs. 5 crore in a day. The AMC may buy index futures contracts of a value of R 5 crore. Later as the money is deployed in the underlying equities, the value of the index futures contracts can be suitably reduced.

<b>Portfolio</b>	<b>Event</b>	<b>Equity portfolio gain/ (loss) (Rs. In crores)</b>	<b>Derivatives Gain/ (loss) (Rs. In crores)</b>	<b>Total portfolio gain / (loss) (Rs. In crores)</b>
Rs. 50 Crore Equity exposure	10% rise in equity prices.	5	Nil	5
Rs.50 Crore Equity exposure + Rs. 5 Crore long position index futures	10% rise in equity prices.	5	0.5	5.5
Rs. 50 Crore Equity exposure	10% fall in equity prices.	-5	Nil	-5
Rs. 50 Crore Equity exposure + Rs. 5 Crore long position index futures	10% fall in equity prices.	-5	-0.5	-5.5

**RISKS**

The strategy of taking a long position in index futures increases the exposure to the market. The long position is positively correlated with the market. However, there is no assurance that the stocks in the portfolio and the index behave in the same manner and thus this strategy may not provide gains perfectly aligned to the movement in the index.

The long position will have as much loss / gain as in the underlying index. e.g. if the index appreciates by 10%, the index future value rises by 10%. However, this is true only for futures contracts held till maturity. In the event that a futures contract is closed out before its expiry, the quoted price of the futures contract may be different from the gain / loss due to the movement of the underlying index. This is called the basis risk.

While futures markets are typically more liquid than the underlying cash market, there can be no assurance that ready liquidity would exist at all points in time, for the Scheme to purchase or close out a specific futures contract.

## **Strategy Number 2**

### **Downside Protection Using Stock Put.**

As a stock hedging strategy, the purchase of a put option on an underlying stock held would lead to a capping of the loss in value of the stock in the event of a material decline in the stock's price.

The purchase of a put option against a stock holding in the scheme gives the scheme the option of selling the stock to the writer of the put at the predetermined level of the Put Option, called the strike price. If the stock falls below this level, the downside for the scheme is protected as it has already locked into the selling price. In case of a fall in the stock's price below the strike price, the value of the Put Option appreciates, approximately corresponding to the extent of the stock's price fall below the strike price.

#### **Example:**

Let us assume 20000 shares of XYZ Limited held in the portfolio with a market value of Rs. 1000 per share (overall Rs. 2 crores). The scheme purchases put options on the stock of XYZ Limited (not exceeding its holding of 20000 shares) with a strike price of Rs. 990 for an assumed cost (called Option Premium) of Rs. 15 per share (Rs. 3 lakhs for 20000 shares). By purchasing the above Put Option, the scheme has effectively set a floor to the realisation from the stock at Rs. 975 per share (Rs. 990 strike price less Rs. 15 Option Premium paid).

In case the stock price of the company falls below Rs. 975 per share, the gain in the price of the Put Option when added to the actual market price of the stock would bring the sale realisation per share close to Rs. 975 per share. After purchasing the above Put Option, in case the price of the stock appreciates, remains around Rs. 1000 or declines slightly to remain above the strike price, the scheme may not avail of the option and the cost for having bought the option remains fixed at Rs. 15 per share. In effect, a floor (in this case effectively Rs. 975) is set to the stock by buying an Option at a cost that is known (in this case Rs. 15 per share).

#### **Risks**

There can be no assurance that ready liquidity would exist at all points in time, for the scheme to purchase or close out a specific options contract.

A hedging strategy using Put Options is a perfect hedge on the expiration date of the put option. On other days, there may be (temporary) imperfect correlation between the share price and the put option.

In terms of Circular No. MFD.BC.191/07.01.279/1999-2000 and MPD.BC.187/07.01.279/1999-2000 dated November 1, 1999 and July 7, 1999 respectively issued by Reserve Bank of India permitting participation by Mutual Funds in Interest Rate Swaps and Forward Rate Agreements. These products were introduced for deepening the country's money market. The Scheme may trade in these instruments for the purpose of hedging and portfolio balancing or to undertake any other strategy as permitted under SEBI (MF) Regulations from time to time. SEBI has also permitted trading of interest rate derivatives through Stock Exchange.

## 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 month MIBOR swap. Through this swap, the Scheme will receive a fixed predetermined rate (assume 8%) 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 or 8% for the next 6 months, eliminating the daily interest rate risk. This usually routed through an intermediary who runs a book and matches deals between various counter parties.

The steps will be as follows -

Assuming the swap is for Rs. 20 crore June 1, 2012 to December 1, 2012. The Scheme is a fixed rate receiver at 8% and the counterparty is a floating rate receiver at the overnight rate on a compounded basis (say NSE MIBOR).

On June 1, 2012 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, 2012 they will calculate the following-

The Scheme is entitled to receive interest on Rs. 20 crore at 8% for 184 days i.e. 81 Lakhs , (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 8% fixed.

On December 1, 2012, if the total interest on the daily overnight compounded benchmark rate is higher than Rs. 81 Lakhs 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 8% p.a. for six months without lending money for 6 months fixed, while the counterparty pays interest @ 8% 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.

## **Forward Rate Agreement**

### **Assume that on April 30, 2012, the 30 day commercial paper**

(CP) rate is 5.75% and the Scheme has an investment in a CP of face value Rs. 25 crores, which is going to mature on May 30, 2012. If the interest rates are likely to remain stable or decline after May 30, 2012, and if the fund manager, who wants to redeploy the maturity proceeds for 1 more month, does not want to take the risk of interest rates going down, he can then enter into a following forward rate agreement (FRA) say as on April 30:

He can receive 1 X 2 FRA on April 30, 2012 at 5.75% (FRA rate for 1 months lending in 2 months time) on the notional amount of Rs. 25 crores, with a reference rate of 30 day CP benchmark. If the CP benchmark on the settlement date i.e. May 30, 2012 falls to 5.50%, then the Scheme receives the difference 5.75 - 5.50 i.e. 25 basis points on the notional amount ` 25 crores for 1 month. The maturity proceeds are then reinvested at say 5.50% (close to the benchmark). The scheme, however, would have locked in the rate prevailing on April 30, 2012 (5.75%) as it would have received 25 basis points more as settlement amount from FRA. Thus the fund manager can use FRA to mitigate the reinvestment risk.

In this example, if the rates move up by 25 basis points to 6% on the settlement date (May 30, 2012), the Scheme loses 25 **basis points but since the reinvestment will then happen at 6%**, effective returns for the Scheme is unchanged at 5.75%, which is the prevailing rate on May 30, 2012.

### **Risk Factors of SWAP / Forward Rate Agreement**

**Credit Risk:** This is the risk of defaults by the counter-party. 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.

### **PORTFOLIO TURNOVER**

Portfolio turnover is a measure that is used to assess the level of transactional activity within a scheme by calculating the proportion of the securities that are held within the underlying portfolio that are bought and sold during a specified period of typically 1 year. Portfolio Turnover is defined as the lower of sales or purchases divided by the average net asset value of the Scheme over the relevant period.

The Scheme is an open-ended Scheme. It is expected that there would be a number of subscriptions and redemptions on a daily basis. Consequently, it is difficult to estimate with any reasonable measure of accuracy, the likely turnover in the portfolio.

Investors should note that high portfolio turnover may lead to reduced returns on investments due to additional transaction costs.



## **INVESTMENT DECISIONS**

The Fund Manager of the Scheme is responsible for making buy / sell decisions for the Scheme's portfolio and will seek to develop a reasonably diversified portfolio that minimizes liquidity and credit risk. The investment decisions will be taken by the Scheme keeping in view the investment objective of the Scheme, market conditions and all the relevant aspects.

The AMC will formulate broad investment strategies for the Scheme including investments in unrated debt instruments , reviewing performance of the Scheme and general market outlook. The approval of unrated debt instruments will be based on detailed parameters laid down by the Board of the AMC and the Trustees. The details of such investments will be communicated by the AMC to the Trustees in their periodical reports along with a disclosure regarding how the parameters have been complied with. Such reporting shall be in the manner prescribed by SEBI from time to time. The AMC will review all the investments made by the Scheme.

It is the responsibility of the AMC to seek to ensure that the investments are made as per the Regulatory guidelines, the investment objectives of the Scheme and in the interest of the Unit holders of the Scheme.

The AMC will keep a record of all investment decisions in accordance with the guidelines issued by SEBI. The Fund Manager shall seek to ensure that the funds of the Scheme are invested in line with the Regulatory guidelines, the investment objective of the Scheme and in the interest of the Unit holders of the Scheme.

Investment decisions are taken by the fund manager of the Scheme . The CEO of the AMC shall ensure that the investments made by the fund managers are in the interest of the Unit holders.

Periodic presentations will be made to the Board of Directors of the AMC and Trustee Company to review the performance of the Scheme.

## **INVESTMENT BY THE AMC IN THE SCHEME**

The AMC may invest in the Scheme anytime during the continuous offer period subject to the SEBI (MF) Regulations. . As per the existing SEBI (MF) Regulations, the AMC will not charge Investment Management and Advisory fee on the investment made by it in the Scheme or other existing schemes of the Mutual Fund.

## **INVESTMENT IN SCHEME BY DIRECTORS OF AMC AND TRUSTEE COMPANY.**

Directors of Asset Management Company and Trustee Company may invest in the scheme of PPFAS Mutual Fund. AMC will charge normal investment management and advisory fees as per existing SEBI (MF) Regulations.

## **INVESTMENT IN SCHEME BY EMPLOYEES OF ASSET MANAGEMENT COMPANY.**

Fund Manager/s of the scheme will invest in the scheme managed by him/ her. Further employees of Asset Management Company may invest in the scheme floated by the PPFAS Mutual Fund. AMC will charge

normal investment management and advisory fees as per existing SEBI (MF) Regulations.

### **Voluntary Disclosure of Investment and redemption in the Scheme:**

PPFAS Mutual Fund will disclose on its website <http://amc.ppfas.com> the details of investment and redemption in the units of the scheme by directors of AMC and Trustee Company. These details shall also be provide for any investment and redemption by Fund Manager/s and key employees of AMC.

### **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**

Please refer to Section '**Type of the Scheme**' : This is an Open Ended Equity Scheme.

#### **(ii) Investment Objective**

Main Objective - '**What is the Investment Objective of the Scheme?**'

The investment objective of the Scheme is to seek to generate long-term capital growth from an actively managed portfolio primarily of equity and equity Related Securities.

Investment pattern - Please refer to section '**How will the Scheme Allocate its Assets?**' on **Page 27**.

#### **(iii) Terms of Issue**

- a) Liquidity provisions such as listing, repurchase, redemption. Refer to Page 77.
- b) Aggregate Fees and Expenses charged to the Scheme Please refer to section '**Fees and Expenses**' on Page 84 for details.
- c) Any safety net or guarantee provided: **The Scheme does not provide any guaranteed or assured return.**

### **Changes in Fundamental Attributes**

In accordance with Regulation 18 (15A) of the SEBI (Mutual Funds) Regulations, the Trustee shall ensure that no change in the fundamental attributes of the Scheme and the Option thereunder or the trust or fee and expenses payable or any other change which would modify the Scheme and the Option thereunder and affect the interest of Unit holders is carried out unless:

STD  
OBS 8

- A written communication about the proposed change is sent to each Unit holder and an advertisement is given in one English daily newspaper having nationwide circulation as well as in a newspaper published in the language of the region where the Head Office of the Mutual Fund is situated; and

- The Unit holders are given an option for a period of 30 days to exit at the prevailing Net Asset Value without any Exit Load.

### **G. How will the Scheme Benchmark its Performance?**

The Benchmark for the Scheme are S&P CNX 500, NIFTY and BSE SENSEX . The same have been chosen as the benchmark for the Scheme as the composition of the aforesaid index is such that it is most suited for comparing performance of the Scheme.

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The Trustees reserves the right to change the benchmark for evaluation of performance of the Scheme from time to time in conformity with the investment objectives and appropriateness of the benchmark subject to SEBI (Mutual Funds) Regulations, and other prevailing guidelines, if any.

**H. Who manages the Scheme?**

Name and Age	Educational Qualifications	Experience (last 10 years)	Fund Managed
<p><b>Rajeev Thakkar</b>  <b>40 years</b></p>	<p>B. Com. (Bombay University)  Chartered Accountant  CFA Charter Holder  Grad ICWA</p>	<p>Till March 2012 he was acting as a Chief Executive Officer of PPFAS (Sponsor Company).  He has joined the company in 2001.  He started his career in the year 1994 and he has experience of working in areas like; merchant banking, managing fixed income portfolio, broking operations, PMS operations.  He was functioning as a Fund Manager for PMS service of PPFAS managing a portfolio of around Rs. 350 crores.  He is acting as a Chief Executive Officer and Fund Manager to the Company.</p>	<p>He managed PMS Scheme of PPFAS (with a corpus of around Rs. 300 crores).</p>
<p><b>Raunak Onkar (dedicated Fund Manager for oversees investments)</b>  <b>26 years</b></p>	<p>Bsc. IT (Bombay University)  MMS- Finance (Bombay University)</p>	<p>He has more than 3 years of experience in the capital market. He started his career with Parag Parikh Financial Advisory Service Limited, following his internship, in the year 2009.  He joined PPFAS as a research analyst. He was appointed as Head- research in the year 2011.  He is working with the company as an Associate Fund Manager.</p>	<p>None.</p>

<p><b>Vishal Shah (Debt Fund Manager)</b></p> <p><b>31 years</b></p>	<p>BE - Electronics (University of Mumbai)</p> <p>MBA - Capital Markets (NMIMS University)</p>	<p>He has more than 4 years of experience in investment research.</p> <p>He was associated with Charm International and worked as Manager for purchase decisions.</p> <p>He joined Parag Parikh Financial Advisory Service Limited in June 2008 a research analyst.</p> <p>He joined the Company in February 2012 as a research analyst.</p> <p>He is appointed as Debt Fund Manager in December 2012.</p>	<p>None.</p>
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**I. What are the Investment Restrictions?**

**Pursuant to SEBI (Mutual Funds) Regulations, the following investment restrictions are applicable to the Scheme:**

Every 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 a 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 SEBI.

Provided further that a mutual fund may enter into derivatives transactions in a recognized stock exchange, subject to the framework specified by SEBI.

Provided further that sale of government security already contracted for purchase shall be permitted in accordance with the guidelines issued by the Reserve Bank of India in this regard.

The Mutual Fund shall enter into transactions relating to Government Securities only in dematerialised form.

The Mutual Fund will, for securities purchased in the non-depository mode get the securities transferred in the name of the Mutual Fund on account of the Scheme, wherever the investments are intended to be of a long term nature.

The Scheme shall not invest more than 15% of its NAV in debt instruments [irrespective of residual maturity

period (above or below one year)], 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 SEBI Act. Such investment limit may be extended to 20% of the NAV of the Scheme with the prior approval of the Trustee and the Board of the AMC.

Provided that such limit shall not be applicable for investments in government securities. Provided further that investment within such limit can be made in mortgaged backed securitised debt which are rated not below investment grade by a credit rating agency registered with SEBI.

The Scheme shall not invest more than 10% of its NAV in unrated debt instruments [irrespective of residual maturity period (above or below one year)], issued by a single issuer and the total investment in such instruments shall not exceed 25% of the NAV of the Scheme. All such investments shall be made with the prior approval of the Trustee and the Board of the AMC.

The Scheme shall not invest more than 30% 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.

The Mutual Fund under all its Scheme will not own more than 10% of any Company's paid up capital carrying voting rights.

Transfer of investments from one scheme to another scheme ( this provision will apply as and when PPFAS Mutual Fund introduces new scheme/s) in the same Mutual Fund, shall be allowed only if:-

(a) such transfers are made at the prevailing market price for quoted Securities on spot basis

Explanation : spot basis shall have the same meaning as specified by Stock Exchange for spot transactions

(b) the securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.

The Scheme may invest in another Scheme under the same AMC ( this provision will apply as and when PPFAS Mutual Fund introduces new scheme/s) or any other mutual fund without charging any fees, provided that aggregate inter-scheme investment made by all schemes under the same AMC or in schemes under the management of any other asset management shall not exceed 5% of the net asset value of the Mutual Fund.

Pending deployment of funds as per investment objective, the moneys under the Scheme may be parked in short term deposits of Scheduled Commercial Banks. The Scheme shall abide by the guidelines for parking of funds in short term deposits as mentioned in section '**WHERE WILL THE SCHEME INVEST?**' for detailed information please refer to page 31.

The Scheme shall not make any investments in:

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

The Scheme shall not invest more than 10% of its NAV in case of the equity shares or equity related instruments of any company and in listed securities / units of Venture Capital Funds.

The Scheme shall not invest more than 5% of its NAV in the unlisted equity shares or equity related instruments and in unlisted securities / units of Venture Capital Funds.

The AMC / Trustee may alter these above stated restrictions from time to time to the extent the SEBI (Mutual Funds) Regulations change, so as to permit the Scheme to make its investments in the full spectrum of permitted investments for mutual funds to achieve its respective investment objective. The AMC/Trustee may from time to time alter these restrictions in conformity with the SEBI (Mutual Funds) Regulations. Further, apart from the investment restrictions prescribed under SEBI (Mutual Funds) Regulations, the Fund may follow any internal norms vis-à-vis limiting exposure to a particular scrip or sector, etc.

All investment restrictions shall be applicable at the time of making investment.

### III. Units and offers

**This Section provides details you need to know for investing in the Scheme.**

#### A. New Fund Offer (NFO)

<p>New Fund Offer Period</p> <p>This is the period during which a new scheme sells its Unit to the investors.</p>	<p>NFO opens on: &lt;Date&gt; NFO closes on: &lt;Date&gt;</p> <p>The AMC/Trustee reserves the right to close the NFO of the Scheme before the above mentioned date. The AMC/Trustee reserves the right to extend the closing date of the New Fund Offer Period, subject to the condition that the New Fund Offer shall not be kept open for more than 15 days.</p>
<p>New Fund Offer Price</p> <p>This is the price per Unit that the Investors have to pay to invest during the NFO Period.</p>	<p>Rs. 10/- per unit.</p>
<p>Minimum Amount for Application in the NFO</p>	<p>Rs.5,000 and in multiples of Re. 1 thereafter</p>
<p>Minimum Target amount</p> <p>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 the AMC fails to refund the amount within 5 Business Days, interest as specified by SEBI (currently 15% p.a.) will be paid to the Investors from the expiry of 5 Business Days from the date of closure of the subscription period.</p>	<p>The Scheme seeks to collect a minimum target amount of Rs. 10 Crores, during the NFO Period.</p> <p>This is the minimum amount required to operate the Scheme and if this is not collected during the NFO Period, then in accordance with the SEBI Regulation, all the Investors would be refunded the amount invested without any return, subject to as mentioned in the section on "Refund" in this Scheme Information Document.</p>



<p>Maximum Amount to be raised (if any)</p> <p>This is the maximum amount which can be collected during the NFO period, as decided by the AMC.</p>	<p>There will be no upper limit on the total amount collected under the Scheme during the NFO Period.</p>
<p>Options offered</p>	<p>SEBI vide its circular, CIR/IMD/DF/21/2012 dated 13<sup>th</sup> September 2012 directed the following;</p> <p>Mutual Funds/ AMCs shall provide a separate plan for direct investments, i.e., investments not routed through a distributor, in existing as well as new schemes.</p> <p>Accordingly PPFAS Mutual Fund is offering following two plans to its investors.</p> <p><b>Plans offered by the scheme:</b></p> <ol style="list-style-type: none"> <li>1. Direct Plan ( i.e., investments not routed through a distributor)</li> <li>2. Distributor Plan</li> </ol> <p><b>For both the above plans scheme offers only "Growth Option".</b></p> <p><b>Growth option</b></p> <p>As the Scheme offers only "Growth Option" no dividends will be declared under this option and under normal circumstances. The income earned under this option will get accumulated as capital accretion and will continue to remain invested in the Scheme and will be reflected in the NAV of the Units held under this option.</p> <p>But Trustees reserve the right to offer dividend to the investors under this option which in the opinion of the Trustees is in the best interest of the unit-holder.</p> <p>The AMC, in consultation with the Trustee reserves the right to discontinue/ add more options / facilities at a later date subject to complying with the prevailing SEBI guidelines and Regulations.</p>

**Allotment****Allotment**

Investors may apply for Units by filling up an Application Form. All valid and complete applications will be allotted Units at the Applicable NAV for the application amount. Allotment of units shall be made within 5 business days from the closure of the NFO, and the Scheme shall be available for ongoing repurchase/sale/trading within 5 business days of the allotment.

Allotment of Units shall be subject to;

(i) the achievement of the minimum target amount; (ii) receipt of complete Application Forms that are in order; (iii) realization of the specified minimum Subscription amount from the Investor, and (iv) provisions set out in the paragraph on 'Rejection of the application' below.

**Account Statements**

The Account Statements shall be non-transferable. An account statement will be sent by ordinary post/courier/electronic mail to each Unit Holder within 5 business days from the closure of the NFO, stating the number of Units purchased.

In case the investor provides the e-mail address, the Fund will provide the Account Statement only through e-mail message. Should the unit holder experience any difficulty in accessing the electronically delivered documents, the unit holders shall promptly advise the Mutual Fund to enable the Mutual Fund to make the delivery through alternate means. It is deemed that the unit holder is aware of all security risks including possible third party interception of the documents and contents of the documents becoming known to third parties.

Normally, no unit certificates will be issued. However, if an applicant so desires, the AMC shall issue the unit certificates to the applicant within 5 business days of the receipt of request for the certificate.

**Consolidated Account Statements**

In accordance with SEBI Circular No. Cir/ IMD/ DF/ 16 / 2011 dated September 08, 2011 a consolidated account statement for each calendar month is issued to the investors in whose folios transactions has taken place during that month.

<b>Refund</b>	<p>Application money may be refunded in case the minimum target amount required to operate the Scheme is not collected during the NFO period. Applications may also be rejected if they are found to be incomplete, invalid or for any other reason whatsoever.</p> <p>If application is rejected, the Fund will refund the full application amount within 5 business days of the closure of the NFO period. In the event of delay beyond 5 business days of the closure of the NFO, interest at the rate of 15% per annum or such other rate of interest as may be prescribed from time to time for the delay period will be paid to the applicant and borne by the AMC.</p> <p>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.</p> <p>All refund orders will be sent by registered post or through RTGS, NEFT or direct credit facility or as permitted by Regulations.</p>
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**Who can invest:**

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 are eligible to apply for subscription to the units of the Scheme (subject to, wherever relevant, subscription to units of the Scheme being permitted under the respective constitutions and relevant statutory regulations):

1. Indian resident adult individuals either singly or jointly (not exceeding three) or on an Anyone or Survivor basis;
2. Hindu Undivided Family (HUF) through Karta of the HUF;
3. Minor through parent / legal guardian;
4. Partnership Firms and Limited Liability Partnerships (LLPs);
5. Proprietorship in the name of the sole proprietor;
6. Companies, Bodies Corporate, Public Sector Undertakings (PSUs), Association of Persons (AOP) or Bodies of Individuals (BOI) and societies registered under the Societies Registration Act, 1860;
7. Banks (including Co-operative Banks and Regional Rural Banks) and Financial Institutions;
8. Mutual Funds registered with SEBI;
9. Religious and Charitable Trusts, Wakfs or endowments of private trusts (subject to receipt of necessary approvals as required) and private trusts authorised to invest in mutual fund schemes under their trust deeds;
10. Non-Resident Indians (NRIs) / Persons of Indian origin (PIOs) residing abroad on repatriation basis or on non-repatriation basis;
11. Foreign Institutional Investors (FIIs) and their sub-accounts registered with SEBI on repatriation basis;
12. Army, Air Force, Navy and other para-military units and bodies created by such institutions;
13. Scientific and Industrial Research Organizations;
14. Multilateral Funding Agencies / Bodies Corporate incorporated outside India with the permission of Government of India / RBI;
15. Provident Funds, Pension Funds, Gratuity Funds and Superannuation Funds to the extent they are permitted;
16. Other schemes of PPFAS Mutual Fund (as and when PPFAS Mutual Fund introduces additional scheme/s) subject to the conditions and limits prescribed by SEBI (Mutual Funds) Regulations;
17. Trustee, AMC or Sponsor or their associates may subscribe to units under the Scheme;
18. Such other individuals /institutions/ body corporates etc., as may be decided by the AMC from time to time, so long as, wherever applicable, subject to their respective constitutions and relevant statutory regulations.

The list given above is indicative and the applicable laws, if any, as amended from time to time shall supersede the list.

Note:

1. Non Resident Indians (NRIs) and Persons of Indian Origin (PIOs) residing abroad / Foreign Institutional Investors (FIIs) have been granted a general permission by Reserve Bank of India under Schedule 5 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 for investing in / redeeming units of the mutual funds subject to conditions set out in the aforesaid regulations.
2. It is expressly understood that at the time of investment, the investor/ unitholder has the express authority to invest in units of the Scheme and the AMC / Trustee / Mutual Fund will not be responsible if such investment is ultravires the relevant constitution. Subject to the Regulations, the Trustee may reject any application received in case the application is found invalid/ incomplete or for any other reason in the Trustee's sole discretion.
3. Dishonoured cheques are liable not to be presented again for collection, and the accompanying application forms are liable to be rejected.
4. For subscription in the Scheme, it is mandatory for investors to make certain disclosures like bank details etc. and provide certain documents like PAN copy etc. (for details please refer SAI) without which the application is liable to be rejected.
5. Subject to the SEBI (MF) Regulations, any application for units of this Scheme may be accepted or rejected in the sole and absolute discretion of the Trustee/AMC. The Trustee/AMC may inter-alia reject any application for the purchase of units if the application is invalid or incomplete or if the Trustee for any other reason does not believe that it would be in the best interest of the Scheme or its unitholders to accept such an application.
6. The AMC / Trustees may request Investors / Unit holders to provide other further details as may be required in the opinion of the AMC / Trustees under applicable Laws. This may result in a delay in dealing with the applicants, Unit holders, benefits, distribution, etc.

<p><b>Who can not invest:</b></p>	<p>The following persons are not eligible to invest in the Scheme:</p> <p>Pursuant to RBI A.P. (DIR Series) Circular No. 14 dated September 16, 2003, Overseas Corporate Bodies (OCBs) cannot invest in Mutual Funds.</p> <p>Any prospective investor/s residing in Non-Compliant Countries and Territories (NCCTs) as determined by the Financial Action Task Force (FATF), from time to time.</p> <p>Such other persons as may be specified by AMC from time to time or as may be required by the applicable rules and regulations.</p>
<p><b>Where can you submit the filled up applications.</b></p>	<p>Duly completed application forms for purchase of units under the Scheme during the NFO period along with the instrument for payment may be submitted to any of the Official Points of Acceptance for the NFO or as notified by the AMC. Please refer the back cover page of this document for address, contact details and website address of the Registrar and Transfer Agent, Official Points of Acceptance, collecting banker details etc. During the NFO period, apart from the current process of payment wherein cheques/demand drafts etc. are used as a mode of payment, an investor also has the option to subscribe to the units of this Scheme using the Application Supported by Blocked Amount (ASBA) facility. This facility is available to all categories of investors mentioned under the heading 'Who can invest'. Investors using the ASBA facility are requested to carefully read the detailed provisions related to ASBA given in the SAI as application procedures under this facility are different from the application procedures otherwise followed.</p>

<p><b>How to apply:</b></p>	<p>Investors may obtain Key Information Memorandum (KIM) along with the application forms from the AMC offices or Point of Acceptance of the Registrar or may be downloaded from <a href="http://amc.ppfas.com">http://amc.ppfas.com</a> (AMC's website). Please refer to the SAI and Application Form for the instructions.</p> <p>Applicants using the ASBA facility may submit the ASBA application form to the Self Certified Syndicate Banks (SCSBs) directly or through the syndicate/sub syndicate members, authorising the SCSB to block funds available in the investor's bank account specified in the ASBA application form and maintained with the SCSB. The SCSB shall then block an amount equal to the application amount in the specified bank account until scrutiny of the documents by the Registrar and consequent transfer of the application amount to the account of the Scheme for full and firm allotment of units or until rejection of the application on failure to raise minimum target amount or due to any other reason, as the case may be. For detailed provisions relating to ASBA facility the investors are requested to refer the SAI.</p> <p>An Application Form accompanied by a payment instrument issued from a bank account other than that of the Applicant / Investor will not be accepted except in certain circumstances. For further details, please refer paragraph —Non - acceptance of Third Party Payment Instruments for subscriptions / investments under the section —How to Apply in SAI.</p> <p><b>Bank Details:</b></p> <p>In order to protect the interest of Unit holders from fraudulent encashment of redemption / dividend cheques, SEBI has made it mandatory for investors to provide their bank details viz. name of bank, branch, address, account type and number, etc. to the Mutual Fund. Applications without complete bank details shall be rejected. The AMC will not be responsible for any loss arising out of fraudulent encashment of cheques / warrants and / or any delay / loss in transit. Also, please refer to point on Registration of Multiple Bank Accounts in respect of an Investor Folio given elsewhere in this document.</p>
<p><b>Listing:</b></p>	<p>Since units of the Scheme will be offered for subscription and redemption at NAV based prices on all Business Days on an ongoing basis providing the required liquidity to investors, units of the Scheme are not proposed to be listed on any stock exchange. However, the Trustee reserves the right to list the units of the Scheme on any stock exchange(s) at its sole discretion at a later date.</p>

<p><b>Special Products / facilities available during the NFO</b></p>	<p><b>ASBA Facility:</b> The Mutual Fund will offer ASBA facility during the NFO of the Scheme.</p> <p>ASBA is an application containing an authorisation given by the investor to block the application money in his specified bank account towards the subscription of units offered during the NFO of the Scheme. If an investor is applying through ASBA facility, the application money towards the subscription of units shall be debited from his/her bank account only if his/her application is selected for allotment of units.</p> <p>SIP shall be available. For details investors are requested to refer to paragraph 'Special Products available' given in the document under Ongoing Offer Details.</p> <p>Investors should note that ASBA facility is available only during NFO period and not otherwise.</p>
<p><b>Option to hold units in Demat Form</b></p>	<p>In terms of SEBI Circular CIR/IMD/DF/9/2011, dated May 19, 2011, investors have the option to receive allotment of Mutual Fund units in their demat account while subscribing to this scheme. Such units held in demat form shall be fully transferable.</p> <p><b>Demat Facility for SIP Transactions:</b> Demat option shall be available for SIP transactions. However, the units will be allotted on the applicable NAV as per SID and will be credited to investors demat account on weekly basis on realization of funds.</p>
<p>The policy regarding reissue of Repurchased Units, including the maximum extent, the manner of reissue, the entity (the Scheme or the AMC) involved in the same.</p>	<p>Units once redeemed will not be reissued.</p>



Restrictions, if any, on the right to freely retain or dispose of Units being offered.

Units of the Scheme which are issued in demat (electronic) form will be transferred and transmitted in accordance with the provisions of SEBI (Depositories and Participants) Regulations, as may be amended from time to time.

**Right to Limit Fresh Subscription**

The Trustees reserves the right at its sole discretion to withdraw / suspend the allotment / Subscription of Units in the Scheme temporarily or indefinitely, at the time of NFO or otherwise, if it is viewed that increasing the size of such Scheme may prove detrimental to the Unit holders of such Scheme. An order to Purchase the Units is not binding on and may be rejected by the Trustees or the AMC unless it has been confirmed in writing by the AMC and/or payment has been received.

**Units which are not in demat are not transferable**

The Units of the Scheme which are not in demat form are not transferable. In view of the same, additions/deletion of names in case of Units held in other than demat mode will not be allowed under any folio of the Scheme. The above provisions in respect of deletion of names will not be applicable in case of death of Unit holder (in respect of joint holdings) as this is treated as transmission of Units and not transfer.

Also, when a person becomes a holder of the units by operation of law or upon enforcement of pledge, then the AMC shall, subject to production/ submission of such satisfactory evidence, which in its opinion is sufficient, effect the transfer, if the intended transferee is otherwise eligible to hold the units.

Please refer to paragraphs on Transfer and Transmission of units', Right to limit Redemption', Suspension of Purchase and / or Redemption of Units and Pledge of Units' in the SAI for further details.

**Transaction Charges**

(applicable for both existing and new investors)

In accordance with SEBI Circular No. Cir/ IMD/ DF/13/ 2011 dated August 22, 2011 the following are the terms and conditions relating to Transaction Charges:

1. The Distributor would be allowed to charge the Mutual Fund Investor a Transaction Charge where the amount of investment is Rs. 10,000/- and above per subscription.
2. For existing investors in a Mutual Fund, the Transaction Charge allowed will be Rs. 100/- per subscription of Rs. 10,000/- and above. For a first-time investor in a Mutual Fund, the Transaction Charge allowed will be Rs. 150/- per subscription of Rs. 10,000/- and above.
3. The Transaction Charge, where applicable based on the above criteria, will be deducted by the AMC from the subscription amount remitted by the Investor and paid to the distributor; and the balance (net) amount will be invested in the Scheme. Thus units will be allotted against the net investment.
4. In case of SIPs, the transaction charge shall be applicable only if the total commitment through SIPs amounts to Rs 10,000/- and above. In such cases the transaction charge shall be recovered in 4 installments.
5. No Transaction charges shall be levied:
  - f) Where the investor purchases the Units directly from the Mutual Fund.
  - g) Where the amount of investment is below Rs. 10,000/- per subscription.
  - a) On transactions other than purchases/ subscriptions relating to new inflows. Switch-in / Transfer / Transmission of units/ Allotment of Bonus Units /Dividend reinvestment Units will not be considered as subscription for the purpose of levying the transaction charge.
6. The terms and conditions relating to transaction charges shall be part of the application form.
7. The statement of account shall clearly state that the net investment as gross subscription less transaction charge and give the number of units allotted against the net investment.

The transaction charges are in addition to the existing system of commission permissible to the Distributors.

The transaction charges are in compliance with SEBI Circular, dated August 22, 2011.

No transaction charges will be levied for an investor who is investing directly with the Mutual Fund.

<b>B. Ongoing Offer Period:</b>	
This is the date from which the Scheme will reopen for subscriptions / redemptions after the closure of the NFO period.	The scheme will reopen for subscriptions/ redemptions within 5 business days of the date of allotment.
Ongoing price for subscription (purchase)// switch-in (between plans of the scheme) by investors.  This is the price you need to pay for purchase/ switch-in	Units of the Scheme shall be available for subscription (purchase) at the applicable NAV, subject to applicable load.
Ongoing price for redemption (sale) and switch-in and switch-out between the plans of the Scheme by Investors.  This is the price you will receive for redemptions/ Switch outs.  Example: If the applicable NAV is Re. 10, exit load is 1% then redemption price will be: Re. $10 * (1 - 0.01) = \text{Re. } 9.90$  Note: The scheme does not provide for any exit load.	Units of the Scheme can be redeemed at the applicable NAV subject to prevailing exit load.  Investors/Unit holders should note that the AMC/Trustee has right to modify existing Load structure and to introduce Loads subject to a maximum limits prescribed under the Regulations.  Any change in Load structure will be effective on prospective basis and will not affect the existing Unit holder in any manner.

**Cut off timing for subscriptions/ redemptions.**

This is the time before which your application (complete in all respects) should reach the Official Points of Acceptance

**Subscriptions / Purchases:**

The following cut-off timings shall be observed by the Mutual Fund in respect of purchase of Units of the Scheme, and the following NAVs shall be applied for such purchase:

1. Where the application is received upto 3.00 pm with a local cheque or demand draft payable at par at the place where it is received - closing NAV of the day of receipt of application;
2. where the application is received after 3.00 pm with a local cheque or demand draft payable at par at the place where it is received - closing NAV of the next Business Day; and
3. where the application is received with an outstation cheque or demand draft which is not payable on par at the place where it is received - closing NAV of day on which the cheque or demand draft is credited.

**Applications for an amount less than Rs. 2,00,000 (Rs. Two lakh only)****For Purchases including switch-ins:**

i. In respect of valid applications received by 3.00 p.m. by the Fund along with a local cheque or a demand draft payable at par at the Official Point of Acceptance where the application is received, the closing NAV of the day on which application is received shall be applicable.

ii. In respect of valid applications received after 3.00 p.m. by the Fund along with a local cheque or a demand draft payable at par at the Official Point of Acceptance where the application is received, the closing NAV of the following Business Day shall be applicable.

Applications for amount equal to or greater than Rs. 2,00,000 (Rs. Two lakh only)

**For Purchases including switch-ins**

All valid applications received for an amount equal to or more than Rs 2 lakhs will be allotted units based on the NAV of the day on which the funds are realized up to 3.00 p.m., subject to the application being time stamped not later than 3.00 pm on the day the funds are available for utilization.

	<p>For applications received via post or courier at any of the Official Points of Acceptance, the date and time of receipt of the post or courier will not be considered for reckoning the application as having been accepted. An application will be considered accepted only when it is time stamped at the Official Point of Acceptance.</p> <p><b>Redemptions including switch-out: :</b></p> <p>The following cut-off timings shall be observed by the Mutual Fund in respect of Repurchase of Units:</p> <ol style="list-style-type: none"> <li>1. where the application received upto 3.00 pm - closing NAV of the day of receipt of application; and</li> <li>2. an application received after 3.00 pm - closing NAV of the next Business Day.</li> </ol> <p>Investors shall make sure that after deducting bank charges for out station cheque amount available for investment shall not be less than amount specified for minimum investment as stated on Page 7.</p>
<p>Where can the applications for purchase/ redemption be submitted ?</p>	<p>Investors can submit the application forms for purchase or redemption at any of the Official Points of Acceptance, details of which are mentioned on the back cover page of this document.</p> <p>Investors can submit their application for purchase or redemption at the office of the AMC or at Official Point of Acceptance of Registrar and Transfer Agent.</p>
<p>Minimum amount for purchase/ redemption switches:</p>	<p>Minimum amount for new purchase is Rs. 5,000 and in multiples of Re. 1 thereafter</p> <p>Minimum additional amount for purchase is Rs. 5,000 and in multiples of Re. 1 thereafter.</p> <p>Minimum amount for redemption/ switch is Rs. 5,000 and in multiples of Re. 1 thereafter.</p> <p>In case the investor specifies the number of units and amount to be redeemed, the number of units shall be considered for redemption. In case the unit-holder does not specify the number of units or amount to be redeemed, the redemption request will not be processed.</p> <p>The AMC reserves the right to change the minimum amounts for various purchase/ redemption/ switches. Such changes shall only be applicable to transactions on a prospective basis.</p>

<p>Option to hold units in Demat Form</p>	<p>In terms of SEBI Circular CIR/IMD/DF/9/2011, dated May 19, 2011, investors have the option to receive allotment of Mutual Fund units in their demat account while subscribing to this scheme. Such units held in demat form shall be fully transferable.</p> <p><b>Demat Facility for SIP Transactions:</b> Demat option shall be available for SIP transactions. However, the units will be allotted on the applicable NAV as per SID and will be credited to investors demat account on weekly basis on realization of funds.</p>
<p>Minimum balance to be maintained and consequences of non maintenance.</p>	<p>The scheme does not require maintenance of minimum balance in the units of the scheme.</p> <p>In case the balance in the account of the unitholder does not cover the amount of redemption request, then the Mutual Fund is authorized to redeem all the units in the folio and send the redemption proceeds to the unitholder.</p>

Special Products/Facilities available

The Special Products / Facilities available under the Scheme, are:

- i. Systematic Investment Plan (SIP)
- ii. Systematic Withdrawal Plan (SWP)
- iii. Transactions through Electronic Mode
- iv. Registration of Multiple Bank Accounts in respect of an Investor Folio

**Systematic Investment Plan (SIP):**

The conditions for investing in SIP will be as follows:

SIP Frequency : Monthly and Quarterly;

Minimum SIP installment amount: **Monthly:** Rs. 5,000/- and in multiples of Re.1/- thereafter and **Quarterly:** Rs. 5,000/- and in multiples of Re.1/- thereafter

**Minimum No. of SIP installments :** Monthly - 6 installments, Quarterly - 4 installments (including the first SIP cheque);

**SIP Dates\* :** 1st and 10th of the month/ of any month in the quarter.

**Registration period:** There must be at least 30 days between the first SIP cheque and subsequent due date of ECS (debit clearing);

In case of the auto debit facility, the default options (where auto debit period, frequency and SIP date are not indicated) will be as follows:

- SIP auto debit period: The SIP auto debit will continue till 5 years.
- SIP date: 10th of the month (commencing 30 days after the first SIP installment date); and
- SIP frequency: Monthly and Quarterly

The load structure prevailing at the time of submission of the SIP application (whether fresh or extension) will apply for all the installments indicated in such application;

All the cheques/ payment instructions [including the first cheque/ payment instruction] shall be of equal amounts in case of SIP applications;

Investors will have the right to discontinue the SIP facility at any time by sending a written request to any of the Official Point of Acceptance. Notice of such discontinuance should be received at least 30 days prior to the due date of the next debit. On receipt of such request, the SIP facility will be terminated. It is clarified that if the Fund fails to get the proceeds for three consecutive Installments (due to non-availability of funds) out of a continuous series of Installments submitted at the time of initiating a SIP), the AMC reserves the right to discontinue the SIP.

Investors can avail of the SIP facility during the NFO period as well. However, in such a case the SIP must be through the ECS or Direct Debit. The first investment in SIP during the NFO shall be through a cheque only.

**Systematic Withdrawal Plan (SWP):**

This facility enables unit-holders to withdraw a fixed sum ( subject to tax deduction at source, if applicable ) by redemption of units in the unit-holder's account at the regular intervals through a one time request.

The unit-holder can choose 1<sup>st</sup> or 10<sup>th</sup> day of every month as the SWP date ( in case the date selected falls on a non-business day, the transaction will be effected on the next business of the scheme.)

the default SWP date will be 10<sup>th</sup> of every month. The SWP frequency will be monthly.

The minimum SWP installment size is Rs. 5,000/- and in multiple of Re. 1 thereafter and SWP request should be for a minimum period of 12 months.

A minimum period of 15 calendar days shall be required for registration of SWP. Unit-holder may change the amount ( but not below the minimum specified amount)/ frequency by giving a written notice at any Investor Service Center at least 15 calendar days prior to next SWP execution date.

The SWP may be terminated by a written notice of 15 calendar days by a unit-holder. This SWP termination request may be sent to the office of AMC or at any Investor Service Center.



SWP will be automatically terminated if all units are liquidated or withdrawn from the scheme or pledged or upon receipt of intimation of death of unit-holder.

Load structure prevailing at the time of submission of the SWP application will apply for all installments indicated in such application.

**Transactions through Electronic Mode:**

The Mutual Fund may (at its sole discretion and without being obliged in any manner to do so and without being responsible and /or liable in any manner whatsoever), allow transactions in Units by electronic mode (web/electronic transactions) including transactions through the various web sites with which the AMC would have an arrangement from time to time. Subject to the investor fulfilling certain terms and conditions as stipulated by AMC from time to time, the AMC, Mutual Fund, Registrar or any other agent or representative of the AMC, Mutual Fund, the Registrar may accept transactions through any electronic mode including web transactions and as permitted by SEBI or other regulatory authorities from time to time

**Registration of Multiple Bank Accounts in respect of an Investor Folio:**

An Investor can register with the Fund upto 5 bank accounts in case of individuals and HUFs and upto 10 in other cases.

Registering of Multiple Bank Accounts will enable the Fund to systematically validate the pay-in of funds and avoid acceptance of third party payments. For the purpose of registration of bank account(s), Investor should submit Bank Mandate Registration Form (available at the AMC Website, office of AMC and Official Point of Acceptance) together with any of the following documents:

Cancelled original cheque leaf in respect of bank account to be registered where the account number and names of the account holders are printed on the face of the cheque; or Bank statement or copy of Bank Pass Book page with the Investor's Bank Account number, name and address.

The above documents will also be required for change in bank account mandate submitted by the Investor.

	<p>The AMC will register the Bank Account only after verifying that the sole/ first joint holder is the holder / one of the joint holders of the bank account. In case if a copy of the above documents is submitted, Investor shall submit the original to the AMC/ Investor Service Centre for verification and the same shall be returned.</p> <p>In case of Multiple Registered Bank Account, Investor may choose one of the registered bank accounts for the credit of redemption/dividend proceeds (being —Pay-out bank account).</p> <p>Investor may however, specify any other registered bank accounts for credit of redemption proceeds at the time of requesting for the redemption. Investor may change such Pay-out Bank account, as necessary, through written instructions.</p> <p>However, if request for redemption is received together with a change of bank account (unregistered new bank account) or before verification and validation of new bank account, the redemption request would be processed to the currently registered default old bank account.</p> <p>Bank account which is stated first shall be treated as default bank account.</p> <p>For further details please refer to paragraph on Registration of Multiple Bank Accounts in respect of an Investor Folio in the SAI.</p> <p>The AMC reserves the right to alter/ discontinue all / any of the above mentioned special product(s)/ facility(ies) at any point of time. Further, the AMC reserves the right to introduce more special product(s) / facility(ties) at a later date subject to prevailing SEBI Guidelines and Regulations.</p>
<p><b>Switching Options</b></p>	<p>This is the first scheme of PPFAS Mutual Fund offered to investors for investment. Accordingly options like switch-in and switch-out are applicable only for options provided by this scheme.</p> <p>e.g. Switch-ins and Switch-outs from Direct to Distributor Plan and Vice-versa.</p> <p>Unit-holders may opt to switch units between Direct and Distributor Plan of the scheme at applicable NAV.</p> <p>No load shall be levied for switches between the plans offered by the scheme.</p>

**Account Statements:**

For normal transactions (other than SIP SWP during ongoing sales and repurchase:

The AMC shall issue to the investor whose application (other than SIPSWP has been accepted, an account statement specifying the number of units allotted.

Under normal circumstances, the AMC shall endeavour to dispatch the account statement as soon as possible but not later than 5 working days from the date of receipt of the request from the unitholder.

For those unitholders who have provided an e-mail address, the AMC will send the account statement by e-mail.

The unitholder may request for a physical account statement by writing to /calling the office of AMC or Registrar & Transfer Agent .

**For SIP/ SWP transactions:**

Account Statement for SIP/ SWP will be dispatched once every quarter ending March, June, September and December within 10 working days of the end of the respective quarter.

A soft copy of the Account Statement shall be mailed to the Investors under SIP/SWP to their e-mail address on a monthly basis, if so mandated.

However, the first Account Statement under SIP/SWP shall be issued within 10 working days of the initial investment/ transfer.

In case of specific request received from investors, Mutual Funds shall provide the account statement (SIP/SWP) to the investors within 5 working days from the receipt of such request without any charges.

**Annual Account Statement:**

The Mutual Fund 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.

	<p>The account statements in such cases may be generated and issued along with the Portfolio Statement or Annual Report of the Scheme.</p> <p>Alternately, soft copy of the account statements shall be mailed to the investors' e-mail address, instead of physical statement, if so mandated.</p> <ul style="list-style-type: none"> <li>i. If an applicant so desires, the AMC will issue the unit certificates to the applicant within 5 working days of the receipt of request for the certificate.</li> <li>ii. For normal transactions and SIP/ SWP transactions as stated above, in the event the account has more than one registered holder, the first-named Unit holder shall receive the account statements.</li> <li>iii. Where units are held by investor in demat form, the demat statement issued by the Depository Participant will be deemed adequate compliance with the requirements in respect of dispatch of statements of account.</li> </ul>
<b>Dividend</b>	For the moment the scheme offers only "Growth Option"

<p><b>Redemption:</b></p>	<p>The redemption or repurchase proceeds shall be dispatched to the unit-holders within 4 working days from the date of redemption or repurchase.</p> <p>For redeeming units of the Scheme, an investor would need to submit a duly filled-in redemption application at any of ISC/Official Point of Acceptance.</p> <p>The redemption switch would be permitted to the extent of credit balance in the unit-holder's account. The redemption switch request can be made by specifying either the number of units or the amount (in rupees) to be redeemed. In case the investor specifies the number of units and amount to be redeemed, the number of units shall be considered for redemption. In case the unit-holder does not specify the number of units or amount to be redeemed, the redemption request will not be processed.</p> <p>For details regarding the minimum amount for redemption please see the point on Minimum amount for purchase/redemption switches in this document.</p> <p>In the larger interest of the unitholders of the Scheme, the AMC may, in consultation with the Trustee, keeping in view unforeseen circumstances / unusual market conditions, limit the total number of units which may be redeemed on any business day to such a percentage of the total number of units issued and outstanding under Scheme/plan as the AMC may determine. For details, please refer to paragraph on Right to limit Redemption in the SAI. The AMC reserves the right to, in consultation with the Trustee, suspend the purchase and/ or redemption of units temporarily or indefinitely, in case of unforeseen extraordinary circumstances. For details, please refer to paragraph on 'Suspension of Purchase and / or Redemption of Units and Dividend Distribution' in the SAI.</p> <p>Redemption proceeds will be paid to the investor through Real Time Gross Settlement (RTGS), NEFT, Direct Credit, a/c payee cheque or demand draft or such other mode as may be permitted.</p>
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**Payment of redemption proceeds: Resident Investors:**

In case of Unit holders having a bank account with certain banks with which the Mutual Fund would have an arrangement from time to time, the redemption proceeds shall be electronically credited to their account. In case of specific requests, redemption proceeds will be paid by way of cheques/demand drafts in favour of the unitholder (registered holder of the Unit or, if there are more than one registered holder, only to the first registered holder) with bank account number furnished to the Fund.

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

Where the payment for the purchase of the units redeemed was made out of funds held in NRO account, the redemption proceeds will be credited to the NRI investor's NRO account

Where the units were purchased on repatriation basis and the payment for the purchase of the units redeemed was made by inward remittance through normal banking channels or out of funds held in NRE / FCNR account, the redemption proceeds will be credited to his NRE / FCNR / NRO account

Note :

- i. The Fund will not be liable for any delays or for any loss on account of any exchange fluctuations, while converting the rupee amount in foreign exchange in the case of transactions with NRIs / FIIs.
- ii. Payment to NRI / FII Unit holders will be subject to the relevant laws / guidelines of the RBI as are applicable from time to time (also subject to deduction of tax at source as applicable).
- iii. The Fund may make other arrangements for effecting payment of redemption proceeds in future.
- iv. The cost related to repatriation, if any will be borne by the Investor.

**Effect of Redemptions**

The balances in the unit-holder's account will stand reduced by the number of units redeemed. Units once redeemed will be extinguished and will not be reissued.

As per the SEBI circular no. MFD / CIR / 9 / 120 / 2000, dated November 24, 2000, the unclaimed redemption and dividend amounts shall be deployed by the Fund in call money market or money market instruments only. The investment management fee charged by the AMC for managing such unclaimed amounts shall not exceed 50 basis points. Investors claiming these amounts during a period of three years from the due date shall be paid at the prevailing NAV. After a period of three years, this amount shall be transferred to a pool account and the investors can claim the said amounts at the NAV prevailing at the end of the third year. Income earned on such funds shall be used for the purpose of investor education. The AMC shall make a continuous effort to remind investors through letters to take their unclaimed amounts. The AMC reserves the right to provide the facility of redeeming Units of the Scheme through an alternative mechanism including but not limited to online transactions on the Internet through the AMC website or any other website, etc., as may be decided by the AMC from time to time. The alternative mechanisms would be applicable to only those investors who opt for the same in writing and/or subject to investor fulfilling such conditions as the AMC may specify from time to time.

Unit-holders should note that while remitting your redemption proceeds, tax will be deducted at source in accordance with applicable tax laws.

**Bank Details:**

In order to protect the interest of Unit holders from fraudulent encashment of redemption / dividend cheques, SEBI has made it mandatory for investors to provide their bank details viz. name of bank, branch, address, account type and number, etc. to the Mutual Fund. Applications without complete bank details shall be rejected. The AMC will not be responsible for any loss arising out of fraudulent encashment of cheques / warrants and / or any delay / loss in transit. Also, please refer to point on Registration of Multiple Bank Accounts in respect of an Investor Folio given elsewhere in this document.

<p><b>Delay in payment of redemption / repurchase proceeds/ dividend</b></p>	<p>Under normal circumstances, the redemption or repurchase proceeds shall be dispatched to the unitholders within 10 working days from the date of redemption or repurchase . The AMC 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). However, the AMC will not be liable to pay any interest or compensation or any amount otherwise, in case the AMC / Trustee is required to obtain from the investor / unitholders, verification of identity or such other details relating to subscription for units under any applicable law or as may be requested by a regulatory body or any government authority, which may result in delay in processing the application.</p>
<p><b>C. Periodic Disclosures:</b></p>	
<p><b>Net Asset Value</b></p> <p>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.</p>	<p>The Mutual Fund shall declare the Net Asset Value of the Scheme on every business day on AMFI's website <a href="http://www.amfiindia.com">www.amfiindia.com</a> by 9:00 p.m. NAV would also be available on the website of PPFAS Mutual Fund <a href="http://amc.ppfas.com">http://amc.ppfas.com</a></p> <p>The first NAV of the Scheme will be calculated and disclosed within a period of 5 business days from the date of allotment. Subsequently, the NAVs will be calculated and released to the press for publication on all Business Days. The NAV of the Scheme shall be published in at least in two daily newspapers on all Business Days in accordance with the SEBI Regulations (alongwith sale and repurchase prices).</p> <p>Due to any reason, if the NAVs of the Scheme are not available before the commencement of Business Hours on the following day, the Mutual Fund shall issue a press release giving reasons and explaining when the Mutual Fund would be able to publish the NAV.</p> <p>SEBI circular, CIR/IMD/DF/21/2012 dated 13<sup>th</sup> September 2012 states that Mutual Fund shall declare separate NAV for Direct and Distributor Plan.</p> <p>Accordingly Direct and Distributor Plan shall have different NAV. The difference in NAV will be the commission paid to distributor/s.</p> <p>NAV will be declared with 4 decimal points.</p>



<p>Half yearly Disclosures: Portfolio / Financial Results</p> <p>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.</p>	<p>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.</p> <p>The Mutual Fund may opt to send the portfolio to all Unit holders in lieu of the advertisement (if applicable). The Portfolio Statement will also be displayed on the website of the AMC and AMFI.</p> <p>Half Yearly Financial Results The Fund shall provide half yearly disclosures of the Scheme's unaudited financial results in the prescribed format on its website <a href="http://amc.ppfas.com">http://amc.ppfas.com</a> within one month from the close of each half year i.e. on 31st March and on 30th September and shall publish an advertisement in this regard in at least one English daily newspaper having nationwide circulation and in a newspaper having wide circulation published in the language of the region where the Head Office of the Fund is situated.</p>
<p><b>Half Yearly Results</b></p>	<p>The Mutual Fund and AMC shall before the expiry of one month from the close of each half year i.e. 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.</p> <p>The unaudited financial results will also be displayed on the website of the AMC and AMFI.</p>
<p><b>Annual Report</b></p>	<p>The Scheme wise annual report or an abridged summary thereof shall be mailed (emailed, where e-mail id is provided unless otherwise required) to all Unit holders not later than four months (or such other period as may be specified by SEBI from time to time) from the date of closure of the relevant accounting year (i.e. 31st March each year) and full annual report shall be available for inspection at the Head Office of the Mutual Fund and a copy shall be made available to the Unit holders on request on payment of nominal fees, if any. Scheme wise annual report shall also be displayed on the website of the AMC (<a href="http://amc.ppfas.com">http://amc.ppfas.com</a>) and Association of Mutual Funds in India (<a href="http://www.amfiindia.com">www.amfiindia.com</a>).</p>
<p><b>Associate Transactions</b></p>	<p>Please refer to Statement of Additional Information (SAI).</p>

<p><b>Taxation</b></p> <p>The information is provided for general information only. However, in view of the individual nature of the implications, each investor is advised to consult his or her own tax advisors/ authorised dealers with respect to the specific amount of tax and other implications arising out of his or her participation in the Scheme.</p>	<p><b>Equity Fund:</b></p> <table border="1"> <thead> <tr> <th></th> <th><b>Resident Investors^^</b></th> <th><b>Mutual Fund^^</b></th> </tr> </thead> <tbody> <tr> <td><b>Equity Oriented Fund</b></td> <td></td> <td></td> </tr> <tr> <td><b>Tax on Dividend:</b></td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td><b>Capital Gains:</b></td> <td></td> <td></td> </tr> <tr> <td>Long Term</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>Short Term</td> <td>15% (plus applicable surcharge and cess)</td> <td>Nil</td> </tr> </tbody> </table> <p>PPFAS Mutual Fund is a Mutual Fund registered with the Securities &amp; Exchange Board of India and hence the entire income of the Mutual Fund will be exempt from income tax in accordance with the provisions of Section 10(23D) of the Income-tax Act, 1961 (the Act).</p> <p>Equity Oriented Funds will also attract Securities Transaction Tax (STT) at applicable rates.</p> <p>^^ For further details on taxation please refer to the Section on 'Taxation on investing in Mutual Funds' in 'Statement of Additional Information ('SAI')'.</p>		<b>Resident Investors^^</b>	<b>Mutual Fund^^</b>	<b>Equity Oriented Fund</b>			<b>Tax on Dividend:</b>	Nil	Nil	<b>Capital Gains:</b>			Long Term	Nil	Nil	Short Term	15% (plus applicable surcharge and cess)	Nil
	<b>Resident Investors^^</b>	<b>Mutual Fund^^</b>																	
<b>Equity Oriented Fund</b>																			
<b>Tax on Dividend:</b>	Nil	Nil																	
<b>Capital Gains:</b>																			
Long Term	Nil	Nil																	
Short Term	15% (plus applicable surcharge and cess)	Nil																	
<p><b>Investor Services</b></p>	<p>Investors can enquire about NAVs, Unit Holdings, Valuation, Dividends, etc. or lodge any service request at toll-free number 18002002267</p> <p>Alternately, the investors can call the AMC head office as well for any information. In order to protect confidentiality of information, the service representatives at the AMC's head office/ CAMS ISCs may require personal information of the investor for verification of his identity. The AMC will at all times endeavour to handle transactions efficiently and to resolve any investor grievances promptly.</p> <p>Investor grievances should be addressed to the ISC of the AMC, or at CAMS ISC directly. All grievances received at the ISC of the AMC will then be forwarded to CAMS, if required, for necessary action. The complaints will closely be followed up with CAMS by the AMC to ensure timely redressal and prompt investor service.</p> <p>Investors can also address their queries to the Investor Relations Officer, Mr. Aalok Mehta, 1<sup>st</sup> Floor Great Western Building, Shahid Bhagat Singh Road, opposite Lion Gate, Fort, Mumbai -400001. Investors may also send their complaints by email to <a href="mailto:investorservice@ppfas.com">investorservice@ppfas.com</a> .</p>																		

## B. Computation of NAV

The Net Asset Value (NAV) per Unit of the Scheme(s) will be computed by dividing the net assets of the Scheme(s) by the number of Units outstanding under the Scheme on the valuation date. The Mutual Fund will value its investments according to the valuation norms, as specified in Schedule VIII of the SEBI (MF) Regulations, or such norms as may be specified by SEBI from time to time. NAV of Units of under each Scheme / Plan shall be calculated as shown below:

$$\text{NAV (Rs) per unit} = \frac{\begin{array}{l} \text{Market or Fair Value of the Scheme's Investments} \\ + \text{Current Assets} \\ - \text{Current Liabilities and Provisions} \end{array}}{\text{No. of Units outstanding under the Scheme / Plan}}$$

The NAV of the Scheme(s) will be calculated and disclosed at the close of every Business Day.

Separate NAV will be declared for Direct and Distributor Plan (Please refer to SEBI circular, CIR/IMD/DF/21/2012 dated 13<sup>th</sup> September 2012)

The NAV of the Scheme(s) will be calculated up-to 4 decimals. Units will be allotted up-to 3 decimals.

There are no specific SEBI guidelines on valuation of foreign securities at present. In the absence of any guidelines, the following policy will be followed:

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

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

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

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

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

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

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

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

The AMC will calculate and disclose the first NAV of the Scheme within a period of 5 business days from the date of allotment. Subsequently, the NAVs will be calculated for all the Business Days.

## **IV. Fees and Expenses**

This section outlines the expenses that will be charged to the Scheme. The information provided under this Section seeks to assist the investor in understanding the expense structure of the Scheme and types of different fees / expenses and their percentage the investor is likely to incur on purchasing and selling the Units of the Scheme.

### **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, marketing and advertising expenses, Registrar & Transfer Agents' expenses, printing and stationary, bank charges etc.

In accordance with the provisions of SEBI Circular no. SEBI/ IMD/CIR No. 1/64057/06 dated April 04, 2006 and SEBI/IMD/CIR No. 4/ 168230/09 dated June 30, 2009, the NFO expenses shall be borne by the AMC/ Trustee/Sponsor.

### **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:

The AMC has estimated that upto 2.5% of the daily net assets of the Scheme will be charged to the Scheme as expenses. Please refer to the table below for details. For the actual current expenses being charged, the investor should refer to the website of the Mutual Fund viz. <http://amc.ppfas.com>.

**Expense Structure for Distributor Plan:**

(% of net assets)

Expense Head	PPFAS Equity Fund
Investment Management and Advisory Fees	1.98
Investor Education Expenses	0.02
Additional expenses, incurred towards different heads mentioned under sub-regulations (2) and (4) of Regulation 52 of the SEBI Regulations shall not exceed 0.20 % of daily net assets of the Scheme.  Refer to SEBI Circular no. CIR/ IMD/DF/21/2012 dated 13 <sup>th</sup> September 2012.	0.20
Distributor fees/ commission	0.50
Total Estimated Recurring Expenses.	2.70

**Expense Structure for Direct Plan:**

(Expenses incurred for Distributor Plan - Distributor Commission)

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

These estimates have been made in good faith as per the information available to the Investment Manager and are subject to change inter-se. The expenses under any head may be more or less than as specified in the table above, but the total recurring expenses that can be charged to the Scheme will be subject to limits prescribed from time to time under the SEBI (Mutual Fund) Regulations.

The AMC may charge the Mutual Fund with investment and advisory fee as prescribed in the SEBI (MF) Regulations from time to time. Presently, the SEBI (MF) Regulations permit fees as follows:

**The recurring expenses of the Scheme shall be as per the limits prescribed under the SEBI (MF) Regulations. These are as follows:**

**Total Recurring Expense as a % of Daily Average Net Assets\*\***

- (i) on the first Rs.100 crores of the daily net assets 2.5%;
- (ii) on the next Rs.300 crores of the daily net assets 2.25%;
- (iii) on the next Rs.300 crores of the daily net assets 2.00%;

(iv) on the balance of the assets 1.75%:

\*\* Minimum of 0.02% shall be allocated annually to investor education and awareness initiatives

It is possible that the AMC may charge the maximum recurring expenses provided above as investment management and advisory fees. In such case the other recurring expenses will not be charged to the Scheme except for 0.02% on daily net assets for investor education and awareness initiatives.

Service tax on investment management and advisory fees, to the Scheme will be, in addition to the maximum annual recurring expenses that may be charged to the Scheme.

In addition to the limits specified above, as permitted under Regulation 52 (6A) of the SEBI Regulations, the following costs or expenses may be charged to the Scheme:

1. brokerage and transaction costs which are incurred for the purpose of execution of trade and is included in the cost of investment, not exceeding 0.12% in case of cash market transactions and 0.05% in case of derivatives transactions;

2. expenses not exceeding of 0.30% of daily net assets, if the new inflows from beyond the top 15 cities are at least:

(i) 30 % of gross new inflows in the Scheme, or;

(ii) 15 % of the average assets under management (year to date) of the Scheme,

whichever is higher:

Provided that:

(i) if inflows from such cities is less than the higher of sub-clause (i) or (ii), such expenses on daily net assets of the Scheme shall be charged on proportionate basis;

(ii) expenses charged under Regulation 52(6A)(b) shall be utilised for distribution expenses incurred for bringing inflows from such cities;

(iii) the amount incurred as expense on account of inflows from such cities shall be credited back to the Scheme in case the said inflows are redeemed within a period of one year from the date of investment;

3. Additional expenses, incurred towards different heads mentioned under sub-regulations (2) and (4) of Regulation 52 of the SEBI Regulations shall not exceed 0.20 % of daily net assets of the Scheme.

Subject to the Regulations and the Offer Document, expenses over and above the prescribed ceiling will be borne by the AMC, Trustees or the Sponsor.

### C. Transaction Charges

SEBI with the intent to enable investment by people with small saving potential and to increase reach of Mutual Fund products in urban areas and in smaller towns, wherein the role of the distributor is vital, has allowed AMC's vide its circular No. Cir/IMD/ DF/13/ 2011 dated August 22, 2011 to deduct transaction charges for subscription of Rs. 10,000/- and above. The said transaction charges will be paid to the distributors of the Mutual Fund products.

In accordance with the said circular, AMC / Mutual Fund will deduct the transaction charges from the subscription amount and pay to the distributors (who have opted to receive the transaction charges) as shown in the table below. Thereafter, the balance of the subscription amount shall be invested.

(i) Transaction charges shall be deducted for Applications for purchase/ subscription received through distributor/ agent as under:

Investor Type	Transaction Charges
First Time Mutual Fund Investor	Transaction charge of Rs. 150/- for subscription of Rs. 10,000 and above will be deducted from the subscription amount and paid to the distributor/ agent of the first time investor. The balance of the subscription amount shall be invested.
Investor other than First Time Mutual Fund Investor	Transaction charge of Rs. 100/- per subscription of Rs. 10,000 and above Mutual Fund will be deducted from the subscription amount and paid to the distributor/ agent of the investor. The balance of the subscription amount shall be invested.

However, transaction charges in case of investments through SIP shall be deducted only if the total commitment (i.e. amount per SIP installment x No. of installments) amounts to Rs. 10,000/- or more. The transaction charges shall be deducted in 4 installments.

Identification of investors as "first time" or "existing" will be based on Permanent Account Number (PAN) at the First/ Sole Applicant/ Guardian level. Hence, Unit holders are urged to ensure that their PAN / KYC is updated with the Fund. Unit holders may approach any of the Official Points of Acceptances of the Fund i.e. Investor Service Centres (ISCs) of the Fund/ offices of our Registrar and Transfer Agent, M/s. Computer Age Management Services Pvt. Ltd in this regard.

**(ii) It may be noted that Transaction Charges shall not be deducted:**

- (a) where the distributor of the investor has not opted to receive any Transaction Charges;
- (b) for purchases / subscriptions/ total commitment amount in case of SIP of an amount less than Rs. 10,000/-;
- (c) for transactions other than purchases / subscriptions relating to new inflows i.e. through switches, etc.;
- (d) for purchases / subscriptions made directly with the Fund (i.e. not through any distributor);
- (e) for purchases / subscriptions routed through Stock Exchange(s) as applicable.

### 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 (<http://amc.ppfas.com>) or call at Toll Free No. 1800 233 6767 or your distributor.

#### Details of Load Structure (On Ongoing basis)

Particulars ( as a % of Applicable NAV)	PPFAS Long Term Value Fund
Entry Load	Not Applicable.  Pursuant to SEBI circular no. SEBI/IMD/CIR No.4/168230/09 dated June 30, 2009, no entry load will be charged by the Scheme to the investor.  Upfront commission shall be paid directly by the investor to the ARN Holder (AMFI registered Distributor) based on the investors' assessment of various factors including the service rendered by the ARN Holder.
Exit/ Redemption Load	The Scheme will not charge any Exit Load.

Under the Scheme , the Trustee / AMC reserves the right to modify / change the Load structure if it so deems fit in the interest of smooth and efficient functioning of the Mutual Fund. The AMC reserves the right to introduce / modify the Load Structure depending upon the circumstances prevailing at that time subject to maximum limits as prescribed under the SEBI (Mutual Funds) Regulations.

The Load may also be changed from time to time and in the case of an Exit / Redemption Load this may be linked to the period of holding.

The Redemption Price however, will not be lower than 93% of the NAV, and the Sale Price will not be higher than 107% of the NAV, provided that the difference between the Redemption price and Sale price at any point in time shall not exceed the permitted limit as prescribed by SEBI from time to time which is presently 7% calculated on the Sale Price.

Any imposition or enhancement of Exit Load in the load shall be applicable on prospective investments only.

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However, AMC shall not charge any load on issue of bonus units and units allotted on reinvestment of dividend for existing as well as prospective investors. At the time of changing the load structure the AMC / Mutual Fund may adopt the following procedure:

(i) The addendum detailing the changes will be attached to Scheme Information Document and Key Information Memorandum and displayed on our website <http://amc.ppfas.com>. The addendum will be circulated to all the distributors / brokers so that the same can be attached to all Scheme Information Document and Key Information Memorandum already in stock.

(ii) Arrangements will be made to display the changes / modifications in the Scheme Information Document in the form of a notice in all the Investor Service Centres and distributors / brokers office.

(iii) The introduction of the Load along with the details will be stamped in the acknowledgment slip issued to the investors on submission of the application form and will also be disclosed in the Account Statement or in the covering letter issued to the Unit holders after the introduction of such Load.

(iv) 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.

(v) Any other majors which the mutual fund may feel necessary.

#### **E. Waiver of Load for Direct Applications**

Pursuant to SEBI circular no. SEBI/IMD/CIR No.4/ 168230/09 dated June 30, 2009 no entry load shall be charged for all mutual fund schemes. Therefore, the procedure for waiver of load for direct applications is no longer applicable.

#### **V. Rights of Unitholders**

Please refer to 'Statement of Additional Information ('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 authority**

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

**Not Applicable**

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 Trustee /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 offenses, 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.

**Details of penalties imposed by NSE and BSE for non-compliance with its rules.**

**(Amount Rs. in lakhs)**

<b>Financial Year</b>	<b>NSE</b>	<b>BSE</b>
2010-2011	0.32	0.26
2011-2012	0.37	0.14
2012-November 2012	0.03	0.07

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 Trustee /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.

**None.**

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 Trustee /Trustee Company and/ or any of the directors and/ or key personnel are a party should also be disclosed separately.

**None.**

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 Scheme Information Document, or which has been notified by any other Regulatory Agency, shall be disclosed.

**None.**

**Note:**

**Any amendments / replacement / re-enactment of SEBI (MF) Regulations subsequent to the date of the Scheme Information Document shall prevail over those specified in this Scheme Information Document.**

**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.**

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For and on behalf of

**PPFAS Asset Management Private Limited.**

sd/-

Rajeev Thakkar.  
Chief Executive Officer and  
Director.